



JURISDICTIONAL PROFILE: **Nepal**

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

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

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact permissions@ifrs.org.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation Accounting Standards Board, Nepal (ASB Nepal)

Role of the organisation

The Accounting Standards Board, Nepal (ASB Nepal) is an independent statutory body formed with the responsibility to formulate accounting standards for preparation and presentation of financial statements in Nepal. The ASB Nepal was formed by the Government of Nepal in July 2002 by an amendment to the Nepal Chartered Accountants Act, 1997.

The objective of the ASB Nepal is to issue accounting standards for business enterprises in line with IFRS Accounting Standards issued by International Accounting Standards Board. The ASB Nepal is also responsible for issuing interpretations of Nepal Financial Reporting Standards (NFRS) but to date have not issued any.

Website <http://www.asbnepal.gov.np>

Email contact secretariat@asbnepal.gov.np

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 objective of the ASB Nepal, as formed under the Nepal Chartered Accountants Act, 1997, stipulates that its function is to prepare the accounting standards in line with IAS/IFRS Standards issued by IASB.

Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards? Yes. See above.
Further to this, the Preface to Nepal Financial Reporting Standards states that one of the objectives of the ASB Nepal 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 is converging with IFRS Accounting Standards as Nepal Financial Reporting Standards (NFRS) and with the *IFRS for SMEs* Accounting Standard as the NFRS for SMEs.

Additional comments provided on the adoption status? The ASB Nepal has published the new set of standards, which is converged with the 2018 IFRS Accounting Standards as issued by the IASB. This volume of NFRS 2018 comprises of 25 Nepal Accounting Standards (NAS), 17 Nepal Financial Reporting Standards (NFRS), 15 IFRICs, 5 SICs, Preface and the *Conceptual Framework for Financial Reporting*. These standards have completely replaced the earlier issued NFRS 2013.

All the NFRS, NAS, IFRIC and SIC are applicable as on today (12 December 2022), except NFRS 17, which is applicable from 16 July 2024.

The ASB Nepal is currently in the process of aligning NFRS with the 2023 IFRS Accounting Standards, with the aim of completing this work by July 2024.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting 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 All domestic companies whose securities trade in a public market are required to use NFRS in their consolidated financial statements

Accounting Standards in their consolidated financial statements?

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?

Those entities are required to prepare and publish the financial statements based on the Nepal Financial Reporting Standards (NFRS).

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

All.

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

Nepal Financial Reporting Standards (NFRS) converged with IFRS Accounting Standards are required.

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Nepal Financial Reporting Standards (NFRS) are required.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

Corporate bodies/entities not defined as SMEs and entities with economic significance are required to follow Nepal Financial Reporting Standards (NFRS). For all other entities, NFRS are permitted but not required.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting 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 Accounting Standards in their consolidated financial statements?

Nepal Financial Reporting Standards (NFRS) converged with IFRS Accounting Standards are required.

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

NFRS are 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 Accounting Standards are required or permitted for domestic companies?

- Listed companies, banks and financial institutions, insurance companies, state-owned enterprises: NFRS 2018.
- Corporate bodies/entities not defined as SMEs and entities with economic significance: NFRS.
- Entities that fall under the definition of SMEs or MEs: required to follow NFRS for SMEs or NFRS for MEs, respectively.
- Others: GAAP

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:	All the entities specifically covered by the standards are required to mention conformity with Nepal Financial Reporting Standards (NFRS 2018). Otherwise, compliance with GAAP must be stated.
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?	While 'dual reporting' of conformity with both NFRS and the jurisdiction's GAAP is not prohibited, it is not common.
Are IFRS Accounting Standards incorporated into law or regulations?	No, NFRS based on IFRS Accounting Standards are required. The Companies Act of Nepal requires the preparation of the financial statements in accordance with the accounting standards enforced by the competent body under the prevailing law. The Institute of Chartered Accountants of Nepal, the regulator being the competent body, has pronounced the implementation of the NFRS and NFRS for SMEs in the country, as applicable on the basis of such standards being issued by the Accounting Standards Board, Nepal.
If yes, how does that process work?	As per Section 15B of the Nepal Chartered Accountants Act, 2053 (1997), the ASB Nepal shall provide accounting standards, also based on international accounting standards, in order to systematize and regulate accountancy and financial reports.
If yes, how does that process work?	The preparers of the financial statements are required to follow the applicable reporting standards while preparing the financial statements that are audited. The auditors are required to report if those statements have been prepared in conformity with NFRS/NFRS for SMEs.
If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?	Yes. The ASB Nepal follows the due process involving the steps as explained below.
If yes, what is the process?	<p>NFRS are developed, revised and updated 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. Due process for projects normally, but not necessarily, involves the following steps (the steps that are required under the present or current terms of the ASB Nepal):</p> <p>(a) Discussion of issues associated with the Standards should be initiated by the Technical Committee: Issues related to Standard should be identified, reviewed and discussed by the Technical Committee. Thereafter, these issues should be brought before the ASB Nepal only with the appropriate suggestions for development of the Standards.</p> <p>(b) First discussion of the ASB Nepal:</p> <p>(1) The Standards sent with the suggestion from the Technical Committee shall be included in the agenda of the meeting of the ASB Nepal.</p> <p>(2) After the first discussion on those Standards, the members of the ASB Nepal shall be given one-month time to express their comments to the ASB Nepal.</p>

