



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



**SPIRITUALITY IS A PERSONAL
RELATIONSHIP WITH THE DIVINE**



Member of Parliament, Ms. K. Kavitha inaugurating the International Conference for CA Students at Hyderabad in the presence of ICAI President, CA. M. Devaraja Reddy and Board of Studies Chairman, CA. Babu Abraham Kallivayalil. SICASA Hyderabad Chairman, CA. Venkatram, Secretary, Shri Gaurav Jain also seen.



ICAI President, CA. M. Devaraja Reddy with Member of Parliament, Ms. K. Kavitha and Board of Studies Chairman, CA. Babu Abraham Kallivayalil at the International Conference for CA Students at Hyderabad. SICASA Hyderabad Chairman, CA. Venkatram, Secretary, Shri Gaurav Jain also seen.



ICAI President, CA. M. Devaraja Reddy giving mementos to the volunteers of the International Conference for CA Students at Hyderabad. ICAI Vice President, CA. Nilesh S. Vikamsey and Board of Studies Chairman, CA. Babu Abraham Kallivayalil also seen.



ICAI President, CA. M. Devaraja Reddy with the paper presenters at the International Conference for CA Students at Hyderabad.



ICAI President, CA. M. Devaraja Reddy and Past President, CA. G. Ramaswamy with the Foreign Delegates at the International Conference for CA Students at Hyderabad.



ICAI President, CA. M. Devaraja Reddy with the participants of the 50th and 51st Batch of Residential Programme on Professional Skills Development at CoE, Hyderabad.



My Dear Students,

This will be my last communication since my term to the office of the President of ICAI ends in February 2017.

My heartiest congratulations to all who have successfully cleared the Final Examination held in the month of November 2016 and the Common Proficiency Test held in December 2016. My special compliments to the Rank holders on their distinctive attainments. It was heartening to note that the results are very encouraging as a large number of students performed well in the examinations. This is on account of the sincere and dedicated work put in by the students.

Sri Ramakrishna Paramhansa rightly said *“Be not a traitor in your thoughts. Be sincere; act according to your thoughts; and you shall surely succeed. Pray with a sincere and simple heart, and your prayers will be heard”*.

Time and Tide wait for none. In the month of February 2017, as a ritual I will be handing over the baton of Presidentship to the next fellow representative. While sit down to write reminiscence so many small and big events. In spite of wide-ranging responsibilities, we have collectively taken many decisions in the overall interest of our students and future of the excellent profession.

“Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly, we are we repeatedly do. Excellence, then, is not an act but a habit” – Aristotle.

This profession needs proficient professionals to face distinctive challenges and deliver feasible quality services. It's possible when we are well equipped with strong abilities. To excel in profession, the curriculum offers the opportunity to undergo practical training along with theoretical education. Training prepares you well to understand and assimilate the theoretical concepts and apply to practical situations. Training forms the main focus, facilitates to comprehend ideas

and encourages in performing well in examinations. The importance and the devotion with which you pursue your articulated training will give you excellent results in your professional occupations.

Unfortunately, certain section of students does not perceive the prerequisite of practical training. Training is not an option but an effective tool for wholesome learning.

While we plan our studies, it is pertinent to keep in view the different kinds of inherent skills each one of us possess. Our motivation springs from diverse sources, as does our general assertiveness to our studies. Nevertheless, of our nativity, we need to consider many aspects for our studies. Achievement requires clear objectives, motivation, planning, self discipline, self confidence, good study practices and a positive attitude.

As a student, you got an excellent opportunity to nurture diverse skills useful in life. These skills will support you to succeed in challenging tasks after your CA certification.

It is my firm belief that we have tried to re-engineer some of the processes to improve the overall quality of our services. The Revised Scheme of Education and Training for CA Course is all set to be launched soon. It benchmarks CA education with the best global standards. Elaborate discussions and deliberations were held to crystallize the syllabus of all the subjects at all the levels of CA Course. Consequently, draft Regulations have been hosted on ICAI website.

It is my duty to acknowledge CA. Nilesh S. Vikamsey, Vice-President who supported me firmly in managing the organizational affairs ably. I also commend the efforts of CA. Babu Abraham Kallivayalil, Chairman, Board of Studies, CA. Dhiraj Khandelwal, Vice-Chairman and other members of Board of Studies for their persistent efforts in handling the affairs of Board of Studies. I also recognize and commend the dint of hard work put in by the administrative in- charge, faculty members and other officials of the Board of Studies.

As the time is approaching to handover the baton, I recollect and look forward to the profession to progress and achieve greater heights. The profession has created new benchmarks and enjoys a lot of respect in society. It is my proud privilege to be the part of this illustrious profession. As a professional member, I am grateful for the blessings bestowed on me by the Godly generosity for giving me this invaluable opportunity to serve the distinguished profession. I believe that I was able to deliver to the best of my abilities.

Wishing you all the best in all your future endeavours
JAI HIND

CA. M. DEVARAJA REDDY
PRESIDENT, ICAI, NEW DELHI



My Dear Students,

I would like to convey my heartiest Congratulations to all the students who have qualified the CA examinations, especially the Rank Holders for their remarkable achievement. I take this opportunity to welcome you to the Chartered Accountants fraternity which is fully committed to the cause of quality deliverables towards **Nation Building**. Your sincere and persistent efforts have finally paid rich dividends. You must remember that this is just the beginning of a long and fulfilling professional journey full of numerous opportunities, challenges, achievements and accomplishments as milestones. At the same time, you should also always remember the high expectations of all stakeholders, duties and responsibilities that have been casted on us as member of this coveted profession.

Words of Wisdom

While I congratulate the achievers, my heart goes out to those of you who were not able to get through this time and advise you not to lose hope and strive to achieve success through hard work and commitment. Saying goes, *"The secret to life is to fall seven times and to get up eight times"*. These all are small obstacles which will be surely overcome with strong determination and hope. Remember success and failure have no permanence; it is the spirit to keep moving on, your perseverance and determination that are omnipotent that propel you to take on challenges, never resting on your laurels and never getting bogged down by failures. Once you succeed, the past failures are forgotten. **Re-examine** your strategy, style and approach to identify gaps in learning. Learn from your mistakes to view future pitfalls, perils and problems to **re-design** your learning strategy. **Re-launch** yourself; muster all your energy and enthusiasm to start afresh, making sincere and boundless efforts towards your goal. Remember- *Every day is a new beginning, start afresh with a smile!*

You have to have strong determination to succeed, cultivate passion and **re-ignite** a strong desire, a perennial source of positive energy that will fuel your will, incinerating your fears to discover the strength within, and enabling you to realize your true potential. This energy will gradually become an integral part of your persona, driving your mind, thoughts

and action in perfect synchronization to succeed. Remember - *Developing a strong determination and positive self-image is the best preparation for success.*

Emerging trends in Accounting

With sophisticated softwares being deployed to manage routine accounting operations, compliance and reporting tasks, the accountancy profession is on the precipice of change and how you manage your career ahead will determine your future. With technology taking the centre-stage, it is imperative that you become aware of existing and emerging technologies to be able to leverage opportunities. Top technology trends influencing the profession are **Enterprise Resource and Planning, Cloud computing, Data Analytics and Knowledge Mining**. These technologies help accountants move from the ancillary role of a number cruncher to a more active role of a consultant providing valuable insight that influences daily operations as well as long-term strategy.

