भारत सरकार / Government of India
राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण /National Financial Reporting Authority

7th Floor, Hindustan Times House,
KG Marg, New Delhi

No.NF-25012/1/2021 **Dated 28.09.2021**

To,

The Secretary,
Institute of Chartered Accountants of India,
ICAI Bhawan, Indraprastha Marg
New Delhi - 110 002

Subject: ICAI Recommendations on Accounting Standards to NFRA u/s 133 of the Companies Act, 2013

Respected Sir,

This is with reference to your communication dated 28.06.2021 and 26.08.2021 regarding submission of ICAI's recommendation on revision of existing Accounting Standards to Companies that are not required to follow Indian Accounting Standards (Ind ASs).

2. As part of the above recommendations, the ICAI has sent its Approach Paper for revision of existing ASs and the proposed texts of 18 revised ASs out of a total of 32 revised ASs expected to be prescribed upon completion of this AS revision project. It has been noted from these documents that the ICAI had embarked on a project to revise the existing Accounting Standards (ASs) in the background of implementation of Indian Accounting Standards (Ind ASs) for certain class of Companies (called as Public Interest Entities). It has also been noted while discussing Ind AS recommendations during 2010 to 2014 some members of the Core Group set up by MCA for Ind AS Implementation were of the view that the recognition and measurements in accounting standards should be by and large the same for all Companies. Accordingly, ICAI had developed an Approach Paper during 2014-15 for formulating 2nd set of accounting standards for non-Ind AS companies and this Approach Paper was revised recently in 2020.

3. It can be noted that these Revised ASs will be applicable for Companies to whom the Ind ASs are not mandatory. As a result, these Revised ASs will be mandatory to large number of Micro, Small and Medium-size Companies (MSMCs) and will replace the existing ASs notified under Companies (Accounting Standards) Rules 2006 notified under erstwhile Companies Act, 1956 and which were recently re-notified as Companies (Accounting Standards) Rules 2021 under Companies Act, 2013. The Revised ASs are planned to be implemented in two phases starting from the accounting year 2023-24. As mentioned in the Revised Approach Paper 2020, the population of Companies to which these Revised ASs will be applicable is likely to be very large and more importantly, it will be a diverse set of companies ranging from tiny Companies with net worth of only a few lakhs to medium-size Companies with Net Worth upto ₹ 250 Crores.

4. While revision of the existing ASs in line with high quality Ind ASs substantially converged with globally accepted IFRS Standards is desirable, it is important to note the need for undertaking robust and comprehensive Regulatory Impact Assessment (RIA) in view of the following reasons and

contemporary global best practices.

4.1 RIA is a systematic approach to critically assess the positive and negative effects of proposed and existing regulations and non-regulatory alternatives. RIA is defined as a "Systematic process of identification and quantification of benefits and costs likely to flow from regulatory and non-regulatory options for a policy under consideration" (OECD, 2018, p. 250[2])[1]. RIA has been institutionalised in many jurisdictions across the world and there are examples of tangible benefits of undertaking RIA in jurisdictions such as Australia, South Korea, Vietnam, European Union and US. It would also be useful to note the important principles of the Regulator's Code developed by the Department for Business, Innovation and Skills, United Kingdom (UK) which regulates the companies incorporated in UK. (Refer **Annexure I** for details).

4.2 In India, there have been many Expert Committees (Refer **Annexure II** for excerpts of recommendations of the some of these expert committees) that have also recognised the benefits of RIA and recommended its adoption. It is pertinent to note here the following excerpts from the report of committee set up by MCA on the past.

"Committee for Reforming the Regulatory Environment for Doing Business in India (2013, Set up by Ministry of Corporate Affairs)

4.17 The seemingly mindless explosion of regulations, impacting seriously on management time and cost has created a negative perception of the regulatory environment in which business is conducted. Most developed countries have put in place a formal system of regulatory impact assessment (RIA) in order to determine whether the effort involved and the costs required to be incurred are commensurate with the results sought to be achieved. The regulated universe is continuously changing in regard to participants, products/ instruments and processes, with the attendant attributes of size and the complexity that they engender. This challenge is being addressed more often than not by increased frequency of regulations often resulting in regulatory overreach. Ambitious in scope and expansionist in effect, many regulations are a clear case of biting of more than one can chew. In such a situation it becomes imperative to put in place a formal system of regulatory impact assessment.

4.22 A regulatory impact assessment of every proposed regulation should precede the public consultation process which has been dealt with elsewhere in this report. This would lead to fewer regulations with more of them being more productive and purposeful than at present."

5. From an initial perusal of the ICAI recommendations, it has been observed that there is no evidence of a comprehensive RIA having been performed on this project nor any report on public consultation on the Approach Paper, either at the time of the original paper of 2014-15 or at the time of revision in 2020, for revising the existing ASs. Therefore, in order to facilitate well informed review and consideration of the ICAI Approach Paper and the Draft ASs by the NFRA, it was considered appropriate by NFRA to perform a primary research in respect of the following accounting and auditing aspects of Companies with Net Worth below ₹ 250 Crores. For the purpose of further analysis, such Companies are referred to AS Companies. The primary research performed relates to:

a. Identification and Analysis of Key Stakeholders of AS Companies General Purpose Financial Statements (GPFS).
b. Review of the proposal for Revised ASs vis-à-vis the following:
i. Proportionality of Revised ASs versus Type and Size of the operations of AS Companies;
ii. Cost -Benefit Analysis of the proposed implementation of Revised ASs along with the existing Standards on Auditing (SAs).

6. Preliminary findings of our primary research mentioned in the paragraph 5 above indicate the following key features.

6.1 Identification and Analysis of Key Stakeholders of GPFSs of AS Companies

6.1.1 Population size of Companies & Status of Filing of Annual Financial Statements

Based on the statistics published by the Ministry of Corporate Affairs, Government of India (MCA) (Refer Table 1.1 in **Annexure III**), the total number of active companies was in the range of 11,59,945 to 12,99,710 during the period 2018-2021. The preponderant share is of private limited and one person companies: 93.85%, 94.43%, 94.66% and 94.93% of the total number of active companies were private limited companies and one person companies as of 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021, respectively.

For the financial year (FY) 2018-19, only 52.48% (6,03,055 Companies) of the total number of active companies have filed their AFSs and MGT -7 as of June 2021 (Refer Table 1.2 in **Annexure III**). Such a low percentage of compliance with a critical statutory filing even after two years from the end of the reporting period indicates lack of adequate accounting professionals with many of these companies. It may also be relevant to note that there are only 4,349 Listed Companies in the total of 6,03,055 that have filed their AFS so far.

Of the total number of companies that have filed AFS for the FY 2018-19, 97.09% (5,85,535 Companies) have submitted their financial statements prepared under Companies (Accounting Standards) Rules 2006 (AS Framework) and 2.91% (17,520 Companies) have submitted financial statements prepared under Companies (Indian Accounting Standards) Rules 2015 (Ind AS Framework) (Refer Table 1.3 in **Annexure III**).

Out of the total companies which have made filings, 99.41% (5,99,487 companies)[2] have reported Net Worth below ₹ 250 Crores (an important monetary threshold for mandatory adoption of Ind AS Framework).

6.1.2 The above data indicates the following key features of AS companies.

i. Net Worth Size (Refer Table 2.1 in **Annexure III**):
- Of the total number of 5,99,487 AS Companies, there are 4,76,536 Companies with cumulative positive Net Worth of ₹ 21,37,302 Crores and 1,22,951 Companies with cumulative negative Net Worth of ₹ 9,50,457 Crores.
- Among the AS Companies with positive Net Worth, a large number of Companies (4,57,170), i.e., nearly 95.93% have very low size of Net Worth i.e., Net Worth below ₹ 25 Crores.
- AS Companies with negative Net Worth have Turnover in the range of ₹ 11.8 to 54,900 Crores (over and above zero). Further, these Companies have Indebtedness in the range of ₹ 55.2 to 72,700 Crores (over and above zero).

ii. Turnover (Refer Table 3.1 in **Annexure III**)
- Of the total number of 5,99,487 AS Companies, there are a large number of Companies (2,09,122 Companies accounting for 34.88%) that have reported Nil Turnover (in some case there could be data input errors in MCA21).
- Among the AS Companies having Turnover, a large number of Companies (3,67,019) i.e., nearly 61.22% have very low size of turnover i.e., below ₹ 50 Crores.
- AS Companies with Nil Turnover have instances where reported Indebtedness is of upto ₹ 9,332 Crores.

iii. Indebtedness ((Refer Table 4.1 in **Annexure III**)
- Of the total number of 5,99,487 AS Companies, a significant number of Companies (2,66,832 Companies accounting for 44.51%) have reported NIL Indebtedness. Of these debt-free Companies, 1,12,043 Companies, nearly 41.99%, have also reported NIL Turnover.
- Further, out of the remaining companies having indebtedness, there are a large number of

companies (3,15,803 Companies, nearly 52.68%) that have low size of Indebtedness i.e., below ₹ 25 Crores.

iv. Payments to Auditors[3] ((Refer Table 5.1 in **Annexure III**)

- There are a large number of Companies (1,81,392 Companies, nearly 30.26%) which have reported NIL of Payments to Auditors. This could be data input error indicating lack of adequate accounting professionals with many of these companies.
- Majority number of Companies (2,48,218 Companies accounting for 41.41%) have reported small amounts of Payments to Auditors i.e., below ₹ 25 Thousands. Of these Companies, 40,708 Companies have reported very small amounts of Payments to Auditors i.e. below ₹ 5 Thousand.

*The tables for Net Worth, Turnover and Indebtedness analysis for companies with net worth above ₹ 250 crore have also been included in **Annexure III** for reference purposes.*

6.1.3 Users of GPFSs of AS Companies

As noted in the previous paragraphs and depicted in Table 1.1 in **Annexure III**, substantial number of these AS Companies are private limited companies; 93.85%, 94.43%, 94.66% and 94.93% of the total number of active companies are private limited companies and one person companies as of 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021, respectively. A large majority of Companies have very low size of Indebtedness or reported NIL indebtedness, which indicates low risk to larger public interest and very limited set of users of GPFSs of these Companies. Therefore, primary users of GPFSs of these companies would be owners or shareholders of these private limited companies, who are unlikely to depend upon GPFRs for much of the financial information they need.
Tax Authorities have also substantially done away with the requirement of audit by Chartered Accountants. By the Finance Act, 2021, Income Tax audit has been dispensed with for businesses with turnover of up to Rs 10 crores, provided not more than 5 % of the total transactions are in cash. GST Audit has also been completely done away with. Lenders, if any, such as banks have special requirements that are not within the purview of GPFSs.
In view of the above, the extent of public interest involved in the financial reporting of AS Companies is most likely to be minimal.

6.2 Proportionality of Revised ASs versus Type and Size of the operations of AS Companies

6.2.1 Nature and Complexity of Revised ASs

Based on the ICAI's proposed approach, there are a number of ASs which are very large and complex as those are virtually same as the Ind ASs or Existing ASs which are primarily developed from the relevance and usefulness to the users of large PIEs. Some such large complex Revised ASs are listed below.
AS 12, *Income Taxes*
AS 16, *Property, Plant and Equipment*
AS 17, *Leases*
AS 19, *Employee Benefits*
AS 21, The Effects of Changes in Foreign Exchange Rates
AS 36, Impairment of Assets
AS 38, Intangible Assets
AS 41, Agriculture
AS 102, Share-based payments
AS 113, Fair Value Measurement
Further, the following Revised ASs may not be relevant and useful to the users of financial statements of these SMCs.
AS 33, *Earnings per Share*
AS 34, *Interim Financial Reporting*
AS 21, *Consolidated and Separate Financial Statements*

AS 23, *Accounting for Investments in Associates in Consolidated Financial Statements*
AS 27, *Financial Reporting of Interests in Joint Ventures*
AS 108, *Operating Segments*

6.2.2 Type and Size of AS Companies
It is evident from the analysis of data relating to 5,99,847 Companies with Net Worth below ₹ 250 Crores, that

i. There are a large number of Companies in the category of Private Limited Companies.
ii. 96.77% of the Companies with positive Net Worth also are of very small size i.e., Net Worth below ₹ 25 Crores.
iii. 96.10% have very low size of Turnover i.e., below ₹ 50 Crores.
iv. 52.68% have low size of Indebtedness i.e., below ₹ 25 Crores; another 44.48% have reported NIL Indebtedness.

6.3 Cost -Benefit Analysis of the proposed implementation of revised ASs along with the existing Standards on Auditing (SAs)[4].

6.3.1 In view of the significant role played by AS Companies, which is likely to comprise Micro, Small and Medium-size Companies, in the economic growth and development of the Nation, it is essential that regulatory environment is conducive to support, and not burden, the growth in business and economic activities of these entities. Implementation of high-quality standards and codes relating to accounting standards is an important area of regulation or statutory requirement that is intended to usher in sound and effective monitoring of the financial affairs of the entities, enhance efficiency in the governance and financial management of the entities and above all to protect the public interest, if any. However, the regulations relating to financial reporting should not impose undue burden and cost on the regulated entities and the overall regulatory framework should be proportional to the size and type of the entities that are subject to such regulations.

6.3.2 Preparation and reporting of financial information by the AS Companies also involves costs. Preparers incur costs for collecting and processing the financial information to generate the GPFSs. Preparers also incur costs in the form of audit fees to enable and enhance credibility of the GPFSs. No doubt, there are benefits of the high-quality GPFSs to the Preparers and Users of GPFS and also to public in general. However, it is impractical to reliably and precisely estimate and quantify the benefits of GPFSs. This fact is also somewhat relevant in quantifying the costs incurred by the preparers.

6.3.3 In the above background, it may be useful to consider the costs incurred for getting the GPFSs of AS Companies audited by an independent auditor. In this regard, standard cost approach was adopted to estimate the audit cost involved. (Refer **Annexure IV**).

6.3.4 It can be seen from the expected standard of cost audit fee to perform reasonably good quality audit, performed in letter and spirit of the SAs, of the AS Companies with Turnover below ₹ 50 Crores is expected to be in the range of ₹ 1.50 lakhs to ₹ 8.43 lakhs (Refer **Annexure IV**). This expected audit cost is significantly higher as compared to the presently reported audit fee ranges i.e., large percentage of AS Companies have reported Payment to Auditors of less than ₹ 25 thousand.

7. Based on the findings of preliminary research performed by NFRA as highlighted above, and persuaded by the extent of public interest in the financial reporting area of AS Companies and the need for enabling a regulatory environment conducive for their economic growth, it is recommended as follows.

7.1 The Approach Paper should be developed in a transparent manner after extensive nation-wide consultation with the primary stakeholders i.e., the Preparers - MSMCs and Auditors - MSMPs (Micro, Small and Medium-size Practitioners). ICAI is requested to send NFRA the analysis of the public comments on the Approach Paper if the ICAI had performed any such public consultation in the past.

7.2 Comprehensive study and research should be performed on the costs to the Preparers of compliance with these Revised ASs and their technical resource capacity, which should be evaluated against the likely benefits to all the stakeholders of AS Companies segment.

7.3 ICAI should reconsider the Structure, Form and Contents of Revised ASs for AS Companies and align the same to the nature, size and complexity of the ASs to their commercial needs, business size, capacity to comply with the prescribed standards and relevance to their primary users. ICAI should adopt the following approach for revision of ASs for AS Companies.

a. Revised AS for AS Companies should be prescribed in a stand-alone single module with various accounting aspects divided into separate chapters or sections.
b. Text and language of the prescriptions should be plain and simple. It should enable better compliance with the prescribed standards.
c. The Accounting aspects covered in the Revised AS for AS Companies should be relevant and applicable to the business and operating environment of AS Companies
d. ICAI should consider the contemporary global practices in this area e.g., ICAI should evaluate the structure and form of the following pronouncements.

i)UK FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland
ii)UK FRS 105, The Financial Reporting Standard applicable to the Micro-entities Regime
iii)IFRS for SMEs of IFRS Foundation
iv)A Guide for Micro-sized entities applying IFRS for SMEs
v) AICPA, US Financial Reporting Framework for Small and Medium-sized Entities

e) ICAI should consider the need for a separate set of ASs for Micro-entities.

