



लेखामान बोर्ड

ACCOUNTING STANDARDS BOARD

(Formed by the Government of Nepal under the Nepal Chartered Accountants Act, 1997)

**UPDATE ON STANDARDS
DEVELOPMENT
&
IMPLEMENTATION
IN NEPAL**

NAS/NFRS Enforcement



PREPARES THE
STANDARDS



PRONOUNCES THE
STANDARDS

**IMPLEMENTED
THROUGH**

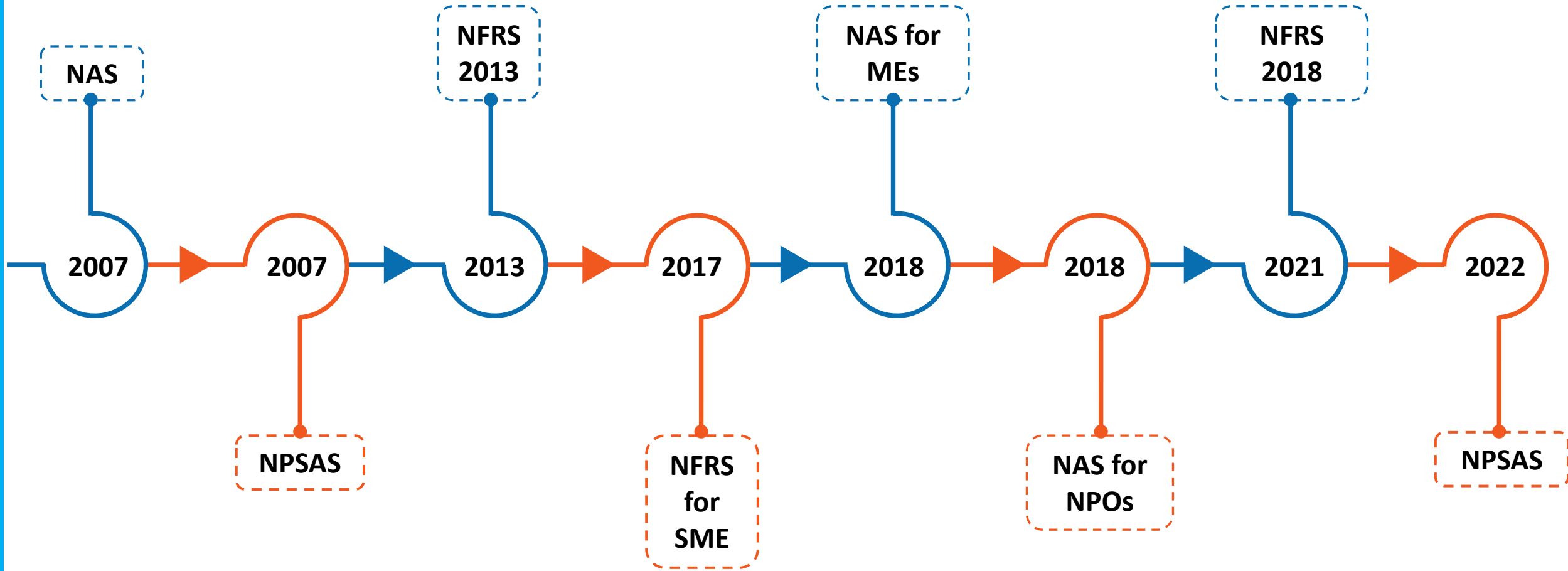
**Nepal Chartered
Accountants Act, 2053
(1997)**

