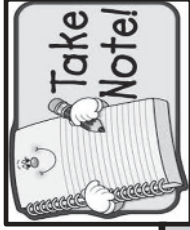




FINANCIAL STATEMENTS OF NON-CORPORATE ENTITIES & LLP

CA Avinash Rawani



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Objectives of Guidance Note

To make financial statements more **comparable, transparent, complete and unbiased**

To **standardize** formats for presentation of financial statements

Financial Statements form the **backbone for financial planning, analysis, benchmarking and decision making** resulting in transactions being faithfully presented

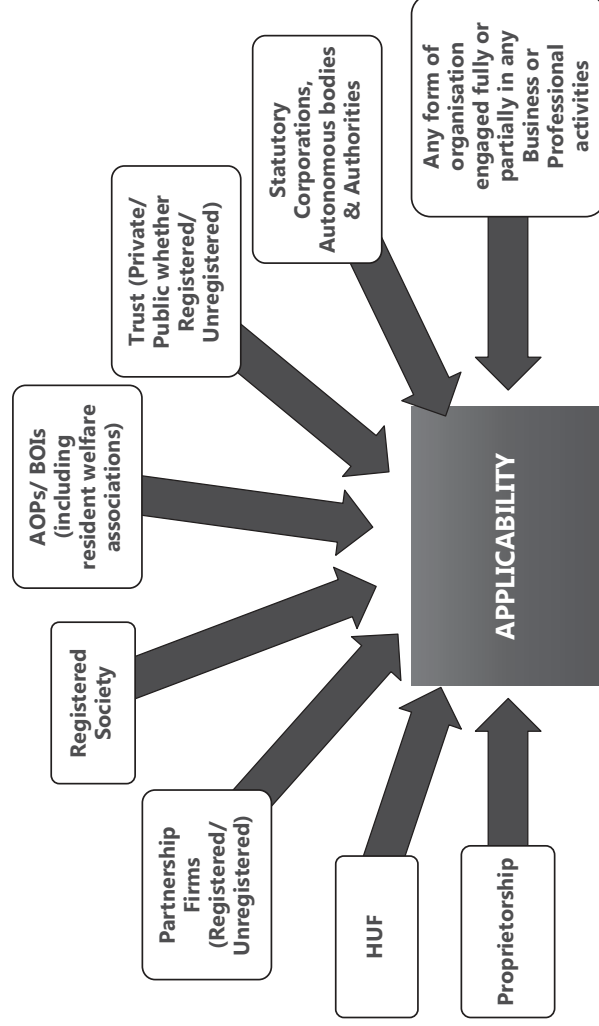
Enable stakeholders/users to make various **economic decisions**

Source: GN on FS of Non Corporate Entities (Aug-2023 edition)

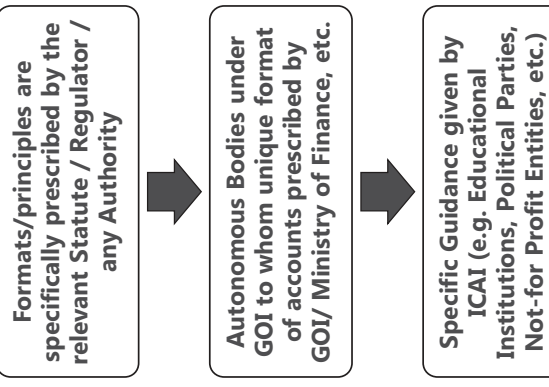
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FAQs on Financial Statements of NCEs released by ICAI on 08.07.2025

To whom is the Guidance Note applicable?



EXCEPTIONS



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Is Guidance Mandatory?

The ICAI, through its **Accounting Standards Board (ASB)**, **formulates and recommends** Accounting Standards (viz., Ind AS and AS) for companies to the Government of India for notification u/s 133 of the Companies Act 2013, and also formulates and issues **Accounting Standards for non-company entities**.

