



ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF ECONOMIC AFFAIRS

**ACCOUNTING STANDARDS RULES FOR
COMPANIES IN BHUTAN, 2012**

COMPANY REGISTRY DIVISION



དཔལ་ལྷན་འབྲུག་གཞི་རིམ་ བསྐྱོན་རྒྱུ་ལྷན་ཁག།

MINISTRY OF ECONOMIC AFFAIRS
ROYAL GOVERNMENT OF BHUTAN
Tashichho Dzong
THIMPHU



བསྐྱོན་རྒྱུ་ལྷན་ཁག།
MINISTER

FORWARD

In accordance with section 138 of the Companies Act of the Kingdom of Bhutan, 2000, the Ministry is pleased to adopt the Regulations for *Accounting Standards Rules for Companies in Bhutan, 2012*. The purpose of the Regulation is to provide a legal framework for adoption of newly issued *Bhutan Accounting Standards* and such other financial and auditing standards to be issued in the future by *Accounting and Auditing Standards Board of Bhutan (AASBB)* for the Companies in Bhutan. In recent years the importance of financial transparency in the corporate world has become a necessity, due to the recent financial turmoil around the world. It has become essential to adopt financial reporting standards at par with International Financial Reporting Standards (IFRS) as the Bhutanese economy needs to be a competent player in the international market. This will ensure foreign investment into Companies in the Country and close business ties with world's leading business houses to transfer technology and best business practices.

The Bhutan Accounting Standards issued by the AASBB will replace Schedule XIII of the Companies Act, which is a set of Generally Accepted Accounting Principles (GAAP), no longer relevant internationally as well as in the country. The new standards are expected to be enforced among Companies starting 2013 onwards to achieve complete enforcement by January, 2018. By 2020 even the Bhutan Accounting Standards is expected to be fully compliant to International Financial Reporting Standards.

Finally, with the adoption of this Regulation, the Companies and Financial Institutions would benefit immensely in terms of achieving transparent and sound financial reports and book keeping. It will also foster a culture of maintaining transparent financial statements of both public and private Companies in the country. This Regulation will go a long way in achieving a vibrant and sound corporate culture in the country.

Tashi Delek

(Khandu Wangchuk)

ACCOUNTING STANDARDS RULES FOR COMPANIES IN BHUTAN, 2012

In exercise of the powers conferred by section 137 read with section 138(a) of the Companies Act, 2000, the Ministry of Economic Affairs, hereby issues the following Accounting Standards Rules:

1. Short Title, Extend and Commencement:

- (1) These Rules shall be called, "Accounting Standards Rules for Companies in Bhutan, 2012".
- (2) These Rules shall come into force on the date of public notification by the Ministry of Economic Affairs.
- (3) These Rules shall govern the matter relating to accounting standards for all Companies incorporated under Companies Act of Bhutan.

2. Definitions:

- (1) For the purposes of these Rules, unless the context otherwise requires:-
 - (a) **Act** means the Companies Act of Bhutan and amendments thereto.
 - (b) **Accounting Standards** means the Accounting Standards as adopted from time to time by Accounting and Auditing Standards Board of Bhutan (AASBB).
 - (c) **Annexure** means the annexure to these rules.
 - (d) **Company** means a registered Company as defined in the Companies Act of Bhutan, and amendment thereto.
 - (e) **Small and Medium Company (SMC)** means a Company:-
 - (i) Whose equity or debt securities are not listed or are in the process of listing on any stock exchange, whether in Bhutan or outside
 - (ii) Which is not a Bank, or Financial Institution
 - (iii) Which is not a subsidiary or Holding Company of a Company which is not Small and Medium Company

Explanation: For the purposes of these Rules, a Company shall qualify as a Small and Medium Company, if the conditions mentioned above are satisfied as at the end of the relevant accounting period.

3. Repeal:

These rules will repeal all the provisions of Schedule XIII of Companies Act, from the effective date of enforcement for each phase of accounting standards as prescribed in section 4 of these rules.

