



The Institute  
of Chartered  
Accountants of  
India  
(Set up by an act of  
Parliament)

# The Chartered Accountant STUDENT

Your monthly guide to CA news, information and events





Hon'ble Governor of West Bengal, Shri Keshari Nath Tripath inaugurating the National Convention for CA Students, Kolkata. Chairman, Board of Studies, CA. Babu Abraham Kallivayalil, Vice Chairman, BoS, CA. Dhiral Kumar Khandelwal, Central Council Members, CA. (Dr.) Debashis Mitra, CA. Sushil Kumar Goyal, CA. Ranjeet Kumar Agarwal, EIRC Chairman, CA. Anirban Datta and Vice Chairman, EIRC and Chairman, EICASA, CA. Manish Goyal also seen.



National Convention for CA Students, Indore: Immediate Past President, ICAI, CA. Manoj Fadnis, Past President, CA. Amarjit Chopra, Chairman, Board of Studies, CA. Babu Abraham Kallivayalil, Central Council Members, CA. Kemisha Soni, CA. MP Vijay Kumar, CA. Nilesh Gupta, Chairman, CICASA and Branch CICASA Chairman, CA. Anand Jain also seen.



CA. M. Devaraja Reddy, President, ICAI along with Vice President, ICAI, CA. Nilesh S Vikamsey doing a tree plantation on the occasion of inauguration of the Reserved for Garden area next to the ICAI Tower, Mumbai. Chairperson, WIRC, CA. Shruti Shah and Secretary, WIRC, CA. Kamlesh Saboo also seen along with the Students.



CA. M. Devaraja Reddy, President, ICAI and Chairman, Board of Studies, CA. Babu Abraham Kallivayalil with the participants of the Four Weeks Residential Programme on Professional Skills Development at the Centre of Excellence, Hyderabad.



My Dear Students,

I am extremely happy to convey my heartfelt congratulations to all the successful candidates of the May 2016 and June 2016 examinations. The results of the CA Final Examinations and Common Proficiency Test (CPT) held in May and June 2016 respectively were declared recently. I congratulate Sri Ram S from Salem for getting All India First Rank in the CA Final Examination. I also congratulate Katheti Naga Venkata Viswa Upendra from Vijayawada and Yash Manoj Kumar Goyal from Jamnagar for securing All-India Second and Third Rank respectively.

In the CA Final Examinations, 11.36 per cent candidates passed in Both Groups and in Groups I and II, percentage was 14.47 and 21.30 respectively. At CPT held in June 2016, 38.98 per cent of the total candidates have passed. I welcome the students who have qualified the CPT examination to be a part of the CA student fraternity. You have made a wise and judicious decision. Now, it is time for all of you to stay committed and work towards excellence in life. You should be well aware of the need to put in your best efforts and hard work coupled with determination and dedication to emerge successful. So study with commitment and put in your best efforts. The ultimate reward will be awesome.

*Look at the sky. We are not alone. The whole universe is friendly to us and conspires only to give the best to those who dream and work- said Dr APJ Abdul Kalam.* Chartered Accountancy course is for dreamers. Chartered Accountancy Course is a course with negligible costs. Quite regularly children from the families having very low incomes and facing financial challenges complete CA course making newspaper headlines. The education and training programme of the Institute helps the students to develop in the areas of knowledge, creative thinking, integrity, ethical conduct, leadership, motivation and commitment to a life-long learning and development.

Whether it is traditional Indian Culture or modern managerial concepts, decisions that are taken collectively are far more superior to the decisions taken singularly. You are aware that we have been working on the new scheme of education and training for quite some time. In mega meetings lasting for two days subject experts from across the country joined the BOS faculty for threadbare discussion on the proposed curriculum of accounting education. CA. Amarjit Chopra, CA R. Bupathy, past Presidents of ICAI guided us with their illustrious experience to decide on a futuristic syllabus. I compliment CA. Babu Abraham Kallivayalil, Chairman, CA. Dhiraj Kumar Khandelwal, Vice-Chairman and other members of Board of Studies for organising the meetings. While we have moved a step closure towards launching the new scheme, still a lot work needs to be done. As Robert Frost wrote - *The woods are lovely, dark and deep. But I have promises to keep, and miles to go before I sleep.* I also convey thanks to the students, members and other stakeholders for giving their honest opinions on the new scheme. While it is humanly not possible to accept all the suggestions, I assure that each suggestion received has been considered at multiple levels. Many of these suggestions will also form part of the final scheme.

Before winding up, I want to convey my greetings and warm wishes to all on the occasion of the 70<sup>th</sup> Independence Day of our great nation. The Institute of Chartered Accountants of India, being a partner in nation-building, has been meticulously playing the required role in the overall development of our country.

ICAI has full faith in its strength and we contribute our inimitable share to the overall growth of our profession and the country.

Yours sincerely,

**CA. M. DEVARAJA REDDY**  
PRESIDENT,  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## VICE PRESIDENT'S COMMUNICATION



My Dear Students,

I wish to convey my heartiest compliments to the students who have achieved success in the May 2016 Final examinations. The moment has finally arrived where you can proudly proclaim to be a member of the coveted fraternity of Chartered Accountants. The toil and tireless efforts that you put in have paid off. While this certainly calls for celebration; at the same time, you must plan ahead for the most significant transition, from being a student to a professional. This is just the beginning of a long journey of professional developments and accomplishments. In about a month's time, the institute will be organizing campus interviews. You must not only hone your technical and communication skills to make the best of this opportunity but also update yourself with the current happenings like GST, IND-AS (IFRS), Bankruptcy and Insolvency Code, Development in Companies Act, etc. I welcome those who have cleared the CPT examination and now part of this professional journey. Please note this is just a beginning. You have to remain focused to be part of this profession as soon as possible.

Since many of you will be joining the profession shortly, you must remember that the CA profession rests on four pillars of professional ethics: Honesty, Integrity, Commitment and Confidentiality. You must exercise the highest standard of professional ethics to earn respect not only for yourself but also for your profession.

Those of you, who could not make it this time, should not get disheartened. It is not a final judgment on your capabilities. It is just some more time of strife ahead before you make through. Eminent British statesman Winston Churchill said **"Success is not final and failure is not fatal: It is the courage to continue that counts."** Life is a journey with milestones etched with successes and failures, what is important is to keep the faith and continue to tread ahead in the direction of your dreams. Successes and failures are both transient and temporary, what is permanent is the spirit, the attitude & wisdom to deal with both. There is no human being who has never encountered failure. Difference lies in approach. Remember, you will have to go through your share of trials and tribulations before you meet with success. You have to break free from all negative emotions to begin afresh with much more determination, vigor, grit and zeal. You will have to **re-gain** your confidence, **re-ignite** your ambition to succeed, **re-structure** your study plan and **re-launch** yourself. Just work with firm determination to overcome your shortcomings to crack the exams. You need to change your thoughts in order to change your actions and this will surely yield desired results.

The Board of Studies, ICAI has always been an able guide and mentor. It releases various publications to assist you in your learning process. One such publication is the Suggested Answers.

The Suggested Answers for Final Examination held in May 2016 have already been uploaded on the website. It is imperative that you go through the same carefully and compare it with your answer-sheets. It will not only guide you to answer questions ideally, but will also help to identify your mistakes so that you can rectify them in future.

The Board of Studies along with Regions and Branches organized a number of National Conventions events for students at Nagpur, Baroda, New Delhi, Salem and Kolkata. I am sure it would have been an enriching experience for all the student participants. In this month also, a number of such events are scheduled including National Conclave at Guntur August 6-7, National Convention at Hisar August 11-12, Sub Regional Conference at Palaghat August 25-26 and National Convention at Lucknow August 27-28. It is my sincere advice that you participate in these events as it gives you an opportunity to interact with stalwarts from industry and veterans in professional practice, at the same place. This will help you to gain insight about the corporate culture and technical nuances pertaining to the nature of work. It also helps you to interact and exchange ideas with your peers from other regions.

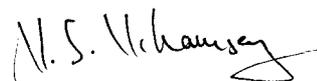
Our nation celebrates 69th anniversary of its Independence on August 15, this year. I greet you all on this auspicious occasion. This day reminds us about the martyrs and the great freedom fighters who laid down their lives in the service of the Nation so that we could breathe in Independent India. We must never forget that we have a huge responsibility of taking their legacy forward. In these 69 years of Independent India, we have progressed in every field – be it Agriculture, Manufacturing, Services, Infrastructure, Health Care and Education. India has come a long way from an under developed nation to one of the fastest growing economies.

The Indian economy is beginning a new dream run with expected growth of over 7.5% in the fiscal year 2016-17, is the front runner in world economies and a bright spot in the world's economic landscape. With 60% of our population comprising of youth, we are among the youngest nations. Our future is secure only if we sustain this growth spell, by training and skilling the youth in diverse fields such as accountancy, engineering, infrastructure, education and health care which are the pillars of economy. Perhaps Chartered Accountancy is the only profession that impacts the economy directly by guiding and strengthening the policy framework ensuring maximum tax collection, contributing directly to the exchequer. The Institute has always been on the forefront, spearheading the knowledge economy by overseeing economic reforms such as the Company Law, Bankruptcy Law and others at the threshold such as GST and convergence of Indian Accounting Standards with International Financial Reporting Standards. We, as Chartered Accountants, have to develop an environment based on ethics and values conducive for the growth of our Nation. Let us reiterate our pledge to uphold the values of Honesty, Integrity, Commitment and Confidentiality, and make our profession and the Nation proud.

Don't study to earn,  
Study to learn,  
What you learn today,  
Is what you will become tomorrow .....

With Best Wishes,

Yours sincerely,



**CA. NILESH S. VIKAMSEY**  
**VICE PRESIDENT**  
**ICAI, NEW DELHI**



My Dear Students,

At the outset, let us convey our sincere congratulations to all those who cleared successfully the May 2016 Examinations. Our special complements to those who have secured ranks and found a place in the much-coveted rank list of the Institute. Those who have cleared the finals are now required to undergo the General Management and Communication Skill course and Advanced ITT wherever applicable prior to their enrolment as members. All Regional Councils as well as Branches are organizing batches of these courses and we assure you that the participants will be experiencing a positive and beneficial feeling. There may be some teething problems in a few places but we are taking steps to minimize inconveniences and improve the infrastructure.

### HARDWORK: KEY TO SUCCESS

Those who could not clear the Examinations this time should not lose heart. You must realize that no success is possible without working hard for it and there is no joy in achieving success without effort. Famous Olympian, **Bruce Jenner** said *"I learned that the only way you are going to get anywhere in life is to work hard at it. ... If you do, you will win – if you don't you won't"*. You must strengthen your will-power to succeed without any exaggerated regrets about past and excessive worry about the future. At the same time, you must take effective steps to be aware of your limitations and short-comings and try sincerely to overcome them. *"It is not the will to win that matters – everyone has that. It is the will to prepare to win that matters"*. Paul Bryant.

### BE A STRATEGIST TO MOVE FORWARD

You can succeed in CA Examination and also in life, only if you have determination, perseverance, positive attitude and ability to change. You should set your targets and focus on the future goals which you wish to attain in your life. Work towards achieving targets rather than unnecessarily complaining about problems. You should cautiously move towards your pre- set goals. In case, a particular strategy does not

work, choose the alternative strategy and methodology for your study. I am sure you would be successful ultimately.

### BE A DREAMER, HOLD ON YOUR EFFICIENCY

Never ever ask why a task needs to be done to achieve your dream. Do not waste time questioning the genesis of a task. Rather you should plan the approach so that it is done in an efficient and effective manner. Also have confidence in yourself. To quote **George Bernard Shaw** *"Some men see things and they say, why?. I dream things that were never there and say, why not."* Look towards the opportunities and not on the problems or your weaknesses. Another attribute, which you must possess, is perseverance. Perseverance is a key quality which successful people possess. What is failure? Consider them as education, a step on to something better. Remember, never give up or give in. They are stepping stones to success. Keep constantly in your mind the ideal of the man or woman you would like to become. Hold the ideal of your efficiency and wholeness, and instantly strangle every disease image or suggestion of inferiority. Never allow yourself to dwell upon your weaknesses, deficiencies or failures. Holding firmly the ideal and struggling vigorously to attain it will definitely help you to attain it. Our dreaming capacity gives us a peep into the glorious realities that await us further on. It is the evidence of things possible for us.

### DIRECT YOUR THOUGHT PROCESS TO LIFE PURPOSE

You have not chosen Chartered Accountancy course by accident. It is by choice. Definitely, there must be a purpose behind your decision. So, your whole thoughts must be set in the direction of your life purpose. The great miracles of civilization are wrought by thought concentration. What you have to do is, live in the very soul of expectation of better things, in the conviction that something large, grand and beautiful is awaiting you. You have to ensure that your efforts are focussed and intelligent and your mind is kept in a creative condition and you struggle towards your goal.

Before winding up this message, I extend my heartiest greetings on the occasion of the 70<sup>th</sup> Independence Day. Indeed, it is a historic day to refresh our memories of freedom struggle and pay our rich tributes to the martyrs who sacrificed their lives with extreme courage and noble spirits to make our motherland free from foreign rule. On this occasion, let us rededicate ourselves for the cause of the Nation and our ICAI.

Jai Hind

Wish you all the best

**CA. BABU ABRAHAM KALLIVAYALIL**  
CHAIRMAN, BOARD OF STUDIES, ICAI

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# Taxing Agriculture Income in India



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## 1. Introduction:

The Central Government has been empowered by Entry 82 of the Union List of Schedule VII of the Constitution of India to levy tax on income other than agricultural income. The power to levy tax on agriculture income by constitution is with the State Government. For this reason Sec. 10(1) of the Income Tax Act shall not form part of the total income and as such is exempt from tax.

