Exposure Draft

Accounting Standard (AS) 10 (revised)

Tangible Fixed Assets

INVITATION TO COMMENT

The Accounting Standards Board of the Institute of Chartered Accountants of India invites comments on any aspect of this Exposure Draft of the revised Accounting Standard (AS) 10, Tangible Fixed Assets. The Board would particularly welcome answers to the questions set out below. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than ***March 15, 2006.*** *Comments can also be sent by e-mail at edcommentsasb@icai.org or tdte@icai.org.*

Question 1 – Treatment for Replacement of Major Component Parts

IAS 16 is based on the component approach. Under this approach, each part of a tangible fixed asset having cost that is significant in relation to its total cost is depreciated separately. As a corollary, cost of replacing such parts is capitalised, if recognition criteria are met with consequent derecognition of the carrying amount of the replaced part. The cost of replacing those parts which have not been depreciated separately is also capitalised with the consequent derecognition of the replaced parts. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

Exposure Draft of revised AS 10 also recognises the component approach. However, it does not mandatorily require adoption of the said approach on the lines of IAS 16. The exposure draft recognises that the accounting for a tangible fixed asset improves if the total cost thereof is allocated to its major component parts, provided they are in practice separable, and estimates can be made of the useful lives of these parts. It requires such parts to be depreciated separately. It also requires the cost of replacing such parts to be capitalised with the consequent derecognition of the replaced parts. At the time of replacement of a major part, in respect of the parts which have not been depreciated separately, the draft provides an option either to capitalise the cost of replacement with the consequent derecognition of the replaced parts or to recognise such costs in the statement of profit and loss.

Do you agree that unlike IAS 16, the Standard should give an option of not insisting on segregation of an asset into its major components? If not, why not?

Question 2 – Treatment of Major Inspection or Overhaul Costs

IAS 16 requires the cost of major inspections to be capitalised with consequent derecognition of any remaining carrying amount of the cost of the previous inspection.

In line with the treatment prescribed for replacement of major parts, the exposure draft of revised AS 10 provides an option with regard to the treatment of major inspection or overhaul costs also. As per the exposure draft, an enterprise is permitted either to capitalise such costs with the consequent derecognition of any remaining carrying amount of the cost of the previous inspection or overhaul or to recognise such costs in the statement of profit and loss.

Do you agree with the above optional treatment prescribed in the exposure draft? If not, why not?

Question 3 – Revaluation Model

On the lines of IAS 16, the Exposure Draft of revised AS 10 provides an option to the enterprises to value their fixed assets using either the cost model or the revaluation model.

Do you agree that above option with regard to valuation of fixed assets should be provided in the revised AS 10 or it should require the adoption of cost model only with a view to enhance the comparability of the information presented in the financial statements? Give reasons?

Question 4 – Transitional Provisions

The revised AS 10 is proposed to be made applicable in respect of accounting periods commencing on or after a particular date. As such, its application would be prospective. However, some transitional issues are still expected to arise on the first application of the revised AS 10. To address such issues, the exposure draft of revised AS 10 contains certain transitional provisions (refer paragraph 79-83 of the exposure draft).

Do you agree with the Transitional Provisions contained in the Standard?

Do you feel that apart from the issues addressed in the paragraphs 79-83, any other transitional issues are also expected to arise on the first application of the revised AS 10? If yes, what are those issues and how should these issues be addressed in the revised AS 10?

Question 5 – Other comments

Do you have any other comments on the Exposure Draft of revised Accounting Standard (AS) 10, Tangible Fixed Assets?

Exposure Draft

Accounting Standard 10 (revised)

Tangible Fixed Assets

(This Exposure Draft of the revised Accounting Standard includes paragraphs set in ***bold italic*** *type and plain type, which have equal authority. Paragraphs in bold italic type indicate the main principles. This Exposure Draft of the revised Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards (revised 2004)[1].)*

Accounting Standard (AS) 10, Tangible Fixed Assets (revised), issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after ____ (*date to be decided later*) and is mandatory in nature[2] from that date. The revised Standard supersedes Accounting Standard (AS) 10, Accounting for Fixed Assets (issued 1985) except paragraph 14.2 and paragraph 24 dealing with tangible fixed assets retired from active use and held for disposal; Accounting Standard (AS) 6, Depreciation Accounting (revised 1994) and Accounting Standards Interpretation (ASI) 2, Accounting for Machinery Spares (Re.: AS 2 and AS 10) (issued 2002). The aforesaid paragraphs of AS 10 (issued 1985), which are not superseded by AS 10 (revised), shall stand superseded upon issuance of the Accounting Standard on 'Non-current Assets Held for Sale and Discontinued Operations' which is being formulated.

The following is the text of the Exposure Draft of the revised Accounting Standard.

Objective

1. The objective of this Statement is to prescribe the accounting treatment for tangible fixed assets so that users of the financial statements can discern information about investment made by an enterprise in its tangible fixed assets and the changes in such investment. The principal issues in accounting for tangible fixed assets are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

Scope

2. ***This Statement should be applied in accounting for tangible fixed assets except when another Accounting Standard requires or permits a different accounting treatment.***
3. This Statement does not apply to:
   (a) tangible fixed assets classified as held for sale in accordance with the Accounting Standard on Non-current Assets Held for Sale and Discontinued Operations[3];

1 Attention is specifically drawn to paragraph 4.3 of the Preface, according to which accounting standards are intended to apply only to items which are material.

2 This implies that, while discharging their attest function, it will be the duty of the members of the Institute to examine whether this Accounting Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from this Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviations.

3 A separate Accounting Standard on 'Non-current Assets Held for Sale and Discontinued Operations', which is being formulated, will specify the requirements relating to assets held for sale.

(b) biological assets, i.e., living animals or plants; and
(c) wasting assets including mineral rights, expenditure on the exploration for and extraction of minerals, oil, natural gas and similar non-regenerative resources[4].

However, this Statement applies to tangible fixed assets used to develop or maintain the assets described in (b) and (c) above.

4. Other Accounting Standards may require recognition of a tangible fixed asset based on an approach different from that in this Statement. For example, AS 19, Leases, requires an enterprise to recognise a tangible fixed asset on the basis of the transfer of risks and rewards. However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by this Statement.

5. An enterprise should apply this Statement to property that is being constructed or developed for future use as investment property but does not yet satisfy the definition of 'investment property' as per AS 13, Accounting for Investments. Once the construction or development is complete, the property becomes investment property and the enterprise is required to apply AS 13.

Definitions

6. The following terms are used in this Statement with the meanings specified:

***Carrying amount** is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.*

***Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Accounting Standards, e.g., AS 14, Accounting for Amalgamations.*

***Depreciable amount** is the cost of an asset, or other amount substituted for cost, less its residual value.*

***Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.*

***Enterprise-specific value** is the present value of estimated future cash flows expected to arise to an enterprise from the continuing use of an asset and from its disposal at the end of its useful life or expected to incur when settling a liability.*

***Fair value** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.*

***Gross carrying amount** of a tangible fixed asset is its cost or other amount substituted for the cost in the books of account, without making any deduction for accumulated depreciation and accumulated impairment losses.*

*An **impairment loss** is the amount by which the carrying amount of an asset exceeds its recoverable amount.*

***Tangible fixed assets** are assets with physical substance that:*

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
(b) are expected to be used during more than one period.

***Recoverable amount** is the higher of an asset's net selling price and its value in use.*

*The **residual value** of an asset is the estimated amount that an enterprise would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.*

***Useful life** is:*

(a) the period over which an asset is expected to be available for use by an enterprise; or
(b) the number of production or similar units expected to be obtained from the asset by an enterprise.

Recognition

7. The cost of a tangible fixed asset should be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the asset will flow to the enterprise; and
(b) the cost of the asset can be measured reliably.

8. Spare parts are usually carried as inventory and recognised in the statement of profit and loss as consumed. However, major spare parts qualify as tangible fixed assets when an enterprise expects to use them during more than one period. Similarly, if the spare parts can be used only in connection with a tangible fixed asset, they are accounted for as tangible fixed assets. Servicing equipments and stand-by equipments are also accounted for as tangible fixed assets.

4 The accounting for such assets, in the context of oil and gas producing activities, is dealt with in the Guidance note on Accounting for Oil and Gas Producing Activities, issued by the Institute of Chartered Accountants of India.

