

AS

Accounting is the art of recording transactions in a way to help the reader to arrive at judgments/come to conclusions. So it becomes essential that they should be incorporated into some standardized guidelines. These guidelines are generally known to be as accounting policies.

The intricacies of accounting policies allow various companies to alter their accounting principles to suit their benefit. Therefore, making it almost impossible to make any kind of comparisons.

In order to avoid this and to have a harmonized accounting principle, Standards needed to be set by recognized accounting bodies. This concept paved the way for the formation of Accounting Standards in the world.

Accounting Standards in India are issued by the **Institute of Chartered Accountants of India (ICAI)**.

The main objective of Accounting Standards is to standardize the diverse accounting policies and practices. These Accounting Standards were implemented to eliminate the non-comparability of financial statements and the reliability to the financial statements.

Let's understand the applicability of Accounting Standards

The enterprises are classified and labeled as Level I, Level II and Level III entities. Based on this classification and the category in which they fall the Accounting standards are applicable to the enterprises

<i>But who are Level I Entities?</i>
- Whose equity or debt securities are listed whether in India or outside India
- Which are in the process of listing their equity or debt securities.
- Banks including co-operative banks
- Financial institutions
- Enterprises carrying on Insurance business
- Whose turnover for the immediately preceding accounting period exceeds Rs. 50 crore
- Whose borrowings exceed of Rs. 10 crores at any time during the accounting period
- Holding and subsidiary of any of the above

<i>Then who are Level II Entities?</i>
- Whose turnover for the immediately preceding accounting period is greater than Rs. 40 lakhs but less than Rs. 50 crore
- Whose borrowings is greater Rs. 1 crore but less than Rs. 10 crores at any time during the accounting period
- Holding and subsidiary enterprises of any one of the above

<i>And Level III ?</i>
Obviously, which do not fall in any of the above two ;-)

<u>Applicability</u>	
Level I	All the accounting standards are applicable to Level I entities.
Level II	<u>Fully applicable AS</u> All accounting standards are applicable to Level II entities except AS 3, 17, 18, 21, 23, 24, 25, 27 and those discussed below <u>With certain relaxations in disclosures</u> AS 19 - Leases AS 20- Earning Per Share AS 29 - Provisions, contingent liabilities and contingent assets
Level III	Same exemptions as mentioned in level II above.

To give our understanding a final tabular look,

Accounting Standard	Level I	Level II	Level III
AS 1 Disclosure of Accounting Principles	Yes	Yes	Yes
AS 2 Valuation of Inventories	Yes	Yes	Yes
AS 3 Cash Flow Statements	Yes	No	No
AS 4 Contingencies and Events Occurring After the Balance Sheet Date	Yes	Yes	Yes
AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Yes	Yes	Yes
AS 7 Construction Contracts	Yes	Yes	Yes
AS 9 Revenue Recognition	Yes	Yes	Yes
AS 10 Property, Plant and Equipment	Yes	Yes	Yes
AS 11 The Effects Of Changes In Foreign Exchange Rates	Yes	Yes	Yes
AS 12 Accounting for Government Grants	Yes	Yes	Yes
AS 13 Accounting for Investments	Yes	Yes	Yes
AS 14 Accounting for Amalgamations	Yes	Yes	Yes
AS 15 Employee Benefits	Yes	Yes	Yes
AS 16 Borrowing Costs	Yes	Yes	Yes
AS 17 Segment Reporting	Yes	No	No
AS 18 Related Party Disclosures	Yes	No	No
AS 19 Leases	Yes	Partial	Partial
AS 20 Earnings Per Share	Yes	Partial	Partial
AS 21 Consolidated Financial Statements	Yes	No	No
AS 22 Accounting for taxes on income	Yes	Yes	Yes
AS 23 Accounting for Investments in Associates in Consolidated Financial Statements	Yes	No	No
AS 24 Discontinuing Operations	Yes	No	No
AS 25 Interim Financial Reporting	Yes	No	No
AS 26 Intangible Assets	Yes	Yes	Yes
AS 27 Financial Reporting of Interests in Joint Ventures	Yes	No	No
AS 28 Impairment of Assets	Yes	Yes	Yes
AS 29 Provisions, Contingent Liabilities and Contingent Assets	Yes	Partial	Partial

And what about the relaxations?

1. 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 does not apply to Level II and Level III enterprises

2. AS 20 Earnings Per Share

The provisions of Part IV of Schedule VI to the Companies Act, 1956 require all companies to disclose earning per share in their financial statements.

AS 20 does not mandate disclosure of diluted earning per share and information required by paragraph 48 for Level II and Level III enterprises.

3. AS 29, Provisions, Contingent Liabilities, and Contingent Assets

Paragraph 67 does not apply to Level II enterprises

Paragraphs 66 and 67 does not apply to Level II and Level III enterprises