## 2. Objectives:

This article highlights various aspects of taxing agricultural income in India viz.

- ◆ Prevailing tax system by Central Government
- ◆ Tax levied by State Governments
- ◆ Critical analysis of tax system in India
- ◆ Whether Agricultural Income should be taxed as any other Income?
- ◆ Issues related to taxing agricultural income
- ◆ Way forward

## 3. Prevailing Tax System Of Central Government:

- 3.1. Sec. 10(1) of the Income tax Act 1961 (Act) Provides that agricultural income within the meaning of Sec 2(1A) of the Act shall be exempt from tax.
- 3.2. Agriculture Income as per Sec. 2(1A) of the Act means:
  - 3.2.1. Rent or Revenue derived from land which is situated in India and used for agricultural purposes.
  - 3.2.2. Income derived from land situated in India and used for agricultural purposes by cultivator or receiver of rent-in-kind (owner) of the produce raised or received by him fit to be taken to market by employing ordinary process.
  - 3.2.3. Income derived from building owned and occupied by the landlord or cultivator by reasons of his connection with land requires it as a dwelling house or store house or other out-building.

The land is assessed to land revenue in India or is subject to local rate or where land is not so assessed to land revenue or not subject to local rate and is not situated within the jurisdiction of a municipality (or known as municipal corporation,

notified area Committee, town area Committee or by other name) or a Cantonment Board with a population not less than 10,000 or within the notified distances with linkage of population.

Ariel Distance from the local limits of municipality or Cantonment Board	Population (according to the last preceding census)
Within 2 KMs	More than 10,000 up to 1,00,000
Within 6 KMs	More than 1,00,000 up to 10,00,000
Within 8 KMs	More than 10,00,000

- 3.2.4. Income derived from Saplings or seedling grown in a nursery shall be considered as agricultural income, subject to fulfillment of other conditions.
- 3.3.1. Though agricultural income is exempt from tax Annual Finance Act states that for calculation tax payable by a taxpayer, net agricultural income shall be aggregated with non-agricultural income and higher tax is paid by taxpayer.
 

To comply with Annual Finance Act, it is necessary to follow the following steps -

  - Step 1 - Find out net agricultural income
  - Step 2 - Find out non-agricultural income
  - Step 3 - Add the Income under Step 1 + Step 2
  - Step 4 - Calculate tax on Income as per Step 3 at applicable rates.
  - Step 5 - Add the Income under Step 1 + Basic Exemption Limit (P.Y. 2015-16 as applicable to Individual (below 60 years); HUF; Association of persons (AOQ) or Body of Individuals (BOI) and Artificial Juridical persons (AJP)- ₹ 2,50,000, Individual resident of India (age 60 years or more but less than 80 years)- ₹ 3,00,000 and Individual resident of India (Age of 80 years or more- ₹ 5,00,000)
  - Step 6 - Calculate tax on Step 5 at applicable rates
  - Step 7- Subtract Step 6 Tax from Step 4 Tax to find out tax payable (excluding surcharge and cess)

3.3.2. The provision of aggregation is not applicable, if net agricultural income does not exceed ₹ 5,000. This provision of aggregation is also not applicable, if non agricultural income is less than basic exemption limit.

The effect of aggregation is to push the tax payer in the higher slab rate and the tax payer needs to pay more tax. From the above steps, one can observe that aggregate Provisions is applicable to slab rate taxpayers only viz. Individual, HUF AOP BOI etc. Company, Limited Liability Partnership (LLP) and Partnership firm is not affected, as they are chargeable to tax at single flat rate.

3.3.3. If net agricultural income is negative (or loss), losses from agricultural Operations can be carried forward and set-off (or reduce) agricultural income during next eight assessment years for the purpose of aggregation provisions as stated in 3.3.1 above.

3.4.1. Prior to 1970, Profit on transfer or sale of agricultural land was tax exempt, as agricultural land was not considered as capital asset within the meaning of Sec. 2(14) of the Act. However w.e.f. 1.4.1970, capital asset includes agricultural land situated in the area of municipality or cantonment Board or within notified distances with linkage of population as stated in Para 3.2.3 above. As such, gain on transfer or sale of urban agricultural land is a part of taxable income w.e.f. 1.4.1970. Even after this amendment, gain on transfer or sale of agricultural land (other than urban agricultural land) is not liable for income tax.

3.4.2. Taxpayer, who is liable to pay tax on transfer or sale of urban agricultural land as stated in Para 3.4.1 can however claim exemption w.e.f. 1.4.1974, subject to satisfaction of the following conditions -

1. Taxpayer is an Individual or HUF.
2. Agricultural Land is a long term capital asset (holding for a minimum period of 36 months).
3. He or his parents have used such land for agricultural purposes at least for 2 years before the date of transfer or sale.
4. He has purchased another agricultural land by utilising the amount of capital gain within a period of 2 years from the date of transfer or sale.

Where the amount of capital gain is not utilised by the taxpayer for purchase of new agricultural land on or before due date of filing return of income, he may deposit it in Capital Gain Account Scheme with specified bank for utilising it to purchase new agriculture land within the specified time limit.

In case of compulsory acquisition by Governmental authority, the period of

acquisition of new agricultural land will be determined from the date of receipt of such compensation and not from the date of transfer or sale.

If cost of new agricultural land is equal to more than capital gain, the entire capital gain is exempt. Otherwise, exemption is limited to amount of investment only.

5. The New agricultural land should not be sold within a period of 3 years from the date of acquisition. Otherwise capital gain exemption will be forfeited and will be liable to pay tax on exempted gain in the year of transfer or sale.

3.4.4. In case of an individual or HUF, if agricultural land is compulsorily acquired under any law and the consideration of which is approved by the Central Govt. or reserve Bank of India and received on or after 1.4.2004, any capital gain on transfer or sale is exempt under Sec. 10(37) of the Act.

3.4.5. For disintegrating a composite business income which is partly agricultural and partly non-agricultural, the Income Tax Rules provide a base:

Sr. No.	Income	Agricultural Income	Business Income	Rule Ref.
1.	Growing and Manufacturing of Tea in India	60%	40%	8
2.	Growing and Manufacturing of Rubber	65%	35%	7A
3.	Growing and Curing of Coffee	75%	25%	7B(1)
4.	Growing, Curing, Roasting and Grounding of Coffee	60%	40%	7B(1A)
5.	Other Composite Income	Market Value of Agricultural Produce minus Expenditure	Balance Income	7

#### 4. Salient Features Of Agricultural Income Under The Income Tax Act:

4.1. Three primary conditions are required to be satisfied to classify the income as 'Agricultural Income' -

1. Income must be derived from land
2. Land must be situated in India
3. Land should be used for agricultural purpose

Activities not involving any basic agricultural operations like tilling, sowing or dissemination of seed and planting would not constitute agriculture merely because they have relation in connection with land as decided by Supreme Court in the case of CIT Vs. Raja Benoy kumar Sahas Roy [1957] 32 ITR 466.

4.2. It is not necessary that taxpayer is to own the land. Even in case of cultivator, character of

- income continues to be an agricultural income.
- 4.3. Agricultural Income is exempt in the hands of all taxpayers.
  - 4.4. Notional Income from farm building which would have otherwise taxed as per provisions of the Act, subject to certain conditions is treated as Agricultural Income.
  - 4.5. Agricultural produce like tea, cotton, tobacco, coffee, rubber latex, sugarcane etc. are subjected to manufacturing process and if such manufactured goods are sold, the profit on sales have to be apportioned into –
    - i. Profit attributable to manufacturing process – Business Income.
    - ii. Balance referable to Agriculture Income.

Income Tax Rules provides standard basis of apportionment in case of Rubber, Coffee and Tea. In other cases market value of agricultural produce, which has been raised by the taxpayer or received by him as rent in kind and which has been used as raw material in the business represents gross agricultural income.
  - 4.6. In case of agriculture if the net agricultural income in a particular financial year is negative or loss, such loss can be set-off against other source of agricultural income of that year. If such loss could not be set-off (or reduce) in that financial year, it shall be carried forward and set off in the following 8 financial years against agricultural income for the purpose of aggregation as stated in Para 3.3.1.

### 5. Tax On Agriculture Levied By State Governments:

- 5.1. Constitution of India has given legislative power to State Governments as follows –

Entry No. under List II	Particulars
45	Land Revenue.
46	Taxes on Agricultural Income.
47	Duties on Succession of Agricultural land.
48	Estate Duty in respect of Agricultural land.

- 5.2. Land Revenues are collected by State Governments. Prevailing rates are different for dry land and wet land.
- 5.3. Some State Governments like Karnataka, Kerala, Maharashtra, Tamil Nadu and Uttar Pradesh levied tax on agricultural income in the past. E.g. Under the provisions of Maharashtra Agricultural Income Tax Act, 1962, all persons having agricultural income above ₹ 36,000 had to pay 50% of all such income over ₹ 36,000. Agricultural Income included income from rent on agricultural land as well as income from a building on such land. The Tax has been abolished w.e.f. 1.4.1989.

- 5.4. On account of huge tax collection cost, lack of administration, small tax collection, most of the State Governments abolished agricultural tax levy.

### 6. TAXING AGRICULTURE INCOME:

In a developing country like India, which requires substantial resources for infra structure development, a question arises, whether agricultural income should be taxed? The subject matter requires holistic approach and emphasis on deliberations and discussions without consideration of political advantage. Even deliberations are necessary amongst political parties and Chief Ministers of the states concerning tax aspects of agricultural income.

Following are viewpoints for taxing agricultural income by Central Government with due share to State Governments –

1. Burden for collection of tax revenue is also required to be shared by persons carrying on agricultural activities along with salaried employees, businessmen and other classes of tax payers.
2. Savings habit amongst farmers through various investments channels for minimization of tax burden will increase.
3. Driving high cost cars by farmers in irrigated areas with luxury houses without payment of income tax creates frustration among other tax-payers, on equality grounds with basic exemption limit and due tax concessions, the tax should be levied on agricultural income.
4. Way back in 1975, committee on Agricultural taxation headed by Dr. K. N. Raj recommended to tax agricultural income of rich farmers.
5. Dr. Babasaheb Ambedkar, a visionary and author of Constitution of India was also in favour of taxing agricultural income with sound reasoning of tax paying capacity of rich to be taxed more and poor less.
6. Parthasarathi Shome led Tax Administration Reform Committee (TARC) appointed in August 2013 and Fourth Report submitted in February 2015 recommended that large farmers should be brought into the tax net with agricultural income of ₹ 50 lakhs or more a year. This will broaden the taxpayer base.
7. Most of the developed countries like United States, Canada, Australia, Germany, United Kingdom, Ireland, France, Switzerland, Italy treat agricultural income at par with other income earned.
8. Even if agricultural income is taxed, majority of the agriculturists, being marginal farmers will not come in the ambit of income tax due to basic exemption limit.

9. For holistic development of the country, equity must prevail without any discrimination.
10. Agricultural income derived outside India is otherwise taxed in a normal manner in case of resident taxpayer.
11. Existing aggregating provision of agricultural income with non agricultural income and pushing the tax rate to the higher slab rate to be applied on non-agricultural income is applicable only to tax payers with slab rates. This is not a equitable proposition with reference to all taxpayers.
12. Parthasarathi Shome led Tax Administration Reform Commission (TARC) Report contains that top agriculture income earning companies in India includes Kaveri seed company topped the list, seeking exemption of ₹ 186.63 crores, followed by Hybrid Seed Giant Monsanto India ₹ 94.40 crore and Tea Company Mcleod Russel India ₹ 73.10 crore. Applicability of tax exemption to these huge income earners in a developing country is far from imagination on technical grounds.
13. Finance Minister Mr. Arun Jaitley in his recent 2016-17 Budget presentation before both houses of Parliament of 'Make in India' and 'Launch of Skill India' stated that the Government is aiming to double the income of farmers by the year 2022 i.e. within next 6 years. If this dream is achieved, there will be remarkable increase in farmers' income, justifying levy of tax on agricultural income.

## 7. Non-Taxability of Agricultural Income:

The difficulty in taxing agricultural income is relatively minor concern in developed countries, where agricultural income account for minor share of GDP. It does matter however in a developing country like India, where agriculture still accounts for about 25% of GDP. More than half of the workforce is engaged in agriculture for its livelihood. Accordingly, while being both a source of lively hood and food security for a vast majority of low income, poor and vulnerable section of society, this sector assumes crucial significance in Indian economy.

Union Finance Minister Mr. Arun Jaitley in response to question raised in Parliament 'Whether Government would endorse the Parthasarathi Shome led Tax Administration Reform Commission (TARC) recommendation for taxing of large farmers with agricultural income above ` 50 lakhs a year re-consider taxing rich farmers?' has stated in December 2014 –

"The Centre will not impose tax on agricultural income" The Minister also said that number of taxpayers claiming exemption for agricultural income was 4,02,736 as of 28.11.2014.

Following issues require deliberations and debates as regards to non-taxability of agricultural income –

**“Activities not involving any basic agricultural operations like tilling, sowing or dissemination of seed and planting would not constitute agriculture merely because they have relation in connection with land”**

1. As per Constitution of India, land is in the State list (Neither in Union List nor in Concurrent List). Central Government has no power to levy tax on agricultural income. Amending the constitution is a challenge to any political party.
2. Farmers are major part of vote bank of political parties. No political party can dare to touch the subject matter.
3. Farmers engaged in cultivation enjoy sympathy of law makers of the country, especially during rising trend of suicides.
4. Land holding is likely to be further fragmented, if agricultural income is taxed and thereby fragmented lands may be uneconomical cultivation.
5. Agricultural income is subject to whims of nature, source of irrigation, market rate fluctuations, inadequacy of capital. Hence there is heavy fluctuation of income from year to year especially in dry areas and difficult for its assessment.
6. Computation and determination of agricultural income is one of the major hurdle to tax agricultural income especially in an unorganized sector.
7. Complying the formalities required for income tax and maintaining books of accounts to determine agricultural income is a question mark to bring agricultural income to tax ambit.
8. State Governments like Maharashtra, Uttar Pradesh, Karnataka, Tamil Nadu repealed the Agricultural tax laws on the ground of huge collection cost and lower collection of tax.
9. Authenticity of agricultural income will always pose a problem and there is every possibility of harassment by Govt. officials even to a small and marginal farmer, if tax is levied on agricultural income.
10. No tax has been levied on agricultural income by Government of India since independence and by Britishers even before independence. Hence there will be a resistance not only from political parties, but even large agricultural community of farmers throughout India.

