ACCOUNTING STANDARDS

for Non-company Entities

MSME Applicability & Relaxations

Framework based on ICAI Compendium of Accounting Standards (as on 1 April 2025)

Non-company Entities

MSME Focus

AS-wise Applicability

Prepared for professional / training use

MSME Classification for AS Applicability

Two practical categories for presentation — both remain MSMEs under the ICAI framework

MSME – GENERAL CATEGORY

BASE

Listing status	Equity / debt securities not listed and not in process of listing
Entity type	Not a bank, financial institution or insurance company
Turnover	≤ ₹250 crore (excluding other income) in immediately preceding accounting year
Borrowings	≤ ₹50 crore at any time during immediately preceding accounting year
Group condition	Not holding / subsidiary of an entity that is not an MSME

MSME – ₹50 CR / ₹10 CR CATEGORY

Small MSME

Must first satisfy the General MSME definition, and additionally:

Turnover	≤ ₹50 crore (excluding other income)
Borrowings	≤ ₹10 crore at any time during immediately preceding accounting year
Group condition	Not a holding / subsidiary of an MSME that does not satisfy these lower thresholds

Additional complete exemption: AS 18 and AS 28

Applicability Legend

Use the same four labels consistently across the AS-wise matrix

FULL	Standard applies without any MSME-specific exemption or relaxation
RELAXED	Standard applies, but specified MSME recognition / measurement / disclosure relief is available
EXEMPT	Standard is not applicable in its entirety to the relevant MSME category
CONDITIONAL	Applicability depends on the transaction, event, or preparation of specified financial statements

Presentation rule: keep FULL visually neutral; highlight RELAXED, EXEMPT and CONDITIONAL.

AS-wise Applicability Matrix | AS 1 to AS 15

AS-wise position for non-company MSMEs

AS	Accounting Standard	MSME – General	MSME – ₹50 Cr / ₹10 Cr	Key condition / relaxation
AS 1	Disclosure of Accounting Policies	FULL	FULL	No MSME-specific relief
AS 2	Valuation of Inventories	FULL	FULL	No MSME-specific relief
AS 3	Cash Flow Statements	EXEMPT	EXEMPT	Not applicable to all MSMEs
AS 4	Contingencies and Events After Balance Sheet Date	FULL	FULL	No MSME-specific relief
AS 5	Net Profit/Loss, Prior Period Items & Changes in Policies	FULL	FULL	No MSME-specific relief
AS 7	Construction Contracts	FULL	FULL	No MSME-specific relief
AS 9	Revenue Recognition	FULL	FULL	No MSME-specific relief
AS 10	Property, Plant and Equipment	RELAXED	RELAXED	Para 87 encouraged disclosures may be omitted
AS 11	Effects of Changes in Foreign Exchange Rates	RELAXED	RELAXED	Para 44 encouraged disclosure may be omitted
AS 12	Accounting for Government Grants	FULL	FULL	No MSME-specific relief
AS 13	Accounting for Investments	FULL	FULL	No MSME-specific relief
AS 14	Accounting for Amalgamations	CONDITIONAL	CONDITIONAL	Apply if relevant amalgamation transaction exists
AS 15	Employee Benefits	RELAXED	RELAXED	Major recognition, measurement & disclosure relief