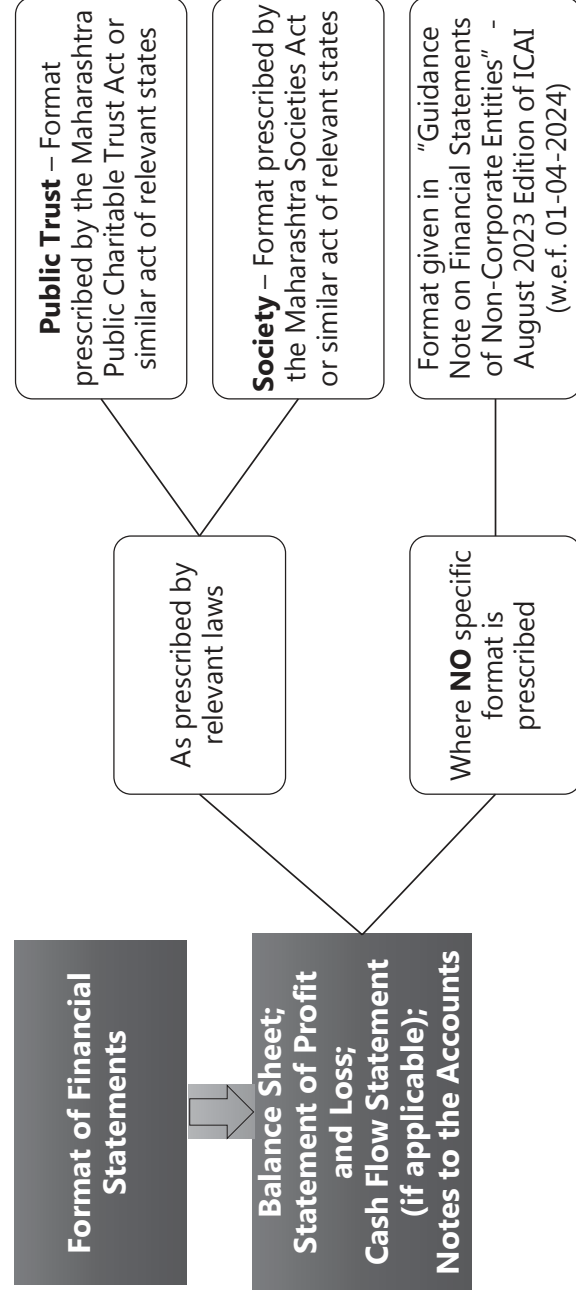
The Guidance Note prescribes formats of financial statements for Non-Corporate entities to enable these entities to communicate their financial performance and financial position in **standardised formats** thereby **enhancing their comparability**.

The **Guidance Note** can be **applied by all non-corporate entities** except where relevant law/regulation/authority has prescribed any other specific formats for the concerned non-corporate entities.

The auditors of such entities financial statements will also ensure that the **formats of financial statements prescribed in the Guidance Note for the preparation of financial statements are followed**.

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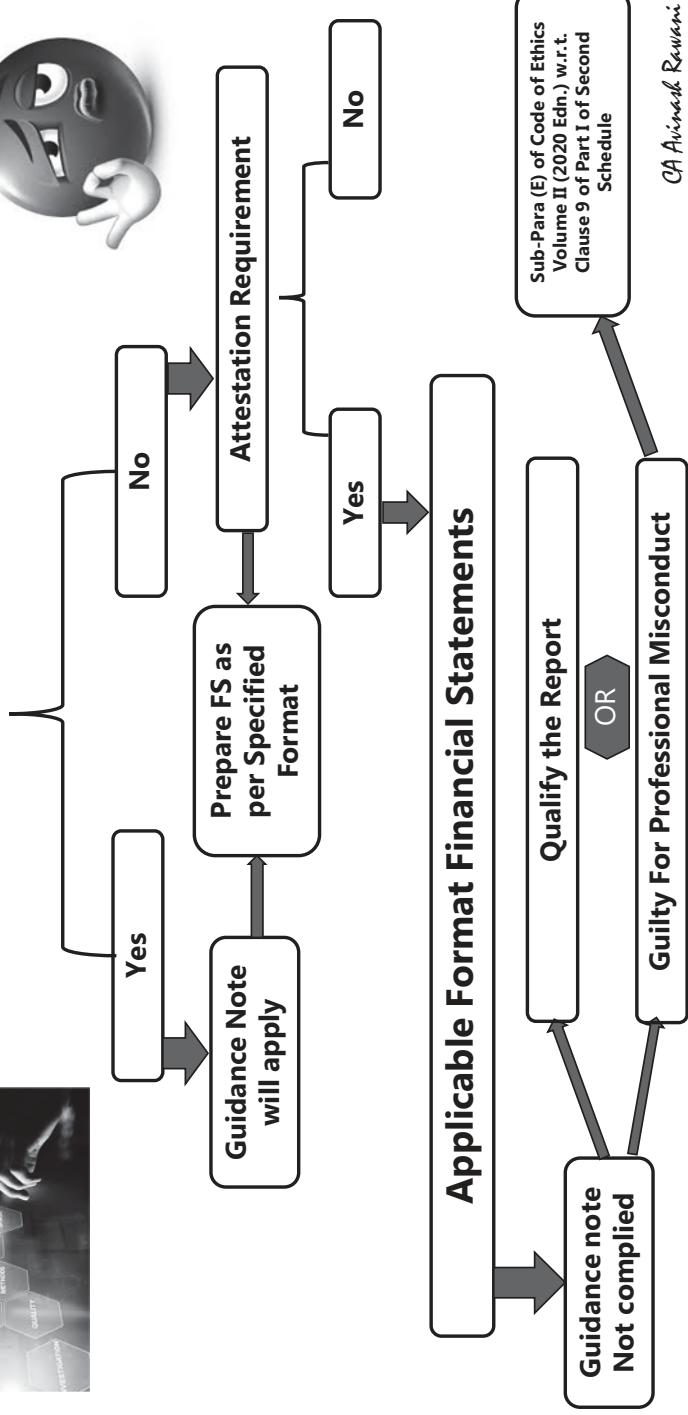
Applicable Format Financial Statements