Changing Role of Chartered Accountants

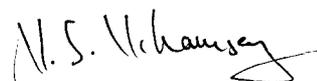
With clients demanding real-time insights into key performance indicators, chartered accountants of today are not just prepare financial reports and projections but increasingly being viewed as **strategists**, expected to be available round the clock as **business advisors** and **consultants** assisting businesses in critical decision making including for mergers and acquisitions, strategizing to scale up the business model, diversify into foreign jurisdictions and mitigate risks.

In view of an array of reforms introduced by the government to strengthen the economy like Insolvency & Bankruptcy Code 2016, Convergence of Indian Accounting Standards with International Financial Reporting Standards(IFRS), Demonetization and subsequently moving towards a cashless economy and soon to be introduced reform Goods and Services Tax (GST), opportunities are aplenty for growth of the profession. You as students must identify your chosen respective area of interest, enhance conceptual knowledge and try to gain maximum practical insights during articleship to prepare for team specific roles initially, gradually evolving from a professional to an expert and eventually stepping into leadership roles.

I sincerely hope that your efforts coupled with our regular initiatives, guidance will enable you to become accomplished professionals and together we shall achieve new feats, creating new benchmarks in accounting education and profession year after year.

"Believe in yourself! Have faith in your abilities! Without a humble but reasonable confidence in your own powers you cannot be successful or happy."

Wishing you all the very best,



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



My Dear Students,

We are glad that the present team of Board of Studies (BoS) is completing one year in our journey to make ICAI a better place for our students and moulding their future. Over the past year, the Board of Studies has taken many proactive measures to help the students to prepare for their examinations, to improve their communication and presentation skills, and to develop their overall personality and character.

KUDOS AND CONGRATULATIONS

We wish to convey our heartiest congratulations to all the students who have come out with flying colours in the November 2016 Final and December 2016 CPT examinations. For those who have not succeeded this time, it is the right time for a self-introspection and re-orient themselves. Try harder next time and surely you will succeed.

BOS INITIATIVES

Dear students, our CA course curriculum are most comprehensive and the training quite rigorous. The various initiatives taken by the Institute are meant to make the CA course one of the best in the world. As a student of CA course, it is our endeavour that you get the best theoretical education and practical training, the best technology training, the right grooming, as part of one professional course, which we believe is unique.

SCHEME OF EDUCATION AND TRAINING

The Revised Scheme of Education and Training for CA Course is all set to be launched soon. It benchmarks CA education with the best global standards. Elaborate discussions and deliberations were held to crystallize the syllabus of all the subjects at all the levels of CA Course.

ONLINE PAYMENT GATEWAY

The Institute has recently signed MoU with three banks to introduce the facility of online banking for various payments to BoS. The Online payment gateway facility is proposed to be started with three banks viz. ICICI Bank, Axis Bank and Federal Bank shortly.

BHUTAN PROJECT

The prestigious project entrusted to ICAI by World Bank for developing the Study Material at all the three levels for the Institute of Chartered Accountants of Bhutan had been completed and the Instruction Report and the Draft Study Material have been submitted to the Technical Committee at Bhutan. We had finalized the syllabus, structure of the course and curriculum to suit Bhutanese Government's requirement.

CLOUD CAMPUS

- 79 new lectures were added during the year on topics not covered and uploaded in cloud campus and 10 more e-Lectures are in the pipe line. The task of updating of e-lecture is on top of the agenda and 41 e-Lectures, 38 Video Lectures have been updated by now. Currently, 454 lectures covering 369 hours are available on Cloud Campus.
- BOS faculties have conducted 112 live Online Mentoring Sessions wherein students are clarifying their doubts on toll free number at

BOS. Further, 85 Recorded Online Mentoring Sessions are available on ICAI Cloud Campus.

- All latest BOS Publications including study material, supplementary study material, practice manual, revision test papers, suggested answers, students' journal, etc. are uploaded on timely basis.

SUNDAY TEST PAPER SCHEME

The detailed modalities for implementation of Eligibility Test Papers Scheme for Final Course students has been finalized and approved in the Board at its last meeting and is being implemented.

CAMPUS PLACEMENTS FOR ARTICLED STUDENTS

The BoS for the first time decided to organize Campus Placements for articled students to be placed in CA firms as well as looking for Industrial Training at Regional Councils and major Branches during 5th to 10th February, 2017. It was felt that many students could not approach firms / Industries on account of inadequate information, resources and also due to lack of reference/connection. Likewise, there may be CA firms/industries that are not able to get good articles interested to join such firms/industries. It will result in brand building, connect the students and firms/industry and above all improve the quality of Articleship.

IIT MUMBAI TO CONDUCT 4 WEEKS NON- RESIDENTIAL GMCS

The Board has approved the proposal received from IIT Mumbai for commencing 4 weeks non- residential course on GMCS.

REVISION OF CURRICULUM OF ICITSS AND MERGING OF OP AND GMCS 1

During the year the Board has merged the Orientation Programme and GMCS 1 and comprehensively revised its syllabus and contents to make it more effective and students' friendly. Similar exercise is being done in the case of Integrated Course in Information Technology and Soft Skills (ICITSS and Advanced ICITSS) with the help of relevant experts.

CONFERENCES/ CONVENTIONS FOR CA STUDENTS

The BoS has organized more than 50 Conventions/Conferences for CA Students on pan India basis wherein around 40,000 students participated besides an International Students Conference at Hyderabad which was attended by more than 2,300 students and the All India Conference at Ernakulam.

