



Accounting and Financial disclosures for Non-Corporate Entities

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Which entities are called “Non-Corporate Entities”(NCE)

All Business or Professional Entities, other than Companies incorporated under Companies Act, 2013 and Limited Liability Partnerships incorporated under Limited Liability Partnership Act, 2008 are considered to be NCE.

Entities for business, commercial or other economic and social activities can be established under variety of structures and the most common structures are as follows:

1. Sole proprietorship firms
2. Partnership firms
3. Trusts
4. Hindu Undivided Families
5. Association of persons
6. Societies
7. Statutory Corporations, Autonomous bodies and Authorities

For the applicability of Accounting Standards to these NCE, the Institute of Chartered Accountants of India (ICAI) has prescribed the criteria classifying NCE into four levels, viz-a-viz, Level I, Level II, Level III and Level IV NCE.

Financial information needs of Non-Corporate Entities



Financial information needs of NCE

In case of Corporate Entities (CE), the users or primary users of financial information are shareholders, regulators, potential investors, lenders, creditors and other stakeholders. These users need financial information of the reporting entities to make various economic decisions. Formats for financial statements of companies are specifically provided under Schedule III of the Companies Act, 2013.

In case of the NCEs, considering the wide spectrum of role and responsibilities performed by them, undoubtedly there are wide users/stakeholders of the financial information of these NCEs. The users could be present and potential investors, employees, lenders, suppliers, other trade creditors, customers.

Further, in case of some NCEs the users of financial information are similar to the corporate sector, they might raise substantial financial resources from capital and financial markets. Therefore, the lenders of such NCEs have similar financial information needs as that of corporate investors. Currently, such NCEs do not have standardised formats for presentation of financial statements.

Moreover, Financial statements form the backbone for financial planning, analysis, benchmarking and decision making and hence following standardized reporting framework would faithfully represent the transactions and will be more reliable, complete and comparable.

Authority of the Publications/Pronouncements issued by ICAI

- ▶ **Statements issued by Institute are mandatory in nature**

Statements have been issued for securing compliance by members and are critical in proper discharge of their attest functions.

- ▶ **Accounting and Auditing Standards issued by the Board are mandatory in nature**

Accounting Standards and Statements on Standard Auditing Practices – Issued by Accounting Standards Board (ASB) and Auditing & Assurance Standards Board (AASB) establishes standards which are to be complied with to ensure that financial statement are prepared in accordance with Generally accepted auditing standards (GAAS).

- ▶ **Guidance notes issued by Institute are recommendatory in nature**

Guidance notes are primarily designed to provide guidance to members on matters which may arise in the course of their professional work on which they may desire assistance to resolving issues which may pose difficulty. A member should ordinarily follow the recommendations in guidance note relating to auditing matter except when the member is satisfied that in circumstances of the case it may not be necessary to do so.

Authority of the Publications/Pronouncements issued by ICAI (Contd..)

ICAI had issued a Clarification namely “Clarification Regarding Authority Attached to Documents Issued by the Institute” (“**The Clarification**”) initially in 1985 which has been updated in 2023.

The Clarification provides the level of authority of various documents issued by the Institute e.g. Accounting Standards, Auditing Standards, Guidance Notes on Accounting, Guidance Notes on Auditing.

The clarification stated “The ‘Accounting Standards’ and ‘Standards on Auditing’ issued by the Accounting Standards Board and the Auditing and Assurance Standards Board, respectively, establish standards which have to be complied with to ensure that financial statements are prepared in accordance with generally accepted accounting standards and that auditors carry out their audits in accordance with the generally accepted auditing practices.

They become mandatory on the dates specified either in the respective document or by notification issued by the Council. “

Authority of the Publications/Pronouncements issued by ICAI (Contd..)

Second Schedule of the Chartered Accountants Act, 1949 states that a member in practice is guilty of professional misconduct, if he:

- ▶ discloses information acquired in the course of his professional engagement;
- ▶ certifies or submits a report of an examination of financial statements without examination of such statements and the related records;
- ▶ fails to disclose a material fact;
- ▶ fails to **report** a material misstatement;
- ▶ is grossly **negligent** in the conduct of **his professional duties**;
- ▶ fails to obtain sufficient information necessary for expression of an opinion;
- ▶ fails to invite attention to any material departure from the generally accepted procedure of audit

List of Publications issued by ICAI

Type of Entity	Publication	Nature of Publication
NCEs	Accounting Standards	Accounting Standards
	Financial Statements of NCEs	Technical Guide
	AS for Micro NCEs	Quick referencer
Not-for-Profit Organisations (NPOs)	Accounting for Not-for-Profit Organisations	Technical Guide
	Audit of Charitable Institutions under Section 12A of the IT Act	Guidance Note (Exposure Draft)
Limited Liability Partnership	Accounting Standards	Accounting Standards (Exposure Draft)
	Financial Statements of Limited Liability Partnerships	Technical Guide
Local Bodies	Accounting Standards	Accounting Standards

Applicability of Accounting Standards

- ▶ Accounting Standards apply in respect of any entity engaged in commercial, industrial or business activities.
- ▶ Exclusion of an entity from the applicability of the Accounting Standards is permissible only if no part of the activity of such entity is commercial, industrial or business in nature.
- ▶ At present, there are three sets of Accounting Standards:
 - i. Indian Accounting Standards (Ind AS) for specified class of companies;
 - ii. Accounting Standards (AS) notified under Companies (Accounting Standards) Rules, 2021, for companies other than those following Ind AS;
 - iii. Accounting Standards (AS) prescribed by ICAI for entities other than companies.
- ▶ Level I NCE are required to comply fully with all the AS. Level IV, Level III and Level II NCE are considered as Micro, Small and Medium Sized Entity (MSMEs) that have been granted certain exemptions/relaxations by the ICAI.

Compliance with Accounting Standards

Main Principles: (As per the Preface)

- ▶ *The Accounting Standards will be mandatory from the respective date(s) mentioned in the Accounting Standard(s). The mandatory status of an Accounting Standard implies that while discharging their attest functions, it will be the duty of the members of the Institute to examine whether the Accounting Standard is complied within the presentation of financial statements covered by their audit. In the event of any deviation from the Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviation. (Para 6.1 of Preface to the Statements of Accounting Standards)*
- ▶ *Ensuring compliance with the Accounting Standards while preparing the financial statements is the responsibility of the management of the enterprise. Statutes governing certain enterprises require of the enterprises that the financial statements should be prepared in compliance with the Accounting Standards. (Para 6.2 of Preface to the Statements of Accounting Standards)*
- ▶ *Financial Statements cannot be described as complying with the Accounting Standards unless they comply with all the requirements of each applicable Standard. (Para 6.3 of Preface to the Statements of Accounting Standards)*

Compliance with Accounting Standards (Contd..)

