

Effective date for implementation of NFRS, NFRS for SMEs, NAS for MEs, NAS for NPOs, NSAs and the NSA for LCE

Background

The Institute of Chartered Accountants of Nepal (ICAN) has been steadfast in its commitment to enhancing the quality of accounting services and strengthening the credibility of the accounting profession within the country. In pursuit of this mission, and to foster uniformity within the profession for its continuous relevance, ICAN has introduced a range of standards to guide accounting and auditing practices. The effective dates of these standards are outlined below for ease of reference which are categorized into three distinct sections.

Section 1

Nepal Financial Reporting Standards (NFRS 2024)

| S.N | NFRS | Name of Standards | Effective Date | Effective FY |
|-----|---------|--|---------------------------------|--------------|
| | | The Conceptual Framework for Financial Reporting | 1 st Shrawan 2082 | 2082/83 |
| 1 | NFRS 1 | First-time Adoption of Nepal Financial Reporting Standards | | |
| 2 | NFRS 2 | Share-based Payment | | |
| 3 | NFRS 3 | Business Combinations | | |
| 4 | NFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | |
| 5 | NFRS 6 | Exploration for and Evaluation of Mineral Resources | | |
| 6 | NFRS 7 | Financial Instruments: Disclosures | | |
| 7 | NFRS 8 | Operating Segments | | |
| 8 | NFRS 9 | Financial Instruments | | |
| 9 | NFRS 10 | Consolidated Financial Statements | | |
| 10 | NFRS 11 | Joint Arrangements | | |
| 11 | NFRS 12 | Disclosure of Interests in Other Entities | | |
| 12 | NFRS 13 | Fair Value Measurement | | |
| 13 | NFRS 14 | Regulatory Deferral Accounts | | |
| 14 | NFRS 15 | Revenue from Contracts with Customers | | |
| 15 | NFRS 16 | Leases | | |
| 16 | NFRS 17 | Insurance Contracts | | |
| 17 | NAS 1 | Presentation of Financial Statements | | |
| 18 | NAS 2 | Inventories | | |
| 19 | NAS 7 | Statement of Cash Flows | | |

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|----|--------|--|--|--|
| 20 | NAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | | |
| 21 | NAS 10 | Events after the Reporting Period | | |
| 22 | NAS 12 | Income Taxes | | |
| 23 | NAS 16 | Property, Plant and Equipment | | |
| 24 | NAS 19 | Employee Benefits | | |
| 25 | NAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | |
| 26 | NAS 21 | The Effects of Changes in Foreign Exchange Rates | | |
| 27 | NAS 23 | Borrowing Costs | | |
| 28 | NAS 24 | Related Party Disclosures | | |
| 29 | NAS 26 | Accounting and Reporting by Retirement Benefit Plans | | |
| 30 | NAS 27 | Separate Financial Statements | | |
| 31 | NAS 28 | Investments in Associates and Joint Ventures | | |
| 32 | NAS 29 | Financial Reporting in Hyperinflationary Economies | | |
| 33 | NAS 32 | Financial Instruments: Presentation | | |
| 34 | NAS 33 | Earnings per Share | | |
| 35 | NAS 34 | Interim Financial Reporting | | |
| 36 | NAS 36 | Impairment of Assets | | |
| 37 | NAS 37 | Provisions, Contingent Liabilities and Contingent Assets | | |
| 38 | NAS 38 | Intangible Assets | | |
| 39 | NAS 39 | Financial Instruments: Recognition and Measurement | | |
| 40 | NAS 40 | Investment Property | | |
| 41 | NAS 41 | Agriculture | | |

| S.N | IFRIC | Name of IFRIC | Effective Date | Effective FY |
|-----|----------|---|---------------------------------|--------------|
| 1 | IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 st Shrawan 2082 | 2082/83 |
| 2 | IFRIC 2 | Members' Shares in Co-operative Entities and Similar Instruments | | |
| 3 | IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | |
| 4 | IFRIC 6 | Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment | | |
| 5 | IFRIC 7 | Applying the Restatement Approach under NAS 29 Financial Reporting in Hyperinflationary Economies | | |
| 6 | IFRIC 10 | Interim Financial Reporting and Impairment | | |
| 7 | IFRIC 12 | Service Concession Arrangements | | |

