



# लेखामान बोर्ड

## ACCOUNTING STANDARDS BOARD

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

### Carve-outs/ Alternative Treatment in Nepal Accounting Standards for Not-for-Profit Organizations (NAS for NPOs) 2018

To ensure the fair presentation of financial statements, NPOs in Nepal shall follow either the full NFRS or the Nepal Accounting Standards for Not-for-Profit Organizations (NAS for NPOs) issued by the Accounting Standards Board. Nepal Accounting Standards for Not-for-Profit Organizations (NAS for NPOs) 2018 were introduced to ensure the fairness of financial statements prepared by NPOs in Nepal. However, the stakeholders have expressed the implementation challenges regarding Fund accountability statement, Statement of budget variance & Disclosure of Fair Value of Investment Property. Hence, to facilitate the implementation of the NAS for NPOs 2018, the 162<sup>nd</sup> Meeting of the Accounting Standard Board held on 11 July 2024 (27 Ashadh 2081) resolved the following Carve-outs on Section 6 & 15.2 of NAS for NPOs with the following Alternative Treatment.

| NAS Reference No.                               | Existing Provision  | Carve-Outs/ Alternative Treatment  |
|---|---|--|
| Chapter I<br>Section 6:<br>Financial Statements | <p>The financial statements include to each of the following documents:</p> <ul style="list-style-type: none"><li>a) Statement of financial position;</li><li>b) Statement of income and expenditure;</li><li>c) Statement of change in reserve;</li><li>d) Cash flow statement; and</li><li>e) Statement of accounting policies and notes to financial statements.</li></ul> <p>As part of the explanatory notes to the financial statements, NPOs may also include supplementary schedules and information based on or derived from, and expected to be read with, such statements. Financial statements would not, however, normally include such items as reports by the governing body/management, statements by the chairman, discussion and analysis by management and similar items that may be included in a financial or annual report of a corporate entity, unless required by the relevant Donor Agreements.</p> | <p>A complete set of financial statements comprises:</p> <ul style="list-style-type: none"><li>(a) a statement of financial position as at the end of the period;</li><li>(b) a statement of income and expenditure;</li><li>(c) a statement of changes in reserve for the period;</li><li>(d) a statement of cash flows for the period;</li><li>(e) notes, comprising significant accounting policies and other explanatory information;</li></ul> <p>An entity may use titles for the statements other than those used in this Standard.</p> |





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|--|---|--|
|  | <p>In NPOs it is required to separate the activities of externally funded projects from the 'core' activity of managing the organization. Each funded project should have a neutral effect on the Statement of Income &amp; Expenditure (i.e. neither surplus nor deficit) and the total income and costs of these projects may fluctuate significantly from year to year. Donors are interested to see the sources and level of income generated for funding the core management of the organization, as well as the types of expenditure that are covered, as this gives a guide as to the sustainability of the organization and helps to justify the level of administration charges made against projects. Therefore, the NPOs shall prepare the following two statements for externally funded projects as Project Level Reporting as required by the Agreement where the above mentioned first five statements may or may not be relevant.</p> <p>f. Fund accountability statement<br/>g. Statement of budget variance (Budgeted Vs Actual Expenditure Report)</p> |  |
| Chapter II<br>Section 15.2:<br>Investments | <p>Investment in property are properties that are held to earn rentals or for capital appreciations. Investment in property should be measured initially at cost. For subsequent measurement an entity must adopt the cost model as its accounting policy for all investment properties.</p>  | <p>Investment in property are properties that are held to earn rentals or for capital appreciations. Investment in property shall be measured initially at cost. For subsequent measurement an entity shall adopt the cost model as its accounting policy for all investment properties.</p> |





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|-------------------|--|---|
|                   | <p>Under the cost model, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Fair value is disclosed.</p> <p>Gains and losses on disposal are recognised in Income and Expenditure.</p> | <p>Under the cost model, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Disclosure of fair value is optional.</p> <p>Gains and losses on disposal are recognised in Income and Expenditure.</p> |