Extract of Sample Audit Report of NCEs showing Auditor's opinion on FS as well as responsibility of management

In our opinion and to the best of our information and according to the explanations given to us,

These Financial Statements of accounts of **TEAM EVEREST, Tiruvannamalai** gives a true and fair view of the financial position of the Trust as at 31st March 2022 and of its financial performance for the year then ended in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

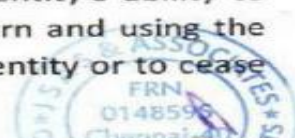
Basis for Opinion:

We have conducted our audit in accordance with Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the "Team Everest, Tiruvannamalai" in accordance with the Code of Ethics issued by the ICAI, and have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with Governance for the Financial Statement:

Management is responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the state of affairs and results of operations in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of these Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



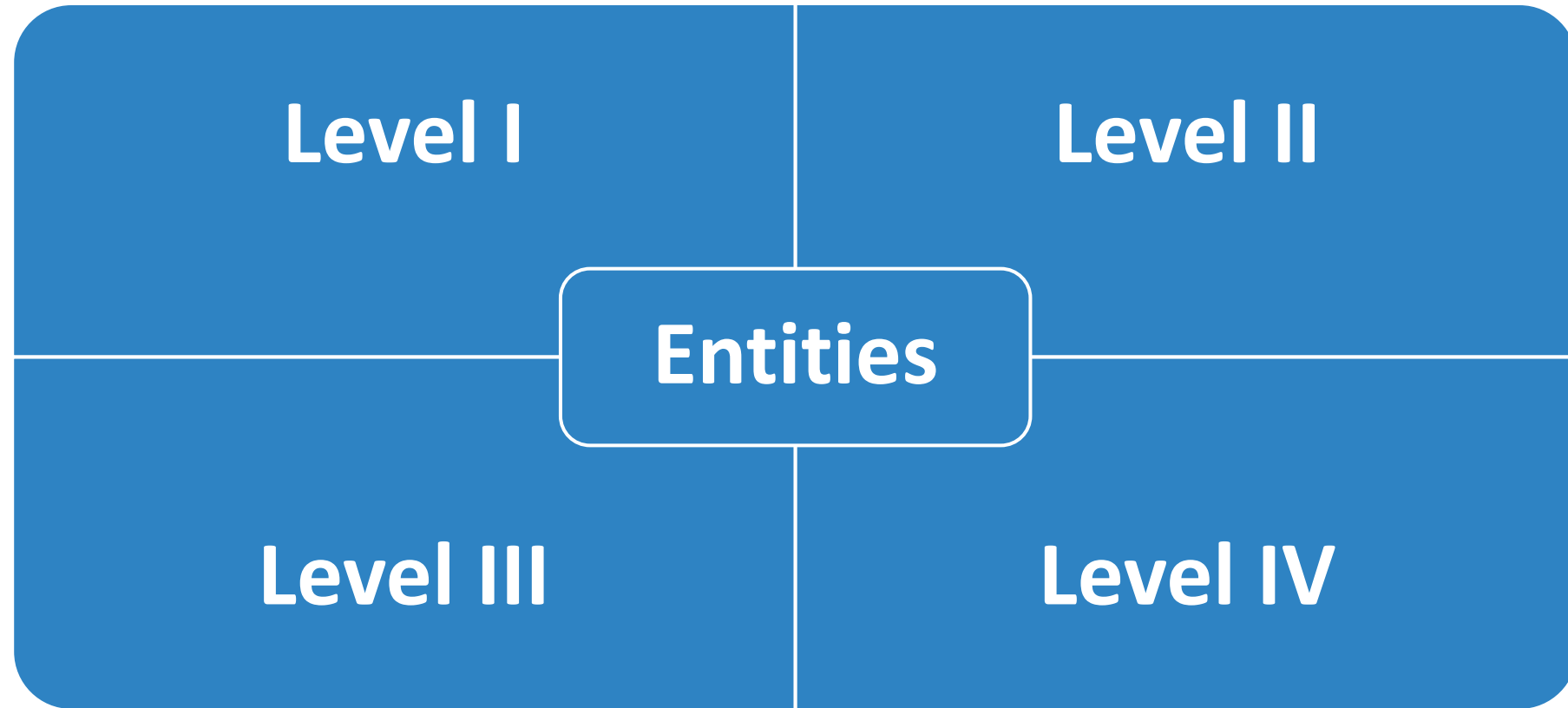
Background on AS applicability for NCEs

- ▶ ICAI Council at its 400th meeting held on March 19, 2021 considered scheme for applicability of Accounting Standards to NCEs.
- ▶ Effective in respect of accounting periods commencing on or after **April 1, 2020**
- ▶ This announcement **supersedes** earlier announcements of ICAI on:
 - i. “Harmonization of various differences between the Accounting Standards issued by ICAI and Accounting Standards notified by the Central Government” issued in Feb 2008 to the extent applicable to NCEs
 - ii. “Revision in the criteria for classifying Level-II NCEs” issued in Jan 2013.
- ▶ This announcement is not relevant for NCEs who may be required to follow Ind-AS as per relevant regulatory requirements applicable to such entities.

Accounting Standards applicability

Appendix I to compendium on accounting standards as of 1st February 2022 has categorised entities based on certain criteria and the accounting standards have been made applicable accordingly

**Classification
of Entities as
per ICAI**



Level I Entities

- ▶ Entities whose securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.
- ▶ Banks (including co-operative banks), financial institutions or entities carrying on insurance business.
- ▶ All entities engaged in commercial, industrial or business activities, whose **turnover** (excluding other income) exceeds Rs. **250 crore** in the **immediately preceding accounting year**.
- ▶ All entities engaged in commercial, industrial or business activities having **borrowings** (including public deposits) in excess of Rs. **50 crore** at any time during the **immediately preceding accounting year**.
- ▶ Holding and subsidiary entities of any one of the above.

Level II Entities

- ▶ All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds Rs. **50 crore** but does not exceed Rs. **250 crore** in the **immediately preceding accounting year**.
- ▶ All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of Rs. **10 crore** but not in excess of Rs. **50 crore** at any time during the **immediately preceding accounting year**.
- ▶ Holding and subsidiary entities of any one of the above.

Level III Entities

- ▶ All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds Rs. **10 crore** but does not exceed Rs. **50 crore** in the **immediately preceding accounting year**.
- ▶ All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of Rs. **2 crore** but not in excess of Rs. **10 crore** at any time during the **immediately preceding accounting year**.
- ▶ Holding and subsidiary entities of any one of the above.

NCEs which are not covered under Level I, Level II and Level III are considered as Level IV entities.

Summary of Applicability of AS

Level	Previous Year Turnover (Excluding Other Income)	Borrowings (At any time during Previous Year)
I (Large)	> 250 Crores	> 50 Crores
II (Medium)	> 50 crores and < 250 crores	> 10 crores and < 50 crores
III (Small)	> 10 crores and < 50 crores	> 2 crores and < 10 crores
IV (Micro)	Up to 10 crores	Up to 2 crores

Classification of Small and Medium-Sized Company (SMCs)

Just for the purpose of comparability, we have also listed down the criteria for classification of Companies under the Companies (Accounting Standards) Rules, 2021.

“Small and Medium Sized Company” (SMC) means, a company-

Classification	Previous Year Turnover (Excluding Other Income)	Borrowings (At any time during Previous Year)
SMCs	< 250 Crores	< 50 Crores

- ▶ whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
- ▶ which is not a bank, financial institution or an insurance company;
- ▶ which is not a holding or subsidiary company of a company which is not a small and medium-sized company.

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

Classification of Micro, Small and Medium Enterprises (MSME)

Just for the purpose of comparability, we have also listed down the criteria for classification of MSME as per the MSMED Act, 2006. One may note that the monetary threshold limits of turnover for AS purpose and for MSMED Act purposes are not aligned. Moreover, the second criteria is Borrowings for AS purposes and Investments in Plant and Machinery for MSMED Act purposes.

