Technical Guide on Accounting for Not-for-Profit Organisations (NPOs)

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

Not-for -Profit Organizations (NPOs) have always played a vital role by providing services to address a social cause which help in overall development of the country. NPOs in India are playing an important role in shaping the communities, groups and country as a whole. Over the years, India has experienced significant growth in NPO sector and therefore there is a need that this sector works transparently with norms for efficiency and effectiveness.

In order to provide guidance on accounting treatment to be followed in case of various types of transactions carried out by NPOs as well as to harmonize the diverse accounting practices, the Research Committee of the ICAI had published the *Technical Guide on Accounting for Not-For-Profit Organizations (NPOs)* in 2009. Subsequently, with the introduction of Corporate Social Responsibility Regulations in 2014 under the Companies Act, 2013, and amendments to Accounting Standards notified by the MCA in 2016, the Technical Guide was revised in 2022 by the Professional Development Committee of ICAI.

With the introduction of Framework for Social Stock Exchange by SEBI, it has become imperative to prescribe comprehensive guidance on the accounting by NPOs including applicability of Accounting Standards for NPOs. Therefore, to recommend such guidance and to update the formats of financial statements to achieve comparability of financial statements being prepared by NPOs, it has been considered appropriate to review and revise the Technical Guide under the aegis of Accounting Standards Board (ASB) of the ICAI. Accordingly, Technical Guide has now been revised by the ASB in view of various updated accounting treatments/ provisions of Accounting Standards along with the formats of financial statements that have also been reviewed and updated.

I congratulate CA. Pramod Jain, Chairman, ASB, CA. Abhay Chhajed, Vice-Chairman, ASB and all the Members of the Accounting Standards Board for their invaluable contribution in revision of this Technical Guide to update the same in line with the accounting developments and requirements for NPOs.

I hope that this endeavor of the Accounting Standards Board will go a long way in providing guidance to the Members as well as all NPOs and concerned stakeholders in establishing uniform accounting and reporting practices.

May 24, 2023 — CA. Aniket Sunil Talati
New Delhi — President, ICAI

Preface

Financial reporting by an entity about its activities, financial position and financial performance play a very important role in communicating the relevant and useful information to the users/stakeholders of an entity. This information becomes crucial in context of Not-For-Profit Organisations (NPOs) to have trust and confidence in such entities in addition to decisions making about such entity.

NPOs are established with the objective of providing public services to communities where they operate, making them an intermediary between the citizens and Government and act as productive agents in the socio-economic change. NPOs in India generally take three legal forms: trusts, societies, and limited not -for-profit companies under Section 8 of the Companies Act, 2013. Over the years, NPOs have grown by leaps and bounds with larger magnitude in the country. Considering the important role of NPOs and with the objective of ensuring accountability and transparency for NPOs and their operations, *Technical Guide on Accounting for Not-for-Profit Organisations* was initially formulated by the Research Committee of the ICAI in 2009 and was subsequently revised by the Professional Development Committee of ICAI in 2022.

Recently, SEBI has announced the Framework for Social Stock Exchange in India, consequent to which NPOs are being governed by statute and rules similar to 'for-profit' organisations. Globally also to improve transparency, consistency, comparability, credibility and reliability of NPO's financial statements, International Non-Profit Accounting Guidance (INPAG) is under formulation as a joint initiative by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Humentum. Considering all these developments, the Accounting Standards Board (ASB) of ICAI considered it appropriate to provide comprehensive guidance for accounting and financial by NPOs and, accordingly, the Technical Guide on *Accounting for Not-for-Profit Organisations* has been thoroughly reviewed and revised. Further, in accordance with the amendments in Income Tax; the charitable or religious trusts, institutions, universities, and other educational institutions are mandated to submit the audit report in the prescribed forms. Therefore, it is important that the financial statements of these entities are prepared accurately and provide true and fair view. Accordingly, the ASB has reviewed the Formats of Financial Statements also given in the Technical Guide.

My special thanks to CA. Aniket Sunil Talati, President, ICAI and CA. Ranjeet Kumar Agarwal, Vice President, ICAI for providing us the opportunity in bringing out this Publication. I would also like to thank CA. Abhay Chhajed, Vice Chairman, ASB for his active support in the effective functioning of the ASB. I

would also like to thank all Members of the ASB for their valuable contribution in the activities of the ASB and revision of this Technical Guide.

I wish to place on record my sincere appreciation to my Council Colleague CA. Vishal Doshi for his active contribution in the Study Group and valuable inputs in the revision of this Publication. I also acknowledge the contributions of other members of the Study Group comprising CA. Rajesh Kumar Jain, CA. Madhu Sudan Ladha, CA. Padmashree Crasto, CA. Dimpy Khandhar, CA. Manoj Kumar Mittal, CA. Kunal Kapoor, CA. Mukesh Chhajed, CA. Neetika Khiwani, CA. Asha Taneja, CA. B. L. Agarwal and CA. Shreya Jain. I appreciate the contribution of Dr. Avinash Chander in providing valuable suggestions in updating the Technical Guide as Special Invitee to the Study Group and ASB.

I would like to acknowledge the sincere efforts and support of CA. S. N. Gupta, Joint Director, Technical Directorate, CA. Parminder Kaur, Secretary, ASB, CA. Sonia Minocha, Deputy Secretary, ASB and CA. Ekta Gurnasinghani, Consultant, ASB, in the revision of this Technical Guide.

I am confident that this Revised Edition of the Technical Guide on *Accounting for Not-for-Profit Organisations* will help in standardisation of accounting and reporting practices in the NPO sector and be immensely helpful to our Members and others concerned. I recommend the NPOs to follow the accounting prescribed in the Technical Guide including the formats for formulation of the financial statements and also wish that other stakeholders and auditors of such entities ensure that the Technical Guide is followed in preparation of financial statements of NPOs.

May 22, 2023
New Delhi

CA. Pramod Jain
Chairman
Accounting Standards Board

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INTRODUCTION

1. Not-for-profit organisations (NPO) occupy an important position not only from the perspective of culture and social traditions of a country but also act as drivers of social change at the grass root levels of the society. The primary motive of operation of such organisations is not profit but to serve the specific needs of a group, community, its membership etc. These are not primarily commercial in purpose and do not distribute its surplus/excess of income over expenditure by whatever name called, to its own members, Trustees, Board of Governors/ Directors, etc. as profit or dividends. NPOs sometimes are also referred to as Non-Government Organisations (NGOs) which is to emphasise that they are not controlled by the government or any other outside agency. Other terms used in their context are Voluntary Organisations, Non-Profit Organisations and Civil Society Organisations (CSOs) etc. The terminology used in this Technical Guide is Not-for-Profit Organisations (NPOs).

2. Few unique characteristics of NPO sector include receipt of significant amounts of resources from resource providers who contribute voluntarily and do not expect to receive either repayment or economic benefit proportionate to the resources provided, extent of voluntary services contributed to such organisations coupled with the diversities in their sizes, ideologies, nationalities, organisational structures, styles, etc.

3. Over the years, NPOs in India, have become major players in development of the country and have experienced exponential growth. The international scenario is changing significantly as well, with donors demanding new approaches to development, and investments needed to stay competitive – in human resources, in communication media, in branding, marketing and fundraising – multiplying. NPOs need to work more transparently under self-imposed norms for efficiency and effectiveness. Concurrently, greater need is being felt for standardization of accounting and financial reporting norms adopted by NPOs.

4. A sound accounting and financial reporting framework for NPOs acts as an important ingredient for promoting accountability of an organisation. Also, with the introduction of requirements of Corporate Social Responsibility under the Companies Act, 2013, the accountability, utilization, governance and reporting of financial resources by NPOs have assumed greater significance for the society and stakeholders. With the recent announcement by SEBI regarding framework for Social Stock Exchange in India, NPOs are being governed by statute and rules similar to 'for-profit' organisations. Globally also, International Non-Profit

Accounting Guidance (INPAG) is under formulation as a joint initiative of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Humentum.

OBJECTIVE

5. This Technical Guide is issued to recommend uniform accounting principles in accordance with the Accounting Standards and other generally accepted accounting principles in India for the preparation and presentation of financial statements of NPOs to meet the common information needs of the various stakeholders. This includes the application of sound accounting principles pertaining to recognition, measurement, presentation and disclosure of various items of income and expenses, assets and liabilities in the financial statements of NPOs keeping in view the peculiarities of their activities. The Technical Guide also recommends formats of financial statements keeping in view the objective of these entities being not-for-profit.

SCOPE

6. This Technical Guide is applicable to all NPOs whether established as trust, society or in any other form of organisation except those referred to in paragraphs below. It is also applicable to all categories of NPOs, whether community based, national or international, having their activities and operations in India.

7. This Technical Guide does not apply to NPOs for which separate pronouncements/formats have been issued by the relevant Statute, concerned Regulator, authority, or specific accounting pronouncements have been issued by the Institute of Chartered Accountants of India (ICAI). For example, formats have been prescribed for Trusts under Maharashtra Public Trust Rules, 1951, Guidance has been specifically given by ICAI for School, Political Parties. However, such NPOs are encouraged to follow this Technical Guide to the extent it is not contradictory to such pronouncements/formats.

8. The requirements of various Acts including the Income-tax Act and the Foreign Contribution (Regulation) Act, do not form part of this Technical Guide.

9. For the purpose of this Technical Guide, the NPO is considered as the reporting entity. Therefore, if an NPO has different programmes, projects, branch offices, or sources of funds, for the sake of convenience and transparency it may maintain separate accounts for each such activity/unit. However, for the purpose of preparation and reporting of financial statements, the accounts for all programmes, projects, branch offices and sources of funding have to be integrated into that of the NPO as the reporting entity.

DEFINITIONS

10. For the purpose of this Technical Guide, the following terms are used with the meanings specified :

Accounting policies are the specific accounting principles, and the methods of applying these principles adopted by NPOs in the preparation and presentation of financial statements.

Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and reported in the financial statements of the periods to which they relate. The elements recognised under accrual basis of accounting are assets, liabilities, revenue and expenses. Financial statements prepared on accrual basis inform users not only of past events involving the payment and receipt of cash but also of obligations to pay cash in future and of resources that represent cash to be received in future. Hence, they provide information about past transactions and other events that is most useful to users in making economic decisions.

Assets are resources controlled by an NPO as a result of past events and from which future economic benefits and/or service potential are expected to flow that enable the NPO to achieve its objectives.

Corpus is unrestricted funds which ***c***omprise of non-reducible funds of capital nature, contributed by founders/promoters of the NPO.

Designated funds are unrestricted funds which have been set aside by the management of the NPOs for specific purposes or to meet specific future commitments. These are also called earmarked funds

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrences of liabilities that result in decreases in NPO's funds other than decreases relating to transfers from corpus.

Fair value is the amount for which an asset could be exchanged or a liability could be settled between knowledgeable, willing parties in an arm's length transaction.

Financial statements include balance sheet as at the end of the financial year,

income and expenditure account for the financial year, cash flow statement for the financial year (where applicable) and other statements and explanatory notes which form part thereof.

Government grants are assistance by Government in cash or kind to NPO for past or future compliance with certain conditions. They exclude those forms of Government assistance which cannot reasonably have a value placed upon them and transactions with Government which cannot be distinguished from normal transactions of an NPO.

Government refers to Government, Government agencies and similar bodies whether local, national or international.

Income is the increase in economic benefits during the accounting period when that results in an increase in NPO's funds other than increases relating to contributions to corpus.

Liabilities are present obligations of the NPO arising from past events, the settlement of which is expected to result in an outflow from the NPO's resources embodying economic benefits.

Restricted funds are contributions received by an NPO, the use of which is restricted by the contributor(s).

Unrestricted funds are contributions received or funds generated by an NPO, the use of which is not restricted by the contributor(s).

ACCOUNTING FRAMEWORK FOR NPOs

11. This Framework is concerned with general purpose financial statements (hereafter referred to as 'financial statements'). Such financial statements are prepared and presented at least annually and are directed towards the common information needs of wide range of users. These users have to rely on the financial statements as their major source of financial information and cannot prescribe the information they want from an organisation. The general purpose financial statements should, therefore, be prepared and presented with their needs in view. Special purpose financial reports, for example, computations prepared for taxation purposes or specialised needs of regulatory bodies, donor agencies, or others having the authority to obtain the type of information they need, are outside the scope of this Framework. For instance, a donor agency may prescribe a specific format for reporting the utilisation of its own funds. Where the general purpose financial statements prepared in accordance with the

recommendations contained in this Technical Guide do not provide such requisite information, it would be appropriate to prepare a separate statement for the specific purpose envisaged in the relevant statute/regulation or specified in the donor requirements. The recommendations contained in this Technical Guide may be applied to such specific purpose statements to the extent appropriate and applicable.

12. It is often argued that since profit is not the objective of NPOs, the accounting framework which is relevant for business entities is not appropriate for NPOs. With a view to recommend suitable accounting system for NPOs, it would be imperative to understand the major ingredients of an accounting framework. An accounting framework primarily comprises the following:

(a) **Elements of financial statements primarily comprising of income, expenses, assets and liabilities**

The framework aims to identify the items that should be considered as income, expenses, assets and liabilities in NPOs, for the purpose of including the same in the financial statements by defining the aforesaid terms.

(b) **Principles for recognition of items of income, expenses, assets and liabilities**

These principles lay down the timing of recognition of the aforesaid items in the financial statements of NPOs. In other words, these principles lay down when an item of income, expense, asset or liability should be recognised in the financial statements.

(c) **Principles of measurement of items of income, expenses, assets and liabilities**

These principles lay down at what amount the aforesaid items should be recognised in the financial statements.

(d) **Presentation and disclosure principles**

These principles lay down the manner in which the financial statements are to be presented by NPOs and the disclosures to be made therein.

The definitions of elements of financial statements provided in this Technical Guide are as referred in the “Framework for the Preparation and Presentation of Financial Statements” issued by the Accounting Standards Board of ICAI in July 2000 in the context of general purpose financial statements prepared as per Accounting Standards. However, considering

the nature of activities performed by the NPOs certain definitions have been amended, e.g., 'service potential' is covered in the definition of asset. For the overall guidance and reference, these entities are advised to refer the Framework for the Preparation and Presentation of Financial Statements

13. There is no difference in the application of the recognition principles to business entities and NPOs. For example, the timing of the recognition of a grant as an income in the financial statements of an organisation does not depend upon the purpose for which the organisation exists. A grant is recognised as income in the financial statements, under accrual basis of accounting, when it becomes reasonably certain that the grant will be received and that the organisation will fulfil the conditions attached to it. Similarly, principles for recognition of other income, expenses, assets and liabilities would be the same for business entities and NPOs.

14. In so far as the measurement principles are concerned, the same are relevant to NPOs as they are to business entities. For example, depreciation on assets represents primarily the extent to which an asset is used during an accounting period by an organization. Thus, whether an asset, such as a photocopying machine, is used by an NPO or by a business entity, the measure of charge by way of depreciation depends primarily upon the use of an asset rather than the purpose for which the organization is run, i.e., for profit or not-for-profit motive. Accordingly, the measurement principles for other expenses, income, assets and liabilities are the same for business entities as well as NPOs. However, considering the nature of activities performed by these entities, in limited cases, measurement principles have been amended where considered appropriate.

15. Insofar as presentation of financial statements is concerned, NPOs generally follow what is known as 'fund-based accounting' whereas the business entities do not follow this system. This is because NPOs may be funded by numerous grants, donations or similar contributions, which may or may not impose conditions on their usage. In other words, the use of some funds may be restricted by an outside agency such as a donor or self - imposed by the organisation. The restrictions can be temporary or permanent (e.g., in case of endowments). Certain contributions may not carry restrictions of usage, i.e., these are unrestricted.

16. The accounting framework discussed above would apply to all categories and types of NPOs. However, the books of account to be maintained by various NPOs may depend upon the nature of activities and/or programmes carried out by them.

17. In the sections following hereinafter, first the bases of accounting, viz., cash and accrual, are discussed, since recognition and measurement of

elements of financial statements depends on it. Thereafter, the recognition and measurement principles with regard to items of income, expenses, assets and liabilities are discussed followed by the formats of financial statements under which the fund based accounting is discussed in detail.

BASIS OF ACCOUNTING

18. The commonly prevailing basis of accounting are:

(a) cash basis of accounting; and

(b) accrual basis of accounting.