**Companies Act 2063
(2006)**

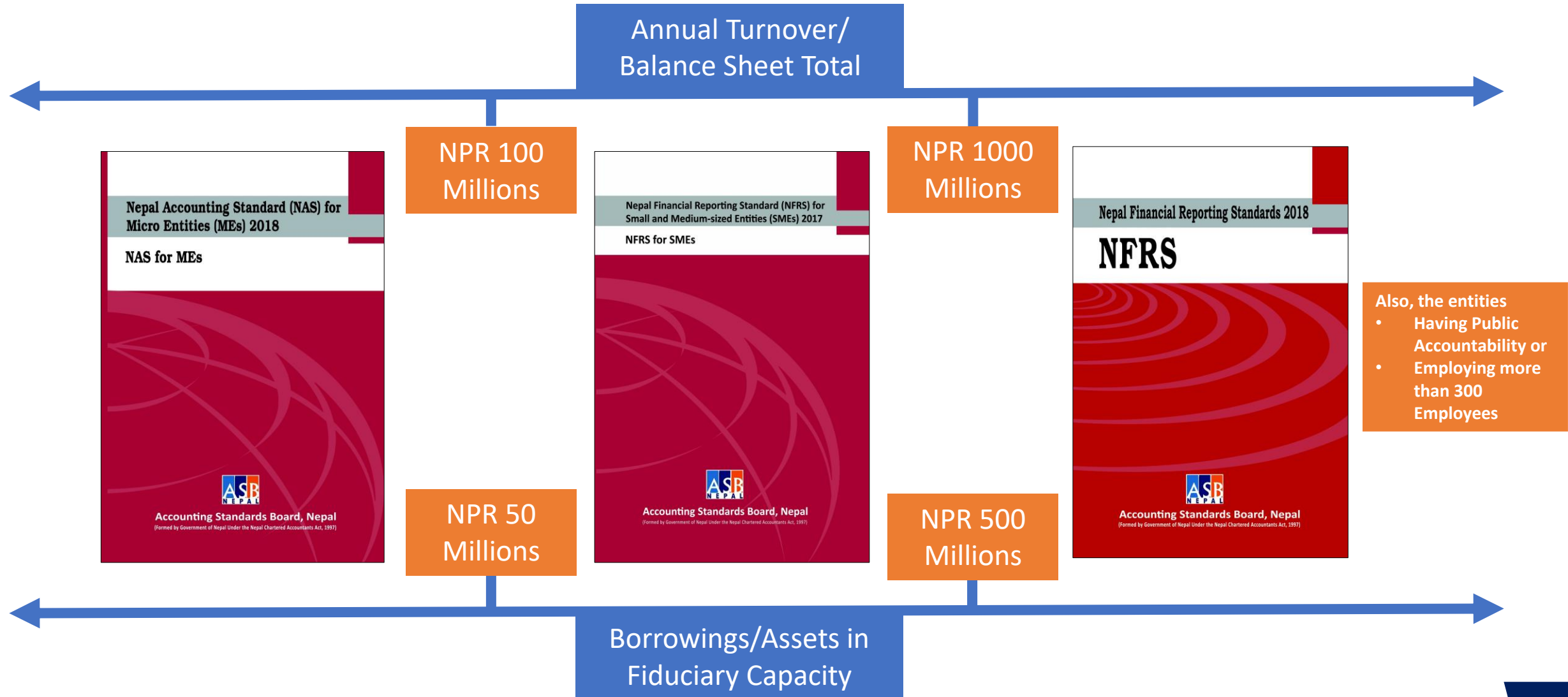
**The Income Tax Act,
2058 (2002) & Income
Tax Regulations, 2059
(2003)**