Level	Turnover (Excluding Other Income)	Investments in Plant and Machinery or Equipment
Medium	> 50 crores and < 250 crores	> 10 crores and < 50 crores
Small	> 5 crores and < 50 crores	> 1 crores and < 10 crores
Micro	Up to 5 crores	Up to 1 crore

Additional requirements

- ▶ An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME, the Level of MSME and that it has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III or Level IV, as the case may be .
- ▶ Where an entity has been covered in Level I and subsequently, ceases to be so covered and gets covered in Level II or Level III or Level IV, the entity will not qualify for exemption/relaxation available to that Level, until the entity ceases to be covered in Level I for two consecutive years. Similar is the case in respect of an entity, which has been covered in Level II or Level III and subsequently, gets covered under Level III or Level IV. **(Downgrade)**
- ▶ An entity may opt not to avail relaxation from compliance to certain AS while availing exemptions from other AS in which case it shall disclose Standards in respect of which it has availed exemption.

Additional requirements (Contd..)

- ▶ Where an entity, being covered in Level II or Level III or Level IV, had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised /provided merely by reason of its having ceased to be covered in Level II or Level III or Level IV, as the case may be. **(Upgrade)**
- ▶ The fact that the entity was covered in Level II or Level III or Level IV, as the case may be, in the previous period and it had availed of the exemptions or relaxations available to that Level of entities shall be disclosed in the notes to the financial statements. **The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements. (Upgrade)**

Additional requirements (Contd..)

An entity has to disclose in its accounting policies under Basis of preparation of financial statement, the level applicable and the disclosures which are not applicable for such NCE.

Sample Disclosure w.r.t Level III NCE

2 Significant accounting policies

2.1 Basis of preparation of financial statement

The Society is a Level III entity – Small and Medium (SME) as defined in the applicability of Accounting Standards to Non-Corporate entities. Accordingly, the Society has complied with the Accounting Standards as applicable to a Level III entity. The Society is not required to present Segment Reporting, Related Party disclosures and Disclosures on Discontinuing Operations.

The financial statements of the Society have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Institute of Chartered Accountants of India (“ICAI”), and the other pronouncements of ICAI, especially the technical guide on accounting and auditing on “not - for - profit organization” to the extent applicable.

**Accounting
Standards
applicable to all
entities**

AS 1 - Disclosure of Accounting Policies

AS 2 - Valuation of Inventories

**AS 4 - Contingencies and events occurring
after Balance sheet Date**

**AS 5 - Net Profit for the period, prior period
items and changes in accounting policies.**

AS 7- Construction Contracts

AS 9- Revenue Recognition

AS 12- Accounting for Government Grants

AS 16- Borrowing Cost

Applicability Matrix –Standard-wise

✓	Applicable
x	Not Applicable

AS	AS Description	Level I	Level II	Level III	Level IV
1	Disclosure of Accounting Policies	✓	✓	✓	✓
2	Valuation of Inventories	✓	✓	✓	✓
3	Cash Flow Statements	✓	x	x	x
4	Contingencies and Events occurring after the Balance Sheet Date	✓	✓	✓	✓
5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	✓	✓	✓	✓
7	Construction Contracts	✓	✓	✓	✓
9	Revenue Recognition	✓	✓	✓	✓
10	Property, Plant & Equipment	✓	✓	Disclosure Exemption	Disclosure Exemption
11	The Effects of Changes in Foreign Exchange Rates	✓	✓	Disclosure Exemption	Disclosure Exemption

Applicability Matrix –Standard-wise (Contd..)

AS	AS Description	Level I	Level II	Level III	Level IV
12	Accounting for Government Grants	✓	✓	✓	✓
13	Accounting for Investments	✓	✓	✓	Disclosure Exemption
14	Accounting for Amalgamations	✓	✓	✓	✗
15	Employee Benefits	✓	Certain Exemptions	Certain Exemptions	Certain Exemptions
16	Borrowing Costs	✓	✓	✓	✓
17	Segment Reporting	✓	✗	✗	✗
18	Related Party Disclosures	✓	✓	✗	✗
19	Leases	✓	✓	Disclosure Exemption	Disclosure Exemption
20	Earnings Per Share	✓	✗	✗	✗

Applicability Matrix –Standard-wise (Contd..)

AS	AS Description	Level I	Level II	Level III	Level IV
21	Consolidated Financial Statements	✓	x	x	x
22	Accounting for Taxes on Income	✓	✓	✓	Deferred Tax Exemption
23	Accounting for Investments in Associates in Consolidated FS	✓	x	x	x
24	Discontinuing Operations	✓	✓	x	x
25	Interim Financial Reporting	✓	x	x	x
26	Intangible Assets	✓	✓	✓	Disclosure Exemption
27	Financial Reporting of Interests in Joint Ventures	✓	x	x	x
28	Impairment of Assets	✓	Disclosure Exemption	Disclosure Exemption	x
29	Provisions, Contingent Liabilities and Contingent Assets	✓	Disclosure Exemption	Disclosure Exemption	Disclosure Exemption

AS 10 – Property , Plant & Equipment

Disclosure Exemption – Available to Level III & Level IV Entities

As per Para 87 of AS 10, An enterprise is **encouraged** to disclose the following:

➤ The carrying amount of temporarily idle PPE

➤ The gross carrying amount of any fully depreciated PPE that is still in use

➤ For each revalued class of PPE, the carrying amount that would have been recognized had the assets been carried under the cost model

➤ The carrying amount of PPE retired from active use and not held for disposal.

AS 11 – The Effects of Changes in Foreign Exchange Rates

Disclosure Exemption – Available to Level III & Level IV Entities

As per Para 44 of AS 11, entities are **encouraged** to disclose enterprise's foreign currency risk management policy. In other words, this is not mandatory even for Level I & Level II entities.

Objectives of Foreign Currency Risk Management Policy:

- ▶ To manage risks to the budgeted costs and revenues from the adverse impact of currency fluctuations
- ▶ To reduce the Rupee Cost of the Company's foreign currency payables by selective hedging of exposures
- ▶ To reduce the cost of funding by raising foreign funds directly or through approved instruments
- ▶ To reduce transaction costs and bank exchange margins

AS 15 – Employee Benefits

Recognition, Measurement, Presentation & Disclosure Exemption Available to Level II & Level III Entities

Average Number of Persons Employed is 50 or more

▶ Para 11 to 16 (Short term employee benefits)

Recognition of liability for short-term accumulating compensated absences which are non-vesting (i.e., not entitled to cash payment for unused entitlement on leaving)

▶ Para 46 (Defined Contribution plans) & 139 (Termination benefit plans)

Discounting of amounts that fall due more than 12 months from the balance sheet date

▶ Para 50 to 123 (Defined Benefit plans) and 129 to 131 (Other Long term employee benefits)

Accounting for defined benefit plans and other long term employee benefits. However, such entities shall ensure the following:

- i. Provide for accrued liability based on actuarial valuation for defined benefit plan
- ii. Use **Projected Unit Cost Method** (PUCM) to determine such liability
- iii. Use discount rate with reference to market yields at balance sheet date on Government Bonds
- iv. Disclose actuarial assumptions (in respect of defined benefit plans)

AS 15 – Employee Benefits (Contd..)