AS-wise Applicability Matrix | AS 16 to AS 29

AS-wise position for non-company MSMEs

AS	Accounting Standard	MSME – General	MSME – ₹50 Cr / ₹10 Cr	Key condition / relaxation
AS 16	Borrowing Costs	FULL	FULL	No MSME-specific relief
AS 17	Segment Reporting	EXEMPT	EXEMPT	Not applicable to all MSMEs
AS 18	Related Party Disclosures	FULL	EXEMPT	Extra exemption for ₹50 Cr / ₹10 Cr category
AS 19	Leases	RELAXED	RELAXED	Specified lessee / lessor disclosures may be omitted
AS 20	Earnings Per Share	EXEMPT	EXEMPT	Not applicable to all MSMEs
AS 21	Consolidated Financial Statements	CONDITIONAL	CONDITIONAL	Applies only if CFS are required or elected
AS 22	Accounting for Taxes on Income	RELAXED	RELAXED	Current-tax requirements only + Pillar Two relief
AS 23	Investments in Associates in CFS	CONDITIONAL	CONDITIONAL	Applies only where CFS are required or elected
AS 24	Discontinuing Operations	EXEMPT	EXEMPT	Not applicable to all MSMEs
AS 25	Interim Financial Reporting	CONDITIONAL	CONDITIONAL	Applies only if interim report is required/elected
AS 26	Intangible Assets	RELAXED	RELAXED	Specified disclosures may be omitted
AS 27	Interests in Joint Ventures	CONDITIONAL	CONDITIONAL	Transaction / CFS based applicability
AS 28	Impairment of Assets	RELAXED	EXEMPT	General MSME gets simplified VIU/disclosure relief
AS 29	Provisions, Contingent Liabilities & Contingent Assets	RELAXED	RELAXED	Paras 66–67 disclosures may be omitted

Complete Exemptions & Conditional Applicability

Separate from paragraph-level relaxations

EXEMPT – ALL MSMEs

- AS 3 – Cash Flow Statements
- AS 17 – Segment Reporting
- AS 20 – Earnings Per Share
- AS 24 – Discontinuing Operations

Small MSME EXEMPTION

- AS 18 – Related Party Disclosures
- AS 28 – Impairment of Assets
- Only for ₹50 Cr / ₹10 Cr category
- Subject to holding / subsidiary condition

CONDITIONAL – ALL MSMEs

- AS 14 – if amalgamation transaction exists
- AS 21 / 23 – if CFS required or elected
- AS 25 – if interim report required or elected
- AS 27 – if JV transaction / CFS requirement exists

MSME Relaxations | AS 10, AS 11 & AS 15

Paragraph-wise substance of the relief

AS	Para	What the paragraph requires	MSME relaxation
AS 10	87	Encouraged disclosures: idle PPE; fully depreciated PPE still in use; cost-model carrying amount for revalued PPE; PPE retired from active use	May omit para 87 disclosures
AS 11	44	Encouraged disclosure of foreign currency risk management policy	May omit para 44 disclosure
AS 15	11–16	Recognition / measurement of short-term compensated absences; relief limited to accumulating non-vesting absences	Need not comply for non-vesting accumulating compensated absences
AS 15	46	Defined contribution contributions due beyond 12 months are discounted	May avoid discounting
AS 15	50–116	Recognition and measurement framework for defined benefit plans	May use another rational method to calculate accrued liability
AS 15	117–123	Presentation and extensive disclosures for defined benefit plans	Need not apply presentation / disclosure requirements
AS 15	129–131	Recognition and measurement of other long-term employee benefits	May use another rational method to calculate accrued liability
AS 15	139	Termination benefits due beyond 12 months are discounted	May avoid discounting

MSME Relaxations | AS 19 – Leases (Lessee)

The relief is disclosure-only; recognition and measurement principles continue to apply

Para	Lease type	Normal disclosure requirement	MSME relief
22(c)	**Finance lease**	Reconciliation of total minimum lease payments with present value + maturity-wise breakup	May omit
22(e)	**Finance lease**	Future minimum sublease payments receivable under non-cancellable subleases	May omit
22(f)	**Finance lease**	General description of significant leasing arrangements	May omit
25(a)	**Operating lease**	Future minimum lease payments under non-cancellable operating leases + maturity-wise breakup	May omit
25(b)	**Operating lease**	Future minimum sublease payments receivable under non-cancellable subleases	May omit
25(e)	**Operating lease**	General description of significant leasing arrangements	May omit

Recognition / measurement of finance and operating leases is not relaxed by these paragraphs.