9. This Statement does not prescribe the unit of measure for recognition, i.e., what constitutes a tangible fixed asset. Thus, judgement is required in applying the recognition criteria to specific circumstances of an enterprise. It may be appropriate to aggregate individually insignificant assets and to apply the criteria to the aggregate value of each class of such assets, such as moulds, tools and dies.

10. An enterprise evaluates under this recognition principle all its costs on tangible fixed assets at the time they are incurred. These costs include costs incurred:

(a) initially to acquire or construct a tangible fixed asset; and

(b) subsequently to add to, replace part of, or overhaul it.

Initial Costs

11. Tangible fixed assets may be acquired for safety or environmental reasons. The acquisition of such tangible fixed assets, although not directly increasing the future economic benefits of any particular existing tangible fixed asset, may be necessary for an enterprise to obtain the future economic benefits from its other assets. Such tangible fixed assets qualify for recognition as assets because they enable an enterprise to derive future economic benefits from related assets in excess of what could be derived had those assets not been acquired. For example, a chemical manufacturer may install new chemical handling processes to comply with environmental requirements for the production and storage of dangerous chemicals; related plant enhancements are recognised as an asset because without them the enterprise is unable to manufacture and sell chemicals. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with AS 28, Impairment of Assets.

12. In certain circumstances, the accounting for a tangible fixed asset improves if the total cost thereof is allocated to its major component parts, provided they are in practice separable, and estimates can be made of the useful lives of these parts. For example, rather than treat an aircraft and its engines as one unit, it is better to treat the engines as a separate unit if it is likely that their useful life is shorter than that of the aircraft as a whole. Similarly, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe.

Subsequent Costs

13. Under the recognition principle in paragraph 7, an enterprise does not recognise in the carrying amount of a tangible fixed asset the costs of the day-to-day servicing of the asset. Rather, these costs are recognised in the statement of profit and loss as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of such expenditures is often described as for the 'repairs and maintenance' of tangible fixed assets.

14. Major parts of some tangible fixed assets may require replacement at regular intervals. For example, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. An enterprise, which treats major parts of a tangible fixed asset separately as per paragraph 12, depreciates each major part separately as per paragraph 44. Accordingly, the enterprise recognises in the carrying amount of a tangible fixed asset the cost of replacing major part of such an asset when that cost is incurred if the recognition criteria in paragraph 7 are met. In such a case, the carrying amount of those major parts that are replaced is derecognised in accordance with the derecognition provisions of this Statement (see paragraphs 67-71). An enterprise, which does not treat the major parts of a tangible fixed asset separately in accordance with paragraph 12, treats the cost of replacing major parts in one of the following ways:

(a) An enterprise recognises in the carrying amount of a tangible fixed asset the cost of replacing a major part of such an asset when that cost is incurred if the recognition criteria in paragraph 7 are met. The carrying amount of those major parts that are replaced is derecognised in accordance with the derecognition provisions of this Statement (see paragraphs 67-71). In case an enterprise has replaced the major part of a tangible fixed asset with a major spare which hitherto was being treated as a separate tangible fixed asset, it recognises the carrying amount of such major spare in the carrying amount of the tangible fixed asset as the cost of replacement when such replacement takes place.

(b) Alternatively, an enterprise recognises the cost of replacing a major part of an asset in the statement of profit and loss as incurred. In case an enterprise has replaced the major part of a tangible fixed asset with a major spare which was hitherto being treated as a separate tangible

fixed asset, it recognises the carrying amount of such major spare in the statement of profit and loss when the replacement takes place.

An enterprise chooses either of the treatments in (a) or (b) above as its accounting policy and applies that policy to an entire class of tangible fixed assets. The enterprise applies the same accounting policy to the tangible fixed assets acquired to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement which it has followed for regular replacements taking place in that class of assets.

15. A condition of continuing to operate a tangible fixed asset (for example, an aircraft) may be performing regular major inspections or overhauls for faults regardless of whether parts of the asset are replaced. Some enterprises were hitherto creating a provision towards the cost of major inspections or overhauls. However, with AS 29, Provisions, Contingent Liabilities and Contingent Assets, coming into effect, creation of provision for such inspection or overhaul costs is no longer permissible. According to this Statement, an enterprise treats such costs in one of the following ways:
    (a) When each major inspection or overhaul is performed, its cost is recognised in the carrying amount of the tangible fixed asset as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection or overhaul (as distinct from physical parts) is derecognised. This occurs regardless of whether the cost of the previous inspection or overhaul was identified in the transaction in which the asset was acquired or constructed. If necessary, the cost of the current inspection or overhaul being carried out may be used as an indication of what the cost of the inspection or overhaul component was when the asset was acquired or constructed.
    (b) Alternatively, an enterprise recognises the cost of each major inspection or overhaul in the statement of profit and loss when incurred.

An enterprise chooses either of the treatments in (a) or (b) above as its accounting policy and applies that policy to an entire class of tangible fixed assets.

Measurement at Recognition

16. A tangible fixed asset that qualifies for recognition as an asset should be measured at its cost.

Elements of Cost

17. The cost of a tangible fixed asset comprises:
    (a) its purchase price, including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), after deducting trade discounts and rebates.
    (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.
    (c) the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which an enterprise incurs either when the asset is acquired or as a consequence of having used the asset during a particular period for purposes other than to produce inventories during that period.
18. Examples of directly attributable costs are:
    (a) costs of employee benefits (as defined in AS 15 (revised 2005), Employee Benefits) arising directly from the construction or acquisition of the tangible fixed asset;
    (b) costs of site preparation;
    (c) initial delivery and handling costs;
    (d) installation and assembly costs;
    (e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
    (f) professional fees.
19. The obligations for the costs of dismantling and removing the asset and restoring the site on which it is located are recognised and measured in accordance with AS 29, Provisions, Contingent Liabilities and Contingent Assets. The underlying nature and association of an obligation for dismantling, removing and restoring the site on which a tangible fixed asset is located with the asset remains the same irrespective of whether the obligation is incurred upon acquisition of the asset or while it is being used. Therefore, the cost of an asset also includes the costs of dismantlement, removal or restoration, the obligation for which is incurred as a consequence of having used the asset during a particular period other than to produce inventories during that period. An enterprise applies AS 2, Valuation of Inventories, to the costs of obligations that are incurred as a consequence of having used the asset during a particular period to produce inventories during that period. This is because the accounting for these costs in accordance with AS 2 acknowledges their nature.
20. Examples of costs that are not costs of a tangible fixed asset are:

(a) costs of opening a new facility or business, such as, inauguration costs;
(b) costs of introducing a new product or service, including costs of advertising and promotional activities;
(c) costs of conducting business in a new location or with a new class of customer (including costs of staff training); and
(d) general administration and other general overhead costs.

21. Recognition of costs in the carrying amount of a tangible fixed asset ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended. Therefore, costs incurred in using or redeploying an asset are not included in the carrying amount of that asset. For example, the following costs are not included in the carrying amount of a tangible fixed asset:
(a) costs incurred while an asset capable of operating in the manner intended has yet to be brought into use or is operated at less than full capacity;
(b) initial operating losses, such as those incurred while demand for the output of an asset builds up; and
(c) costs of relocating or reorganising part or all of the operations of an enterprise.

22. Some operations occur in connection with the construction or development of a tangible fixed asset, but are not necessary to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended. These incidental operations may occur before or during the construction or development activities. For example, income may be earned through using a building site as a car park until construction starts. Because incidental operations are not necessary to bring an asset to the location and condition necessary for it to be capable of operating in the manner intended, the income and related expenses of incidental operations are recognised in the statement of profit and loss and included in their respective classifications of income and expense.

23. The cost of a self-constructed asset is determined using the same principles as for an acquired asset. If an enterprise makes similar assets for sale in the normal course of business, the cost of the asset is usually the same as the cost of constructing an asset for sale (see AS 2). Therefore, any internal profits are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labour, or other resources incurred in self-constructing an asset is not included in the cost of the asset. AS 16, Borrowing Costs, establishes criteria for the recognition of interest as a component of the carrying amount of a qualifying tangible fixed asset.

Measurement of Cost

24. One or more tangible fixed assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such tangible fixed asset(s) is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset(s) received nor the asset(s) given up is reliably measurable. The acquired asset(s) is/are measured in this manner even if an enterprise cannot immediately derecognise the asset given up. If the acquired asset(s) is/are not measured at fair value, its/their cost is measured at the carrying amount of the asset(s) given up.

