Applicability of Accounting Standards

The Council, at its 236th meeting, held on September 16-18, 2003, considered the matter relating to applicability of Accounting Standards to Small and Medium Sized Enterprises (SMEs). The Council decided the following scheme for applicability of accounting standards to SMEs. This scheme comes into effect in respect of accounting periods commencing on or after 1-4-2004.

1. For the purpose of applicability of Accounting Standards, enterprises are classified into three categories, viz., Level I, Level II and Level III. Level II and Level III enterprises are considered as SMEs. The criteria for different levels are given in Annexure I.

2. Level I enterprises are required to comply fully with all the accounting standards.

3. It has been decided that no relaxation should be given to Level II and Level III enterprises in respect of recognition and measurement principles. Relaxations are provided with regard to disclosure requirements. Accordingly, Level II and Level III enterprises are fully exempted from certain accounting standards which primarily lay down disclosure requirements. In respect of certain other accounting standards, which lay down recognition, measurement and disclosure requirements, relaxations from certain disclosure requirements are given. The exemptions/relaxations are decided to be provided by modifying the applicability portion of the relevant accounting standards. Modifications in the relevant existing accounting standards are given in Annexure II.

4. Applicability of Accounting Standards and exemptions/relaxations for SMEs

So far, the Institute has issued 29 accounting standards. The applicability of the accounting standards and exemptions/relaxations for SMEs are as follows:

I. Accounting Standards applicable to all enterprises in their entirety (Levels I, II and III)

(i) AS 1, Disclosure of Accounting Policies
(ii) AS 2, Valuation of Inventories
(iii) AS 4, Contingencies and Events Occurring After the Balance Sheet Date
(iv) AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
(v) AS 6, Depreciation Accounting
(vi) AS 7 (revised 2002), Construction Contracts[1]
AS 7 (issued 1983), Accounting for Construction Contracts
(vii) AS 8, Accounting for Research and Development[2]
(viii) AS 9, Revenue Recognition
(ix) AS 10, Accounting for Fixed Assets

[1]The revised Standard (2002) comes into effect in respect of all contracts entered into during accounting periods commencing on or after 1-4-2003 and is mandatory is nature from that date. Accordingly, the pre-revised AS 7 (issued 1983) is not applicable in respect of such contracts.

[2]AS 8 is withdrawn from the date AS 26, Intangible Assets, becoming mandatory for the concerned enterprises. AS 26 is mandatory in respect of expenditure incurred on intangible items during accounting periods commencing on or after 1-4-2003 for the following:

(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.

(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

In respect of all other enterprises, AS 26 is mandatory in respect of expenditure incurred on intangible items during accounting periods commencing on or after 1-4-2004.

(x) AS 11 (revised 2003), The Effects of Changes in Foreign Exchange Rates[3]
AS 11 (revised 1994), Accounting for the Effects of Changes in Foreign Exchange Rates
(xi) AS 12, Accounting for Government Grants
(xii) AS 13, Accounting for Investments
(xiii) AS 14, Accounting for Amalgamations
(xiv) AS 15, Accounting for Retirement Benefits in the Financial Statements of Employers
(xv) AS 16, Borrowing Costs
(xvi) AS 22, Accounting for Taxes on Income
(xvii) AS 26, Intangible Assets

II. Exemptions/Relaxations for SMEs

(A) Accounting Standards not applicable to Level II and Level III enterprises in their entirety:

(i) AS 3, Cash Flow Statements
(ii) AS 17, Segment Reporting
(iii) AS 18, Related Party Disclosures
(iv) AS 24, Discontinuing Operations.

(B) Accounting Standards not applicable to Level II and Level III enterprises since the relevant Regulators require compliance with them only by certain Level I enterprises:[4]

(i) AS 21, Consolidated Financial Statements
(ii) AS 23, Accounting for Investments in Associates in Consolidated Financial Statements
(iii) AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to consolidated financial statements)

(C) Accounting Standards in respect of which relaxations from certain disclosure requirements have been given to Level II and Level III enterprises:

(i) AS 19, Leases

Paragraphs 22(c), (e) and (f); 25(a), (b) and (e); 37(a), (f) and (g); and 46(b), (d) and (e), of AS 19 are not applicable to Level II and Level III enterprises.

(ii) AS 20, Earnings Per Share

As regards AS 20, diluted earnings per share and information required by paragraph 48 of AS 20 are not required to be disclosed by Level II and Level III enterprises if this standard is applicable to these enterprises because they disclose earnings per share. So far as companies are concerned, since all the companies are required to apply AS 20 by virtue of the provisions of Part IV of Schedule VI to the Companies Act, 1956, requiring disclosure of earnings per share, the position is that the companies which do not fall in Level I, would not be required to disclose diluted earnings per share and information required by paragraph 48 of AS 20.