OTHER INITIATIVES

- 100% exemption in fees of Residential GMCS at COE, Hyderabad to economically weaker and differently abled students.
- 2 Mock tests are being conducted across the country for each exam. Besides this there is a self evaluation facility for students in the Cloud Campus to assess their preparedness.
- 6 new reading rooms have been set up during the year
- Award of Scholarship to Meritorious students of Senior Secondary Board across the country who are joining for CA, apart from waiver off registration fees of Foundation Course.
- Special grant for conducting workshops, crash courses, lecture meetings, study circle meetings, industrial visits, educational tour etc. This is apart from grants for Seminars, Special Counselling Programmes, Mock Tests, Elocution & Quiz, Students Festival and Sports' Competition etc. Rationalised all grants based on the size of the branch.
- Organized All India Elocution and Quiz Contests.
- Celebration of 'Teachers Day' and 'Yoga Day' across the country

The afore stated initiatives are not exhaustive. I would like to acknowledge the extraordinary team efforts of the entire Board Members and dedicated staff of BoS. I will not say we have achieved all that we wanted. Be assured, our team is committed, have high hopes and will continue to work very hard for the cause of BoS and ICAI.

Wish you all the best

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

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Editorial Support

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Office

Board of Studies
 The Institute of Chartered
 Accountants of India, ICAI Bhawan, A-29,
 Sector-62, Noida-201 309.
 Phone : 0120-3045938

HEAD OFFICE

The Institute of Chartered Accountants
 of India, ICAI Bhawan, Indraprastha
 Marg, New Delhi-110 104.

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SWACHH BHARAT - A STEP TOWARDS CLEANLINESS

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Correspondence with regard to subscription, advertising and writing articles

Email: writesj@icai.in

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EDITOR: CA. Babu Abraham Kallivayalil

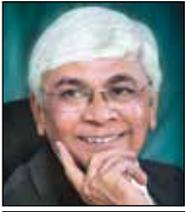
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Penalty Provisions under Income Tax Act, 1961



CA. Sunil Talati
Past President, ICAI

The levy of penalty for concealment or furnishing of inaccurate particulars of income under the existing provision of section 271(1)(c) of Income Tax Act 1961 has always been a matter of litigation between the revenue authorities and the taxpayers. The discretion regarding quantum of penalty led to corruption. The scope of such provision was always a subject matter of litigation since tax authorities always levied penalty whenever there was an addition or disallowance made by the Assessing Officer, even in case where there was no prima facie case against the taxpayer. With a view to reduce the litigation and the remove the discretion of tax authority, the Finance Act, 2016 has inserted new provision in the form of new Section 270A and 270AA in the Act which will replace the existing provision of Section 271(1)(c).

At the outset, it is clarified that the new provision of section 270A and 270AA will apply to cases pertaining to Assessment Years 2017-18 onwards and existing provision of Section 271(1)(c) will continue to be applicable to all cases up to Assessment Years 2016-17 which is apparent from the insertion of sub-section (7) in section 271. Further the new section will not be applicable to cases where assessment is made in pursuance of search u/s.132 in view of clause (e) of sub section (6) of section 270A and consequently, in such cases, the penalty would be levied under the existing provisions of section 271. It may also be noted that assessment made u/s.153C is outside the scope of section 271AAB and therefore in such cases, the penalty would, henceforth, be levied as per the new scheme.

Under the new scheme, the penalty matters are categorised in two parts – (1) under reporting of income and (2) misreporting of income. Under reported income has been defined in Section 270A(2) which is to be read with section (8) & (9) of this section. With a view to remove the discretion of the Assessing Officer, a fixed percentage of the amount of penalty would be imposed under the new scheme. Hence penalty for under reported income will be @ fixed rate of **50% of the tax payable on unreported income while it will be @ 200% of the tax payable on the misreported income** as against 100% to 300% of concealed income under the existing provision of section 271. This is a welcome step in the proposed legislation.



The **under - reported income** has been defined in sub -section (2) section 270A. According to this provision, a person shall be considered to have unreported his income where.

- The assessed income is greater than the income processed u/s.143(1)(a).
- The income assessed is greater than the maximum amount not chargeable to tax, where no return is filed by the assessee.
- Where the income reassessed is greater than the income assessed or reassessed immediately before such assessment.
- Where the deemed total income assessed

or reassessed as per the provision of section 115JB/115JC is greater than the deemed total income determined u/s.143(1)(a).

- e) Where the deemed total income assessed under the provisions of section 115JB/115JC is greater than the maximum amount not chargeable to tax, where no return is filed by the assessee.
- f) Where the amount of deemed total income reassessed as per the provisions of section 115JB and 115JC is greater than the deemed total income assessed or reassessed immediately before such reassessment.
- g) Where the income assessed or reassessed has the effect of reducing the loss or converting such loss into income.

However in order to **avoid litigation** between the tax authorities and the taxpayers, the Act also provides for exclusion of certain amounts from the scope of the expression "Unreported income". Such exclusions are enumerated in sub section (6) which are narrated below.

- a) The additions or disallowances in respect of which assessee offers a bona fide explanation to the satisfaction of the tax authority and proves that he had disclosed all material facts to substantiate the explanation;
- b) The additions or disallowance determined on estimate basis, if the account maintained by assessee are correct and complete to the satisfaction of tax authority but the method employed is such that the income cannot properly be deduced there from;
- c) The additions or disallowances determined on estimate basis, where the assessee had, suo motto, made a lower amount of disallowance on the same issue in computation of income but had disclosed all material facts in respect of such additions or disallowances;
- d) The amount of addition made in conformity of arm's length price determined by TPO if the assessee had maintained information and documents as prescribed u/s.92D of the Act and declared the international transactions and disclosed all material facts relating to such transactions;
- e) The amount of undisclosed income referred to in section 271AAB.

The **computation** of under reported income is provided in sub section (3) in two parts. **First part** refers to the situation where the income is being assessed for the first time either u/s.143 or 147- (a) where the return is furnished, the under reported income will be difference between the amount of income assessed and the amount income determined u/s.143(1)(a); (b) where no return is filed by assessee

“Immunity u/s.270AA is available only in case of under reporting of income. Hence A.O must demonstrate whether penalty is initiated for under reporting of income or misreporting of income.”

(i) in case of company, firm and local authority, it will be entire income assessed and (ii) in case of other entities, it will be the difference between the income assessed and the maximum amount not chargeable to tax.

Second part refers to the situation other than that mentioned above. In such case, it will be the difference between the amount of income reassessed and the amount of income assessed, reassessed or recomputed in a **preceding order**. Further, a proviso is added to such provision which provides a formula for determining the under reported income where the income is assessed as per deeming provisions of section 115JB/115JC.

Where, as a result of the assessment or reassessment, the loss returned by the assessee is reduced or converted into positive income, the unreported income will be the difference between the loss claimed and the income or loss as the case may be assessed or reassessed.

The **expression "a preceding order"** referred to earlier is explained to mean an order during the course of which penalty proceeding had been initiated.