Recognition, Measurement, Presentation & Disclosure Exemption Available to Level II, Level III & Level IV Entities

Average Number of Persons Employed is less than 50

▶ Para 11 to 16 (Short term employee benefits)

Recognition of liability for short-term accumulating compensated absences which are non-vesting (i.e., not entitled to cash payment for unused entitlement on leaving)

▶ Para 46 (Defined Contribution plans) & 139 (Termination benefit plans)

Discounting of amounts that fall due more than 12 months from the balance sheet date

▶ Para 50 to 123 (Defined Benefit plans) and 129 to 131 (Other Long term employee benefits)

Accounting for defined benefit plans and other long term employee benefits. No Actuarial valuation / PUCM is required for such entities, liability can be estimated through some rational method (e.g. a method based on the assumption that such benefits are payable to all employees at the end of accounting year).

Note: For Level IV enterprises, all the above requirements are exempted irrespective of number of employees

AS 19 – Leases

Disclosure Exemption Available to Level II, Level III & Level IV Entities under paragraph 22 of AS 19- Leases w.r.t finance lease for lessee are as follows:

- ▶ A reconciliation between the total of minimum lease payments at the balance sheet date and present value. In addition, the enterprise should disclose the total of minimum lease payments at the balance sheet date, and their present value for each of the following periods.
 - i. Not later than 1 year
 - ii. Later than 1 year but not later than 5 years
 - iii. Later than 5 years
- ▶ The minimum of future lease payments expected to be received under non cancellable sub leases at the balance sheet date.

AS 19 – Leases (Contd..)

- ▶ A general description of the lessee's significant leasing arrangements including, but not limited to, the following:
 - i. The basis on which contingent rent payments are determined;
 - ii. The existence and terms of renewal or purchase options and escalation clauses;
 - iii. restrictions imposed by lease arrangements, such as those and concerning dividends, additional debt, and further leasing.

AS 22 – Accounting for Taxes on Income

Exemption Available to Level IV Entities under AS 22- Accounting for Taxes on Income are as follows:

- ▶ Level IV NCEs shall apply the requirements of AS 22 - Accounting for Taxes on Income, only for Current tax
- ▶ Level IV entities are exempted from accounting of Deferred Tax and related disclosures.
- ▶ **Transition Provision:** If any NCE which was earlier classified as Level I / Level II / Level III has been classified as Level IV during the Current year, then the accumulated deferred tax asset/liability appearing in the Balance sheet should be charged to Opening Reserves & Surplus.

AS 26 – Intangible Assets

Disclosure Exemption Available to Level IV Entities under AS 26 – Intangible Assets are as follows:

Para 90(d)(iii) & 90(d)(iv)

The financial statements should disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:

A reconciliation of the carrying amount at the beginning and end of the period showing:

- i. Impairment losses recognized in the statement of profit and loss during the period (if any)
- ii. Impairment losses reversed in the statement of profit and loss during the period (if any)

Note: The entity is only exempted from not disclosing the above line items. However, the overall movement of intangible assets is required to be disclosed.

Para 98

An enterprise is **encouraged**, but not required, to give a description of any fully amortized intangible asset that is still in use.

AS 28 – Impairment of Assets

Level II & III NCEs are allowed to arrive at value in use on a reasonable basis instead of present value technique. Subsequently disclosure w.r.t present value technique such as discount rate, etc. would not be applicable to such entity if such exemptions are availed

Disclosure Exemption Available to Level III Entities under Para 121 and 123 of AS 28 – Impairment of Assets are as follows:

- ▶ The Entity is not required to disclose the reporting segment to which a particular asset belongs (Para 121 (c)(ii) of AS 28).
- ▶ The Entity is not required to disclose description of Cash generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, a reportable segment as defined in AS 17 or other) (Para 121 (d)(i) of AS 28)
- ▶ The Entity is not required to disclose the amount of the impairment loss recognised or reversed by class of assets and by reportable segment based on the enterprise's primary format (as defined in AS 17) (Para 121 (d)(ii) of AS 28)
- ▶ Level I and Level II enterprises are **encouraged** to disclose key assumptions used to determine the recoverable amount of assets (CGU) though it is not mandatory for them either. However, a level III entity may avail complete exemption from disclosure of key assumptions (such as growth rate etc.).

AS 29 – Provisions, Contingent Liabilities and Contingent Assets

Disclosure Exemption Available to Level II, Level III & Level IV Entities under Para 66 & Para 67 of AS 29 – Provisions, Contingent Liabilities and Contingent Assets are as follows:

For each class of provision, an enterprise is not required to disclose (Para 66):

- ▶ Opening and closing carrying amounts
- ▶ Additional provisions created or increased
- ▶ Amounts used against provisions
- ▶ Unused amounts reversed

For each class of provision, an enterprise is not required to disclose (Para 67):

- ▶ A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits
- ▶ An indication of the uncertainties about those outflows.
- ▶ The amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement.

Case Study 1

Facts:

Global Solutions is a sole proprietor with turnover of ₹300 crores and borrowings of ₹60 crores in FY 2022-23. Due to strategic business decisions and market changes, the company's turnover decreased to ₹200 crores, and borrowings reduced to ₹45 crores in the FY 2023-24 (current financial year).

Questions:

Given the reduction in turnover and borrowings, does Global Solutions qualify for reclassification?

What are the implications of such reclassification on their financial reporting?

If Global Solutions opts to avail itself of the exemptions applicable for such class of entities, what disclosures must it include in its financial statements?

How long does Global Solutions need to maintain the reduced turnover and borrowings before it can qualify for change in classification level?

Case Study 1 (Contd..)

Solutions:

Global Solutions does not immediately qualify for reclassification to Level II just based on the reduced turnover and borrowings in the current financial year. According to the additional requirements, an entity must be covered in the lower threshold levels for two consecutive years before it can qualify for reclassification.

If Global Solutions is reclassified, it will then be subject to the accounting standards applicable to Level II entities, which may include fewer disclosures and less stringent reporting requirements.

Global Solutions must disclose that it is availing of the exemptions applicable to Level II and state the specific accounting standards it is exempt from. This must be included in the notes to the financial statements.

Case Study 2

Facts:

Technic Solutions is a technology start-up with a previous year's turnover of ₹15 crores and borrowings of ₹8 crores, classifying it under Level III. Due to a successful product launch, its turnover surged to ₹55 crores, and borrowings increased to ₹12 crores this year.

Questions:

How does the transition from Level III to Level II impact the accounting standards that Technic Solutions must comply with? What specific accounting standards might pose a challenge for Technic Solutions as it moves to Level II compliance?

What are the disclosure requirements for Technic Solutions to indicate the transition from Level III to Level II?

If Technic Solutions wishes to opt-out of compliance for certain AS while adhering to others, what must be disclosed?

Case Study 2 (Contd..)

Solution:

- ▶ Technics Solutions must disclose the transition from Level III to Level II in the notes to the financial statements. This includes stating that the entity now complies with the accounting standards applicable to Level II entities and specifying any exemptions availed.
- ▶ If the company opts out of compliance with certain AS while adhering to others, it must clearly disclose the standards from which it avails exemption and those which it chooses to comply with voluntarily.