11. Concept of Agricultural income requires common acceptance especially when farmer carries out allied activities, income from which is not considered as agricultural income.

### 8. Critical Analysis Of Agricultural Income In India:

- 8.1. Farmers in India carry out allied activities along with agriculture, such as dairy farming, poultry farming, sericulture, aquaculture, piggery, livestock breeding, apiculture, etc. These allied activities are not agricultural activities and hence income from these activities is otherwise subject to income tax.
- 8.2. International Accounting standards Board has issued IAS 41 'Agriculture', India has also recently converged and introduced w.e.f. 1.4.2015 Ind AS 41 'Agriculture' applicable to large companies based on above standard. Understanding of 'Agricultural activity' with 'Accounting Standard' and 'Indian Income tax Act', there exists wide variation.
- 8.3. Income from Nursery is held to be an agricultural income, subject to fulfillment of basic condition CIT Vs. Soundarya Nursery [2000] 241 ITR 530 (Mad)
- 8.4. Following are some of the examples of Income which are not classified as agricultural income -
  1. Compensation from Insurance Company or Government towards standing Crop.
  2. Dividend received by shareholders from company carrying agricultural activity.
  3. Sale of mud of agricultural land for pottery.
  4. Sale of salt produced from salty water of land.
  5. Sale of water of well to a neighboring farmer.
  6. Income from ferrying or boating.
  7. Letting out of farm house.
  8. Income from sale of trees of spontaneous growth.
- 8.5. Income from Agro Tourism Activity is required to be segregated into Agricultural Income and Business Income on the basis of facts and circumstances of an individual case.
- 8.6. Agricultural sector (other than corporates) is unorganized sector and needs to pass on knowledge to maintain books of accounts for agricultural activities. No separate Bank account by a farmer is maintained for this activity. Most of the transactions are on non monetary basis or in kind with some transactions in cash.
 

Part of the farm produce is consumed by farmer and his family. Farmer and his family members provide labour to the farm, in addition to time devoted for management without giving any remuneration to an individual. These issues pose a problem to assertion true and fair income from agriculture activity.

- 8.7. Farmer is not aware about the concept of depreciation. Often Gross Yield or Cash Receipts are misunderstood as agricultural income.
- 8.8. Land used for agricultural activity depreciates and yields lesser produce eventually. Under the Income Tax Act, Depreciation on Land is not allowed.

### 9. Conclusion:

- 9.1. Suitable amendment in constitution of India is required to be made empowering Central Government to levy tax on agricultural income by bringing out political consensus.
- 9.2. Existing provision of aggregation of agricultural income with non-agricultural income has no principle base, and hence should be abolished.
- 9.3. Corporate, LLP, Firm and Co-operatives be brought to include agricultural income as a part of taxable income and taxed accordingly.
- 9.4. Presumptive tax on agricultural income be introduced for rich farmers viz. Individual and HUF on the basis of -
  - ◆ Area of Holding
  - ◆ Source of Irrigation
  - ◆ Crop Pattern
- 9.5. Agricultural income interpretation in 'Accounting Standard', in 'Common Parlance' as well as under the 'Income Tax Act' should carry same meaning or with minimum variation to facilitate effective tax administration.
- 9.6. Small and marginal farmers (say holding land up to 4 Hectares with irrigation or 8 Hectares without irrigation) be excluded from the ambit of proposed tax on agricultural income.

In a developing country like India, every citizen of India should think in a proper perspective of taxing agricultural income by rising much above the politics by keeping interest of nation building and equity in times to come.

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# Preparing and Cracking the CA Examination



**CA. Madhukar N. Hiregange**  
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The recent May 2016 final results indicate that approximately 12,500 students qualified in this attempt. More than 20,000 pass each year. Considering that about 120,000 students wrote, it does not appear to be a great pass percentage. However pass percentage it is not 2 or 3% as many students believe. It is estimated that only 60% of the students would have taken up both groups seriously due to lack of time or decision to complete group wise. It is nearer 15% of all serious students. The percentage of result should improve as we see smarter students every year joining CA.

*Once the exam leave starts, students should do well to concentrate their studies only for examination purpose. In this article one has tried to provide the few study preparation tips and examination techniques when writing the examination.*

## Preparation Dos/ Don'ts

- (1) **Deciding whether to study for both groups or only 1:** This is vital decision and we find that 60% of students go for both in a hurry without considering the vastness of the syllabus and depth. They end up having shortage of time to practice problems independently or to revise. Unless one has been studying much prior to study leave and is academically very good, (Most of us are above average) the decision to do group wise can also allow one to clear within 4 years of joining- which is indeed creditable. Do not decide due to pressure by parents/ relatives who compare with friends in other disciplines they are getting settled.
- (2) **Proper analysis of syllabus:** Before starting studies of any subject, it is relevant to see the syllabus and new amendments with regard to the same. Concentration on the amendments and new topics included in the subject may yield some advantage. If taking tuitions the coverage of the whole syllabus is important to confirm.
- (3) **Where to study?** Study in a place where you feel comfortable, relaxed and where you can concentrate properly. If you can, study early morning. If there is disturbance at home etc, head to a library or any place where you find a quiet ambience. Avoid places where there would be interruptions / noise. To get more interest on studies putting charts and follow charts and goal/ aim on walls also some motivational posters.
- (4) **When to Study?** It is ideal to start as early as possible and spread the learning effort. If not done well – do not wait for results- start studying that subject immediately. We can get 2 months time additionally. One can also start while going to office at least for a couple of hours.
- (5) **What to Study?** The suggestions from friends, ICAI, Coaching class teachers at times confuses us on what to study. It may be remembered that paper setter get only the ICAI material. If study material felt too heavy, then a good commentary (not notes/ Xerox of classes) should be used.
- (6) **Which subject to start?** At times the easiest subject is started off. If one were to choose the most difficult first, that subject would be given more weightage and also ensured to be revised more thoroughly. Less pressure also in end as one may not be so confident.

“Unless one has been studying much prior to study leave and is academically very good, the decision to do group wise can also allow one to clear within 4 years of joining.”

- (7) **Avoid Distracting device:** Your own mobile phone maybe a source of constant interruptions especially with challenges of WhatsApp, messages all the time. Ideally keep instrument in another room in silent mode. Disabling the internet is an action which many students are actively doing today. TV/ Computer could also be distractions which may be sparingly used only in breaks.
- (8) **Time allocation for each topic:** One is required to analyze the time allocated to each subject and how such time is utilized for the purpose of studies. Further in writing exam analyzing the time requirement for each and every question (theory and practical). Allocate time for the mock examination of ICAI or get a small group and do on own. You would come to know where you stand, whether able to complete the paper. Many students are unable to complete and therefore if only 80 marks attempted have a major disadvantage.
- (9) **Planning:** Make a written plan of time giving enough time for exercise, short gaps, food/ refreshments on daily basis. Time to revise at regular intervals – every day in the evening for 30 minutes. About 3 hours revision at the end of a week. At times this plan is getting revised or avoided to be followed. Decide your strategy independently based on your strengths and not on what helped another.
- (10) **Open mind while studying:** Students should have open mind for understanding the concepts, so that proper analysis of the same can be done and get a good view over the concepts hiding behind the legality. Linking it to everyday life or some audit experience also helps if one is undergoing internship. Remember what Lord Krishna said to Arjuna- your job is only to concentrate on doing and not bother much of the result. This philosophy may be appropriate.
- (11) **Free online e-resources of ICAI:** The ICAI has in 2013 successfully uploaded the e-lectures module wise for the IPCC as well as Final

“Remember what Lord Krishna said to Arjuna- your job is only to concentrate on doing and not bother much of the result. This philosophy may be appropriate.”

“Revision helps students to understand the provisions better way, first time understanding differs once students start reading once again.”

students. This Learning Management System has a comprehensive coverage and also exercises and instant evaluation. Students who are not going for coaching would find this of immense help. Those who have attended the coaching may have doubts at the time of revision; they can log in with their SRO number and revise those Chapters which are needed. Subject wise CDs are also available for those who do not have access for a nominal fee per subject.

- (12) **Practical problems:** Further, all practical problems are required to be practiced sufficiently from practice manual. Though we start with intention somewhere down the line this is stopped and problems are only read.
- (13) **Making notes:** Some books provide summary of chapter. However, the practice of preparing simple short notes or flow charts, etc. may make the study interesting. This may help them to remember the things quickly and properly more so when daily/ weekly revision is done.
- (14) **Understanding common mistake made:** On the Board of Studies (BOS) website every year, the Head Examiner's comments on question-wise errors is hosted. This may guide one to avoid the errors.
- (15) **Explaining the topic to others:** A powerful method of study is to explain to others. One would then quickly come to know the gaps in ones knowledge. It is every important to do group studies atleast twice before exams with serious friends.
- (16) **Remembering/memorizing key words:** Examiners look for key words and phrases due to paucity of time while correcting. Therefore it after completion of studies it is very important to remember the key words.
- (17) **Revision at regular intervals:** It is very important to remember whatever read, which requires regular revision of the subject. Further revision helps students to understand the provisions better way,

first time understanding differs once students start reading once again. The law is based on the Act and Act is based on English. When students read second or third time the better understanding of the law can be understood, which helps a lot for exam.

- (18) **Exam practice – mock test:** The students once in a 15 days or month should take mock test of each subject, so that they can the capacity of answering and memorizing of whatever studied. Further mock test brings confidence in attending final exams. It is suggested to take mock test for each and every subject and wherever students feel they are not pakka with things they can once revise the topics, this helps a lot during 3 hours of exam time
- (19) **Taking care of health:** Finally during exam leave or exam days taking care of health is very important, like having proper food, good sleep else in exam hall mind may become blank. Regular exercise [ indoor/ outdoor] and meditation if one knows may also help.

## Cracking the Exam

- (1) **Come out of fear:** In case students have fear about the subject, it is very important overcome from such fear by reading/analyzing more on such subject. Further fear makes us to lose confidence and which may also make us to forget the things already studied. Hence it is very important to control the same, certain portion of the fear may be unavoidable, but proper preparation reduces this aspect. Some students do a 20 minute meditation daily which has helped them in being calm.
- (2) **Analyzing question paper:** Students should analyze the structure of the paper. How the questions are raised during previous years, how much importance given to theoretical question and practical questions, how much concentration is required for each topic etc., This 15 minute or more time of

“ **The practical questions can be answered in better if the students are clear with theoretical understanding.** ”

analysis helps a lot to properly choose the order of answering. Quickly decide what should be there in answer and also that it should not be long. (maybe use bullet points) Best answer first makes one confident but do not start slowly. Keep time in mind.

- (3) **Maintain good time management strategies:** Allocate time for each and every question based on marks allocated to the question. Further, if for any question time is exceeding it is better to leave that answer which is partially done and concentrate on other question. It is well said that 4 average answers are better than 2 full answers to obtain good marks.
- (4) **Good presentation and supporting working notes:** Try to answer each practical question in three parts (facts, provisions and conclusion). The practical questions can be answered in better if the students are clear with theoretical understanding. Further how to present the answers, students should see the practice manual and revised test paper issued by the ICAI. Further the study material contains few examples which help students to understand the concept properly and also to answer practical questions. Further, it is good if precise points with correct headings are written with underlining if time permits.
- (5) **Presentation of paper:** Good hand writing increases the quality of the answer and ease for of evaluation. Answering the theory questions first in practical subjects is at times neglected. All practical papers will have minimum 20 marks of theory.
- (6) **Not able to forget previous paper:** At times the performance of the previous paper is nagging us. Ideal not to discuss the paper with anybody till examination end and do not see the paper once home.

These a few gleanings from the understanding of the examination & evaluation process while considering that the evaluators are also human beings with limited time. One can see whether all the suggestions are relevant to one and which of them to adopt. It is easy to advice. You could apply at least those where one is totally convinced.

Finally from us to you at BOS - *All the best for coming out with flying colors in the forthcoming examinations in November 2016.* ■



# Companies (Accounting Standards) Amendment Rules, 2016



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The Ministry of Corporate Affairs has revised the existing Accounting Standards (AS) prescribed in Annexure to the Companies (Accounting Standards) Rules, 2006 vide Notification No. G.S.R. 364 (E) dated 30<sup>th</sup> March, 2016. These Accounting Standards are applicable for companies which are not included in the road map for Indian Accounting Standards (Ind AS). Most of the Small and Medium Enterprises (SMEs) are out of the scope of Ind AS and need to apply these revised Accounting Standards.

## Applicability of Companies (Accounting Standards) Amendment Rules, 2016.

The MCA has issued the Companies (Accounting Standards) Amendment Rules 2016 vide Notification No. G.S.R. 364 (E) dated 30<sup>th</sup> March, 2016. In view of this, many stakeholders have approached the Institute of Chartered Accountants of India, to seek guidance on the applicability of the amended Accounting Standards. The institute has clarified that the amended Accounting Standards should be followed for accounting periods commencing on or after the date of publication of the notification in the Official Gazette. Hence the amended standards are applicable for financial year commencing on 1st April 2016.