Misreporting of Income has been defined in sub section (8) & (9) of section 270A. Combined reading of these sub section reveals that misreporting of income will be where under-reported income is because of following circumstances.

- a) Misrepresentation or suppression of facts;
- b) Failure to record investment in the books of account;
- c) Claim of expenditure not substantiated by any evidence;
- d) Recording of false entry in the books of account;
- e) Failure to record any receipt in the books of account having a bearing on the total income;
- f) Failure to report any international transaction or deemed international transaction or any specified domestic transaction to which provision of chapter X applies;

For the purpose of levy of penalty, the **amount of tax payable** on under reported income as per sub-section (10) shall be computed as under.

- (a) Where no return of income has been furnished and the total income has been assessed for the first time, the amount of tax calculated on the under-

reported income as increased by the maximum amount not chargeable to tax as if it were the total income

- (b) Where the total income determined under 143(1) (a) or assessed, reassessed or recomputed in a preceding order is a loss, the amount of tax calculated on the under-reported income as if it were the total income
- (c) In any other case determined in accordance with the formula –

(X-Y)

Where

X = the amount of tax calculated on the under-reported income as increased by the total income determined under 143(1)(a) or total income assessed, reassessed or recomputed in a preceding order as if it were the total income; and

Y = the amount of tax calculated on the total income determined under 143(1)(a) or total income assessed, reassessed or recomputed in a preceding order

Sub section (12) provides that such penalty shall be imposed by the tax authority by an order in writing.

Immunity from penalty and prosecution

Before analysing the entire scheme, it would be appropriate to refer to the provisions of section 270AA which provides for immunity from levy of penalty u/s.270A and prosecution u/s.276C of the Act. According to this scheme, an assessee shall be granted such immunity if following conditions are satisfied.

- a) Tax and interest payable as specified in the notice of demand in pursuance of order of assessment or reassessment has been paid within the time specified in such notice of demand; and
- b) No appeal is filed against the order of assessment or reassessment.

The **procedure** specified is simple which states that assessee is required to file an application in the prescribed form within one month from the end of the month in which such order of assessment or reassessment is received by the assessee. The Assessing Officer, if conditions are fulfilled, shall grant immunity from imposition of penalty u/s.270A and prosecution u/s.276C or section 276CC provided the penalty is not initiated under the circumstances mentioned in sub section (9). The A.O. shall pass an order within one month from the end of the month in which such application is received.

In other words, such immunity is not available where either (i) penalty initiated in respect of misreporting of income, or (ii) tax and interest as per demand notice is not paid within the time specified in the demand notice, or (iii) application is not made

in the prescribed form within one month from the end of the month in which order of assessment or reassessment is received by the assessee.

If the A.O. decides to reject the application, he shall give an opportunity to the assessee of being heard before rejection.

Analysis

The distinction and similarity between the existing provision and the new scheme –

- Under the **existing provisions**, the tax authority has to **record his satisfaction** to the effect the assessee had concealed the particulars of income or furnished inaccurate particulars of income. Failure to record such satisfaction rendered the penalty order as nullity. **Under the new scheme, there is no such statutory requirement.** Mere initiation of penal proceeding would be sufficient which may be by issuing direction in the order or by issue of penalty notice.
- Under the **existing provisions**, the tax authority has to prove the fact that assessee has concealed the particulars of income or furnished the inaccurate particulars of income. **Under the new scheme**, there is no such requirement in case of under reporting of income since difference between the assessed income and income determined u/s. 143(1)(a) is presumed to be under reporting of income or difference between the assessed income and maximum amount not chargeable to tax, where no return filed is filed by the assessee. However, in case of misreporting of Income, the tax authority will have to prove or demonstrate that case of assessee falls within the criteria mentioned in sub – section (9).
- Under the **existing provisions**, there is a discretion with the AO to impose penalty between 100% to 300% of the tax but **under the new scheme**, the AO has no such discretion. He is required to impose penalty at flat rate of 50% of tax payable on under reported income and 200% of tax payable on misreported income.
- Under the existing as well as new scheme, no penalty order can be passed without giving an opportunity of being heard in view of the provision of section 274.
- The limitation period specified in section 275 will apply to order passed under both the schemes.
- The **right of appeal** is available under section 246A under both the schemes. *It may be pointed out that the existing clause (q) of section 246A permits the right to appeal against any penalty order passed under any section falling under chapter XXI.* Since penalty orders under the new provisions falls under chapter XXI, right to appeal is not lost even if no specific amendments is made in section 246A.

Whether penalty proceedings can be initiated after completion of assessment proceeding?

In my view, the answer is no for the reason given hereunder.

- Though there is no specific provision to this effect, the inference can be drawn from the Explanation below sub-section (3) which refers to initiation of penalty under sub-section (1) of section 270A.
- Since for availing the immunity u/s.270AA, the assessee is required to make an application within 30 days from the end of month in which the order of assessment is received, he must be aware from such order that penalty proceeding u/s.270A has been initiated or not.
- Further, immunity u/s.270AA is available only in case of under reporting of income. Hence A.O must demonstrate whether penalty is initiated for under reporting of income or misreporting of income. This can be done only through initiating the same in the assessment order or by issuing the notice.
- Section 274 provides that no order of penalty can be passed without providing an opportunity of being heard to the assessee.
- **Last but the most important** reason is that section 275 provides the period of limitation according to section 275(1)(c), no penalty order can be passed after the expiry of financial year in which the proceeding, in the course of which action for imposition for penalty has been initiated, are completed OR 6 months from the end of the month in which action for imposition of penalty is initiated, whichever is later. Similar language is there in section 275(1)(a). So unless the penalty proceedings are initiated in the course of assessment proceedings, the period of limitation cannot be worked out.

It is the **settled view** that provisions should be interpreted in such manner which makes the provision workable rather than to frustrate. Therefore, in view of the reasons given above, it is **opined** that penalty proceeding must be initiated in the course of assessment proceeding itself.

Computation of Penalty.

Though sub-section (2) defines the scope of the expression "under reported income" sub-section (3) provides the procedure for computing such income. It is explained as under-

- a) Where the income has been assessed for the first time in response to the return filed, it will mean the difference between the amount of income assessed and the amount of income determined u/s.143 (1) (a). Such assessment may be u/s.143(3) or u/s.147.

“ Sub section (6) encompasses the circumstances where penalty in respect of under reporting of income cannot be levied. The income relatable to such circumstances shall be excluded from the computation of unreported income. ”

Thus, under reported income would not include the amount of adjustment made in determining the income u/s.143(1)(a). For example, assessee files a return declaring income of ₹10 lakhs but income is determined at ₹12 lakhs u/s 143(1)(a) and income is assessed at ₹13 lakhs u/s.143(3)/147. In such case under reported income would be ₹1 lakh and not ₹3 lakh.