Applicability of AS to LLP

- ▶ A Limited Liability Partnership (LLP) is a body corporate formed and incorporated under the Limited Liability Partnership Act, 2008 (LLP Act).
- ▶ In 2021, the LLP Act was amended **which included insertion of Section 34A about Accounting and Auditing Standard(s)**.
- ▶ *“34A. The Central Government may, in consultation with the National Financial Reporting Authority constituted under section 132 of the Companies Act, 2013,—*
 - a) prescribe the standards of accounting; and*
 - b) prescribe the standards of auditing,*

as recommended by the Institute of Chartered Accountants of India constituted under section 3 of the Chartered Accountants Act, 1949, for a class or classes of limited liability partnerships.”
- ▶ While the Section has been notified, the Accounting Standards for LLPs are yet to be notified by the Central Government. Accordingly, for the purpose of preparation and presentation of the financial statements, the LLPs shall currently apply Accounting Standards prescribed by the ICAI and the classification criteria (Level I, Level II, Level III and Level IV) would be the same as elaborated above.

Whether LLP is required to get its book Audited?

In accordance with the **LLP Act 2008**, the accounts of Limited Liability Partnership shall be audited in accordance with the **Rules** prescribed under **LLP Rules 2009**.

Mandatory Audit :

The accounts of the below class of LLP are required to be audited in accordance with Rule 24 of the LLP Rules 2009.

- i. **Turnover** exceeds **Rs. 40 lakh** in any financial year,
and
- ii. **Contribution** exceeds **Rs. 25 lakh**

Voluntary Audit :

If the partners of the LLP which are not mandatorily required to get its book audited, decide to get the accounts of such LLP audited, it shall be audited in accordance with the applicable provisions.

Trusts – Background

If the charitable institution is formed as a Public Trust, it will be governed by the Public Trust Act applicable in the relevant State. However, if no Public Trust Act exists in that state, then the applicable legislation will be the **Indian Trusts Act , 1882**.

The **Indian Trust Act, 1882** is silent about person responsible for maintenance of books of accounts and audit of accounts.

CBDT vide its **Notification no 622E dated 10.8.2022** has prescribed specific books of accounts and records to be maintained by a Charitable Trust claiming exemption u/s 11 and 12 of Income Tax Act, 1961 (“IT Act”). These prescriptions are applicable from A.Y. 2023-24 i.e. for the financial year commencing from 1st April 2022 and onwards.

Exposure Draft of Guidance note on Audit of Trusts

- ▶ The scope of this guidance note was proposed to be restricted to the audit of the institutions prescribed under Section 12A(1)(b) of IT Act. Such audit has been prescribed essentially to ensure compliance with the provisions of sections 11 to 13.
- ▶ The nature of audit required under Section 12A(1)(b) of IT Act is similar to that of audit of General purpose financial statements.
- ▶ Hence, the auditor has to adopt the same procedures of audit as prescribed under Auditing and Assurance standards while certifying true and fair view shown by financial statements.
- ▶ However, the said guidance note has not yet been issued until date.

Responsibility of an Auditor of Trusts

- ▶ The audit report under section 12A(1)(b)(ii) of the IT Act is required to be given in Form No.10B prescribed under Rule 17B, which requires the auditor to give his opinion whether to the best of his information and according to the information given to him the accounts give a true and fair view.
- ▶ The Auditor has to examine the balance sheet and the profit and loss and give an opinion whether it exhibits a *true and fair view*.
- ▶ The various particulars in the annexure to Form No.10B would be filled up after completion of audit, finalization and certification of income and expenditure account and balance sheet. The audited financial statements would form the primary document from which the answers to the various questions asked for in the annexure shall be given in **Form 10B**.
- ▶ The Auditor should note that the SA's issued by the ICAI would be applicable to the audit under section 12A(1)(b).
- ▶ As in the case of other professional assignments, the Auditor should comply with the "Code of Ethics" issued by the ICAI in conducting the audit under section 12A(1)(b)

Applicability of Accounting Standards for Trust

- ▶ In the case of an institution, AS will not apply if none of the activities of such institutions are of commercial, industrial or business nature.
- ▶ In other words, exclusion of an institution from the applicability of the AS would be permissible only if no part of the activity of such institution is commercial, industrial or business in nature.
- ▶ Even if a very small portion of the activities of an institution is considered to be commercial, industrial or business in nature, then it cannot claim exemption from the application of AS. For example, where an NPO is engaged in the commercial activity of granting loans/credit to small entrepreneurs at nominal rates of interest or in the industrial activity of manufacturing clothes for the rural poor, AS would continue to be applicable
- ▶ There is a technical guide on Accounting for Not-for-Profit Organisations (NPOs) issued by ICAI in January 2022.
- ▶ Para 38 of the said guide recommends that all NPOs irrespective of the fact that no part of the activities is commercial, industrial or business in nature, should follow accrual basis of accounting and AS because following the AS laid down by ICAI would help NPOs to maintain uniformity in the presentation of financial statements, appropriate disclosures and transparency.



Format of Financial Statements for Non-Corporate Entity

Format of Balance Sheet

Format of Balance Sheet for NCEs:

Name of the Non-Corporate Entity.....

Balance Sheet as at

(Amount in Rs. XX)

	Particulars	Note No	31 March 20XX	31 March 20XX
I	EQUITY AND LIABILITIES			
1.	Owners' Funds			
(a)	Owners' Capital Account	3	-	-
(b)	Reserves and surplus	4	-	-
			-	-
2.	Non-current liabilities			
(a)	Long-term borrowings	5	-	-
(b)	Deferred tax liabilities (Net)	6	-	-
(c)	Other long-term liabilities	7	-	-
(d)	Long-term provisions	8	-	-
			-	-
3.	Current liabilities			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
(i)	Total outstanding dues of micro, small and medium enterprises	9	-	-
(ii)	Total outstanding dues of creditors other than micro, small and medium enterprises	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	Total			

Format of Balance Sheet (Contd..)

Format of Balance Sheet for NCEs:

II	ASSETS			
1.	Non-current assets			
(a)	Property, Plant and Equipment and Intangible assets	11		
(i)	Property, Plant and Equipment			
(ii)	Intangible assets			
(iii)	Capital work in progress			
(iv)	Intangible asset under development			
(b)	Non-current investments	12	-	
(c)	Deferred tax assets (Net)	6		
(d)	Long Term Loans and Advances	13		
(e)	Other non-current assets	14		
			-	-
2.	Current assets			
(a)	Current investments	12		
(b)	Inventories	15		
(c)	Trade receivables	16		
(d)	Cash and bank balances	17		
(e)	Short Term Loans and Advances	13		
(f)	Other current assets	18		
			-	-
	Total		-	-
	Brief about the Entity	1		
	Summary of significant accounting policies	2		
	The accompanying notes are an integral part of the financial statements			

General Instruction for Preparation of BS and P&L

- ▶ In preparing the Financial Statements including notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.
- ▶ Depending upon the Total Income of the NCE, the figures appearing in the Financial Statements may be rounded off as given below:—

Total Income	Rounding off
Less than Rs. 100 crores	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
Rs. 100 crores or more	To the nearest lakhs, millions or crores, or decimals thereof.

- ▶ Except in the case of the first Financial Statements prepared by the NCE (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.