7.4 Ind AS applicability threshold

Currently, the primary criteria for mandatory applicability of Ind ASs as per the Companies (Indian Accounting Standards) Rules 2015 are (a) listing of securities of the company on recognised stock exchanges and (b) net worth of the companies. However, Turnover and Borrowings from Banks and Financial institutions by the Companies or overall Indebtedness of the Companies is also an important feature indicating existence of public interest. Therefore, there is a need to revisit the currently prescribed criteria and consider inclusion of Turnover or quantum of the Borrowings or Indebtedness of the Companies also as a criteria for Ind AS applicability.

Vivek Narayan

Vivek Narayan
Secretary

Copy to: Shri K.V.R Murty,
Joint Secretary,
Ministry of Corporate Affairs
5th Floor, Shastri Bhavan,
Dr Rajendra Prasad Road,
New Delhi – 110 001

विवेक नारायण/VIVEK NARAYAN
सचिव/Secretary
राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority

List of enclosures is as follows:

S.No.	Details of Item/ Description	Pg No.
1.	Important principles of the Regulator's Code[5] and developed by the Department for Business, Innovation and Skills, United Kingdom (UK) which regulates the companies incorporated in UK **(Annexure I)**	8
2.	Expert Committees Recommendations on RIA – India **(Annexure II)**	9
3.	Data Tables used by NFRA for its Research **(Annexure III)**	11
4.	Estimated Cost of Audit using Standard Cost Model Approach **(Annexure IV)**	22
5.	Approach Paper on Revision of Accounting Standards, submitted by ICAI vide email dated 28.06.2021 **(Annexure V)**	27

Annexure I

Important principles of the Regulator's Code[6] developed by the Department for Business, Innovation and Skills, United Kingdom (UK) which regulates the companies incorporated in UK

1. Regulators should carry out their activities in a way that supports those they regulate to comply and grow
1.1 Regulators should avoid imposing unnecessary regulatory burdens through their regulatory activities1 and should assess whether similar social, environmental and economic outcomes could be achieved by less burdensome means. Regulators should choose proportionate approaches to those they regulate, based on relevant factors including, for example, business size and capacity.
2. Regulators should provide simple and straightforward ways to engage with those they regulate and hear their views
2.1 Regulators should have mechanisms in place to engage those they regulate, citizens and others to offer views and contribute to the development of their policies and service standards. Before changing policies, practices or service standards, regulators should consider the impact on business and engage with business representatives.
1.2 When designing and reviewing policies, operational procedures and practices, regulators should consider how they might support or enable economic growth for compliant businesses and other regulated entities[2], for example, by considering how they can best:
([2]The terms 'business or businesses' is used throughout this document to refer to businesses and other regulated entities.)

Annexure II

Expert Committees recommendations on RIA-India

1 Committee for Reforming the Regulatory Environment for Doing Business in India (2013, set up by Ministry of Corporate Affairs)

"4.17 The seemingly mindless explosion of regulations, impacting seriously on management time and cost has created a negative perception of the regulatory environment in which business is conducted. Most developed countries have put in place a formal system of regulatory impact assessment (RIA) in order to determine whether the effort involved and the costs required to be incurred are commensurate with the results sought to be achieved. The regulated universe is continuously changing in regard to participants, products/ instruments and processes, with the attendant attributes of size and the complexity that they engender. This challenge is being addressed more often than not by increased frequency of regulations often resulting in regulatory overreach. Ambitious in scope and expansionist in effect, many regulations are a clear case of biting of more than one can chew. In such a situation it becomes imperative to put in place a formal system of regulatory impact assessment.

4.22 A regulatory impact assessment of every proposed regulation should precede the public consultation process which has been dealt with elsewhere in this report. This would lead to fewer regulations with more of them being more productive and purposeful than at present."

2 Financial Sector Legislative Reforms Commission (FSLRC) (2013)

Table of Recommendations 4.1 Issuance of documents for public consultation
The regulator will have to publish the following documents in the process of formulating new regulations:
1. The draft regulations;
2. The jurisdiction clause to identify the legal provision under which the proposed regulations are being made, and the manner in which the regulation is consistent with the principles in the concerned legislation(s). If the parent legislation does not specifically refer to the subject matter of regulations, the regulator will have to establish a logical connection between the subject matter and the empowering provision in the law. The document must contain explanation on how the regulation stands vis-a-vis each of the relevant principles in the part(s) of the Code from which the powers are being drawn;
3. A statement of the problem or market failure that the regulator seeks to address through the proposed regulations, which will be used to test the effectiveness with which the regulations address the stated problem.
The statement must contain:

- The principles governing the proposed regulations; and
- The outcome the regulator seeks to achieve through the regulation; and

4. An analysis of the costs and benefits of the proposed regulation. This is required because every regulatory intervention imposes certain costs on regulated entities and the system as a whole. The Commission recommends that regulations be drafted in a manner that minimises these compliance costs.
In some cases, where a pure numerical value-based cost-benefit analysis is not possible, the regulator should provide the best possible analysis and reasoning for its choice of intervention.

After publishing the above documents, the regulator will specify a designated time for receiving comments from the public on the regulations and the accompanying documents. The draft Code will ensure that the time period and the mode of participation specified by the regulator is appropriate to allow for widespread public participation.

3 Handbook on adoption of governance enhancing and non-legislative elements of the draft Indian Financial Code (Department of Economic Affairs, Ministry of Finance, Government of India – December 26, 2013)

Chapter 1 Background

In its Eighth Meeting, the Financial Stability and Development Council (FSDC) decided, inter alia that,

"all the financial sector regulators (including FMC) will finalise an action plan for implementation of all the FSLRC principles relating to regulatory governance, transparency and improved operational efficiency that do not require legislative action."1

Chapter 4 Framing Regulations

4 The regulators, as per their FSDC Resolution dated October 24, 2013, decided that

" 1. All regulations after Oct. 31, 2013 and all other subordinate legislations (including circulars, notices, guidelines, letters, etc.) issued after Dec. 31, 2014 must comply with the following requirements:

2. No subordinate legislation may be published without a Board resolution determining the need for such subordinate legislation.

3. All draft subordinate legislation should be published with statement of objectives, the problem it seeks to solve, and a cost-benefit analysis (using best practices).

4. Comments should be invited from the public and all comments should be published on the web site of the regulator. Regulations will become effective after the Board approves them. Board approval should take into account all comments received.1 "

4 Expert Committee on Prior Permissions and Regulatory Mechanism, February 2016 (Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India)

"Chapter III Regulatory Impact Assessment – Continuous Process

3 There is, therefore, the need for a standing mechanism within the Government which takes fair and balanced view regarding what is good for business and consequently wealth creation and employment generation on one hand and, public welfare considerations such as consumer protection, safety, preservation of the environment and interests of labour, on the other hand. An assessment of tangible and intangible costs to business and benefits to society from any particular regulation and the trade-offs between the two is intrinsic to such a process. Such a view needs to be taken on an on-going basis regarding existing regulatory requirements as well as proposed new ones. ...."

Annexure III

Data Tables used by NFRA for its Research

Identification and Analysis of Key Stakeholders of GPFSs of AS Companies.

1 Population size of Companies & Status of Filing of AFSs/MGT 7

Before identifying and analysing the certain key features of AS Companies, it is considered appropriate to identify the population size of the AS Companies and the status of filing of Annual Financial Statements by these Companies. The data sources used for this purpose are as follows.

a) Population Size of Companies: This data is obtained from Monthly Information Bulletins published by Ministry of Corporate Affairs, Government of India (MCA).

b) Status of Filing of AFSs/MGT 7: This data is obtained from annual returns (viz. MGT 9) and AOC-4 filed with MCA and stored I the MCA's Corporate Data Management (CDM). Filings are for the financial year 2018-19[7] and cut-off date for filings is June 2021.

Table 1.1 : Total Population Size -Total number of Active Companies limited by Shares

Company Type	31 March 2018		31 March 2019		31 March 2020		31 March 2021	
	Number	%	Number	%	Number	%	Number	%
Private Limited	**10,88,657**	**93.85**	**10,85,178**	**94.43**	**11,28,300**	**94.66**	**12,33,768**	**94.93**
Of which								
Private Limited	*10,71,944*	-	*10,62,418*	-	*11,00,235*	-	*11,97,244*	-
One Person Company	*16,713*	-	*22,760*	-	*28,065*	-	*36,524*	-
Public	**71,288**	**6.15**	**63,989**	**5.57**	**63,592**	**5.34**	**65,942**	**5.07**
Of which								
Listed	*7,239*	-	*6,915*	-	*6,802*	-	*6,740*	
Unlisted	*64,049*	-	*57,074*	-	*56,790*	-	*59,202*	
Total	**11,59,945**	**100**	**11,49,167**	**100**	**11,91,892**	**100**	**12,99,710**	**100**

[7] In view of the on-set of global pandemic COVID-19 in March 2020, there are likely to be delays in filings by the companies during 2019-20. Hence, the previous filing year has been considered.

Table 1.2 Summary Status of Filing of Annual Financial Statements/MGT-7 for FY 2018-19								
Company Type	Total Active Companies		AFS/MGT-7 Filing Data					
			Total number of filings		Companies with Net Worth below ₹ 250 crores		Companies with Net Worth above ₹ 250 crores	
	Number of Companies	%	Number of Companies	%	Number of Companies	%	Number of Companies	%
Private Limited *of which*	10,85,178	94.43%	5,68,556	52.39%	5,66,935	94.57%	1,621	45.43%
Private Limited	*10,62,418*	-	5,60,405		*5,58,784*	-	*1,621*	-
One Person Co.	*22,760*	-	8,151		*8,151*	-	-	-
Public Limited *Of which*	63,989	5.57%	34,499	53.91%	32,552	5.43%	1,947	54.57%
Listed	*6,915*	-	4,349		3478	-	*871*	
Unlisted	*57,074*	-	30,150		*29,074*	-	*1,076*	
Total	**11,49,167**	**100%**	6,03,055	**52.48%**	**5,99,487**	**100%**	**3,568**	**100%**

Table 1.3 AFS/MGT 7 Filings by Type of Filings for 2018-19- Companies with A) Net Worth below ₹ 250 crores								
Company Type	Total number of filings		Type of Filings					
			AOC 4 XBRL -Ind AS		AOC 4 XBRL -AS		AOC 4 -AS	
	Number of Companies	%	Number of Companies	%	Number of Companies	%	Number of Companies	%
Private Limited *Of which*	5,66,935	94.57%	8,517	58.41%	23,404	78.58%	5,35,014	96.38%
Private Limited	*558784*		8,517		*23,401*	-	*5,26,866*	-
One Person Co.	*8151*		0		*3*	-	*8,148*	-
Public Limited *Of which*	32,552	5.43%	6,064	41.59%	6,379	21.42%	20,109	3.62%
Listed	*3478*		2,491		*655*		*332*	
Unlisted	*29074*		3,573		*5724*		*19,777*	
Total (A)	**5,99,487**	**100%**	**14,581**	**100%**	**29,783**	**100%**	**5,55,123**	**100%**

B) with Net Worth above ₹ 250 crores								
Company Type	Total number of filings		Type of Filings					
			AOC 4 XBRL -Ind AS		AOC 4 XBRL -AS		AOC 4 -AS	
	Number of Companies	%	Number of Companies	%	Number of Companies	%	Number of Companies	%
Private Limited *Of which*	1,621	45.43%	1,261	42.91%	228	76.51%	132	39.88%
Private Limited	*1,621*	-	*1,261*		*228*	-	*132*	-
One Person Company	*0*	-	*0*		*0*	-	*0*	-
Public Limited *Of which*	1,947	54.57%	1,678	57.09%	70	23.49%	199	60.12%
Listed	*871*	-	*812*		*5*	-	*54*	
Unlisted	*1,076*	-	*866*		*65*	-	*145*	
Total (B)	**3,568**	**100%**	**2,939**	**100%**	**298**	**100%**	**331**	**100%**
Grand Total (A+B)	**6,03,055**		**17,520**		**30,081**		**5,55,454**	

Net Worth Based Analysis										
Table 2.1 Companies with Net Worth below ₹ 250 crores (all amount in crores except no.of companies)										
	No. of Companies				**Turnover Analysis**			**Indebtedness Analysis**		
Net Worth Range (₹ Crores)	**Private**	**Public**	**Total No. of Companies**	**Total Net Worth (₹ Crores)**	**No. of companies with +ve Turnover**	**No. of companies with zero Turnover**	**Turnover range (Min &Max) (₹ Crores)**	**No. of companies with Indebtedness**	**No. of companies with Zero Indebtedness**	**Indebtedness Range (Min &Max) (₹ Crores)**
Positive Net Worth										
>=200-<250	497	246	743	1,65,888	678	65	0 & 5,960	496	247	0 & 2,771
>=100-<200	2,192	1086	3,278	4,58,021	2,928	350	0 & 16,780	2,272	1,006	0 & 18,413
>=50-<100	4,383	1,514	5,897	4,12,461	5,031	866	0 & 19,538	3,801	2,096	0 & 8,525
>=25-<50	7,501	1,947	9,448	3,32,026	7,878	1,570	0 & 14,081	6,208	3,240	0 & 8,236

	No. of Companies				Turnover Analysis			Indebtedness Analysis		
Net Worth Range (₹ Crores)	Private	Public	Total No. of Companies	Total Net Worth (₹ Crores)	No. of companies with +ve Turnover	No. of companies with zero Turnover	Turnover range (Min &Max) (₹ Crores)	No. of companies with Indebtedness	No. of companies with Zero Indebtedness	Indebtedness Range (Min &Max) (₹ Crores)
>=10-<25	18,032	3,233	21,265	3,31,823	17,193	4,072	0 & 21,260	13,743	7,522	0 & 9,959
>=5-<10	22,274	2,675	24,949	1,76,764	19,893	5,056	0 & 10,468	16,158	8,791	0 & 1,779
>=1-<5	79,570	5,992	85,562	2,03,538	66,039	19,523	-0.03 & 64,265	54,987	30,575	0 & 6,540
>=0.5-<1	39,584	1,868	41,452	29,880	31,016	10,436	0 & 5,145	25,571	15,881	0 & 1,507
>=0.2-<0.5	49,762	1,997	51,759	17,132	37,977	13,782	-0.47 & 4,242	30,165	21,594	0 & 1,600
>=0-<0.2	2,25,471	6,712	2,32,183	9,770	1,32,787	99,396	0 & 5,223	91,043	1,41,140	0 & 4,833
>0	0	0	0	0	0	0	0	0	0	0
Negative Net-Worth										
>=50000 & above	0	0	0	0	0	0	0	0	0	0
>=25000-<50000	0	4	4	-1,41,290	4	0	2,720 & 54,900	4	0	113 & 72,700
>=10000-<25000	0	11	11	-1,53,176	11	0	11.8 & 17,300	11	0	55.2 & 29,600
>=5000-<10000	4	10	14	-1,02,959	9	5	0 & 23,900	12	2	0 &19, 800
>=1000-<5000	25	72	97	-2,05,983	80	17	0 & 21,500	94	3	0 & 28, 600
>=250-<1000	112	154	266	-1,25,867	193	73	0 & 9,110	251	15	0 & 9,330
>=200-<250	41	26	67	-14,916	42	25	0 & 2,240	65	2	0 & 5,590
>=100-<200	186	137	323	-45,557	232	91	0 & 1,770	299	24	0 & 3,750
>=50-<100	340	193	533	-37,743	358	175	0 & 12, 900	479	54	0 & 5,620
>=25-<50	622	265	887	-30,712	562	325	0 & 36,800	789	98	0 & 3,820
>=10-<25	1,588	456	2,044	-31,779	1,328	716	0 & 2,400	1,787	257	0 & 2,840
>=5-<10	2,205	419	2,624	-18,602	1,731	893	0 & 3,150	2,237	387	0 & 1,750
>=1-<5	11,004	1,056	12,060	-26,908	7,857	4,203	0 & 7, 960	10,228	1,832	0 & 2,230