**Regulatory
Enforcements**

Standards Setting Activities of the Board



STANDARDS FOR PROFIT MAKING ENTITIES



Entities Based on Their Annual Turnover Declared on Income Tax Return

970,454

There are 970,454 entities filing annual income tax return in FY 2022-23

98%

More than 98% of businesses in Nepal are categorized as Micro Entities

80%

Approx. 80% of the business entities in Nepal are individual owned business

Less than 1000

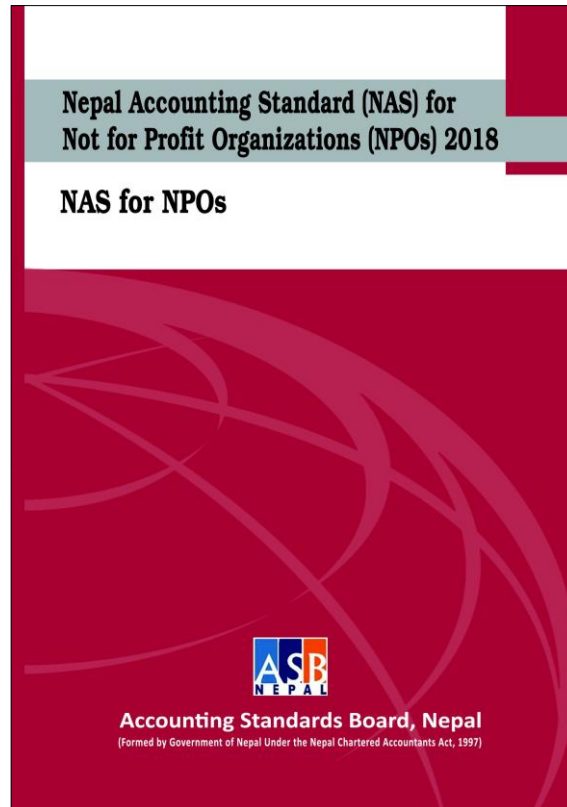
Number of entities that need to prepare full NFRS based financial statements is less than one thousand

Nepal Accounting Standards for Micro Entities

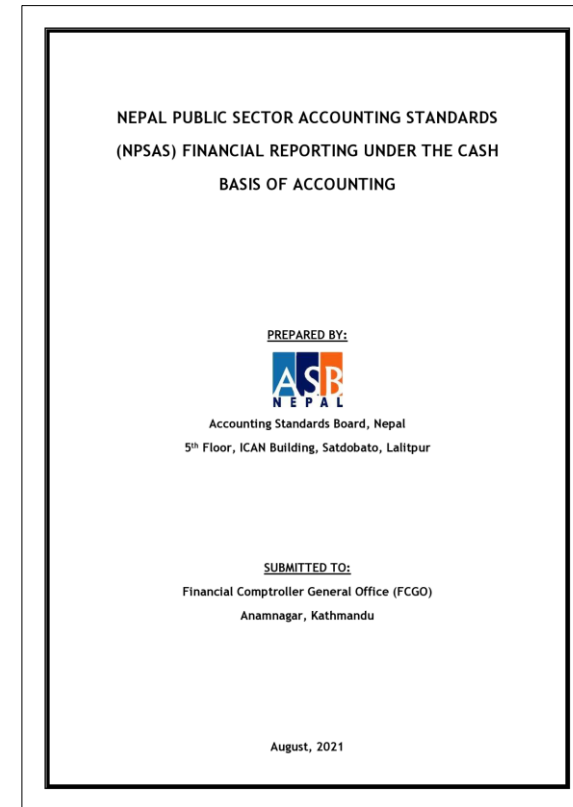
(NAS for MEs)

| | | | |
|--|--|---|---|
| Streamlined Reporting | Designed for micro-sized entities in a plain language for easier comprehension reducing complexity | Residual Value and Useful Life of PPE | No annual review required for asset residual value and useful life |
| General Exemption for Transition | Impracticable adjustments can be made in the earliest practicable period | Deferred Tax | No requirement to recognition, presentation and disclosure of deferred tax |
| Comprehensive Income | Statement of comprehensive income not required | Permit to Refer NFRS & NFRS for SMEs | Disclose in the financial statements if an entity opts to follow any specific standard of NFRS or NFRS for SMEs |
| Notes to the Financial Statements | No specific requirement for disclosure of judgments apart from estimations & key estimation uncertainties in the notes | Minimum Disclosures | Minimum Disclosure requirement prescribed |
| Property, Plant and Equipment (PPE) | Cost Model allowed & Subsequent revaluation not required | Model Financial Statement | Model Financial Statement based on NAS for MEs provided |

OTHER STANDARDS



For Not for Profit
Organisations



For Government
of Nepal

Sustainability Disclosure Standards

Environment

Current regulation, the Environment Protection Act, lack explicit provisions for external sustainability disclosure

Social

Few legal provisions (e.g., Industrial Enterprises Act, 2076) address Corporate Social Responsibility but lack comprehensive reporting requirements.

