JURISDICTIONAL PROFILE
And
UPDATE ON STANDARDS DEVELOPMENT & IMPLEMENTATION

Prakash Jung Thapa, FCA
Chair, ASB Nepal
# BOARD STRUCTURE

<table>
<thead>
<tr>
<th>CHAIR</th>
<th>Representative, Ministry of Finance</th>
<th>Representative, Office of the Auditor General</th>
<th>Representative, Financial Comptroller General Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointed by the Government of Nepal</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Representative, Office of the Auditor General</td>
<td>Director General, Inland Revenue Department</td>
<td>Chair, Securities Board of Nepal</td>
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<tr>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Five Chartered Accountants &amp; One Registered Auditor Nominated by the Government of Nepal on the recommendation of ICAN’s Council</td>
</tr>
</tbody>
</table>

**Formation of 1st Board**
Published in Official Gazette of Government of Nepal
NAS/NFRS Enforcement

SETS THE STANDARDS

PRONOUNCES THE STANDARDS

IMPLEMENTED THROUGH

Nepal Chartered Accountants Act, 2053 (1997)
Companies Act 2063 (2006)
Regulatory Enforcements
Standards Setting Activities of the Board

- NAS 2007
- NFRS 2013
- NAS for MEs 2018
- NFRS 2018
- NPSAS 2022
- NFRS for SME 2017
- NAS for NPOs 2018
- NPSAS 2021
Financial Reporting/Accounting Standards of Nepal

NFRS

SMEs

MEs

NPOs

NFRS for SMEs

NFRS for NPOs

NFRS for MEs

FULL NFRS
STANDARDS FOR PROFIT MAKING ENTITIES

- **Annual Turnover/Balance Sheet Total**
  - NPR 100 Millions
  - NPR 1000 Millions

- **Borrowings/Assets in Fiduciary Capacity**
  - NPR 50 Millions
  - NPR 500 Millions

Also, the entities:
- Having Public Accountability or
- Employing more than 300 Employees
Entities Based on Their Annual Turnover Declared on Income Tax Return

- **970k +**: 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.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamlined Reporting</td>
<td>Designed for micro-sized entities in a plain language for easier comprehension reducing complexity</td>
</tr>
<tr>
<td>General Exemption for Transition</td>
<td>Impracticable adjustments can be made in the earliest practicable period</td>
</tr>
<tr>
<td>Statement of Other Comprehensive Income</td>
<td>Separate statement of other comprehensive income not required</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>No specific requirement for disclosure of judgments apart from estimations &amp; key estimation uncertainties in the notes</td>
</tr>
<tr>
<td>Property, Plant and Equipment (PPE)</td>
<td>Cost Model allowed &amp; Subsequent revaluation not required</td>
</tr>
<tr>
<td>Residual Value and Useful Life of PPE</td>
<td>No annual review required for asset residual value and useful life</td>
</tr>
<tr>
<td>Deferred Tax</td>
<td>No requirement to recognition, presentation and disclosure of deferred tax</td>
</tr>
<tr>
<td>Permit to Refer NFRS &amp; NFRS for SMEs</td>
<td>Disclose in the financial statements if an entity opts to follow any specific standard of NFRS or NFRS for SMEs</td>
</tr>
<tr>
<td>Minimum Disclosures</td>
<td>Minimum Disclosure requirement prescribed</td>
</tr>
<tr>
<td>Model Financial Statement</td>
<td>Model Financial Statement based on NAS for MEs provided</td>
</tr>
</tbody>
</table>
OTHER STANDARDS

For Not for Profit Organisations

For Government of Nepal
**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 Reporting Standards Development Committee** under leadership of Chair 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
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

- Offering Appropriate Training Programs to Employees: 46%
- Incorporating the Standards Into Existing Systems: 24%
- Interpretation and Comprehension: 20%
- No Major Challenges: 10%
Board’s Initiatives

- Collaboration with AOSSG and other standards setters like AASB & KASB
- Revision of NFRS based on IFRS 2024
- Enhanced online accessibility of standards
- Engaged in discussions with regulators to facilitate NAS/NFRS implementation
- Conducted trainings for regulators and stakeholders

Other Projects

- Development of Nepal Sustainability Reporting Standards
- Post Implementation Review
- Review of NAS for MEs & NAS for NPOs
- NFRS training programs to the regulators & stakeholders
- Research & Survey
THANK YOU!!