

Announcement

Revision in the criteria for classifying Level II non-corporate entities

1. The Council of the Institute with a view to harmonise the differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006, in February, 2008 issued the announcement titled as '*Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government*'¹ wherein the Council prescribed the criteria for classifying the non-corporate entities in to Level I, Level II and Level III. As per the announcement Level II entities are:-
2. *Non-corporate 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 commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds rupees forty lakh but does not exceed rupees fifty crore in the immediately preceding accounting year.*
 - (ii) *All commercial, industrial and business reporting entities having borrowings (including public deposits) in excess of rupees one crore but not in excess of rupees ten crore at any time during the immediately preceding accounting year.*
 - (iii) *Holding and subsidiary entities of any one of the above.*
3. The Council of the Institute at its 321st meeting held on January 10-12, 2013 at New Delhi, considering recent changes in the enhancement of tax audit limit, decided to change the applicability of Accounting Standards for Level II entities from Rs. 40 lakhs to Rs. 1 Crore with effect from the **accounting year commencing on or after April 01, 2012.**
4. Accordingly, from the accounting year commencing on or after April 1st, 2012, criteria for classification of Level II entities is as follows:-

Level II Entities (SMEs)

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

¹ Published in 'The Chartered Accountant', February 2008 (pp. 1340)

- (i) *All commercial, industrial and business reporting entities, whose turnover (excluding other income) **exceeds rupees one crore but does not exceed rupees fifty crore** in the immediately preceding accounting year.*
- (ii) *All commercial, industrial and business reporting entities having borrowings (including public deposits) in excess of rupees one crore but not in excess of rupees ten crore at any time during the immediately preceding accounting year.*
- (iii) *Holding and subsidiary entities of any one of the above.*