25. An enterprise determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if:
(a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or
(b) the enterprise-specific value of the portion of the operations of the enterprise affected by the transaction changes as a result of the exchange;
(c) and the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the enterprise-specific value of the portion of operations of the enterprise affected by the transaction should reflect post-tax cash flows. In certain cases, the result of these analyses may be clear without an enterprise having to perform detailed calculations.

26. The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If an enterprise is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure

the cost of the asset received unless the fair value of the asset received is more clearly evident.

27. When a tangible fixed asset is acquired in exchange for shares or other securities in the enterprise, a rebuttable presumption applies that the fair value of the asset acquired can be estimated reliably. Accordingly, the asset is measured at its fair value. In cases, if the enterprise rebuts this presumption because it cannot estimate reliably the fair value of the asset acquired, the enterprise measures the asset acquired by reference to the fair value of the shares or securities granted, measured at the date the enterprise acquires the asset.

28. Where several tangible fixed assets are purchased for a consolidated price, the consideration is apportioned to the various assets on the basis of their respective fair values. In case the fair values of the assets acquired cannot be measured reliably, these values are estimated on a fair basis as determined by competent valuers.

29. The cost of tangible fixed asset held by a lessee under a finance lease is determined in accordance with AS19, Leases.

30. The carrying amount of a tangible fixed asset may be reduced by government grants in accordance with AS 12, Accounting for Government Grants.

Measurement after Recognition

31. An enterprise should choose either the cost model in paragraph 32 or the revaluation model in paragraph 33 as its accounting policy and should apply that policy to an entire class of tangible fixed assets.

Cost Model

32. After recognition as an asset, a tangible fixed asset should be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation Model

33. After recognition as an asset, a tangible fixed asset whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

34. The fair value of tangible fixed assets is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers.

35. If there is no market-based evidence of fair value because of the specialised nature of the tangible fixed asset and the asset is rarely sold, except as part of a continuing business, an enterprise may need to estimate fair value using an income approach (for example, based on discounted cash flow projections) or a depreciated replacement cost approach which aims at making a realistic estimate of the current cost of acquiring or constructing an asset that has the same service potential as the existing asset.

36. The frequency of revaluations depends upon the changes in fair values of the tangible fixed assets being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some tangible fixed assets experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for tangible fixed assets with only insignificant changes in fair value. Instead, it may be appropriate to revalue the asset only every three to five years.

37. When a tangible fixed asset is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:
    (a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost.
    (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. This method is often used for buildings.

The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 41 and 42.

38. If a tangible fixed asset is revalued, the entire class of tangible fixed assets to which that asset belongs should be revalued.

39. A class of tangible fixed assets is a grouping of assets of a similar nature and use in operations of an enterprise. The following are examples of separate classes:
    (a) land;
    (b) buildings;
    (c) plant and machinery;
    (d) ships;

(e) aircraft;
(f) motor vehicles;
(g) furniture and fixtures; and
(h) office equipment.

40. The assets within a class of tangible fixed assets are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

41. An increase in the carrying amount of a tangible fixed asset arising on revaluation should be credited directly to owners' interests under the heading of revaluation surplus and should be regarded as not available for distribution. However, the increase should be recognised in the statement of profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit and loss.

42. A decrease in the carrying amount of a tangible fixed asset arising on revaluation should be charged to the statement of profit and loss. However, the decrease should be debited directly to owners' interests under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

43. An enterprise transfers an amount equal to the difference between the depreciation based on the revalued carrying amount of a tangible fixed asset and the depreciation based on its original cost to the statement of profit and loss pertaining to the relevant period from the revaluation surplus. The amount transferred in this manner is presented separately as a deduction from the amount of depreciation on the face of the statement of profit and loss. On derecognition of a revalued tangible fixed asset, the balance of revaluation surplus, if any, in respect of that asset is transferred to the statement of profit and loss. The amount transferred to the statement of profit and loss in this manner is presented separately as an adjustment to the amount of gain or loss arising on derecognition of that asset on the face of the statement of profit and loss.

Depreciation

44. Each part of a tangible fixed asset which has been treated separately as per paragraphs 12 and 14(a) should be depreciated separately.

45. In certain circumstances, the accounting for a tangible fixed asset improves if an enterprise allocates the amount initially recognised in respect of a tangible fixed asset to its major component parts and depreciates each such part separately. For example, it may be appropriate to depreciate separately the airframe and engines of an aircraft, whether owned or subject to a finance lease. A major part of a tangible fixed asset may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another major part of that same asset. Such parts may be grouped in determining the depreciation charge.

46. To the extent that an enterprise depreciates separately some parts of a tangible asset, it also depreciates separately the remainder of the asset. The remainder consists of the parts of the asset that are individually not considered major. If an enterprise has varying expectations for these parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the consumption pattern and/or useful life of its parts.

47. The depreciation charge for each period should be recognised in the statement of profit and loss unless it is included in the carrying amount of another asset.

48. The depreciation charge for a period is usually recognised in the statement of profit and loss. However, sometimes, the future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the depreciation of tangible fixed assets used for development activities may be included in the cost of an intangible asset recognised in accordance with AS 26, Intangible Assets.

Depreciable Amount and Depreciation Period

49. The depreciable amount of an asset should be allocated on a systematic basis over its useful life.

50. The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

51. The depreciable amount of the asset, after the recognition of an i mpairment loss (if any), is adjusted in future periods to allocate the revised carrying amount of the asset, less its residual value (if any), on a systematic basis over its remaining useful life.

52. Depreciation is recognised even if the fair value of the asset exceeds its carrying amount. However, no depreciation is recognised in respect of the asset whose residual value exceeds its carrying amount. Repair and maintenance of an asset do not negate the need to depreciate it.

53. The depreciable amount of an asset is determined after deducting its residual value. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

54. The residual value of an asset may increase to an amount equal to or greater than its carrying amount. If it does, depreciation charge of the asset is zero unless and until its residual value subsequently decreases to an amount below its carrying amount.

55. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the Accounting Standard on Non-current Assets Held for Sale and Discontinued Operations[5] and the date that the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. However, where the depreciation is based on the number of production or similar units expected to be obtained from the asset by an enterprise, the depreciation charge can be zero while there is no production.

56. The future economic benefits embodied in an asset are consumed by an enterprise principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:
   (a) expected usage of the asset. Usage is assessed by reference to the expected capacity or physical output of the asset.
   (b) expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.
   (c) technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
   (d) legal or similar limits on the use of the asset, such as the expiry dates of related leases.

57. The useful life of an asset is defined in terms of its expected utility to the enterprise. The asset management policy of the enterprise may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the enterprise with similar assets.

58. Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.

59. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits to be derived from it.

60. The statute governing an enterprise may provide the basis for computation of depreciation. For example, the Companies Act, 1956 lays down the rates of depreciation in respect of various assets. Where the management's estimate of the useful life of an asset of the enterprise is shorter than that envisaged under the provisions of the relevant statute, the depreciation provision is appropriately computed by applying the higher rate. If the management's estimate of the useful life of the asset is longer than that envisaged under the statute, depreciation rate lower than that envisaged by the statute can be applied only in accordance with requirements of the statute.

Depreciation Method

61. The depreciation method used should reflect the pattern in which the future economic benefits of the asset are expected to be consumed by the enterprise.

62. The depreciation method applied to an asset should be reviewed at least at each financial year-end and,

5 A separate Accounting Standard on 'Non-current Assets Held for Sale and Discontinued Operations', which is being formulated, will specify the requirements relating to assets held for sale.

if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern. Such a change should be accounted for as a change in an accounting estimate in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

63. A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the residual value of the asset does not change. The diminishing balance method results in a decreasing charge over the useful life. The units of production method results in a charge based on the expected use or output. The enterprise selects the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits.

Impairment

64. To determine whether a tangible fixed asset is impaired, an enterprise applies AS 28, Impairment of Assets. AS 28 explains how an enterprise reviews the carrying amount of its assets, how it determines the recoverable amount of an asset, and when it recognises, or reverses the recognition of, an impairment loss.

Compensation for Impairment

65. Compensation from third parties for tangible fixed assets that were impaired, lost or given up should be included in the statement of profit and loss when the compensation becomes receivable.