(iii) AS 29, Provisions, Contingent Liabilities and Contingent Assets
-Paragraph 67 is not applicable to Level II enterprises
-Paragraphs 66 and 67 are not applicable to Level II and Level III enterprises

The above relaxations are incorporated in AS 29 itself, which is published separately elsewhere in this Journal.

(D) Accounting Standard applicability of which is deferred for Level II and Level III enterprises:

AS 28, Impairment of Assets
-For Level I Enterprises applicable from 1-4-2004
-For Level II Enterprises applicable from 1-4-2006
-For Level III Enterprises applicable from 1-4-2008

(E) AS 25, Interim Financial Reporting, does not require any enterprise to present interim finan-

[3] The revised AS 11 (2003) would come into effect in respect of accounting periods commencing on or after 1-4-2004 and would be mandatory in nature from that date. The revised Standard (2003) would supersede AS 11 (1994), except that in respect of accounting for transactions in foreign currencies entered into by the reporting enterprise itself or through its branches before the date the revised AS 11 (2003) comes into effect, AS 11 (1994) will continue to be applicable.

[4] AS 21, AS 23 and AS 27 (relating to consolidated financial statements) are required to be complied with by an enterprise if the enterprise, pursuant to the requirements of a statute/regulator or voluntarily, prepares and presents consolidated financial statements.

cial report. It is applicable only if an enterprise is required or elects to prepare and present an interim financial report. However, the recognition and measurement requirements contained in this Standard are applicable to interim financial results, e.g., quarterly financial results required by the SEBI.

At present, in India, enterprises are not required to present interim financial report within the meaning of AS 25. Therefore, no enterprise in India is required to comply with the disclosure and presentation requirements of AS 25 unless it voluntarily presents interim financial report within the meaning of AS 25. The recognition and measurement principles contained in AS 25 are also applicable only to certain Level I enterprises since only these enterprises are required by the concerned regulators to present interim financial results.

In view of the above, at present, AS 25 is not mandatorily applicable to Level II and Level III enterprises in any case.

5. An enterprise which does not disclose certain information pursuant to the above exemptions/relaxations, should disclose the fact.

6. Where an enterprise has previously qualified for any exemption/relaxation (being under Level II or Level III), but no longer qualifies for the relevant exemption/relaxation in the current accounting period, the relevant standards/requirements become applicable from the current period. However, the corresponding previous period figures need not be disclosed.

7. Where an enterprise has been covered in Level I and subsequently, ceases to be so covered, the enterprise will not qualify for exemption/relaxation available to Level II enterprises, until the enterprise ceases to be covered in Level I for two consecutive years. Similar is the case in respect of an enterprise, which has been covered in Level I or Level II and subsequently, gets covered under Level III.

Annexure I

Criteria for classification of enterprises

Level I Enterprises

Enterprises which fall in any one or more of the following categories, at any time during the accounting period, are classified as Level I enterprises:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

Level II Enterprises

Enterprises which are not Level I enterprises but fall in any one or more of the following categories are classified as Level II enterprises:

(i) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 40 lakhs but does not exceed Rs. 50 crore. Turnover does not include 'other income'.

(ii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 1 crore but not in excess of Rs. 10 crore at any time during the accounting period.

(iii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

Level III Enterprises

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

Annexure II

Modifications in the relevant existing accounting standards to address the matter relating to Small and Medium Sized enterprises

Note: Modifications are indicated as strike-throughs for deletions and as underlines for additions.

1. Modifications in AS 3, Cash Flow Statements

The 'applicability' paragraphs of AS 3 stand modified as under:

"~~The following is the text of the revised Accounting Standard (AS) 3, 'Cash Flow Statements', issued by the Council of the Institute of Chartered Accountants of India. This Standard supersedes Accounting Standard (AS) 3, 'Changes in Financial Position', issued in June, 1981.~~

~~In the initial years, this accounting standard will be recommendatory in character. During this period, this standard is recommended for use by companies listed on a recognised stock exchange and other commercial, industrial and business enterprises in the public and private sectors.~~

Accounting Standard (AS) 3, 'Cash Flow Statements' (revised 1997), issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-1997. This Standard supersedes Accounting Standard (AS) 3, 'Changes in Financial Position', issued in June 1981. This Standard is mandatory in nature in respect of accounting periods commencing on or after 1-4-2004[1] for the enterprises which fall in any one or more of the following categories, at any time during the accounting period:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

The enterprises which do not fall in any of the above categories, are encouraged, but are not required, to apply this Standard.