## What has changed?

Companies (Accounting Standards) Amendment Rules 2016 have brought the following changes:

### AS amended

1. AS 2 on 'Valuation of inventories'
2. AS 4 on 'Contingencies and events occurring after the balance sheet date'
3. AS 13 on 'Accounting for investments'
4. AS 14 on 'Accounting for amalgamations'
5. AS 21 on 'Consolidated financial statements'
6. AS 29 on 'Provisions, contingent liabilities and contingent assets'

### AS omitted

AS 6 on 'Depreciation accounting'

### Revised AS notified

AS 10 on 'Property, plant, equipment' (PPE) notified in substitution of the previous AS 10 on 'Accounting for fixed assets'

**Major change in accounting treatment can be seen in the following areas:**

## Treatment of Proposed Dividend

Currently, dividends which are proposed or declared by the enterprise after the balance sheet date but before the approval of financial statements are treated as adjusting events and recognised as liability. According to revised AS 4 'Contingencies and events occurring after the balance sheet date', if an enterprise declares dividend after the balance sheet date, the enterprise should not recognise the liability at the balance sheet date. Such dividends are to be disclosed in notes. Through this amendment, treatment of proposed dividend is aligned with Ind AS 10 'Events after the reporting period'.

## Investment Property

Under AS 13, an enterprise holding investment properties should account for them as long term investments. There is no specific requirement to depreciate investment property. The amended AS 13 requires an investment property to be accounted in accordance with cost model as prescribed in Revised AS 10, Property Plant and Equipment. This amendment has cleared the ambiguity regarding depreciation of investment property.

## Property Plant and Equipment

The earlier AS 10, 'Accounting for Fixed Asset' has been replaced with revised AS 10, 'Property Plant and Equipment' which is substantially aligned with Ind AS 16 'Property, Plant and Equipment'. The revised AS 10 require wide departure from existing method of accounting for Fixed Assets.

### Definition of Property Plant and Equipment

According to revised AS PPE is defined as 'PPE are tangible items that -

- Are held for use in production or supply of goods and services, for rental to others or for administrative purposes and,

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- Are expected to be used during more than period of 12 months.

The current AS 10, defines Fixed Assets as Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.

Under revised AS 10, the definition of PPE is wider by scope which covers tangible assets used for administrative purposes. Further, the assets are to be used for a period exceeding 12 months to qualify as a PPE.

## Recognition of PPE

Revised AS 10, lays down the criteria for recognition of PPE. The following criteria is to be satisfied for recognition of items of property, plant and equipment

- it is probable that future economic benefits associated with the item will flow to the entity, and
- the cost of the item can be measured reliably.

Existing AS 10 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.

## Measurement of Initial cost – Deferred payment terms

According to revised AS 10, the cost of an item of property is the cash price equivalent at the recognition date. If the payment is 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.

This can be illustrated with the following example.

Company A imported a new machinery for ₹ 5 Crores. The life of asset is 9 years. The supplier usually supplies on cash basis. However, considering the business environment, the supplier has agreed to accept payment by two instalments by at end of year 1 and year 2.

In this case, the supplier has accepted for deferred payment beyond normal credit terms. The Accounting treatment under revised AS 10 will be as below:

Year	Opening Balance	Interest @ 10%	Payment	Closing Balance
Year 1	86,776,860	8,677,686	(50,000,000)	45,454,545
Year 2	45,454,545	4,545,455	(50,000,000)	-

Year 1		
PPE	Dr	86,776,860
To Deferred liability		86,776,860
Depreciation	Dr	9,641,873
To Accumulated Depreciation		9,641,873

Finance Costs	Dr	8,677,686
To Deferred liability		8,677,686
Deferred liability	Dr	50,000,000
To Bank		50,000,000
Year 2		
Depreciation	Dr	9,641,873
To Accumulated Depreciation		9,641,873
Finance Costs	Dr	4,545,455
To Deferred liability		4,545,455
Deferred liability	Dr	50,000,000
To Bank		50,000,000

## Component Accounting

Revised AS 10 has introduced the concept of component approach. Under this approach, each major part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. As a corollary, cost of replacing spare parts is capitalised, if recognition criteria are met with consequent de-recognition of carrying amount of the replaced part.

Existing AS 10, however, does not mandatorily require full adoption of the component approach. It recognises the said approach in only 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 existing AS 10 nor existing AS 6 deals with the aspects such as separate depreciation of components, capitalising the cost of replacement, etc.

## Accounting for spare parts

Under current AS 10 and AS 2, machinery spares are usually treated as inventories. However, spare parts that can only be used in connection with a particular item of fixed assets and whose use is expected to be irregular were capitalised under AS 10.

Under revised standards, inventories shall not include spare parts, servicing equipment and standby equipment which meet the definition of PPE under the revised AS 10 (i.e. those which are intended to be used for a period of more than 12 months). Corresponding amendment has been made in AS 2. This amended is in alignment with Ind AS 2, 'Inventories'.

## Major inspection costs

If a condition of continuing to operate an item of PPE may be performing regular major inspections for faults regardless of whether parts of item are replaced (for eg: an Air craft), when each major inspection is performed, its cost is to be recognised as a component in the carrying amount of the item of PPE. Any carrying amount of cost of previous inspection is de-recognised. Existing AS 10 does not deal with this aspect.

“ The amended AS 13 requires an investment property to be accounted in accordance with cost model as prescribed in Revised AS 10, Property Plant and Equipment.



**Asset retirement obligation**

According to revised AS 10, initial cost of a PPE includes ‘the initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, referred to as decommissioning, restoration and similar liabilities, the obligation for which an enterprise incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period’

This is a new requirement which is in-line with global accounting principles. Where there is an obligation to restore the site in which an asset is situated after the end of the life of the asset, an initial estimate of the cost of restoration is to be capitalised as the cost of the asset and corresponding liability to be created at the time of capitalisation of the asset.

The liability created should be discounted to present value which is a departure from the existing principles of AS. The AS does not allow discounting of provisions and liabilities whereas Ind-AS mandates discounting where interest element is substantial. However, in case of Asset retirement Obligations, there is a departure from this principle and the Decommissioning and restoring liabilities are to be discounted to its present value. The discount rate should be the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability. Corresponding Amendment has been made in AS 29 - ‘Provisions, contingent liabilities and contingent assets’

This can be illustrated with the following example.

Initial estimate of decommissioning cost of asset A is ₹ 66400 after the end of its life. Estimated life of asset is 9 years. Discount rate applicable is 10%

Accounting treatment under revised accounting standard:

<i>Year 1</i>		
PPE	Dr	28,160
ARO		28,160
Depreciation	Dr	3,129
To Accumulated Dep		3,129
<i>Year 1 Finance Cost</i>		
Interest expenses	Dr	2,816
To ARO		2,816

<i>Year 9 Finance Cost</i>		
Interest expenses	Dr	6,036
To ARO		6,036
<i>Settlement of liability</i>		
ARO	Dr	66,400
To Bank		66,400

Year	Op. Bal	Interest	Cl. Bal
1	28,160	2,816	30,976
2	30,976	3,098	34,074
3	34,074	3,407	37,481
4	37,481	3,748	41,229
5	41,229	4,123	45,352
6	45,352	4,535	49,887
7	49,887	4,989	54,876
8	54,876	5,488	60,363
9	60,363	6,036	66,400

**Subsequent measurement**

Revised AS 10 requires an entity to choose either the cost model or the revaluation model as its accounting policy and to apply that policy to an entire class of property plant and equipment. It requires that under revaluation model, revaluation be made with reference to the fair value of items of property plant and equipment. 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.

Existing AS 10 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.

**Depreciable amount and useful life**

Under revised AS 10, the depreciable amount of an asset should be allocated on a systematic basis over its useful life. The residual value and the useful life should be reviewed at the end of each financial year and the differences if any should be accounted as **change in accounting estimate** in accordance with AS 5, Net profit or Loss for the period, Period period items and changes in accounting policies.

“ Existing AS 10, however, does not mandatorily require full adoption of the component approach.”

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Under current AS 6, such a review is not obligatory as it simply provides that useful life of an asset may be reviewed periodically.

### **Depreciation method**

Under revised AS 10, depreciation method used should reflect the pattern in which the future economic benefits of the assets are expected to be consumed by the enterprise. 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. Change in depreciation method should be considered as a **change in accounting estimate** and treated accordingly

Under existing AS 6, 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. Further, it is considered as a **change in accounting policy**.

### **Treatment of reserves specified in a scheme of amalgamation.**

Section 230 and 232 of the Companies Act, 2013, requires accounting treatment proposed in the

### **Summary**

The major amendments made through Companies (Accounting Standards) Amendment Rules 2016 can be summarised as below:

AS	Amendment
AS 2	Under the new guidance, inventories shall not include spare parts, servicing equipment and standby equipment which meet the definition of PPE under the revised AS 10 (i.e. those which are intended to be used for a period of more than 12 months)
AS 4	Proposed dividend : Dividends declared after the balance sheet date but before the financial statements are approved for issue, will be disclosed as part of notes to accounts and not recognised as liability.
Revised AS 10	Deferred payment terms: The cost of an item of PPE is its cash price at the date of recognition. If the payment is deferred beyond normal credit terms, the difference between cash price and total payment is charged as interest. Asset retirement obligations: Cost of an item of PPE shall include the initial estimate of costs towards decommissioning, restoration and similar liabilities.  Component Accounting: Mandatory Subsequent measurement: cost or revaluation model. Revaluations are required to be made with sufficient regularity. If an item of PPE is revalued, the entire class to which that asset belongs is revalued. No ad hoc revaluation.  Depreciation: Depreciation to be allocated on a systematic basis over the useful life of an asset. Useful life is defined in terms of expected utility to the entity Residual value and useful life of an asset has to be reviewed annually The change in the depreciation method is to be accounted prospectively as change in accounting estimates.
AS 13	An investment property to be accounted for in accordance with the cost model as prescribed in the revised AS 10 instead of AS 13.
AS 14	The disclosure required in situations where the scheme of amalgamation prescribes a different treatment to be given to the reserves of the transferor company as compared to the requirement of the standard shall not apply to any scheme of amalgamation approved under the Companies Act, 2013

“ The liability created should be discounted to present value which is a departure from the existing principles of AS. The AS does not allow discounting of provisions and liabilities whereas Ind-AS mandates discounting where interest element is substantial. ”

scheme of compromise or arrangement to be in conformity with the AS. Accordingly, the disclosure requirement in AS 14 is amended where the scheme of amalgamation prescribes a different treatment to be given to the reserves of the transferor company as compared to the requirement of the standard shall not apply to any scheme of amalgamation approved under the Companies Act, 2013.

### **Scope of consolidated financial statements**

The Companies Act, 2013 mandates consolidation where a company does not have a subsidiary but has an associate or JV. Accordingly AS 21 has been amended. Where an enterprise does not have a subsidiary but has an associate and/or JV, such an enterprise should also prepare consolidated financial statements in accordance with the applicable accounting standards.

AS	Amendment
AS 21	Where an enterprise does not have a subsidiary but has an associate and/or JV, such an enterprise should also prepare consolidated financial statements in accordance with the applicable accounting standards.
AS 29	The amount of provision recognised under the revised AS 10 with respect to decommissioning, restoration and similar liabilities should be discounted.

### Conclusion

The Companies (Accounting Standards) Amendment Rules 2016 is aimed at removing the disparity with Companies Act 2013 and align major accounting principles with Ind AS. This is a major step towards providing a better accounting framework for entities which are outside the ambit of Ind AS. Going forward, companies will need to bring the required changes in their accounting and reporting systems to enable them to prepare the financial statements which are compliant with revised Accounting Standards. ■

## Online Mentoring on ICAI Cloud Campus - <http://cloudcampus.icai.org>

The ICAI Cloud Campus enables Students to learn anytime and from anywhere using e-Learning, Audio Lectures, Video Lectures and Online Mentoring. Students can even learn through Mobile Enabled e-Learning facility on the Students Learning Management System (LMS) on their Mobile Phones/ Smart Phones/ Tablets. Online Mentoring is one of the major value added features on the Cloud Campus. The schedule of online mentoring sessions from 3.00 p.m. to 4.30 p.m. for August, 2016 is as follows:

Online Mentoring Schedule				
Date	Course	Paper	Topic	Faculty
August 5	IIPC	Paper-7B: Strategic Management	Ch-1 Business Environment and Ch-2 Business Policy and Strategic Management	Mr. Shaleen Suneja and Dr. Ruchi Gupta
August 9	Final	Paper-6: Information Systems Control and Audit	Information Systems Development Life Cycle, Control and Audit	Ms. Sukriti Arora
August 10	IIPC	Paper-2: Business Laws, Ethics and Communication	Business Laws	CA. Shraddha Saxena and Ms. Megha Goel
August 11	Final	Paper-8: Indirect Tax Laws	Recent Amendments	CA. Smita Mishra and CA. Shefali Jain
August 12	Final	Paper-7: Direct Tax Laws	Significant amendments relevant for November, 2016 Examination	CA. Priya Subramanian and CA. Aparna Chauhan
August 17	IIPC	Paper-3: Cost Accounting and Financial Management	Budget & Budgetary Control and Receivable Management	Dr. N.N. Sengupta and CA. Sanjit Sharma
August 19	IIPC	Paper-7B: Strategic Management	Ch-3 Strategic Analysis and Ch-4 Strategic Planning	Mr. Shaleen Suneja and Dr. Ruchi Gupta
August 23	IIPC	Paper-6: Auditing and Assurance	Basic Concepts in Auditing	CA. Rajeev Sachdeva and CA. Karuna Bhansali
August 24	Final	Paper-1: Financial Reporting	Consolidated Financial Statements	CA. Shilpa Agrawal

Students are advised to register for Online Mentoring Sessions on the ICAI Cloud Campus and provide specific questions/ queries that they need to be discussed at least **48 working hours** before the session. Links to access the aforementioned Online Mentoring Sessions are also available on the <http://cloudcampus.icai.org> under Online Mentoring.