66. Impairments or losses of tangible fixed assets, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:
    (a) impairments of tangible fixed assets are recognised in accordance with AS 28;
    (b) derecognition of tangible fixed assets retired or disposed of is determined in accordance with this Statement;
    (c) compensation from third parties for tangible fixed assets that were impaired, lost or given up is included in determining profit or loss when it becomes receivable; and
    (d) the cost of tangible fixed assets restored, purchased or constructed as replacements is determined in accordance with this Statement.

Derecognition

67. The carrying amount of a tangible fixed asset should be derecognised:
    (a) on disposal; or
    (b) when no future economic benefits are expected from its use or disposal.

68. The gain or loss arising from the derecognition of tangible fixed asset should be included in the statement of profit and loss when the asset is derecognised (unless AS 19, Leases, requires otherwise on a sale and leaseback). Gains should not be classified as revenue, as defined in AS 9, Revenue Recognition.

69. The disposal of a tangible fixed asset may occur in a variety of ways (e.g. by sale, by entering into a finance lease or by donation). In determining the date of disposal of an asset, an enterprise applies the criteria in AS 9 for recognising revenue from the sale of goods. AS 19, Leases, applies to disposal by a sale and leaseback.

70. If, under the recognition principle in paragraph 7, an enterprise recognises in the carrying amount of a tangible fixed asset the cost of a replacement for part of the asset, then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an enterprise to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

71. The gain or loss arising from the derecognition of a tangible fixed asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

Disclosure

72. The financial statements should disclose, for each class of tangible fixed assets:
    (a) the accounting policy followed for the replacement of major parts and the major inspection or overhaul costs;
    (b) the measurement bases (i.e., cost model or revaluation model) used for determining the gross carrying amount;
    (c) the depreciation methods used;
    (d) the useful lives or the depreciation rates used, if they are different from the principal rates specified in the statute governing the enterprise;

(e) the gross carrying amount, the accumulated depreciation and the accumulated impairment losses at the beginning and end of the period; and

(f) a reconciliation of the carrying amount at the beginning and end of the period showing:

(i) additions;

(ii) acquisitions through amalgamations;

(iii) increases resulting from revaluations under paragraph 41 and from impairment losses reversed directly in revaluation surplus in accordance with AS 28;

(iv) impairment losses reversed in the statement of profit and loss in accordance with AS 28;

(v) assets classified as held for sale or included in a disposal group classified as held for sale[6] and other disposals;

(vi) depreciation;

(vii) impairment losses recognised in the statement of profit and loss in accordance with AS 28;

(viii) decreases resulting from revaluations under paragraph 42 and from impairment losses recognised directly in revaluation surplus in accordance with AS 28;

(ix) the net exchange differences arising on the translation of the financial statements of a non-integral foreign operation in accordance with AS 11, The Effects of Changes in Foreign Exchange Rates; and

(x) other changes.

73. The financial statements should also disclose:

(a) the existence and amounts of restrictions on title, and tangible fixed assets pledged as security for liabilities;

(b) the amount of expenditure recognised in the carrying amount of a tangible fixed asset in the course of its construction;

(c) the amount of contractual commitments for the acquisition of tangible fixed assets; and

(d) if it is not disclosed separately on the face of the statement of profit and loss, the amount of compensation from third parties for tangible fixed assets that were impaired, lost or given up that is included in the statement of profit and loss.

74. Selection of the depreciation method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates, if they are different from the principal rates specified in the statute governing the enterprise, provides users of financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other enterprises. For similar reasons, it is necessary to disclose:

(a) depreciation, whether recognised in the statement of profit and loss or as a part of the cost of other assets, during a period; and

(b) accumulated depreciation at the end of the period.

75. In accordance with AS 5, an enterprise discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For tangible fixed assets, such disclosure may arise from changes in estimates with respect to:

(a) residual values;

(b) the estimated costs of dismantling, removing or restoring tangible fixed assets;

(c) useful lives; and

(d) depreciation methods.

76. ***If tangible fixed assets are stated at revalued amounts, the following should be disclosed:***

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating fair values of the assets;

(d) the extent to which fair values of the assets were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques; and

(e) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

77. In accordance with AS 28, an enterprise discloses information on tangible fixed assets in addition to the information required by paragraph 72(f)(iii), (iv), (vii) and (viii).

78. Users of financial statements may also find the following information relevant to their needs:

(a) the carrying amount of temporarily idle tangible fixed assets;

(b) the gross carrying amount of any fully depreciated tangible fixed asset that is still in use; and

(c) the carrying amount of tangible fixed assets retired from active use and not classified as held for sale in accordance with the Account-

6 A separate Accounting Standard on 'Non-current Assets Held for Sale and Discontinued Operations', which is being formulated, will specify the requirements relating to assets held for sale.

ing Standard on Non-current Assets Held for Sale and Discontinued Operations[7];

(d) when the cost model is used, the fair value of tangible fixed assets when this is materially different from the carrying amount; and

(e) when the fair value model is used, the carrying amount that would have been recognised had the assets been carried under the cost model, for each revalued class of tangible fixed asset.

Therefore, enterprises are encouraged to disclose these amounts.

Transitional Provisions

79. ***The requirements of paragraphs 24-28 regarding the initial measurement of a tangible fixed asset acquired in an exchange of assets transaction should be applied prospectively only to transactions entered into after this Statement becomes mandatory.***

80. ***On the date of this Statement becoming mandatory, if an enterprise chooses to treat major parts of a tangible fixed asset, which hitherto were being considered as a composite asset, separately, as per paragraph 12 of this Statement, each such part should be depreciated separately over its remaining useful life as per paragraph 44 of this Statement.***

81. ***On the date of this Statement becoming mandatory, the spare parts, which hitherto were being treated as inventory under AS 2, Valuation of Inventories, and are now required to be capitalised in accordance with the requirements of this Statement, should be capitalised at their respective carrying amounts. The spare parts so capitalised should be depreciated over their remaining useful lives prospectively as per the requirements of this Statement.***

82. ***In case an enterprise has not earlier capitalised the costs of dismantling and removing the asset and restoring the site on which it is located, on the date of this Statement becoming mandatory, it should make an estimate of the costs of dismantling and removing the asset and restoring the site on which it is located and should capitalise the same as per the requirements of this Statement. In such a case, the depreciation on the incremental amount capitalised should be calculated from the date on which the asset was put to use and additional depreciation arising from retrospective computation of depreciation should be adjusted against the opening balance of revenue reserves and surplus.***

83. ***The requirements of paragraphs 31 and 33-40 regarding the adoption of revaluation model should be applied prospectively if an enterprise decides to make a revaluation after the date of this Statement becoming mandatory. However, for the purposes of applying paragraphs 41-43 of this Statement, any revaluation surplus existing on the date of this Statement becoming mandatory should be treated as revaluation surplus arising under this Statement.***

Appendix A

Note: This Appendix is not a part of the Accounting Standard. The purpose of this appendix is only to bring out the major differences between Accounting Standard 10 (revised) and the corresponding International Accounting Standard (IAS) 16, Property, Plant and Equipment.

Comparison with IAS 16, Property, Plant and Equipment

AS 10 (revised) differs from International Accounting Standard (IAS) 16, Property, Plant and Equipment, in the following major respects:

1. Servicing equipment and Stand-by equipments

As per IAS 16, all servicing equipments, whether major or minor, except servicing equipments which can be used only in connection with a tangible fixed asset, are carried as inventory and recognised in the statement of profit and loss, when consumed. Servicing equipments that can be used only in connection with a tangible fixed asset are accounted for as tangible fixed assets.

Keeping in view the nature of servicing equipments as separate assets, AS 10 (revised) requires all servicing equipments to be treated as tangible fixed assets as in the pre-revised AS 10.

2. Elements and Measurement of Cost

(a) IAS 16 provides that the cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is

7 A separate Accounting Standard on 'Non-current Assets Held for Sale and Discontinued Operations', which is being formulated, will specify the requirements relating to assets held for sale.

deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item as permitted in IAS 23, Borrowing Costs. Since this provision amounts to adopting the present value accounting, AS 10 (revised) does not contain this requirement. Similarly, in case of disposal of fixed assets also, AS 10 (revised) does not recognise the concept of cash price equivalent which is required to be followed in IAS 16. This position is consistent with the requirements of other Accounting Standards, e.g., AS 26, Intangible Assets.

(b) IAS 16 does not specifically deal with the situation where several assets are purchased for a consolidated price whereas, on the lines of the pre-revised AS 10 (issued 1985), this situation is specifically covered in AS 10 (revised). AS 10 (revised) provides that where several assets are purchased for a consolidated price, the consideration is apportioned to the various assets on the basis of their respective fair values. In case the fair values of the assets acquired cannot be measured reliably, these values are estimated on a fair basis as determined by competent valuers.