Format of Statement of Profit & Loss

Format of Statement of Profit & Loss for NCEs:

Name of the Non-Corporate Entity.....
Statement of Profit and Loss for the year ended

		(Amount in Rs.)		
	Particulars	Note	31 March 20XX	31 March 20XX
I	Revenue from operations	19	-	-
II	Other Income	20	-	-
III	Total Income (I+II)		-	-
IV	Expenses:			
(a)	Cost of goods sold	21	-	-
(b)	Employee benefits expense	22	-	-
(c)	Finance costs	23	-	-
(d)	Depreciation and amortization expense	24	-	-
(e)	Other expenses	25	-	-
	Total expenses		-	-
V	Profit/(loss) before exceptional and extraordinary items and tax (III- IV)		-	-
VI	Exceptional items (specify nature & provide note/delete if none)		-	-
VII	Profit/(loss) before extraordinary items and tax (V-VI)		-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)		-	-
IX	Profit before tax (VII-VIII)		-	-
X	Tax expense:			

Format of Statement of Profit & Loss (Contd..)

Format of Statement of Profit & Loss for NCEs:

	Particulars	Note	31 March 20XX	31 March 20XX
(a)	Current tax		-	-
(b)	Excess/Short provision of tax relating to earlier years			
(c)	Deferred tax charge/ (benefit)	6	-	-
XI	Profit/(Loss) for the period from continuing operations (IX-X)		-	-
XII	Profit/(loss) from discontinuing operations		-	-
XIII	Tax expense of discontinuing operations		-	-
XIV	Profit/(loss) from discontinuing operations (after tax) (XII-XIII)		-	-
XV	Profit/(Loss) for the year (XI+XIV)		-	-
	The accompanying notes are an integral part of the financial statements			

Comparison of Balance Sheet and P&L with Corporate Entity

Difference in the Balance sheet format of CE in comparison with NCE are as follows:

- ▶ “Shareholder’s fund” is used instead of “Owner’s fund” and similar way “Share capital” instead of “Owner’s capital”
- ▶ Cost of Goods sold is split on the face of P&L into Cost of Raw Materials consumed, Purchase of Stock in trade and Changes in inventories of finished goods, work in progress and stock in trade

Owner's Capital

Format of Owner's Capital schedule for NCEs:

(Amount in Rs.)									
Sr. No.	Name of Partner/ Proprietor/ Owner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Capital Introduced/contr ibuted during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
2									-
3									-
4									-
			-	-	-	-	-	-	-
Previous Year (PY)			-	-	-	-	-	-	-

Share Capital

In CEs, the same is differently presented in the following manner:

- a) Authorised share capital
Equity shares of ___ each
- b) Issued share capital
Equity shares of ___ each
- c) Subscribed and fully paid up
Equity shares of ___ each

Additionally, the following disclosures are to be given for CEs:

- a. Reconciliation of shares outstanding at the beginning and at the end of the reporting period
- b. Rights, preferences and restrictions attached to shares
- c. Details of shareholders holding more than 5% of equity/preference shares
- d. Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates:
- e. Bonus shares / buy-back for consideration other than cash allotted during a period of five years immediately preceding the financial year

Reserves and surplus

Format of Reserve & Surplus schedule for NCEs:

		(Amount in Rs.)	
		31 March 20XX	31 March 20XX
4	Reserves and surplus		
(a)	Capital Reserve	-	-
(b)	Revaluation Reserve	-	-
(c)	Other Reserve (Please specify)	-	-
(d)	Undistributed Surplus (Balance from statement of profit and loss)	-	-
	Total	-	-

However, in CEs, reconciliation of reserves is to be given along with the corresponding reserves wherein opening balance, additions during the year, utilised / transferred during the year and closing balance is specified.

Also, the Nature & purpose of each reserve has to be specified in CEs.

Borrowings

Borrowings	Long Term		Short Term	
	31 March 20XX	31 March 20XX	31 March 20XX	31 March 20XX
Secured				
Term loans				
from banks	-	-	-	-
from other parties	-	-	-	-
Loans repayable on demand				
from banks	-	-	-	-
from other parties	-	-	-	-
Deferred payment liabilities	-	-	-	-
Loans and advances from related parties	-	-	-	-
Long term/current maturities of finance lease obligation	-	-	-	-
Other loans advances (specify nature)	-	-	-	-
Total (A)	-	-	-	-
Unsecured				
Term loans				
from banks	-	-	-	-
from other parties	-	-	-	-
Loans repayable on demand				
from banks	-	-	-	-
from other parties	-	-	-	-
Deferred payment liabilities	-	-	-	-
Loans and advances from related parties	-	-	-	-
Long term/current maturities of finance lease obligation	-	-	-	-
Other loans advances (specify nature)	-	-	-	-
Total (B)	-	-	-	-58
Total (A) + (B)	-	-	-	-

Borrowings (Contd..)

Disclosures:

- a. Nature of the Security to be specified separately.
- b. Terms of repayment of terms loans and other loans **may be** stated.
- c. Where loans guaranteed by partners/proprietors/owners aggregate of such amount under each head **may be** disclosed.
- d. Current maturities of Long-term borrowings **may be** disclosed separately.

Following are some of the differences in CEs in comparison with the format / disclosure of NCEs:

- ▶ As described above in point b, c and d, loans guaranteed by partners / proprietors / owners **may be** disclosed in case of NCEs, whereas it shall be disclosed in CEs.
- ▶ Additionally, in CEs, details of defaults in repayment of loans and interest are also required to be disclosed.

Deferred Tax Asset/Liability

Format of Deferred Tax Asset/Liability schedule for NCEs:

Deferred tax liabilities/(asset) (Net)	31 March 20XX	Charge/ (benefit) for the year	31 March 20XX
Deferred tax asset			
Expenses provided but allowable in Income Tax on payment basis	-	-	-
Provision for doubtful debts	-	-	-
Difference between book depreciation & tax depreciation	-	-	-
Others (please specify)	-	-	-
Gross deferred tax asset (A)	-	-	-
Deferred tax liability			
Difference between book depreciation & tax depreciation	-	-	-
Others (please specify)	-	-	-
Gross deferred tax liability (B)	-	-	-
Net deferred tax liability/(asset) (B-A)	-	-	-

Other long-term liabilities

Format of Non-Corporate / Corporate Entity :

Particulars	As at 31 March, 20X2	As at 31 March, 20X1
(a) Trade Payables: *		
(i) Acceptances		
(ii) Other than Acceptances		
(b) Others:		
(i) Payables on purchase of fixed assets		
(ii) Contractually reimbursable expenses		
(iii) Interest accrued but not due on borrowings		
(iv) Interest accrued on trade payables		
(v) Interest accrued on others		
(vi) Trade / security deposits received		
(vii) Advances from customers		
(viii) Income received in advance (Unearned revenue)		
(ix) Others (specify nature)		
Total		

Page 1

Provisions

Format of Provision for Non-Corporate/Corporate entities:

Provisions	Long term		Short term	
	31 March 20XX	31 March 20XX	31 March 20XX	31 March 20XX
Provision for employee benefits				
Provision for gratuity	-	-	-	-
Provision for leave Encashment	-	-	-	-
Other provisions	-	-	-	-
Provision for Income tax [net of advance tax of Rs.____ (previous year Rs.____)				
Other Provisions (Please Specify - eg/- Provision for warranties / Provision for Sales Return)	-	-	-	-
Other (specify nature)	-	-	-	-
Total Provisions	-	-	-	-

Trade Payables

Format of Trade payables for Non-Corporate/Corporate entity:

