

Nepal Financial Reporting Standards (NFRS)

Nepal Financial Reporting Standards (NFRS) are set of financial reporting standards developed by the Accounting Standards Board (ASB) with belief that the common global language for business affairs so that company accountants are understandable and comparable within Nepal.



Who have Public Accountability?

- 1) 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)
- 2) It holds assets in a fiduciary capacity for broad group of outsiders as one of its primary businesses:
 - a. banks, credit unions, insurance companies, security dealers and mutual funds, investment banks (except Micro Finance and Cooperatives not having economic significance)
 - b. Pension and retirement fund
- 3) Government Business Enterprises (GBEs), Public entities established under special acts not preparing financial statements under NPSAS
- 4) Entities having **economic significance**

What is Economic Significant?

- 1) The entity called entity having economic significant if any of the following, conditions are satisfied
- 2) Borrowings from B&FIs or public funds or from entities holding an assets in fiduciary capacity of NPR 50 Crore (500 Million) or more;
- 3) Total of Financial Position (Balance Sheet) without offsetting current assets and current liabilities) of NPR 1 Arab (1000 Million) or more;
- 4) Employing more than 300 employees including worker during the year on an average
- 5) Annual Turnover of NPR 1 Arab (1000 Million) or more
- 6) Holding an assets in fiduciary capacity in excess of NPR 50 Crore (500 million) including security brokers handling Demat account, micro finance and co-operatives

Note: 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.

What is Small and Medium-sized Entities (SMEs)?

Small and Medium-sized Entities (SMEs) are the entities that;

- 1) **Do not** have **public accountability**; and
- 2) Publish **general purpose financial statements** for external users

Note: General purpose financial statements are those directed to general financial information of the wide range of users who are not in position to demand reports tailored to meet their particular information needs.

Therefore, entity comply with the above definition of SMEs shall prepare financial statements as per NFRS for SMEs issued by The Institute of Chartered Accountant of Nepal.

What is Micro Entities?

Micro entities are those entities, which fulfill **all** the following thresholds:

- 1) Annual turnover of NPR 10 Crore (100 Million) or less
- 2) Borrowing from B&FIs or Public Fund or from entity holding assets in fiduciary capacity of NPR 5 Crore (50 Million) or less
- 3) Total of financial position (Balance sheet) of NPR 10 Crore (100 Million) or less without offsetting current assets and current liabilities
- 4) Holding assets in fiduciary capacity of NPR 5 Crore (50 Million) or less including security broker handling demat account, micro finance and co-operatives.

Note: 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 limit for 2 consecutive years to cease to qualify.

Therefore, entity not having public accountability and not SMEs shall prepare financial statements as per NAS for Micro-entity issued by the Institute of Chartered Account of Nepal.

Summary of NFRS Applicability

Public Accountability			
1) Debt or Equity traded in public market			Full NFRS
2) Hold assets in fiduciary capacity (Bank, Insurance, Mutual fund etc. PF/R/P)			
3) Government Business Entities			
4) Economic Significance			
Economic Significance			
Particulars	NFRS	SMEs	ME
Loan/ Borrowings	50 Cr <= #	5 Cr < # < 50 Cr	5 Cr >= #
Financial Position (Balance Sheet) Total	100 Cr <= #	10 Cr < # < 100 Cr	10 Cr >= #
Number of Employees	300 < #	N/A	N/A
Annual Turnover	100 Cr <= #	10 Cr < # < 100 Cr	10 Cr >= #
Holding and Assets in Fiduciary Capacity	50 Cr < #	5 Cr < # <= 50 Cr	5 Cr >= #
Qualify	At least 1 for 2 CY	All for 2 CY
Disqualify	Below all of these for 2 CY	At least exceed for 2 CY**

****CY= Consecutives Year**

Note: - NFRS-9, NFRS-14, NFRS-15, NFRS-16, NFRS-17 and NAS-29 shall be applicable from 1st Shrawan 2078 and rest of NFRS standards are applicable from 1st Shrawan 2077.

- The entity should compulsorily applied related IFRIC and SIC while preparing financial statements from 1st shrawan 2077.

Adoption Timeline of NFRS

The entities shall prepare its Financial Statements as per respective applicable NFRS on or after the following timeline

Type	Entity Type	Financial Year
A	1) Listed Multinational Manufacturing Companies 2) Listed State Owned Enterprises (SOEs) with minimum paid up capital of NPR 5 billion (except Banks and Financial Institutions under BAFIA Act 2006)	2014/15
B	1) Commercial Bank including State Owned Commercial Bank 2) All other listed State Owned Enterprise (SOEs)	2015/16
C	1) All Other Financial Institution not covered under A&B above 2) All other State Owned Entity (SOEs) 3) Insurance Companies 4) All other listed companies 5) All other corporate bodies/entity not defined as SMEs or entities having borrowing with minimum of NPR 500 Million	2016/17
D	SMEs as defined and classified by ASB	2078/79
E	Micro-entity as defined and classified by ASB	2078/79

Note: SMEs, Micro-entity & NPOs can prepare its financial statements as per respective NFRS for the **FY 2077-78 as voluntarily.**

- The Institute of Chartered Accountant of Nepal has extended the due date of applicability of NFRS to FY 2020-21 for SMEs and Non-Profit Organization.