19. Under the cash basis of accounting, transactions are recorded when the related cash receipts or cash payments take place. Thus, the revenue of NPOs, such as donations, grants, etc. are recognised when funds are actually received. Similarly, expenses on acquisition and maintenance of assets used for rendering services as well as for employee remuneration and other items are recorded when the related payments are made. The end product of cash basis of accounting is a statement of receipts and payments that classifies cash receipts and cash payments under different heads. A statement of assets and liabilities may or may not be prepared.

20. Accrual basis of accounting is the method of recording transactions by which revenue, expenses, assets and liabilities are recognized in the accounts in the period in which they accrue. The accrual basis of accounting includes considerations relating to deferral, allocations, depreciation and amortisation. This basis is also referred to as 'Mercantile Basis/system of Accounting'.

21. Accrual basis of accounting attempts to record the financial effects of the transactions and other events of an enterprise in the period in which they occur rather than recording them in the period(s) in which cash is received or paid. Accrual basis recognises that the economic events that affect an enterprise's performance often do not coincide with the cash receipts and payments. The goal of accrual basis of accounting is to relate the accomplishments (measured in the form of revenue) and the efforts (measured in terms of costs) so that the reported net income measures an enterprise's performance during a period rather than merely listing its cash receipts and payments. Apart from income measurement, accrual basis of accounting recognises assets, liabilities or components of revenue and expenses for amounts received or paid in cash in past, and amounts expected to be received or paid in cash in future.

22. In cash-based accounting, no account is taken of whether the asset is still in use, has reached the end of its useful life, or has been sold. Thus, cash-

based information fails to show a comparable statement of the financial position and performance for the accounting period. A cash-based system does not provide information about total costs of an organisation's activities. On the other hand, accrual system of accounting offers the opportunity to the organisation to improve management of assets and provides useful information about the realistic amount of organisation's liabilities, relating to both debts and other obligations such as employee entitlements.

23. NPOs registered under the Companies Act, 2013, are required to maintain their books of account according to accrual basis as mandated in section 128(1) of the said Act. If the books are not kept on accrual basis, it shall be deemed that proper books of account are not kept as per the provisions of the aforesaid section.

24. Accrual is the scientific basis of accounting and has conceptual superiority over cash basis of accounting. It is, therefore, recommended that all NPOs, including non-corporate NPOs, should maintain their books of account on accrual basis.

ACCOUNTING STANDARDS

25. Accounting is often said to be a social science. It operates in an open and ever-changing economic environment. The nature of transactions entered into by various enterprises and the circumstances surrounding such transactions differ widely. This characteristic of accounting measurements historically led to the adoption of different accounting practices by different enterprises for dealing with similar transactions or situations.

26. Comparability is one of the important qualitative characteristics of accounting information. This implies that the information should be measured and presented in such a manner that the users are able to compare the information of an enterprise through time and with similar information of other enterprises. Adoption of different accounting practices by different enterprises for similar transactions or situations tends to reduce the comparability and interpretation of accounting information.

27. Recognising the need for bringing about a greater degree of uniformity in accounting measurements, the trend all over the world now is towards formulation of uniform Accounting Standards to be adopted in the preparation of accounting information and its presentation in financial statements. Accounting Standards lay down the rules for recognition, measurement, presentation and disclosure of accounting information by different enterprises.

Applicability of Accounting Standards to NPOs

28. NPOs should follow recognition and measurement principles, within the framework of accrual basis of accounting, for the purpose of preparation of their financial statements. Sound accounting principles under accrual basis of accounting have been laid down in the Accounting Standards,

29. In India, the ICAI plays a pivotal role in formulating Accounting Standards that are instrumental in carrying out accounting reforms from time to time. ICAI has also recognised the needs of users of financial information of various forms of entities and formulated/ prescribed appropriate set of Accounting Standards. Accordingly, at present, there are three sets of Accounting Standards:

(i) Indian Accounting Standards (Ind AS) for specified class of companies notified under Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time);

(ii) Accounting Standards (AS) notified under Companies (Accounting Standards) Rules, 2021, (as amended from time to time) for companies other than those following Ind AS;

(iii) Accounting Standards (AS) prescribed by ICAI for entities other than companies.

(i) Indian Accounting Standards (Ind AS) for Companies

In view of global developments and importance of integrating local Accounting Standards with global financial reporting standards, keeping in view the Indian legal and economic scenario, IFRS converged Ind AS have been notified and are applicable to all listed companies and listed Non-Banking Financial Companies (NBFCs) and to unlisted companies and unlisted NBFCs with networth of INR 250 crores or more. Ind AS are also applicable to holding/subsidiaries/joint ventures/associates of such companies.

(ii) Accounting Standards (AS) notified under Companies (Accounting Standards) Rules, 2021 for companies other than those following Ind AS

Companies that are not covered under Ind AS, as given in paragraph above, are required to apply Accounting Standards (AS) notified under the Companies Act as Companies (Accounting Standards) Rules, 2021. As on date, Accounting Standards (AS) 1 to 5, 7 and 9 to 29 are effective. As per

the Companies (Accounting Standards) Rules, 2021, Small and Medium Companies (SMCs) are given certain exemptions/relaxations.

(iii) Accounting Standards (AS) prescribed by ICAI for entities other than companies.

ICAI, keeping in view the fact that the Accounting Standards (AS) notified under Companies Act will only be applicable to the companies, announced the scheme for applicability of Accounting Standards (AS) issued by ICAI for non-company entities.

With regard to applicability of AS to companies and non-company entities, the criteria for classification and details of exemptions/relaxations available to SMCs and MSMEs are given in ***Appendix I.***

30. The 'Preface to the Statements of Accounting Standards', issued by the Institute of Chartered Accountants of India, states the following:

"3.3 Accounting Standards are designed to apply to the general purpose financial statements and other financial reporting, which are subject to the attest function of the members of the ICAI. Accounting Standards apply in respect of any enterprise (whether organised in corporate, co-operative or other forms) engaged in commercial, industrial or business activities, irrespective of whether it is profit oriented or it is established for charitable or religious purposes. Accounting Standards will not, however, apply to enterprises carrying on the activities which are not of commercial, industrial or business nature, (e.g., an activity of collecting donations and giving them to flood affected people). Exclusion of an enterprise from the applicability of the Accounting Standards would be permissible only if no part of the activity of such enterprise is commercial, industrial or business in nature. Even if a very small proportion of the activities of an enterprise is considered to be commercial, industrial or business in nature, the Accounting Standards would apply to all its activities including those which are not commercial, industrial or business in nature."

"6.1 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 with in 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.

6.2 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, e.g., the Companies Act, 1956[1] (section 211), and the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2000.

6.3 Financial Statements cannot be described as complying with the Accounting Standards unless they comply with all the requirements of each applicable Standard."

31. From Paragraph 30, it is apparent that the Accounting Standards formulated by the ICAI do not apply to an NPO if no part of the activity of such entity is commercial, industrial or business in nature. The Standards would apply even if a very small proportion of activities is considered to be commercial, industrial or business in nature. 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, Accounting Standards formulated by the ICAI would apply to such an NPO. It may be mentioned that since the Accounting Standards contain wholesome principles of accounting, these principles provide the most appropriate guidance even in case of those organisations to which Accounting Standards do not apply. It is, therefore, recommended 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 Accounting Standards other than for section 8 companies for which specific provisions of the Companies Act 2013 are already applicable. This is because following the Accounting Standards laid down by ICAI would help NPOs to maintain uniformity in the presentation of financial statements, appropriate disclosures and transparency. However, while applying the Accounting Standards certain terms used in the Accounting Standards may need to be modified in the context of the corresponding appropriate terms for NPOs. For instance, where an Accounting Standard refers to the term 'statement of profit and loss', in the context of NPOs, this Technical Guide uses the term 'income and expenditure account'.

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[1] With regard to the reference to Companies Act, 1956, relevant section of Companies Act, 2013, shall be referred.

32. NPOs incorporated under section 8 of the Companies Act, 2013, are required to comply with the Accounting Standards/Indian Accounting Standards, as the case may be, by virtue of section 133 of the Companies Act 2013. It also require that where the statement of profit and loss (income and expenditure account) and balance sheet of a company do not comply with the Accounting Standards, the company shall disclose in its statement of profit and loss (income and expenditure account) and balance sheet the fact of such deviation, the reason therefore and the financial effect, if any, arising due to such deviation. Further, section 143(3) requires the Auditor to state whether statement of profit and loss (income and expenditure account) and balance sheet comply with the Accounting Standards referred to in section 133.

Section 133 of the Companies Act 2013 provides that for the purposes of this section, the expression 'Accounting Standards' means the standards of accounting recommended by the Institute of Chartered Accountants of India constituted under 'The Chartered Accountants Act, 1949 (38 of 1949)', as may be prescribed by the Central Government in consultation with National Financial Reporting Authority (NFRA) constituted under section 132 of the said Act. It may be noted that Accounting Standards and Indian Accounting Standards as formulated and recommended by the Institute of Chartered Accountants of India have been notified by the Central Government in consultation with NFRA under the Companies (Accounting Standards) Rules, 2021 and Companies (Indian Accounting Standards) Rules, 2015, respectively.

This Technical Guide is also applicable to the NPOs which are covered under the provisions of the Companies Act, 2013, to the extent it does not conflict with the requirements of the said Act. NPOs covered under the provisions of the Companies Act will also need to ensure that accounting requirements and disclosures applicable to them are met. E.g. the reference to the term income and expenditure account (which is used at most of the places in the Technical Guide) may be taken to be the reference to the statement of profit and loss in the case of NPOs which are companies covered under the provisions of the Companies Act, 2013.

33. As far as non-corporate NPOs are concerned, it is recommended to follow Accounting Standards formulated by the ICAI. The Accounting Standards issued by the ICAI are also mandatory for the Members of the Institute in the performance of their attest functions of these entities as per the relevant announcements made by the ICAI from time to time.

34. So far, the ICAI has formulated 29 Accounting Standards, of which, 27 Standards are applicable as on date after withdrawal of two Standards i.e. AS 6

on Depreciation and AS 8 on Accounting for Research and Development. For the purpose of applicability of Accounting Standards, pursuant to the notification on Accounting Standards (referred to in Para 32) issued by the Central Government, companies have been classified as Small and Medium Sized Companies (SMCs) and Non-SMCs. ICAI has classified entities other than companies into four categories, viz., Level I, Level II, Level III and Level IV where Level IV, Level III and Level II entities are referred to as Micro, Small and Medium size entities (MSMEs), respectively. The criteria for classification of non- corporate entities and companies into different categories, and the applicability of the individual Accounting Standards to non-corporate entities and companies are given in Appendix I of this Technical Guide.

Given their resources and scale of operations, entities falling within the category of SMCs/MSMEs are given relaxations/exemptions under certain Accounting Standards. This is relevant for micro, small and medium-sized NPOs also which meet the criteria of SMCs/MSMEs. In this context it may be mentioned that one of the criteria for categorising SMCs/MSMEs is 'turnover', and turnover in respect of NPOs would mean their gross income and contributions received in corpus fund.

35. Keeping in view the nature of activities carried on by NPOs, some Accounting Standards may not be relevant to the NPOs unless events or transactions of the nature covered by the Standard take place. For example, Accounting Standard (AS) 22, *Accounting for Taxes on Income*, would be relevant only where the NPO is required to pay any tax under the provisions of the Income Tax Act,1961.

NPOs should follow the Accounting Standards as and when and to the extent these are applicable to them.

Accounting Standards generally relevant to NPOs have been discussed hereinafter while dealing with peculiar items of income, expenses, assets and liabilities.

RECOGNITION AND MEASUREMENT PRINCIPLES

36. Considering the nature of activities performed and scale of operations of the NPOs, it is expected that most of the NPOs would be following Accounting Standards (and not Ind AS). Accordingly, this Technical Guide deals with the applicability of Accounting Standards to NPOs.

Income

37. Income is increase in economic benefits during the accounting period when that increase results in an increase in NPO's funds other than increases relating to contributions to corpus. The definition of income encompasses both revenue and gains.

38. Revenue arises in the course of ordinary activities of an organisation. Revenue in case of NPOs is in the form of:

(a) Grants from Government/foundations/donor agencies on the basis of duly approved grant letters, specifying the timeframe/guidelines for grant accrual

(b) Research and development grants

(c) Donations

(d) Sale of non-mission related products for income generation

(e) Revenue from fund-raising activities, appeals, events, collections

(f) Consultancy income earned by providing various services

(g) Interest and dividend from investments and deposits

(h) Royalty.

It may be mentioned that aforesaid items of revenue are to be accounted for as per the relevant Accounting Standard.

39. Gains represent other items that meet the definition of 'income' and may or may not arise in the course of the ordinary activities of NPOs. Gains represent increases in economic benefits and as such are no different in nature from revenue. Gains include, for example, profits arising from the disposal of fixed assets and sale of investments. When gains are recognised in the income and expenditure account, they are usually disclosed separately.

Recognition Criteria for Items of Income

40. Following paragraphs of AS 9, *Revenue Recognition,* lay down the principles of revenue recognition:

***"10**. Revenue from sales or service transactions should be recognized when the requirements as to performance set out in paragraphs 11 and 12 are satisfied, provided that at the time of performance it is not unreasonable to expect ultimate collection. If at the time of raising of any claim it is unreasonable to expect ultimate collection, revenue recognition should be postponed.*

***11**. In a transaction involving sale of goods, performance should be regarded as being achieved when the following conditions have been fulfilled:*

(i) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and

(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

***12**. In a transaction involving the rendering of services, performance should be measured either under the completed service contract method or under the proportionate completion method, whichever relates the revenue to the work accomplished. Such performance should be regarded as being achieved when no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering the service."*

Revenue Recognition

41. The criteria for recognition of income specified above have been applied for developing the principles of recognition of revenue in AS 9, in respect of revenue arising from sale of goods, rendering of services and use of resources of the organisation by others. In the context of NPOs, these principles are discussed in the ensuing paragraphs which are in line with the said principles.

42. ***Recognition of revenue by NPOs from sale of goods***: Many NPOs perform income generating activities such as sale of goods, i.e., postcards, calendars, candles, etc. As per AS 9, revenue from sale of goods should be recognised when all the following conditions are fulfilled:

(a) The seller of the goods has transferred to the buyer the property in the goods for a price, or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership.

(b) No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

(c) It is not unreasonable to expect ultimate collection of the consideration.

43. ***Recognition of revenue by NPOs from rendering of services***: Rendering of service by NPOs includes providing various consultancy services in the areas of their expertise. In a transaction involving rendering of services,

revenue should be recognised on the basis of the performance of the services.

- If the performance consists of the execution of more than one act, revenue should be recognised proportionately by reference to the performance of each act (i.e., on the basis of proportionate completion method).
- If performance consists of the execution of a single act, or if it consists of the performance of more than one act and the acts yet to be performed are very significant in relation to the transaction as a whole, revenue should be recognised only on the completion of performance of the sole or the final act (i.e., on the basis of completed service contract method).

Normally, the terms and conditions of performance of acts constituting the consultancy are documented by way of contracts or Memorandum of Understandings (MOUs) signed by NPOs. In such cases, recognition of revenue is linked to satisfactory compliance with such terms and conditions. In general, revenue from services should be recognised only when no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering of the service and about its ultimate realization. However, where, at the time of rendering of the service or sale of goods by an NPO, the ultimate collection of revenue cannot be assessed with reasonable certainty, revenue recognition should be postponed, till the time when it is reasonably certain that the ultimate collection will be made. When such uncertainty arises after the rendering of service or making of sale, it is more appropriate to make a provision than to adjust the revenue recorded originally.

44. ***Revenue arising on account of the use of NPO's resources by others***: By way of use of its resources by others, NPOs earn revenue in the form of interest (on savings bank account or on term deposits), dividends on investments, and royalty. Such revenue should be recognised as follows provided no significant uncertainty exists as to measurability or collection:

(a) Interest should be recognised on a time proportion basis taking into account the principal amount outstanding and the rate applicable.

(b) Dividends should be recognised when the right of an NPO to receive the dividend payment is established.

(c) Royalties should be recognised on accrual basis in accordance with the terms of the relevant agreement.

Grants and Donations – Recognition and Measurement

45. In accordance with AS 12, *Accounting for Government Grants*, government grants are assistance by government in cash or in kind to an

enterprise for past or future compliance with certain conditions. The receipt of grants by NPOs is significant in the preparation of financial statements.

