

Readers' Queries

THE QUERIES

Accounting Standards

1. As per the Accounting Standard 28 (AS-28) an enterprise at every balance sheet date should ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset in which case the asset is impaired and AS-28 requires the enterprise to recognize an impairment loss. AS-28 also specifies when an enterprise should reverse an impairment loss and it prescribes certain disclosures for impaired assets.

Para 64 of AS-28 states that if it is not possible to estimate the recoverable amount of the individual asset, an enterprise should determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). An asset's cash-generating unit has been defined in para 66 of AS-28 as the smallest group of assets that includes the asset and that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash-generating unit involves judgment. If recoverable amount cannot be determined for an individual asset, an enterprise identifies the lowest aggregation of assets that generate largely independent cash inflows from continuing use.

In this background, views of the readers are solicited as to which stage (level) an enterprise has to consider a cash-generating unit in a completely integrated operation like a bank or an insurance company i.e. would it be a branch, regional or a corporate level for substantial profits would be from a centralized investment operations for which funds would be pooled from various offices (branches). In such a case whether the profits of centralized oper-

From this issue, we are introducing a new interactive feature to gather members' response on all topical and crucial issues of professional interest, particularly the new developments in professional arena. In this section, we will pose relevant queries to our readers every month. The best of the answers received will be published in journal with the name of contributor who will be appropriately rewarded.

The answers to the queries given below shall be sent to us by e-mail at ebsecretariat@icai.org or journal@icai.org with 'Readers' Queries' written in the subject line. The answers can also be sent by post to 'The Editor', The Chartered Accountant, Journal Section, ICAI, PO Box 7100, New Delhi-110002'. The responses shall reach us latest by 30th May 2005.

— **Editor**

ations (like investments) need to be allocated to various offices and the cash inflows that unit calculated.

Ethical Issues

2. The Council of the Institute has decided that with effect from 1st April 2005 a member engaged in part-time practice shall not be entitled to carry out the attest function. Mr X, while holding part-time Certificate of Practice is also discharging the professional responsibilities as an internal auditor of ABC Ltd (with whom he is not employed). Can he continue to act as internal auditor of ABC Ltd. and sign their internal audit reports after 1.4.2005?

3. The Council of the Institute wide notification dated 12th May 2004 has prescribed a minimum amount chargeable as fees for certain audits. The relevant abstract from the notification reads as under:

"a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he on behalf of the firm of Chartered Accountants in which he is a partner (a) consisting of 4 or more partners but less than 8 partners with atleast one partner holding a certificate of practice for five years or more; or (b) consisting of 8 or more partners with atleast one partner holding a certificate of practice for five years or more; accepts or carries out any audit work involving receipt of audit fees (excluding reimbursement of expenses, if any) for such work of an amount less than what is specified as hereunder:-

Mr P, who is a partner of M/s PQR, a firm having 10 partners is carrying out the internal audit of M/s M Ltd, which is not operational. They, therefore, charge a sum of Rs. 3000/- only as the internal audit fees. Is such charging of Rs. 3000 only in contravention of aforesaid notification?

		Practising firm having 4 or more partners but less than 8 partners	Practicing firm having 8 or more partners
(i)	In cities with population of 2 million and above	Rs. 5000/- p.a	Rs. 9000/- p.a.
(ii)	In cities/towns having population of less than 2 million	Rs. 3000/- p.a.	Rs. 6000/- p.a.