

## IFRS APPLICATION AROUND THE WORLD

### JURISDICTIONAL PROFILE: **Bhutan**



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This Profile provides information about the application of IFRS Standards in Bhutan. 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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Profile last updated: 16 June 2016

#### RELEVANT JURISDICTIONAL AUTHORITY

|                          |  |
|--------------------------|--|
| Organisation             | Accounting and Auditing Standards Board of Bhutan (AASBB)  |
| Role of the organisation | Standard setting body.                                     |
| Website                  | <a href="http://aasbb.com.bt">http://aasbb.com.bt</a>      |
| Email contact            | <a href="mailto:kinzangk@gmail.com">kinzangk@gmail.com</a> |

#### COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

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|--|---|
| Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards? | Yes.  |
| Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards? | Yes.<br>This is laid out in the Finance Minister's Executive Order of 16/02/2012 announcing the decision to adopt IFRS Standards and reasons for adopting IFRS Standards rather than developing national standards. |

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What is the jurisdiction's status of adoption?

Bhutan has not adopted IFRS Standards. However in April 2012 it began a process of adopting IFRS Standards in three phases with the goal of achieving complete adoption by 2021.

See Executive Order above.

Additional comments provided on the adoption status?

In July 2010, the government of Bhutan approved the formation of the Accounting and Auditing Standards Board of Bhutan (AASBB). The AASBB has authority to set Bhutanese accounting and auditing standards in line with international standards.

In 2012, the Ministry of Economic Affairs adopted a timetable for implementing IFRS Standards in three phases. See Q2 in the [FAQ section](#) of the AASBB's website.

The AASBB has signed copyright waiver agreement with the IFRS Foundation to adopt IFRS Standards in a phased manner aiming for full adoption and compliance by the year 2021. The standards will be called Bhutanese Accounting Standards (BAS) during the transition period until 2021. The AASBB is releasing the standards in three phases. In the first phase, 18 standards were issued to be implemented from January 2013 till the end of 2015. The 18 phase-1 standards are:

| 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   |

Nine Phase II standards are adopted effective 1 January 2016, and ten Phase III standards (through IFRS 7 Financial Instruments Disclosures) are adopted effective 1 January 2018.

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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.

If YES, are IFRS Standards REQUIRED or PERMITTED?

Permitted. Notification AASB/01/2011-12/130 dated 6 April 2012 requires compliance with Bhutanese Accounting Standards Phase 1 (see above). This includes some, but not all, IFRS Standards. The [Companies Act of Bhutan \(2000\)](#) requires that companies listed on the Royal Securities Exchange of Bhutan must present their financial statements in compliance with a GAAP system. To comply with this provision, companies are permitted to use IFRS Standards in full.

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?

Permitted.

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

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.

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

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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?

Permitted.

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

All.

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**IFRS ENDORSEMENT**

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Which IFRS Standards are required or permitted for domestic companies?

The [Companies Act](#) simply specifies that listed companies should prepare financial statements using GAAP, without identifying which GAAP. Those that choose IFRS Standards as their GAAP normally use IFRS Standards as issued by the IASB Board, ie standards and amendments are adopted/endorsed as and when issued by the Board.

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The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:

IFRS Standards.

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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)?

No.

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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?

The [Companies Act of Bhutan \(2000\)](#) requires that listed companies must present their financial statements in compliance with a GAAP system. To comply with this provision, most companies use either Indian Accounting Standards or IFRS Standards. However, IFRS Standards are not incorporated into law or regulations.

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Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?

No.

If yes, what is the process?

Not applicable.

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

Not applicable.

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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?

None.

## TRANSLATION OF IFRS STANDARDS

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Are IFRS Standards translated into the local language?

No.

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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?

Not applicable.

## APPLICATION OF THE IFRS FOR SMEs STANDARD

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Has the jurisdiction adopted the *IFRS for SMEs* Standard for at least some SMEs?

No.

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If no, is the adoption of the *IFRS for SMEs* Standard under consideration?

Yes. The AASBB has adopted the *IFRS for SMEs* Standard as the Bhutan Accounting Standard for SMEs (BAS for SMEs). The BAS for SMEs was effective 1 January 2014.

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Did the jurisdiction make any modifications to the *IFRS for SMEs* Standard?

No (to be confirmed).

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If the jurisdiction has made any modifications, what are those modifications?

See above.

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Which SMEs use the *IFRS for SMEs* Standard in the jurisdiction, and are they required or permitted to do so?

The AASBB requires the BAS for SMEs for all incorporated companies that are not listed.

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For those SMEs that are not required to use the *IFRS for SMEs* Standard, what other accounting framework do they use?

Not applicable.

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Other comments regarding use of the *IFRS for SMEs* Standard?

The AASBB is conducting training workshops on the BAS for SMEs.

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