**Director, Board of Studies**

# Short Selling: A Game Changer



**Kanika Upreti**

Student of ICAI. Reg. No. CRO0474429

Security market is part of financial market which is concerned with issue, subscription, selling and buying of Equity Instruments, Debt instrument etc. in order to provide finance for business and for trading in securities. Security market is divided into two streams i.e. Primary Market and Secondary Market. While the Primary Market deals with issue of new securities by the company and their subscription, their further sales and purchases take place at secondary market. One of the important terms associated with secondary market is 'Short Selling'. This article discusses the meaning and various other aspects related to it.

## What is Short Selling?

Short selling is the sale of a security that is not owned by the seller, or that the seller has borrowed. Short selling is motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. The various steps involved in Short Selling are as follows:

- Borrow the security.
- Receive the money by selling the borrowed securities.
- When prices of security decline, purchase the security as needs to be returned.
- Return the securities to the lender of security on settlement date.
- Difference between the prices of selling the security and buying the same, after adjusting borrowing fees, is profit arises out of short selling.

This process can also be understood with the help of following example.

### Example

Mr. B borrows 1000 shares (having a price of ₹ 100 per share) from Mr. A in exchange of a premium of 3% of the value of share. Mr. B sold these shares at above price in the market and buys them back when price comes down to ₹ 90. Overall Profit resulting all these transactions is ₹ 7,000 as shown below:

<u>Particulars</u>	<u>Amount (₹)</u>
Proceeds from sales of 1000 shares	1,00,000.00
Less: Amount paid for purchasing securities	90,000.00
Less: Fees paid for borrowing the securities	3,000.00
<b>Profits from Short Sales</b>	<b>₹ 7,000.00</b>

Thus from above it is clear that the pay off of selling short is opposite to long position. A short seller will make money if the stock goes down in price, while long position make money when stock goes up.

Further two terms associated with 'Short Selling' are as follows:

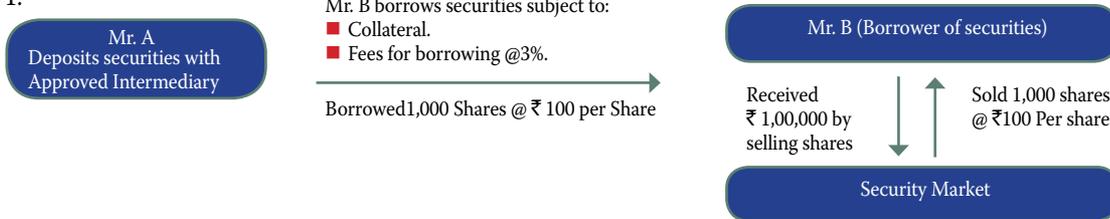
(1) **Approved Intermediary:** Approved Intermediary is a person duly registered with the Securities and Exchange Board of India (SEBI) under the Security Lending and Borrowing Scheme, 1997 through whom the lender will deposit the securities for lending and the borrower will borrow the securities. SEBI does not allow any direct agreement between the lender and borrower of securities:

- Lender for lending his securities shall deposit the same with approved intermediary and will receive fees on lending, subject to the terms agreed upon in contract with approved intermediary
- Borrower for borrowing securities needs to approach approved intermediary and can borrow the securities subject to payment of fees and collateral for borrowing.

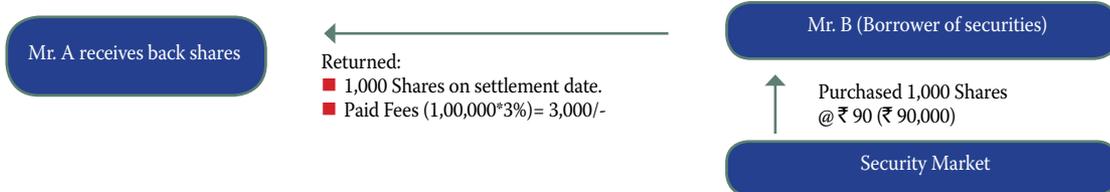
(2) **Collateral:** Since short selling involves selling of borrowed securities, it comprises of risk that borrowed securities may not be returned by the borrower on settlement date. In order to ensure that the borrowed securities are returned in the future for the entire borrowings, borrower needs to give collateral to the approved intermediary. It may be in the form of Cash, Bank Guarantee, Government Securities or other securities as may be agreed upon with the approved intermediary.

The whole process of Short Selling can also be understood with the help of following diagram.

Step 1:



Step 2:



### Short Selling Vs. Naked Short Selling

Short Selling should be distinguished from Naked Short Selling. Naked short selling is selling the shares which are actually not in existence. Such kind of activities manipulate the market by increasing the sales of securities which actually does not exist and finally results in lowering the share prices by creating artificial supply of securities. Therefore naked short selling is prohibited in Indian context.

SEBI imposed a partial ban on short selling in March 2001 following a crash in stock prices and allegation that confidential information acquired by Bombay Stock Exchange had been used by the insiders for making gains. However, in early 2008, institutional investors were allowed to short selling shares again.

### Costs and Risk involved in Short Selling

On the face, Short Selling appears to be attractive as a short-cut to make riskless profit. However, it involves few costs as well as many risk factors.

- Costs**
  - Stock borrowing costs:** When securities are borrowed the specific rate of fees as required by the Approved Intermediary has been charged on the borrowed securities. Such borrowing cost adds up the cost of short selling transaction. Such Fees charged on securities is generally high.
  - Dividend and other payments:** Short seller is responsible for making payment of every dividend paid on the shares to the lender. Also for the other events associated with the shorted stock like stock splits, bonus issues borrower is responsible for making payment to lender for such unpredictable events.
- Risks**
  - High Volatility:** As defined above short sales is done with a view of bearish price of borrowed

security. At the time of purchasing the borrowed security there exists a high uncertainty of getting declined price of security in near future. The decline in prices is expected only on the basis of market studies and trend analysis, but it is not necessary that the estimates will survive and leads to profit always.

In case of sudden jump in the security prices, one may have to purchase the security on increased prices in order to fulfill the obligation of returning security on time.

- No Ceiling on Losses:** There is no ceiling on how much a short seller can lose in a trade. Short selling comprise of the possibility of infinite risk. The prices of stock may keep on escalating and the short seller has to pay the prevailing stock price to buy back the shares. On the other hand, gains have a ceiling as the prices of the stock cannot go below zero.
- Regulatory Risk:** Short selling also involves regulatory risks. Regulators may sometimes impose bans on short sales in order to get the prices stable and to avoid immense selling pressure. This leads to sudden increase in prices forcing the short sellers to cover short position at huge losses.
- Situation of Short Squeezes:** When stock prices go up, short seller losses higher, as a result of the same short sellers rush to buy the stock to cover their positions. This rush creates demand of stock and leads to increased prices; such situation is known as short squeeze. Short squeeze is a great way to lose a lot of money very quickly.

### SEBI Guidelines on Short Selling

As per the guidelines issued by SEBI, short selling is allowed in NSE & BSE by all the classes of investors Viz. retail and

## ARTICLE

institutional investors (Mutual Funds, Banks, Insurance Companies, etc.). However the institutional investors can short sell subject to the condition that no institutional investor shall be allowed to do day trading i.e. square off their transaction intraday.

The institutional investors are required to disclose that the transaction is short sell at the time of placement of the order. However, in case of retail investors, the same is being disclosed on the transaction date. Brokers are mandated to collect the details on scrip wise short sell positions, collect the data and upload it to stock exchange before the commencement of trading on the following day.

### Does Short Selling contributes to manipulation in Market or not

The short selling is a highly debatable topic. On one hand, this advanced trading activity is considered as reasons of destabilization of market and on the other hand, it is considered as necessary element of security market. Due to increased sales, short selling leads to lowering down the market price of securities. However, this is the only way of trading those securities which are concentrated in the hands of few people for a long period of time. Short selling makes an important contribution to the market by:

- Lowering down the prices of overpriced securities in the market.
- Contributing significantly to market liquidity by increasing sale & purchase in security market.
- Increasing overall efficiency of market by quickening price adjustments.

“ Short Selling should be distinguished from Naked Short Selling. Naked short selling is selling the shares which are actually not in existence. Such kind of activities manipulate the market by increasing the sales of securities which actually does not exist.”

Manipulations arise due to misconduct and it can arise in any field of work. A genuine short selling does not leads to manipulation till the evidences of market misconduct are available against the same. Manipulations arise in the other forms of trading also but the same can be cured by defining the regulatory framework for such manipulative trading practices.

### Conclusion

Despite all the risk factors, if short selling is done in a regulated frame work, it contributes positively to the security market. Along with time, a short selling technique attracts many market players and had proven its significance. In the current scenario, short selling is considered a legitimate investing activity and therefore allowed in most of the countries. From the view point of short seller, it may lead to huge profits or infinite losses. ■

## Toppers of Chartered Accountants Final Examination: May-2016



**Sri Ram S.**  
First Rank  
Salem



**K.N.V.V. Upendra**  
Second Rank  
Vijayawada



**Yash Manojkumar Goyal**  
Third Rank  
Jamnagar

*Our Hearty Congratulations*

# Accounting

The Companies (Indian Accounting Standards) Rules, 2015 (hereinafter 'Rules') have been amended and notified by the Ministry of Corporate Affairs (MCA) on 30<sup>th</sup> March 2016. In the last two Students' Journals viz June, 2016 and July, 2016 issue we have explained the notification of the applicability of Ind AS to non-banking financial companies (NBFCs) and the amendments made in Ind AS 101 respectively. In this issue we will be discussing the significant amendments made in the Rules and the reason thereof. The amendments in the said Rules are:

- Notification of Ind AS 11 'Construction Contracts'.
- Notification of Ind AS 18 'Revenue'.
- Ind AS 115 'Revenue from contracts with customers' was omitted.
- Consequential amendments to other standards on the omission of Ind AS 115 and inclusion of Ind AS 11 and Ind AS 18.

The above amendments were made on account of deferment of applicability of IFRS 15 by International

Accounting Standards Board (IASB) till 1<sup>st</sup> January, 2018. Therefore, MCA also deferred Ind AS 115 by omitting the same from the Rules.

MCA also made certain amendments in some notified Ind AS to reflect the amendments made by the IASB to the IFRS either on account of narrow-focus improvements to disclosure requirements that the IASB had identified to International Accounting Standard (IAS) 1, 'Presentation of Financial Statements' or due to the annual improvement cycle\* 2012–2014 or amendments to IFRS 10, 'Consolidated Financial Statements'; IFRS 12, 'Disclosure of Interests in Other Entities'; and IAS 28, 'Investments in Associates and Joint Ventures', to address issues that have arisen in relation to the exemption from consolidation for investment entities or amendment in Ind AS 101, 'First-time adoption of Indian Accounting Standards', to remove the option to use fair value for investment property as the deemed cost on the date of transition.

The key amendments to Ind AS pursuant to these rules are listed below:

Ind AS	Significant amendments
Ind AS 1, 'Presentation of Financial Statements'	<ul style="list-style-type: none"> <li>• <b>On Materiality</b> The amendments clarify that while aggregating information in the financial statements, an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.</li> <li>• <b>On presentation of Subtotals</b> An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the balance sheet when such presentation is relevant to an understanding of the entity's financial position. The amendments require that additional subtotals in the statement of profit and loss should be reconciled to the subtotals and totals required by Ind AS 1.</li> <li>• <b>On Systematic Grouping and Presentation of Notes</b> The management of an entity shall consider the understandability and comparability of the financial statements when it determines the group or order of the notes. An entity might group the share of other comprehensive income arising from investments accounted for under the equity method based on the items reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.</li> </ul>
Ind AS 19, 'Employee benefits'	<b>Actuarial Assumptions: Discount Rate</b> The amendment clarifies that for determining the discount rate for post-employment benefit obligations, with respect to currencies other than Indian rupee for which there is deep market in high quality corporate bonds, the market yields (at the end of the reporting period) on such high quality corporate bonds denominated in that currency shall be used.
Ind AS 28, 'Investments in associates and joint ventures'	As per the amendment, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to its interest in subsidiaries.
Ind AS 34, 'Interim financial reporting'	Ind AS 34 requires entities to disclose information in the notes to the interim financial statements, 'if not disclosed elsewhere in the interim financial report'. The information shall normally be reported on a financial year-to-date basis.
Ind AS 101, 'First-time adoption of Indian Accounting Standards'	Ind AS 40 only permits the cost model for measurement of investment properties after initial recognition. Hence, the amendment has been made to remove the option to use fair value for investment property as the deemed cost under Ind AS 101 on the date of transition.

\*The 'annual improvements process of IASB' is a vehicle for making non-urgent but necessary amendments to the standards. These amendments are limited to the changes that either clarify the wordings in an IFRS or correct relatively minor unintended consequences, oversights or conflicts between the existing requirements of the IFRS.