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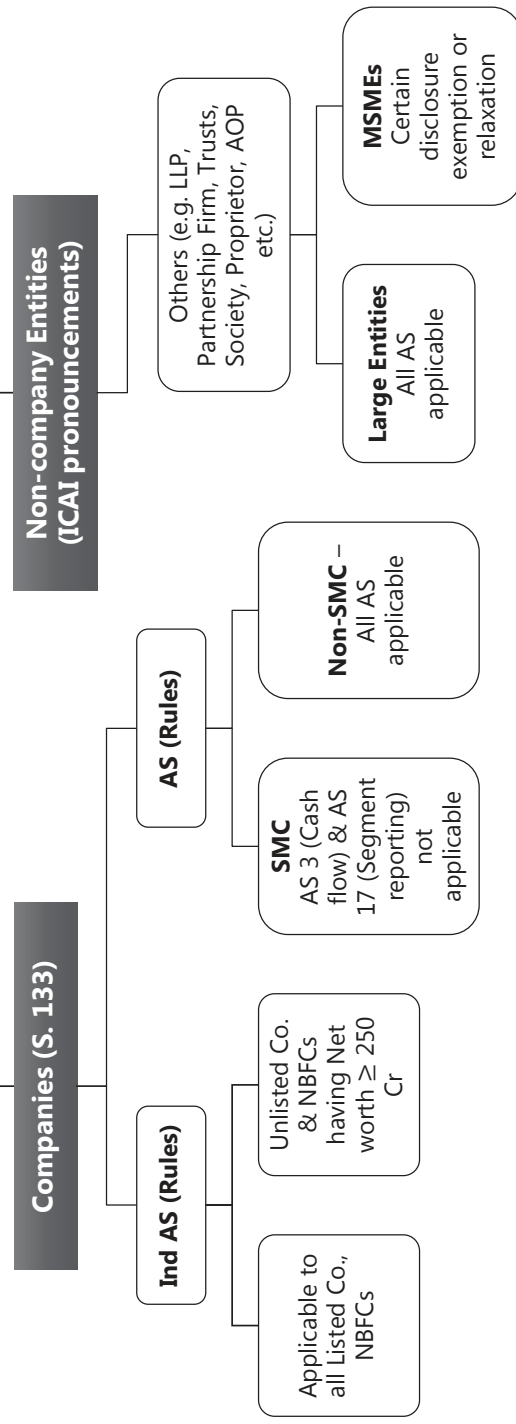