	No. of Companies				Turnover Analysis			Indebtedness Analysis		
Net Worth Range (₹ Crores)	Private	Public	Total No. of Companies	Total Net Worth (₹ Crores)	No. of companies with +ve Turnover	No. of companies with zero Turnover	Turnover range (Min &Max) (₹ Crores)	No. of companies with Indebtedness	No. of companies without Indebtedness	Indebtedness Range (Min &Max) (₹ Crores)
>=0.5-<1	8,340	464	8,804	-6,280	5,826	2,978	0 & 287	7,308	1,496	0 & 567
>=0.2-<0.5	14,881	582	15,463	-4,983	10,050	5,413	0 & 540	12,366	3,097	0 & 678
>=0-<0.2	78,321	1,433	79,754	-3,702	40,665	39,089	0 & 249	52,282	27,472	0 & 1,610
Total	**5,66,935**	**32,552**	**5,99,487**	**11,86,845**	**3,90,368**	**2,09,119**		**3,32,656**	**2,66,831**	

Table 2.2 Companies with Net Worth above ₹ 250 crores (all amount in crores except no.of companies)

	No. of Companies				Turnover Analysis			Indebtedness Analysis		
Net Worth Range (₹ Crores)	Private	Public	Total No. of Companies	Total Net Worth (₹ Crores)	No. of companies with +ve Turnover	No. of companies with zero Turnover	Turnover range (Min &Max) (₹ Crores)	No. of companies with Indebtedness	No. of companies without Indebtedness	Indebtedness Range (Min &Max) (₹ Crores)
>=5,0000-<75,0000	1	21	22	26,42,911	22	0	38.74 & 6,05,923	19	3	0 & 3,71,602
>=25,000-<5,0000	3	26	29	10,01,305	27	2	0 & 3,36,384	27	2	0 & 2,60,871
>=10,000-<25,000	6	61	67	10,21,805	64	3	0 & 1,15,801	55	12	0 & 3,04,382
>=5,000-<10,000	26	86	112	7,91,707	105	7	0 & 1,23,280	87	25	0 & 73,522
>=1,000-<5,000	294	591	885	18,57,977	834	51	0 & 2,13,725	648	237	0 & 38,904
>=800-<1,000	95	117	212	1,91,194	207	5	0 & 14,315	147	65	0 & 25,601
>=500-<800	305	365	670	4,22,119	629	41	0 & 17,012	480	190	0 & 17,784
>=250	891	680	1,571	5,49,964	1,415	156	0 & 47,639	1060	511	0 & 22,820
Total	**1,621**	**1,947**	**3,568**	**84,78,982**	**3,303**	**265**		**2,523**	**1,045**	

Turnover Based Analysis										
Table 3.1 Turnover Analysis of Companies with Net Worth below ₹ 250 crores (all amount in crores except no.of companies)										
	No. of Companies				**Net Worth Analysis**			**Indebtedness Analysis**		
Turnover Range (₹ Crores)	**Private**	**Public**	**Total No. of Companies**	**Total Turnover (₹ Crores)**	**No. of companies with +ve Net Worth**	**No. of companies with negative Net Worth**	**Net Worth range (Min &Max) (₹ Crores)**	**No. of companies with Indebtedness**	**No. of companies with zero Indebtedness**	**Indebtedness Range (Min &Max) (₹ Crores)**
>=25,000 & above	1	4	5	2,13,295	1	4	-48,720 & 3.83	5	0	8.97 & 72,709
>=10,000-<25,000	10	17	27	4,12,707	14	13	-19,831 & 191	24	3	0 & 20,494
>=5,000-<10,000	11	17	28	2,01,554	19	9	-11,476 & 211	25	3	0 & 16,131
>=1,000-<5,000	254	159	413	7,23,512	340	73	-35,300 &249	358	55	0 & 29,569
>=800-<1,000	165	78	243	2,14,200	220	23	-3,468 & 243	219	24	0 & 28,598
>=500-<800	640	251	891	5,47,526	831	60	-3,337 & 249	775	116	0 & 13,452
>=200 - <500	3,321	1,083	4,404	13,29,059	4,170	234	-6,556& 249	3782	622	0 & 9,959
>=100 - <200	5,760	1,288	7,048	9,82,077	6,653	395	-14,375 &249	6045	1,003	0 & 20,445
>=50 - <100	8,790	1,497	10,287	7,22,440	9,663	624	-9,716 & 249	8706	1,581	0 & 6,224
>=25 - <50	14,212	1,615	15,827	5,59,003	14,864	963	-1,053 & 247	13,354	2,473	0 & 6,540
>=10 - <25	26,509	2,011	28,520	4,54,875	26,267	2,253	-15,108 & 248	23,459	5,061	0 & 15,313
>=5 - <10	25,756	1,529	27,285	1,95,221	24,678	2,607	-3,050 & 248	21,350	5,935	0 & 6,833
>=1 - <5	73,648	3,197	76,845	1,86,180	65,893	10,952	-2,314 & 248	54,171	22,674	0 & 14,000
>=0.5 - <1	34,359	1,339	35,698	26,072	28,613	7,085	-942 & 242	21,842	13,856	0 & 3,357
>=0.2 - <0.5	38,900	1,593	40,493	13,420	31,048	9,445	-2,406 & 248	22,214	18,279	0 & 1,577
>0 - <0.2	1,36,914	5,437	1,42,351	8,064	1,08,143	34,208	-950 & 241	59,247	83,104	0 & 4,833
<=0	1,97,685	11,437	2,09,122	-1	1,55,119	54,003	-9,369 & 249	97,080	1,12,042	-0.72& 9,332
Total	**5,66,935**	**32,552**	**5,99,487**	**67,89,203**	**4,76,536**	**1,22,951**		**3,32,656**	**2,66,831**	

Table 3.2 Turnover Analysis of Companies with Net Worth above ₹ 250 crores (all amount in crores except no.of companies)										
	No. of Companies				Networth Analysis			Indebtedness Analysis		
Turnover Range (₹ Crores)	Private	Public	Total No. of Companies	Total Turnover (₹ Crores)	No. of companies with +ve Networth	No. of companies with negative Networth	Networth range (Min &Max) (₹ Crores)	No. of companies with Indebtedness	No. of companies without Indebtedness	Indebtedness Range (Mi &Max) (Crores)
>=50,000-<75,0000	1	24	25	34,88,994	25	0	1,414 & 3,44,127	23	2	0 & 1,99,345
>=25,000-<50,000	8	34	42	14,39,473	42	0	280 & 95,321	32	10	0 & 3,71,602
>=10,000-<25,000	24	81	105	15,21,345	105	0	283 & 74,734	86	19	0 & 3,04,382
>=5,000-<10,000	56	118	174	11,93,720	174	0	265 & 64,228	153	21	0 & 73,522
>=1,000-<5,000	360	658	1,018	21,81,109	1,018	0	250 & 1,75,119	778	240	0 & 39,928
>=800-<1,000	95	102	197	1,75,983	197	0	255 & 5,15,858	140	57	0 & 7,956
>=500-<800	185	218	403	2,57,772	403	0	253 & 55,520	283	120	0 & 14,395
>=200 - <500	265	278	543	1,84,801	543	0	250 & 17,78,424	378	165	0 & 16,428
>=100 - <200	124	113	237	35,274	237	0	250 & 9,398	174	63	0 &4,996
>=50 - <100	94	67	161	11,892	161	0	251 & 1,51,495	109	52	0 & 12,412
>=25 - <50	62	41	103	3,776	103	0	252 & 3,24,875	63	40	0 & 7,761
>=10 - <25	60	38	98	1,686	98	0	250 & 49,807	58	40	0 & 4,818
>=5 - <10	24	19	43	309	43	0	250 & 4,131	20	23	0 & 905
>=1 - <5	44	28	72	173	72	0	251 & 13,402	43	29	0 & 3,164
>=0.5 - <1	11	6	17	12	17	0	258.26 & 512.54	9	8	0 & 800
>=0.2 - <0.5	12	10	22	7	22	0	256.91 & 10498.38	14	8	0 & 463
>0 - <0.2	29	14	43	2	43	0	255 & 2,868	23	20	0 & 9,175
<=0	167	98	265	0	265	0	250 & 41,286	137	128	0 & 71,877
Total	**1,621**	**1,947**	**3,568**	**1,04,96,329**	**3,568**	**0**		**2,523**	**1,045**	

Indebtedness Based Analysis

Table 4.1 Indebtedness Analysis of Companies with Net Worth below ₹ 250 crores (all amount in crores except no. of companies)

	No. of Companies				Net Worth Analysis			Turnover Analysis		
Indebtedness Range (₹ Crores)	**Private**	**Public**	**Total No. of Companies**	**Total Indebtedness**	**No. of companies with +ve Net Worth**	**No. of companies with negative Net Worth**	**Net Worth range (Min &Max) (₹ Crores)**	**No. of companies with +ve Turnover**	**No. of companies with zero & negative turnover**	**Turnover Range (Min &Max) (₹ Crores)**
>=25,000 & above	0	5	5	64082	0	5	-35,300 & -2,640	5	0	907 & 31,800
>=10,000-<25,000	3	13	16	1,14,005	1	15	-19,800 & 154	16	0	1.1 & 21,500
>=5,000-<10,000	10	27	37	1,27,628	8	29	-9,940 & 195	33	4	0 & 23,900
>=1,000-<5,000	173	185	358	2,81,595	139	219	-6,120 & 249	302	56	0 & 36,800
>=800-<1,000	74	55	129	37,066	74	55	-3,810 & 249	103	26	0 & 15,179
>=500-<800	273	146	419	98,914	256	163	-6,790 & 247	332	87	0 & 5,960
>=200 - <500	1,060	502	1,562	3,43,633	1037	525	-4,770 & 249	1,243	319	0 & 13,124
>=100 - <200	1,695	676	2,371	5,39,871	1744	627	-48,700 & 249	1,949	422	0 & 54,945
>=50 - <100	3,300	1,003	4,303	6,86,302	3330	973	-10,649 & 247	3,534	769	0 & 14,683
>=25 - <50	6,251	1,401	7,652	7,38,248	6066	1586	-1,850 & 249	6,307	1,345	0 & 9,466
>=10 - <25	16,081	2,354	18,435	9,13,833	14514	3921	-614 & 248	15,137	3,298	0 & 7,960
>=5 - <10	20,165	1,950	22,115	5,99,014	17404	4711	-424 & 246	18,004	4,111	0 & 64,265
>=1 - <5	69,559	4,026	73,585	7,73,869	55671	17914	-304 & 249	56,366	17,219	0 & 19,384
>=0.5 - <1	35,007	1,554	36,561	1,61,512	26408	10153	-544 & 245	26,671	9,890	-0.956 & 3,614
>=0.2 - <0.5	45,284	1,775	47,059	1,63,897	33440	13,619	-121 & 239	33,294	13,765	-0.476 & 10,468
>0 - <0.2	1,14,310	3,738	1,18,048	1,79,524	84351	33,697	-2,050 & 249	72,280	45,768	0 & 5,145
<=0	2,53,690	13,142	2,66,832	9,66,210	232093	34,739	-9,720 & 249	1,54,789	1,12,043	-0.032 & 14,434
Total	**5,66,935**	**32,552**	**5,99,487**	**67,89,203**	**4,76,536**	**1,22,951**		**3,90,365**	**2,09,122**	

Table 4.2 Indebtedness Analysis of Companies with Net Worth above ₹ 250 crores (all amount in crores except no. of companies)

	No. of Companies				Net Worth Analysis			Turnover Analysis		
Indebtedness Range (₹ Crores)	**Private**	**Public**	**Total No. of Companies**	**Total Turnover (₹ Crores)**	**No. of companies with +ve Net Worth**	**No. of companies with negative Net Worth**	**Net Worth range (Min &Max) (₹ Crores)**	**No. of companies with +ve Turnover**	**No. of companies with zero & negative turnover**	**Turnover Range (Min &Max) (₹ Crores)**
>=50,000-<75,0000	1	23	24	17,62,157	24	0	6,175& 3,44,127	23	1	0 & 6,05,923
>=25,000-<5,0000	0	21	21	6,96,796	21	0	898 & 72,729	21	0	1,379 & 2,95,712
>=10,000-<25,000	1	62	63	9,09,635	63	0	261 & 1,82,922	62	1	0 & 1,15,801
>=5,000-<10,000	10	63	73	8,22,526	73	0	260 & 5,15,858	70	3	0 & 3,36,384
>=1,000-<5,000	121	291	412	15,92,749	412	0	250 & 64,228	380	32	0 & 1,23,280
>=800-<1,000	35	60	95	2,57,729	95	0	254 & 4,723	92	3	0 & 28,292
>=500-<800	84	148	232	4,58,214	232	0	255 & 12,086	219	13	0 & 29,054
>=200 - <500	189	295	484	9,55,112	484	0	250 & 25,951	468	16	0 & 2,13,725
>=100 - <200	137	199	336	4,98,200	336	0	251 & 45,226	323	13	0 & 84,059
>=50 - <100	104	115	219	2,42,618	219	0	250 & 18,555	209	10	0 & 24,747
>=25 - <50	70	73	143	2,13,594	143	0	251 & 29,704	132	11	0 & 26,542
>=10 - <25	69	70	139	1,87,439	139	0	250 & 56,673	135	4	0 & 45,221
>=5 - <10	39	28	67	1,15,776	67	0	256 & 16,445	58	9	0 & 24,607
>=1 - <5	54	36	90	62,207	90	0	251 & 13,402	83	7	0 & 6,417
>=0.5 - <1	19	22	41	43,853	41	0	257 & 4,039	40	1	0 & 10,389
>=0.2 - <0.5	10	12	22	9,768	22	0	265 & 2,731	18	4	0 & 1,813
>0 - <0.2	35	27	62	56,571	62	0	256 & 20,509	53	9	0 & 10,060
<=0	643	402	1,045	16,11,387	1,045	0	250 & 1,51,495	917	128	0 & 73,106
Total	**1,621**	**1,947**	**3,568**	**1,04,96,329**	**3,568**	**0**		**3,303**	**265**	

Payments to Auditors Analysis

Table 5.1 Payments to Auditors Analysis of Companies with Net Worth below ₹ 250 crores (all amount in actuals except no. of companies)

	No. of Companies		
Auditors Payments Range (₹ Actuals)	**Private**	**Public**	**Total No. of Companies**
>=50,00,000	177	87	264
>=10,00,000-<50,00,000	3,818	1004	4,822
>=5,00,000-<10,00,000	4,887	1185	6,072
>=1,00,000-<5,00,000	33,357	4,966	38,323
>=50,000-<1,00,000	34,272	2,977	37,249
>=25,000-<50,000	78,430	4,714	83,144
>=10,000-<25,000	1,23,390	6,336	1,29,726
>=5,000-<10,000	74,694	3,090	77,784
>=1,000-<5,000	38,127	1,764	39,891
>0-<1,000	754	63	817
0	1,75,025	6,367	1,81,392
<0	1	2	3
Total	**5,66,932**	**32,555**	**5,99,487**

Table 5.2 Payments to Auditors Analysis of Companies with Net Worth above ₹ 250 crores (all amount in actual except no. of companies)			
	No. of Companies		
Audit Fee Range (₹ Actuals)	**Private**	**Public**	**Total No. of Companies**
>=50,00,000	243	483	726
>=10,00,000-<50,00,000	642	785	1,427
>=5,00,000-<10,00,000	158	207	365
>=1,00,000-<5,00,000	259	194	453
>=50,000-<1,00,000	52	31	83
>=25,000-<50,000	53	18	71
>=10,000-<25,000	36	12	48
>=5,000-<10,000	20	3	23
>=1,000-<5,000	5	1	6
>0-<1,000	7	2	9
0	144	211	355
<0	2	0	2
Total	**1,621**	**1,947**	**3,568**

Annexure IV

Estimated Cost of Audit using Standard Cost Model Approach

1) Key Assumptions for estimating the standard audit cost.

a) Audit relates to statutory audit of GPFR of an SMC.

b) Audit is performed by either a Small or Medium Practitioner, (SMP CA) located in one of three categories of cities i.e., small cities, mid-tier cities and metro cities.

c) Audit is in accordance with the existing set of Standards on Auditing (SAs)[8] as required under the Companies Act, 2013.

d) GPFR are prepared in accordance with the revised set of ASs, which are largely aligned with high-quality Ind AS Framework relevant and useful for large PIEs.