Trade payables	31 March 20XX	31 March 20XX
Total outstanding dues of micro, small and medium enterprises	-	-
Total outstanding dues of creditors other than micro, small and medium enterprises	-	-
Total Trade payables	-	-

Disclosures

Disclosure relating to suppliers registered under MSMED Act based on the information available with the entity		
Company:		
Particulars	31 March 20XX	31 March 20XX
(a) Amount remaining unpaid to any supplier at the end of each accounting year:		
Principal	-	-
Interest	-	-
Total	-	-
(b) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act.	-	-
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act.	-	-

Other Current Liabilities

Format of Other Current Liabilities of NCE:

Other current liabilities	31 March 20XX	31 March 20XX
Current maturities of finance lease obligations (Refer note XX)	-	-
Interest accrued but not due on borrowings	-	-
Interest accrued and due on borrowings	-	-
Income received in advance	-	-
Unearned revenue	-	-
Goods and Service tax payable	-	-
TDS payable	-	-
Other payables (specify nature)	-	-
Total Other current liabilities	-	-

As shown above in format of NCE, GST/TDS payable is disclosed as separate line item a question may arise whether other statutory liabilities like PF/ESI payable should also be disclosed separately under Other Current Liabilities? In corporates, all the statutory dues is generally combined under single head of Statutory remittances under Other Current Liabilities.

Property, Plant and Equipment for NCE

Property, Plant and Equipment and Intangible Assets (owned assets)								(Amount in Rs.)
Particulars /Assets	TANGIBLE ASSETS							
	Freehold land	Buildings	Plant and Equipment	Office equipment	Furniture & Fixtures	Vehicles	Others (specify nature)	Total
Gross Block								
At 1 April 20X1								
Additions								
Deductions/Adjustments								
At 1 April 20X0								
Additions								
Deductions/Adjustments								
At 31 March 20X2								
At 31 March 20X1								
Depreciation/Adjustments								
At 1 April 20X1								
Additions								
Deductions/Adjustments								
At 1 April 20X0								
Additions								
Deductions/Adjustments								
At 31 March 20X2								
At 31 March 20X1								
Net Block								
At 31 March 20X1								
At 31 March 20X2								

Assets under finance lease **may be** separately specified under each class of asset.

Intangible Assets for NCE

(Amount in Rs.)										
Particulars /Assets	INTANGIBLE ASSETS									
	Goodwill	Brands/trademarks	Computer Software	Mining Rights	Masthead and publishing title	Copyrights/patents	Recepie/formulae/model/design prototype	Liscense and franchise	Others (specify nature)	Total
Gross Block										
At 1 April 20X1										
Additions										
Deductions/Adjustments										
At 1 April 20X0										
Additions										
Deductions/Adjustments										
At 31 March 20X2										
At 31 March 20X1										
Amortization/Adjustment										
At 1 April 20X1										
Additions										
Deductions/Adjustments										
At 1 April 20X0										
Additions										
Deductions/Adjustments										
At 31 March 20X2										
At 31 March 20X1										
Net Block										
At 31 March 20X1										
At 31 March 20X2										

Assets under finance lease **may be** separately specified under each class of asset.

Capital Work in Progress (CWIP) & Intangible assets under development (ITUD) for NCE

Capital Work in Progress

	31 March 20XX	31 March 20XX
Opening Balance	-	-
Add: Additions during the year	-	-
Less: Capitalized during the year	-	-
Closing Balance (B)	-	-

Intangible assets under development

	31 March 20XX	31 March 20XX
Opening Balance	-	-
Add: Additions during the year	-	-
Less: Capitalized during the year	-	-
Closing Balance (B)	-	-

In CE, there is no requirement of providing movement CWIP and ITUD.

Investments

12	Investments - Non Current and Current (valued at historical cost unless stated otherwise)	As at 31 March 20XX			As at 31 March 20XX	
		Face Value	Numbers/ Units/	Book Value	Numbers / Units/	Book Value
	<u>Trade Investments -Quoted</u>					
(a)	Investments in Other Entities			-		-
	Less: Provision for diminution in value of investments			-		-
(b)	Investments in partnership firm (Refer footnote 1)			-		-
	<u>Other Investments</u>					
(c)	Investments in preference shares			-		-
(d)	Investments in equity instruments			-		-
(e)	Investments in government or trust securities			-		-
(f)	Investments in debentures or bonds			-		-
(g)	Investments in mutual funds			-		-
(h)	Investments property			-		-
(i)	Other non-current investments (specify nature)			-		-
	Total Investments			-		-
	<u>Trade Investments - Unquoted</u>					
(a)	Investments in Other Entities			-		-
	Less: Provision for diminution in value of investments			-		-
(b)	Investments in partnership firm (Refer footnote 1)			-		-
	<u>Other Investments</u>					
(c)	Investments in preference shares			-		-
(d)	Investments in equity instruments			-		-
(e)	Investments in government or trust securities			-		-
(f)	Investments in debentures or bonds			-		-
(g)	Investments in mutual funds			-		-
(h)	Other non-current investments (specify nature)			-		-
(i)	Investments property			-		-
	Total Investments			-		-
						68

Investments (Contd..)

Disclosures

Particulars	As at 31 March 20XX			As at 31 March 20XX	
	Face Value	Numbers/ Units/ Shares	Book Value	Numbers / Units/ Shares	Book Value
Aggregate market value as at the end of the year:					
Aggregate amount of quoted investments and market value thereof.			-		-
Aggregate amount of Un-quoted investments.			-		-
Aggregate Provision for diminution in value of investments.					
Footnote 1: Details of investment in partnership firm					
Name of partner with % share in profits of such firm					
ABC			-		-
XYZ			-		-
Mr. A			-		-
Total capital of the firm (Amount in Rs.)			-		-

Other Assets (Current & Non-Current)

Format for Other Non-Current Assets for NCE:

Other non-current assets	31-March-20XX	31-March-20XX
Security Deposits	-	-
Prepaid expenses	-	-
Others (Specify nature)	-	-
Total other non-current other assets	-	-

Format for Other Current Assets for NCE:

Other current assets (Specify nature) (This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories)	31-March-20XX	31-March-20XX
Interest accrued but not due on deposits	-	-
Interest accrued and due on deposits	-	-
Total	-	-

Loan and Advances

Format for Loans and advances for NCE:

	Long Term		Short Term	
	31 March 20XX	31 March 20XX	31 March 20XX	31 March 20XX
Loans and advances (Secured)				
Capital advances				
Considered good	-	-	-	-
Doubtful	-	-	-	-
Less: Provision for doubtful advances	-	-	-	-
Loans advances to partners or relative of partners	-	-	-	-
Other loans and advances (specify nature)	-	-	-	-
Prepaid expenses	-	-	-	-
Advance tax and tax deducted at source [Net of provision for income tax of Rs. ____ (previous year Rs. ____)]	-	-	-	-
CENVAT credit receivable				
VAT credit receivable				
Service tax credit receivable				
GST input credit receivable				
Security Deposits				
Balance with government authorities				
	-	-	-	-

Prepaid expenses has been shown under Loans and Advances as well as Other assets in the ICAI Guide which seems to be an anomaly. However, in corporates this is generally shown under Other Assets (Current or Non-current as the case may be).