(c) IAS 16 does not deal with the situation where a tangible fixed asset is acquired in exchange for shares or other securities in the enterprise because it is covered by IFRS 2, Share-based Payment. Since the Indian Accounting Standard corresponding to IFRS 2 is under preparation, AS 10 (revised) provides that when a tangible fixed asset is acquired in exchange for shares or other securities in the enterprise, a rebuttable presumption applies that the fair value of asset acquired can be estimated reliably. Accordingly, the asset acquired is measured at its fair value. If an enterprise rebuts this presumption because it cannot estimate reliably the fair value of the asset acquired, the enterprise measures the asset acquired by reference to the fair value of the shares or securities granted, measured at the date the enterprise acquires the asset. This requirement of AS 10 (revised) is in line with IFRS 2.

3. Component Approach

(a) IAS 16 is based on the component approach. Under this approach, each part of a tangible fixed asset having cost that is significant in relation to its total cost is depreciated separately. As a corollary, cost of replacing such parts is capitalised, if recognition criteria are met with consequent derecognition of carrying amount of the replaced part. The cost of replacing those parts which have not been depreciated separately is also capitalised with the consequent derecognition of the replaced parts. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

AS 10 (revised) also recognises the component approach. However, it does not mandatorily require full adoption of the said approach on the lines of IAS 16, since doing so may require an enterprise to segregate one asset into several parts which may become impracticable in certain circumstances. AS 10 (revised) recognises that the accounting for a tangible fixed asset improves if the total cost thereof is allocated to its major component parts, provided they are in practice separable, and estimates can be made of the useful lives of these parts. However, it provides an option that an enterprise may not follow this practice. Where an enterprise decides to follow the component approach, AS 10 (revised) requires such parts to be depreciated separately. It also requires the cost of replacing such parts to be capitalised with the consequent derecognition of the replaced parts. At the time of replacement of a major part, in respect of the parts which have not been depreciated separately, AS 10 (revised) provides an option either to capitalise the cost of replacement with the consequent derecognition of the replaced parts or where it does not follow the component approach, to recognise such costs in the statement of profit and loss.

(b) IAS 16 requires the cost of major inspections to be capitalised with consequent derecognition of any remaining carrying amount of the cost of the previous inspection.

Keeping in line with (a) above, AS 10 (revised) provides an option with regard to the treatment of major inspection costs also. As per this standard an enterprise is permitted either to capitalise such costs with the consequent derecognition of any remaining carrying amount of the cost of the previous inspection or to recognise such costs in the statement of profit and loss.

(c) IAS 16 provides an option to the entities to depreciate separately the parts of an asset that do not have a cost that is significant in relation to the total cost of the asset. AS 10 (revised) does not provide any such option because it is felt that segregating of an asset into insignificant parts would not serve much purpose.

4. Depreciation

IAS 16 does not recognise a situation where depreciation rates are prescribed by the statute governing an enterprise. Keeping in view the Indian context, such situations are covered in AS 10 (revised). According to AS 10 (revised), depreciation rates prescribed by the statute would be the minimum rates of depreciation and a depreciation rate lower than that envisaged by the statute can be applied only in accordance with the requirements of the statute.

5. Treatment of Revaluation Surplus

IAS 16 provides that the revaluation surplus included in equity in respect of an asset may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an enterprise. In such a case, the amount of the surplus transferred would be the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost. Transfers from revaluation surplus to retained earnings are not made through the statement of profit and loss.

As mentioned in 4 above, in India, certain statutes govern the manner of computation of the amount of depreciation to be charged in the statement of profit and loss. For instance, the Companies Act, 1956, requires that the amount of depreciation shall be based on the original cost. Keeping this in view, AS 10 (revised) provides that an amount equal to the difference between the depreciation based on the revalued carrying amount of a tangible fixed asset and the depreciation based on its original cost should be presented separately as a deduction from the amount of depreciation on the face of the statement of profit and loss so that the net effect is charging of of depreciation based on the original cost as per the statute. AS 10 (revised) also requires that any amount standing in revaluation surplus in respect of a tangible fixed asset is transferred to the statement of profit and loss, when the asset is derecognised. The amount transferred to the statement of profit and loss in this manner is presented separately as an adjustment to the amount of gain or loss arising on derecognition of that asset on the face of the statement of profit and loss.

6. Disclosures

(a) IAS 16 requires a disclosure of the useful lives or the depreciation rates used. Keeping in view the fact that the statute governing an enterprise may have prescribed the basis of charging depreciation, AS 10 (revised) requires the disclosure of the useful lives or the depreciation rates used only in those situations when these are different from the principal rates prescribed in the statute governing the enterprise as in the case of the existing AS 10.

(b) Where revaluation model is followed, IAS 16 requires disclosure of the carrying amount that would have been recognised had the assets been carried under the cost model for each revalued class of assets. On the other hand, when the cost model is used, IAS 16 encourages (not requires) the disclosure of the fair value of property, plant and equipment when this is materially different from the carrying amount.

AS 10 (revised) maintains a consistency in this regard and encourages both the disclosures.

(c) Keeping in view the option provided regarding the treatment of replacement of major parts and major inspection or overhaul costs, AS 10 (revised) requires the accounting policy followed for the replacement of major parts and the major inspection or overhaul costs to be disclosed. This disclosure is not required in IAS 16.

7. Transitional Provisions

IAS 16 contains transitional provisions only to the extent that the requirements regarding the initial measurement of a tangible fixed asset acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

Apart from the above, AS 10 (revised) contains transitional provisions in paragraphs 79-83 of the Standard dealing with the other aspects also, e.g., an enterprise opting to treat major parts of a tangible fixed asset, which hitherto were being considered as one asset, separately; treatment of spare parts, which hitherto were being considered as inventory, and are required to be capitalised as per this Statement; etc.

Appendix B

Note: This Appendix is provided to bring out the major differences between Exposure Draft of revised Accounting Standard 10 and the pre-revised AS 10(1985) and AS 6 (1994) with a view to facilitate commentators in sending their comments on the Draft of revised AS 10.

Major Differences between Exposure Draft of revised AS 10, Tangible Fixed Assets, and pre-revised AS 10, Accounting for Fixed Assets (1985) and AS 6, Depreciation Accounting (1994)

The Exposure Draft of revised AS 10 deals with accounting for tangible fixed assets which are covered by pre-revised AS 10, Accounting for Fixed Assets. The exposure draft also deals with depreciation of tangible fixed assets which is presently covered by AS 6, Depreciation Accounting. Therefore, the major differences mentioned below are between the Exposure Draft of the revised AS 10 and pre-revised AS 10 and pre-revised AS 6.

(i) AS 10 (1985), keeping in view the fact that accounting for real estate developers was covered by AS 7 (1983), Accounting for Construction Contracts, provided a specific exclusion with regard to the expenditure on real estate development.
AS 7 (revised 2002), Construction Contracts, is now no longer applicable to real estate developers. Keeping this in view and on the lines of IAS 16, AS 10 (revised) does exclude such developers from its scope.

(ii) The exposure draft of revised AS 10, apart from defining the term tangible fixed assets, also lays down the following criteria which should be satisfied for recognition of tangible fixed assets:
   (a) it is probable that future economic benefits associated with the asset will flow to the enterprise, and
   (b) the cost of the asset can be measured reliably.

AS 10 (1985) does not lay down any specific recognition criteria for recognition of a fixed asset. As per the standard, any item which meets the definition of a fixed asset should be recognised as a fixed asset.

(iii) As per the Exposure Draft of revised AS 10, initial costs as well as the subsequent costs are evaluated on the same recognition principles to determine whether the same should be recognised as a tangible fixed asset. AS 10 (1985), on the other hand, prescribes separate recognition principles for subsequent expenditure. As per AS 10 (1985), subsequent expenditures related to an item of fixed asset are capitalised only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

(iv) The Exposure Draft of revised AS 10 requires all major spare parts and spare parts which can be used only in connection with a tangible fixed asset to be accounted for as tangible fixed assets.

As per AS 10 (1985), read with ASI 2, only those spares are required to be capitalised which can be used only in connection with a fixed asset and whose use is expected to be irregular.