2) Using the audit cost estimation approach described above, expected cost of audit across different size of MSMCs will be as follows.

Table 10: Estimated Cost of Audit

Turnover Range (in ₹ crores)	**Estimated Audit Fees**			**Avg PBT per Company (in ₹ Lakhs)***	**Avg. of Estimated Audit Fees as % to PBT#**
	Small Firm - Small Town (in ₹ Lakhs)	**Small Firm - Mid Tier City (in ₹ Lakhs)**	**Small Firm - Metro City (in ₹ Lakhs)**		
>=25,000-<50,000	37.09	62.43	106.19	2,144	4.95%
>=10,000-<25,000	33.95	57.15	97.22	22,132	0.44%
>=5,000-<10,000	22.07	37.15	63.20	10,969	0.58%
>=1000-<5000	13.80	23.23	39.51	4,798	0.82%
>=800-<1000	8.11	13.65	23.21	3,535	0.66%
>=500-<800	6.47	10.89	18.52	2,308	0.80%
>=200 - <500	4.03	6.78	11.53	1,560	0.74%
>=100 - <200	3.62	6.10	10.38	770	1.35%
>=50 - <100	3.26	5.49	9.34	398	2.34%
>=25 - <50	2.94	4.95	8.43	203	2.68%
>=10 - <25	2.64	4.44	7.56	105	4.65%
>=5 - <10	2.38	4.00	6.80	53	8.25%

[8] Recently in June 2021, International Assurance and Auditing Standards Board has issued exposure draft for public consultation of a set of standards called 'PROPOSED INTERNATIONAL STANDARD ON AUDITING OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES'. It is expected to be issued in Dec 2022.

Turnover Range (in Rs. crores)	Estimated Audit Fees			Avg PBT per Company (in Rs. Lakhs)*	Avg. of Estimated Audit Fees as % to PBT#
	Small Firm - Small Town (in Rs. Lakhs)	Small Firm - Mid Tier City (in Rs. Lakhs)	Small Firm - Metro City (in Rs. Lakhs)		
>=1 - <5	2.14	3.60	6.13	25	15.86%
>=0.5 - <1	1.94	3.27	5.56	12	31.11%
>=0.2 - <0.5	1.75	2.95	5.02	8	39.32%
>0 - <0.2	1.50	2.68	4.57	5	58.53%

*For Average PBT calculation, the data is based on 2,36,983 company filings. The companies with NIL turnover has been excluded and only the Companies which have positive PBT have been considered.

Avg. of Estimated Audit Fees as % to PBT for companies with turnover upto ₹50 crores has been calculated on basis of avg. of estimated audit fees in small town, mid- tier city and metro city. The Avg. of Estimated Audit Fees as % to PBT for companies with turnover above ₹50 crores has been calculated on basis of estimated audit fees in metro city assuming companies with turnover above ₹50 crores are more likely to exist in metro cities.

3) Supporting details for the above cost estimation is attached as **Appendix I.**

APPENDIX I

Supporting Details for Cost Estimation
Tab:- Costing Regular Audit

Particulars	Reference Tab
For cost per hour calculations	Tab Estimated Cost per hour
For estimated hours	Tab Estimated Hours

Particulars	Cost per hour of staff (Rs./hour)	Cost per hour of partner (Rs./hour)
Small Firm - Small Town	241	686
Small Firm - Mid Tier City	468	1,145
Small Firm - Metro City	885	1,971

	Small Firm - Small Town				Small Firm - Mid Tier City				Small Firm - Metro City			
Revenue (in crores)	Field Hours (Ref tab Estimated Hours)	Partner Hours @ 45% over and above field hours	Total Hours	Total Cost (in Rs.)	Field Hours (Ref tab Estimated Hours)	Partner Hours @ 40% over and above field hours	Total Hours	Total Cost (in Rs.)	Field Hours (Ref tab Estimated Hours)	Partner Hours @ 35% over and above field hours	Total Hours	Total Cost (in Rs.)
>=25000 - <50000	6,743	3,034	9,777	37,08,633	6,743	2,697	9,440	62,42,573	6,743	2,360	9,103	1,06,18,800
>=10000 - <25000	6,174	2,778	8,952	33,95,485	6,174	2,469	8,643	57,15,465	6,174	2,161	8,334	97,22,173
>=5000 - <10000	4,013	1,806	5,819	22,07,153	4,013	1,605	5,618	37,15,200	4,013	1,405	5,418	63,19,665
>=1000 - <5000	2,509	1,129	3,638	13,79,952	2,509	1,004	3,513	23,22,810	2,509	878	3,387	39,51,168
>=800 - <1000	1,474	663	2,137	8,10,701	1,474	590	2,064	13,64,616	1,474	516	1,990	23,21,252
>=500 - <800	1,176	529	1,705	6,46,801	1,176	470	1,646	10,88,731	1,176	412	1,588	18,51,963
>=200 - <500	732	329	1,061	4,02,601	732	293	1,025	6,77,679	732	256	988	11,52,752
>=100 - <200	659	297	956	3,62,451	659	264	923	6,10,096	659	231	890	10,37,792
>=50 - <100	593	267	860	3,26,150	593	237	830	5,48,994	593	208	801	9,33,855
>=25 - <50	535	241	776	2,94,250	535	214	749	4,95,298	535	187	722	8,42,517
>=10 - <25	480	216	696	2,64,000	480	192	672	4,44,380	480	168	648	7,55,903
>=5 - <10	432	194	626	2,37,600	432	173	605	3,99,942	432	151	583	6,80,313
>=1 - <5	389	175	564	2,13,950	389	156	545	3,60,133	389	136	525	6,12,596
>=0.5 - <1	353	159	512	1,94,150	353	141	494	3,26,804	353	124	477	5,55,904
>=0.2 - <0.5	319	144	463	1,75,450	319	128	447	2,95,327	319	112	431	5,02,361
>=0 - <0.2	290	116	406	1,49,551	290	116	406	2,68,479	290	102	392	4,56,691

Supporting Details for Cost Estimation
Tab:- Estimated Cost per hour

Assumption

9 hours per day with 22 working days in a month

Cost rate of partner has been determined on basis of his monthly salary and profit of the firm

Cost rate of staff has been determined on basis of his monthly salary and overheads of the firm

No. of resources

	Small Firm - Small Town/ City	Small Firm - Mid Tier City	Small Firm - Metro City
Partner	3	6	10
Staff-Senior	4	8	16
Staff-AM	1	2	4
Staff-Manager	0	2	4
Article	20	60	80

Salary

Partner	80,000	1,20,000	1,80,000
Staff - Senior	22,000	30,000	55,000
Staff-AM	30,000	40,000	70,000
Staff-Manager	40,000	70,000	1,00,000
Article (Avg)	1,500	2,000	2,500

Rent

Area (sq feet)			
Per Partner	100	100	100
Per Staff	50	50	50
Total Area for Partner	300	600	1,000
Total Area for Staff (other tha	250	600	1200
Total Area for Article	500	1500	2000
Total	1,050	2,700	4,200
Per Square Ft Rent per month	35	100	315
Total Rent per month	36,750	2,70,000	13,23,000

Particulars	Small Firm - Small Town	Small Firm - Mid Tier City	Small Firm - Metro City
Salaries - Partner	2,40,000	7,20,000	18,00,000
Staff - Senior	88,000	2,40,000	8,80,000
Staff-AM	30,000	80,000	2,80,000
Staff-Manager	-	1,40,000	4,00,000
Salaries - Article	30,000	1,20,000	2,00,000
Rent	36,750	2,70,000	13,23,000
Electricity@20% of rent	7,350	54,000	2,64,600
Office Expense@25% of rent	9,188	67,500	3,30,750
Depreciation @ 10% of rent	3,675	27,000	1,32,300
Printing @ 10% of rent	3,675	27,000	1,32,300
Internet @ 10% of rent	3,675	27,000	1,32,300
Mobile	1,500	3,000	8,000
Travel @ 5% of Partner Salary	12,000	36,000	90,000
Software	10,000	15,000	25,000
Subscriptions @ 30% of Softw	3,000	4,500	7,500
Total Cost per month	**4,78,813**	**18,31,000**	**60,05,750**
Profit @ 35%	**1,67,584**	**6,40,850**	**21,02,013**
Total	**6,46,397**	**24,71,850**	**81,07,763**

Total partner Hours in a month	594	1,188	1,980
Cost per hour of partner	686	1,145	1,971
Total Staff hours in a month	990	2,376	4,752
Cost per hour of staff	241	468	885

Supporting Details for Cost Estimation
Tab:- Estimated Hours

The below sheet gives budget (in terms of hours) depending upon size of the Company for audit.

"Illustrative Audit Planning Schedule" as per "Implementation Guide to Standard on Auditing (SA) 300, Planning an Audit of Financial Statements" issued by ICAI for putting worksteps required for an audit has been used for hours estimation.

Turnover (in Rs. Crores) (Horizontal) Work Steps (Vertical)	>=25000 - <50000	>=10000 - <25000	>=5000 - <10000	>=1000 - <5000	>=800 - <1000	>=500 - <800	500	>=200 - <500	>=100 - <200	>=50 - <100	>=25 - <50	>=10 - <25	>=5 - <10	>=1 - <5	>=0.5 - <1	>=0.2 - <0.5	>=0 - <0.2
Meetings																	
Meetings with management to understand entity's operations and significant developments, update progress	83	76	69	43	25	20	14	13	12	11	10	9	8	7	6	5	5
Deployment of engagement team and team meetings	371	338	307	192	113	90	62	56	50	45	41	37	33	30	27	24	22
Meetings with Those Charged with Governance – sharing audit strategy and conclusions	145	132	120	75	44	35	24	22	20	18	16	14	13	12	11	10	9
Perform risk assessment																	
Perform preliminary analytics and other planning procedures	211	192	120	75	44	35	24	22	20	18	16	14	13	12	11	10	9
Identify and assess key risk	173	157	98	61	36	29	20	18	16	14	13	12	11	10	9	8	7
Determine audit strategy	278	253	158	99	58	46	32	29	26	23	21	19	17	15	14	13	12
Develop responses to risks through detailed audit plan	540	491	307	192	113	90	62	56	50	45	41	37	33	30	27	24	22
Perform tests of controls																	
Identify key controls	521	474	296	185	109	87	60	54	49	44	40	36	32	29	26	23	21
Review work of others (Internal audit, Type 1/2 reports)	102	93	58	36	21	17	12	11	10	9	8	7	6	5	5	5	5
Perform tests as designed	1,045	950	594	371	218	174	120	108	97	87	78	70	63	57	51	46	41
Evaluate deficiencies and impact on substantive procedures	211	192	120	75	44	35	24	22	20	18	16	14	13	12	11	10	9
Perform Substantive Procedures																	
Determine procedures responsive to key risks	278	253	158	99	58	46	32	29	26	23	21	19	17	15	14	13	12
Perform substantive analytical procedures or tests of details as planned and obtain sufficient appropriate audit evidence	1,306	1,187	742	464	273	218	150	135	122	110	99	89	80	72	65	59	53
Evaluate appropriateness and sufficiency of audit evidence	437	397	248	155	91	73	50	45	41	37	33	30	27	24	22	20	18
Execute changes to audit strategy and plan if circumstances require	211	192	120	75	44	35	24	22	20	18	16	14	13	12	11	10	9
Conclusions																	
Perform final analytics and other closing procedures	349	317	198	124	73	58	40	36	32	29	26	23	21	19	17	15	14
Review by Engagement Partner and conclude on evidences obtained																	
Consultations with Quality Review Partner																	
Share draft results and discuss with management	240	240	150	94	55	44	30	27	24	22	20	18	16	14	13	12	11
Finalise and Issue opinion, discuss with Those Charged with Governance	240	240	150	94	55	44	30	27	24	22	20	18	16	14	13	12	11
Total	6743	6174	4013	2509	1474	1176	810	732	659	593	535	480	432	389	353	319	290

The Engagement Partner hours and consultations with Quality Review Partner will depend upon firm location. This is based on the assumption that partner of small firm in small city will invest more time in reviews as compared to partner of small firm in metro city. For details of these hours refer "Costing Regular Audit" tab

Revision of Existing Accounting Standards: Approach Paper (2020)

"Accounting Standards for Resurgent New India of 2020s"

April, 2020

Accounting Standards Board

The Institute of Chartered of Accountants of India,

New Delhi, India

Table of Contents

Abbreviations

Term	**Description**
AC	Amortised Cost
AS	Accounting Standards notified under Indian Companies (Accounting Standards) Rules, 2006
ASB	Accounting Standards Board of ICAI
ECL	Expected Credit Loss
EIM	Effective Interest Method
EIR	Effective Interest Rate
FA	Financial Asset
FL	Financial Liability
FVTPL	Fair Value through Profit and Loss
F/S or FS	Financial Statements
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GPFS	General Purpose Financial Statements
HFT	Held for Trading
HTM	Held to Maturity
IAS	International Accounting Standards issued by the IASB of IFRS Foundation
IASB	International Accounting Standards Board of IFRS Foundation
IASC	International Accounting Standards Committee, predecessor of IASB of IFRS Foundation
ICAI	The Institute of Chartered Accountants of India
IFRIC	IFRS Interpretations issued by the IFRS IC of IFRS Foundation
IFRS	International Financial Reporting Standards issued by the IASB of IFRS Foundation
IFRS IC	International Financial Reporting Standards Interpretations Committee of IFRS Foundation
Ind AS	Indian Accounting Standards notified under Indian Companies (Indian Accounting Standards) Rules 2015
JV	Joint Ventures
MCA	Ministry of Corporate Affairs, Government of India
NACAS	National Advisory Committee on Accounting Standards, India
NFRA	National Financial Reporting Authority, India
P&L	Profit and Loss
Rs (or INR)	Indian Rupees
SIC	IAS Interpretations issued by Standing Interpretations Committee, IASC, predecessor of IFRS IC
SOCIE or SOCE	Statement of Changes in Equity

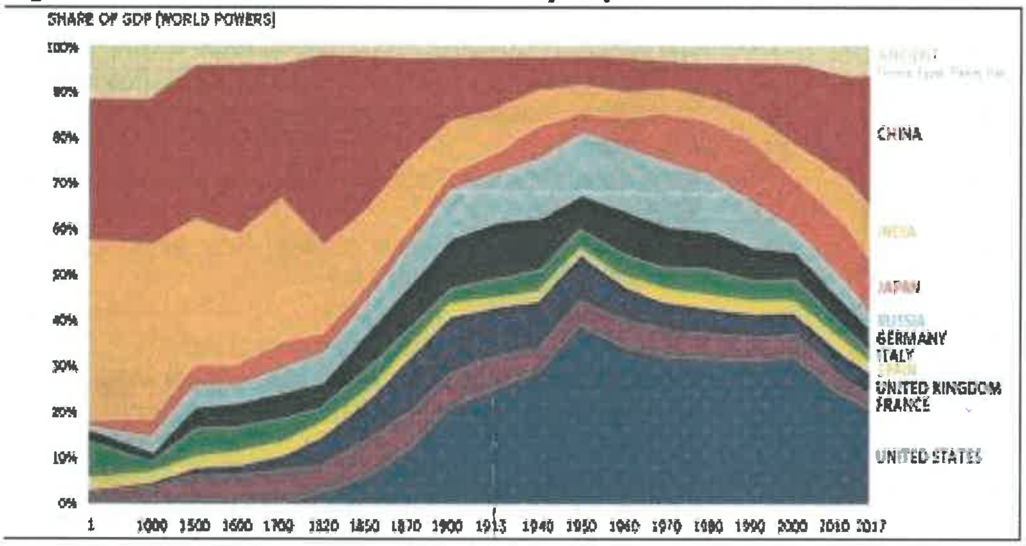
1 Setting the Context for Revised Accounting Standards

1.1 Introduction and Background

A disciplined, systematic and true and fair approach to accounting and reporting systems is *sine qua non* of any civilisation. Accounting is relevant to both private entities as well as to the affairs of the government or public bodies. These crucial aspects of financial discipline are not unknown to Indians as these have been recognised and elaborated comprehensively in our ancient works. At this momentous occasion of our nation aspiring to be the leading economic super power in the coming decades, it is very apt for us to seek inspiration and courage from the work and prescriptions of well known Indian king maker, economist and politician of 4th Century BC in his treatise book 'Kautilya's Arthashasthra'. Kautilya is also known by the name Chanakya (was also called Vishnugupta). Reportedly, in the Chanakya's Treatise, there are specific and detailed prescriptions about the accounting framework, book-keeping and accounting, reporting, auditing and handling frauds and misappropriations[1].