46. Accounting Standard (AS) 12, prescribes the accounting treatment for Government grants. The accounting treatment prescribed in AS 12 is based on the nature of the grant and the purpose for which the grant is received. Accordingly, NPOs should follow the principles enunciated in AS 12 in respect of accounting for Government grants as also for the grants received from non-Government sources, e.g., foundations, individual donors and corporate bodies. AS 12 provides following principles for recognition of government grants:

"6. Recognition of Government Grants

6.1 Government grants available to the enterprise are considered for inclusion in accounts:

(i) where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and

(ii) where such benefits have been earned by the enterprise and it is reasonably certain that the ultimate collection will be made.

Mere receipt of a grant is not necessarily conclusive evidence that conditions attached to the grant have been or will be fulfilled.

6.2 An appropriate amount in respect of such earned benefits, estimated on a prudent basis, is credited to income for the year even though the actual amount of such benefits may be finally settled and received after the end of the relevant accounting period.

6.3 A contingency related to a Government grant, arising after the grant has been recognized, is treated in accordance with Accounting Standard (AS) 4, Contingencies and Events Occurring After the Balance Sheet Date.

6.4 In certain circumstances, a Government grant is awarded for the purpose of giving immediate financial support to an enterprise rather than as an incentive to incur specific expenditure. Such grants may be confined to an individual enterprise and may not be available to a whole class of enterprises. These circumstances may warrant taking the grant to income in the period in which the enterprise qualifies to receive it, as an extraordinary item if appropriate (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).

6.5 Government grants may become receivable by an enterprise as compensation for expenses or losses incurred in a previous accounting period. Such a grant is recognized in the income statement of the period in which it becomes receivable, as an extraordinary item if appropriate (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).

7. Non-monetary Government Grants

7.1 Government grants may take the form of non-monetary assets, such as land or other resources, given at concessional rates. In these circumstances, it is usual to account for such assets at their acquisition cost. Non-monetary assets given free of cost are recorded at a nominal value."

47. According to the principles laid down in AS 12, grants should not be recognised until there is reasonable assurance that:

(a) the NPO will comply with the conditions attached to them; and

(b) the grants will be received.

48. A mere promise or undertaking from donor agencies as to the grant does not provide a reasonable assurance that the grant will be received and, therefore, does not require its recognition. The NPOs should recognise a grant in its financial statements only at the stage it attains reasonable assurance, on the basis of all available evidence, that the grant will be received. If there is no reasonable assurance that the grant or any part thereof, will be received, recognition of such a grant, or a part thereof, should be postponed. However, the fact that collection of the grant has been delayed does not necessarily mean that reasonable assurance does not exist. The grant, the recognition of which has been postponed as suggested hereto before, should be recognised only in the period in which reasonable assurance is attained that the grant will be received. In some cases, the reasonable assurance will be attained only when cash is actually received. In such a case, recognition of grant on receipt basis does not mean that the NPO has not followed accrual basis of accounting.

49. Keeping in view the principles enunciated in AS 12, the nature of activities carried on by NPOs and maintaining uniformity of accounting policies followed, an NPO should account for grants as follows:

(a) Grants received or receivable for construction or acquisition of a specific asset, such as, land, building, furniture, etc., should be accounted for as below:

(i) Grants related to non-depreciable assets e.g. freehold land should be

credited to capital reserve. However, if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income. The deferred income balance should be separately disclosed in the balance sheet.

(ii) AS 12, gives an option to present the grants related to depreciable assets either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. It is recommended that such grants may be treated as deferred income which should be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset, i.e., such grants should be allocated to income over the periods and in the proportions in which depreciation on those assets is charged. The deferred income balance, if any, should be shown separately in the balance sheet.

(b) Grants in the form of non-monetary assets (such as fixed assets) received at a concessional rate should be accounted for on the basis of their acquisition cost to the NPO. In case a non- monetary asset is received free of cost, it should be recognised at the nominal value

(c) For grants received for the purpose of meeting revenue expenditure of the NPO, both the grant (to the extent utilised during the period) and the relevant expense should be disclosed separately in the income and expenditure account. Such a disclosure would be useful in appreciating the operations undertaken by the NPO during the period.

(d) Grants of the nature of promoters' contribution should be recognised separately as a part of the Capital Reserve and treated as part of 'NPOs' funds in the balance sheet. Any amount refundable should be reduced from the Capital Reserve.

(e) In some cases, a grant may be receivable by an NPO as compensation for expenses or losses incurred in a previous accounting period, or for providing immediate financial support to the NPO with no related further costs. Such grants should be recognised and disclosed in the income and expenditure account of the period in which they are receivable as an extraordinary item if appropriate as per AS-5, *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies*.

(f) The amount refundable in respect of grants received that relate to revenue should be applied first against any unamortised deferred credit remaining in respect of the grant. To the extent the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount should

be charged to the income and expenditure account of the NPO.

(g) The amount refundable in respect of a grant related to a specific fixed asset should be recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. In the first alternative, i.e., where the book value of the asset is increased, depreciation on the revised book value should be provided prospectively over the residual useful life of the asset.

(h) The principles enunciated in respect of grants as dealt with in the above points also apply to donations.

50. The detailed application of the principles enunciated above in respect of grants and donations in the financial statements, in the context of fund based accounting, has been dealt with in subsequent paragraphs.

51. **Grants and donations in foreign currency and the resulting foreign exchange differences**: NPOs may receive grants or donations in foreign currency. To account for transactions in foreign currency, the principles of Accounting Standard (AS) 11, *The Effects of Changes in Foreign Exchange Rates* will apply. Accordingly, as per AS 11, transactions for the receipt of grants/ donations involving foreign exchange should be initially recorded at the exchange rate prevalent on the date of transaction. Subsequently, at each balance sheet date, the amounts receivable in respect of such grants/donations should be reported using the closing exchange rate, i.e., the rate prevailing on the balance sheet date. Any exchange differences related to amounts receivable arising on account of change in exchange rates between the transaction date and the balance sheet date should be recognised in the income and expenditure account.

Expenses

52. The definition of 'expense' encompasses both, expenses that arise in the course of the ordinary activities of NPOs as well as losses. Expenses that arise in the course of the ordinary activities of NPOs include monetary expenses such as programme implementation expenses; office administration/maintenance expenses; salaries and other employee benefits; and non-monetary expenses such as depreciation. Expenses take the form of outflow or depletion of assets or enhancement of liabilities.

53. Losses represent other items that meet the definition of 'expense' and may or may not arise in the course of the ordinary activities of NPOs. Losses represent decreases in economic benefits and as such they are no different in nature from other expenses. Losses include, for example, those resulting from

disasters such as fire and flood, as well as those arising from the disposal of fixed assets. The definition of expenses also includes unrealised losses. These losses are generally recognised in the income and expenditure account, and are usually disclosed separately.

Recognition Criteria for Items of Expense

54. An item that meets the definition of 'expense' becomes eligible to be recognised in the income and expenditure account when and only when:

(a) it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred;

(b) the consumption or loss of future economic benefits can be measured reliably.

55. Under accrual basis of accounting, expenses are recognised on the following basis:

(a) Expenses are recognised in the income and expenditure account when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase of liabilities or a decrease in assets (for example, the accrual of employees' salaries or the depreciation of plant and machinery).

(b) Many expenses are recognised in the income and expenditure account on the basis of a direct association between the costs incurred and the earning of specific items of income. This process, commonly referred to as the matching of costs with revenues, involves the simultaneous or combined recognition of revenues and expenses that result directly and jointly from the same transactions or other events; for example, the various components of expense making up the cost of goods sold are recognised at the same time as the income derived from the sale of the goods. However, the application of the matching concept under this Framework does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.

(c) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised in the income and expenditure account on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expenses associated with the using

up of assets such as plant and machinery, goodwill, patents and trademarks; in such cases, the expense is referred to as depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

(d) An expense is recognised immediately in the income and expenditure account when an expenditure produces no future economic benefits. An expense is also recognised to the extent that future economic benefits from an expenditure do not qualify, or cease to qualify, for recognition in the balance sheet as an asset. An expense is recognised in the income and expenditure account in those cases also where a liability is incurred without the recognition of an asset.

56. Expenses relating to a future period are accounted for as prepaid expenses even though they are paid for in the current accounting period. Similarly, expenses of the current year, for which payment has not yet been made (outstanding expenses), are charged to the income and expenditure account for the current accounting period.

Programme implementation expenses and office administration / maintenance expenses

57. The expenditures incurred by NPOs are generally a blend of programme implementation expenses, programme monitoring expenses, salaries and administration expenses. All the programme implementation/monitoring expenses and office administration/ maintenance expenses should be recognised in the income and expenditure account on the basis of the criteria for recognition as stated in the previous paragraphs. The recognition of other types of expenses has been explained in the following paragraphs.

Salaries and other employee benefits

58. Salaries in case of NPOs are towards the programme staff and non-programme staff. For the purpose of recognition of expenses there is no distinction between these two major categories of salaries and other benefits. Accounting Standard (AS) 15, *Employee Benefits* prescribes the accounting and disclosure for all employee benefits, except employee share-based payments. Though it is applicable to all enterprises, considering the limited resources available with the MSMEs/SMCs, relaxations/exemptions from certain requirements of AS 15 have been provided to them. Accordingly, NPOs falling within the category of MSMEs/SMCs can avail of such relaxations/exemptions. For example, NPOs falling under Level II and Level III categories whose average number of persons employed during the year is less than 50 and NPOs falling

under Level IV, certain recognition and measurement principles in respect of accounting for defined benefit plans and other long-term employee benefits are not mandatory and any other rational method instead of Project Unit Credit method may be used for calculation of the accrued liability [for details of all the exemptions/relaxations available under AS 15 to MSMEs/SMCs, Appendix I may be referred].

59. AS 15 identifies four categories of employee benefits:

(a) short-term employee benefits, such as wages, salaries and social security contributions (e.g., contribution to an insurance company by an employer to pay for medical care of its employees), paid annual leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as housing, cars and free or subsidised goods or services) for current employees;

(b) post-employment benefits such as gratuity, pension, other retirement benefits, post-employment life insurance and post-employment medical care;

(c) other long-term employee benefits, including long service leave or sabbatical leave, jubilee or other long service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; and

(d) termination benefits.

60. ***Recognition of short-term employee benefits***: AS 15 requires an enterprise to recognise the undiscounted amount of short-term employee benefits expected to be paid, when an employee has rendered service in exchange for those benefits.

61. ***Post-employment benefits***: These are classified as either defined contribution plans or defined benefit plans. Under defined contribution plans such as provident fund, the NPO's obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an enterprise (and also by the employee) to a post employment benefit plan or to an insurance company, together with investment returns arising from the contributions; and in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

AS 15 requires that when an employee has rendered service to an enterprise during a period, the enterprise should recognise the contribution payable to a defined contribution plan in exchange for that service. All other post- employment

benefit plans are defined benefit plans. Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions by an enterprise and sometimes its employees, into an entity, or fund, that is legally separate from the reporting enterprise and from which the employee benefits are paid. Examples of defined benefit plans are pension and gratuity. As per AS 15, for defined plans, the amount recognised in the balance sheet should be the present value of the defined benefit obligation (that is, the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods), as adjusted for unrecognised past service cost, and reduced by the fair value of plan assets at the balance sheet date. The present value of the defined benefit obligation should be determined using an actuarial valuation method (Projected Unit Credit Method). The Standard also prescribes amounts with regard to the defined benefit plans to be reflected in the income and expenditure account.

62. ***Other long-term employee benefits***: AS 15 requires a simplified method of accounting for other long-term employee benefits. This method differs from the accounting required for post-employment benefits insofar as that all past service costs are recognised immediately.

63. ***Termination benefits***: These are employee benefits payable as a result of either an enterprise's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for these benefits. An enterprise should recognise termination benefits as a liability and an expense when and only when:

(a) the enterprise has a present obligation as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

Non-monetary expenses – Depreciation

64. NPOs use buildings, computers, furniture and fixtures and other assets having long life. Such assets are used by NPOs over their useful life and, accordingly, are depreciated over that period. Such assets are known as 'depreciable assets'.

65. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. The depreciation charge for each period should be recognised in the income and expenditure account unless it is included

in the carrying amount of another asset.

66. Depreciable amount is the cost of an asset , or other amount substituted for cost, less its residual value. The useful life of a depreciable asset is either the period over which it is expected to be available for use by the organisation, or the number of production or similar units expected to be obtained from the asset by an organisation.

67. Accounting Standard (AS) 10, *Properly Plant and Equipment*, prescribes the requirements for charging depreciation on various depreciable assets. Keeping in view the requirements of AS 10, nature of activities carried on by NPOs and to maintain uniformity of accounting followed by various NPOs, depreciation should be provided on various depreciable assets as follows:

(a) The depreciation method used should reflect the pattern in which future economic benefits or service potential of the asset are expected to be consumed by the NPOs. The depreciation method applied to an asset should be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method should be changed to reflect the changed pattern. Such a change should be accounted for as a change in an accounting estimate in accordance with AS 5.

(b) The rates of depreciation that NPOs are required to follow should be in accordance with the expected useful life of the assets. For determining useful lives of depreciable assets, NPOs registered under the Companies Act shall refer Schedule II to the said Act.

68. In case of donated assets or assets received as non- monetary grants, no depreciation is required to be provided if the assets are recorded at nominal value (Refer paragraph 48).

69. It is sometimes argued that no depreciation needs be provided in case of assets which are purchased and are expected to be replaced by donors when the useful life of the assets is over.

However, this argument is not valid because, in accounting, the purpose of charging depreciation is not to accumulate funds to replace an asset; rather the purpose is to allocate the cost of the asset over its useful life so that the periodic net result of operations of the enterprise reflects the use of the asset.

Assets

70. An asset is a resource controlled by an NPO as a result of past events

and from which future economic benefits and/or service potential is expected to flow that enable the NPO to achieve its objectives. A resource should be considered to be controlled by an NPO if it is in a position to control the use of the asset, i.e., it is in a position to obtain all the rewards from the asset which means all the future economic benefits and/or service potential associated with it will flow that enable the NPO to achieve its objectives.

71. Service potential is the capacity to provide services that contribute to achieving the NPO's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows. This concept of service potential has been included to emphasise that NPOs operate to serve the specific needs of a group, community, its members, etc., rather than to make profit.

72. Many assets, for example, computers and buildings have a physical form. However, physical form is not essential to the existence of an asset. Hence, intangible assets such as copyrights and computer software are also assets, if they are controlled by the NPO and future benefits from their use are expected to flow to the NPO.

Recognition and Measurement of Assets

73. An asset should be recognised in the balance sheet when and only when:

(a) it is probable that the future economic benefits and/or service potential embodied in the asset will flow to enable the NPO to achieve its objectives; and

(b) the asset possesses a cost or value that can be measured reliably.

74. Assets can be classified into various categories depending on their nature and life such as property, plant and equipment; intangible assets; investments – both current and long-term; and current assets – inventories, loans and advances, cash and bank balances.

75. The recognition and measurement principles with regard to the aforesaid categories of assets are dealt with hereinafter in the context of the Accounting Standards where relevant, from the perspective of NPOs.

Property, Plant and Equipment (PPE)

76. Accounting Standard (AS) 10, *Property, Plant and Equipment*, lays down, inter alia, recognition and measurement principles with regard to property, plant and equipment, the salient features of which from the perspective of an

NPO are as under:

(a) Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during a period of more than twelve months.

(b) An item of property, plant and equipment that qualifies for recognition as an asset should be measured at cost at the time of recognition. The cost of an item of property, plant and equipment is determined in the manner given below.

  (i) the cost of an item of property, plant and equipment is its purchase price, including import duties and non–refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

  (ii) The cost of a self-constructed asset is determined using the same principles as for an acquired asset.

  (iii) When one or more items of property, plant and equipment are acquired in exchange or in part exchange for another asset, the cost of such an item of property, plant and equipment should be measured at fair value unless (a) exchange transactions lacks commercial substance or (b) the fair value of neither the asset(s) received nor asset(s) given up is reliably measurable.

  (iv) Where several items of property, plant and equipment are purchased for a consolidated price, the consideration should be apportioned to various assets on the basis of their respective fair values at the date of acquisition. In case the fair value of the items acquired cannot be measured reliably, these values are estimated on a fair basis as determined by competent valuers.

(c) Items of property, plant and equipment retired from active use and held for disposal should be stated at the lower of their carrying amount and net realisable value and shown separately in the financial statements.

(d) The carrying amount of an item of property, plant and equipment should be derecognised from the financial statements on disposal or when no future economic benefit or service potential is expected from its use and disposal.

(e) Any write-down arising from retirement of item of property, plant and equipment should be recognised immediately in the income and expenditure account. Gain or loss from the derecognition of an item of

property, plant and equipment should be included in the income and expenditure account when the item is derecognised.