Where an enterprise has been covered in any one or more of the above categories and subsequently, ceases to be so covered, the enterprise will not qualify for exemption from application of this Standard, until the enterprise ceases to be covered in any of the above categories for two consecutive years.

Where an enterprise has previously qualified for exemption from application of this Standard (being not covered by any of the above categories) but no longer qualifies for exemption in the current accounting period, this Standard becomes applicable from the current period. However, the corresponding previous period figures need not be disclosed.

An enterprise, which, pursuant to the above provisions, does not present a cash flow statement, should disclose the fact.

The following is the text of the Accounting Standard."

The above modifications come into effect in respect of accounting periods commencing on or after 1-4-2004. Accordingly, the announcement issued by the Council titled as 'Accounting Standard (AS) 3, Cash Flow Statements Made Mandatory', published in the December 2000 issue of the Institute's Journal (page 65) stands withdrawn in respect of accounting periods commencing on or after 1-4-2004.

[1] AS 3 was originally made mandatory in respect of accounting periods commencing on or after 1-4-2001, for the following:

(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.

(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

The relevant announcement was published in 'The Chartered Accountant', December 2000, page 65.

2. Modifications in AS 17, Segment Reporting

The 'applicability' paragraph of AS 17 stands modified as under:

"~~The following is the text of~~ Accounting Standard (AS) 17, 'Segment Reporting', issued by the Council of the Institute of Chartered Accountants of India,. ~~This Standard~~ comes into effect in respect of accounting periods commencing on or after 1.4.2001. ~~and is mandatory in nature, from that date, in respect of the following:~~

~~(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.~~

~~(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores~~

This Standard is mandatory in nature in respect of accounting periods commencing on or after 1-4-2004[1] for the enterprises which fall in any one or more of the following categories, at any time during the accounting period:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

The enterprises which do not fall in any of the above categories are not required to apply this Standard.

Where an enterprise has been covered in any one or more of the above categories and subsequently, ceases to be so covered, the enterprise will not qualify for exemption from application of this Standard, until the enterprise ceases to be covered in any of the above categories for two consecutive years.

Where an enterprise has previously qualified for exemption from application of this Standard (being not covered by any of the above categories) but no longer qualifies for exemption in the current accounting period, this Standard becomes applicable from the current period. However, the corresponding previous period figures need not be disclosed.

An enterprise, which, pursuant to the above provisions, does not disclose segment information, should disclose the fact.

The following is the text of the Accounting Standard."

The above modifications come into effect in respect of accounting periods commencing on or after 1-4-2004.

3. Modifications in AS 18, Related Party Disclosures

The 'applicability' paragraph of AS 18 stands modified as under:

"~~The following is the text of Accounting Standard (AS) 18, 'Related Party Disclosures', issued by the Council of the Institute of Chartered Accountants of India. This Standard comes into effect in respect of accounting periods commencing on or after 1-4-2001 and is mandatory in nature.~~

[1] AS 17 was originally made mandatory in respect of accounting periods commencing on or after 1-4-2001 for the following enterprises:

(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.

(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

Accounting Standard (AS) 18, 'Related Party Disclosures', issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-2001. This Standard is mandatory in nature in respect of accounting periods commencing on or after 1-4-2004[1] for the enterprises which fall in any one or more of the following categories, at any time during the accounting period:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

The enterprises which do not fall in any of the above categories are not required to apply this Standard.

Where an enterprise has been covered in any one or more of the above categories and subsequently, ceases to be so covered, the enterprise will not qualify for exemption from application of this Standard, until the enterprise ceases to be covered in any of the above categories for two consecutive years.

Where an enterprise has previously qualified for exemption from application of this Standard (being not covered by any of the above categories) but no longer qualifies for exemption in the current accounting period, this Standard becomes applicable from the current period. However, the corresponding previous period figures need not be disclosed.

An enterprise, which, pursuant to the above provisions, does not make related party disclosures, should disclose the fact.

The following is the text of the Accounting Standard."

The above modifications come into effect in respect of accounting periods commencing on or after 1-4-2004. Accordingly, the announcement issued by the Council titled as 'Applicability of Accounting Standard (AS) 18, Related Party Disclosures', published in the April 2002 issue of the Institute's Journal (page 1242) stands withdrawn in respect of accounting periods commencing on or after 1-4-2004.