It is equally important to note another inspiring historical fact that India has been the dominant economic power globally (Maddison 2007) for more than three fourths of known economic history. India has been a dominant player in economics and commerce and significant contributor to the World's GDP. It is evident from the following chart in Volume 1 Chapter 1 Economic Survey 2019-20 of Ministry of Finance, Government of India.

Figure 1: Global contribution to world's GDP by major economies from 1 AD to 2003 AD



Source: Maddison A (2007). Note: X-axis of graph has non-linear scale, especially for 1-1500 AD, which underestimates the dominance of India.

The Economic Survey 2019-20 makes another inspiring statement that economic dominance over long periods manifests by design, and not chance. In a way it prods us to act courageously and determinedly in whatever we aspire to achieve.

With such a rich tradition of economic dominance and knowledge powerhouse, it is time to reassemble our strengths and lead the way globally in the new century. While there is a paradigm push for 'Ease of

[1] Reference 'Kautilya The Arthashastra' by L N Rangarajan, Indian Foreign Service (Rtd)

Doing Business' at the national policy making machinery, our reforms in accounting standards area will also be a key 'enabler' to achieve the India's mission of US$ 5 trillion economy by the year 2024-25 and rise to the position of 3rd largest economy in the world in terms of GDP .

1.2 Accounting Reforms and Arrival of Indian Accounting Standards (Ind AS) and Genesis of Accounting Standards Revision Project

1.2.1 Beginning of the 1st wave of reforms

Indian Accounting Standards and International Accounting Standards (IAS)

Historically, Accounting Standards in India have always followed the path of convergence with International Accounting Standards (IAS) and are revised in line with the developments/progress of IASs. There are two primary drivers of this fundamental feature of Accounting Standards Framework in India.

a) Since 1974, the Institute of Chartered of Chartered Accountants of India (ICAI)[2] has been a member of International Accounting Standards Committee (IASC)[3], an international standard-setting body established in 1973 and the ICAI committed to promote the application of IASs in India and globally. Secondly, ICAI is a founding member of International Federation of Accountants (IFAC)[4], whose mission is to contribute to and support high quality international standards.

b) Government and Regulatory Bodies in India have always urged the ICAI to formulate Standards comparable to IASs (now called IFRS Standards).

The Council[5] of the ICAI (hereinafter referred to as Council) in its 259th meeting held on May 2-4, 2006, had expressed its view to adopt IFRS Standards at least for large and listed entities in view of the emerging global trend of convergence with IFRS Standards. In response to this, the Accounting Standard Board (ASB) had constituted a Task Force to prepare a concept paper in this regard. Concept paper submitted by the Task Force was considered by the Council in its 269th meeting held on July 18-20, 2007, and accepted, in principle, the recommendations contained in the Concept Paper. One of the recommendations in the Concept Paper was to formulate a separate set of standards for non–public entities called Small and Medium Sized Entities (SMEs) based on the IFRS for SMEs when those are finally issued by the IASB, after modifications, if necessary.

1.2.2 Arrival of Indian Accounting Standards (Ind AS) and Genesis of Accounting Standards (AS) Revision Project

India is a growing economy with a high potential to lead the world in the decades to come. Presently, it is the sixth largest economy with GDP of US$2.7 Trillion and it aspires to become $5 Trillion economy in few years time and rise to the position of 3rd largest economy in the world. India is a country with huge potential of **demographic dividend** in the years to come. *"India will have about 63 per cent of its population in the working age group by 2022. The demographic window of opportunity available to India*

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[2] The Institute of Chartered Accountants of India is a statutory body established under an Act of Parliament to regulate the profession of Chartered Accountants. It is also vested with powers to recommend the accounting standards to Central Government for prescribing the same under section 133 of the Indian Companies Act, 2013.

[3] The International Accounting Standards Committee (IASC) was the standard-setting arm of IASC Foundation, predecessor body of the IFRS Foundation. IASC was formed in 1973 by accountancy professional bodies of nine countries and its membership had grown to over 140 in the year 2000 when it was restructured into a new body.

[4] International Federation of Accountants (IFAC) was founded on October 7, 1977 by 63 accountancy professional bodies from 51 countries.

[5] Council or The Council means the Council of the Institute of Chartered Accountants of India constituted under section 9 of the Chartered Accountants Act, 1949

would make India the skill capital of the world. India would be in position to meet the requirement of technically trained manpower not only for its growing economy but also of the aging advanced economies of the world. (Source Twelfth Five Year Plan (2012-17)-Social Sectors Volume III)". In line with its rising stature in the global affairs and active role in the new global forums such as G20, it has to embrace contemporary international practices and trends. Financial Reporting and Accounting Standards area is no exception to this phenomena and therefore, since 2008 India has committed itself to converge with high quality single set of globally accepted accounting standards viz. IFRS Standards, at G20.

The Ministry of Corporate Affairs (MCA), Government of India in consultation with the erstwhile National Advisory Committee on Accounting Standards (NACAS) had notified the Accounting Standards (AS) to be followed by the Companies vide Companies (Accounting Standards) Rules, 2006, formulated by the Institute of Chartered of Chartered Accountants of India (ICAI) . Certain relaxations were given to Small and Medium Sized Companies (SMC).

Since 2010, the MCA has taken national level initiatives such as formation of a Core Group (called MCA Core Group) to develop Roadmap for convergence of Indian Accounting Standards with IFRS Standards. In 2015-16, these initiatives received a fillip pursuant to the call by the Union Finance Minister in the Union Budget of July 2014 for convergence of Indian Accounting Standards with IFRS Standards and resulted in a monumental step of issuing comprehensive Ind AS roadmap by the MCA in consultation with Prudential Regulators and ICAI. This Ind AS Roadmap covers all large and listed companies. As per this roadmap, all companies except unlisted companies with net worth below Rs 250 crores will have to follow Ind AS notified under the Companies (Indian Accounting Standards) Rule, 2015. Accordingly, unlisted companies with net worth below Rs 250 crores will continue to follow AS notified under Companies (Accounting Standards) Rules, 2006. Separate roadmaps were issued for Banking, Insurance[6] and Non-Banking Finance Companies for implementation of Ind ASs. The unlisted NBFCs of networth Rs. 250 crores and above have adopted Ind AS. The IRDAI has expressed its firm commitment to mandate Ind AS for insurance sector once equivalent of IFRS 17, Insurance Contracts is issued in India.

Significant developments which lead to decision for revision of AS:

During the deliberations on the Ind AS Roadmap at MCA Core Group in 2010 and 2013-14 and subsequent discussions on draft Ind ASs, some members were of the view that there should be one set of standards applicable to all companies namely Ind AS. Some Regulators expressed the view that recognition and measurement principles should be by and large similar for all companies and some felt the need for simpler accounting standards for smaller companies. Therefore, ICAI was asked to study whether 'one set of Accounting Standards' can be applied to all companies including one person companies and small companies as defined in the Companies Act, 2013. The ICAI was requested to study the option of 'second set of Accounting Standards' as to how it would be consistent with the first set of Accounting Standards so that at least the recognition and to a large extent the measurement principles are the same. The ICAI in its report on Impact Analysis of Indian Accounting Standards and One set of Standards *vs.* Two sets of Standards dated October 21, 2013 recommended 'two sets of Accountings Standards' and the second set of Accounting Standards may comprise the revised existing Accounting Standards for small and one person companies. The report also said that a second set of Standards does not mean that the recognition and measurement principles would be significantly different from Ind AS in all cases.

For Detailed Report, refer Annexure 1.

Accordingly, previous Councils of ICAI had developed an Approach Paper for revision of existing ASs to bring them nearer to the Ind AS and have set in motion necessary steps to achieve this necessary reform.

[6] Ind ASs are yet to be implemented by Banking and Insurance Companies.

The Approach Paper (hereinafter referred to as Approach Paper 2014-15) provided guidance for formulation/revision of all the new/existing Accounting Standards. The Approach Paper was also presented to erstwhile NACAS. Based on the decisions and directions of the previous Council, MCA Core Group and the erstwhile NACAS, the ASB had embarked on a project to upgrade/revise the existing ASs.

1.2.3 Other factors that necessitated the need for the revision of the existing ASs:

- **Structure, Layout and Text of ASs lack consistency and uniformity**

The structure, layout, scope, contents and language of Accounting Standards as of now are quite different and these standards have been there for over three decades in their current form. For example, the structure of the first 14 standards, most of which were issued prior to 1998, are quite different and were all based on excessive conservatism than standards AS 15 onwards which talk about largely prudence and a fair presentation. The IASs, which were the primary bases of our ASs, have all undergone thorough revision globally during last 15 years but in India the existing Accounting Standards which were based on the earlier versions of IASs have not got revised for a long time. Except AS 10, which was issued replacing erstwhile AS 10 and AS 6, all other standards have remained same despite corresponding international standards based on which they were formulated having been revised. To quote a few examples of deficiencies in this area:

- **Concepts and Approaches are outdated**

✓ In AS 4, *Contingencies and Events Occurring After the Balance Sheet Date*, non-adjusting events are disclosed as part of Director's Report but in Ind AS 10, *Events after the Reporting Period*, these are disclosed as a part of Notes to Accounts.

✓ AS 5, *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies*, is also a very old standard and it has the concept of prior period items and extraordinary items but the latter concept is not there internationally. A change in method of depreciation is treated as a change in accounting policy but the method of depreciation is basically an estimation methodology. Consequently, it is only a change in an accounting estimate and not a change in accounting policy.

✓ AS 9, *Revenue Recognition*, is a standard based on previous version of IAS 18, *Revenue Recognition*, issued in December 1982 by International Accounting Standards Committee (IASC), which was replaced by IASC in December 1993 with effective Jan 1995 when it became Revenue, covering both recognition and measurement guidance. The revised version of IAS 18 was adopted by IASB in 2001 and now it has been replaced by IFRS 15, *Revenue from Contracts with Customers*. In the present world of revenue accounting, there is a paradigm shift in this area i.e. there is one single standard for all types of revenue related contracts with customers, change in underlying concept of accounting for revenue from 'risk and reward' based approach to 'control' based approach, revenue measurement basis has moved from 'consideration received' to 'fair value' to 'transaction price'.

✓ In AS 12, *Accounting for Government Grants*, currently Government grants are generally assumed to be grants which can come without any conditions but it is a known fact that Government grants typically come with conditions. Since these conditions are to be fulfilled over a period of time, there is a need to see that these Government grants don't get accounted at a point in time but they get recognised over a period of time.

✓ AS 16, *Borrowing Cost*, did not use the currently prevailing terminology and method known as Effective Interest Method (EIM) for computing borrowing cost for capitalisation.

✓ In AS 26, *Intangible Assets*, a fundamental aspect of the definition of intangible assets and the amortisation principles are based on old version of IAS 38, *Intangible Assets*.

✓ In AS 27, *Financial reporting of interest in Joint Ventures*, proportionate consolidation method is applied for consolidation of joint ventures but internationally IFRS 12, Joint Arrangements and IAS 28, Investments in Associates and Joint Ventures allow equity method only.

- **Language has potential for serious misapplication and misunderstanding about the ASs**
  - ✓ A few ASs have texts which present a confusing position as to whether these ASs permit use of cash basis of accounting as well.
    - ❖ AS 1, *Disclosure of Accounting Policies*, Paragraph 27 states as follows "If the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.
    - ❖ AS 9, *Revenue Recognition*, Footnote to title of AS 9 states that "It is reiterated that this Accounting Standard (as is the case of other accounting standards) assumes that the three fundamental accounting assumptions i.e., going concern, consistency and accrual have been followed in the preparation and presentation of financial statements." Further, Illustration B.6 Entrance and Membership Fees states that "If the membership fee permits only membership and all other services or products are paid for separately, or if there is a separate annual subscription, the fee should be recognised when received."
  - ✓ AS 15, *Employee Benefits*, though it does not use word constructive obligations nor defines it explicitly but paragraph related to constructive obligations is therein the AS 15, hence there is confusion whether AS 15 applies to constructive obligations.

- **Lack of comprehensive robust principles and inadequate guidance in certain areas.**
  - ✓ Division I to Schedule III requires all items of assets and liabilities to be bifurcated between current and non-current portions. Accordingly, in AS 1 this aspect of bifurcation of assets and liabilities into current/non-current needs to be included. Division I to Schedule III also requires using the same unit of measurement uniformly across the Financial Statements. This requirement also needs to be incorporated in AS 1.
  - ✓ In AS 3, *Cash Flow Statements*, guidance on few other elements like bank overdraft, cash and cash-equivalent needs to be incorporated.
  - ✓ In AS 12, *Accounting for Government Grants*, there is a lack of guidance on interest free loans or low rates or below market rates of interest kind of loans.
  - ✓ In AS 13, *Accounting for Investments*, currently very limited guidance is available for investment property. However, since a number of property transactions are happening and people are holding real estate as investment properties, there is a need for a separate standard on the same.
  - ✓ In AS 15, *Employee Benefits*, guidance on discounting rate is inadequate.
  - ✓ AS 19, *Leases*, does not include guidance available in Appendices of Ind AS 17, *Leases*, to determine leases in contracts/transactions of specialised nature.
  - ✓ Accounting standard on financial instruments, currently there is AS 13, *Accounting for Investments*, which is a very simple standard covering a very few type of financial instrument viz. investments. In respect of derivative financial instruments, accounting is based on a Guidance Note issued by the ICAI. As per AS 13, Investments are classified as Long Term and Current Investments for accounting purposes. In respect of Derivatives, there is a guidance note of ICAI but an authoritative AS mandatory to preparers as well is needed.
  - ✓ On fair value measurements, currently there is no robust and comprehensive standard.

2 Summary of Approach approved by ICAI Councils and erstwhile NACAS

Approach Paper 2014-15 had '4' Category AS approach, which is summarised below.

Category of AS	AS upgrade Approach
Category 1	Ind AS corresponding to which AS need not be issued.
Category 2	Existing AS to be revised by including certain aspects from the corresponding Ind AS
Category 3	Ind AS can be used as basis for revision of the corresponding existing Accounting Standards with changes as suggested in the Approach Paper finalized

Category 4	Standards for which hybrid approach to be followed (consolidation and financial instruments related Accounting standards)

Key rationale for category 2 and category 3 (as mentioned above) was as follows:

1. Category 2, i.e., existing AS to be revised by including certain aspects from the corresponding Ind AS : the corresponding international standards on which existing AS were based have been revised since the formulation of ASs in the past and, accordingly, certain existing ASs need revision taking into consideration certain aspects from corresponding Ind AS .

2. Category 3, i.e., to use the Ind ASs as base for formulating Revised ASs is two fold as follows:

   i. Structure and Scope/Contents of the some of the ASs are materially different from Ind ASs, eg.AS 1, AS 4, AS 5 etc.
   ii. Some of the recently issued ASs, e.g., existing AS 26, AS 28, AS 29 are materially same as Ind ASs except the very recent revisions to IFRS Standards have not been captured. Therefore, better to consider Ind AS as basis for revising ASs.

Also, certain underlying principles were laid down as the revised ASs were meant to be primarily applicable for SMCs and SMEs:

✓ Minimal use of fair value, unless where it is essential;
✓ Minimal use of time value of money;
✓ Simplification from the viewpoint of effective implementation;
✓ Optimal disclosures.

The detailed Approach Paper 2014-15 is attached as Annexure '2'.