- b) Where no return is filed by the assessee, the computation is in two parts i.e. (i) where the assessee is a company, firm or local authority, it will mean entire amount of income assessed and (ii) in case of other assesses, it will mean the difference between the amount of income assessed and the maximum amount not chargeable to tax.
- c) Where the income is assessed as a result of reassessment or re-computation (not being assessed for the first time), it will mean the difference between the amount of income re-assessed or re-computed and the amount of income assessed, re-assessed or re-computed in a preceding order. The preceding order has been defined as the order passed immediately preceding the order during the course of which penalty proceeding is initiated. Such preceding order may be as a result of assessment made u/s.143 or 147 or as a result of direction of appellate/revisory authority or Tribunal or Court as the case may be.
- d) Where the income is assessed by way of deemed assessment u/s.115JB/115JC, it will mean the amount determined as per the formula given in the proviso to sub-section 3(ii) of section 270A. This formula is similar to formula provided in the existing provision of Explanation 4 to section 271(1)(c).
- e) Where as a result of assessment/reassessment, the loss is reduced or loss is converted into income, it will mean the **difference** between the amount of loss claimed by the assessee and the income or loss assessed or reassessed. For example, where returned loss is 15 Lakhs assessed income is 5 lakhs, the unreported income will be 20 lakhs.

However, under reported income shall not include the amount of income referred to in sub-section (6) of this section.

What is the scope of sub-section (6) ?

This is an important aspect which needs to be elaborated. This sub section encompasses the circumstances where penalty in respect of under reporting of income cannot be levied. The income relating to such circumstances shall be excluded from the computation of unreported income. Thus, it will reduce the litigation between the taxpayer and the revenue authorities. Such circumstances are discussed below-

a) **First situation** is where any addition or disallowance is made by the A.O but assessee has offered an explanation which is bona fide to the satisfaction of tax authority AND has disclosed all the material facts to substantiate the explanation. **For example**, take a case of cash credit. If the assessee has furnished all material facts i.e. name and address of the creditors, his PAN, copy of ITR, ward where he assessed, confirmation from creditor, copies of bank statement etc. but the addition is made by simply because the creditor could not be produced or not responded in response to summons. As per the judicial opinions, it cannot be said that explanation of assessee was not bona fide. Hence it will not constitute under reporting of income since all material facts are disclosed.

However some litigation cannot be ruled out as the A.O may not be satisfied with the explanation of the assessee and in such case the Appellant authority/Tribunal is likely to accept the case of assessee in view of settled legal position. There are various other situations which may fall under this category but all such cases cannot be discussed at this stage. It may be pointed out that this clause, being general one, will be applicable to any kind of addition or disallowance made by A.O. Whether a case would fall under this category or not would depend on the facts of each case.

b) **Second situation** is where the accounts of the assessee are correct and complete as per the accounting system but the method employed is such that income cannot properly be deduced there from and as result thereof the addition is made on estimate basis. **For example**, GP rate is enhanced on estimated basis merely on the grounds that it is lower than the other assessees in the same trade or because of non maintenance of stock register etc. such addition shall not be considered in computing the unreported income. **However**, this category would not be included where books of account are rejected on the ground that the same are not correct and complete to the satisfaction of AO. **For example**, non – recording of purchase/sales bogus purchases; under recording of closing stock, manipulation in entries etc. In such cases, penalty can be levied.

- c) **Third situation** is where some disallowance is made by the assessee of his own but the A.O. enhances the same on estimate basis provided all material facts are disclosed by the assessee. **For example**, some disallowance is made by the assessee u/s.14A but the AO not being satisfied enhances the same even though all material facts are disclosed by the assessee. In such cases, it will not amount to under reported income.
- d) **Fourth situation** is where the assessee had maintained information and documents prescribed under section 92D, disclosed the international transactions under Chapter X and also disclosed all material facts relating to such transactions but addition is made in conformity with the arm's length price determined by TPO. Thus merely because addition is made on the basis of TPO's order, it will not amount to under reported income. This will really reduce the litigation.
- e) **The last situation** is where penalty u/s.271AAB. S.271AAB applies where additions are made in case of a person in whose case search is initiated u/s.132.

Scope of the expression "misreporting of income"

"Misreporting of income" is considered to be more stringent as compared to "under reported income" since penalty in case of misreporting of income is to be imposed @ 200% of the tax payable as against 50% in case of under reported income. It is to be noted that it is not an independent expression. A combined reading of sub-section (8) & (9) shows that it is the under reported income which is to be treated as misreporting of income if under reported income is in consequence of items specified under sub-section (9). So firstly, under reported income is to be computed and then AO has to give a finding that such under reported income is in consequence of the items specified under sub section (9). So if any addition or disallowance does not fall within the scope of "under-reported income" then question of treating the same as misreporting of income does not arise.

Thus, in my opinion, the onus is on the revenue to prove that under reported income is in consequence of the circumstances mentioned in sub section (9). Let us have a look at these items.

- The **first item** in sub section (9) is misrepresentation of suppression of facts which involves the elements of mensrea i.e the guilty mind on the part of assessee. This aspect will always be a subject matter of litigation.
- The **second item** is failure to record investment in the books of account while the **fifth item** refers to failure to record receipt in the books of account which has a bearing on the total income.

Such facts can be proved by AO just by referring to books of account of the assessee. But there may be cases where assessee does not make books of account even though such receipts are revenue receipts. For example, assessee filling u/s.44AD or 44ADA are not required to maintain books of account. In such cases, this sub section would become inapplicable.

- The **third item** in the list refers to claim of assessee regarding expenditure not substantiated by any evidences. The word “any” is important which can be read as **no evidence**. So where evidences have been filed by the assessee, it will not be a case of misreporting of income merely because it is not believed by the tax authority. This aspect of the matter shall be a matter of litigation.
- **Fourth item** refers to recording of false entry in the books of account. The word “false” also involves mensrea on the part of assessee. Hence, onus will be on revenue to prove the mensrea on the part of assessee.
- **The fifth and last item** is failure of report international transaction or specified domestic transaction.

How the penalty is to be computed?