4. Modifications in AS 19, Leases

The 'applicability' paragraph of AS 19 stands modified as under:

"~~The following is the text of~~ Accounting Standard (AS) 19, 'Leases', issued by the Council of the Institute of Chartered Accountants of India,. ~~This Standard~~ comes into effect in respect of all assets leased during accounting periods commencing on or after 1.4.2001 and is mandatory in nature from that date. Accordingly, the 'Guidance Note on Accounting for Leases' issued by the Institute in 1995, is not applicable in respect of such assets. Earlier application of this Standard is, however, encouraged.

In respect of accounting periods commencing on or after 1-4-2004[2], an enterprise which does not fall in any of the following categories need not disclose the information required by paragraphs 22(c), (e) and (f); 25(a), (b) and (e); 37(a), (f) and (g); and 46(b), (d) and (e), of this Standard:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

[1] AS 18 was earlier made mandatory in respect of accounting periods commencing on or after 1-4-2001 only for the following enterprises:

(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.

(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

The relevant announcement was published in 'The Chartered Accountant', April 2002, page 1242.

[2] AS 19 was originally made mandatory, in its entirety, for all enterprises in respect of all assets leased during accounting periods commencing on or after 1-4-2001.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

In respect of an enterprise which falls in any one or more of the above categories, at any time during the accounting period, the Standard is applicable in its entirety.

Where an enterprise has been covered in any one or more of the above categories and subsequently, ceases to be so covered, the enterprise will not qualify for exemption from paragraphs 22(c), (e) and (f); 25(a), (b) and (e); 37(a), (f) and (g); and 46(b), (d) and (e), of this Standard, until the enterprise ceases to be covered in any of the above categories for two consecutive years.

Where an enterprise has previously qualified for exemption from paragraphs 22(c), (e) and (f); 25(a), (b) and (e); 37(a), (f) and (g); and 46(b), (d) and (e), of this Standard (being not covered by any of the above categories) but no longer qualifies for exemption in the current accounting period, this Standard becomes applicable, in its entirety, from the current period. However, the corresponding previous period figures in respect of above paragraphs need not be disclosed.

An enterprise, which, pursuant to the above provisions, does not disclose the information required by paragraphs 22(c), (e) and (f); 25(a), (b) and (e); 37(a), (f) and (g); and 46(b), (d) and (e) should disclose the fact.

The following is the text of the Accounting Standard."

The above modifications come into effect in respect of accounting periods commencing on or after 1-4-2004.

5. Modifications in AS 20, Earnings Per Share

The 'applicability' paragraph of AS 20 stands modified as under:

"Accounting Standard (AS) 20, 'Earnings Per Share', issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-2001 and is mandatory in nature, from that date, in respect of enterprises whose equity shares or potential equity shares are listed on a recognised stock exchange in India.

An enterprise which has neither equity shares nor potential equity shares which are so listed but which discloses earnings per share, should calculate and disclose earnings per share in accordance with this Standard from the aforesaid date. ~~The following is the text of the Accounting Standard~~. However, in respect of accounting periods commencing on or after 1-4-2004[1], if any such enterprise does not fall in any of the following categories, it need not disclose diluted earnings per share and information required by paragraph 48 of this Standard:

(i) Enterprises whose equity securities or potential equity securities are listed outside India and enterprises whose debt securities (other than potential equity securities) are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

[1]Originally, no exemption was available to an enterprise, which had neither equity shares nor potential equity shares which were listed on a recognised stock exchange in India, but which disclosed earnings per share. It is clarified that no exemption is available even in respect of accounting periods commencing on or after 1-4-2004 to enterprises whose equity shares or potential equity shares are listed on a recognised stock exchange in India. It is also clarified that this Standard is not applicable to an enterprise which has neither equity shares nor potential equity shares which are listed on a recognised stock exchange in India and which also does not disclose earnings per share.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

Where an enterprise (which has neither equity shares nor potential equity shares which are listed on a recognised stock exchange in India but which discloses earnings per share) has been covered in any one or more of the above categories and subsequently, ceases to be so covered, the enterprise will not qualify for exemption from the disclosure of diluted earnings per share and paragraph 48 of this Standard, until the enterprise ceases to be covered in any of the above categories for two consecutive years.

Where an enterprise (which has neither equity shares nor potential equity shares which are listed on a recognised stock exchange in India but which discloses earnings per share) has previously qualified for exemption from the disclosure of diluted earnings per share and paragraph 48 of this Standard (being not covered by any of the above categories) but no longer qualifies for exemption in the current accounting period, this Standard becomes applicable, in its entirety, from the current period. However, the relevant corresponding previous period figures need not be disclosed.