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|----|----------|---|--|--|
| 8 | IFRIC 14 | IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | |
| 9 | IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | |
| 10 | IFRIC 17 | Distributions of Non-cash Assets to Owners | | |
| 11 | IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | |
| 12 | IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | |
| 13 | IFRIC 21 | Levies | | |
| 14 | IFRIC 22 | Foreign Currency Transactions and Advance Consideration | | |
| 15 | IFRIC 23 | Uncertainty over Income Tax Treatments | | |

| S.N | SIC | Name of SIC | Effective Date | Effective FY |
|-----|--------|---|---------------------------------|--------------|
| 1 | SIC-7 | Introduction of the Euro | 1 st Shrawan 2082 | 2082/83 |
| 2 | SIC-10 | Government Assistance—No Specific Relation to Operating Activities | | |
| 3 | SIC-25 | Income Taxes—Changes in the Tax Status of an Entity or its Shareholders | | |
| 4 | SIC-29 | Service Concession Arrangements: Disclosures | | |
| 5 | SIC-32 | Intangible Assets—Web Site Costs | | |

Section 2

NFRS for SMEs 2017, NAS for MEs 2018 and NAS for NPOs 2018

| S.No. | Applicable Standards | Original Effective Date | Revised Effective Date | Revised Effective F.Y. |
|--------------|-----------------------------|--------------------------------|-------------------------------|-------------------------------|
| 1 | NFRS for SMEs | 1 st Shrawan 2078 | 1 st Shrawan 2080* | 2080/81 |
| 2 | NAS for NPOs | | | |
| 3 | NAS for MEs | | 1 st Shrawan 2081 | 2081/82 |

***Exemptions availed in Applicability of the above standards**

| S.N | Applicable Standards | Conditions | Voluntary Compliance F.Y | Mandatory Compliance F.Y |
|------------|-----------------------------|---|---------------------------------|---------------------------------|
| 1. | NFRS for SMEs | Entities with Turnover (total assets/total liabilities or total income whichever is higher) of Rs 10 Crore to Rs 40 Crore | 2080/81 | 2081/82 |
| 2. | NAS for NPOs | Entities other than International Non-governmental Organizations(INGO) | 2080/81 | 2081/82 |

For financial reporting purpose, the entities can be classified as:

1. Those having public accountability: NFRS shall be applicable
2. Those NOT having public accountability: NFRS for SME shall be applicable
3. Those NOT having public accountability other than SMES:

Micro Entities- NAS for MEs

NPOs- NAS for NPOs

1. Entities having Public Accountability

- a. Whose debt or equity instruments are traded in public market or is in process of issuing such instruments (except listed Micro Finance not having economic significance)
- b. It holds assets in a fiduciary capacity for broad group of outsiders as one of its primary businesses:

- i. banks, credit unions, insurance companies, security dealers and mutual funds, investment banks (except Micro Finance and Cooperatives not having economic significance)
 - ii. Pension and retirement funds
- c. Government Business Enterprises (GBEs), Public entities established under special acts not preparing financial statements under NPSAS
- d. Entities having economic significance
 - i. Borrowings from banks or financial institutions or public funds or from entities holding assets in fiduciary capacity of NRs 500 million or more;
 - ii. Statement of Financial Position (Balance Sheet) total (without off-setting current liabilities with current assets) of NRS 1000 million or more;
 - iii. Employing more than 300 employees including workers in an average or
 - iv. Annual Turnover (Revenue of Entity) of NRS 1000 million or more;
 - v. Holding assets in fiduciary capacity in excess of NRs 500 million (includes security brokers handling demat account, micro finance and cooperatives),

An entity which attains at least 1 of these limits in 2 consecutive years shall be deemed to be an entity having economic significance to qualify as an entity with Public Accountability and once qualified, must fall below all of these limits for 2 consecutive years to cease to qualify.

2. Small and Medium Sized Entities

Small and Medium Sized Entities are those entities that:

- a. Do not have public accountability; and
- b. Publish general purpose financial statements for external users

3. Micro Entities:

Micro entities are those entities with the following thresholds (all):

- (i) Annual Turnover (Revenue of Entity) of NRs 100 million or less;
- (ii) Borrowings from banks or financial institutions or public funds or from entities holding assets in fiduciary capacity of NRS 50 million or less;
- (iii) Statement of Financial Position (Balance Sheet) total of NRs 100 million (without off-setting current liabilities in current assets) or less; and
- (iv) Holding assets in fiduciary capacity of NRS 50 million or less (includes security brokers handling demat account, micro finance and cooperatives).

An entity must meet all of these limits in 2 consecutive years to qualify as a micro- entity and once qualified, must exceed at least 1 of these limits for 2 consecutive years to cease to qualify.