As already stated, sub section (7) provides that penalty shall be computed @ 50% of the tax payable on under reported income and 200% of tax payable in case of under reported income falling under subsection (9) i.e. misreported income. Tax payable is to be computed as per the provision of sub-section (10) of section 270A. For example, an individual declaring income of ₹6 lakhs [which is also the income determined in a return processed under section 143(1)(a)] is assessed at ₹8 lakhs. In such case, under reported income would be ₹2 lakhs [i.e., the difference between the income assessed and income determined in a return processed under section 143(1)(a)] and the tax payable on under-reported income and penalty would be computed as follows:

Tax on under reported income of ₹ 2 lakhs plus total income of ₹ 6 lakhs determined under section 143(1)(a)	
First ₹ 2,50,000 = Nil Next ₹ 2,50,000 – ₹ 5,00,000 = ₹ 25,000 Balance ₹ 3,00,000 = ₹ 60,000 Plus EC & SHEC@3%	87,550
Less: Tax on Total income of ₹ 6,00,000 determined in a return processed under section 143(1)(a)	46,350
Tax payable on Under-reported income	41,200
Penalty leviable @50% of tax payable	20,600

If such income falls under subsection (9) then penalty would be ₹ 82,400/-. However, if such assessee had not filed the return at all for any reason then, under reported income will amount to ₹ 5.5 lakhs (₹ 8 lakhs – ₹ 2.5 lakhs) on which tax payable would be the amount of tax calculated on under-reported income as increased by the basic exemption limit i.e, tax calculated on ₹ 8 lakhs (₹ 5.5 lakhs plus ₹ 2.5 lakhs) which would be ₹ 87,550 on which penalty would be ₹ 43,775/ and if such income falls under sub section (9) then penalty would be ₹ 1,75,100/-.

In my opinion, the provisions are too harsh and drastic in those cases where an assessee fails to file the return for bona fide reasons beyond his control. **For example**, a firm earned income of ₹ 50 lakhs during a year in respect of which TDS and advance tax are fully paid as per law. However, it fails to file the return due to bonafide unavoidable circumstances. The assessment is completed assessing the income at ₹ 52 lakhs u/s.144. In such case, the entire amount of ₹ 52 lakhs will be treated as under reported income as per sub section (3). The tax payable on such assessed income will be ₹ 16.068 lakhs including of education cess on which penalty of ₹ 8.034 lakhs will be imposed even though the entire tax is already paid. On the contrary, had it filed the return, the under reported income would only be ₹ 2 lakhs on which tax payable would be tax on under-reported income of ₹ 2 lakhs plus total income of ₹ 50 lakhs (₹ 16.068 lakhs) less tax on total income of ₹ 50 lakhs declared or determined u/s 143(1)(a) (₹ 15.45 lakhs) i.e, ₹ 61,800 /- only and penalty would be only ₹ 30,900 /-.

It appears that penalty, in such cases, is mainly for late filling of return rather than for under reported income. **In my opinion, suitable amendment needs to be made in this behalf.** In order to avoid hardship, the only option with the assessee is to avail immunity by paying tax and interest in accordance with the provision of section 270AA.

Amendment in section 271AA

Sub-section (2) has been inserted in this section. According to this amendment, if there is failure to furnish information and documents as required u/s.92D(4) on the part of assessee, then it shall be liable to pay penalty of ₹ 5 lakh.

So, the assessee has to be very careful in this regard.

The Taxation Laws (Second Amendment) Act, 2016 has amended the penalty provisions in respect of survey, search and seizure cases. The existing slab for penalty of 10%, 20% & 60% of income levied under section 271AAB has been rationalised to levy penalty of 30% of undisclosed income in respect of searches initiated on or after

15-12-2016, if the undisclosed income is admitted and taxes are paid. In all other cases, penalty @60% of income shall be levied. However, effective tax and penalty is much higher in case of Survey

conducted during A.Y. 2017-18 and for the search cases after 15th December 2016 i.e. after Hon'ble President of India gave the assent to The Taxation Laws (Second Amendment) Act, 2016.

GIST OF THE SPECIFIC AMENDED PROVISIONS OF INCOME TAX ACT VIDE THE TAXATION LAWS (SECOND AMENDMENT) ACT, 2016.

PARTICULARS	EXISTING PROVISIONS	AMENDED PROVISIONS
General provision for penalty	PENALTY (Section 270A) Under-reporting - @50% of tax Misreporting - @200% of tax (Under-reporting/ Misreporting income is normally difference between returned income and assessed income)	No changes made
Provisions for taxation & penalty of unexplained credit, investment, cash and other assets (i.e. *Section 68,69,69A,69B,69C & 69D)	TAX (Section 115BBE) Flat rate of tax @30% + surcharge + cess (No expense, deductions, set-off is allowed)	TAX (Section 115BBE) Flat rate of tax @60% + surcharge @25% of tax (i.e. 15% of such income). +Cess @ 3% of Tax and Surcharge. So total incidence of tax is 77.25% approx. (No expense, deductions, set-off is allowed) PENALTY (Section 271AAC) If Assessing Officer determines income referred to in section 115BBE, penalty @10% of tax payable in addition to tax (including surcharge) of 75% i.e. 83.25%.
Penalty for search seizure cases	Penalty (271AAB) (i) 10% of income, if admitted, returned and taxes are paid (ii) 20% of income, if not admitted but returned and taxes are paid (iii) 60% of income in any other case	Penalty (271AAB) (i) 30% of income, if admitted, returned and taxes are paid (ii) 60% of income in any other case.

Important:

Therefore it is extremely important to note that survey conducted u/s. 133A of the Act anytime during 01/04/2016 to 31/03/2017 i.e. relevant AY. 2017-18 and in case of search u/s 132 of the Act conducted after 15th December 2016, higher rate of Tax and penalty as mentioned below shall be leviable. Therefore one has to be careful for disclosing the Income in consequence of Survey, in as much as if disclosed or assessed u/s. 68, 69A, 69B, 69C and 69D then higher rate of Tax will be applicable. If assessee discloses as higher sale proceeds or under other heads and not under aforesaid sections, and if AO does not accept the same and makes addition under any one of such sections, then huge Pandora Box of litigations may open.

However the penalties applicable for A.Y 2017-18 are extremely harsh and heavy. The whole idea is

that all dishonest assesses or person having taxable Income but not declared so far should have declared Income under Income Disclosure Scheme which was up to 30th September, 2016 and for balance, left out or still having not declared must declare the Income under Pradhan Mantri Garib Kalyan Yojna,2016 or else face heavy penalties.

At the end, I feel that increased litigation may take place even if number of cases selected for scrutiny is less. Particularly for cases of searches involving high Income and heavy tax it would be advisable to approach Hon'ble Settlement Commission. Undoubtedly whether in a particular case Income have been concealed or inaccurate particulars are filed or not would remain matters of litigation. The idea of ease of paying Tax and easy Income Tax structure and compliance may not be fulfilled to that extent.