Applicability of Revised Format for NCE



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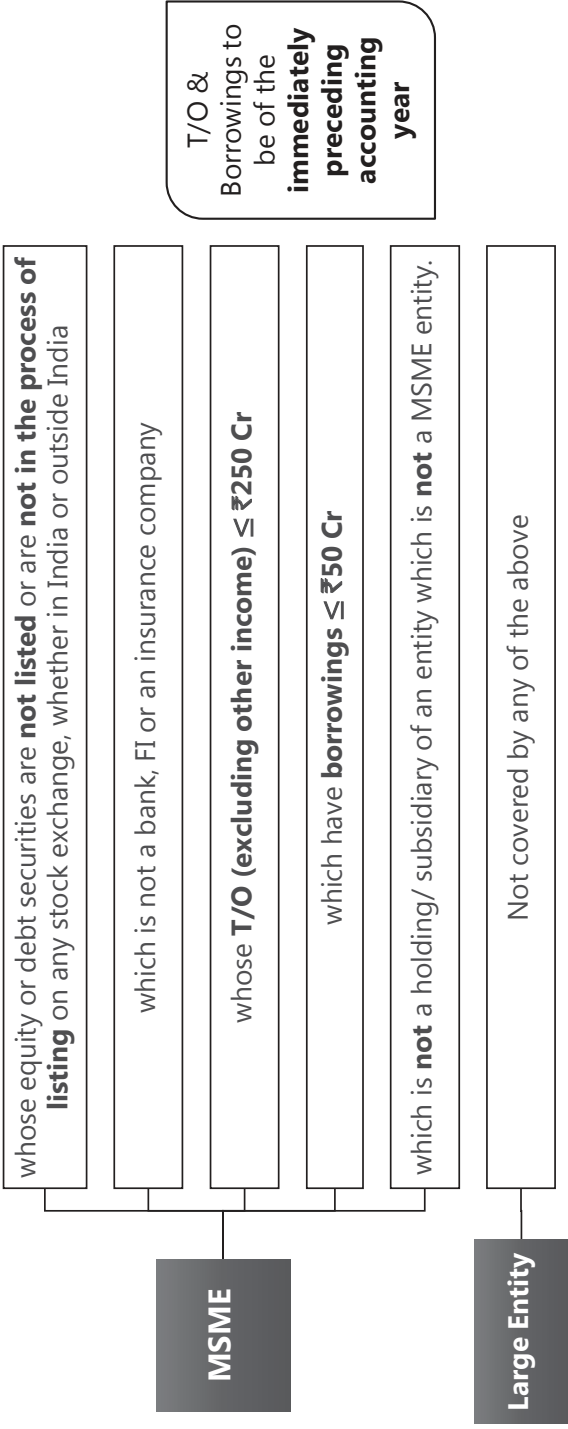
Audit Overview AS/ IND-AS purview



Note: Ind AS is not applicable to Non-company entities

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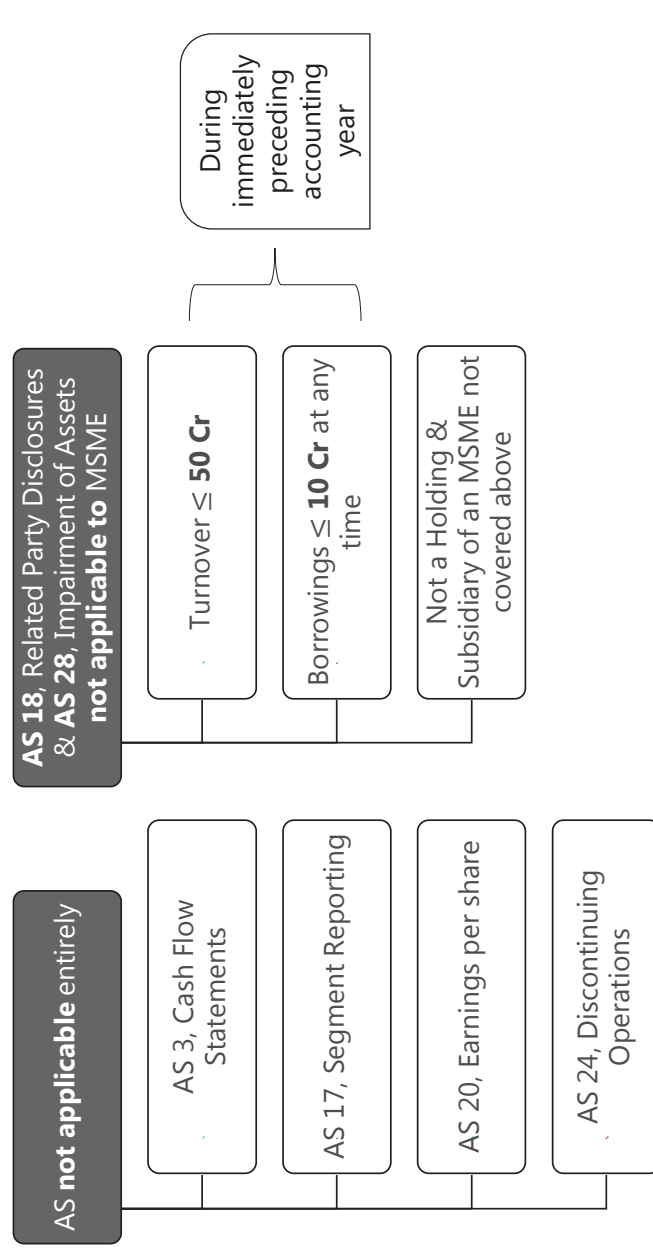
Criteria for classification of Non-Company Entities (w.e.f. 01-04-2024)*



*This Announcement supersedes the earlier Announcement of the ICAI on Criteria for classification of Non-company entities for applicability of Accounting Standards issued in March 2021.