MSME Relaxations | AS 19 – Leases (Lessor)

Specified finance-lease and operating-lease disclosures may be omitted

Para	Lease type	Normal disclosure requirement	MSME relief
37(a)	**Finance lease**	Gross investment vs PV of minimum lease payments, including maturity-wise breakup	May omit
37(f)	**Finance lease**	General description of significant leasing arrangements	May omit
37(g)	**Finance lease**	Accounting policy for initial direct costs	May omit
38	**Finance lease**	Gross investment less unearned income in new business added during the period, net of cancelled leases	May omit
46(b)	**Operating lease**	Future minimum lease payments under non-cancellable operating leases + maturity-wise breakup	May omit
46(d)	**Operating lease**	General description of significant leasing arrangements	May omit
46(e)	**Operating lease**	Accounting policy for initial direct costs	May omit

MSME Relaxations | AS 22 & AS 26

Current-tax-only model under AS 22; targeted disclosure relief under AS 26

AS 22 – Accounting for Taxes on Income

4.4	Defines current tax: income tax payable / recoverable for the period
9	Tax expense recognition: for MSME, current-tax component applies
20	Current tax measured using applicable tax rates and tax laws
27–28	Current-tax asset / liability offset presentation where legal right and net settlement intention exist
32C–32D	Pillar Two exposure disclosures - MSME may omit
Transition	On first availing MSME exemption, accumulated DTA/DTL of previous period adjusted against opening reserves / owner's funds

MSME mandatory scope: CURRENT TAX requirements only

AS 26 – Intangible Assets

90(d)(iii)	Reconciliation: impairment losses recognised in P&L during the period	May omit
90(d)(iv)	Reconciliation: impairment losses reversed in P&L during the period	May omit
98	Encouraged description of fully amortised intangible assets still in use	May omit

MSME Relaxations | AS 28 & AS 29

AS 28 has two levels of relief; AS 29 relief is disclosure-only

AS 28 – Impairment of Assets

2-LEVEL RELIEF

₹50/₹10 category	AS 28 is not mandatory in its entirety
Para 4.2 / VIU	Other MSMEs may estimate value in use reasonably instead of using present value technique
121(c)(ii)	May omit reportable-segment disclosure for an individual asset
121(d)(i)	May omit description of cash-generating unit
121(d)(ii)	May omit impairment amount by class of assets / reportable segment
121(g)	If reasonable-estimate VIU route is used, discount-rate disclosure not required
123	May omit encouraged disclosure of key assumptions used to determine recoverable amount

AS 29 – Provisions & Contingencies

Para 66	For each class of provision: opening/closing carrying amount, additions, amounts used and unused amounts reversed. May omit
Para 67	For each class of provision: nature/timing of obligation, uncertainties & assumptions, and expected reimbursements. May omit

Recognition and measurement of provisions / contingent liabilities remain applicable.

Additional Requirements When MSME Relief Is Availed

General conditions governing use of exemptions and relaxations

1

Disclose MSME status

An MSME availing relief must disclose its MSME status and that it has complied with Accounting Standards insofar as applicable to an MSME.

2

Loss of eligibility

If an exemption/relaxation is no longer available, the requirement applies from the current period; previous-period figures need not be revised solely for that reason, but the facts must be disclosed.

3

Newly qualifying entity

An entity that becomes an MSME after previously being non-MSME gets MSME relief only after remaining an MSME for two consecutive years.

4

Selective use permitted

An MSME may avail relief for some standards and not others; it should disclose the Standards for which exemption/relaxation has been used.

5

Voluntary full compliance

Where an MSME does not avail an available relief, it must comply with the relevant requirements of that Accounting Standard.

6

Partial relief permitted

An MSME may avail only certain exemptions/relaxations within a Standard, provided the resulting accounting/disclosure is not misleading.

Key discipline: the relief is optional, but the disclosure of how it is used is not.

Framework at a Glance

How to read the applicability decision in practice

1	**Classify the entity**	Large entity or MSME?
2	**If MSME, identify category**	General MSME or ₹50 Cr / ₹10 Cr category?
3	**Check status AS-wise**	FULL / RELAXED / EXEMPT / CONDITIONAL
4	**For RELAXED standards**	Apply paragraph-specific relief only where elected
5	**Document disclosures**	State MSME status and relief actually availed

This structure keeps "not applicable", "conditional" and "relaxed" conceptually distinct.