3. Revision of Existing Accounting Standards: Approach Paper (2020) - Accounting Standards for the Resurgent New India of 2020s

3.1 Fundamental Goals underpinning the AS Revision Approach

Since time immemorial, the quality and contents of accounting and financial reporting, regardless of the phrase used to describe it, is of paramount importance to the economy and society at large. While the accounting and financial reporting standards are inherently focussed towards reflecting the economic effect of transactions and event from historical perspective in a reporting period of a year or so, the accounting concepts and conventions have to be grounded on best contemporary thinking and also need to be forward looking to address evolving economic environment over future 10-20 years. In particular, the emphasis on latter feature of focus is intended to meet the needs of evolving local and global economic and commercial events across a future horizon of decade or a quarter century.

In order to achieve the above, following are the fundamental goals underpinning the approach. Some of these are complimentary to each other.

i) ***Forwarding looking time horizon of next 10-20 years***

Concepts and principles in the revised AS shall stand the test of validity and appropriateness for transactions and events over next 10-20 years as a stable platform for a reasonable long time is important.

ii) ***Scalability to Preparers and Auditors***

"Growth" and "Change" are necessary part of the human evolution and more so of the present world. Therefore, the ASs which are meant for smaller size entities or non-public interest entities should be formulated in a manner that is likely to have minimal impact, at least quantitatively, when these entities graduate to embrace high quality Ind ASs that are comparable to globally accepted IFRS Standards. Such a feature will not only help the entities but also the audit and accountancy profession as a whole by reducing the potential for classification of professionals into two broad categories i.e. one set of experts in Ind AS and other one in ASs.

iii) ***Flexibility in Structures and Prescriptions***

In view of the large spectrum of entities that are expected be using these standards, the structure and contents should be flexible for the standard-setters and regulators to implement these across entities of different sizes and nature. Population of unlisted Companies registered under Companies Act, 2013, that will be applying these standards, i.e., those outside the Ind AS applicability threshold of Rs 250 crores, is very large and could comprise of a diverse set of companies from a tiny company with networth of Rs 1 crore to medium size company with networth of Rs 250 crores.

In respect of Small and Medium Sized Companies, following overarching considerations will be used as bases for granting relaxations and exemptions.

- ✓ Minimal use of fair value, unless where it is essential
- ✓ Minimal use of time value of money
- ✓ Simplification from the view point of effective implementation
- ✓ Optimal disclosures

iv) ***Comprehensive in scope to address the needs of wide range of users and regulators***

As mentioned in (iii) above, size and type of companies that will be applying these ASs is very wide, therefore, the needs of users and purposes of their financial statements are likely to be much wider.

v) ***Enable India's dream of becoming 'Skill Capital of the World' – International Appeal***

a) **Export of Services** – Accountancy Profession is identified as one of the 'Twelve' Champion sectors to drive the export potential of our nation. Services sector is a critical and significantly material component of our Nation's External Trade and generates significant sources of foreign exchange revenue. India with substantial portion of its population in the working age group during next decade or so has huge potential to capitalise on demographic dividend. In this context, ASs should enable India's human resources to be suitably skilled to provide accounting services to the global community. Therefore, contents and flavour of ASs should have blend of local and international characteristics. As of today, India is a preferred choice for housing the BPOs and KPOs of all reputed multinationals.

b) **Indian SMEs: Ease of Doing Business** –It is a recognised fact that many Indian business entities in the category of SMEs have commercial relationships and transactions with entities across the globe. Therefore, such Indian SMEs do have a need for preparing and providing financial information to their international stakeholders in a manner consistent with globally prevalent and understandable financial reporting standards.

4 Revision of Existing Accounting Standards: Approach Paper (2020)

Developments during ICAI Council Year 2019-20

During 383rd meeting held on May 21-22, 2019, the Council discussed the need to review the Approach for upgradation/revision of existing Accounting Standards to bring these Standards nearer to IFRS-converged Ind AS. The Council constituted a Group of some of the Council Members under the Convenorship of CA. M.P. Vijay Kumar, Chairman, Accounting Standards Board for this purpose.

The Group at its meetings held on June 20, 2019, July 26, 2019, and October 16, 2019, discussed in detail the Approach Paper approved by the previous Councils and erstwhile NACAS for formulating the upgraded AS, rationale for taking up this revision project and differences between the existing AS with the revised AS finalised till that date. The Group report and its recommendations were considered by the Council, ICAI, at its adjourned 386th meeting held on November 5, 2019, and after extensive deliberations the Council decided as under:

4.1 Number of Sets of Revised Accounting Standards

In view of the wide spectrum of entities, in terms of size, nature and objectives of financial statements, there is a need to adopt a pragmatic approach to develop a set or sets of accounting standards under non-Ind AS Framework. There are pros-cons of adopting an 'One-size Fits All' approach.

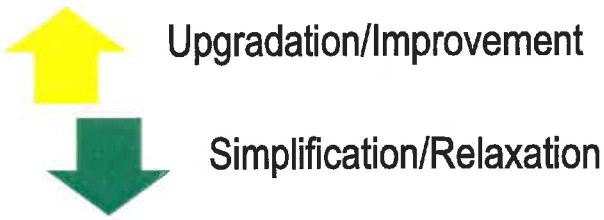
Pros

- ✓ Comparability and Consistency in developing accounting standards
- ✓ Scalability for Preparers and Auditors
- ✓ Ease of understanding and use by Taxation Authorities, Regulators, Banks and other participants including rating agencies, etc.

Cons

- ✓ Relevance of principles directed towards complex transactions
- ✓ Simplicity versus Upgradation.

In case of one set of Accounting Standards, both these aspects i.e. simplicity and upgradation, are of fundamental importance, therefore, have to be borne in mind in developing accounting standards. At the same time, one has to recognize that these two goals tend to move in opposite directions as depicted below.



Therefore, it is considered appropriate to develop two separate sets of Accounting Standards for companies.

4.2 2nd Set – Revised ASs: Approach Paper 2020

4.2.1 General Aspects – Structure, Layout etc.

a) Numbering pattern of Revised ASs

While the numbering pattern of Revised ASs may not be as critical as the principles and prescriptions of the individual standards, it does assume importance due to reasons such as ease of reference to Ind AS Framework for additional guidance, smooth transition to higher quality framework, when required, and scalability of preparers and accountancy professionals. Therefore, it is considered appropriate to adopt numbering pattern of Revised ASs similar to that of Ind ASs. However, it was not found feasible to retain the paragraph numbers of Ind ASs in the Revised ASs as there is a hybrid approach where good number of standards will be based on AS and a few would be developed as a hybrid.

b) Simplification to SMCs: Exemptions/Relaxations

In view of the wide spectrum of companies that will be subject to this set of Revised ASs, there is a need to bear in mind one of the fundamental goals i.e. Flexibility in Structure and Prescriptions to enable simplification to SMCs. In this regard, exemptions and relaxations to SMCs will be considered in two phases, one at the time of developing individual Revised ASs and second when the entire set of Revised ASs is fully developed. Accordingly, the steps that will be followed are as follows.

(i) Once the entire set of Revised AS is complete, definition and criteria of SMCs etc will have to be revisited and prescribed.

(ii) Exemptions/Relaxations will also be identified while drafting individual standards itself.

(iii) Exemptions/Relaxations will be identified at the time of formulation and approval of individual standards. Also, attention of the Approving Authorities will be drawn to the need for reassessment of these exemptions and also need for additional ones once all the standards are finalised and before recommendation of the standards for issuance by the competent authorities.

4.2.2 Criteria and Implementation Timelines

Predominantly, there are primarily two approaches as depicted below for implementing any reform of this size and nature.

i) Big Bang Approach: In this approach, entire set of companies and full set of standards will be mandatorily applied at one go.

ii) Path of Gradualism or Phased-in Approach: In this approach, new norms or framework is applied in phases either over different timelines based on prescribed thresholds or criteria or different timelines for components of the framework. The former one is generally preferred due to cost, time and stable platform considerations.

After evaluation of merits and demerits of above two approaches, it has been considered appropriate to adopt

Criteria for Entities	Set of Standards	Implementation date
All listed Companies and unlisted Companies having networth above Rs 250 crores	Ind AS	Already applied
Unlisted Companies having networth Rs.100- 250 crores	2nd set- Revised AS	F.Y. 2023-24
Unlisted Companies having networth less than 100 crores	2nd set- Revised AS	F.Y. 2025-26

*During the transition period, for these companies, the existing Accounting Standards would continue. The above Roadmap is subject to Banks and Insurance Companies following Ind AS by FY 2022-23.

4.2.3 Individual Standard-wise Approach

a) Categorisation of Standards

As stated in the beginning of this approach paper, India in recent history has always followed the path of convergence or alignment with International Accounting Standards Framework (now known as IFRS Standards or IFRS Framework). There is no doubt that ICAI has actively contributed to the standard-setting activities of the predecessor of IASB viz. IASC and its standard-setting arm IASC Board and it continues its pursuit in that direction in the post-IASB era as well. It is natural that many of the existing ASs have embedded the concepts and approach of IASs and IFRS Standards, albeit there have been departures in certain areas. This unique feature has its own advantages e.g. in case of some standards, there is limited amount of revision that is needed. At the same time, there are certain areas where large scale revision would be need of the hour. Accordingly, it is deemed appropriate to categorise this task of revision of standards into '4 Four' categories as follows. This position is based on Ind ASs mandatory as of April 1st, 2020. Revised AS number mentioned in the table below are those of equivalent Ind ASs.

Categories	Basis of Revised Ass	No. of Revised ASs
Category 1	Ind AS corresponding to which AS need not be issued (Ind AS 29, Ind AS 104, Ind AS 106, Ind AS 114, Ind AS 27, Ind AS 112)	6
Category 2	Existing AS which can be revised by including certain aspects from the corresponding Ind AS (AS 11, AS 18, AS 16, AS 21, AS 20, AS 108, AS 24, AS 33, AS 12, AS 34, AS 103, AS 110, AS 28, AS 111)	14
Category 3	Ind AS which can be used as basis for revision of the corresponding existing Accounting Standards with changes (AS 1, AS 2, AS 7, AS 8, AS 10, AS 17, AS 19, AS 23, AS 36, AS 38, AS 37, AS 40, AS 41, AS 105, AS 113, AS 102)	16
Category 4	Standards for which hybrid approach to be followed (AS 109)	1
First time Adoption	Ind AS 101 equivalent to be considered	1
	Total Number of Revised ASs	**38**
	Three Ind AS merged into one standard (Ind AS 32, Ind AS 107, Ind AS 109 merged into AS 109)	2
	Ind AS divided into two standards (Ind AS 115 split into AS 11 and AS 18)	(1)
	Total Number of Ind ASs of 1 April 2020	**39**

b) Individual Standard-wise approaches.

Category 1:	**Ind AS corresponding to which AS need not be issued**
1.	Ind AS 27, *Separate Financial Statements*
2.	Ind AS 29, *Financial Reporting in Hyper-Inflationary Economies*
3.	Ind AS 104, *Insurance Contracts*
4.	Ind AS 106, *Exploration for and Evaluation of Mineral Resources*
5.	Ind AS 114, *Regulatory Deferral Accounts*
6.	*Ind AS 112 , Disclosure of Interests in Other Entities*

Category 2: **Existing AS should be revised by including certain aspects from the corresponding Ind AS**		
Existing AS	**Ind AS**	**Revision Approach (2020)**
AS 7, *Construction Contracts* (revised 2002)	Ind AS 11, *Construction Contracts*[7]	Existing AS 7 should continue with following changes : ❖ Revenue to be measured at transaction price ❖ Separation of significant financing component is required. However, practical expedient may be included so as not to require separation of significant financing component where the period between transfer of services by entity and payment by the customer is one year or less. ❖ Language improvements to be made on the basis of Ind AS 11.

[7] Ind AS 11 and Ind AS 18 have been replaced by new standard viz.Ind AS 115 Revenue for Contracts with Customers, with effect from April 1st, 2018.

Category 2: Ind AS	Existing AS should be revised by including certain aspects from the corresponding	
Existing AS	**Ind AS**	**Revision Approach (2020)**
AS 9, *Revenue Recognition* (issued 1985)	Ind AS 18, *Revenue*	Existing AS 9 should continue with following changes : ❖ Accounting Guidance on the following aspects may be included: • Customer loyalty programmes • Barter Transactions ❖ Revenue to be measured at transaction price ❖ Interest revenue will be recognized based on the EIR method as per AS 109, *Financial Instruments*. However, exemption to be provided to SMCs from requirements of measurement of Interest revenue using the EIR method of AS 109, *Financial Instruments.* ❖ Separation of significant financing component is required. However, practical expedient may be included so as not to require separating significant financing component where the period between transfer of goods and services by entity and payment by the customer is one year or less. ❖ Recognition of separately identifiable components of a single transaction to be added to reflect the substance of the transaction. ❖ Language improvements to be made on the basis of Ind AS 18.
AS 6, *Depreciation Accounting* – No longer valid after 2016) AS 10, *Property, Plant and Equipment* (revised 2016)	Ind AS 16, *Property, Plant and Equipment*	❖ AS 10, which was revised in 2017, should be used. ❖ Requirement relating to deferred payment terms should be included. ❖ Appendix A *Changes in Existing Decommissioning, Restoration and Similar Liabilities* corresponding to IFRIC 1 to be included.
AS 11, *The Effects of Changes in Foreign Exchange Rates* (revised 2003)	Ind AS 21, *The Effects of Foreign Exchange Changes*	AS 11 should continue with following changes: ❖ Paragraphs 46/46A should be removed. ❖ Provisions related to forward contacts should be removed as the same will be covered by the Accounting Standard on Financial Instruments. ❖ Transitional relief as provided under Ind AS 101 for dealing with paragraphs 46/46A items should be provided.
AS 12, *Accounting for Government Grants* (issued 1991)	Ind AS 20, *Accounting for Government Grants and Disclosures of Government Assistance*	Existing AS 12 should continue, however, following changes may be included. ❖ Language improvements to be made on the basis of Ind AS 20. ❖ As per existing AS 12, government grants that have the characteristics similar to those of promoters' contribution should be credited directly to capital reserve and treated as a part of shareholders' funds. However, revised AS 20 will not have any category of such grants and, accordingly, it will be treated as any other grant covered by the standard, if definition of government grant is met.