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Applicability of AS for MSME Non-company entities



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Relaxations/exemptions from certain requirements of AS to MSMEs

AS	Relaxations/ exemptions
AS 10 - Property, Plant and Equipment	Para 87 – encouraged disclosures
AS 11 - The Effects of Changes in Foreign Exchange Rates	Para 44 – encouraged disclosures
AS 15 – Employee Benefits	Para 11 to 16 – recognition & measurement of short term accumulating non-vested compensated absences
	Para 46 to 139 – discounting of amounts falling due > 12 months after BS date
	For defined benefit plans Para 50 to 116 – recognition & measurement principles Para 117 to 123 – presentation & disclosure requirements
	Para 129 to 131 - recognition & measurement principles for other long-term employee benefits

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Relaxations/exemptions from certain requirements of AS to MSMEs

AS	Relaxations/ exemptions
AS 19 – Leases	Para 22 (c), (e), & (f); 25 (a), (b) & (e); 37 (a), (f) & (g); 38; 46 (b), (d) & (e) relating to disclosures
AS 22 – Accounting for Taxes on Income	Comply with only Para 4.4, 9, 20 & 27-28 for Current Tax ; Accumulated deferred tax to be adjusted against the opening revenue reserves/owners funds during the transitional year
AS 26 – Intangible Assets	Para 90(d)(iii); 90(d)(iv) & 98 relating to disclosure
AS 28 – Impairment of Assets	Measure Value in Use on basis of reasonable estimate instead of PV Technique, i.e., Para 121(g) not applicable; Para 121(c)(ii); 121(d)(i); 121(d)(ii) & 123 relating to disclosure
AS 29 - Provisions, Contingent Liabilities and Contingent Assets	Para 66 & 67 relating to disclosures

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Exemption no longer available in CY

M

Where an entity, being covered in MSME had **qualified for any exemption or relaxation previously**

S

But **no longer qualifies** in the current accounting period, the **relevant standards or requirements become applicable from the current period**

M

Previous year figures **need not be revised** merely by reason of its having ceased to be covered in MSME

E

Disclose in the notes to the FS:

- Applicability of MSME status & exemptions availed in previous period
- Previous period figures have not been revised

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Disclosure in Notes to FS

MSME which avails exemptions/relaxation

It is an MSME

It has complied with the AS in so far as they are applicable to an MSME

Cooling off period if become smaller entity

When a large entity subsequently ceases to be so covered and becomes MSME entity in the CY

The entity **WILL NOT** qualify for exemption/relaxation available to MSME entities, until the entity **ceases to be Large Entity** for a **consecutive period of 2 years**

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Applicability of AS to LLPs

If LLP is engaged in commercial, industrial/ business activities

AS applicable

Even if where a **very small proportion** of the activities are commercial, industrial or business in nature **AS applicable to all its activities** including those, which are not commercial, industrial or business in nature

S. 34A of LLP Act

Central Govt. may prescribe AS and SA

- **Yet to be notified**
- Exposure Draft on Accounting Standards for LLPs (LD 27.11.2023) –ICAI Announcement 27.10.2023
- Exposure Draft on Auditing Standards for LLPs (LD 01.05.2025) –ICAI Announcement 10.4.2025
- Hence, **apply AS prescribed by ICAI i.e. AS applicable to non-company entities**

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LLP : Financial Statements

Guidance Note on Financial Statements of LLPs – August 2023 Edition - ICAI be referred for **Format** etc.

Figures appearing in FS **MAY BE** rounded off as given below (refer **para 4(i)** on **page 13** of GN)

Total Income	Rounding off
< ₹ 100 crore	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof
≥ ₹ 100 crore	To the nearest lakhs, millions or crores, or decimals thereof

Uniform unit of measurement is to be used in the FS

Comparative figures for the immediately preceding reporting period for all items shown in FS including notes **shall also be rounded off**

In respect of LLP, additionally, LLP (SBO) Rules 2023 have been notified vide G.S.R. 832(E) dtd. 9th November, 2023

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Format of Balance Sheet

Name of the Non-Corporate Entity
Balance Sheet as at

(Amount in Rs. XX)

	Particulars	Note	31 March 20XX	31 March 20XX
I	EQUITY AND LIABILITIES			
1	Owners' Funds			
(a)	Owners' Capital Account	3	-	-
(b)	Reserves and surplus	4	-	-
2	Non-current liabilities			
(a)	Long-term borrowings	5	-	-
(b)	Deferred tax liabilities (Net)	6	-	-
(c)	Other long-term liabilities	7	-	-
(d)	Long-term provisions	8	-	-
3	Current liabilities			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
	Total		-	-

