

Compendium of Accounting Standards

(Accounting Standards as on July 1, 2019)



**The Institute of Chartered Accountants of India
New Delhi**

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E-mail : asb@icai.in

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Foreword

Accounting Standards are a set of documents that lay down the principles covering various aspects, such as, recognition, measurement, treatment, presentation & disclosure of accounting transaction in the financial statements. Objective of accounting standard is to standardize the diverse accounting policies & practices with a view to eliminate the non-comparability of financial statements to the extent possible and also to enhance the reliability to the financial statements. Accounting standards play a very significant role in enabling the stakeholders to get the reliable and comparable accounting data and investors to make more informed economic decisions.

The ICAI through its Accounting Standards Board (the Board) has been relentlessly working to ensure that the world's fastest growing emerging economy of India is equipped with high quality Accounting Standards comparable to the best in the world. The ICAI also issued Accounting Standards which are applicable to the entities other than companies and are aligned with Accounting Standards notified by the MCA with certain differences.

The ICAI has been publishing the Compendium of Accounting Standards to make available all the updated Accounting Standards and other related pronouncements at one place and regularly updates the Compendium in the interest of prepares, auditors of financial statements and other concerned. I am happy to state that continuing this practice, the Board has updated the existing *Compendium of Accounting Standards* to include the amendments in Accounting Standard issued by Ministry of Corporate Affairs vide notification of Companies (Accounting Standards) Amendments Rules, 2018. This updated edition of Compendium contains all Accounting Standards applicable as on July 1, 2019.

I would like to congratulate CA. M.P. Vijay Kumar, Chairman, Accounting Standards Board, CA., Sanjeev Singhal, Vice-Chairman, Accounting

Standards Board and other members of the Board for their contributions towards various activities of the Board and coming out with this Compendium.

I believe that this edition of the Compendium would be of great help to the accounting professionals and other stakeholders in preparation of financial statements.

New Delhi
June 27, 2019

CA. Prafulla P. Chhajer
President

Preface

A set of financial statements are a key tool of communication about the financial position, performance and changes in financial position of an entity that is useful to a wide range of stakeholders in making economic decisions. Accounting Standards is an essential building block in the economics financial reporting world. These Accounting Standards provide principles and rules that must be followed to ensure accuracy, consistency and comparability of financial statements. These accounting guidelines also ensure that financial statements should be understandable, relevant, reliable and comparable.

The Accounting Standards Board (ASB or the Board) of the Institute of Chartered Accountants of India (The ICAI), since its establishment way back in 1977, has been involved in the formulation of Accounting Standard and standard setting process of the country. The Board in its endeavours to established well versed Accounting Standards in India has accomplished various goals in Accounting Standards, viz.-a-viz., formulation of Indian Accounting Standards and Accounting Standards, reviewing and revising the standards in accordance with changing situation and providing interpretations/guidance on accounting standards.

The Board publishes regularly Compendium of Accounting Standards which includes Accounting Standards applicable as on date and related pronouncements/announcements on Accounting Standards issued by ICAI. Keeping in view the amendments taking place in the Accounting Standards, it become persistent to update the Compendium of Accounting Standards, which incorporates all the relevant developments that have taken place since the publication of the last edition of the Compendium. As compared to the last edition of the Compendium in 2017, this edition incorporates limited amendment to AS 11, *The Effects of Changes in Foreign Exchange Rates*, notified by Companies (Accounting Standards) Amendment Rules, 2018, vide notification dated 18th June, 2018.

This Compendium is relevant for all companies, other than the companies following Ind AS, and also to non-corporate entities for the purpose of preparation and presentation of good quality financial statements.

I would like to take this opportunity to thank Honourable President CA. Prafull P. Chhajed for the guidance in efficient and effective functioning of the Board. I am thankful to Vice-President, CA. Atul Gupta for his consistent guidance and CA. Sanjeev Singhal, Vice- Chairman of the Board, for his active contribution and support in all of the Board activities. I am also thankful for the support and contributions of various Regulators. I also appreciate the endeavours of all the members of the Board for their contribution in the functioning of the Board especially in formulation/revision of Ind AS and AS.

I wish to place on record my appreciation to Secretarial team of Accounting Standards Board for their continuous efforts and support for carrying out the activities of Board. I would like to thank CA. Vidhyadhar Kulkarni, Secretary, ASB, CA. Parminder Kaur, Deputy Secretary and CA. Sonia Minocha, Assistant Secretary for the compilation of this Compendium of Accounting Standards.

I am confident that like earlier edition, this edition of the Compendium would also be extremely useful to all concerned.

New Delhi
June 24, 2019

CA. M. P. Vijay Kumar
Chairman, Accounting Standards Board

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ANNOUNCEMENTS OF THE COUNCIL REGARDING STATUS OF VARIOUS DOCUMENTS ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

I. Clarification regarding Authority Attached to Documents Issued by the Institute¹

1. The Institute has, from time to time, issued ‘Guidance Notes’ and ‘Statements’ on a number of matters. With the formation of the Accounting Standards Board and the Auditing Practices Committee², ‘Accounting Standards’ and ‘Statements on Standard Auditing Practices’³ are also being issued.

¹ Published in the December, 1985 issue of the ‘The Chartered Accountant’.