PART I: ACCOUNTING STANDARDS

4. Accounting Standards:

- (1) The Ministry of Economic Affairs, hereby prescribes:
 - (a) The Bhutan Accounting Standards Phase-I for listed Companies, as adopted by the Accounting and Auditing Standards Board of Bhutan, which are specified in the **Annexure I** of these rules. These Standards shall come into force from January 1, 2013.
 - (b) The Bhutan Accounting Standards Phase II, as adopted by the Accounting and Auditing Standards Board of Bhutan, which are specified in the **Annexure II** of these rules. These Standards shall come into force from January 1, 2016.
 - (c) The Bhutan Accounting Standards Phase III, as adopted by the Accounting and Auditing Standards Board of Bhutan, which are specified in the **Annexure III** of these rules. These Standards shall come into force from January 1, 2018.
 - (d) The Bhutan Accounting Standards for SMCs, as adopted by the Accounting and Auditing Standards Board of Bhutan, which are specified in the **Annexure IV** of these rules. These Standards shall come into force from January 1, 2014.
- (2) The final interpretation of these Accounting Standards shall be vested with the Accounting and Auditing Standards Board of Bhutan.

ANNEXURE I: Accounting Standards –Phase I

Sl. No.	BAS	IAS	Name of the Standards
1	BAS 01	IAS 01	Presentation of Financial Statements
2	BAS 02	IAS 02	Inventories
3	BAS 07	IAS 07	Cash Flow Statements
4	BAS 08	IAS 08	Accounting Policies, Change in Accounting Estimates and Errors
5	BAS 10	IAS 10	Events after the Balance Sheet Date
6	BAS 11	IAS 11	Construction Contracts
7	BAS 12	IAS 12	Income Taxes
8	BAS 16	IAS 16	Property, Plant & Equipment
9	BAS 18	IAS 18	Revenue
10	BAS 20	IAS 20	Accounting for Govt. Grants and Disclosure of Govt. Assistance
11	BAS 21	IAS 21	The Effects of Changes in Foreign Exchange Rates
12	BAS 23	IAS 23	Borrowing Costs
13	BAS 24	IAS 24	Related Party Disclosures
14	BAS 27	IAS 27	Consolidated and Separate Financial Statements
15	BAS 33	IAS 33	Earnings Per Share
16	BAS 34	IAS 34	Interim Financial Reporting
17	BAS 37	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
18	BFRS 8	IFRS 8	Operating Segments

ANNEXURE II: Accounting Standards –Phase II

Sl. No.	BAS	IAS	Name of the standards
1	BAS 17	IAS 17	Leases
2	BAS 19	IAS 19	Employee Benefits
3	BAS 26	IAS 26	Accounting and Reporting by Retirement Benefit Plans
4	BAS 28	IAS 28	Investment in Associates
5	BAS 31	IAS 31	Interests in Joint Ventures
6	BAS 36	IAS 36	Impairment of Assets
7	BAS 38	IAS 38	Intangible Assets
8	BAS 40	IAS 40	Investment Property
9	BAS 41	IAS 41	Agriculture

ANNEXURE III: Accounting Standards –Phase III

Sl. No.	BAS	IAS	Name of the standards
1	BAS 29	IAS 29	Financial Reporting in Hyperinflationary Economies
2	BAS 32	IAS 32	Financial Instruments: Presentation
3	BAS 39	IAS 39	Financial Instruments: Recognition and Measurement
4	BFRS 1	IFRS 1	First Time Adoption of International Financial Reporting Standards
5	BFRS 2	IFRS 2	Share-based Payment
6	BFRS 3	IFRS 3	Business Combinations
7	BFRS 4	IFRS 4	Insurance Contracts
8	BFRS 5	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
9	BFRS 6	IFRS 6	Exploration for and Evaluation of Mineral Resources
10	BFRS 7	IFRS 7	Financial Instruments: Disclosures

ANNEXURE IV: Accounting Standards for SMCs

Section	Standards
1	Small and medium-sized entities
2	Concepts and pervasive principles
3	Financial statement presentation
4	Statement of financial position
5	Statement of comprehensive income and income statement
6	Statement of changes in equity and statement of income and retained earnings
7	Statement of cash flows
8	Notes of the financial statements
9	Consolidated and separate financial statements
10	Accounting policies, estimates and errors
11	Basic financial instruments
12	Other financial instruments issues
13	Inventories
14	Investments in associates
15	Investments in joint ventures
16	Investment property
17	Property, plant and equipment
18	Intangible assets other than goodwill
19	Business combinations and goodwill
20	Leases
21	Provisions and contingencies
22	Liabilities and equity
23	Revenue
24	Government grants
25	Borrowing costs

26	Share-based payment
27	Impairment of assets
28	Employee benefits
29	Income tax
30	Foreign currency translation
31	Hyperinflation
32	Events after the end of the reporting period
33	Related party disclosures
34	Specialized activities
35	Transition to the IFRS for SMEs