(f) All costs which are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended should be added to the cost of the property, plant of equipment. Examples of directly attributable costs are, initial delivery and handling costs, site preparation, professional fees, for example fees of architects and engineers. In case of land, cost of any improvement to land such as filling cost, fencing cost, etc. should be capitalised as a part of the cost of land.

(g) Where a property, plant and equipment is obtained by an NPO free of cost, such an asset is a non-monetary grant and, accordingly, should be accounted for as per AS12, *Accounting for Government Grants*.

After initial recognition, the entire class of property, plant and equipment should be measured choosing the cost model or revaluation model as its accounting policy.

77. The application of AS 10 to some major items of property, plant and equipment in the context of peculiar features of NPOs is discussed below:

(a) **Land:** An NPO may acquire land in a variety of ways such as the:

(i) By way of purchase from land owners.

(ii) By way of gift to NPOs by institutions or individuals, whether with or without any conditions as to their use. This includes open spaces gifted by the promoters of colonies, etc.

(iii) Land provided to NPOs by Government free of cost, whether with or without any conditions as to their use until there is a reasonable assurance that (i) the NPO will comply with the conditions attached and (ii) Government grants will be received.

Besides the above, some land may also be vested in NPOs in respect of which such an NPO acts merely as a trustee and has no ownership rights.

The accounting treatment of land acquired through the above modes may be as follows:

- **Land acquired through purchase**

  Such land should be recorded at the aggregate of the purchase price paid/payable and other costs incidental to acquisition such as registration charges.

- **Land acquired free of cost**

  In many cases, land is provided by the Government free of cost. In some cases, land is also provided by individuals or institutions under endowment for specific purposes like construction of schools, etc., or by promoters of colonies, etc., for construction of parks and similar common facilities. The cost of such land to the NPOs is Nil. In substance, such land received is a non-monetary grant and, accordingly, should be accounted for at nominal value as per AS 12. However, to maintain proper control, such land must be recorded in the fixed assets register.

  Any incidental costs of acquisition such as registration charges should be added to the above.

- **Land Improvements**

  Cost of any improvement to land such as filling cost, fencing cost, etc., should be capitalised as a part of the cost of land.

(b) **Buildings**: The cost of buildings should be taken as the aggregate of the purchase price and incidental costs such as registration charges. In the case of self-constructed buildings, the cost would comprise those costs that relate directly to the construction of the building and an appropriate portion of other general construction costs.

(c) Land and buildings are separable assets and are accounted for separately, even when they are acquired together. Generally, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.

(d) **Plant and Machinery**: The cost of plant and machinery would include, besides purchase price, such costs as site preparation costs, installation costs and associated professional or technical fees.

(e) **Other Assets**: The cost of other assets such as vehicles, furniture and fittings, office equipment, etc., comprise the purchase price and incidental costs such as freight, installation charges, etc.

Lease Assets

78. An NPO may have taken asset on lease. AS 19, *Leases*, defines lease *as an agreement whereby lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time*. AS 19

requires to classify the lease into operating lease or finance lease at the inception of the lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Accordingly, at the inception, an NPO needs to determine whether a lease is a finance lease or an operating lease in accordance with AS 19 and recognises the lease accordingly.

Intangible assets

79. The recognition and measurement of intangible assets is prescribed under Accounting Standard (AS) 26, *Intangible Assets*, the salient features of which from the perspective of an NPO are given in the following paragraphs.

(a) Intangible asset is defined as "an identifiable non-monetary asset (i.e., assets other than money and other assets to be received in fixed or determinable amounts of money), without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes".

(b) If an item covered by AS 26 does not meet the definition of an intangible asset, expenditure to acquire it or generate it internally is recognised as an expense when it is incurred.

(c) In some cases, an asset may incorporate both intangible and tangible elements that are, in practice, inseparable. To determine whether such an asset should be treated as property, plant and equipment under AS 10, or as an intangible asset under AS 26, judgement is required to assess as to which element is predominant.

(d) An intangible asset should be recognised if, and only if:

    (i) it is probable that the future economic benefits and/or service potential embodied in the asset will flow to enable the NPO to achieve its objectives; and

    (ii) the cost of the asset can be measured reliably.

(e) The future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the enterprise.

(f) The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure for making the asset ready for its intended use.

(g) Intangible asset acquired free of charge, or for nominal consideration, by way of a Government grant should be accounted for in accordance with the

requirements of AS 12, *Accounting for Government Grants*.

(h) Cost of intangible asset acquired in exchange or part exchange of another asset is determined in accordance with the principles laid down in this regard in AS 10, *Property, Plant and Equipment*.

(i) Internally generated goodwill should not be recognised as an asset because it is not an identifiable resource controlled by the enterprise that can be measured reliably at cost. However, if an item is acquired in an amalgamation in the nature of purchase, it forms part of goodwill recognized at the date of amalgamation. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance should not be recognised as intangible assets.

(j) No intangible asset arising from research (or from the research phase of an internal project) should be recognised. Expenditure on research (or on the research phase of an internal project) should be recognised as an expense when it is incurred.

Impairment of Assets

80. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and Accounting Standard (AS) 28, *Impairment of Assets*, requires the enterprise to recognise an impairment loss. AS 28 also specifies when an enterprise should reverse an impairment loss and it prescribes certain disclosures for impaired assets. It applies to accounting for the impairment of all assets carried at cost and also to the assets carried at revalued amounts in accordance with other applicable Accounting Standards. It may be mentioned that the recoverable amount is the higher of 'net selling price' and 'value in use' of the asset. For determining 'value of use', the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life is required to be determined. It may be noted in respect of this requirement, SMEs/SMCs are given relaxation not to use the present value technique, but to arrive at the amount of 'value in use' based on reasonable estimate. This is relevant for an NPO that falls within the meaning of SME/SMC [for details of the relaxation available under AS 28 to MSMEs/SMCs, Appendix I may be referred].

81. AS 28 does not cover impairment of asset with service potential. However, the definition of 'asset' given in this Technical Guide includes assets having service potential also. Impairment of assets having service potential shall be recognised when it is no longer capable of providing the NPO with service potential, i.e., it has little, or no, utility for the NPO in contributing to the

achievement of its objectives.

Current Assets

82. **Inventories:** NPOs carrying on any trading/manufacturing activity may have inventories at the year-end that are:

(a) held for sale in the ordinary course of business;

(b) in the process of production for such sale; or

(c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

In accordance with the Accounting Standard (AS) 2, *Valuation of Inventories*, these inventories should be valued at lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

83. Certain items are manufactured or purchased for the purpose of distributing to beneficiaries either free of cost or for a nominal amount. Since such items are not held for the purpose of sale or in the process of production for such sale or they are not in the form of materials or supplies to be consumed in the production process or in the rendering of services of commercial, industrial or business nature, such items cannot be considered as inventories within the meaning of AS 2. In view of this, such items should be valued at the lower of cost or replacement cost, if available.

84. In certain cases, NPOs may receive items from donor agencies either free of cost or at a nominal charge for distribution to beneficiaries or for sale. A part of these items may remain undistributed/unsold, at the year-end. NPOs should disclose the fair value or estimated net realisable values of such items, lying at the year-end, in the Notes to Accounts, along with quantitative details.

85. **Loans and advances**: These should be carried at cost less provision, if any, for bad and doubtful loans and advances. In view of this, if there is a significant uncertainty about collectability of a loan or advance, e.g., loan given to employees, a provision to the extent of the amount considered uncollectable should be made by way of a charge to the income and expenditure account.

86. **Investments**: As per Accounting Standard (AS) 13, *Accounting for Investments*, investments are defined as "*assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock-in-trade are not investments*". NPOs may invest their funds in securities

such as, Government bonds and units. They may also invest monies received in respect of specific funds with a view to liquidate them at the time of incurrence of the expenditure for the specified purpose. These investments could be in short term fixed deposits with banks. NPOs should account for investments in accordance with AS 13 as follows:

(a) An NPO should disclose current investments and long-term investments distinctly in its financial statements. *A current investment is an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made. A long- term investment is an investment other than a current investment*.

(b) The cost of an investment should include acquisition charges such as brokerage, fees and duties. Where an investment has been purchased on cum-dividend or cum-interest basis, the interest or dividend received subsequently should be allocated between pre acquisition and post-acquisition periods. The interest or dividend relating to the pre-acquisition period represents a recovery of cost and should, accordingly, be deducted in arriving at the cost.

(c) Investments classified as current investments should be carried in the financial statements at the lower of cost and fair value.

(d) Investments classified as current investments should be carried in the financial statements at the lower of cost and fair value determined either on an individual investment basis or by category of investment, but not on an overall (or global) basis.

(e) Investments classified as long-term investments should be carried in the financial statements at cost. However, provision for diminution should be made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

(f) Any reduction in the carrying amount of long-term investments and any reversals of such reductions should be charged or credited in the income and expenditure account.

(g) On disposal of an investment, the difference between the carrying amount and net disposal proceeds should be charged or credited to income and expenditure account. When disposing of a part of the holding of an individual investment, the carrying amount to be allocated to that part is to be determined on the basis of the average carrying amount of the total holding of the investment.

Liabilities

87. An essential characteristic of a liability is that the enterprise has a present obligation. An obligation is a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or a statutory requirement. This is normally the case, for example, with amounts payable for goods and services received and taxes to be paid. Obligations also arise, from normal practices followed by the enterprise, custom and a desire to maintain good relations or act in an equitable manner.

Recognition and Measurement of Liabilities

88. A liability should be recognised in the balance sheet when and only when:

(a) it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation; and

(b) the amount of the liability can be measured reliably.

89. The settlement of a liability usually involves the enterprise giving up resources embodying economic benefits in order to satisfy the claim of the other party. Settlement of a liability may occur in a number of ways, for example, by:

(a) payment of cash;

(b) transfer of other assets;

(c) provision of services;

(d) replacement of that obligation with another obligation

An obligation may also be extinguished by other means, such as a creditor waiving or forfeiting its rights.

90. In the case of NPOs, liabilities are normally in the form of payments due to the suppliers of material and services or any income received in advance. They could also represent unutilised grants of funding agencies. These liabilities should be measured at the amount at which they are due for payment and recognised on the basis of the criteria specified above.

Provisions

91. Some liabilities can be measured only by using a substantial degree of estimation. Such liabilities are commonly described as 'provisions'. Provisions are created through a charge to the income and expenditure account against the corresponding liability created. Examples of provisions include provisions for

payment of gratuity as per AS 15 to the employees of NPOs.

Recognition and Measurement of a Provision

92. An NPO should recognise and measure provisions in accordance with Accounting Standard (AS) 29, *Provisions, Contingent Liabilities and Contingent Assets*. AS 29 requires that a provision should be recognised when:

(a) there is a present obligation as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision should be recognised.

As per AS 29, present obligation is an obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not. According to AS 29, the amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

93. ***Contingent liabilities***: AS 29 defines the terms 'contingent liability' and 'possible obligation' as under:

"A contingent liability is:

(a) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) a reliable estimate of the amount of the obligation cannot be made."

"*Possible obligation* – An obligation is a possible obligation if, based on the evidence available, its existence at the balance sheet date is considered not probable."

94. As per AS 29, an NPO should not recognise a contingent liability, but it should disclose, unless the possibility of an outflow of resources in settlement is

remote, for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable, the following:

(a) an estimate of its financial effect;

(b) an indication of the uncertainties relating to any outflow; and

(c) the possibility of any reimbursement.

95. Where any of the information required in the above paragraph is not disclosed because it is not practicable to do so, that fact should be stated.

BOOKS OF ACCOUNT TO BE MAINTAINED BY AN NPO

96. Every NPO should maintain proper books of account with respect to:

(a) all sums of monies received by the NPO and the matters in respect of which receipts take place, showing distinctly the amounts received from income generating activities and through grants and donations;

(b) all sums of money expended by the NPO and the matters in respect of which expenditure is incurred;

(c) all assets and liabilities of the NPO.

97. Proper books of account would not be deemed to be kept with respect to the matters specified therein if:

(a) Such books are not kept as are necessary to give a true and fair view of the state of affairs of the NPO, and to explain its transactions;

(b) Such books are not kept on accrual basis and according to the double entry system of accounting; and

(c) Such books are not kept so as to reflect a true and fair view of various funds maintained by the NPO.

98. The books of account of an NPO may be structured in a manner that is suited to its needs and requirements. For instance:

(a) A separate set of books and records may be maintained for foreign and Indian contributions, as per the requirements of the Foreign Contribution (Regulation) Act, 2010 (as amended).

(b) Similarly, separate sets of books and records may be maintained for various projects, branches and field offices that the NPO may have for implementing its programmes and interventions.

(c) Separate ledgers and records may also be maintained with regard to the funds representing the grants received from various sources, including the Governments and different funding agencies, received with or without stipulations and restrictions. This may also be referred to as Fund Based Accounting, which is discussed in detail in the following paragraphs.

FORMATS OF FINANCIAL STATEMENTS

99. The accounting process in an organisation culminates in the preparation of its financial statements. Financial statements are intended to reflect the operating results during a given period and the state of affairs at a particular date in a clear and comprehensive manner. The basic financial statements relevant to an NPO are income and expenditure account and balance sheet and notes, other statements and explanatory material that are an integral part of the financial statements. They may also include supplementary schedules and information based on or derived from, and expected to be read with such statements. In addition, NPOs should also prepare a cash flow statement in accordance with Accounting Standard (AS) 3, *Cash Flow Statements* where applicable. Financial statements do not, however, include reports by the governing body, for example, the trustees, statement by the Chairman, discussion and analysis by management and similar reports that may be included in a financial or annual report.

100. Income and expenditure account is a nominal account which is prepared by an NPO in lieu of a profit and loss account. An income and expenditure account should contain all revenue, gains and other income and expenses and losses incurred by an NPO during an accounting period. The net result, i.e., the difference between revenues and expenses is depicted in the form of surplus, i.e., excess of income over expenditure, or deficit, i.e., excess of expenditure over income for the period. For the preparation of income and expenditure account only revenue items are taken into consideration and capital items are totally excluded. Incomes received in advance and prepaid expenses at the end of the accounting period are also excluded while preparing this account and are disclosed as a liability and an asset, respectively, in the balance sheet. These are included as incomes and expenses in the accounting periods to which they relate.

101. Since the purpose of fund based accounting in an NPO, discussed in detail hereinafter, is to present income and expense in respect of restricted funds as distinguished from unrestricted fund, it is recommended that the income and expenditure account should have three columns, namely,

(a) 'Unrestricted Funds', in NPOs generally consists of General Fund or

otherwise known as Capital Fund';

(b) 'Restricted Funds'; and

(c) 'Total' column reflecting aggregate income and expenses of 'Unrestricted Funds' and 'Restricted Funds'.

The NPOs can further classify the 'Unrestricted Funds' column in the Income and Expenditure Account into 'General Funds' and 'Designated Funds'.

102. NPOs reflect restricted and unrestricted funds separately in their financial statements. Restricted funds are those designated for utilisation for specific purposes either by donors or by NPO and such funds should be utilised only for those specific purposes. On the other hand, unrestricted funds are those which can be spent at the discretion of the NPO but within the defined objectives of such NPO.

103. NPOs should not present the balance sheet in multi-columnar form. An integrated balance sheet for the NPO as a whole should be presented. In the balance sheet, assets and liabilities should not be set-off against each other, even though these may be related to the same programme/project. Rather these should be disclosed separately. Movement and balance of various funds should be distinctly disclosed in the balance sheet under their respective category.

104. In the preparation and presentation of financial statements, the overall consideration should be that they give a true and fair view of the state of affairs of the NPO and of the surplus or deficit as reflected in the balance sheet and the income and expenditure account, respectively. The financial statements should disclose every material transaction, including transactions of an exceptional and extraordinary nature. The financial statements should be prepared in conformity with relevant statutory requirements, the Accounting Standards and other recognised accounting principles and practices.

105. As explained in earlier paragraphs, NPOs incorporated under section 8 of the Companies Act, 2013, are governed by the provisions of the said Act. Under the Act, these NPOs are required to follow the Accounting Standards notified by the MCA and to prepare balance sheet and statement of profit and loss account (income and expenditure account in case of companies not carrying business for profit) in the formats set out in Schedule III to the Act, or as near thereto as circumstances admit. NPOs which are not registered under the Companies Act but the statute which governs them prescribes a format for the purpose of preparation of the financial statements, should prepare the financial statements in accordance with the requirements of the said statute. The Accounting Standards should also be followed by such NPOs as are already

discussed in this Technical Guide. For use by NPOs, which are not governed by any statute or for which the governing statute does not prescribe any formats, formats of financial statements are given hereinafter. It may be emphasised that an NPO may modify the formats appropriately keeping in view the nature of activities, requirements of donor agencies, etc. The formats should be viewed as laying down the minimum requirements that NPOs should present in their financial statements. Those NPOs which wish to present more detailed information are encouraged to do so.