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Format of Balance Sheet

	ASSETS			
II	Non-current assets			
1	Property, Plant and Equipment and Intangible assets			
(a)	Property, Plant and Equipment	11	-	-
(i)	Intangible assets	11	-	-
(ii)	Capital work in progress	11	-	-
(iii)	Intangible asset under development	11	-	-
(iv)	Non-current investments	12	-	-
(b)	Deferred tax assets (Net)	6	-	-
(c)	Long Term Loans and Advances	13	-	-
(d)	Other non-current assets	14	-	-
(e)			-	-
2	Current assets			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
	Total		-	-
	Brief about the Entity	1		
	Summary of significant accounting policies	2		
	The accompanying notes are an integral part of the financial statements			

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Format of Statement of Profit & Loss

Name of the Non-Corporate Entity
Statement of Profit and Loss for the year ended

	Particulars	Note	31 March 20XX	31 March 20XX
I	Revenue from operations	19	-	-
II	Other Income	20	-	-
III	Total Income (I+II)		-	-
IV	Expenses:			
(a)	Cost of goods sold	21	-	-
(b)	Employee benefits expense	22	-	-
(c)	Finance costs	23	-	-
(d)	Depreciation and amortization expense	24	-	-
(e)	Other expenses	25	-	-
	Total expenses		-	-
V	Profit/(loss) before exceptional and extraordinary items, partners' remuneration and tax (III- IV)		-	-
VI	Exceptional items (specify nature & provide note/delete if none)		-	-
VII	Profit/(loss) before extraordinary items, partners' remuneration and tax (V-VI)		-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)		-	-
IX	Profit before, partners' remuneration and tax (VII-VIII)		-	-

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Format of Statement of Profit & Loss

X	Partners' remuneration*			
XI	Profit before tax (IX- X)			
XII	Tax expense:			
(a)	Current tax		-	-
(b)	Excess / Short provision of tax relating to earlier years			
(c)	Deferred tax charge / (benefit)	6	-	-
			-	-
			-	-
XIII	Profit/(Loss) for the period from continuing operations (IXI-XII)		-	-
XIV	Profit/(loss) from discontinuing operations		-	-
XV	Tax expense of discontinuing operations		-	-
	Profit/(loss) from discontinuing operations (after tax) (XIVII-XVIII)		-	-
XVI	Profit/(Loss) for the year (XIII+XIVI)		-	-
	The accompanying notes are an integral part of the financial statements			

* wherever applicable

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Recommendatory & Mandatory Classification

Balance Sheet

May Be	Shall Be
Reserves & Surplus	Trade Payables
Long Term Borrowings	Non-Current Investments
Long Term Provisions	Current Investments
Short Term Borrowings	Inventories
Other Current Liabilities	Cash & Bank Balances
Short Term Provisions	
Property, Plant & Equipment	
Intangible Assets	
Long Term Loans & Advances	
Other Non-Current Assets	
Trade Receivables	
Short Term Loans & Advances	
Other Current Assets	

Statement of Profit & Loss

May be

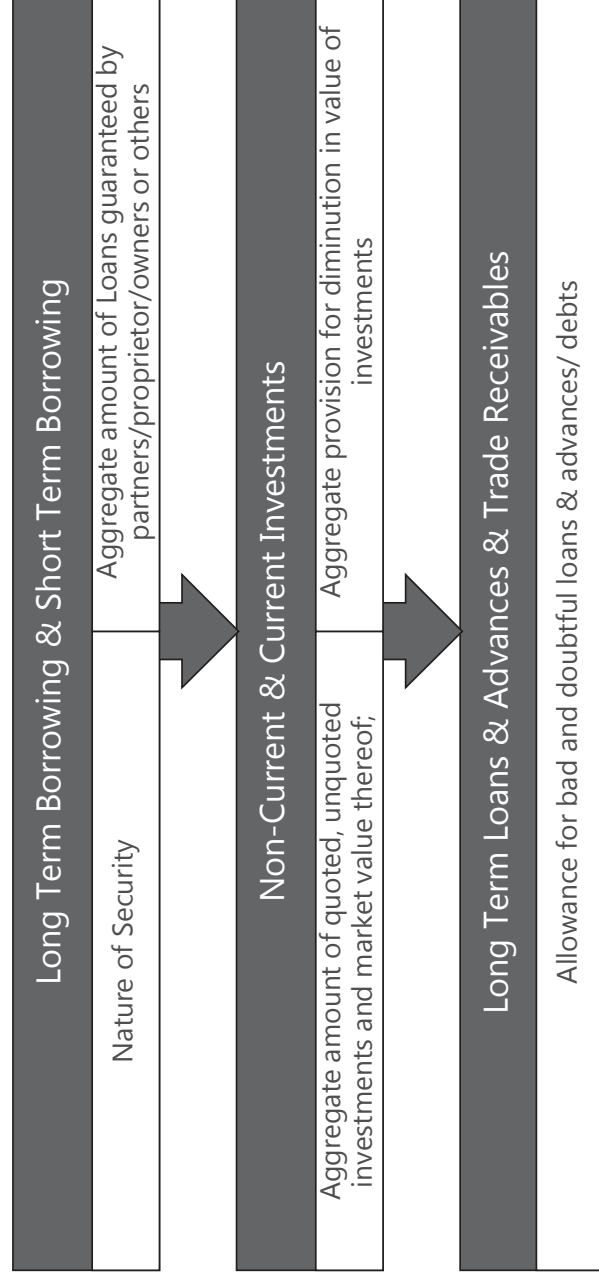
- Revenue from Operations
- Finance Costs
- Employee Benefit Expenses
- Other Expenses