Category 2: **Existing AS should be revised by including certain aspects from the corresponding Ind AS**		
Existing AS	**Ind AS**	**Revision Approach (2020)**
AS 17, *Segments Reporting* (issued 2000)	Ind AS 108, *Operating Segments*	AS 17 should be retained. However, changes due to changes in other standards should be incorporated.
AS 18, *Related Party Disclosures* (issued 2000)	Ind AS 24, *Related Party Disclosures*	AS 18 should be taken as base with any changes consequential to changes in other Standards. However, language at certain places can be improved. Position regarding Non-executive Directors to be aligned with Ind AS 24.
AS 20, *Earnings Per Share* (issued 2001)	Ind AS 33, *Earnings Per Share*	AS 20 should continue. However, changes due to changes in other standards should be incorporated, e.g., AS 109, *Financial Instruments*, approach of classification of Equity/Liability.
AS 22, *Accounting for Taxes on Income* (issued 2001)	Ind AS 12, *Income Taxes*	Existing AS 22 should continue with following change to be considered by the Study Group while formulating the standard. ❖ Concept of 'virtual certainty' may be replaced by 'reasonable certainty'.
AS 25, *Interim Financial Reporting* (issued 2002)	Ind AS 34, *Interim Financial Reporting*	AS 25 should continue
AS 14, Accounting for Amalgamations (revised 2004)	Ind AS 103, Business Combinations	❖ AS 14, *Accounting for Amalgamations*, should continue and concept of de-merger should be included. Only purchase method of accounting will be retained. ❖ Definition of Control will be same as in AS 21, *Consolidated Financial Statements*.
AS 21, Consolidated Financial Statements (issued 2001) (revised 2016)	Ind AS 110, Consolidated Financial Statements	❖ Existing AS 21, AS 23, AS 27 should continue. ❖ In AS on Consolidated Financial Statements, for the purpose of computing goodwill and capital reserve the fair value of net assets taken over and the fair value of the consideration should be evaluated. ❖ In AS 27, • equity method of accounting should be prescribed for accounting Investment in Joint Ventures. • current requirement under paragraph 6 of existing AS 27, which requires that in case an entity establishes a joint control over an entity by virtue of contractual arrangements which is also a subsidiary of the entity, the same entity be accounted for as a subsidiary, should be changed and required to be accounted for as a joint venture.
AS 23, Accounting for Investments in Associates in Consolidated Financial Statements	Ind AS 28, Accounting for Associates and Joint Ventures	

Category 2: Existing AS should be revised by including certain aspects from the corresponding Ind AS		
Existing AS	**Ind AS**	**Revision Approach (2020)**
(issued 2001)		
AS 27, Financial Reporting of Interests in Joint Ventures (issued 2002)	Ind AS 111, Joint Arrangements	

Category 3: Ind ASs should be used as basis for revision of the corresponding existing Accounting Standards with certain changes		
Existing AS	**Ind AS**	**Approach Paper (2020)**
AS 1, *Disclosure of Accounting Policies* (issued 1979)	Ind AS 1, *Presentation of Financial Statements*	Ind AS 1 should be used except the following ❖ Concept of Statement of Changes in Equity (SOCIE) forming part of the Balance Sheet and Other Comprehensive Income (OCI) section of the Statement of Profit and Loss of Ind AS 1 should not be retained since it will be too onerous to comply with for companies not covered under Ind AS. Instead, to present information required to be given in Statement of Changes in Equity like the currently followed format of 'Shareholders Funds', with movements in Share Capital and Reserves and Surplus presented suitably. ❖ Disclosures with regard to Capital Maintenance and other sources of estimation uncertainty, etc. should be removed. ❖ Other appropriate simplifications to be made and disclosures to be reduced.
AS 2, *Valuation of Inventories* (issued 1981) (revised 2016)	Ind AS 2, *Inventories*	Following changes should be made in Ind AS 2: (i) Guidance for accounting for inventory of service provider from the Ind AS 2[8] (i.e., AS 2 prior to revision due to issuance of Ind AS 115) should be added. Requirements to separate financing component in case of purchase of inventory on deferred payment terms needs to be included
AS 3, *Cash Flow Statements* (revised 1997)	Ind AS 7, *Cash Flow Statements*	Ind AS 7 should be used without any changes. However, exemptions may be provided to companies in line with Companies Act 2013, from the applicability of AS 7.
AS 4, *Contingencies and Events Occurring After the*	Ind AS 10, *Events After Reporting Period*	Ind AS 10 should be used as basis

[8] Ind AS 2 issued vide Notification No. G.S.R. 365(E) dated 30th March, 2016

Category 3: **Ind ASs should be used as basis for revision of the corresponding existing Accounting Standards with certain changes**		
Existing AS	**Ind AS**	**Approach Paper (2020)**
Balance Sheet (issued 1982) (revised 2016)		
AS 5, *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies* (revised 1997)	Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Ind AS 8 should be used with following changes. ❖ Requirements for restatement in case of change in accounting policy and prior period error correction should not be included. Hence, the adjustments should be included in the current year's profit or loss.
AS 15, *Employee Benefits* (revised 2005)	Ind AS 19, *Employee Benefits*	Ind AS 19 should be followed with following changes: Actuarial gain or loss and other remeasurement gains and losses to be recognised in profit or loss. ❖ Existing exemptions/relaxations to continue. However, the enhancement in threshold of number of employees (currently 50) for granting exemption from actuarial valuation may be considered.
AS 19, *Leases* (issued 2001)	Ind AS 17, *Leases* *(This standard has been replaced by new standard viz. Ind AS 116 Leases, with effect from April 1st, 2019)*	Erstwhile Ind AS 17 should be taken as base with following changes. ❖ The following Appendices of Ind AS 17 should not be included in the Revised AS 17: ✓ Appendix B, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* ✓ Appendix C, Whether an Arrangement contains a Lease ❖ Any improvements providing guidance may be included on the basis of AS 19.
AS 16, *Borrowing Costs* (issued 2000)	Ind AS 23, *Borrowing Costs*	• Ind AS 23 should be used as base. • EIR concept to be included since it has been included in AS 109 Financial Instruments. However, SMCs will be provided exemption from the application of EIR concept.
AS 26, *Intangible Assets* (issued 2002)	Ind AS 38, *Intangible Assets*	Ind AS 38 should be used with following changes: ❖ Amortization for all intangible assets should be required.

Category 3: **Ind ASs should be used as basis for revision of the corresponding existing Accounting Standards with certain changes**		
Existing AS	**Ind AS**	**Approach Paper (2020)**
		❖ In line with existing AS 26, with regard to subsequent recognition, revaluation model will not be allowed. ❖ In line with existing AS 26, it should be prescribe that useful life of an intangible asset is always finite. A rebuttable presumption that the useful life cannot exceed ten years from the date the asset is available for use should be included.
AS 28, *Impairment of Assets* (issued 2002)	Ind AS 36, *Impairment of Assets*	Ind AS 36 should be used without changes.
AS 29, *Provisions, Contingent Liabilities and Contingent Assets* (issued 2003) (revised 2016)	Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Ind AS 37 should be used with following changes: ❖ Measurement of provisions shall not be on discounted basis except for Asset Retirement Obligations i.e. Decommissioning, Restoration and Similar Liabilities. ❖ Contingent assets to be disclosed in the report of approving authority instead of disclosure in the financial statements in-line with AS 29
AS 10 (revised 2016) (Relevant section to be included in AS 10)	Ind AS 40, *Investment Property*	❖ Formulate separate standard based on Ind AS 40 as follows: • Recognition and Measurement should be as per Ind AS 40; • Fair value measurement option for subsequent measurement is not permitted. • Disclosures can be reduced as compared to Ind AS 40
—	Ind AS 41, *Agriculture*	Ind AS 41 should be used without any change.
—	Ind AS 102, *Share-based Payment*	Ind AS 102 should be used without any change. However SMCs may be exempted from this Revised AS.
AS 24, *Discontinuing Operations* (issued 2002)	Ind AS 105, *Non-Current Assets held for Sale and Discontinued Operations*	AS 105 needs to be formulated on basis of Ind AS 105.
-	Ind AS 113, Fair Value Measuremen t	Separate Accounting Standard corresponding to Ind AS 113 should be formulated with following features: (i) Single price approach based on 'exit price' concept should be followed. (ii)Highest and Best Use principle for non-financial assets should be included. (iii) Study group shall examine whether transaction costs to be deducted to arrive at fair value. (iv) Day 1 gain or loss accounting shall be dealt with in respective standards such as Ind AS 109.

<table>
<tr><td colspan="3">Category 4: Standards for which hybrid approach should be followed
This category can be further sub-divided into the following sub-categories
(I) Financial Instruments related Standards.</td></tr>
<tr><th>Existing AS</th><th>Ind AS</th><th>Approach Paper (2020)</th></tr>
<tr><td>AS 13, Accounting for Investments (issued 2003) (revised 2016)</td><td>• Ind AS 32, Financial Instruments Presentation
• Ind AS 109, Financial Instruments
• Ind AS 107, Financial Instruments: Disclosures</td><td>❖ IFRS for SMEs should be used as the base for formulation of upgraded AS 109, Financial Instruments.
❖ The standard shall comprise of 3 sections, namely;
<table>
<tr><th>Revised AS</th><th>IFRS for SMEs</th></tr>
<tr><td>Section A. Basic Financial Instruments</td><td>Section 11, Basic Financial Instruments</td></tr>
<tr><td>Section B. Other Financial Instruments (including Derivatives and Hedge Accounting)</td><td>Section 12, Other Financial Instrument Issues</td></tr>
<tr><td>Section C. Liabilities and Equity</td><td>Section 22, Liabilities and Equity</td></tr>
</table></td></tr>
<tr><td></td><td></td><td>(i) Basic definitions such as definitions of financial Instrument, financial asset, financial liabilities etc. may remain same as in Ind AS 109 and Ind AS 32. For example definition of 'financial liability' in Ind AS 32 excludes convertible bond denominated in foreign currency with the equity conversion option embedded in it.
(ii) Revised AS 109, Financial Instruments, should be formulated considering provisions of Ind AS 11 and Ind AS 18. Ind AS 115 should not be considered.
(iii) More examples, as far as possible, to be included in the draft for easy implementation of Revised AS 109.
(iv) Measurement:
(A) Basic Financial Instrument: (such as cash, fixed return bonds, etc.)
a) Other than equity at Amortised Cost (using EIR)
b) Equity:
(i) If Held for Trading- Measured at Fair Value through Profit or Loss
(ii) Not Held for Trading- Measured at Cost less impairment
Reclassification is required if there is change in category between (b)(i) & (b)(ii)
(B) Other Financial Instruments to be measured at fair value through profit or loss
Derivatives are required to treated and accounted at fair value through profit or loss unless those form part of hedge accounting where separate accounting norms exist.

(v) Impairment of Financial Instruments on incurred loss model.
(vi) Provisions of Guidance Note on Accounting for Derivatives (derivatives to be measured at fair value) should be covered, which should be made comprehensive to cover natural hedges,</td></tr>
</table>

Category 4: **Standards for which hybrid approach should be followed** This category can be further sub-divided into the following sub-categories **(I) Financial Instruments related Standards.**		
Existing AS	**Ind AS**	**Approach Paper (2020)**
		etc. Embedded Derivatives would not be required to be separated. (vii) Financial Guarantee should be shown as a financial liability and not to be shown as a contingent liability under AS 37. (viii) Trade receivables/payables to be measured at transaction price if effect of discounting is immaterial. (ix) Recognition – Option to choose settlement date accounting shall not be included. Derecognition principles needs to be simplified.
		Exemptions/Relaxations and Practical Expedients to SMCs ✓ Revised AS 109 will require that if the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition. *Since cost of compliance with this requirement will outweigh the benefits derived in case of SMCs, an exemption should be given to SMCs in this regard.* ✓ Under Ind AS 109, the initial measurement is based on fair value measurement principles prescribed under a separate standard viz. Ind AS 113, *Fair Value Measurement*. The approach to fair value measurement here is based on 'Exit Price' concept, and not the transaction price (Entry Price). As a result, there could be situations where the fair value at initial recognition/measurement of a financial asset or a financial liability and the transaction price could be different resulting in a difference commonly known as Day 1 gain or loss. Ind AS 113 requires such Day 1 gain/loss to be recognised in profit or loss unless other standards (e.g. Ind AS 109) specify different treatment. Initial measurement in Revised AS 109 will be based on prescription of Transaction Price (Entry Price)' and subsequent measurement in certain cases is based on fair value. *However, certain Financial instruments covered in section B (as mentioned in (iv)(B) above are required to be measured initially at fair value through profit or loss. Requirement of recognising day 1 gain or loss in such cases may be exempted for SMCs.* ✓ In Revised AS 109, in case of a cash flow hedge, any gain or loss on hedging instrument that is determined to be an effective hedge will be recognised *in a separate reserve within Reserves and Surplus under Shareholders Funds.*

Category 4: **Standards for which hybrid approach should be followed**
This category can be further sub-divided into the following sub-categories
(I) Financial Instruments related Standards.

Existing AS	Ind AS	Approach Paper (2020)
		✓ Under Revised AS 109, financial assets subsequently measured at Amortised Cost will be subject to impairment at each reporting date. Impairment loss recognition will be based on 'Incurred Loss Approach' i.e. it will be recognised when there will be objective evidence of impairment of financial asset and the loss measurement will take into account time value of money where required. *If impairment will be computed using Provision matrix, then there is no need to compute present value of money.*
First-time Adoption Standard		
-	Ind AS 101, *First time adoption of Ind AS*	A separate Standard similar to Ind AS 101 may be considered for transitional provisions.

c) APPROACH FOR DISCLOSURE REQUIREMENTS

The disclosure requirements in various accounting standards should be considered and reduced keeping in view the level of entities as discussed above on the basis of the following:

a) In respect of formulation of the Standards for which existing Accounting Standards are currently used as base, the disclosure requirements should be broadly as per the existing Accounting Standards including exemptions/relaxations given to SMCs.
b) In respect of other Standards, the disclosure requirements should be restricted to those which are primarily relevant from the perspective of the lenders; the disclosure requirements which are primarily meant for investors may not be given since such disclosures would not be relevant for non-public interest entities.
c) The disclosure requirements may also not exceed those given in IFRS for SMEs.

d) IFRICs/SICs to be included in the existing AS

Refer Annexure '3

Annexure '1' - Report on Impact Analysis of Indian Accounting Standards and One set of Standards *vs.* Two sets of Standards

Please refer separate file.

Annexure '2'

Approach paper for upgradation of existing Accounting Standards to bring them nearer to the Ind AS as finalised by the Accounting Standards Board (Approach Paper 2014-15)[9]

The Accounting Standards Board (ASB) decided that for the applicability of Accounting Standards, following categories of entities should be considered:

Level I: All entities including non-corporate entities which would require to apply IFRS-converged Indian Accounting Standards (Ind AS). Roadmap for applicability for Ind AS to non-corporate entities is yet to be decided by the ASB.

Level II: Upgraded Accounting Standards would be followed by the following entities:

(a) All entities having net worth below Rs. 250 crores and not covered in Level I and Level II (b)

(b) All entities meeting the following criteria:

(i) Having turnover (excluding other income) not exceeding rupees hundred crore in the immediately preceding accounting year;
(ii) Having borrowings (including public deposits) not in excess of rupees twenty crore at any time during the immediately preceding accounting year; and

Further, for the purpose of upgradation of existing Accounting Standards to bring them nearer to the Ind AS, Ind AS should be divided into following four categories:

Category 1: Ind AS corresponding to which AS need not be issued.
Category 2: Existing AS which can be revised by including certain aspects from the corresponding Ind AS
Category 3: Ind AS which can be used as basis for revision of the corresponding existing Accounting Standards with changes as may be finalised
Category 4: Standards for which hybrid approach to be followed

Category 1: Ind AS corresponding to which AS need not be issued

(i) *Ind AS 26, Accounting and Reporting by Retirement Benefit Plans*
(ii) *Ind AS 29, Financial Reporting in Hyper-Inflationary Economies*
(iii) *Ind AS 104, Insurance Contracts*
(iv) *Ind AS 106, Exploration for and Evaluation of Mineral Resources*
(v) *Ind AS 114, Regulatory Deferral Accounts*

Category 2: Existing AS which can be revised by including certain aspects from the corresponding Ind AS

Existing AS	Ind AS	Title of Ind AS	Modifications to be made in existing AS
AS 7	Ind AS 11	*Construction Contracts*	Existing AS 7 should be continued and guidance on the following aspects may be included: • Revenue to be measured at transaction price

[9] This Approach Paper originally finalised by the ASB, has been updated for major subsequent changes in the approach suggested at various forms, i.e., ASB, Council of the ICAI, NACAS, from time to time.