FUND BASED ACCOUNTING

106. NPOs frequently receive grants/donations and other forms of revenue the use of which may be either unrestricted or subject to the restrictions imposed by the contributors, i.e., such funds can only be used for specific purposes and, therefore, are not available for an NPO's general purposes. Further, there might also be legal/ other binding restrictions on NPOs to use certain specific amounts only for specified purposes or NPOs may also on their own, earmark certain unrestricted funds for specific purposes. For the purpose of appropriate presentation and disclosure of these funds in the financial statements, it is necessary to understand their nature and characteristics, which is described below:

(a) *Unrestricted funds*: Unrestricted funds refer to funds contributed to an NPO with no specific restrictions. The obligation of an NPO while accepting an unrestricted donation or grant is to ensure its usage for the general purposes of the NPO. All incomes (donations, legacies, investment income, fees, etc.) not subject to external restrictions are part of unrestricted funds. The unrestricted funds can be further classified into three categories viz., corpus, designated funds and general fund.

   (i) Corpus: Corpus refers to the funds contributed by founders/promoters generally to start the NPO. They are non- reducible funds which can, however, be increased by additional contribution by the founders/ promoters in furtherance of the objects of the NPO. These funds need to be distinguished from funds which are in the nature of founders'/promoters' contribution, which are grants given by contributors other than founders/promoters with reference to the total investment in an undertaking or by way of contribution towards outlay. No repayment is ordinarily expected of such grants.

   (ii) Designated funds: Designated funds are unrestricted funds which have been set aside by the trustees/ management of an NPO for specific purposes or to meet future commitments. Unlike restricted funds, any designations are self-imposed and are not normally legally binding. The

NPO can lift the designation whenever it wishes and reallocate the funds to some other designated purpose.

(iii) General fund: Unrestricted funds other than ‘designated funds’ and ‘corpuses’ are part of the ‘General Fund’.

(b) *Restricted funds*: Restricted funds are subject to certain conditions and obligations set out by the contributors and agreed to by the NPO when accepting the contributions. The restriction may apply to the use of the monies received or income earned from the investment of such monies or both. Funds, the use of which is subject to legal restrictions are also considered as restricted funds.

Endowment funds are another form of restricted funds. Endowment funds are those funds which have been received with a stipulation from the contributor/donor that the amount received should not be used for any purpose. Only the income earned from these funds can be used either for general purposes of the NPO or for specific purposes, depending on the terms of the contribution made. Usually, the amount received is invested outside the NPO as per the terms of the contribution, if any.

107. Designated funds are created by appropriation of the surplus for the year for meeting a revenue expenditure or capital expenditure in future. When revenue expenditure is incurred with respect to a designated fund, the same is debited to the income and expenditure account. A corresponding amount is transferred from the concerned designated fund account to the credit of the income and expenditure account after determining the surplus/deficit for the year since the purpose of the designated fund is over to that extent. Where the designated fund has been created for meeting a capital expenditure, the relevant asset account is debited by the amount of such capital expenditure and a corresponding amount is transferred from the concerned designated fund account to the credit of the income and expenditure account after determining surplus/deficit for the year. In respect of the assets, e.g., a building, being constructed by an NPO, on completion of the same, the entire balance, if any, of the relevant designated fund is transferred to the credit of the income and expenditure account after determining the surplus/ deficit for the year.

108. In case an NPO holds specific investments against the designated funds, income earned, if any, on such investments, is credited to the income and expenditure account for the year in which the income is so earned. An equivalent amount may be transferred to the concerned designated fund account after determining the surplus/deficit for the year as per the policy of the NPO.

109. All items of revenue and expenses that do not relate to any designated

fund or restricted fund are reflected in the 'General Fund'. The surplus/ deficit for the year after appropriations is transferred and disclosed as surplus/deficit as a part of 'General Fund' in the balance sheet. Apart from such surplus/deficit, the 'General Fund' also includes the following which are separately disclosed in the balance sheet:

(a) Grants related to a non-depreciable asset. (See Grants and Donations-Recognition and Measurement)

(b) Grants of the nature of founders'/promoters' contribution. (See Grants and Donations – Recognition and Measurement)

110. Restricted funds, that represent the contributions received the use of which is restricted by the contributors, are credited to a separate fund account when the amount is received and reflected separately in the balance sheet. Such funds may be received for meeting revenue expenditure or capital expenditure. Where the fund is meant for meeting revenue expenditure, upon incurrence of such expenditure, the same is charged to the income and expenditure account ('Restricted Funds' column); a corresponding amount is transferred from the concerned restricted fund account to the credit of the income and expenditure account ('Restricted Funds' column). Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per AS 10. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the Income and Expenditure Account in proportion to the depreciation charged every year (both the income so transferred and the depreciation should be shown in the 'Restricted Funds' column). The unamortised balance of deferred income would continue to form part of the restricted fund. Any excess of the balance of the concerned restricted fund account over and above the cost of the asset may have to be refunded to the donor. In case the donor does not require the same to be refunded, it is treated as income and credited to the income and expenditure account pertaining to the relevant year (as 'General Fund'). Where the restricted fund is in respect of a non-depreciable asset, the concerned restricted fund account is transferred to the 'Capital Reserve' in the balance sheet when the asset is acquired.

111. The restricted funds will normally carry a stipulation as to the use of income earned on investments made out of the contributions received. If the terms stipulate that the income earned should be used for the same purpose for which the contribution was made, the income earned should be credited to the concerned restricted fund account. Where the terms stipulate a general use of the income earned, the same should be credited to the income and expenditure account (as 'General Fund') of the year in which the income is so earned.

112. With regard to endowment funds, the income earned from investments

of these funds is recognised in the income and expenditure account only to the extent of the expenditure incurred for the relevant purpose. Both the income and the expense should be shown in the 'Restricted Funds' column. Any excess of the income not recognised as aforesaid would continue to remain part of the concerned fund.

DISCLOSURES

113. Accounting Standard (AS) 1, *Disclosure of Accounting Policies*, principally requires the disclosure of significant accounting policies and specifies the manner of their disclosure. A clear statement of significant accounting policies followed in the preparation and presentation of financial statements is necessary, irrespective of the type of entity presenting the financial statements. Further, all significant accounting policies should be disclosed at one place. Accordingly, NPOs should disclose their significant accounting policies at one place.

114. Where an NPO has followed a basis of accounting other than accrual, a disclosure in this regard should be made. Further, an illustrative list of accounting policies that an NPO could disclose in accordance with the laid down Accounting Standards governing these policies is as follows:

(a) The basis of recognition of major types of expenses and revenue

(b) Accounting for income from and expenditure on specialised activities such as research

(c) Conversion or translation of foreign currency (in case of organisations receiving foreign funds)

(d) Valuation of inventories

(e) Valuation of investments

(f) Treatment of employee benefits

(g) Valuation of property, plant and equipment

(h) Treatment of provisions, contingent liabilities and contingent assets

(i) Treatment for Government grants

(j) Treatment for Intangible assets

(k) Impairment of assets

(l) Effects of changes in foreign exchange rates

115. As per Accounting Standard (AS) 2, *Valuation of Inventories*, an NPO should disclose in the financial statements:

(a) the accounting policies adopted in measuring inventories, including the cost formula used; and

(b) The total carrying amount of inventories and its classification appropriate to the NPO.

116. As per Accounting Standard (AS) 9, *Revenue Recognition*, in addition to the disclosures required by AS 1, an NPO should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties and should recognise revenue when ultimate collection is reasonably certain.

117. As per Accounting Standard (AS) 10, an NPO should disclose in the financial statements for each class of property, plant and equipment:

(a) The measurement bases (i.e., cost model or revaluation model) used for determining the gross carrying amount;

(b) total depreciation for the period for each class of assets; and

(c) the gross carrying amount and accumulated depreciation at the beginning and end of the period; and

(d) a reconciliation of the carrying amount at the beginning and end of the period showing additions, disposals, acquisitions and other movements during the year.

118. The depreciation rates or the useful lives of the assets should be disclosed in the financial statements alongwith the disclosure of other accounting policies In case, they are different from the principal rates specified in the statute governing the NPO it should make specific mention of the fact.

119. As per Accounting Standard (AS) 10, an NPO should make the following disclosures in the financial statements:

(a) amount of expenditure recognised in the carrying amount of an item of property, plant and equipment in the course of its construction or amount of contractual commitments for the acquisition of property, plant and equipment; and

(b) the effective date of the revaluation, , the method and significant assumptions applied in estimating fair values of the items, whether an external valuer was involved in carrying out the revaluation, and revaluation surplus.

120. As per Accounting Standard (AS) 11, *The Effects of Changes in Foreign Exchange Rates*, an NPO should make the following disclosures in its financial statements:

(a) the amount of exchange differences included in the income and expenditure account for the period; and

(b) net exchange differences accumulated in foreign currency translation reserve separately, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.

121. As per Accounting Standard (AS) 12, *Accounting for Government Grants*, an NPO should make the following disclosures in the financial statements:

(a) The accounting policy adopted for Government grants, including the methods of presentation in the financial statements.

(b) The nature and extent of Government grants recognised in the financial statements, including grants by way of non-monetary assets given at a concessional rate or free of cost.

These disclosures are also required to be made in respect of donations and other grants received by an NPO.

122. As per Accounting Standard (AS) 13, *Accounting for Investments*, an NPO should make the following disclosures in the financial statements:

(a) the accounting policies for the determination of carrying amount of investments;

(b) classification of investments - whether current or long-term (refer AS- 13);

(c) the amounts included in income and expenditure account for:

    (i) interest, dividends, and rentals on investments showing separately such income from current and long-term investments;

    (ii) profits and losses on disposal of current investments and changes in the carrying amount of such investments; and

    (iii) profits and losses on disposal of long-term investments and changes in the carrying amount of such investments;

(d) significant restrictions on the right of ownership, realisability of investment or the remittance of income and proceeds of disposal;

(e) the aggregate amount of quoted and unquoted investments, giving the aggregate market value of quoted investments;

(f) other disclosures as specifically required by the relevant statute governing the NPOs.

123. As per Accounting Standard (AS) 17, *Segment Reporting*, an NPO that is operating in different geographical locations or is involved in different kinds of service delivery programmes/projects which meet the definitions of 'geographical segment' and 'business segment', should disclose segmental information according to the requirements of AS 17. However, for micro, small and medium sized NPOs falling within the meaning of MSMEs/SMCs AS 17 is not mandatory. Such entities are, however, encouraged to comply with AS 17.

124. Accounting Standard (AS) 18, *Related Party Disclosures*, establishes the requirements for disclosure of related party relationships, and transactions between a reporting enterprise and its related parties. Related party – *parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions*. Related party transaction *is a transfer of resources or obligations between related parties, regardless of whether or not a price is charged*. Key management personnel *are those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprises*.

125. Without the related party disclosures, there is a general presumption that transactions reflected in financial statements are consummated on an arm's-length basis between independent parties. NPOs are responsible to a number of stakeholders and in this context related party disclosures assume prime importance. Related party transactions may adversely affect the expectations of stakeholders, and furthermore, disclosing transactions between related parties also enhances transparency, accountability, and fairness. NPOs should, therefore, disclose the related party relationships and transactions in accordance with the requirements of AS 18. Some of the examples of related party transactions are as follows:

(a) sale, purchase, and transfer of property;

(b) services received or provided;

(c) property and equipment leases;

(d) borrowing or lending, including guarantees; and

(e) receipt of salary, honorarium or any other monetary or non-monetary benefits.

126. Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions. For the purposes of AS 18, trustees of an NPO would be considered as key management personnel and, accordingly, trustees and their relatives would, inter alia, be treated as related parties. It may be noted that according to AS 18, relative, *in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise*. For micro and small sized NPO falling within the meaning of MSME/SMC , AS 18 is not mandatory. However, due to the onerous implications of related party transactions on the functioning of an NPO, it is recommended that the disclosures required in AS 18 should be made by all NPOs.

127. As per the requirements of Accounting Standard (AS) 19, *Leases*, where an NPO is a lessee, in case of a finance lease, it should in addition to the requirements of AS 10, make the following minimum disclosures:

(a) assets acquired under finance lease as segregated from the assets owned;
(b) for each class of assets, the net carrying amount at the balance sheet date;
(c) contingent rents recognised as expense in the income and expenditure account.

(*Only minimum disclosure requirements as per AS 19*)

128. Where an NPO is a lessee, for operating leases it should make the following minimum disclosures:

(a) Lease payments recognised in the income and expenditure account for the period, with separate amounts for minimum lease payments and contingent rents;
(b) Sub-lease payments received (or receivable) recognised in the income and expenditure account for the period.

129. As per Accounting Standard (AS) 26, *Intangible Assets*, with regard to intangible assets, an NPO should disclose in the financial statements the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:

(a) the useful lives or the amortisation rates used;

(b) the amortisation methods used;

(c) the gross carrying amount and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; and

(d) a reconciliation of the carrying amount at the beginning and end of the period showing additions indicating separately those from internal development and through amalgamation, retirement and disposals, impairment losses recognised and reversed, amortisation recognised and other movements during the period

130. An NPO should also disclose in the financial statements:

(a) if an intangible asset is amortised over a period of more than ten years, the reasons why it is presumed that the useful life of an intangible asset will exceed ten years from the date when the asset is available for use. While giving these reasons, the NPO should describe the factor(s) that played a significant role in determining the useful life of the asset;

(b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements of the NPO as a whole;

(c) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; and

(d) the amount of commitments for the acquisition of intangible assets.

The financial statements of an NPO should also disclose the aggregate amount of research and development expenditure recognised as an expense during the period.

131. Accounting Standard (AS) 27, *Financial Reporting of Interests in Joint Ventures*, sets out the principles and procedures for accounting for interests in joint ventures and reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors. In case of NPOs, there may be instances where two or more NPOs jointly undertake or fund a certain project or activity which is considered as a jointly controlled operation. Similarly, two or more NPOs may jointly control an asset. In addition, an NPO may also have joint control in a jointly controlled entity with other enterprises that may be in any form of organisation. Accordingly, in such cases, NPOs should report their interests in such joint ventures in separate as well as in consolidated financial statements (prepared as per AS 21) in accordance with the requirements of AS 27.

132. In respect of the funds created in the financial statements, the NPO should disclose the following in the Schedules/Notes to the accounts:

(a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;

(b) Assets, such as investments, and liabilities related to each fund separately;

(c) Restrictions, if any, on the utilisation of each fund balance;

(d) Restrictions, if any, on the utilisation of specific assets.

133. NPOs should also disclose the following in the Notes to accounts:

(a) Details of the services rendered by volunteers for which no payment has been made.

(b) Fair value of the non-monetary grants and donations, e.g., a fixed asset received free of cost during the year. The quantitative details of such grants and donations should be separately disclosed.

(c) Fair values of all the assets, received as non-monetary grants, existing on the balance sheet date, should be separately disclosed. If it is not practicable to determine the fair values of the assets on each balance sheet date, then such values may be determined after a suitable interval, say, every three years, and disclose the date of determination, along with the fair values. The fair value of an asset would normally be the market price in an active, liquid and freely accessible market. The market price of an item can be the purchase price of the item donated, where the proof of purchase price is available, e.g., the donor has provided the invoice received from the supplier, declaration for customs duty purposes where the assets have been received from abroad, etc. In case the market price of the asset is not available, then the market price of a comparable asset may be used as fair value. It is recommended that the method of determination of fair value is also disclosed.

TRANSITION TO ACCRUAL BASIS OF ACCOUNTING

134. A major consideration in transition from cash basis of accounting to accrual basis of accounting is the determination of opening balances of assets and liabilities, where those are not available. Since the opening balances are to be determined or derived, the NPO may have to draw up an opening balance sheet based on the accrual concept, as at a pre-determined cut-off date (most likely as at 31st March of the previous year).