Governance & Risk

Different regulatory bodies have issued directives on corporate governance and Nepal Rastra Bank's has issued ESRM Guideline

ASB Nepal has formed **Nepal Sustainability Disclosures Standards Development Committee** under leadership of Chairman with following members from various regulating bodies:

1. Board Member, ASB Nepal
2. Representative, Ministry of Finance
3. Representative, Ministry of Forest and Environment
4. Vice President, Institute of Chartered Accountants of Nepal
5. Director, Nepal Rastra Bank
6. Executive Director, Securities Board of Nepal
7. Registrar, Office of the Company Registrar
8. Secretary, Electricity Regulatory Commission
9. Executive Director, Nepal Insurance Authority
10. Subject Expert

STAKEHOLDERS OUTREACH

4

Provinces

184

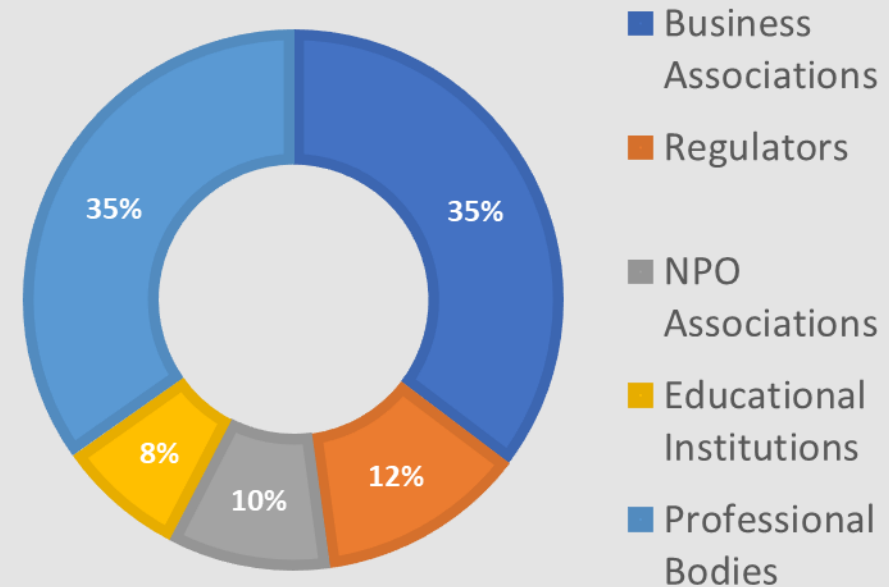
Participants



Program Objectives

- Assess implementation status of NAS/NFRS among the stakeholders
- Evaluate participants' preparedness in adopting the standards
- Discuss challenges in implementing specific standards
- Provide feedback

Program Participants



70% Participated in an Online Survey.

97%

Agree that implementation of NAS/NFRS is a legal obligation as well

91%

Agree standards are contributing to the enhancement of financial reporting quality, while some contend that it has added complexity to reporting.

81%

Are well-informed about all the standards issued by ASB Nepal.