² The Auditing Practices Committee of the Institute of Chartered Accountants of India was established in 1982 with, *inter alia*, the objectives of preparing the Statements on Standard Auditing Practices (SAPs), Guidance Notes on matters related to auditing, etc. At its 226th meeting held on July 2, 2002 at New Delhi, the Council of the Institute of Chartered Accountants of India approved the recommendations of the Auditing Practices Committee to strengthen the role being played by it in the growth and development of the profession of chartered accountancy in India. The Council also approved renaming of the Committee as, “Auditing and Assurance Standards Board” (AASB) with immediate effect to better reflect the activities being undertaken by the Committee. Apart from changes designed to strengthen the process for establishing auditing and assurance standards, such a move would bring about greater transparency in the working of the Auditing Practices Committee now known as the Auditing and Assurance Standards Board (AASB).

The Council also approved the renaming of the Statements on Standard Auditing Practices (SAPs) as, “Auditing and Assurance Standards” (AASs). The ICAI in 2007 issued the ‘Revised Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services’. Pursuant to issuance of Revised Preface, the ‘Auditing and Assurance Standards’ (AAS) have been renamed as ‘Engagement and Quality Control Standards’. The Engagement Standards comprise:

- Standards on Auditing (SAs) – To be applied in the audit of historical financial information.
- Standards on Review Engagements (SREs) – To be applied in the review of historical financial information.
- Standards on Assurance Engagements (SAEs) – To be applied in assurance engagements, other than audits and reviews of historical financial information.
- Standards on Related Services (SRSs) – To be applied to engagements involving application of agreed-upon procedures to information, compilation engagements, and other related services engagements, as may be specified by the ICAI.

³ *ibid.*

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2. Members have sought guidance regarding the level of authority attached to the various documents issued by the Institute and the degree of compliance required in respect thereof. This note is being issued to provide this guidance.

3. The ‘Statements’ have been issued with a view to securing compliance by members on matters which, in the opinion of the Council, are critical for the proper discharge of their functions. ‘Statements’ therefore are mandatory. Accordingly, while discharging their attest function, it will be the duty of the members of the Institute :-

- (a) to examine whether ‘Statements’ relating to accounting matters are complied with in the presentation of financial statements covered by their audit. In the event of any deviation from the ‘Statements’, 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 deviations; and
- (b) to ensure that the ‘Statements’ relating to auditing matters are followed in the audit of financial information covered by their audit reports. If, for any reason, a member has not been able to perform an audit in accordance with such ‘Statements’, his report should draw attention to the material departures therefrom.

4. A list of ‘Statements’ issued by the Institute and currently in force is given at the end of this note.⁴

5. ‘Guidance Notes’ are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a guidance note

⁴ Subsequent to the issuance of this ‘Clarification’, various other pronouncements of the Institute have been made mandatory, while some others have been withdrawn. For details of these and other developments, see the Announcements published hereafter and Appendix 1 to this Compendium ‘Applicability of Accounting Standards to Various Entities’. With regard to Statements on auditing, ‘Handbook of Auditing Pronouncements’ issued by the Institute may be referred. It may also be noted that besides statements on accounting and auditing, the Institute has issued statements on other aspects also, namely, Statement on Peer Review and Statement on Continuing Professional Education.

relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.

6. There are however a few guidance notes in case of which the Council has specifically stated that they should be considered as mandatory on members while discharging their attest function. A list of these guidance notes is given below:–

- (i) Guidance Note on Treatment of Interest on Deferred Payments read along with the pronouncement of the Council, published in ‘The Chartered Accountant’, March 1984.⁵
- (ii) Provision for Depreciation in respect of Extra or Multiple Shift Allowance, published in ‘The Chartered Accountant’, May 1984.⁶

7. The ‘Accounting Standards’ and ‘Statements on Standard Auditing Practices’⁷ issued by the Accounting Standards Board and the Auditing

⁵ The nomenclature of this document was changed by the Council of the Institute at its 133rd meeting held in April, 1988. The new nomenclature was ‘Statement on Treatment of Interest on Deferred Payments’. In view of para 8 of this ‘Clarification’, with Accounting Standard (AS) 10 on ‘Accounting for Fixed Assets’, becoming mandatory (see Announcement II) in respect of accounts for periods commencing on or after 1.4.1991, the ‘Statement on Treatment of Interest on Deferred Payments’ stands automatically withdrawn except in the case of certain specified non-corporate entities where it stands withdrawn in respect of accounts for periods commencing on or after 1.4.1993 (see Announcements III, V and VI in this regard). It may be noted that pursuant to the issuance of Accounting Standard (AS) 16 on ‘Borrowing Costs’, which came into effect in respect of accounting periods commencing on or after 1-4-2000, paragraph 9.2 and paragraph 20 (except the first sentence) of AS 10, relating to treatment of finance costs including interest, stand withdrawn from that date. Subsequently, AS 10 has been revised.

⁶The nomenclature of this document was changed by the Council of the Institute at its 133rd meeting held in April, 1988. The new nomenclature was ‘Statement on Provision for Depreciation in respect of Extra or Multiple Shift Allowance’. This statement has been withdrawn in respect of accounting periods commencing on or after 1.4.1989, as per the Guidance Note on Accounting for Depreciation in Companies, issued in pursuance of amendments in the Companies Act, 1956, through Companies (Amendment) Act, 1988. Subsequently, in view of the requirements of Companies Act, 2013, Guidance Note on Accounting for Depreciation has been withdrawn by the Council at its 347th meeting held in October, 2015.

⁷ Refer footnote 2. ‘Statements on Standard Auditing Practices’ have been renamed as ‘Engagement and Quality Control Standards.’