135. Many assets, e.g., those received by way of donations or gifts or grant in kind may not have been recorded at the time they were acquired. It is necessary to identify such assets, determine their costs (which may be at nominal values) and account for them appropriately to record it in the NPOs books of accounts. In case assets already recorded in the books, however, the original cost cannot be ascertained, without unreasonable expense or delay, the

valuation shown by the books should be considered. For the purpose of this paragraph, such valuation should be the net amount at which an asset stood in the NPOs' books at the commencement of the application of this Technical Guide after deduction of the amounts previously provided or written off for depreciation. In case, under cash basis of accounting depreciation was not being provided, then the NPO should determine the written down value of the assets. For this purpose, the NPOs should refer AS 10 to determine the useful life of the assets and rates of depreciation.

Similarly, the opening balances of current assets like, receivables, loans and advances, accrued interest and prepaid expenses should also be determined.

136. In the case of liabilities, the NPOs should make an assessment on the basis of records and documents available of the amounts payable to creditors, suppliers and others in respect of expenditure incurred for acquisition of assets or to meet revenue expenses.

137. In a manner similar to the above, the balances on account of the various funds including unrestricted and restricted should be determined and reflected on the liability side of the balance sheet.

138. The difference, if any, between the total debit balances and the credit balances as determined on the basis of the above paragraphs should be taken as the balance of the 'General Fund'.

139. Accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. As per Accounting Standard 5, '*Net profit or loss for the period, Prior period items and Changes in Accounting Policies*', in case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change, should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated with reasons.

140. The opening balances as determined as at an predetermined cut-off date on the basis of the above paragraphs would provide a start point, after which the accounts of the NPO would need to be drawn on accrual basis of accounting.

FORMATS FOR FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANISATIONS (NPOs)

The financial statements should give true and fair view of the state of affairs of the NPOs, comply with the applicable Accounting Standards and shall be in the form as provided hereafter.

Part I – General Instructions for the preparation of Balance Sheet and Income and Expenditure Account of Not-For-Profit Organisations

1. These formats are recommended for preparation of Balance Sheet and Income and Expenditure Account of NPOs. Where compliance with the requirements of the relevant statute including Accounting Standards as applicable to the NPOs require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, inter se, in the financial statements or statements forming part thereof, the same should be made and the formats should be modified accordingly.
2. The disclosure requirements recommended in the formats are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards issued by the Institute of Chartered Accountants of India. Additional disclosures specified in the Accounting Standards should be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the relevant statute should be made in the notes to accounts in addition to the requirements set out in these formats.
3. The financial statements of NPOs (viz., balance sheet and income and expenditure account) should be prepared on accrual basis.
4. A statement of all significant accounting policies adopted in the preparation and presentation of the balance sheet and the income and expenditure account should be included in the NPO's balance sheet.
5. Accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. In case

of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change, should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated with reasons.

6. The accounting treatment and presentation in the balance sheet and the income and expenditure account of transactions and events should be governed by their substance and not merely by the legal form.

7. In determining the accounting treatment and manner of disclosure of an item in the balance sheet and/or the income and expenditure account, due consideration should be given to the materiality of the item.

8. (i) Notes to accounts may contain information in addition to that presented in the Financial Statements and may provide where required (a) narrative descriptions or disaggregations of items recognised in those statements; and (b) information about items that do not qualify for recognition in those statements.

   (ii) Each item on the face of the Balance Sheet and Income and Expenditure Account should be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance should 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.

9. (i) Depending upon the Gross Income of the Non-Company NPOs, the figures appearing in the Financial Statements may be rounded off as given below:—

Gross Income	**Rounding off**
(a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

(ii) Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

10. Except in the case of the first Financial Statements prepared by the

NPOs (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.

11. For the purpose of this format, the terms used herein shall be as per the applicable Accounting Standards.

    Note:—This part recommends the minimum requirements for disclosure on the face of the Balance Sheet, and the Income and Expenditure Account (and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the NPOs financial position or performance or when required for compliance with the amendments to the relevant statutes or under the Accounting Standards.

12. A cash flow statement should be prepared, wherever applicable, showing cash flows during the period covered by the income and expenditure account and during the corresponding previous period.

Part II – Balance Sheet

Formats of Financial Statements (Not for Profit Organisation)

Name of Not-for-Profit Organisation____________________

BALANCE SHEET AS AT_________________________________

(figures in Rs….)

		Notes	FIGURES AS AT THE END OF THE Current REPORING PERIOD (DD/MM/YYYY)	FIGURES AS AT THE END OF THE Previous REPORING PERIOD (DD/MM/YYYY)
I	**SOURCES OF FUNDS**			
(1)	**NPO FUNDS**			
	UNRESTRICTED FUNDS			
	RESTRICTED FUNDS			
(2)	**NON-CURRENT LIABILITIES**			
	Long-Term borrowings			
	Other Long-Term Liabilities			
	Long-Term Provisions			
(3)	**CURRENT LIABILITIES**			
	Short Term			

	Borrowings			
	Payables			
	Other Current Liabilities			
	Short Term Provisions			
	TOTAL			
II	**APPLICATION OF FUNDS**			
(1)	**NON-CURRENT ASSETS**			
	Property, Plant and Equipment & Intangible Assets			
	Property, Plant & Equipment			
	Intangible Assets			
	Capital Work in Progress			
	Intangible assets under Development			
	Long-Term Investments			
	Long-Term Loans and Advances			
	Other Long-Term Assets (specify nature)			
(2)	**CURRENT ASSETS**			
	Current Investments			
	Inventories			
	Receivables			
	Cash and bank balances			
	Short-term Loans & Advances			

	Other Current Assets			
	TOTAL			

See accompanying notes which form part of the financial statements

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. An asset shall be classified as current when it satisfies any of the following criteria:
   (a) it is expected to be realized within twelve months after the reporting date; or
   (b) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

   All other assets shall be classified as non-current.

2. A liability shall be classified as current when it satisfies any of the following criteria:
   (a) it is due to be settled within twelve months after the reporting date; or
   (b) the NPO does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

   All other liabilities shall be classified as non-current.

3. An NPO shall disclose the following in the Notes to Accounts:

(1) NPO FUNDS

A. UNRESTRICTED FUNDS

(a) Corpus (i) Corpus refers to funds contributed by founders/promoters of the NPO.

(ii) The Opening Balance, Additions and the Closing Balance of the Corpus should be shown under this head.

(b) General Fund

(i) **Funds in the nature of founders'/promoters' contribution:**

General Fund includes all financial resources except those required to be accounted for in another fund, i.e., it includes funds which neither have any restriction on their use nor have been designated for any specific purpose. The balance, if any, in the income and expenditure account after appropriation, i.e., surplus/(deficit) is transferred to this fund.

(ii) **Funds related to non-depreciable assets not requiring fulfillment of any obligation:** Grants and donations relating to non-depreciable assets, e.g., freehold land, which do not require fulfilment of any obligation, are included under this head.

(iii) **Surplus/(Deficit):** Surplus/(Deficit) represents the balance of income and expenditure account, after appropriations, if any.

(c) Designated Funds: Designated/Earmarked funds are unrestricted funds set aside by the NPO for specific purposes or to meet specific future commitments.

B. RESTRICTED FUNDS:

Restricted funds are funds subject to certain conditions set out by the contributors and agreed to by the NPO when accepting the contribution or are funds subject to certain legal restrictions. This head includes:

(i) Endowment funds that are received with the stipulation that only the income earned can be used, either for the general purposes of NPO or for specific purposes.

(ii) Funds related to depreciable/non depreciable assets in respect of which assets are still to be acquired.

(iii) Balances of deferred income, e.g., grants and donations in respect of which specific depreciable assets have been acquired.

(iv) Funds related to specific items of revenue expenditure not yet incurred.

Each restricted fund should be reflected separately either on the face of the balance sheet or in the Schedule(s) to the balance sheet.

Notes:

1. The following particulars should be shown in respect of Surplus / (Deficit):
   a) Balance at the beginning of the year
   b) Add: Excess of income over expenditure for the year after appropriations, if any.
   c) Less: Excess of expenditure over income for the year after appropriations, if any.
   d) Balance at the end of the year
2. The following particulars should be shown in respect of each Designated and Restricted Fund:
   a) Fund balance at the beginning of the year
   b) Add: Funds transferred/received during the year
   c) Less: Funds utilised during the year:
   d) Fund balance at the end of the year:
3. Designated/Restricted Funds represented by specifically earmarked bank balances/ investments should be disclosed separately in respect of each fund.

(2) NON-CURRENT LIABILITIES

(i) Long-Term Borrowings

a) Term Loans
   - From banks
   - From other Parties

b) Loans and advances from related parties

ii) Borrowings should be further sub-classified as 'secured' and 'unsecured'. Nature of security shall be specified separately in each case.

iii) Interest free borrowings should be disclosed separately from interest bearing borrowings. Interest accrued and due on loans should be included

under the appropriate sub-heads.

v) Terms of repayment of term loans and other loans may be stated.

B) Long-Term Provisions

The amounts shall be classified as:

a) Provision for employee benefits – retirement benefits, leave encashment etc.
b) Others (specify nature).

(3) CURRENT LIABILITIES

(A) Short-Term Borrowings

(i) Short-term borrowings shall be classified as:

(a) Loans repayable on demand;

(A) From banks

(B) From other parties

(b) Loans and advances from related parties

(c) Other loans and advances (specify nature).

(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

(iii) Current maturities of Long-Term borrowings shall be disclosed separately

(B) Payables

(C) Other Current Liabilities
The amounts shall be classified as:

(a) Interest accrued but not due on borrowings

(b) Interest accrued and due on borrowings

(c) Income received in advance

(d) Unpaid matured securities and interest accrued thereon

(e) Other payables (specify nature).

(D) Short-Term Provisions

The amounts shall be classified as:

(a) Provision for employee benefits – retirement benefits, leave encashments etc.

(b) Others (specify nature).

REPRESENTED BY (APPLICATION OF FUNDS)

(4) NON-CURRENT ASSETS

(A) Property, Plant and Equipment & Intangible Assets

(i) Property, Plant & Equipment

Classification shall be given as:

a) Land

b) Buildings

c) Plant and Equipment

d) Furniture and Fixtures

e) Vehicles

f) Office equipment

g) Bearer Plants

h) Others (specify nature)

(ii) Assets under lease shall be separately specified under each class of asset.

Notes:

1. A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property,

Plant and Equipment) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

2. Advance payments to contractors and suppliers should not be classified under the specific class of assets but disclosed as a separate item.
3. Separate disclosure under each of the above heads should be made in respect of donated assets (i.e., assets that have been received free of cost as non monetary grant/donation by the NPO) and assets financed under a lease agreement.
4. Fair value and quantitative details of each class of assets received, as non- monetary grants and donations, during the year, should be disclosed in the notes to accounts.
5. Fair values of all the donated assets, existing on the balance sheet date, should be disclosed in the notes to accounts. If it is not practicable to determine the fair values of the assets on each balance sheet date, then such values may be determined after a suitable interval, say, every three years. In such a case, the date of determination of fair values should also be disclosed along with the fair values of assets.
6. Restrictions, if any, on the utilisation of each class of asset should also be disclosed in the notes to accounts.

(ii) **Intangible Assets**

Classification shall be given as:

(a) Goodwill.

(c) Computer software.

(f) Copyrights, and patents and other intellectual property rights, services and operating rights.

(h) Licenses and franchise.

(i) Others (specify nature).

Notes:

A reconciliation of the gross and net carrying amounts of each class of

assets at the beginning and end of the reporting period showing additions, disposals, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

B) Long-Term Investments:

'Long-Term investment' means an investment other than a current investment and classified as.

(a) Central Government Securities

(b) State Government Securities

(c) Other Securities

(d) Investment property

(e) Other non-current investments (specify nature)

Notes:

1. Long-term investments should be shown at cost. The book value of 'long-term investments' should be reduced to recognise a decline, other than temporary, in their value. Such reduction should be determined and made for each investment individually.
2. Aggregate amount of the NPO's 'long-term quoted investments' and also the market value thereof should be shown. Aggregate amount of the NPO's unquoted investments should also be shown.
3. 'Quoted investment' for this purpose, means an investment in respect of which a quotation or permission to deal on a recognised stock exchange has been granted, and the expression 'unquoted investment' should be construed accordingly.

C) Long-Term Loans and Advances

(a) Capital Advances

(b) Loans and advances to related parties (giving details thereof)

(c) Other loans and advances (specify nature)

The above shall also be separately sub-classified as:

(i) Secured, considered good

(ii) Unsecured, considered good

(iii) Doubtful

(5) Current Assets

A) Current Investments

(a) Central Government Securities

(b) State Government Securities

(c) Other Securities

Notes:

1. Current investments should be shown at the lower of cost and fair value, which should be determined either on an individual investment basis or by category of investment.
2. If the net realisable value of any current asset, except items held for distributing either free of cost or at a nominal amount, is lower than its book value, the amount to be included in respect of that asset should be the net realisable value.

B) Inventories

Notes:

(i) Items held for sale in the ordinary course of business should be valued at lower of cost and net realisable value.

(ii) Items held for distribution free of cost or at a nominal amount, should be shown separately. Such items should be valued at lower of cost and replacement cost, if available.

(iii) Fair values of items received as non-monetary grants and donations, existing on the balance sheet date, should be disclosed in notes to accounts.

C) Receivables

(a) Donations and grants receivable

(b) Others (Please specify)

Include donations and grants in respect of which there is reasonable assurance that (i) the NPO will comply with the conditions and obligations attached, and (ii) the donations and grants will be received.

Notes:

Aggregate amount of receivables outstanding for a period exceeding six months from the date they are due for receipt may be stated separately.—

Receivables shall be sub-classified as:

(a) Secured, considered good

(b) Unsecured, considered good

(c) Doubtful

(i) Allowance for bad and doubtful receivables should be disclosed separately.

D) Cash and Bank Balances

(i) Cash and cash equivalents shall be classified as:

(a) Balances with banks

(b) Cheques, drafts on hand

(c) Cash on hand

(d) Others (specify nature)

(ii) Other bank balances shall be classified as

(a) Bank deposits – Earmarked balances with banks.

(b) Margin money or deposits under lien shall be disclosed separately.

(c) Bank deposits with original maturity for more than 3 months but less than 12 months from reporting date

(d) others (specify nature)

E) Short-Term Loans & Advances

(i) Short-Term loans and advances shall be classified as:

   (a) Loans and advances to related parties (giving details thereof)

   (b) Others (specify nature).

(ii) The above shall also be sub-classified as:

   (a) Secured, considered good

   (b) Unsecured, considered good

   (c) Doubtful.

(iii) Allowance for bad and doubtful loans and advances shall be disclosed separately.

F) Other Current Assets (specify nature)

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

Items such as interest accrued on investments should be included under this head.

Part III – Form of Income and Expenditure Account

Name of Not-for-Profit Organisation _______________

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED ___

	Particulars	Figures for the current reporting period from ---(DD/MM/YYY) to ---(DD/MM/YYY)			Figures for the previous reporting period from ---(DD/MM/YYY) to ---(DD/MM/YYY)		
		Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
I	**INCOME**						
	Donations and Grants						
	Fees from Rendering of services						
	Sale of goods						
II	Other Income						
III	Total Income						
IV	**EXPENDITURE**						
	Materials consumed/ distributed Opening balance Add: Purchases Less: Closing balance						
	Donation/contribution paid						
	Employee Benefit Expense						

	Depreciation and amortization expense						
	Finance Cost						
	Other Expenses - Religious/ charitable expenses (specify nature) - Others (specify nature)						
	Total Expenses						
V	Excess of Income over Expenditure for the year before exceptional and extraordinary items (III-IV)						
VI	Exceptional items (specify nature and provide note/delete if none)						
VII	Excess of Income over Expenditure for the year before extraordinary items (V-VI)						
VIII	Extraordinary items (specify nature and provide note/delete if none)						
IX	Excess of Income						

	over Expenditure for the year (VII-VIII)						
	Appropriations Transfers to funds, e.g., Building fund Transfers from funds						
	Balance transferred to General Fund						

Part IV GENERAL INSTRUCTIONS FOR PREPARATION OF INCOME AND EXPENDITURE Account

1. The income and expenditure account should disclose every material feature and should be so made out as to clearly disclose the result of the working of the NPO during the period covered by the account.
2. Donations and grants should be recognised only at a stage when there is a reasonable assurance that:
   (a) the NPO will comply with the conditions and obligations attached, and
   (b) the donations and grants will be received.
3. Depreciation should be provided so as to charge the depreciable amount of a depreciable asset over its useful life.
4. Fair value and quantitative details of items, being sold or being distributed free of cost or at nominal amount that have been received as non-monetary grants and donations, should be disclosed as, in the notes to accounts:

   Balance at the beginning of the year
   Add: Receipts during the year
   Less: Distribution during the year
   : Sale during the year
   Balance at the end of the year

5. Finance Costs shall be classified as:

   (a) Interest expense

   (b) Other borrowing costs;

   (c) Applicable net gain/loss on foreign currency transactions and translation

6. Other Income shall be classified as:

   (a) Interest Income;

   (b) Dividend Income;

   (c) Net gain/loss on sale of investments;

   (d) Other income (net of expenses directly attributable to such income).

