

## IFRS APPLICATION AROUND THE WORLD

### JURISDICTIONAL PROFILE: **Nepal**



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This Profile provides information about the application of IFRS Standards in Nepal. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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#### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Accounting Standards Board, Nepal (ASB)
Role of the organisation	The Accounting Standards Board (ASB) is the independent statutory body with the responsibility to set and issue accounting standards for preparation and presentation of financial statements in Nepal. The ASB was established in March 2003 by an amendment to the Institute of Chartered Accountants of Nepal Act 1997. While the ASB is primarily responsible for setting accounting standards for business enterprises in line with IFRS Standards, since 2007 it has also been responsible for developing accounting standards for public sector entities in line with the International Public Sector Accounting Standards (IPSASs).
Website	<a href="http://www.standards.org.np">http://www.standards.org.np</a>
Email contact	<a href="mailto:asb@standards.org.np">asb@standards.org.np</a>

## COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.  The March 2003 amendment to the Institute of Chartered Accountants of Nepal Act 1997 that created the ASB requires that the ASB develop Nepal Financial Reporting Standards for business enterprises in line with the International Financial Reporting Standards (IFRS Standards).
Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.  See above. Further the Preface to Nepal Financial Reporting Standards states that one of the objectives of the ASB is “to develop, on the basis of IFRSs and IASs issued by IASB in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based on clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the capital markets and other users of financial information make economic decisions.”
What is the jurisdiction's status of adoption?	Nepal has adopted IFRS Standards as Nepal Financial Reporting Standards.
Additional comments provided on the adoption status?	The ASB website states: “The process of making NFRSs/NASs in line with IFRSs/IASs has been completed & submitted to The Institute of Chartered Accountants of Nepal (ICAN) for pronouncement of those standards. ASB has prepared 42 NASs/NFRSs, (including Preface and Conceptual Framework) for full convergence with IFRSs.” The NFRS fully converged with IFRS Standards include the IASB Framework and all IAS Standards, IFRS Standards, and Interpretations. Those standards are being phased in for listed companies and government-owned business entities over a three-year period starting in 2014.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.

## EXTENT OF IFRS APPLICATION

### *For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	Yes.
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If YES, are IFRS Standards REQUIRED or PERMITTED? IFRS Standards adopted as Nepal Financial Reporting Standards (NFRS) are required. They are being implemented for listed companies and government-owned business entities (state owned enterprises) over a three-year period starting in 2014. Full implementation of NFRS will be completed in 2016.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones? All.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market? Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market? IFRS Standards adopted as Nepal Financial Reporting Standards (NFRS) are required.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market? IFRS Standards adopted as Nepal Financial Reporting Standards (NFRS) are permitted.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future? Not applicable.

***For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:***

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements? Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases? Required.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? All.

**IFRS ENDORSEMENT**

Which IFRS Standards are required or permitted for domestic companies? IFRS Standards as issued by the Board, which are adopted as Nepal Financial Reporting Standards.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	Nepal Financial Reporting Standards (NFRS).
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	While 'dual reporting' of conformity with both NFRS and IFRS Standards is not prohibited, it is not common.
Are IFRS Standards incorporated into law or regulations?	No.
If yes, how does that process work?	Not applicable.
If no, how do IFRS Standards become a requirement in the jurisdiction?	Accounting standards adopted by the Accounting Standards Board, Nepal are authoritative under the law. The ASB adopts IFRS Standards as NFRS.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.

If yes, what is the process?

NFRSs are developed through due process that involves accountants, financial analysts and other users of financial statements, the business community, stock exchanges, regulatory and legal authorities, academics and other interested individuals and organisations of the country. The ASB if required consults, in public meetings, the Advisory Council on major projects, agenda decisions and work priorities, and discusses technical matters in meetings that are open to public observation. Due process for projects normally, but not necessarily, involves the following steps (the steps that are required under the terms of the ASB):

1. the Executive Director or staff are asked to identify and review all the issues associated with the topic and to consider the application of the Conceptual Framework to the issues;
2. study of national accounting requirements and practice and an exchange of views about the issues with national regulators.
3. consulting the ASB members and the Advisory group about the advisability of adding the topic to the ASB's agenda;
4. formation of an advisory group and expert team to give advice to the ASB on the project;
5. publishing for public comment a discussion document;
6. publishing for public comment an exposure draft (including any dissenting opinions held by ASB members) approved by ASB ;
7. normally publishing with an exposure draft a basis for conclusions and the alternative views of any ASB member who opposes publication;
8. consideration of all comments received within the comment period on discussion documents and exposure drafts;
9. Consideration of the desirability of holding a public hearing and of the desirability of conducting field tests and. if considered desirable holding such hearings and conducting such tests;
10. approval of a standard by at least seven members of ASB; and
11. if desirable, publishing with a standard
  - a basis for conclusions, explaining, among other things, the steps in the ASB's due process and how the ASB dealt with public comments on the exposure draft, and
  - the dissenting opinion of any ASB member.

Once NAS/NFRS are approved by ASB Board,, they sent to Institute of Chartered Accountants of Nepal for pronouncement. The Institute determines the effective dates. As noted above, NFRS fully converged with IFRS Standards are being implemented over a three-year period 2014 to 2016 for listed companies and state-owned enterprises.

Further, the Preface to NFRS states: "When IASB revises amends or withdraws International Accounting Standards, IFRSs, IFRIC or SIC such revision, amendments and withdrawals shall accordingly be treated as effected with immediate revision, amendments and withdrawals in NFRS by ASB as well to the extent not in conflict with existing National laws."

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	No.
If yes, what are the changes?	Not applicable.
Other comments regarding the use of IFRS Standards in the jurisdiction?	The same numbering as IAS/IFRS Standards has been retained in NAS/NFRS.

## TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	No. Currently the English standards are being used. But NAS/NFRS are currently being translated into Nepali.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	The translation follows the official IFRS Foundation translation process.

## APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the <i>IFRS for SMEs</i> Standard for at least some SMEs?	No.
If no, is the adoption of the <i>IFRS for SMEs</i> Standard under consideration?	No.
Did the jurisdiction make any modifications to the <i>IFRS for SMEs</i> Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the <i>IFRS for SMEs</i> Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.
For those SMEs that are not required to use the <i>IFRS for SMEs</i> Standard, what other accounting framework do they use?	SMEs may choose (a) IFRS Standards adopted as Nepal Financial Reporting Standards or (b) the existing Nepal Accounting Standards with certain exemptions and simplifications for SMEs. The existing Nepal Accounting Standards will continue to be available to such entities until the NFRS for SMEs is developed. The NFRSs for SMEs is currently under development.
Other comments regarding use of the <i>IFRS for SMEs</i> Standard?	None.