# KNOWLEDGE UPDATE

Ind AS	Significant amendments
Ind AS 105, 'Non-current Assets held for Sale and Discontinued Operations'	<p>The amendment clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, then the change in classification is considered a continuation of the original plan of disposal.</p> <p>The entity shall apply the classification, presentation and measurement requirements as are applicable to the new method of disposal and shall measure such asset at lower of its carrying amount and fair value less costs to sell/distribute, as the case may be, and recognise any reduction or increase on it.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification.</p>
Ind AS 107, 'Financial Instruments: Disclosures'	<p>If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, Ind AS 107 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The amendment in Ind AS 107 illustrates the term 'continuing involvement' in context of service contracts.</p>
Ind AS 110, 'Consolidated Financial Statements'	<p>Exemptions for application of Ind AS 110</p> <p>Ind AS 110 requires an investment entity to measure an investment in a subsidiary at fair value through profit or loss in accordance with Ind AS 109, 'Financial instruments'. It has been clarified that, as an exception to this, an investment entity would consolidate a subsidiary only if it is not an investment entity itself, and if it acts as an extension of the investment entity by providing services that support the investment entity's activities. All subsidiaries that are themselves investment entities are measured at fair value through profit and loss.</p> <ul style="list-style-type: none"> <li>Ind AS 110 was amended to clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity (provided all other conditions in paragraph 4(a) are met) even when the investment entity measures all of its subsidiaries at fair value.</li> </ul>
Ind AS 112, 'Disclosure of Interests in Other Entities'	<p>The amendment clarifies the application of the standard to investment entities. An investment entity, that prepares separate financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with Ind AS 109, requires to present the disclosures in respect of such investment entities as per Ind AS 112. This amendment to Ind AS 112 is consequential to the amendments to Ind AS 28 and Ind AS 110.</p>

(Source: [www.mca.gov.in](http://www.mca.gov.in))



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## Auditor's Duty to report on frauds as per section 143(12) of the Companies Act, 2013

As per Companies (Amendment) Act, 2015, the report by the Board of Directors shall also include details of fraud reported by auditors under section 143(12) other than those that are reported to the Central Government. Section 143(12) also prescribes a threshold limit beyond which fraud shall be reported to Central Government or Audit Committee/Board (hereinafter referred as AC).

Further as per sub rule (1) and 3 of rule 13 of the Companies (Audit and Auditors) Rules 2014, if an auditor of a company, in the course of the performance of his duties as statutory auditor, has reason to believe that an offence of fraud, which involves or is expected to involve individually an amount of less than ₹ 1 crore, is being or has been committed against the company by its officers or employees, the auditor shall report the matter to the AC or Board and in case such fraud is amounting ₹ 1 crore and above then the auditor shall report the matter to the Central Government.

**I. Manner of Reporting to the Central Government-** The manner of reporting the matter to the Central Government is as follows:

- (a) the auditor shall report the matter to the Board or the AC, as the case may be, immediately but not later than 2 days of his knowledge of the fraud, seeking their reply or observations within 45 days;
- (b) on receipt of such reply or observations, the auditor shall forward his report and the reply or observations of the Board or the AC along with his comments (on such reply or observations of the Board or the AC) to the Central Government within 15 days from the date of receipt of such reply or observations;
- (c) in case the auditor fails to get any reply or observations from the Board or the AC within the stipulated period of 45 days, he shall forward his report to the Central Government along with a note containing the details of his

report that was earlier forwarded to the Board or the AC for which he has not received any reply or observations;

- (d) the report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by Registered Post with Acknowledgement Due or by Speed Post followed by an e-mail in confirmation of the same;
- (e) the report shall be on the letter-head of the auditor containing postal address, e-mail address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his Membership Number; and
- (f) the report shall be in the form of a statement as specified in Form ADT-4.

**II. Reporting to the AC or Board-** In case of fraud amount is less than ₹ 1 crore the auditor shall report the matter to AC constituted under section 177 or to the Board immediately but not later than 2 days of his knowledge of the fraud and he shall report the matter specifying the following:

- (a) Nature of Fraud with description;
- (b) Approximate amount involved; and
- (c) Parties involved.

**Disclosure in the Board's Report:** Further it is prescribed that the companies, whose auditors have reported frauds under this sub-section (12) to the AC or the Board, but not reported to the Central Government, shall disclose the details about such frauds in the Board's report as per, sub-rule (4) of Rule 13 of the Companies (Audit and Auditors) Rules, 2014 which states that the auditor is also required to disclose in the Board's Report the following details of each of the fraud reported to the AC or the Board under sub-rule (3) during the year:

- (a) Nature of Fraud with description;
- (b) Approximate Amount involved;
- (c) Parties involved, if remedial action not taken; and
- (d) Remedial actions taken. ■

## CROSSWORD SOLUTION - JULY 2016

1 A	2 U	3 D	4 I	5 T		6 U		7 C	8 O	S	9 T
10 P	R	O	F	E	S	S	I	O	N		O
11 E	L	I	T	E		12 A	R	R	E	13 A	R
D			14 I	M	15 T			E		U	T
	16 M				I		17 V		18 C	T	
19 D	E	20 P	21 R	I	C	22 I	A	23 T	I	O	N
24 R	I	S	E			25 O	L	D			
26 A	S	O	C			27 S	U	P	28 P	29 L	30 Y
W			31 O	R	32 P		E		33 U	A	E
	34 T	35 H	R	E	E				36 G	S	T
37 S	E	E	D		R					T	I
38 T	A	N		39 P	U	B	L	I	C		

# Indirect Tax Laws

## CCEx. v. TVS Motors Co. Ltd. 2016 (331) ELT 3 (SC)

**Issue:** Whether pre-delivery inspection charges (PDI) charges and after sales service (ASS) charges are to be included in the assessable value?

**Decision of the Supreme Court:** The Apex Court observed that where manufacturer himself provides the ASS and incurs any expenditure thereon, the same is not deductible from the price charged by him from his buyer. However, where the manufacturer has sold his goods to his dealer and dealer thereafter provides ASS to the customer and incurs expenditure therefore, it cannot be added back to the sale price charged by the manufacturer from the dealer for computing the assessable value.

Further, it agreed with the observations of Bombay High Court in case of *Tata Motors Ltd. v. UOI 2012 (286) ELT 161 (Bom.)* wherein the High Court had struck down Clause No. 7 of *Circular No. 643/34/2002 CX dated 1-7-2002* and *Circular No. 681/72/2002 CX dated 12-12-2002* (to the extent it affirms the aforesaid circular). It also referred *Circular No. 354/81/2000-TRU dated 30.06.2000*, wherein it was inferred from the definition of 'transaction value' that if any amount is paid/payable by buyer to/on behalf of assessee on account of factum of sale of goods, then such amount cannot be claimed to be not part of transaction value. In light of above discussion, it held that PDI and free ASS would not be included in assessable value under section 4 of the Central Excise Act, 1944, for the purpose of paying excise duty.

## Raghav Industries Ltd v. UOI 2016 (334) ELT 584 (Mad.)

**Issue:** Whether the petitioner can simultaneously claim the duty drawback of the excise duty paid on inputs and service tax paid on input services used in manufacture of goods exported by it as well as rebate of excise duty paid on such finished goods under rule 18 of the Central Excise Rules, 2002 (CER)?

**Decision of the High Court :** The High Court observed that availing both the benefits would certainly result in double benefit. In the judgment [*Spentex Industries Ltd. v. CCEx. 2015 (324) ELT 686 (SC)*] relied upon by the petitioner, the benefits of rebate on inputs and on finished goods exported were available to exporter under the provisions of rule 18 of CER whereas in the given case, the benefits claimed by petitioners were covered under two different statutes - one under Customs, Central Excise Duties and Service Tax Drawback Rules 1995 issued under section 75 of Customs Act and other under rule 18 of CER issued under Central Excise Act. Further, as per proviso to rule 3 of the Duty Drawback Rules, petitioner was not entitled to claim both the benefits.

The High Court held that when petitioners had availed duty drawback of excise duty paid on inputs and service tax paid on input services used in manufacture of goods exported by petitioner, they were not entitled for rebate under rule 18 of CER as it would result in double benefit.

Students may refer the BoS Knowledge Portal for detailed discussion on the aforesaid two judgments. ■

## CONVOCATION- 2016

In order to promote a sense of comradeship among members and for bringing them closer to the Institute, the Institute of Chartered Accountants of India (ICAI) organize Convocations for distributing certificates to the newly qualified members. In fact, this is an occasion to mark the entry of the new members into the fraternity.

ICAI invites members enrolled during the period October, 2015 to March, 2016 to participate in the Convocation for awarding the "Certificate of Membership" amidst the august gathering of distinguished dignitaries.

The schedule of the proposed Convocation is as follows:

Sr. No.	Place	Date
1	Ahmedabad	<b>17.08.2016 (Wednesday)</b>
2	Mumbai	
3	Pune	
4	Chennai	
5	Hyderabad	
6	Kolkata	
7	Jaipur	
8	Kanpur	
9	Chandigarh	
10	New Delhi	

The details about the venue and timing of the Convocation Programme Schedule will be intimated to the participants by the concerned Regional Offices of ICAI.

For any further information, members are requested to contact the concerned Regional Offices or e-mail at: [mss@icai.in](mailto:mss@icai.in). Contact No: 0120-3045997. (Mob) 07042782846.

**Joint Secretary, MC & MSS**



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## TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA

### NOTIFICATION

19 July, 2016

No. 13-CA (EXAM)/N/2016: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to notify that the Intermediate (IPC) and Final examinations will be held on the dates given below at the following places provided that sufficient number of candidates offer themselves to appear from each centre.

Similarly, Examinations in Post Qualification Courses under Regulations 204, viz.: Management Accountancy Course (MAC) Part – I, Corporate Management Course (CMC) Part – I, Tax Management Course (TMC) Part – I, Insurance and Risk Management (IRM), and International Trade Laws and World Trade Organisation (ITL & WTO) examinations (which are open to the members of the Institute) will be held on the dates given below at the above places (centres in India only) provided that sufficient number of candidates offer themselves to appear from each of the above places.

#### INTERMEDIATE (IPC) EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 28 E (3) of the Chartered Accountants Regulations, 1988]

**Group-I: 2<sup>nd</sup>, 4<sup>th</sup>, 6<sup>th</sup> & 8<sup>th</sup> November 2016**

**Group-II: 10<sup>th</sup>, 12<sup>th</sup> & 15<sup>th</sup> November 2016**

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

#### FINAL EXAMINATION

[As per syllabus contained in the scheme notified by

the Council under Regulation 31 (ii) of the Chartered Accountants Regulations, 1988.]

**Group -I: 1<sup>st</sup>, 3<sup>rd</sup>, 5<sup>th</sup> & 7<sup>th</sup> November 2016**

**Group -II: 9<sup>th</sup>, 11<sup>th</sup>, 13<sup>th</sup> & 16<sup>th</sup> November 2016**

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

#### MANAGEMENT ACCOUNTANCY COURSE (MAC) PART - I, CORPORATE MANAGEMENT COURSE (CMC) PART - I, TAX MANAGEMENT COURSE (TMC) PART - I EXAMINATIONS

**Group-I: 9<sup>th</sup> & 11<sup>th</sup> November 2016**

**Group-II: 13<sup>th</sup> & 16<sup>th</sup> November 2016**

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

#### INSURANCE AND RISK MANAGEMENT (IRM) EXAMINATION

**Modules I to IV 9<sup>th</sup>, 11<sup>th</sup>, 13<sup>th</sup> & 16<sup>th</sup> November 2016**

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

#### INTERNATIONAL TRADE LAWS AND WORLD TRADE ORGANISATION (ITL&WTO) EXAMINATION

**Group A 2<sup>nd</sup>, 4<sup>th</sup> & 6<sup>th</sup> November 2016**

**Group B 8<sup>th</sup>, 10<sup>th</sup> & 12<sup>th</sup> November 2016**

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

#### PLACES OF EXAMINATION CENTRES IN INDIA: (FOR ALL EXAMINATIONS)

Sl. No.	Name of the Cities	Sl. No.	Name of the Cities	Sl. No.	Name of the Cities
1	AGRA	2	AHMEDABAD	3	AHMEDNAGAR
4	AJMER	5	AKOLA	6	ALAPPUZHA
7	ALIGARH	8	ALLAHABAD	9	ALWAR
10	AMBALA	11	AMRAVATI	12	AMRITSAR
13	ANAND	14	ANANTAPUR	15	ASANSOL
16	AURANGABAD	17	BAREILLY	18	BATHINDA
19	BEAWAR	20	BELGAUM	21	BELLARY
22	BENGALURU	23	BERHAMPORE	24	BHARATPUR
25	BHARUCH	26	BHAVNAGAR	27	BHILWARA
28	BHIWANDI	29	BHIWANI	30	BHOPAL
31	BHUBANESWAR	32	BHUJ	33	BIKANER
34	BILASPUR	35	BUNDI	36	CHANDIGARH
37	CHENNAI	38	CHITTORGARH	39	CHURU
40	COIMBATORE	41	CUTTACK	42	DEHRADUN
43	DELHI / NEW DELHI	44	DHANBAD	45	DHULE