PENALTY CHART ON UNDISCLOSED INCOME

Sr No.	Particulars	Total Tax with Penalty
1	Income declared under Pradhan Mantri Garib Kalyan Yojana, 2016 25% of income declared to be deposited in interest free bonds for 4 years	49.90% [30 (30% tax rate) + 9.90 (Surcharge 33% of tax i.e 30) + 10 (Penalty 10 % of income declared)]
2	Unexplained income is disclosed voluntarily in ITR and tax has been paid on or before the end of the relevant previous year.	77.25% [60 (60% tax rate) + 15 (Surcharge 25% of tax i.e 60) + 2.25 (Edu. Cess 3% of 75 i.e. Tax 60+ Surcharge 15)]
3	Unexplained income is disclosed voluntarily in ITR but advance tax is not paid on or before March, 31 , 2017	83.25% [60 (60% tax rate) + 15 (Surcharge 25% of tax i.e 60) + 2.25 (Edu. Cess 3% of 75 i.e. Tax 60+ Surcharge 15) + 6 (Penalty 10% of tax)]
4	Income disclosed in ITR but treated as unexplained by Tax Officer	83.25% [60 (60% tax rate) + 15 (Surcharge 25% of tax i.e 60) + 2.25 (Edu. Cess 3% of 75 i.e. Tax 60+ Surcharge 15) + 6 (Penalty 10% of tax)]
5	Income admitted in a search conducted on or after 15-12-2016, where the manner in which income was derived has been substantiated and the tax with interest has been paid and declared in ITR	107.25% [60 (60% tax rate) + 15 (Surcharge 25% of tax i.e 60) + 2.25 (Edu. Cess 3% of 75 i.e. Tax 60+ Surcharge 15) + 30 (Penalty 30% of Undisclosed income)]
6	Income not admitted in a search initiated on or after 15-12-2016 and / or not declared in ITR	137.25% [60 (60% tax rate) + 15 (Surcharge 25% of tax i.e 60) + 2.25 (Edu. Cess 3% of 75 i.e. Tax 60+ Surcharge 15) + 60 (Penalty 60% of Undisclosed income)]

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Test Paper Scheme – Eligibility to Appear for Final Examination

The Board of Studies has decided to introduce eligibility Test Paper scheme for fostering the habit of regular study and writing skills in examination conditions to help students to perform well for their examinations. The Test Paper Scheme would be initially made applicable to Final Course students appearing in the examination for the first time, to begin with. As a part of this scheme, such Final Course Students would be required to take one test each for two Papers as may be notified in each Group of Final Course, to be eligible to appear for Final Exam proposed from Nov-17 attempt and a later attempt as may be notified. The broad modalities for this scheme are under finalisation.

Students are advised not to be worried and continue with their sincere preparation for the forthcoming examinations, as they will be given sufficient time to secure eligibility.

For any further clarification, please mail to Ms. Neeraj Kapur at

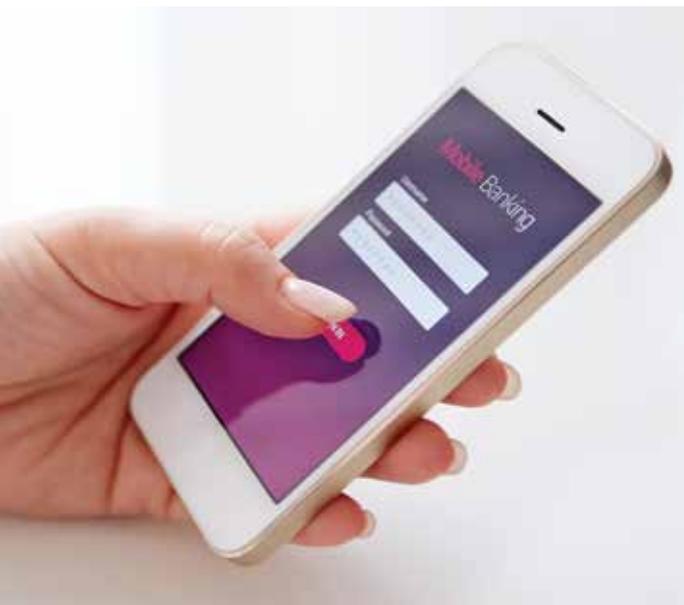
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**Chairman
Board of Studies**

Cashless Economy-Possibility, Feasibility and Acceptability



Aditi Suryakant Shanbhag
ICAI Student Reg.No. SR00449973



What is Cashless Economy?

Remember those history classes in school where they taught us about barter system that prevailed before the advent of money? Well, that is an example of a traditional cashless economy wherein the commodities or services acted as money.

But the present concept of a cashless economy differs completely. Unlike barter, today the cashless transactions take place through digital currencies like Bitcoin or digital payment channels like mobile wallets.

In a truly cashless society, legal tender i.e. money is exchanged and recorded only in the electronic and digital forms.

Such a scenario is widely considered to be hypothetical as most experts believe that some physical currency will always stay in circulation. Therefore, the meaning of cashless economy in popular usage is-an economy where transactions in cash are minimal and not necessarily nil. So the more appropriate term would be- 'less cash' society.

Around the World

Cash is king but its throne is being toppled; and few countries are leading the way.

The table below shows the top ten cashless countries on basis of value of non-cash transaction:

Rank	Country	Non-cash payments' share of total value of consumer payments (Percentage)
1	Belgium	93
2	France	92
3	Canada	90
4	United Kingdom	89
5	Sweden	89
6	Australia	86
7	The Netherlands	85
8	United States	80
9	Germany	76
10	South Korea	70

(Figures: worldatlas.com)

Two countries require a special mention. The first one is Sweden. In 1661, Stockholms Banco, the precursor to the Swedish Central Bank, issued Europe's first banknotes. Today, everyone from churches to street vendors to transporters increasingly prefers card or phone payments. Many banks no longer keep cash on hand or accept cash deposits and retailers are

Introduction

In the December of 2012, I had the good fortune of visiting a beautiful country - Singapore. Of course the infrastructure and facilities were very impressive but one thing in particular captured my attention and my imagination. This fascinating thing was- a card. This card was not just a piece of plastic with a chip inside. It was a complete wallet. Once recharged at any of the machines present at the various public places, it could be used to travel by bus, to travel by train and carry out a variety of other transactions.

A teenager of almost 16 then, I wondered if India could ever adopt something similar.

Cut to 2017. A couple of weeks back I came across this newspaper headline-“Haryana Government issues petro cards to drivers.” After a wait of 4 years, I finally got my answer- Yes. India can. There is no doubt that it will be a herculean task to move towards an economy where cash is not the primary mode of exchange but it is definitely not impossible.

legally entitled to refuse coins and notes. The money in circulation has reduced drastically and so has the demand for it.