Shall Be

- Other Income
- Cost of Goods Sold

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Mandatory Disclosures (By way of Notes)



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Links of certain relevant documents

Document	Link
Guidance Note on Financial Statements of Non-Corporate Entities	https://resource.cdn.icai.org/75516asb61093-a.pdf
Revised Criteria for classification of Non-company entities for applicability of Accounting Standards w.e.f. 01-Apr-2024	https://resource.cdn.icai.org/82761asb66837.pdf
Exposure Draft on Accounting Standards for LLPs (LD 27.11.2023)	https://resource.cdn.icai.org/76835asb61909.pdf
ICAI Announcement 27.10.2023	https://www.icai.org/post/ed-accounting-standards-for-limited-liability-partnerships
Exposure Draft on Auditing Standards for LLPs (LD 1.5.2025)	https://resource.cdn.icai.org/85382aasb-ed-saallp.pdf
ICAI Announcement 10.4.2025	
Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961 (Revised 2023)	https://kb.icai.org/pdfs/PDFFile6659b50e280cf9.92163328.pdf
LLP (SBO) Rules 2023	https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=Mzc4MzU1MDly&docCategory=NotificationsAndCirculars&type=open

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FAQs on Financial Statements of NCEs released by ICAI on 22.5.2025

Section A – General Applicability & Authority

Sr. No.	Questions	Answers
1	What is the ICAI Guidance Note (GN) on Financial Statements of Non-Corporate Entities?	It is an ICAI Council-authorised document prescribing standard formats for preparation of financial statements for non-corporate entities, mandatory from FY 2024–25.
2	Is the GN mandatory or recommendatory?	It is mandatory from FY 2024–25 onwards when the financial statements are subject to attestation by a Chartered Accountant.
3	Who must comply with the GN – the entity or the auditor?	The responsibility lies with the CA in practice, not directly on the NCE itself.
4	What if the GN is not followed in an attestation engagement?	The CA must qualify the audit report, or else may be subject to disciplinary proceedings.

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Section A – Continued

Sr. No.	Questions	Answers
5	Does the GN override the earlier Technical Guide (TG) for NCEs?	Yes, the GN supersedes the TG with effect from April 1, 2024.
6	What kind of entities fall under the definition of NCE?	All business or professional entities (other than companies and LLPs) including firms, HUFs, trusts, proprietary concerns, etc.
7	If law or regulator prescribes its own format, does the GN still apply?	No. Where a statute or authority (e.g., Maharashtra Public Trust Rules) mandates specific formats, those shall prevail.
8	Does the GN apply to both business and non-business entities?	Yes. The GN applies to all NCEs, including not-for-profit organisations, unless exempted. Note that the words used are “business or professional entities” and not “business, commercial or professional entities”

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Section B – Guidance Note Vs. Technical Guide

Sr. No.	Questions	Answers
9	Is the Technical Guide (TG) on NPOs mandatory?	No. The TG does not have the authority of the ICAI Council and serves as a reference only.
10	Which should take precedence – the GN or the TG?	The Guidance Note takes precedence as it is Council-mandated and now the primary source for presentation formats.
11	Does the GN support financial statements tailored for NPOs?	Yes. The GN expressly allows flexibility, including the use of Income and Expenditure Statement instead of a P&L for NPOs.
12	Can the TG still be used?	Yes, but only for accounting treatment and disclosures, not for financial statement formats.
13	Why is the GN considered more authoritative than the TG?	Because it has been formally approved by the ICAI Council, while the TG is issued by a Committee for guidance purposes only.