7. Following shall be disclosed by way of notes regarding aggregate expenditure and income on the following items:

(i) (a) Employee Benefits Expense showing separately (i) Salary and wages (ii) Contribution to provident and other funds, (iii) staff welfare expenses

(b) Any item of income or expenditure which exceeds 1 per cent of the gross income of the NPO or Rs. 1,00,000/-, whichever is higher

(c) Adjustments to the carrying amount of investments

(d) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost)

(e) Details of items of exceptional and extraordinary nature;

(f) Prior period items.

(ii) Expenditure incurred on each of the following items, separately for each item:

(a) Consumption of stores and spare parts;

(b) Power and fuel;

(c) Rent;

(d) Repairs to buildings;

(e) Repairs to machinery;

(f) Insurance;

(g) Rates and taxes;

(h) Miscellaneous expenses.

Appendix I

Applicability of Accounting Standards to Various Entities[2] (including criteria for classification of entities) (as on April 1, 2023)

(A) Applicability of Accounting Standards to Companies other than those following Indian Accounting Standards (Ind AS)[3]

(I) Accounting Standards applicable in their entirety to companies

AS 1 Disclosures of Accounting Policies

AS 2 Valuation of Inventories (revised 2016)

AS 3 Cash Flow Statements

AS 4 Contingencies and Events Occurring After the Balance Sheet Date (revised 2016)

AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

AS 7 Construction Contracts (revised 2002)

AS 9 Revenue Recognition

AS 10 Property, Plant and Equipment

AS 11 The Effects of Changes in Foreign Exchange Rates (revised 2003)

AS 12 Accounting for Government Grants

AS 13 Accounting for Investments (revised 2016)

[2] Applicability of Accounting Standards to Various Entities has been prescribed in accordance with Announcement issued by the ICAI in March 2021.

[3] For applicability of Ind AS to companies, refer Notification dated 16th February, 2015, issued by the Ministry of Corporate Affairs, Government of India.

AS 14 Accounting for Amalgamations (revised 2016)

AS 16 Borrowing Costs

AS 18 Related Party Disclosures

AS 21 Consolidated Financial Statements (revised 2016)

AS 22 Accounting for Taxes on Income

AS 23 Accounting for Investments in Associates in Consolidated Financial Statements

AS 24 Discontinuing Operations

AS 26 Intangible Assets

AS 27 Financial Reporting of Interest in Joint Ventures

(II) Exemptions or Relaxations for Small and Medium Sized Companies (SMCs) as defined in the Notification dated June 23, 2021, issued by the Ministry of Corporate Affairs, Government of India

(1) Accounting Standards not applicable to SMCs in their entirety:

AS 17 Segment Reporting

(2) Accounting Standards in respect of which relaxations from certain requirements have been given to SMCs:

(i) Accounting Standard (AS) 15, Employee Benefits (revised 2005)

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with

discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such companies should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such companies should disclose actuarial assumptions as per paragraph 120(l) of the Standard; and

(d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. However, such companies should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard.

(ii) AS 19, Leases

Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures are not applicable to SMCs.

(iii) AS 20, Earnings Per Share

Disclosure of diluted earnings per share (both including and excluding extraordinary items) is exempted for SMCs.

(iv) AS 28, Impairment of Assets

SMCs are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if an SMC chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an SMC. Further, such an SMC need not disclose the information

required by paragraph 121(g) of the Standard.

(v) AS 29, Provisions, Contingent Liabilities and Contingent Assets (revised)

Paragraphs 66 and 67 relating to disclosures are not applicable to SMCs.

(3) AS 25, Interim Financial Reporting, does not require a company to present interim financial report. It is applicable only if a company is required or elects to prepare and present an interim financial report. Only certain Non-SMCs are required by the concerned regulators to present interim financial results, e.g., quarterly financial results required by the SEBI. Therefore, the recognition and measurement requirements contained in this Standard are applicable to those Non-SMCs for preparation of interim financial results.

Applicability of Accounting Standards to Non-company Entities

The Accounting Standards issued by the ICAI are:

AS 1 Disclosure of Accounting Policies
AS 2 Valuation of Inventories
AS 3 Cash Flow Statements
AS 4 Contingencies and Events Occurring After the Balance Sheet Date
AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 7 Construction Contracts
AS 9 Revenue Recognition
AS 10 Property, Plant and Equipment
AS 11 The Effects of Changes in Foreign Exchange Rates
AS 12 Accounting for Government Grants
AS 13 Accounting for Investments
AS 14 Accounting for Amalgamations
AS 15 Employee Benefits
AS 16 Borrowing Costs
AS 17 Segment Reporting
AS 18 Related Party Disclosures
AS 19 Leases
AS 20 Earnings Per Share
AS 21 Consolidated Financial Statements
AS 22 Accounting for Taxes on Income
AS 23 Accounting for Investments in Associates in Consolidated

	Financial Statements
AS 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 26	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures
AS 28	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets

(1) Applicability of the Accounting Standards to Level 1 Non-company entities.

Level I entities are required to comply in full with all the Accounting Standards.

(2) Applicability of the Accounting Standards and exemptions/relaxations for Level II, Level III and Level IV Non-company entities

(A) *Accounting* Standards applicable to Non-company entities

AS	Level II Entities	Level III Entities	Level IV Entities
AS 1	Applicable	Applicable	Applicable
AS 2	Applicable	Applicable	Applicable
AS 3	Not Applicable	Not Applicable	Not Applicable
AS 4	Applicable	Applicable	Applicable
AS 5	Applicable	Applicable	Applicable
AS 7	Applicable	Applicable	Applicable
AS 9	Applicable	Applicable	Applicable
AS 10	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption
AS 11	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption
AS 12	Applicable	Applicable	Applicable
AS 13	Applicable	Applicable	Applicable with disclosures exemption
AS 14	Applicable	Applicable	Not Applicable (Refer note 2(C))
AS 15	Applicable with exemptions	Applicable with exemptions	Applicable with exemptions
AS 16	Applicable	Applicable	Applicable

AS 17	Not Applicable	Not Applicable	Not Applicable
AS 18	Applicable	Not Applicable	Not Applicable
AS 19	Applicable with disclosures exemption	Applicable with disclosures exemption	Applicable with disclosures exemption
AS 20	Not Applicable	Not Applicable	Not Applicable
AS 21	Not Applicable (Refer note 2(D))	Not Applicable (Refer note 2(D))	Not Applicable (Refer note 2(D))
AS 22	Applicable	Applicable	Applicable only for current tax related provisions (Refer note 2(B)(vi))
AS 23	Not Applicable (Refer note 2(D))	Not Applicable (Refer note 2(D))	Not Applicable (Refer note 2(D))
AS 24	Applicable	Not Applicable	Not Applicable
AS 25	Not Applicable (Refer note 2(D))	Not Applicable (Refer note 2(D))	Not Applicable (Refer note 2(D))
AS 26	Applicable	Applicable	Applicable with disclosures exemption
AS 27	Not Applicable (Refer notes 2(C) and 2(D))	Not Applicable (Refer notes 2(C) and 2(D))	Not Applicable (Refer notes 2(C) and 2(D))
AS 28	Applicable with disclosures exemption	Applicable with disclosures exemption	Not Applicable
AS 29	Applicable with disclosures exemption	Applicable with disclosures exemption	Applicable with disclosures exemption

(B) ***Accounting Standards in respect of which relaxations/exemptions from certain requirements have been given to Level II, Level III and Level IV Non-company entities:***

(i) Accounting Standard (AS) 10, Property, Plant and Equipment

Paragraph 87 relating to encouraged disclosures is not applicable to Level III and Level IV Non-company entities.

(ii) AS 11, The Effects of Changes in Foreign Exchange Rates (revised 2018)

Paragraph 44 relating to encouraged disclosures is not applicable to Level III and Level IV Non-company entities.

(iii) AS 13, Accounting for Investments

Paragraph 35(f) relating to disclosures is not applicable to Level IV Non-company entities.

(iv) Accounting Standard (AS) 15, Employee Benefits (revised 2005)

(1) Level II and Level III Non-company entities whose average number of persons employed during the year is 50 or more are exempted from the applicability of the following paragraphs:

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such entities should disclose actuarial assumptions as per paragraph 120(l) of the Standard; and

(d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits.

However, such entities should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard.

(2) Level II and Level III Non-company entities whose average number of persons employed during the year is less than 50 and Level IV Non-company entities irrespective of number of employees are exempted from the applicability of the following paragraphs:

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and

(d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the

accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.

(v) AS 19, Leases

(a) Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures are not applicable to Level II Non-company entities.

(b) Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); and 46 (b), (d) and (e) relating to disclosures are not applicable to Level III Non-company entities.

(c) Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e) relating to disclosures are not applicable to Level IV Non-company entities.

(vi) AS 22, Accounting for Taxes on Income

(a) Level IV Non-company entities shall apply the requirements of AS 22, Accounting for Taxes on Income, for Current tax defined in paragraph 4.4 of AS 22, with recognition as per paragraph 9, measurement as per paragraph 20 of AS 22, and presentation and disclosure as per paragraphs 27-28 of AS 22.

(b) Transitional requirements

On the first occasion when a Non-company entity gets classified as Level IV entity, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves.

(vii) AS 26, Intangible Assets

Paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures are not applicable to Level IV Non-company entities.

(viii) AS 28, Impairment of Assets

Level II and Level III Non-company entities are allowed to measure

the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if Level II or Level III Non-company entity chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity. Further, such an entity need not disclose the information required by paragraph 121(g) of the Standard.

(a) Also, paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures are not applicable to Level III Non-company entities.

(ix) AS 29, Provisions, Contingent Liabilities and Contingent Assets (revised 2016)

Paragraphs 66 and 67 relating to disclosures are not applicable to Level II, Level III and Level IV Non-company entities.

(C) In case of Level IV Non-company entities, generally there are no such transactions that are covered under AS 14, Accounting for Amalgamations, or jointly controlled operations or jointly controlled assets covered under AS 27, Financial Reporting of Interests in Joint Ventures. Therefore, these standards are not applicable to Level IV Non-company entities. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.

(D) AS 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements), and AS 25, Interim Financial Reporting, do not require a Non-company entity to present consolidated financial statements and interim financial report, respectively. Relevant AS is applicable only if a Non-company entity is required or elects to prepare and present consolidated financial statements or interim financial report.

(B) Criteria for classification of entities

Criteria for classification of companies under the Companies (Accounting Standards) Rules, 2021

Small and Medium-Sized Company (SMC) as defined in Clause 2(e) of the Companies (Accounting Standards) Rules, 2021:

(e) "Small and Medium Sized Company" (SMC) means, a company-

- (i) 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;
- (ii) which is not a bank, financial institution or an insurance company;
- (iii) whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;
- (iv) which does not have borrowings (including public deposits) in excess of fifty crore rupees at any time during the immediately preceding accounting year; and
- (v) which is not a holding or subsidiary company of a company which is not a small and medium-sized company.

Explanation: For the purposes of this clause , a company shall qualify as a Small and Medium Sized Company, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Non-SMCs

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

Instructions

A. General Instructions

1. SMCs shall follow the following instructions while complying with Accounting Standards under these Rules:-

1.1 the SMC which does not disclose certain information pursuant to the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an SMC and has complied with the Accounting Standards insofar as they are applicable to an SMC on the following lines:

"The Company is a Small and Medium Sized Company (SMC) as defined in the Companies (Accounting Standards) Rules, 2021 notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company."

1.2 Where a company, being an SMC, has 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 merely by reason of its having ceased to be an SMC. The fact that the company was an SMC in the previous period and it had availed of the exemptions or relaxations available to SMCs shall be disclosed in the notes to the financial statements.

1.3 If an SMC opts not to avail of the exemptions or relaxations available to an SMC in respect of any but not all of the Accounting Standards, it shall disclose the standard(s) in respect of which it has availed the exemption or relaxation.

1.4 If an SMC desires to disclose the information not required to be disclosed pursuant to the exemptions or relaxations available to the SMCs, it shall disclose that information in compliance with the relevant accounting standard.

1.5 The SMC may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard:

Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead any person or public.

B. Other Instructions

Rule 5 of the Companies (Accounting Standards) Rules, 2021, provides as below:

"5. Qualification for exemption or relaxation in respect of SMC. - An existing company, which was previously not a Small and Medium Sized Company (SMC) and subsequently becomes a SMC, shall not be qualified for exemption or relaxation in respect of Accounting Standards available to a SMC until the company remains a SMC for two consecutive accounting periods."

Criteria for classification of Non-company Entities as decided by the Institute of Chartered Accountants of India

Level I Entities

Non-company entities which fall in any one or more of the following categories, at the end of the relevant accounting period, are classified as Level I entities:

(i) Entities whose securities are listed or are in the process of listing on any stock exchange, whether in India or outside India[4].

(ii) Banks (including co-operative banks), financial institutions or entities carrying on insurance business.

(iii) All entities engaged in commercial, industrial or business activities, whose turnover[5] (excluding other income) exceeds rupees two-fifty crore in the immediately preceding accounting year.

(iv) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees fifty crore at any time during the immediately preceding accounting year.

(v) Holding and subsidiary entities of any one of the above.

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[4] In case of NPOs, 'listed on stock exchange' shall be read as 'listed on social stock exchange'.

[5] In case of NPOs, 'turnover' shall be read as 'total income and contributions received in corpus fund'.

Level II Entities

Non-company entities which are not Level I entities but fall in any one or more of the following categories are classified as Level II entities:

(i) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees fifty crore but does not exceed rupees two-fifty crore in the immediately preceding accounting year.

(ii) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees ten crore but not in excess of rupees fifty crore at any time during the immediately preceding accounting year.

(iii) Holding and subsidiary entities of any one of the above.

Level III Entities

Non-company entities which are not covered under Level I and Level II but fall in any one or more of the following categories are classified as Level III entities:

(i) All entities engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees ten crore but does not exceed rupees fifty crore in the immediately preceding accounting year.

(ii) All entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crore but does not exceed rupees ten crore at any time during the immediately preceding accounting year.

(iii) Holding and subsidiary entities of any one of the above.

Level IV Entities

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

Additional requirements

(1) 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.

(2) 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 merely by reason of its having ceased to be covered in Level II or Level III or Level IV, as the case may be. 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.

(3) 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.

(4) If an entity covered in Level II or Level III or Level IV opts not to avail of the exemptions or relaxations available to that Level of entities in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

(5) If an entity covered in Level II or Level III or Level IV opts not to avail any one or more of the exemptions or relaxations available to that Level of entities, it shall comply with the relevant requirements of the Accounting Standard.

(6) An entity covered in Level II or Level III or Level IV may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard:

Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead any person or public.

(7) In respect of Accounting Standard (AS) 15, *Employee Benefits*, exemptions/ relaxations are available to Level II and Level III entities, under two sub-classifications, viz., (i) entities whose average number of persons employed during the year is 50 or more, and (ii) entities whose average number of persons employed during the year is less than 50. The requirements stated in paragraphs (1) to (6) above, mutatis mutandis, apply to these sub-classifications.

Appendix II
Illustrative Formats of Financial Statements of NPOs

Name of the NPO ....

Balance Sheet as at ....

(Amount in Rs. XX)

	Particulars	**Note No**	**31 March 20XX**	**31 March 20XX**
I	**Sources of Funds**			
1.	**NPO' Funds**	3		
(a)	Unrestricted Funds		-	-
(b)	Restricted Funds		-	-
			-	-
2.	**Non-current liabilities**			
(a)	Long-Term borrowings	4	-	-
(b)	Other Long-Term liabilities	5	-	-
(c)	Long-Term provisions	6	-	-
			-	-
3.	**Current liabilities**			
(a)	Borrowings	4	-	-
(b)	Payables	7	-	-
(c)	Other current liabilities	8	-	-
(d)	Short-term provisions	6	-	-
	Total		-	-
II	**Application of Funds**			
1.	**Non-current assets**			
(a)	Property, Plant and Equipment and Intangible assets	9		
(i)	Property, Plant and Equipment		-	-
(ii)	Intangible assets		-	-
(iii)	Capital work in progress		-	-

(iv)	Intangible asset under development		-	-
(b)	Non-current investments	10	-	-
(c)	Long-Term Loans and Advances	11	-	-
(d)	Other Long-Term assets (specify nature)	12	-	-
			-	-
2.	**Current assets**			
(a)	Current investments	10	-	-
(b)	Inventories		-	-
(c)	Receivables	13	-	-
(d)	Cash and bank balances	14	-	-
(e)	Short Term Loans and Advances	11	-	-
(f)	Other current assets	15	-	-
	Total		**-**	**-**
	Brief about the Entity	1		
	Summary of significant accounting policies	2		
	The accompanying notes are an integral part of the financial statements			

Name of the NPO ………………………………………
Income and Expenditure Account for the year ended ………………………

(Amount in Rs.)