# EXAMINATION ||

Sl. No.	Name of the Cities	Sl. No.	Name of the Cities	Sl. No.	Name of the Cities
46	DURG	47	DURGAPUR	48	ELURU
49	ERNAKULAM	50	ERODE	51	FARIDABAD
52	FATEHABAD	53	FIROZABAD	54	GANDHIDHAM
55	GANDHINAGAR	56	GHAZIABAD	57	GORAKHPUR
58	GUNTUR	59	GURGAON	60	GUWAHATI
61	GWALIOR	62	HISAR	63	HUBLI
64	HYDERABAD	65	ICHALKARANJI	66	INDORE
67	JABALPUR	68	JAIPUR	69	JALANDHAR
70	JALGAON	71	JAMMU	72	JAMNAGAR
73	JAMSHEDPUR	74	JHANSI	75	JHUNJHUNU
76	JIND	77	JODHPUR	78	KAITHAL
79	KAKINADA	80	KANNUR	81	KANPUR
82	KARIMNAGAR	83	KARNAL	84	KISHANGARH
85	KOLHAPUR	86	KOLKATA	87	KOLLAM
88	KOTA	89	KOTTAYAM	90	KOZHICODE
91	KUMBAKONAM	92	KURNOOL	93	LATUR
94	LUCKNOW	95	LUDHIANA	96	MADURAI
97	MALAPPURAM	98	MANGALORE	99	MAPUSA (GOA)
100	MARGAO (GOA)	101	MATHURA	102	MEERUT
103	MORADABAD	104	MUMBAI	105	MUZAFFARNAGAR
106	MYSORE	107	NAGPUR	108	NANDED
109	NASHIK	110	NAVI MUMBAI	111	NAVSARI
112	NEEMUCH	113	NELLORE	114	NOIDA
115	ONGOLE	116	PALAKKAD	117	PALI MARWAR
118	PANIPAT	119	PANVEL	120	PATIALA
121	PATNA	122	PIMPRI-CHINCHWAD	123	PONDICHERRY
124	PUNE	125	RAIPUR	126	RAJAMAHENDRAVARAM
127	RAJKOT	128	RANCHI	129	RATLAM
130	REWARI	131	ROHTAK	132	ROURKELA
133	SAHARANPUR	134	SALEM	135	SAMBALPUR
136	SANGLI	137	SANGRUR	138	SATARA
139	SHIMLA	140	SHIMOGA	141	SIKAR
142	SILIGURI	143	SIRSA	144	SIVAKASI
145	SOLAPUR	146	SONEPAT	147	SRI GANGANAGAR
148	SRINAGAR	149	SURAT	150	SURENDRANAGAR
151	THANE	152	THIRUVANANTHAPURAM	153	THRISSUR
154	TINSUKIA	155	TIRUCHIRAPALLI	156	TIRUNELVELI
157	TIRUPATI	158	TIRUPUR	159	TUTICORIN
160	UDAIPUR	161	UDUPI	162	UJJAIN
163	VADODARA	164	VAPI	165	VARANASI
166	VASAI	167	VELLORE	168	VIJAYAWADA
169	VISAKHAPATNAM	170	WARANGAL	171	YAMUNA NAGAR

## PLACES OF EXAMINATION CENTRES OVERSEAS: (FOR INTERMEDIATE (IPC) AND FINAL EXAMINATIONS ONLY)

- |              |          |              |           |
|--------------|----------|--------------|-----------|
| 1) ABU DHABI | 2) DUBAI | 3) KATHMANDU | 4) MUSCAT |
|--------------|----------|--------------|-----------|

Payment of fees for the examinations should be made by Demand Draft only. The Demand Drafts may be of any Scheduled Bank and should be drawn in favour of The Secretary, **The Institute of Chartered Accountants of India, payable at New Delhi only.**

The Council reserves the right to withdraw any centre at any stage without assigning any reason.

Applications for admission to Intermediate (IPC) and Final examinations are required to be made either online at <http://icaiaexam.icaai.org> **free of cost (i.e. ₹1000/- for**

**Intermediate (IPC) & Final candidates for the cost of application form shall not be charged if applications are filed in online)** or in the relevant prescribed form, copies of which may be obtained from the Deputy Secretary (Examinations), The Institute of Chartered Accountants of India, 'ICAI BHAWAN', Indraprastha Marg, New Delhi-110002 on payment of ₹1,000/- per application form in respect of Intermediate (IPC) and Final Examination candidates, whereas the Examination application forms for Management Accountancy Course (MAC) Part – I,

Corporate Management Course (CMC) Part – I, Tax Management Course (TMC) Part – I, Insurance and Risk Management (IRM), International Trade Laws and World Trade Organisation (ITL & WTO) examination are to be filled up in the paper based form only and is priced at ₹100/- per application form. The forms shall also be made available in the Regional and Branch Offices of the Institute and can be obtained there from on cash payment on or from **5<sup>th</sup> August, 2016**.

Applications together with the prescribed fee by Demand Draft of any Scheduled Bank may be sent so as to reach the Deputy Secretary (Examinations) at New Delhi not later than **26<sup>th</sup> August, 2016**. However, applications will also be received at Delhi Office after **26<sup>th</sup> August, 2016** and upto **2<sup>nd</sup> September, 2016** with late fee of ₹600/. Applications for the students' examinations only duly filled in will also be received by hand delivery at the office of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Delhi, Ahmedabad, Bengaluru, Chandigarh, Ernakulam, Hyderabad, Indore, Jaipur, Nagpur, Pune, Surat, Thane and

Vadodara upto **2<sup>nd</sup> September, 2016**. Candidates residing in these cities are advised to take advantage of this facility. Applications received after **2<sup>nd</sup> September, 2016** shall not be entertained under any circumstances.

However, application forms duly completed for the Post Qualification Course Examinations i.e. Management Accountancy Course (MAC) Part – I, Corporate Management Course (CMC) Part – I, Tax Management Course (TMC) Part – I, Insurance and Risk Management (IRM), International Trade Laws and World Trade Organisation (ITL & WTO) will be received **only** at the New Delhi office of the Institute.

**The candidates who apply online at <http://icaiaexam.icaai.org> from 5<sup>th</sup> August, 2016 to 26<sup>th</sup> August, 2016 and remit the fee online by using either VISA or MASTER Credit/ Debit Card shall not be charged ₹1,000/- in case of Intermediate (IPC) & Final examination (i.e. cost of application form fee). They shall however, be required to remit additional ₹600/- towards late fee in case the application online is made after 26<sup>th</sup> August 2016 and upto 2<sup>nd</sup> September, 2016.**

The fees payable for the various examinations are as under:

<b>Intermediate (IPC)</b>	
<b>For Indian Centre(s)</b>	
Single Group/Unit 1 to 8	₹1200/-
Both the Groups/Unit - 9	₹1900/-
<b>For Overseas Centre(s) i.e. Abu Dhabi, Dubai &amp; Muscat</b>	
Single Group/Unit 1 to 8	US\$ 275
Both the Groups/Unit - 9	US\$ 430
<b>For Kathmandu Centre</b>	
Single Group/Unit 1 to 8	INR 2000
Both the Groups/Unit - 9	INR 3000
<b>Final</b>	
<b>For Indian Centre(s)</b>	
Single Group	₹1500/-
Both Groups	₹2700/-
<b>For Overseas Centres) i.e. Abu Dhabi, Dubai &amp; Muscat</b>	
Single Group	US\$ 300
Both Groups	US\$ 500
<b>For Kathmandu Centre</b>	
Single Group	INR 2000
Both Groups	INR 3600
<b>INSURANCE &amp; RISK MANAGEMENT (IRM)</b>	
	₹2000/-
<b>ITL &amp; WTO</b>	
	₹2000/- per Group
<b>MAC / CMC / TMC</b>	
	₹1000/- per Group

#### **OPTION TO ANSWER PAPERS IN HINDI:**

Candidates of Intermediate (IPC) and Final Examinations will be allowed to opt for Hindi medium for answering papers. Detailed information will be found printed in the Information Sheets attached to the relevant application form. However the medium of Examinations will be only English in respect of Post Qualification Courses viz.: Management Accountancy Course (MAC) Part – I, Corporate Management Course (CMC) Part – I,

Tax Management Course (TMC) Part – I, Insurance and Risk Management (IRM) Examination and International Trade Laws and World Trade Organisation (ITL & WTO) Examinations.

**V. SAGAR  
SECRETARY**

# National Conclave for CA Students - GUNTUR

6<sup>th</sup> & 7<sup>th</sup> AUGUST, 2016

GMCANA AUDITORIUM,  
GUNTUR MEDICAL COLLEGE,  
KANNAVARI THOTA, GUNTUR

**Organized by:** Board of Studies, ICAI

**Hosted by:** Guntur Branch of SIRC of ICAI & Guntur Branch of SICASA

**THEME: "SRUJANA" Be Creative to Achieve**

## DAY-1

9.30 am to 10.30 am	<b>Inaugural Session</b> <b>Chief Guest:</b> Sri. Rayapati Sambasiva Rao Garu, MP, Narasaraopet, A.P. <b>Guest of Honour:</b> CA. Babu Abraham Kallivayalil, Chairman, Board of Studies, ICAI.
10.30 am to 11.30 am	<b>Interaction and Open House with Board of Studies</b> <b>CA. Babu Abraham Kallivayalil</b> , Chairman, BoS, ICAI <b>CA. Dhiraj Kumar Khandelwal</b> , Vice Chairman, BoS, ICAI
11.45 am to 01.15 pm	<b>Technical Session I : Financial Reporting &amp; Auditing</b> Topics: i) IND-AS Applicability, Implementation & Challenges thereof ii) Accounting for Fixed Assets: Impact of Schedule II to the Companies Act 2013. iii) Reporting on Internal Financial Controls
02.15 pm to 03.15 pm	<b>Motivational Session: Success Strategies for CA Examinations</b> <b>Speaker : CA. J. Snehaja, IFS, Vijayawada</b>
03.15 pm to 05.00 pm	<b>Technical Session II : Information Technology</b> Topics: i) Cloud Computing and Mobile Computing ii) Change in Trade and Commerce due to digital divide

## DAY-2

9.00 am to 10.45 am	<b>Technical Session III : Indirect Taxation</b> Topics: i) Goods and Service Tax: A step forward ii) CENVAT Credit – Recent Developments
11.00 am to 01.00 pm	<b>Technical Session IV : Corporate Laws</b> Topics: i) CARO 2016 : Critical Analysis ii) Startup India –Standup India : In relation to Companies Act, 2013
02.00 pm to 3.15 pm	<b>Special Session: Mr. Satish, Vizag</b>
3.15 pm to 5.00 pm	<b>Technical Session V : Direct Taxation</b> Topics: i) Income Computation and Disclosure Standards: Impact on Tax Liability ii) Concept of Arm's Length Price in Transfer Pricing

### Valedictory Session will be held on Day-2

Students are requested to register for the Conclave as per the following details:

Registration fees	₹ 300/- per student	Accommodation (if required) @ ₹ 500/- per student
Payment Mode	Cash/DD/Cheque to be drawn in favour of <b>Guntur Branch of SICASA, payable at Guntur.</b>	

### For registration queries contact:

Ms. Sukanya, Guntur Branch of SIRC of ICAI, 11<sup>th</sup> lane, 60 Feet Road, Srinivasaraothota, Guntur-522 004  
Phone: 0863-2218915 & Email: guntur@icai.org  
Mobile: CA. N. Siva Rama Krishna – 9440368692  
Mr. R. Ravi Teja – 9440669114

**CA. Babu Abraham Kallivayalil**  
Conclave Chairman &  
Chairman, Board of Studies, ICAI

**CA. Dhiraj Kumar Khandelwal**  
Conclave Co-Chairman &  
Vice-Chairman, Board of Studies, ICAI

**CA. E. Phalgun Kumar,**  
Conclave Convener &  
Chairman, SIRC of ICAI

**CA. Chekuri Sambasiva Rao**  
Conclave Coordinator &  
Chairman, Guntur Branch of SIRC of ICAI

**CA. Namburi Siva Rama Krishna**  
Conclave Coordinator &  
Chairman, Guntur Branch of SICASA of ICAI

# National Convention for CA Students - HISAR

11<sup>th</sup> & 12<sup>th</sup> AUGUST, 2016

CH. RANBIR SINGH AUDITORIUM  
GURU JAMBHESHWAR UNIVERSITY OF  
SCIENCE & TECHNOLOGY

**Organized by:** Board of Studies, ICAI

**Hosted by:** Hisar Branch of NIRC

**THEME:** “नभःस्पर्शम दिप्तम”

## DAY-1

10.00 am -11.00 am	<b>Technical Session I</b> <b>Session Chairman : CA. Sanjiv Kumar Chaudhary</b> , Central Council Member, ICAI Topics: (1) Income Computation and Disclosure Standards (ICDS) (2) Double Taxation Avoidance Agreements (3) Recent Path-Breaking case laws under the Income Tax Act 1961
11.00 am -12.30 pm	<b>Inaugural Session</b> <b>Chief Guest: Shri Manohar Lal Khattar</b> , Chief Minister, Haryana** <b>CA. M. Devaraja Reddy</b> , President, ICAI <b>Guest of Honour : CA. Babu Abraham Kallivayalil</b> , Chairman, BoS, ICAI <b>CA. Dhiraj Kumar Khandelwal</b> , Vice-Chairman, BoS, ICAI <b>CA. Deepak Garg</b> , Chairman NIRC of ICAI
12.30 pm –01.30 pm	<b>Interactive Session with Board of Studies</b> <b>CA. Babu Abraham Kallivayalil</b> , Chairman, BoS, ICAI <b>CA. Dhiraj Kumar Khandelwal</b> , Vice-Chairman, BoS, ICAI
02.30 pm- 04.00 pm	<b>Technical Session II</b> <b>Session Chairman: CA. Amarjit Chopra</b> , Past President, ICAI <b>Topics:</b> (1) Effect on Indian Economic on merger of bank (2) CARO-2016 (3) Corporate Social Responsibility
04.00 pm–05.30 pm	<b>Technical Session III - Carve your destiny to accomplish Astounding Success</b> <b>Speaker: CA. Charanjot Singh Nanda</b> , Past Central Council Member, ICAI

## DAY-2

09.30 am-11.00 am	<b>Technical Session IV</b> <b>Session Chairman : CA. Atul Gupta</b> , Central Council Member, ICAI <b>Topics :</b> (1) Impact of GST of Indian Tax System & Economy (2) Place of Supply Rules under GST (3) Recent Amendments in CENVAT Rules, 2004
11.00 am -12.30 pm	<b>Technical Session V</b> <b>Session Chairman: CA. Rajesh Sharma</b> , Central Council Member, ICAI <b>Topics :-</b> (1) Forensic Audit (2) Global Scam and Role of Auditor
12.30 pm - 02:00 pm	<b>Technical Session VI</b> <b>Topics:</b> (1) Nothing is good or bad-our thinking makes it so (2) Is search engine: Boon or Bane
02.45 pm - 04.15pm	<b>Motivational Talks : Touch the Sky with Glory</b> <b>Speaker: Mr. Suneel Keswani</b>

### Valedictory Session will be held on Day-2

Students are requested to register for the Convention as per the following details:

Registration fees	₹ 300/- per student after 31/7/2016 ₹ 400/-	Accommodation (if required)	₹ 500/- per student on sharing basis
Payment Mode	Cash/Demand Draft/At Par Cheque To be drawn in favour of “Hisar Branch of NIRC of ICAI”, payable at Hisar.		