(v) The Exposure Draft of revised AS 10 deals with the component approach in a detailed manner by recognising that accounting for a tangible fixed asset improves if the total cost thereof is allocated to its major component parts, provided they are in practice separable, and estimates can be made of the useful lives of these parts. It requires such parts to be depreciated separately. It also requires the cost of replacing such parts to be capitalised if the recognition criteria are met with the consequent derecognition of the replaced parts. At the time of replacement of a major part, in respect of the parts which have not been depreciated separately, AS 10 (revised) provides an option either to capitalise the cost of replacement with the consequent derecognition of the replaced parts or to recognise such costs in the statement of profit and loss.

AS 10 (1985) recognises the component approach in one paragraph by stating that accounting for a tangible fixed asset may be improved if total cost thereof is allocated to its various parts. Apart from this, neither AS 10 (1985) nor AS 6 (1994) deals with the aspects such as separate depreciation of components, capitalising the cost of replacement, etc.

(vi) Keeping in view the fact that with AS 29, Provisions, Contingent Liabilities and Contingent Assets, coming into effect, creation of provision for major inspection or overhaul costs is no longer permissible, the Exposure Draft of revised AS 10 provides an option to capitalise major inspection or overhaul costs with the consequent derecognition of any remaining carrying amount of the cost of the previous inspection or overhaul. An enterprise which does not capitalise such costs is required to recognise the same in the statement of profit and loss.

AS 10 (1985) does not deal with this aspect.

(vii) In line with the requirement of AS 29, Provisions, Contingent Liabilities and Contingent Assets, for creating a provision towards the costs of dismantling and removing the asset and restoring the site on which it is located at the time the asset is acquired or constructed, the Exposure Draft of revised AS 10 requires that the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located should be included in the cost of tangible fixed assets.

AS 10 (1985) does not contain any such requirement.

(viii) The Exposure Draft of revised AS 10 requires an enterprise to choose either the cost model or the revaluation model as its accounting policy and to apply that policy to an entire class of tangible fixed assets. It requires that under revaluation model, revaluation be made with reference to the fair value of fixed assets. It also requires that revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

AS 10 (1985) recognises revaluation of fixed assets. However, the revaluation approach adopted therein is ad hoc in nature, as it does not require the adoption of fair value basis as its accounting policy or revaluation of assets with regularity. It also provides an option for selection of assets within a class for revaluation on systematic basis.

(ix) With regard to self-constructed assets, the Exposure Draft of revised AS 10 specifically states that the cost of abnormal amounts of wasted material, labour, or other resources incurred in the production of such asset is not included in the cost of the assets.

AS 10 (1985) while dealing with self-constructed fixed assets does not mention the above on the lines of IAS 16 as these would basically be covered by AS 27 as jointly controlled asset which are jointly owned.

(x) AS 10 (1985) specifically deals with the fixed assets owned by the enterprise jointly with others. The Exposure Draft of revised AS 10 does not specifically deal with this aspect.

(xi) On the lines of IAS 16, the Exposure Draft of revised AS 10 requires that change in depreciation method should be considered as a change in accounting estimate and treated accordingly. In AS 6 (1994), it is considered as a change in accounting policy and treated accordingly.

(xii) As a consequence to (xi) above, the Exposure Draft of revised AS 10 requires that the depreciation method applied to an asset should be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern. In AS 6 (1994), change in depreciation method can be made only if the adoption of the new method is required by statute or for compliance with an accounting standard or if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements.

(xiii) The Exposure Draft of revised AS 10 requires that the residual value and useful life of an asset be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with AS 5. Under AS 6 (1994), such a review is not obligatory as it simply provides that useful life of an asset may be reviewed periodically.

(xiv) The Exposure Draft of revised AS 10 requires that compensation from third parties for tangible fixed assets should be included in the statement of profit and loss when the compensation becomes receivable. AS 10(1985) does not specifically deal with this aspect.

(xv) The Exposure Draft of revised AS 10 specifically provides that gains arising on derecognition of a tangible fixed asset should not be treated as revenue as defined in AS 9. AS 10 (1985) is silent on this aspect.

(xvi) The Exposure Draft of revised AS 10 does not deal with the assets 'held for sale' because the treatment of such assets is proposed to be covered in the Accounting Standard on 'Non-current Assets Held for Sale and Discontinued Operations', being formulated by the Accounting Standards Board.

(xvii) The disclosure requirements of the Exposure Draft of revised AS 10 are significantly elaborate as compared to AS 10 (1985)/ AS 6 (1994).

Exposure Draft

Proposed Limited Revision to AS 2, Valuation of Inventories

(Last date for comments: March 15, 2006)

The following is the text of the Exposure Draft of proposed limited revision to AS 2, Valuation of Inventories, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comment. Comments on the proposed limited revision may be sent to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to reach him not later than March 15, 2006. Comments can also be sent by e-mail at edcommentsasb@icai.org or tdte@icai.org.

In view of the proposed revision to AS 10, Tangible Fixed Assets, paragraph 4 of AS 2 is proposed to be modified as under (proposed modifications are shown as underline/strike-through):

"4. Inventories encompass goods purchased and held for resale, for example, merchandise purchased by a retailer and held for resale, computer software held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the enterprise and include materials, maintenance supplies, consumables and loose tools awaiting use in the production process. Inventories do not include ~~machinery~~ major spare~~s~~ parts if an enterprise expects to use them during more than one period. Inventories also do not include spare parts which can be used only in connection with a~~n~~ ~~item of~~ tangible fixed asset. ~~and whose use is expected to be irregular; s~~Such ~~machinery~~ spare parts are accounted for in accordance with Accounting Standard (AS) 10 (revised), ~~Accounting for~~ Tangible Fixed Assets."

The limited revision comes into effect in respect of accounting periods commencing on or after _____ *(date to be decided later).*

Exposure Draft

Accounting Standards Interpretation (ASI) 14[1] (Revised)

Disclosure of Revenue from Sales Transactions

Accounting Standard (AS) 9, Revenue Recognition

(Last Date for Comments: March 15, 2006)

[The revision to this Interpretation is being undertaken only to clarify the amount of Excise Duty that should be shown as a deduction from the turnover on the face of the statement of profit and loss. Thus, the Accounting Standards Board does not intend to review the basic requirements of this Interpretation.]

[This revised Accounting Standards Interpretation replaces ASI 14 issued in March 2004.]

This is a 'marked copy' which indicates the changes proposed vis-à-vis existing ASI 14. Proposed additions are double-underlined whereas proposed omissions are shown in strike-through form.

The following is the text of the Exposure Draft of revised Accounting Standards Interpretation (ASI) 14 on 'Disclosure of Revenue from Sales Transactions' (Re. AS 9, Revenue Recognition), issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comment. Comments on the Exposure Draft may be sent to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to reach him not later thanMarch 15, 2006. Comments can also be sent by e-mail at edcommentsasb@icai.org or tdte@icai.org.

1 The authority of this ASI is the same as that of the Accounting Standard to which it relates. The contents of this ASI are intended for the limited purpose of the Accounting Standard to which it relates. ASI is intended to apply only to material items.

ISSUE

1. What should be the manner of disclosure of excise duty in the presentation of revenue from sales transactions (turnover) in the statement of profit and loss.

CONSENSUS

2. The amount of turnover should be disclosed in the following manner on the face of the statement of profit and loss:

Turnover (Gross)	XX	
Less: Excise Duty	XX	
Turnover (Net)		XX

For the above purpose, the amount of excise duty should be the amount that is included in the amount of turnover (gross), i.e., the total excise duty for the year except the excise duty related to the difference between the closing stock and opening stock. The excise duty related to the difference between the closing stock and opening stock should be recognised separately in the statement of profit and loss, with an explanatory note in the notes to accounts to explain the nature of the two amounts of excise duty.

BASIS FOR CONCLUSIONS

3. Financial analysts and other users of financial statements, sometimes, require the information related to turnover gross of excise duty as well as net of excise duty for meaningful understanding of financial statements. However, it was noted that some enterprises disclose turnover net of excise duty while others disclose turnover at gross amount. Accordingly, this Interpretation requires disclosure of turnover gross of excise duty as well as net of excise duty on the face of the statement of profit and loss.

4. The amount of excise duty to be deducted from the amount of turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of excise duty liability arising during the period (including that added to the cost of inventory) since deducting an amount which is not included in the turnover (gross) would not give a correct picture of the turnover (net). As per the interpretation, the amount of excise duty not included in the turnover, i.e., the excise duty related to the difference between the closing stock and opening stock, is required to be recognised separately in the statement of profit and loss.