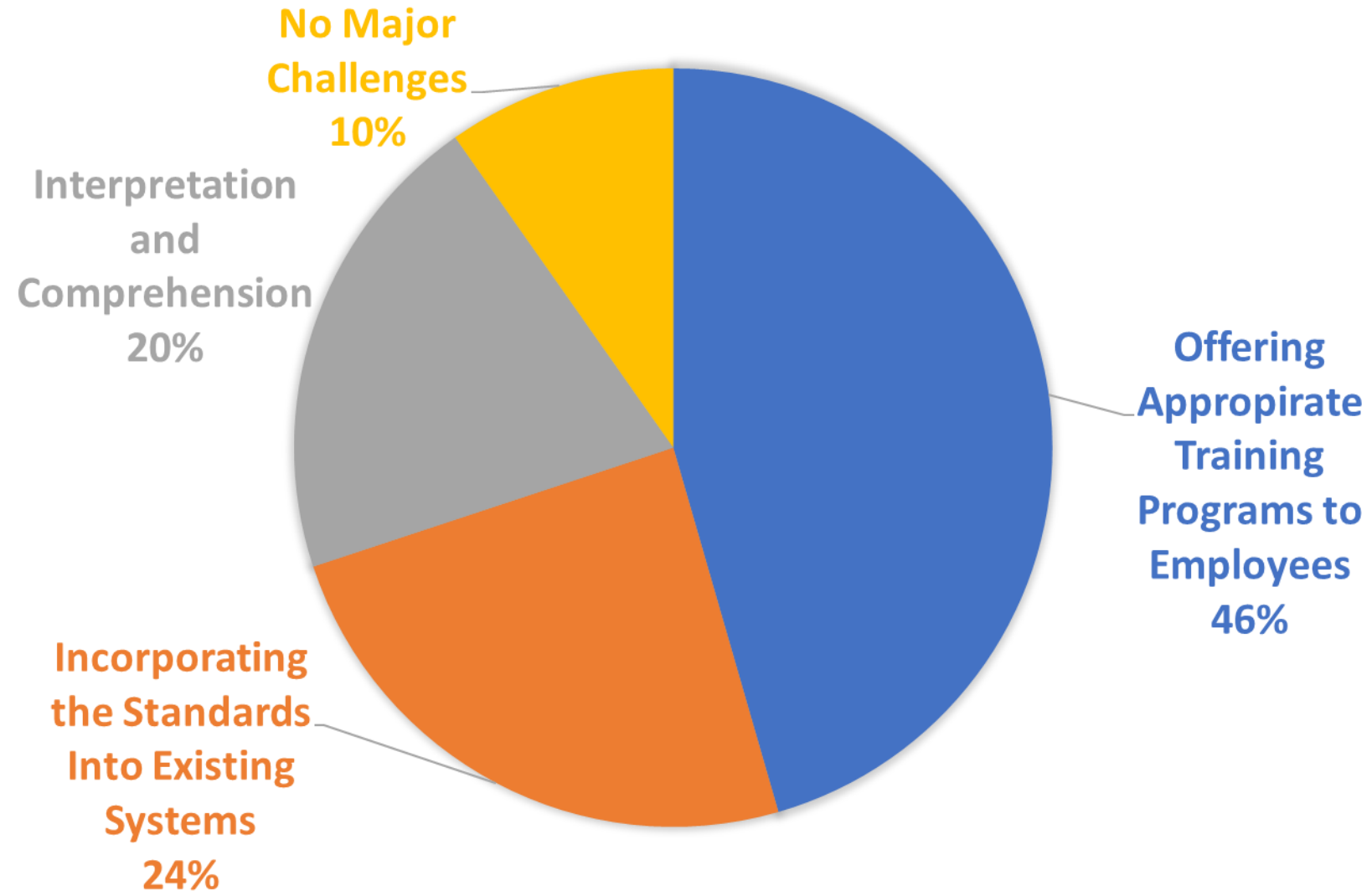
80%

Are knowledgeable about the criteria that dictate the relevant NAS/NFRS for their organizations.

65%

Indicated that their organizations have either already adopted the NAS/NFRS or are currently in the implementation process.

MAJOR IMPLEMENTATION CHALLENGES FACED BY THE STAKEHOLDERS



Board's Initiatives

- Enhanced online accessibility of standards
- Engaged in discussions with regulators to facilitate NAS/NFRS implementation
- Conducted trainings for regulators and stakeholders
- Shared program outcomes with the professional bodies, encouraging capacity development initiatives

Other Projects

- Development of Nepal Sustainability Disclosure Standards
- Revision of NFRS based on IFRS 2023
- Post Implementation Review
- Review of NAS for MEs & NAS for NPOs
- NFRS training programs to the regulators & stakeholders

THANK YOU!!