	Particulars	**Note**	**31 March 20XX**			**31 March 20XX**		
			Unrestricted funds	**Restricted funds**	**Total**	**Unrestricted funds**	**Restricted funds**	**Total**
I	**Income**							
(a)	Donations and Grants		-	-	-	-	-	-
(b)	Fees from rendering of Services		-	-	-	-	-	-
(c)	Sale of Goods		-	-	-	-	-	-
II	**Other Income**	16	-	-	-	-	-	-
III	**Total Income (I+II)**		-	-	-	-	-	-
IV	**Expenses:**							
(a)	Material consumed/ distributed	17	-	-	-	-	-	-
(b)	Donations/ contributions Paid		-	-	-	-	-	-
(c)	Employee benefits expense	18	-	-	-	-	-	-
(d)	Depreciation and amortization expense	19	-	-	-	-	-	-
(e)	Finance costs	20	-	-	-	-	-	-
(f)	Other expenses - Religion/charitable expenses - Other Expenses (specify nature)	21	-	-	-	-	-	-
	Total expenses		**-**	**-**	**-**	**-**	**-**	**-**
V	**Excess of Income and**		-	-	-	-	-	-

	Particulars	Note	31 March 20XX			31 March 20XX		
	Expenditure for the year before exceptional and extraordinary items (III-IV)							
VI	Exceptional items (specify nature and provide note/delete if none)		-	-	-	-	-	-
VII	**Excess of Income over Expenditure for the year before extraordinary items (V-VI)**		-	-	-	-	-	-
VIII	Extraordinary items (specify nature and provide note/delete if none)		-	-	-	-	-	-
IX	**Excess of Income over Expenditure for the year (VII-VIII)**		-	-	-	-	-	-
	Appropriations							
	Transfer to funds, e.g., Building fund		-	-	-	-	-	-
	Transfer from funds		-	-	-	-	-	-
	Balance transferred to General Fund		-	-	-	-	-	-
	The accompanying notes are an integral part of the financial statements							

Name of the Entity

Notes forming part of the Financial Statements for the year ended 31st March , 20XX

Sr. No.	Particulars		As at 1st April 20XX (Opening Balance)	Funds transferred/received during the year	Funds Utilised during the year	As at 31st March 20XX (Closing Balance)
(A)	**Unrestricted Funds**					
1	Corpus Funds	-	-	-	-	-
2	General Funds	-	-	-	-	-
3	Designated Funds	-	-	-	-	-
(B)	**Restricted Funds**					-
	Total		**-**	**-**	**-**	**-**
Previous Year (PY)			**-**	**-**	**-**	**-**

(Amount in Rs.)

4	Borrowings	Long-Term		Short-Term	
		31 March 20XX	31 March 20XX	31 March 20XX	31 March 20XX
	Secured				
(a)	**Term loans**				
	from banks	-	-	-	-
	from other parties	-	-	-	-
(b)	**Loans repayable on demand**				
	from banks	NA	NA	-	-
	from other parties	NA	NA	-	-
(c)	Deferred payment liabilities	-	-	-	-
(d)	Loans and advances from related parties	-	-	-	-
(e)	Long-Term/current maturities of finance lease obligation	-	-	-	-
(f)	Other loans advances (specify nature)	-	-	-	-
	Total (A)	-	-	-	-
	Unsecured				
(a)	**Term loans**				
	from banks	-	-	-	-
	from other parties	-	-	-	-
(b)	**Loans repayable on demand**				
	from banks	NA	NA	-	-
	from other parties	NA	NA	-	-

(c)	Deferred payment liabilities	-	-	-	-
(d)	Loans and advances from related parties	-	-	-	-
(e)	Long-Term/current maturities of finance lease obligation	-	-	-	-
(f)	Other loans advances (specify nature)	-	-	-	-
	Total (B)	-	-	-	-
	Total (A) + (B)	-	-	-	-
	Footnote:				
(i)	Nature of the Security to be specified separately.				
(ii)	Terms of repayment of terms loans and other loans may be stated.				
(iii)	Where loans guaranteed by partners/proprietors/owners aggregate of such amount under each head may be disclosed.				

(Amount in Rs.)

5	Other Long -Term liabilities	31March 20XX	31March 20XX
	Advance from customers	-	-
	Others (please specify)	-	-
	Total Other Long-Term liabilities	-	-

(Amount in Rs.)

6	Provisions	Long-Term		Short-Term	
		31March 20XX	31March 20XX	31March 20XX	31March 20XX
(a)	**Provision for employee benefits**				
	Provision for gratuity	-	-	-	-
	Provision for leave	-	-	-	-

	Encashment				
(b)	**Other provisions**	-	-	-	-
	(Please Specify - eg/- Provision for warranties / Provision for Sales Return)	-	-	-	-
	Other (specify nature))	-	-	-	-
	Total Provisions	-	-	-	-

(Amount in Rs.)

7	**Payables**	**31March 20XX**	**31March 20XX**
(a)	Total outstanding dues of micro, small and medium enterprises	-	-
(b)	Total outstanding dues of creditors other than micro, small and medium enterprises	-	-
	Total payables	-	-
	Disclosure relating to suppliers registered under MSMED Act based on the information available with the entity Company:		
	Particulars	**31March 20XX**	**31March 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.	-	-

(Amount in Rs.)

8	**Other current liabilities**	**31 March 20XX**	**31 March 20XX**
(a)	Current maturities of finance lease obligations	-	-
(b)	Interest accrued but not due on borrowings	-	-
(c)	Interest accrued and due on borrowings	-	-
(d)	Income received in advance	-	-
(e)	Unearned revenue	-	-
(f)	Goods and Service tax payable	-	-
(g)	TDS payable	-	-
(h)	Other payables (specify nature)	-	-
	Total Other current liabilities	**-**	**-**

9 Property, Plant and Equipment and Intangible Assets (owned assets)

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								

(Amount in Rs.)

Particulars /Assets	INTANGIBLE ASSETS					
	Goodwill	Computer Software	Copyrights/patents	License 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 lease to be separately specified under each class of asset.

Capital Work in Progress	31 March 20XX	31 March 20XX		**Intangible assets under development**	31 March 20XX	31 March 20XX
Opening Balance	-	-		Opening Balance	-	-
Add: Additions during the year	-	-		Add: Additions during the year	-	-
Less: Capitalized during the year	-	-		Less: Capitalized during the year	-	-
Closing Balance (B)	-	-		Closing Balance (B)	-	-

(Amount in Rs.)

10	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/ Shares	Book Value		Numbers/ Units/ Shares	Book Value
	Trade Investments -Quoted						
(a)	Investments in Other Entities			-			-
	Less: Provision for diminution in value of investments			-			-
(b)	Investments in partnership firm (Refer footnote 1)			-			-
	Other Investments						
(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			-			-
	Trade Investments – Unquoted						
(a)	Investments in Other Entities			-			-

	Less: Provision for diminution in value of investments			-		-
(b)	Investments in partnership firm (Refer footnote 1)			-		-
	Other Investments					
(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			-		-
	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	**31 March 20XX**			**31 March 20XX**	
	Name of partner with % share in profits of such firm					
	ABC			-		-
	XYZ			-		-
	Mr. A			-		-

	Total capital of the firm (Amount in Rs.)			-			-
	Current Investments		As at 31 March 20XX			As at 31 March 20XX	
		Face Value	Numbers/ Units/ Shares	Book Value		Numbers/ Units/ Shares	Book Value
	Trade (valued at lower of cost or market value) - Quoted						
(a)	Current maturities of Long-Term investments			-			-
(b)	Investments in equity instruments			-			-
(c)	Investments in preference shares			-			-
(d)	Investments in government or trust securities			-			-
(e)	Investments in debentures or bonds			-			-
(f)	Investments in mutual funds			-			-
(g)	Other Short-term investments (specify nature)			-			-
	Net current investments			**-**			**-**
	Trade (valued at lower of cost or market value) – Unquoted						
(a)	Current maturities of Long-Term investments			-			-
(b)	Investments in equity instruments			-			-
(c)	Investments in preference shares			-			-
(d)	Investments in government or trust securities			-			-
(e)	Investments in debentures or bonds			-			-

(f)	Investments in mutual funds			-			-
(g)	Other Short-term investments (specify nature)			-			-
	Net current investments			**-**			**-**
	Grand Total			-			-
	Aggregate value of quoted investments and market value thereof			-			-
	Aggregate value of quoted investments			-			-
	Aggregate Provision for diminution in value of investments			-			-

(Amount in Rs.)

11 **A**	**Loans and advances (Secured)**	**Long-Term**			**Short-Term**	
		31 March 20XX	**31 Marc h 20XX**		**31 Marc h 20XX**	**31 Marc h 20XX**
(a)	**Capital advances**					
	Considered good	-	-		-	-
	Doubtful	-	-		-	-
	Less: Provision for doubtful advances	-	-		-	-
	(a)	**-**	**-**		**-**	**-**
(b)	Loans advances to partners or relative of partners	-	-		-	-
(c)	Other loans and advances (specify nature)	-	-		-	-
	Prepaid expenses	-	-		-	-

		-	-	-	-
	CENVAT credit receivable VAT credit receivable Service tax credit receivable GST input credit receivable Security Deposits Balance with government authorities				
	(b)	**-**	**-**	**-**	**-**
	Total (a)+(b) (A)	**-**	**-**	**-**	**-**
		Long-Term		**Short-Term**	
B	**Loans and advances (Unsecured)**	**31 March 20XX**	**31 March 20XX**	**31 March 20XX**	**31 March 20XX**
(a)	**Capital advances**				
	Considered good	-	-	-	-
	Doubtful	-	-	-	-
	Less: Provision for doubtful advances	-	-	-	-
	(a)	**-**	**-**	**-**	**-**
(b)	Loans advances to partners or relative of partners	-	-	-	-
(c)	Other loans and advances (specify nature)	-	-	-	-
	Prepaid expenses	-	-	-	-
		-	-	-	-
	CENVAT credit receivable VAT credit receivable				

	Service tax credit receivable GST input credit receivable Security Deposits Balance with government authorities				
	(b)	**-**	**-**	**-**	**-**
	Total (a)+(b) (B)	**-**	**-**	**-**	**-**
	Total (A + B)	**-**	**-**	**-**	**-**

(Amount in Rs.)

12	**Other Long-Term assets**	**31 March 20XX**	**31 March 20XX**
(a)	Security Deposits	-	-
(b)	Prepaid expenses	-	-
(c)	Others (Specify nature)	-	-
	Total other non-current other assets	**-**	**-**

(Amount in Rs.)

13	**Receivables**	**31 March 20XX**	**31 March 20XX**
(a)	Donations/grants receivable	-	-
(b)	Others (specify nature)	-	-
	Outstanding for a period exceeding 6 months from the date they are due for receipt	-	-
(a)	Secured Considered good		
(b)	Unsecured considered good	-	-
(c)	Doubtful	-	-
	Less: Provision for doubtful receivables	-	-
	Total	**-**	**-**

(Amount in Rs.)

14	Cash and Bank Balances	31 March 20XX	31 March 20XX
A	**Cash and cash equivalents**		
(a)	On current accounts	-	-
(b)	Cash credit account (Debit balance)	-	-
(c)	**Fixed Deposits**		
	Deposits with original maturity of less than three months	-	-
(d)	Cheques, drafts on hand	-	-
(e)	Cash on hand	-	-
	Total (I)	-	-
B	**Other bank balances**		
(a)	Bank Deposits	-	-
(i)	Earmarked Bank Deposits		
(ii)	Deposits with original maturity for more than 3 months but less than 12 months from reporting date	-	-
(iii)	Margin money or deposits under lien	-	-
(iv)	Others (specify nature)	-	-
		-	
	Total other bank balances (II)	-	-
	Total Cash and bank balances (I+II)	-	-
		-	-

(Amount in Rs.)

15	Other current assets	31 March 20XX	31 March 20XX
	(Specify nature)		

	(This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories)		
(a)	Interest accrued but not due on deposits	-	-
(b)	Interest accrued and due on deposits	-	-
	Total	**-**	**-**

(Amount in Rs.)

16	**Other income**	**31 March 20XX**	**31 March 20XX**
(a)	Interest income	-	-
(b)	Dividend income	-	-
(c)	Net gain on sale of investments	-	-
(d)	Other non-operating income (Please specify)		
	Total other income	**-**	**-**

(Amount in Rs.)

17	**Cost of goods sold (Delete whatever is not applicable)**	**31 March 20XX**	**31 March 20XX**
(A)	**Materials consumed/distributed**		
	Raw material consumed/distributed		
(i)	Inventory at the beginning of the year	-	-
(ii)	Add: Purchases during the year	-	-
(iii)	Less: Inventory at the end of the year	-	-
	Cost of raw material consumed/distributed (I)	**-**	**-**
	Other materials (purchased intermediates and components)		
(i)	Inventory at the beginning of the year	-	-
(ii)	Add: Purchases during the year	-	-
(iii)	Less: Inventory at the end of the year	-	-
	Cost of other material consumed /distributed (II)	**-**	**-**

	Total raw material consumed/distributed (A)	**-**	**-**
	(I+II)		
B	**Purchases of stock-in-trade**	**31 March 20XX**	**31 March 20XX**
(i)	…	-	-
(ii)	…	-	-
(iii)	…	-	-
	Total (B)	**-**	**-**
C	**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:		
(i)	Stock-in-trade	-	-
(ii)	Work in progress	-	-
(iii)	Finished goods	-	-
	(I)	**-**	**-**
	Inventories at the end of the year:		
(i)	Stock-in-trade	-	-
(ii)	Work in progress	-	-
(iii)	Finished goods	-	-
	(II)	**-**	**-**
	(Increase)/decrease in inventories of finished goods, work-in-progress and stock-in-trade (C)	**-**	**-**
	Total (A+B+C)	**-**	**-**

(Amount in Rs.)

18	**Employee benefits expense (Including contract labour)**	**31 March 20XX**	**31 March 20XX**
(a)	Salaries, wages, bonus and other allowances	-	-

(b)	Contribution to provident and other funds	-	-
(c)	Gratuity expenses	-	-
(d)	Staff welfare expenses	-	-
	Total Employee benefits expense	**-**	**-**

(Amount in Rs.)

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

(Amount in Rs.)

20	**Depreciation and amortization expense**	**31 March 20XX**	**31 March 20XX**
(a)	on tangible assets (Refer note 11)		
(b)	on intangible assets (Refer note 11)		
	Total Depreciation and amortization expense	**-**	**-**

(Amount in Rs.)

21	**Other Expenses**	**31 March 20XX**	**31 March 20XX**
(A)	Religious/charitable		
(B)	Other Expenses	-	-
(a)	Consumption of stores and spare parts		
(b)	Power and fuel	-	-
(c)	Rent		
(d)	Repairs and maintenance - Buildings	-	-

(e)	Repairs and maintenance - Machinery	-	-
(f)	Insurance	-	-
(g)	Rent, Rates and taxes	-	-
(h)	Labour charges	-	-
(i)	Travelling expenses	-	-
(j)	Auditor's remuneration	-	-
(k)	Printing and stationery	-	-
(l)	Communication expenses	-	-
(m)	Legal and professional charges	-	-
(n)	Advertisement and publicity	-	-
(p)	Commission	-	-
(q)	Clearing and forwarding charges		
(r)	Loss on sale of Property, Plant and Equipment	-	-
(s)	Loss on foreign exchange transactions (net)	-	-
(t)	Loss on cancellation of forward contracts	-	-
(u)	Loss on sale of investments (net)	-	-
(v)	Provision for diminution in value of investments	-	-
(w)	Provision for doubtful debts	-	-
(x)	Miscellaneous expenses	-	-
	Total	-	-