### For registration queries contact:

Registration form along with fee or Paper(s) may be sent to Hisar Branch of NIRC of ICAI, ICAI Bhawan, 1542, Sector - 13 P, Hisar - 125005,  
Contact Nos. : 01662-231074; E-mail: hisar@icai.org website Hisaricai.org. Mobile 9315384714; 9416045023; 9215788726; 9812635653

<b>CA. Babu Abraham Kallivayalil</b> Convention Chairman & Chairman, Board of Studies	<b>CA. Dhiraj Kumar Khandelwal</b> Convention Co-Chairman & Vice-Chairman, Board of Studies	<b>CA. Rajinder Narang</b> Convention Convener & Regional Council Member, Hisar
<b>CA. Sanjiv Kumar Garg</b> Convention Co-ordinator & Chairman, Hisar Branch of NIRC	<b>CA. Rajender Arora</b> Convention Co-ordinator & Chairman, NICASA of ICAI	

\*\*Subject to confirmation

## Sub-Regional Conference for CA Students - PALAKKAD

25<sup>th</sup> & 26<sup>th</sup> AUGUST, 2016

LEAD COLLEGE OF MANAGEMENT,  
DHONI, PALAKKAD

**Organized by:** Board of Studies, ICAI

**Hosted by:** Palghat Branch of SIRC of ICAI & Palghat Branch of SICASA

**THEME: 'PRAJNAN'...Enriching Knowledge**

### DAY-1

09.45 am to 10.45 am **Special Session I : Concentration & Stress Management through Meditation**

10.45 am to 11.45 am **Inaugural Session**

11.45 am to 12.45 pm **Interaction and Open House with Board of Studies**

**CA. Babu Abraham Kallivayalil**, Chairman, BoS, ICAI

**CA. Dhiraj Kumar Khandelwal**, Vice Chairman, BoS, ICAI

01.30 pm to 02.30 pm **Technical Session I : Indirect Taxes**

Topics: 1. Emerging issues in Indirect Taxation

2. Works Contract - Impact of Service Tax & VAT

02.30 pm 04.00 pm **Special Session II : How to Prepare & Excel in CA Examinations**

04.00 pm to 05.00 pm **Technical Session II : Companies Act, 2013**

Topics: 1. Impact of Companies Act 2013 on Private Companies

2. Consolidated Financial Statements

### DAY-2

08.30 am to 10.00 am **Technical Session III : Financial Management**

Topics: 1. Cash Flow Forecasting

2. Derivatives – Accounting & Taxation

10.00 AM to 11.30 AM **Technical Session IV: Direct Taxes**

Topics: 1. Tax Audit

2. Capital Gains

11.30 AM to 12.30 PM **Special Session III : A journey in to Nature – Go Green**

01.15 PM to 02.45 PM **Technical Session V : Accounting & Auditing Standards**

Topics: 1. Compliance Aspects of Auditing Standards

2. Ind AS

02.45 PM to 03.45 PM **Special Session IV : Sharpen Life Skills to Enhance Potentials in you**

Speaker: Dr. Thomas K George, Chairman Lead College, Palakkad

### Valedictory Session will be held on Day-2

Students are requested to register for the Conference as per the following details:

Registration fees	₹ 350/- per student. ₹ 300/- Per student (Early Bird)	Accommodation (if required) @ ₹ 250/- per student (Twin Sharing)
Payment Mode	Cash/DD/Cheque to be drawn in favour of Palghat Branch of SIRC of ICAI , payable at Palakkad	

### For registration queries contact:

Palghat Branch of the ICAI, ICAI Bhawan, Indrani Nagar, Chunnambuthara, Palakkad – 678 012

Phone 0491-2576450 & Email palghat@icai.org

**Mobile +91 9809442703**

**CA. Babu Abraham Kallivayalil**  
Conference Chairman &  
Chairman, Board of Studies, ICAI

**CA. Dhiraj Kumar Khandelwal**  
Conference Co-Chairman &  
Vice-Chairman, Board of Studies, ICAI

**CA. Jomon K. George**  
Conference Convener &  
Secretary, SIRC, ICAI

**CA. A. Arun**  
Conference Coordinator &  
Chairman, Palghat Branch of SIRC of ICAI

**CA. M. Rajalakshmy**  
Conference Coordinator &  
Chairperson, Palghat Branch of SICASA of ICAI

# National Convention for CA Students - LUCKNOW

27<sup>th</sup> & 28<sup>th</sup> AUGUST, 2016

INDIRA GANDHI PRATISTHAN,  
VIBHUTI KHAND, GOMTI NAGAR,  
LUCKNOW

**Organized by:** Board of Studies, ICAI

**Hosted by:** Lucknow Branch of CIRC of ICAI

**THEME: "EXPLORING THE UNEXPLORED- ENTERING THE NEW ERA"**

## DAY-1

10.00 am to 11.30 am

### Inaugural Session

11.30 am to 01.00 pm

### Technical Session I :

**Session Chairman: CA. Manu Agrawal, Central Council Member, ICAI**

Topics: Economic Reforms in Indian Economy  
Make in India- Opportunities & Scope for CA's  
Ease of Doing Business in India  
Start- Up and Stand- Up India

01.00 pm to 02:30 pm

### Technical Session II :

**Session Chairman: CA. Mukesh Singh Kushwah, Central Council Member, ICAI**

Topics: General Session  
Constructive use of Social Networking  
Balancing of Time by Articled Students  
Global Opportunities for CAs

03.30 pm to 04.30 pm

### Interaction and Open House with Board of Studies

**CA. Babu Abraham Kallivayalil, Chairman, BoS, ICAI**

**CA. Dhiraj Kumar Khandelwal, Vice-Chairman, BoS, ICAI**

04.30 pm to 05.30 pm

### Motivational Session- "Failure Defeats Losers But it INSPIRES the Winners"

## DAY-2

10.00 am to 11.30 am

### Technical Session III :

**Session Chairman: CA. Ashish Kapur, Lucknow**

Topics: Direct Taxes  
Deduction Under Chapter VI-A  
Tax Planning for Capital Gain  
Penalties Under Income Tax Act 1961

11.30 am to 12.30 pm

### Special Address by HR Executives/CFOs/Faculties of IIMs and IITs

12.30 pm to 02.00 pm

### Technical Session IV :

**Session Chairman: CA. Dhruv Seth, Lucknow**

Topics: Indirect Taxes  
GST- Transforming Indian Economy System  
Abatement under Service Tax Rules 1994  
Point of Taxation under Service Tax Rules 1994

03:00 pm to 04.30 pm

### Technical Session V :

**Session Chairperson: CA. Vidisha Pandey, Lucknow**

Topics: Changes and Reporting under Companies Act"  
IND AS V/s IFRS  
CARO 2016  
Corporate Social Responsibility

### Valedictory Session will be held on Day-2

Students are requested to register for the Convention as per the following details:

Registration fees	Till 20 <sup>th</sup> August 2016	after 20 <sup>th</sup> August 2016
Local	₹ 300/- per student	₹ 400/- per student
Outstation	Outstation Student (with accommodation) @ ₹ 500/- per student	Outstation Student (with accommodation) @ ₹ 600/- per student
Payment Mode	Cash/DD/Cheque to be drawn in favour of "Lucknow Branch of CIRC of ICAI", payable at Lucknow, Registration can also be online on at <a href="http://lucknowicai.com/StudentZone.aspx">http://lucknowicai.com/StudentZone.aspx</a>	

### For registration queries contact:

LUCKNOW BRANCH OF THE CIRC OF ICAI

Phone 0522-4069931 & Email:lucknow@icai.org Website: www.lucknowicai.com

**CA. Babu Abraham Kallivayalil**  
Convention Chairman &  
Chairman, Board of Studies, ICAI

**CA. Dhiraj Kumar Khandelwal**  
Convention Co-Chairman &  
Vice-Chairman, Board of Studies, ICAI

**CA. Manu Agrawal**  
Convention Convener &  
Central Council Member, ICAI

**CA. Hemant Kumar**  
Convention Coordinator &  
Chairman, Lucknow Branch of CIRC of ICAI

**CA. Rahul Verma**  
Convention Coordinator &  
Chairman, Lucknow Branch of CIRC of ICAI





CA. Amarjit Chopra, Past President, ICAI and CA. Dhiraj Kumar Khandelwal, Vice Chairman, Board of Studies with the students at the National Conclave for CA Students at Bhayander, Vasai. CA. Vimal Agarwal, Chairman, Vasai Branch, CA. Pradeep K. Agrawal, Chairman, WICASA, Branch WICASA Chairman, CA. Ankit Rathi also seen.



Vice President, ICAI, CA. Nilesh S Vikamsey and Chairman, Board of Studies, CA. Babu Abraham Kallivayalil at a Meet the Press on the sidelines of the National Convention for CA Students at Guwahati. Central Council Members, CA. Ranjeet Kumar Agarwal, CA. (Dr.) Debashis Mitra and Chairman, Guwahati Branch, CA. Rakesh Agarwala also seen.



National Convention for CA Students, Nagpur: CA. Jaydeep N.Shah, Past President, ICAI, Chairman, Board of Studies, CA. Babu Abraham Kallivayalil, Vice Chairman, BoS, CA. Dhiraj Kumar Khandelwal, Chairperson, WIRC, CA. Shruti Shah, Chairman, Nagpur Branch, CA. Swapnil Ghate, Chairman, WICASA, WIRC, CA. Pradeep K. Agrawal and Branch WICASA Chairman, CA Kirit N. Kalyani also seen.



National Convention for CA Students, Salem: CA. Babu Abraham Kallivayalil, Chairman, Board of Studies, CA. Madhukar Narayan Hireganage, Central Council Member, Prof.(Dr.) M. Bhaskaran, Vice Chancellor Tamil Nadu Open University, Chennai, CA. A.V.Arun, Chairman, Salem Branch, Mr.K.Mohan Venkatesan, Senior- Vice President, Sundaram Finance Group, CA. Babu K Thevar, SICASA Chairman and CA. E.Vigneshwar- Branch SICASA Chairman also seen.



National Convention for CA Students, Delhi: CA. Rajesh Sharma, Central Council Member and CA. Deepak Garg, Chairman, NIRC with the students and Managing Committee Members.

# CROSSWORD - AUGUST 2016

1		2		3		4		5	6		7
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7. While attaching documents with DIN 1 application, copy of passport is mandatory as an id proof in the case of \_\_\_\_ nationals.
11. \_\_\_\_\_ is a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images in a frame buffer intended for output to a display.
15. Now called Axis bank.
17. Duplicate
23. 'Amalgamation Adjustment Reserve' arising on account of maintaining the statutory reserves are presented as a separate \_\_\_\_\_ item in the financial statements
26. Number of layers in OSI Model.
28. One of the methods used in managing inventory.
29. A statutory authority functioning under the Central Board of Revenue Act, 1963.
30. Historical costs incurred in the past are known as \_\_\_\_\_ Cost.
31. Compete
33. Job evaluation is a technique to determine relative worth of a \_\_\_\_\_.

**ACROSS**

1. As per the amended notified AS 13, an enterprise holding investment properties should account for them in accordance with cost \_\_\_\_\_ as prescribed in AS 10, PPE.
5. Roman numeral for 105
8. Song of praise
9. A kind of fish.
10. A graphic mark, emblem, or symbol commonly used by enterprises to aid and promote instant public recognition.
12. One of the most important export items by India immediately after Independence.
13. \_\_\_\_\_ is the protection granted to the creators and includes trademarks, copyright, patents, and industrial design rights.
14. Bring legal charges against someone.
16. Compact \_\_\_\_\_ is a digital optical disc data storage format.
18. Unpaid
19. Latin word meaning "and so on"
20. \_\_\_\_\_-1 SAHAJ form is an essential Income Tax Return form for Indian citizens filing their tax returns with the Income Tax Department.
21. Fifth astrological sign of the zodiac.
22. A software \_\_\_\_\_ is an error, flaw, failure or fault in a computer program or system that causes it to produce an incorrect or unexpected result, or to behave in unintended ways.

24. Evidence which originates within the organization being audited is \_\_\_\_\_ evidence.
25. A type of public offering in which shares of a company usually are sold to institutional investors[1] that in turn, sell to the general public, on a securities exchange, for the first time.
27. The Finance Bill, 2016 has proposed to extend deduction for provision for bad and doubtful debts to \_\_\_\_\_ from A.Y.2017-18.
32. Teases.
34. An investment made by a company or entity based in one country, into a company or entity based in another country.
35. Usually used for baking.
36. Term for restarting the computer.
37. A financial institution that accepts deposits from the public and creates credit.

**DOWN**

1. You click and select with it.
2. \_\_\_\_\_ is the risk that the auditor will not detect a material misstatement that exists.
3. \_\_\_\_\_ time is the time interval between ordering and receipt of goods.
4. The method of sampling involving dividing the population into group of items is known as \_\_\_\_\_ sampling.
5. 150 in Roman numeral.
6. When the consent of a party is not free, the contract is \_\_\_\_\_.