Inventories

Format for Inventories for NCE:

Inventories	31-March-20XX	31-March-20XX
Raw materials	-	-
Work-in-progress	-	-
Finished goods	-	-
Stock-in-trade	-	-
Stores and spares	-	-
Loose Tools	-	-
Others (Specify nature)	-	-
[Goods in transit to be disclosed under relevant sub-head of inventories]		
Total	-	-

Note: Goods in transit / Mode of valuation **may be** stated

Additionally, in CEs, details of inventory of work-in-progress is required to be disclosed in the below suggested format:

Particulars	As at 31 March, 20X2	As at 31 March, 20X1
Product X1		
Product Y1		
Product Z1		
Other items		

Trade Receivables

Format for Trade Receivables for NCE:

Trade receivables	31-March-20XX	31-March-20XX
Outstanding for a period less than 6 months from the date they are due for receipt		
Secured Considered good	-	-
Unsecured Considered good	-	-
Doubtful	-	-
Less: Provision for doubtful receivables	-	-
	-	-
Outstanding for a period exceeding 6 months from the date they are due for receipt		
Secured Considered good	-	-
Unsecured Considered good	-	-
Doubtful	-	-
Less: Provision for doubtful receivables	-	-
Unbilled receivables	-	-
	-	-
Total	-	-

Additionally, in CEs, details of dues from directors, other officers of the Company, Firms in which any director is a partner, private companies in which any director is a director or member is required to be disclosed.

Cash & Cash Equivalents

Format for Cash & Cash Equivalents for Corporate / Non-Corporate entity :

Cash and Bank Balances	31-March-20XX	31-March-20XX
<u>Cash and cash equivalents</u>		
On current accounts	-	-
Cash credit account (Debit balance)	-	-
Fixed Deposits		
Deposits with original maturity of less than three months	-	-
Cheques, drafts on hand	-	-
Cash on hand	-	-
Total	-	-
<u>Other bank balances</u>		
Bank Deposits		
Earmarked Bank Deposits	-	-
Deposits with original maturity for more than 3 months but less than 12 months from reporting date	-	-
Margin money or deposits under lien	-	-
Others (specify nature)	-	-
Total other bank balances	-	-
Total Cash and bank balances	-	-

Revenue from Operations

Format for Revenue from Operations NCE:

Revenue from operations	31 March 20XX	31 March 20XX
Sale of products	-	-
Sale of services	-	-
Grants or donations received	-	-
Other operating revenue	-	-
Revenue from operations (Gross)	-	-
Less: Excise duty	-	-
Revenue from operations (Net)	-	-

Category wise details of revenue from products, services, other operating revenue is additionally to be disclosed in CE.

Other Income

Format for Other Income for NCE:

Other income	31 March 20XX	31 March 20XX
Interest income	-	-
Dividend income	-	-
Net gain on sale of investments	-	-
Other non-operating income (Please specify)	-	-
Total other income	-	-

Following **may be** disclosed by way of notes regarding aggregate expenditure and income on the following items:—

- ▶ Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.100,000 whichever is higher;
- ▶ Prior period items

Cost of Goods Sold

Format for Cost of Goods Sold for CE and NCE:

	31 March 20XX	31 March 20XX
Cost of goods sold		
Cost of raw material consumed		
Raw material consumed		
Inventory at the beginning of the year	-	-
Add : Purchases during the year	-	-
Less: Inventory at the end of the year	-	-
Cost of raw material consumed	-	-

Similar disclosure has also been suggested for Packing material and Purchased intermediates/components.

Purchase of Stock in Trade

Format for Purchase of Stock in Trade for CE and NCE:

Purchases of stock-in-trade	31 March 20XX	31 March 20XX
Stock-in-trade - Product M	-	-
Stock-in-trade - Product N	-	-
Stock-in-trade - Product O	-	-
Total (B)	-	-

Changes in inventories of finished goods, work in progress and stock in trade

Format for Changes in inventories of finished goods, work in progress and stock in trade for CE and NCE:

Changes in inventories of finished goods, work in progress and stock-in trade	31 March 20XX	31 March 20XX
Inventories at the beginning of the year:		
Stock-in-trade	-	-
Work in progress	-	-
Finished goods	-	-
	(I)	-
Inventories at the end of the year:		
Stock-in-trade	-	-
Work in progress	-	-
Finished goods	-	-
	(II)	-
(Increase)/decrease in inventories of finished goods, work-in-progress and stock-in-trade	-	-

Employee benefits expense

Format for Employee benefits expense for CE and NCE:

Employee benefits expense	31 March 20XX	31 March 20XX
(Including contract labour)		
Salaries, wages, bonus and other allowances	-	-
Contribution to provident and other funds	-	-
Gratuity expenses	-	-
Staff welfare expenses	-	-
Total Employee benefits expense	-	-

Finance Cost

Format for Finance Cost for CE and NCE:

Finance cost	31 March 20XX	31 March 20XX
Interest expense		
On bank loan	-	-
On assets on finance lease	-	-
Other borrowing costs	-	-
Loss on foreign exchange transactions and translations considered as finance cost (net)	-	-
Total Finance cost	-	-

Depreciation and amortisation expense

Format for Depreciation and amortisation expense for CE and NCE:

Depreciation and amortization expense	31 March 20XX	31 March 20XX
on tangible assets	-	-
on intangible assets	-	-
Total Depreciation and amortization expense	-	-

Other expenses

Format for Other expenses for CE and NCE:

Other Expenses	31 March 20XX	31 March 20XX
Consumption of stores and spare parts	-	-
Power and fuel	-	-
Rent	-	-
Repairs and maintenance - Buildings	-	-
Repairs and maintenance - Machinery	-	-
Insurance	-	-
Rent, Rates and taxes, excluding, taxes on income	-	-
Labour charges	-	-
Travelling expenses	-	-
Auditor's remuneration	-	-
Printing and stationery	-	-
Communication expenses	-	-
Legal and professional charges	-	-
Advertisement and publicity	-	-
Business promotion expenses	-	-
Commission	-	-
Clearing and forwarding charges	-	-
Loss on sale of Property, Plant and Equipment	-	-
Loss on foreign exchange transactions (net)	-	-
Loss on cancellation of forward contracts	-	-
Loss on sale of investments (net)	-	-
Provision for diminution in value of investments	-	-
Provision for doubtful debts	-	-
Miscellaneous expenses	-	-
Total	-	-

Break up of Payment to auditors and CSR disclosure should be additionally be included in CE. ⁸³

Contingent Liabilities

In addition to the above BS / P&L schedules, Contingent liability schedule shall be disclosed for NCE similar to CEs.

Contingent liabilities (to the extent not provided for)

Contingent liabilities may be classified as:

- (a) Claims against the non-corporate entity not acknowledged as debt;
- (b) Guarantees;
- (c) Other money for which the non-corporate entity is contingently liable.

Additional disclosures required for Corporates

The CE has to make certain disclosure as required under Schedule III to the Companies' Act, 2013 such as:

1. Financial Ratios
2. Capital Commitments
3. Earnings in Foreign currency / Expenses in Foreign currency
4. Proceedings under Benami Transaction (Prohibition) Act, 1988
5. Undisclosed income under IT Act
6. Diversion of funds
7. Non filing of Charges with Registrar of Companies (ROC)
8. Transactions with Struck off Companies
9. Quarterly statement filed with Banks
10. Investment in Virtual currency / Crypto currency
11. Ageing of Trade receivables/Trade Payables/CWIP/ITUD

Such disclosures have not been recommended for NCEs.



Thank You!!

CA. Manish P.