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Section C – Practical Scenarios and Implementation

Sr. No.	Questions	Answers
14	Is the GN applicable for financials used for bank loans or subsidies?	Yes, if those financials are attested by a CA, even without a tax audit requirement.
15	Is the GN applicable in case of internal financial statements?	No. Only attested financial statements need to comply.
16	If a tax audit report is belatedly issued say on 5th April 2025 for FY 2023–24, is GN compliance necessary?	No, because the reporting period is what matters, not the audit date.
17	What happens if a CA refuses to use the GN?	The CA must justify alternate presentation, or risk professional misconduct.
18	Why is the GN considered more authoritative than the TG? Is the GN applicable to entities availing audit exemption under Income Tax Act?	Only if any other attestation is carried out by a CA (e.g., certification, loan proposal)..
19	Can a CA use TG formats instead of GN in FY 2024–25?	No. From FY 2024–25, GN formats are mandatory and TG formats are not valid for presentation.

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Section D – Specific to Not-for-Profit Organisations

Sr. No.	Questions	Answers
20	Can a trust or NPO use Income & Expenditure statements instead of P&L?	Yes. The GN expressly allows this substitution in line with the nature of the entity.
21	Is a Balance Sheet still required for NPOs under the GN?	Yes. All entities, including NPOs, must prepare a Balance Sheet as per the GN.
22	Can NPOs adopt TG disclosure practices while using GN formats?	Yes. Disclosure guidance from TG may be adopted, provided the formats are per GN.
23	What if a state government department insists on using TG?	If no formal format is prescribed by law, GN shall prevail. However, dual presentation may be provided for reporting convenience.
24	Is Receipts and Payments Statement required under GN?	Not compulsory under GN, but may be prepared additionally based on stakeholder expectations.

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Section E – Technical and Miscellaneous Clarifications

Sr. No.	Questions	Answers
25	Can GN formats be adapted to suit the entity's size and operations?	Yes. GN encourages reasonable adaptation to reflect operational and structural reality.
26	What is the view on rounding off figures as per GN?	GN provides for (optional) rounding off based on Total Income: • < ₹100 crore: Round off to hundreds/thousands/lakhs • ≥ ₹100 crore: Round off to lakhs/crores
27	Can export sales be shown in USD in the Notes to Accounts?	Yes, but the INR equivalent must also be shown and cross-referenced.
28	Does the GN allow grouping of owners' funds for partnerships and HUFs?	Yes. GN includes flexibility to adapt owners' capital, reserves, drawings, etc., per entity constitution.
29	Is a comparative column for prior year figures mandatory?	Yes. Except for the first financial year, comparative figures for all items must be shown.
30	Where can the book on this topic be accessed?	Visit: www.collectmybook.in or directly purchase at https://rzp.io/rzp/FSNCE

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FAQs on Financial Statements of NCEs released by ICAI on 08.07.2025

Responsibility of the Auditor in case of non-compliance with the presentation formats by NCE

Disclosure in the report of such non-compliance

Modify the Opinion as per the SAs & professional judgment of the Auditor

Can additional line items be added in the Balance Sheet, or is it mandatory to strictly follow the line items prescribed in the GN?

- A line item can be substituted or additional line items, sub-line items and sub-totals can be presented on the face of the FS. (refer to the "General Instructions for preparation of Balance Sheet and Statement of Profit and Loss of a Non-corporate entity" part of the GN)

Whether comparative figures of immediately preceding reporting period are also required to be given in the prescribed format?

(refer to paragraph 5 of the "General Instructions for preparation of Balance Sheet and Statement of Profit and Loss of a Non-corporate entity" of the GN)

Yes, w.e.f. 01.04.2024, the prescribed format applies to comparative year figures;

Exception: Entities which are preparing their first FS after incorporation.

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In Case of Assesses following Cash System of Accounting

There is Non-Compliance of Accrual Basis

Mandatory Required by
any Statute

No Statutory
Requirement

Qualified
Opinion

Disclosure regarding the basis other
than "accrual" followed in Auditors
Report [Qualification not required]

As per Clarification Gen. Cir.-12/2002 of ICAI

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Audit Documents to be obtained

NOC from the Previous Auditor, if
New Assignment

Appointment Letter

Audit Engagement Letter

Signed Trial Balance

Management Representation Letter

Signed Financials

Signed Audit Reports

Documents to be kept on Records

Audit Program

Audit Working Papers

Draft Audit Report Discussions

Audit Working File with all
documented records.

Signed Trial Balance

Signed Financials

Signed Audit Reports

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