			• Separation of significant financing component is required[10]. • Language at may be suitably amended as per Ind AS
AS 9	Ind AS 18	*Revenue*	Existing AS 9 should be continued and guidance on the following aspects may be included: • Customer loyalty programmes • Barter Transactions • Revenue to be measured at transaction price • Separation of significant financing component is required[8]. • Recognition of separately identifiable components of a single transaction added to reflect the substance of the transaction. • Interest revenue recognition as per upgraded AS 18 and measurement using the EIR method as per AS 109, *Financial Instruments*. • Language may be suitably amended as per Ind AS
AS 6 AS 10	Ind AS 16	*Property, Plant and Equipment*	• AS 10 already revised should be used. • Requirement relating to deferred payment terms is included[11]. **This Standard has been cleared by the erstwhile NACAS.**
AS 12	Ind AS 20	*Accounting for Government Grants and Disclosures of Government Assistance*	• Existing AS 12 may continue. • Language at many places and paragraph numbering have been amended as per Ind AS **This Standard has been cleared by the erstwhile NACAS.**
AS 16	Ind AS 23	*Borrowing Costs*	Originally it was decided that AS 16 should be continue with no Effective Interest Rate (EIR). However, later on it was deided to upgrade AS on basis of Ind AS 23 instead of AS 16 • EIR concept included since it has been included in AS 109. **This Standard has been cleared by the erstwhile NACAS.**
AS 17	Ind AS 108	*Operating Segments*	AS 17 to be retained. However, changes due to changes in other standards should be incorporated.
AS 18	Ind AS 24	*Related Party Disclosures*	• AS 18 to be taken as base with any changes arising from other Standards. • Language at certain places has been improved, e.g., joint control is also specifically included in the definition of related party in line with Ind AS 24. • Non-executive directors (NEDs) should be KMPs[12]. **This Standard has been cleared by the erstwhile NACAS.**
AS 20	Ind AS 33	*Earnings Per Share*	• AS 20 should be continued. However, changes due to changes in other standards should be incorporated. • Due to equity/liability classification based on substance requirement in upgraded AS 109, upgraded AS 33 need to

[10] NACAS at its 68th meeting held on December 21, 2015, decided that the requirement of separating financing component in case of deferred payment terms to be retain in upgraded AS 2 and AS 16. Accordingly, the similar requirements are included in this standard also.
[11] Ibid.
[12] NACAS decided that under revised AS NEDs should be treated as KMPs.

			align with the same. This will require change in language at many places.
AS 25	Ind AS 34	*Interim Financial Reporting*	• To be upgraded on basis of AS 25 since Ind AS 34 is too onerous. • 'Statement of Changes in Equity' to be included as component of interim financial report. • Reference to extraordinary items (in the context of materiality) to be deleted in AS 34 in line with AS 1.

Category 3: ***Ind AS which can be used as basis for revision of the corresponding existing Accounting Standards with changes as finalised by the respective Study Group***

Existing AS	Ind AS	Title of Ind AS	Modifications to be made in the Ind AS requirements
AS 1	Ind AS 1	*Presentation of Financial Statements*	• Ind AS 1 to be used including the concept of OCI and SOCE • Disclosures with regard to Capital Maintenance and other sources of estimation uncertainty, etc. should be relaxed • The Study Group should consider that whether the Level II(b) entities need to be exposed to the concept of OCI.
AS 2	Ind AS 2	*Inventories*	Following changes should be made in Ind AS 2: • Requirements to separate financing component in case of purchase of inventory on deferred payment terms to be included[13]. • Guidance for accounting for inventory of service provider from the pre-revised Ind AS 2 should be added. **This Standard has been cleared by the erstwhile NACAS.**
AS 3	Ind AS 7	*Cash Flow Statements*	No change from Ind AS 7 is required. **This Standard has been cleared by the erstwhile NACAS.**
AS 4	Ind AS 10	*Events After Reporting Period*	No change from Ind AS 10 is required. **This Standard has been cleared by the erstwhile NACAS.**
AS 5	Ind AS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	Impact of changes in accounting policy to be retrospectively computed instead of requiring retrospective application, retrospective restatement of changes in accounting policy and estimate and errors and adjustment to current year profit or loss should be made. **This Standard has been cleared by the erstwhile NACAS.**
AS 15	Ind AS 19	*Employee Benefits*	• Ind AS 19 should be followed including actuarial gain or loss and other remeasurement gains and losses to be taken in OCI.

[13] NACAS at its 68th meeting held on December 21, 2015, decided that the requirement of separating financing component in case of deferred payment terms to be retain in upgraded AS 2 and AS 16

			• Existing exemptions/relaxations to continue. However, the Group may consider the enhancement in threshold of number of employees (currently 50) for granting exemption from actuarial valuation
AS 19	Ind AS 17	*Leases*	• Ind AS 17 to be used to scope in leases of land. • To be examine the sale type leases of land in case of SEZ land lease
AS 22	Ind AS 12	*Income Taxes*	No change from Ind AS is required. However, language used in IFRS for SME for Income Tax chapter may be considered to simplify the revised AS 22.
AS 24	Ind AS 105	*Non-Current Assets held for Sale and Discontinued Operations*	No change from Ind AS 105 is required. However, Level II(b) entities should be exempted in revised AS 24.
AS 26	Ind AS 38	*Intangible Assets*	Ind AS 38 should be used with following changes: • Amortization for all intangible assets should be required. • Requirement relating to deferred payment terms to be included. • In line with AS 26, with regard to subsequent recognition, revaluation model not to be allowed. • In line with AS 26, to prescribe that useful life of an intangible asset is always finite. Includes a rebuttable presumption that the useful life cannot exceed ten years from the date the asset is available for use.
AS 28	Ind AS 36	*Impairment of Assets*	No change from Ind AS is required.
AS 29	Ind AS 37	*Provisions, Contingent Liabilities and Contingent Assets*	• Ind AS 37 with discounting requirement as in the revised AS 29 with regard to discounting of provisions of AROs being permitted to be examined for other similar provisions, e.g., provisions under service concession arrangements for resurfacing obligation to suggest whether discounting to be required for all long-term provisions. • Level II(b) entities should be provided an option to apply discounting, if discounting required for all long-term provisions
AS 10 (revised 2016)	Ind AS 40,	*Investment Property*	Separate standard on the basis of Ind AS 40 with following requirements: • Recognition and Measurement should as per Ind AS 40. • Disclosures can be reduced compared to Ind AS 40. • Not to require disclosure of fair value of investment property.
---	Ind AS 41	*Agriculture*	No change from Ind AS is required.
---	Ind AS 102	*Share-based Payment*	No change from Ind AS is required. However, Level II(b) entities may be exempted.

Category 4: Standards for which hybrid approach to be followed:

This category can be further sub-divided into the following sub-categories:

(i) Financial Instruments related Standards – **This Standard has been cleared by the erstwhile NACAS.**

---	Ind AS 32	Financial Instruments: Presentation

AS 13	Ind AS 109 Ind AS 107	Financial Instruments Financial Instruments: Disclosures
---	Ind AS 113	Fair Value Measurement

(ii) Business Combinations and Consolidation related Standards.

AS 14	Ind AS 103	Business Combinations
AS 21	Ind AS 110	Consolidated Financial Statements
AS 23	Ind AS 28	Accounting for Associates and Joint Ventures
AS 27	Ind AS 28 Ind AS 111	Accounting for Associates and Joint Ventures Joint Arrangements
---	Ind AS 112	Disclosure of Interests in Other Entities
---	Ind AS 27	Separate Financial Statements

Financial Instruments related Standards

Financial Instruments

With regard to the formulation of AS corresponding to the Ind AS related to Financial Instruments, the following approach may be followed:

(i) IFRS for SMEs should be used as the base for formulation of upgraded AS XX, Financial Instruments.
(ii) The standard shall comprise of 3 sections, namely;

3 Sections in 1 AS	Corresponding sections of IFRS for SME
A. Basic Financial Instruments	Section 11, Basic Financial Instruments
B. Other Financial Instruments (including Derivatives and Hedge Accounting)	Section 12, Other Financial Instrument Issues
C. Liabilities and Equity	Section 22, Liabilities and Equity

(iii) Basic definitions such as definitions of financial Instrument, financial asset, financial liabilities etc. may remain same as in Ind AS 109 and Ind AS 32. For example definition of 'financial liability' in Ind AS 32 excludes convertible bond denominated in foreign currency with the equity conversion option embedded in it.
(iv) Updated AS 109, Financial Instruments, should be based on Ind AS 11 and Ind AS 18. Ind AS 115 should not be considered.
(v) More examples, as far as possible, to be included in the draft for easy implementation of upgraded AS 109.
(vi) Measurement:
(A) Basic Financial Instrument: (such as cash, fixed return bonds, etc.)
a) Other than equity at Amortised Cost (using EIR)
b) Equity:
(i) If Held for Trading- Measured at Fair Value through Profit or Loss
(ii) Not Held for Trading- Measured at Cost less impairment
Reclassification is required if there is change in category between (b)(i) & (b)(ii)
(B) Other Financial Instrument
a) If Held for Trading- Measured at Fair Value through Profit or Loss
b) Not Held for Trading- Measured at Amortised cost or Cost less impairment

(vii) Impairment of Financial Instruments on incurred loss model.

(viii) Provisions of Guidance Note on Accounting for Derivatives (derivatives to be measured at fair value) should be covered, which should be made comprehensive to cover natural hedges, etc. Embedded Derivatives would not be required to be separated.

(ix) Financial Guarantee should be shown as a contingent liability and not to be shown as a financial liability, the same should be included in AS 37

(x) Trade receivables/payables to be measured at transaction price unless there is significant financing component; interest and transaction costs need not be separated.

(xi) Recognition - No settlement date accounting and for derecognition provisions from Ind AS 109. Derecognition needs to be simplified.

Fair Value Measurement (Ind AS 113)

With regard to the formulation of AS for Fair *Value Measurement*, the following approach to be followed:

Separate Accounting Standard corresponding to Ind AS 113, *Fair Value Measurement* should be formulated with following features:

(i) Single price approach should be followed
(ii) HABU principle should be included.
(iii) Whether transaction costs to be deducted to arrive at fair value may be examined by the Group
(iv) Requirement to recognize day 1 gain or loss to be immediate in profit or loss or OCI should not be included in AS for Fair Value Measurement. The same should be dealt with in the respective standards.

Business Combinations and Consolidation Standards (Ind AS 103, Ind AS 27, Ind AS 28, Ind AS 110, Ind AS 111 and Ind AS 112)

Consolidated Financial Statements

1. For the purpose of preparing consolidated financial statements, the definition of subsidiary would remain as that contained in existing AS 21.
2. For the purpose of computing goodwill and capital reserve the fair value of net assets taken over and the fair value of the consideration should be used.

Business Combinations

1. The business combinations would include acquisition of business and not only acquisition of entities.
2. The definition of 'control' should be as per AS 21 plus power to govern the operating and financial policies of the other entity.
3. The fair values for both net assets acquired and consideration should be used.
4. Reverse acquisitions would be included.
5. The acquiree may be allowed the following options:
   (i) To have two sets of financial statements: One as per the existing basis before acquisition and the second based on the fair values computed at the time of acquisition.
   (ii) Allowing the acquiree entity to prepare financial statements on fair value basis (termed as 'push down accounting' by the Financial Reporting for Small and Medium Enterprises issued by AICPA).
6. Common control transactions should be dealt with as per the Appendix of Ind AS 103.
7. Goodwill to be amortised as per existing AS 26, i.e., over a period of 10 years alongwith the impairment testing.

Accounting for Associates

Accounting for associates may be as per the existing AS 23 with consequential changes arising from changes in AS 21 and the Standard on business combinations.

Joint Ventures

Existing AS 27 should be continued except the following:

i. Proportionate consolidation should not be allowed and equity method as per AS 23 would be required.
ii. Other changes consequential to changes in AS 21 and the Standard on business combinations to be incorporated.
iii. The current requirement under paragraph 6 of AS 27, *Financial Reporting of Interests in Joint Ventures* which requires that in case an entity establishes a joint control over an entity by virtue of contractual arrangements which is also a subsidiary of the entity, the same entity should be accounted for as a subsidiary should be changed and required to be accounted for as a joint venture.

In other words, Ind AS 111, *Joint Arrangements*, will not be used.

Ind AS 112

Disclosures consistent with the above mentioned Standards should be incorporated.

Ind AS 27

To be retained with appropriate changes.

Notes:
The approach as suggested above is for relevant individual standards. Consequential impacts on other standards would be dealt with accordingly.
Any other exemption(s)/relaxation(s) to SMEs/SMCs other than those already identified by the Board may need further examination.
Measurement exemptions other than those stated above may be considered for SMCs/SMEs.
Inclusion/exclusion of IFRICs/SICs in the upgraded AS may be considered based on the above principles. List of IFRICs/SICs is attached.
A separate Standard similar to Ind AS 101 may be considered for transitional provisions.

APPROACH FOR DISCLOSURE REQUIREMENTS

The disclosures requirements in various accounting standards should be considered and reduced keeping in view the level of entities as discussed above on the basis of the following:

(i) In respect of formulation of the Standards for which existing Accounting Standards is currently available, the disclosure requirements should be broadly as per the existing Accounting Standards including exemptions/relaxations given to SMEs.
(ii) In respect of other Standards, the disclosure requirements should be restricted to those which are primarily relevant from the perspective of the lenders; the disclosure requirements which are primarily meant for investors may not be given since such disclosures would not be relevant for non-public interest entities.
(iii) The disclosure requirements may also not exceed those given in IFRS for SMEs.

Annexure '3'

IFRICs/SICs to be included in the existing AS

S No.	IFRIC/SIC No.	Included in Ind AS	IFRIC/SIC	ASB's recommendations (after considering Council Members' Group report)
1.	IFRIC 1	Ind AS 16	Changes in Existing Decommissioning, Restoration and Similar Liabilities	To be Included in revised AS 10
2.	IFRIC 2	#	Members' Shares in Co-operative Entities and Similar Instruments	NA because not included in Ind AS framework
3.	IFRIC 4	Ind AS 17	Determining whether an Arrangement contains a Lease	Not to be included in AS 17
4.	IFRIC 5	Ind AS 37	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not to be included in revised AS 29
5.	IFRIC 6	Ind AS 37	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment	Not to be included in revised AS 29
6.	IFRIC 7	Ind AS 29	Applying the Restatement Approach under Ind AS 29 Financial Reporting in Hyperinflationary Economies	NA as Corresponding AS is not being formulated
7.	IFRIC 9		Reassessment of Embedded Derivatives	NA because not included in Ind AS framework
8.	IFRIC 10	Ind AS 34	Interim Financial Reporting and Impairment	Not to be included in revised AS 25
9.	IFRIC 12	Ind AS 115	Service Concession Arrangements	Not to be included in revised AS 7
10.	IFRIC 13	-	Customer Loyalty Programmes	Guidance on Customer Loyalty Programme to be included in revised AS 18.
11.	IFRIC 14	Ind AS 19	Ind AS 19— The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Not to be included in revised AS 19
12.	IFRIC 15	-	Agreements for the construction of Real Estate	NA because not included in Ind AS framework

S No.	IFRIC/SIC No.	Included in Ind AS	IFRIC/SIC	ASB's recommendations (after considering Council Members' Group report)
13.	IFRIC 16	Ind AS 109	Hedges of a Net Investment in a Foreign Operation	Not to be included in revised AS 109
14.	IFRIC 17	Ind AS 10	Distributions of Non-cash Assets to Owners	Not to be included in revised AS 10
15.	IFRIC 18	-	Transfers of Assets from Customers	Not to be included in revised AS 18
16.	IFRIC 19	Ind AS 109	Extinguishing Financial Liabilities with Equity Instruments	Not to be included in revised AS 109
17.	IFRIC 20	Ind AS 16	Stripping Cost in the Production Phase of a Surface Mine	Not to be included in revised AS 16
18.	IFRIC 21	Ind AS 37	Levies	Not to be included in revised AS 37
19.	SIC-7	##	Introduction of Euro	NA because not included in Ind AS framework
20.	SIC-10	Ind AS 20	Government Assistance—No Specific Relation to Operating Activities	Not to be included in revised AS 20
21.	SIC-12	-	Consolidation—Special Purpose Entities	Not to be included in revised AS 110
22.	SIC 13	-	Jointly Controlled Entities— Non-Monetary Contributions by Venturers	Not to be included in revised AS 111
23.	SIC-15	Ind AS 17	Operating Leases—Incentives	To be included in revised AS 17
24.	SIC 21	-	Income Taxes—Recovery of Revalued Non-Depreciable Assets	NA as post Dec 2010 amendments to IAS 12, this SIC has been withdrawn.
25.	SIC-25	Ind AS 12	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders	Not to be included in revised AS 12

S No.	IFRIC/SIC No.	Included in Ind AS	IFRIC/SIC	ASB's recommendations (after considering Council Members' Group report)
26.	SIC-27	Ind AS 17	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not to be included in revised AS 17
27.	SIC-29	Ind AS 115	Service Concession Arrangements: Disclosures	Not to be included in revised AS 11
28.	SIC 31	-	Revenue—Barter Transactions Involving Advertising Services	Not to be included in revised AS 18
29.	SIC-32	Ind AS 38	Intangible Assets—Web Site Costs	To be included in revised AS 38