Note: NFRS 2024, NFRS for SMEs 2017, NAS for NAS 2018 and NAS for NPOs 2018 can be viewed through the following link to the website of Accounting Standards Board, Nepal :

<https://asbnepal.gov.np/standards>

Section 3

Nepal Standards on Auditing 2024 (NSA 2024)

Standard-wise Proposed Dates for the Implementation of Nepal Standards on Auditing - 2024

Volume - I of the Handbook

| S. N. | NSA No | Standards | Effective for Audits of Financial Statement for the Periods Beginning on: | |
|--|-------------------|---|---|----------------------|
| | | | Voluntary Compliance | Mandatory Compliance |
| 1 | | Structure of Pronouncements Issued by the Auditing Standards Board | Not Applicable | Not Applicable |
| 2 | | Preface to the Nepal Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements | Not Applicable | Not Applicable |
| 3 | | Glossary of Terms | Not Applicable | Not Applicable |
| NEPAL STANDARDS ON QUALITY CONTROL | | | | |
| 4 | NSQC 1 | Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements (<i>Note: It will be repealed once NSQM - 1 & 2 become mandatory</i>) | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| AUDITS OF HISTORICAL FINANCIAL INFORMATION | | | | |
| 200-299 General Principles and Responsibilities | | | | |
| 5 | NSA 200 | Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Nepal Standards on Auditing | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 6 | NSA 210 | Agreeing the Terms of Audit Engagements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 7 | NSA 220 | Quality Control for an Audit of Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 8 | NSA 230 | Audit Documentation | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 9 | NSA 240 | The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 10 | NSA 250 (Revised) | Consideration of Laws and Regulations in an Audit of Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |

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|---|----------------------|--|-------------------|-------------------|
| 11 | NSA 260 (Revised) | Communication with Those Charged with Governance | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 12 | NSA 265 | Communicating Deficiencies in Internal Control to Those Charged with Governance and Management | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 300-499 Risk Assessment and Response to Assessed Risks | | | | |
| 13 | NSA 300 | Planning an Audit of Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 14 | NSA 315 (Revised) | Identifying and Assessing the Risks of Material Misstatement | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 15 | NSA 320 | Materiality in Planning and Performing an Audit | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 16 | NSA 330 | The Auditor's Responses to Assessed Risks | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 17 | NSA 402 | Audit Considerations Relating to an Entity Using a Service Organization | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 18 | NSA 450 | Evaluation of Misstatements Identified during the Audit | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 500-599 Audit Evidence | | | | |
| 19 | NSA 500 | Audit Evidence | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 20 | NSA 501 | Audit Evidence – Specific Considerations for Selected Items | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 21 | NSA 505 | External Confirmations | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 22 | NSA 510 | Initial Audit Engagements—Opening Balances | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 23 | NSA 520 | Analytical Procedures | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 24 | NSA 530 | Audit Sampling | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 25 | NSA 540 (Revised) | Auditing Accounting Estimates and Related Disclosures | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 26 | NSA 550 | Related Parties | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 27 | NSA 560 | Subsequent Events | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 28 | NSA 570 (Revised) | Going Concern | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 29 | NSA 580 | Written Representations | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 600-699 Using the Work of Others | | | | |
| 30 | NSA 600 | Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 31 | NSA 610 (Revised) | Using the work of Internal Auditors | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 32 | NSA 620 | Using the work of an Auditor's Expert | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 700-799 Audit Conclusions and Reporting | | | | |

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| 33 | NSA 700 (Revised) | Forming an Opinion and Reporting on Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 34 | NSA 701 | Communicating Key Audit Matters in the Independent Auditor's Report | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 35 | NSA 705 (Revised) | Modifications to the Opinion in the Independent Auditor's Report | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 36 | NSA 706 (Revised) | Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 37 | NSA 710 | Comparative Information – Corresponding Figures and Comparative Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 38 | NSA 720 (Revised) | The Auditor's Responsibilities Relating to Other Information | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 800-899 Specialized Areas | | | | |
| 39 | NSA 800 (Revised) | Special Considerations – Audit of Financial Statements Prepared in Accordance with Special Purpose Frameworks | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 40 | NSA 805 (Revised) | Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 41 | NSA 810 (Revised) | Engagements to Report on Summary Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |

**Standard-wise Proposed Dates for the Implementation of Nepal Standards on Auditing - 2
Volume - II of the Handbook**

| S. No. | NSA No | Standards | Effective for Audits of Financial Statement for the Periods Beginning on: | |
|---|---------------------|--|---|----------------------|
| | | | Voluntary Compliance | Mandatory Compliance |
| NEPAL AUDITING PRACTICE NOTES | | | | |
| 1 | NAPN 1000 | Special Considerations in Auditing Financial Instruments | Not Applicable | Not Applicable |
| AUDITS AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION | | | | |
| 2000-2699 Nepal Standards on Review Engagements | | | | |
| 2 | NSRE 2400 (Revised) | Engagements to Review Historical Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |

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|---|---------------------------|--|-------------------|-------------------|
| 3 | NSRE 2410 | Review of Interim Financial Information Performed by the Independent Auditor of the Entity | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION | | | | |
| 3000-3699 Nepal Standards on Assurance Engagements (NSAEs) | | | | |
| 3000-3399 Applicable to All Assurance Engagements | | | | |
| 4 | NSAE 3000 (Revised) | Assurance Engagements Other than Audits or Reviews of Historical Financial Information | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 3400-3699 Subject Specific Standards | | | | |
| 5 | NSAE 3400 | The Examination of Prospective Financial Information (Previously NSA 810) | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 6 | NSAE 3402 | Assurance Reports on Controls at a Service Organization | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 7 | NSAE 3410 | Assurance Engagements on Greenhouse Gas Statements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 8 | NSAE 3420 | Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| RELATED SERVICES | | | | |
| 4000-4699 Nepal Standards on Related Services (NSRS) | | | | |
| 9 | NSRS 4400 | Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (Previously NSA 920) | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| 10 | NSRS 4410 (Revised) | Compilation Engagements | 1st Shrawan, 2081 | 1st Shrawan, 2082 |
| AUDIT QUALITY | | | | |
| 11 | | A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality | Not Applicable | Not Applicable |
| ASSURANCE FRAMEWORK | | | | |
| 12 | | Amended Nepal Framework for Assurance Engagements | Not Applicable | Not Applicable |

Standard-wise Proposed Dates for the Implementation of Nepal Standards on Auditing - 2024

For Some New and Revised Standards (Included in Volume - I & II of the Handbook)

| S. N. | NSA No | Standards | Effective for Audits of Financial Statement for the Periods Beginning on: | |
|-------|---------------------|--|---|----------------------|
| | | | Voluntary Compliance | Mandatory Compliance |
| 1 | NSQM 1 | Quality Management for Firms That Perform Audit or Reviews of Financial Statements, or Other Assurance or Related Services Engagements | 1st Shrawan, 2081 | 1st Shrawan, 2083 |
| 2 | NSQM 2 | Engagement Quality Reviews | 1st Shrawan, 2081 | 1st Shrawan, 2083 |
| 3 | NSA 220 (Revised) | Quality Management for an Audit of Financial Statements | 1st Shrawan, 2081 | 1st Shrawan, 2083 |
| 4 | | Confirming Amendments to Nepal Standards on Auditing (NSA) and Related Material Arising from the Quality Management Standards | Not Applicable | Not Applicable |
| 5 | NSA 600 (Revised) | Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) | 1st Shrawan, 2081 | 1st Shrawan, 2083 |
| 6 | | Conforming and Consequential Amendments Arising from Proposed NSA 600 (Revised) | Not Applicable | Not Applicable |
| 7 | NSRS 4400 (Revised) | Agreed-upon Procedures Engagements | 1st Shrawan, 2081 | 1st Shrawan, 2083 |
| 8 | | Conforming and Consequential Amendments to the AuSB's Other Standards as a Result of the New and Revised Quality Management Standards | Not Applicable | Not Applicable |

Note: NSA 2024 can be viewed from following link to the website of Auditing Standards Board, Nepal :

<https://www.ausb.gov.np/shop/ebooks?group=2024>

Section 4

The Nepal Standards on Auditing for Audits of Financial Statements of Less Complex Entities (The NSA for LCE)

| S. N. | Applicable Standards | Effective for Audits of Financial Statement for the Periods Beginning on: | |
|-------|----------------------|---|----------------------|
| | | Voluntary Compliance | Mandatory Compliance |
| 1 | The NSA for LCE | 1st Shrawan, 2081 | 1st Shrawan, 2083 |

Note: The NSA for LCE can be viewed from following link to the website of Auditing Standards Board, Nepal:

https://www.ausb.gov.np/shop/ebooks?group=NSA_for_LCE