5. With a view to avoid the confusion that may arise among the readers because of the two amounts of the excise duty appearing in the statement of profit and loss, this Interpretation requires an explanatory note to be included indicating that the amount of excise duty deducted from the turnover is relatable to sales made during the period and the amount recognised separately in the statement of profit and loss is related to the difference between the closing stock and opening stock.

ANNOUNCEMENT

Accounting for exchange differences arising on a forward exchange contract entered into to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction

1. The Institute of Chartered Accountants of India (ICAI) issued an Announcement on *'Applicability of Accounting Standard (AS) 11 (revised 2003), The Effects of Changes in Foreign Exchange Rates, in respect of exchange differences arising on a forward exchange contract entered into to hedge the foreign currency risk of a firm commitment*[1] *or a highly probable forecast transaction*[2] (see 'The Chartered Accountant', July 2004 (pp. 110)). As per the Announcement, AS 11 (revised 2003) is not applicable to the exchange differences arising on forward exchange contracts entered into to hedge the foreign currency risks of a firm commitment or a highly probable forecast transaction. It is stated in the Announcement that the hedge accounting, in its entirety, including hedge of a firm commitment or a highly probable forecast transaction, is proposed to be dealt with in the

[1] A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.
[2] A forecast transaction is an uncommitted but anticipated future transaction.

Accounting Standard on *'Financial Instruments: Recognition and Measurement'*, which is under formulation.

2. It may be noted that as per the above Announcement, AS 11 (revised 2003) is not applicable to the exchange differences arising on the forward exchange contracts entered into to hedge the foreign currency risks of a firm commitment or a highly probable forecast transaction. Accordingly, the premium or discount in respect of such contracts continues to be governed by AS 11 (revised 2003), *The Effects of Changes in Foreign Exchange Rates.*
3. It has been noted that in the absence of any authoritative pronouncement of the Institute on the subject, different enterprises are accounting for exchange differences arising on such contracts in different ways which is affecting the comparability of financial statements. Keeping this in view, the matter has been reconsidered and the Institute is of the view that pending the issuance of the proposed Accounting Standard on *'Financial Instruments: Recognition and Measurement'*, which is under formulation, exchange differences arising on the forward exchange contracts entered into to hedge the foreign currency risks of a firm commitment or a highly probable forecast transaction should be recognised in the statement of profit and loss in the reporting period in which the exchange rate changes. Any profit or loss arising on renewal or cancellation of such contracts should be recognised as income or expense for the period.

Invitation to Employment Agencies/ Placements Consultants Abroad

Committee for Members in Industry of the Institute of Chartered Accountants of India invites the Employment Agencies/ Placement Consultants to provide the placement opportunities to the Chartered Accountants in foreign countries. The Committee implements the norms in this regard, which can be seen at http://icai.org/announ/placements_abroad.pdf. For further assistance in this regard, Employment Agencies/ Placements Consultants Abroad may get in touch with CMII Secretariat at 011-30110442 / 450 or at cmii@icai.org. Members of the Institute are also requested to advice the CMII Secretariat with the details of the possible Employment Agencies/ Placements Consultants Abroad whom could be approached by CMII Secretariat in this regard.

Chairman

Committee for Members in Industry

WORLD CONGRESS OF ACCOUNTANTS 2006

The 17th World Congress Of Accountants (WCOA) will be held in Istanbul, Turkey, on November 13-16, 2006. The Congress, being organised around the theme 'Generating Economic Growth and Stability Worldwide', will feature plenary sessions and workshops led by internationally recognized speakers from public and private sectors. They will address issues of accounting, auditing, ethics and financial management. For more information and to register to attend, please visit the WCOA's website: http://www.wcoa2006istanbul.org.tr.

CPE requirements for Members in Practice for the year 2006

It is brought to the notice of all Members in Practice that the Council, in its meeting held in January 2006 has decided as follows:

All the Members in Practice, unless exempted, are required to obtain 20 hours of CPE credit for the calendar year 2006. Unstructured CPE learning hours are not applicable for the year 2006.

The above overrides the provisions of clause 7 of the Statement on Continuing Professional Education, 2003.

CAMPUS PLACEMENT PROGRAMME FOR NEWLY QUALIFIED CHARTERED ACCOUNTANTS

FEBRUARY - MARCH 2006

The Committee for Members in Industry of the Institute organises Campus Placement Programme for newly qualified Chartered Accountants at various centres all over India. The scheme has been evolved to provide an opportunity both to employing organisations as well as the young professional aspirants to meet and explore the possibility of taking up positions in Industry. In the last such Interviews conducted in August - September 2005 at various centres, 160 recruiting teams of leading organisations of the country reviewed the bio-data of more than 2936 young Chartered Accountants and interviewed those shortlisted by them in the premises of the offices of the Institute.

INVITATION TO CANDIDATES QUALIFIED IN CA FINAL NOVEMBER 2005 EXAMINATIONS

It has been decided to organise Campus Placement Programme at thirteen centres, viz., Ahmedabad, Bangalore, Baroda, Chennai, Coimbatore, Hyderabad, Indore, Jaipur, Kanpur, Kolkata, Mumbai, New Delhi and Pune in February - March 2006. As earlier, a large number of leading organisations are expected to participate.

Centre	Dates
Baroda, Coimbatore, Indore, Jaipur, Kanpur and Pune	21st – 24th February 2006
Ahmedabad, Bangalore and Hyderabad	28th February – 3rd March 2006
Chennai, Kolkata, Mumbai, New Delhi	7th – 14th March 2006 (Excluding Sunday)

The schedule of the Campus Placement Programme is as below:

The Candidates who have qualified in the CA Final Examination held in November 2005 and are interested to appear in these interviews may access the Institute's On-line Placement Portal at www.placements-icai.org and fill up the Application Form Online. Please note the following important information in this regard:

1) Last date for filling up the online application form for the candidates: **31st January 2006** (upto 12 midnight).

2) Please ensure that you **submit** the online application form after completing the same in the portal. (i.e. mere filling up of the form and saving online will not be sufficient)

3) Candidates shall be allowed to opt for only one Campus Interview centre

4) Candidates can appear for any number of interviews at a particular campus placement programme centre but the moment he/she gets an offer letter from ONE organisation, he/she will not be allowed to attend further interviews – even if he/she has been shortlisted by other organisations or the interviews of a particular organisation is opened to all (without restriction regarding shortlisting).

5) No manual applications shall be entertained under any circumstances

6) Correspondence with the students shall be done via e-mail only.

7) Individual request letters for Campus Placement Programme will be sent to eligible candidates' postal addresses available with the Institute relating to their articleship registration.

INVITATION TO EMPLOYERS

The Committee for Members in Industry of the Institute provides opportunity to the employers to interact with newly qualified Chartered Accountants and makes all arrangements at its centres, thereby it provides a cost effective mode of recruiting young Chartered Accountants.

Organisations intending to recruit newly qualified Chartered Accountants through the scheme of Campus Placement Programme are invited to get in touch with Dr. T. Paramasivan, Secretary, Committee for Members in Industry, Indraprastha Marg, New Delhi - 110002, Tel. No. (011) 30110450, 30110442 E-mail: tparamasivan@icai.org; placements@icai.org for the details of the scheme. An organisation can participate in one or more centres, as per its requirements. Firms of Chartered Accountants are also welcome to join. For further details please log on to www.placements-icai.org.

Chairman

Committee for Members in Industry

Report on the First Personal Contact Programme for Post Qualification Course in International Trade Laws and WTO#

The Personal Contact Programme (PCP), which is a significant constituent of the Post Qualification Course in International Trade Laws and World Trade Organization (ITL & WTO), was successfully completed on August 31, 2005 for the first batch of candidates registered under the Course. The PCP for a period of 30 days was organized in two phases from July 1-14, 2005 and August 16 – 31, 2005 simultaneously at New Delhi, Mumbai, Chennai, Kolkata and Kanpur covering the entire syllabus for all the 6 Papers of the Course. **The program was unique in the sense that for the first time a 30-days program of the Institute was organised through Video conferencing for the members situated in Mumbai, Chennai, Kolkata and Kanpur.** The mechanism was specifically devised to cater to the needs/requirements of the members situated at different cities and was a huge success going by the feedback received from members after the completion of the programme. The programme was attended by 85 members from throughout the country and was highly interactive whereby all the members attending the Programme actively participated and interacted with the faculty.