If an enterprise (which has neither equity shares nor potential equity shares which are listed on a recognised stock exchange in India but which discloses earnings per share), pursuant to the above provisions, does not disclose the diluted earnings per share and information required by paragraph 48, it should disclose the fact.

The following is the text of the Accounting Standard."

The above modifications come into effect in respect of accounting periods commencing on or after 1-4-2004.

6. Modifications in AS 24, Discontinuing Operations

The 'applicability' paragraph of AS 24 stands modified as under:

"Accounting Standard (AS) 24, 'Discontinuing Operations', issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-2004. ~~is recommendatory in nature at present. The following is the text of the Accounting Standard.~~ This Standard is mandatory in nature in respect of accounting periods commencing on or after 1-4-2004[1] for the enterprises which fall in any one or more of the following categories, at any time during the accounting period:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

[1] It was originally decided to make AS 24 mandatory in respect of accounting periods commencing on or after 1-4-2004 for the following:

(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.

(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

In respect of all other enterprises, it was originally decided to make the Standard mandatory in respect of accounting periods commencing on or after 1-4-2005.

The relevant announcement was published in 'The Chartered Accountant', May 2002, page 1378.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

Earlier application is encouraged.

The enterprises which do not fall in any of the above categories are not required to apply this Standard.

Where an enterprise has been covered in any one or more of the above categories and subsequently, ceases to be so covered, the enterprise will not qualify for exemption from application of this Standard, until the enterprise ceases to be covered in any of the above categories for two consecutive years.

Where an enterprise has previously qualified for exemption from application of this Standard (being not covered by any of the above categories) but no longer qualifies for exemption in the current accounting period, this Standard becomes applicable from the current period. However, the corresponding previous period figures need not be disclosed.

An enterprise, which, pursuant to the above provisions, does not present the information relating to the discontinuing operations, should disclose the fact.

The following is the text of the Accounting Standard."

The above modifications come into effect in respect of accounting periods commencing on or after 1-4-2004. Accordingly, the announcement issued by the Council titled as 'Accounting Standard (AS) 24, Discontinuing Operations', published in the May 2002 issue of the Institute's Journal (page 1378) stands withdrawn in respect of accounting periods commencing on or after 1-4-2004. and is mandatory in nature from that date for the following.

7. Modifications in AS 28, Impairment of Assets

The 'applicability' paragraphs of AS 28 stand modified as under:

"Accounting Standard (AS) 28, 'Impairment of Assets', issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-2004. ~~and is mandatory in nature from that date for the following:~~

This Standard is mandatory in nature in respect of accounting periods commencing on or after:

(a) 1-4-2004[1], for the enterprises, which fall in any one or more of the following categories, at any time during the accounting period:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

(vii) All commercial, industrial and business reporting enterprises having borrowings including public deposits, in excess of Rs. 10 crore at any time during the accounting period.

(viii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

(b) 1-4-2006[2], for the enterprises which do not fall in any of the categories in (a) above but fall in any one or more of the following categories:

(i) All commercial, industrial and business reporting enterprises, whose turnover for the immedi-

[1] It was originally decided to make AS 28 mandatory in respect of accounting periods commencing on or after 1-4-2004 for the following:

(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.

(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.

In respect of all other enterprises, it was originally decided to make AS 28 mandatory in respect of accounting periods commencing on or after 1-4-2005.

[2] *ibid.*

ately preceding accounting period on the basis of audited financial statements exceeds Rs. 40 lakhs but does not exceed Rs. 50 crore. Turnover does not include 'other income'.

(ii) All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 1 crore but not in excess of Rs. 10 crore at any time during the accounting period.

(iii) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

(c) 1-4-2008[3], for the enterprises, which do not fall in any of the categories in (a) and (b) above.

~~(i) Enterprises whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors' resolution in this regard.~~

~~(ii) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crores.~~

~~In respect of all other enterprises, the Accounting Standard comes into effect in respect of accounting periods commencing on or after 1-4-2005 and is mandatory in nature from that date.~~

Earlier application of the Accounting Standard is encouraged.

The following is the text of the Accounting Standard."

The above modifications come into effect in respect of accounting periods commencing on or after 1-4-2004.

Note: In all the above modifications, the footnote clarifying the implications of 'mandatory' status of an accounting standard, will continue to appear whenever the word 'mandatory' is used for the first time as it presently appears in the respective standards.

[3] *ibid.*