- (c) **Second discussion of the ASB Nepal:** The Technical Committee should review and discuss the received comments and submit it again to the ASB Nepal for the second discussion along with the suggestions.
- (d) **Publishing an exposure draft:** If it is decided to make the proposed Standard public as an exposure draft after the second discussion of the ASB Nepal, such an exposure draft shall be made public through the Secretariat of ASB Nepal.
- (e) **Exposure draft for public comment:**
- (1) The Secretariat shall make public the exposure draft as decided by the ASB Nepal using the available resources for comments for a period of at least two months
 - (2) If necessary, workshops and seminars may be organised with the approval of the ASB Nepal.
- (f) **Approval of the exposure draft as a Standard:**
- (1) The Technical Committee shall submit a proposal to recommend the exposure draft as a Standard after addressing the comments and suggestions received as mentioned in section (e).
 - (2) The members of the ASB Nepal shall be given 15 days to express their comments on the present proposal of the Standard.
 - (3) The ASB Nepal shall approve the exposure draft, after discussion in case any comments are received within the stipulated time as mentioned above, as a final Standard and recommend it to the Institute of Chartered Accountants of Nepal (ICAN) to comply with section 11 (da) of the Nepal Chartered Accountants Act, 1997 (first amendment, 2002).
- (g) **To request the regulators to implement the Standards:** The ASB Nepal shall also request that the concerned regulatory bodies facilitate the implementation of the NFRS.

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

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

Yes.

If yes, what are the changes?

The implementation date of NFRS 17 has been deferred until 16 July 2024.

The implementation of those parts of IFRS 9 *Financial Instruments* relating to the effective interest method and expected credit losses have been deferred until the fiscal year ending 15 July 2024. Details of these changes are available on the ASB Nepal website: NFRS 9 Carve-outs in Nepal.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

Not applicable.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language? No. The ASB Nepal currently has no plans to translate the NFRS into the local language.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards? Not applicable.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs? Yes. The NFRS for SMEs has been developed and approved by the ASB Nepal and its implementation has been pronounced by the Institute of Chartered Accountants of Nepal, making it effective mandatorily from July 17, 2023.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration? Not applicable.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard? Yes. In the definition of SMEs.

If the jurisdiction has made any modifications, what are those modifications? The following paragraph has been inserted after paragraph 1.7 of section 1:

Defining Small and Medium-sized Entities (SMEs)

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

- (a) **do not** have **public accountability**; and
- (b) publish general purpose financial statements for external users (*External users also include owners who are not involved in managing the business, existing and potential creditors and credit rating agencies*).

For financial reporting purpose the entities can be classified as:

1. Those having public accountability: *NFRS shall be applicable*
2. Those NOT having public accountability: *NFRS for SME shall be applicable*
3. Those NOT having public accountability other than SMEs: *Micro Entities—NAS for Micro Entities shall be applicable which need to be followed on consistent basis.*

1.9 Those **having** public accountability are required to prepare financial statements under NFRS 2018.

Who has Public Accountability?

- (a) 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)
- (b) it holds assets in a fiduciary capacity for broad group of outsiders as one of its primary businesses:

- i. banks, credit unions, insurance companies, security dealers and mutual funds, investment banks (except Micro Finance and Cooperatives not having economic significance)
 - ii. Pension and retirement funds
- (c) Government Business Enterprises (GBEs), public entities established under special acts not preparing financial statements under NPSAS
- (d) Entities having economic significance
 - i. Borrowings from banks or financial institutions or public funds or from entities holding assets in fiduciary capacity of NRs 500 million or more;
 - ii. Statement of Financial Position (Balance sheet) total (without off-setting current liabilities with current assets) of NRs 1000 million or more;
 - iii. Employing more than 300 employees including workers in an average;
 - iv. Annual Turnover (Revenue of Entity) of NRs 1000 million or more;
 - v. Holding assets in fiduciary capacity in excess of NRs 500 million (includes security brokers handling demat account, micro finance and cooperatives).

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.

1.10 Those NOT having public accountability and falling under the SME definition are required to prepare financial statements under NFRS for SMEs.

1.11 Those NOT having public accountability and other than SMEs are Micro Entities—Micro Entities are required to prepare financial statements in accordance with the NAS for Micro Entities on a consistent basis.

What are the Micro Entities?

- (a) Micro entities are those entities with the following thresholds (all):
 - (i) Annual Turnover (Revenue of Entity) of NRs 100 million or less
 - (ii) Borrowings from banks or financial institutions or public funds or from entities holding assets in fiduciary capacity of NRs 50 million or less
 - (iii) Statement of Financial Position (Balance Sheet) Total of NRs 100 million (without off-setting current liabilities in current assets) or less
 - (iv) Holding assets in fiduciary capacity of NRs 50 million or less (includes security brokers handling demat account, micro finance and cooperatives).

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 limits for 2 consecutive years to cease to qualify.

- (b) Micro Entities are not specifically required to follow NFRS or NFRS for SMEs but can prepare financial statements in accordance with the **NAS for Micro Entities** on consistent basis.

Which SMEs use the <i>IFRS for SMEs</i> Accounting Standard in the jurisdiction, and are they required or permitted to do so?	Those NOT having public accountability and falling under the SME definition are required to prepare financial statements under NFRS for SMEs.
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For those SMEs that are not required to use the <i>IFRS for SMEs</i> Accounting Standard, what other accounting framework do they use?	Local GAAP.
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Other comments regarding use of the <i>IFRS for SMEs</i> Accounting Standard?	None.
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