Eminent faculty of national and international repute from the ranks of IAS, IRS Officers working as senior Government officials in Ministry of Commerce, Ministry of Finance, Ministry of Textiles, Ministry of Agriculture, Directorate General of Anti-Dumping & Allied Duties, Directorate General of Foreign Trade, National Commission of Enterprises in Unorganised Sector, Competition Commission of India, Central Pollution Control Board, Copyright Board, Export Inspection Council of India, faculty from noted law firms, JNU, Delhi University, IIFT, people from trade and industry, professionals and other research based organisations in the field of WTO gave presentations and delivered lectures during the PCP. During the programme, 90 classes of over 135 hours were held covering the entire syllabus of the course by over 40 experts in the field of ITL & WTO. The mix of faculty invited to address the members was meticulously devised to enable them to have the perspective of policy makers, trade negotiators, Government officials, lawyers, practitioners, professionals, consultants, trade and industry, academicians, professors, researchers etc. One of the hallmarks of the program was that eminent faculty based at different locations also could be utilized for simultaneously addressing the members situated at various locations as one of the faculty addressed the program from Permanent Mission of India for WTO at Geneva, Switzerland, one addressed from Mumbai, one from Hyderabad and one from Kolkata. The overall response of the members to the use of technology also in the program was highly encouraging and they were jubilant in interacting with the high profile faculty.

Some thoughts by the Members of the 1st batch of PCP: -

"It was great arrangement made by the Institute. Rather it will not be wrong to say that it was beyond our expectations. I thank to Institute for its great arrangement and course. All faculty were excellent except few"

- Amit Tiwari - Member, Kanpur

"This programme is conducted and managed very brilliantly by the officials of the Institute. I personally feel very happy about all the sessions and I hope Institute and its officials have motivated me to make my efforts to work for this course. Thanks. Please do not discontinue this Personal Contact Programme at any cost in future. This programme definitely provides players in international business. Congratulations to Institute."

- Vijay Kumar Shinde- Member, Nagpur

"Number of days may be reduced to 7-10. However, timings may be increased. Centre should only be Delhi. No video conferencing. Face to Face interaction is better option. No interruption in the middle. Questions may be taken after the end of presentation."

– Anand Agarwal - Member, Delhi

Prepared by the Secretariat of Committee on Trade Laws & WTO of ICAI. Can be reached at ctlwto@icai.org.

Office of The Comptroller & Auditor General of India

The Chartered Accountant firms who had applied for Empanelment for Audit of Public Sector Undertakings for the Year 2005-2006 & 2006-2007, are requested to update the firm's data for the Year 2006-2007. The format for updation will be available from 15th January to 28th February 2006 on website www.cag.gov.in. The firms should also furnish:

(i) A hard copy of the ICAI certificate containing:
   (a) Date of formation of the firm with a full time FCA.
   (b) Details of partners/sole proprietor/CA employees as on 1st January 2006, date of their joining in the firm, date of becoming FCA, their other association/interest , etc. if any.
   (c) In case a partner was continuously associated with the firm as paid employee before joining as full time partner, the date of his/her joining the firm as full time CA employee.

(ii) Income Tax Returns of full-time partners for the assessment year 2005-2006.

(iii) Latest partnership deed in case of partnership firms.

Last date for updating the database of the firms/receipts of documents in this office is 28th February 2006

Invitation to be a member of a CFOs GUILD

The Committee for Members in Industry of the Institute of Chartered Accountants of India has been maintaining a guild of CFOs. The guild is for our members who are occupying high positions (GM & above) in Industry. The primary objective of setting up such a guild is to develop a platform where highly intellectual & talented pool of people from various organizations can discuss various issues concerning the profession in general and for Members in Industry in particular. They can plan, formulate and strategize policies for improving the image of the Chartered Accountants in the eyes of the Industry. Industry specific seminars/ Conferences/ Round Table meetings can also be organized to discuss the matters pertaining to the industry and make them the Brand Ambassadors of the profession. The Members shall also be apprised of the various happenings of the Institute, from time to time.

*mandatory fields

Name * _____

Name of the Organization* _____

Designation*(GM & Above) _____

Membership No* _____

Member Since* _____

Telephone No. Off * _____ _____ _____

Res. _____ _____ _____

STD Code Number Extn.

Mobile _____ Fax No. _____ _____

STD Code Number

Email Id* _____

The details may be submitted online on
http://www.placements-icai.org/cfo_guild.asp

Chairman
Committee for Members in Industry

AN APPEAL TO MEMBERS & STUDENTS

HELP US TO RESPOND TO YOU FAST

The Institute has been constantly endeavouring to provide better and better services to the members and students. As part of continuing exercise, a study was undertaken to look into the response time and the reasons for the delay in disposal of some cases.

It was observed that 41% of the pendency in the case of members and 81% of the pendency related to articles are due to discrepancy emanating as a consequence of non-compliance or incomplete fulfillment of the requirements by the members and students concerned. The nature of discrepancies as observed are given below for information of members and students so that these could be reduced to the minimum possible: -

Sparing a few minutes at the level of members and students to ensure compliance of requirements would help us greatly in responding fast. All the forms contain the regulatory requirements to be complied with. Suggestions for rationalization and simplification of forms and procedures are welcome.

If you do not receive response within 15 days on any of member/student related activities, please write to the Institute at seshadri@icai.org

Table - A

Members and Firms Related Activities	Articles Related Activities	Registration to PE I/PE II Course (BOS)
• Submission of forms with incomplete details – 14% • Short remittance of fees – 4% • Non-submission of required forms – 1% • Articles period not completed - 3% • GMCS proof not submitted - 4% • Absence of prior permission for pursuing additional course - 10% • Employment/other engagement details not given – 4% · Clarification on change in name – 20% • Not eligible for Associate/Fellow Member – 3% • Requiring condonation of delay – 12% • Other want of service certificates, Balance Sheet, signature differs etc – 25%	• Submission of form with incomplete details – 16% • Ineligibility of member or student – 3% • No vacancy with the principal – 8% • Non-completion of CCT course – 11% • Non-submission of form 109/108 – 9% • Signature of member/student not affixed or not tallying – 4% • Leave not mentioned in form no. 109/108 – 3% • Stipend details not given – 2% • Training report not signed or not given – 1% • Second installment of fees not paid - 3% • Requiring condonation of delay – 28% • Previous articles not terminated – 3% • Proof of passing/discontinuance of previous course not given – 4% • Others (details/data to be called for, employers recommendation not given etc) – 5%	• Form with incomplete details – 4% • Non-submission of mark-sheets/clarification – 49% • Short remittance of fees – 25% • Clarification on subject studied – 10% • Recognition of University – 1% • Not eligible – 4% • Candidates applying for registration to other regions – 7%

NEW PUBLICATION

Guidelines on Internal Audit
Tea Industry

The Research Committee of the Institute of Chartered Accountants of India has issued revised 'Guidelines on Internal Audit: Tea Industry'. The revised Guidelines cover the recent developments in technical aspects of the industry insofar as they relate to tea cultivation, tea manufacture and tea marketing, and in the light of these developments, provides guidance for effectively conducting internal audit of various functional areas of management, such as, personnel, production, materials, finance, accounting, etc. The Guidelines also deal with the review of certain other specialised aspects of the tea industry like instant tea operations and packed tea operations. In addition to the above, the Appendices to the Guidelines contain Suggested Internal Audit Programme which would be useful to an internal auditor.

Price	Rs. 100/-
Postal Charges	Rs. 19/- (plus Rs. 17/-, if required by registered parcel)
Available at	Sale counters of the Institute of Chartered Accountants of India at New Delhi, Chennai, Mumbai, Kolkata and Kanpur

DATABASE OF CAs PRACTISING AS INSURANCE BROKERS

The Committee on Insurance & Pension of the Institute of Chartered Accountants of India is in the process of compiling data of the members of the Institute who are practising as Insurance Brokers under Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002. Members of the Institute who are practising as insurance brokers licensed under the above Regulations may please furnish their details in the following format to the Secretary, Committee on Insurance & Pension, at insurance@icai.org:

Name of the Member :

Membership No. :

Address :

Contact Nos. :

E-mail id :

License Code No. :

Practising as Insurance Broker since :

Nature of Application :

(Direct/composite/reinsurance)

Constitution :