The second country is Somaliland. One of the general conceptions is that only countries with a robust infrastructure in place can go cashless. But Somaliland, one of the poorest countries in Africa proved to be an exception. A mobile revolution in Somaliland led to the country adopting mobile payments in a big way. In 2012, a survey found that an average customer made 34 transactions per month on their mobile phones, higher than almost anywhere in the world.

(Figures: totalpayments.org)

Besides these countries, there are other countries like Denmark, Kenya, Norway and Singapore which are expected to go cashless in the near future.

Here, I think it is time for some perspective. The percentage of cash transactions on basis of value in Belgium is 7%, in Canada it is 10%, in UK and Sweden it is 11% and in Denmark it is 25%. In India, this figure is almost 96% but it is reducing day-by-day.

Indian Sub-Continent & SAFA

The Indian sub-continent is a politico-geographical group of countries in Southern Asia. It consists of India, Pakistan, Sri Lanka, Nepal, Bhutan, Maldives and Bangladesh. These countries are united by common heritage and culture and similarities of economic conditions, trade practices, legal systems and political practices. Considering this, SAFA i.e. South Asian Federation of Accountants was formed in 1984 to foster cooperation and exchange among the Chartered Accountants of the member countries.

The Need

It's been nearly 300 years since paper money became accepted as legal tender. While much has changed about how we make, sell, and buy goods, cash has stuck around. So why are we trying to get rid of it now?

The most prominent reason is that cash trails are hard to trace, leaving doors open for frauds, corruption and burglary. As cash permits anonymity in transactions, it leaves the door open for tax evasion and even terrorist funding.



(Image courtesy: civildaily.com)

Another reason is the high cost of handling cash—not only in terms of money but also in terms of time. RBI and commercial banks in India spend Rs 22,000 Crores annually in this regard. A study for Harvard Business Review gave the following figure—“New Delhi’s 11 million inhabitants collectively spend some 72 million hours per year chasing cash.”

(Figures: lesscash.in)

It is not only India- almost the whole of the Indian sub-continent suffers from high cost of handling cash.

Lot of cash in circulation also allows hoarding and black money. There is a popular saying—“If you want to eliminate black money, eliminate money.”

All these reasons make a compelling case in favour of migration towards a cashless economy.

The Challenges

Glance through the pages of history and you shall find that no revolution has been easy. This revolution too has its share of obstacles.

The Indian Sub-Continent is known to be predominantly an agriculture based economy. This means there are two major economies within the national economy- Rural and Urban. Even though consumers in the metros are increasingly using credit and debit cards for commercial transactions, things outside the metros



leave much to be desired. The rural areas are still not an integral part of the financial or digital mainstream. Whether it is the corner shop or consumer electronics showroom, an apparel store or a hospital, transactions in small towns are still in cash. In the metros, too, cash transactions are hugely popular in malls. In a study of retail stores in malls, management consulting firm A.T. Kearney discovered that only 10% of the sale by value happened via cards; 90% took place in cash.(Figures: livemint.com) Most consumers buying luxury brands at luxury malls or outside also make cash payments. Most of the jewelry is also purchased in cash. Even e-Commerce brands allow CoD (Cash on delivery) to attract more customers.



In such a situation, to be able to become less dependent on cash, the rural economy needs to undergo a mammoth transformation. This can be a major hurdle as people in the small towns and villages are usually resistant and skeptical when faced with adoption of new technologies. They are financially less literate when compared to the people from the cities and fear being charged more if they use cards for transactions. Sometimes, people have bank accounts but these accounts end up lying un-operational. There is also the issue of connectivity. Many villages, mostly those in remote areas, are yet to be electrified. People in many villages and small towns do not own mobile handsets even today. Many of them do not have internet connections. And even if there is connection, the networks are weak and unreliable in numerous places.

Also being an economy dominated by small retailers and proprietors, the businessmen may not have the willingness to invest in electronic payment infrastructure.

To sum up- to be able to go cashless, educating the masses and making the general public aware of the benefits of going digital has to be given utmost importance and attention.

The Benefits

The benefits of a cashless economy are numerous.

To begin, transparency will increase manifold. When every transaction is routed through the digital payment channels, a permanent trail will be available and this will mean reduced scope for tax evasion, black money, corruption and hoarding. This will also deliver a huge blow to criminal and terrorist activities.

With less physical cash and black money in circulation, real estate prices will decline leading to a boom in the infrastructure industry.

As tax evasion reduces, the governments will have more money to spend on social and public welfare schemes. Since these payments too will be done digitally, the beneficiaries will conveniently and directly receive their dues.

The cost of keeping cash in circulation will reduce and lead to more funds for the banks and the governments.

The velocity of transactions will increase multiple times leading to more number of transactions in a small period of time. For example, the same amount of money can be circulated throughout the country any number of times through digital payment systems. A buyer in Mumbai will pay the seller in Bengaluru who will pay the dealer in Hyderabad and so on. This will lead to increase in GDP and the country's economy will grow and develop by leaps and bounds.

Fake notes and Counterfeit notes will no longer have harmful effects on the economy.

Each of these benefits will have a domino effect and this chain will lead to a robust and healthy economy.

The Disadvantages

As the old adage goes "Every coin has two sides", a less cash economy too is not without demerits.

An example is that of Sweden. The number of bank robberies in Sweden plunged from 110 in 2008 to 16 in 2011 because most Swedish banks simply don't handle cash anymore but in the past decade the cases of electronic fraud have more than doubled. (Figures: totalpayments.org; theguardian.com)

Some of Sweden's neighbors, in response to EU's increasing regulations on restricting cash usage, are demanding a "constitutional right to pay in cash" fueled by concerns around negative interest rates and a perceived loss of privacy that comes with digital money. There are growing concerns about the ability of public agencies to look through digital records. Paper money, they feel, provides them anonymity and freedom from traceability, both of which are qualities that digital payments do not offer.

Cash has stubbornly resisted going the way of digital extinction. Paper currency is ubiquitous. For many users, cash equates to a sense of security as it is almost always universally acceptable and for many it is a sense of independence from government oversight.

Old people's organizations also fear that those who prefer cash, out of reluctance to use new technology or simply because they find it easier to keep track of their spending, will be disadvantaged, while educators worry that young people will be tempted to spend money they do not have.

It may surprise you that there are countries which are going opposite to the tide. Germany is one such country where usage of cash is still very popular.

Although there are disadvantages, the benefits far outweigh them.

Examples

Finally, before I conclude, I would like to enumerate a few examples of steps taken in various SAFA countries towards reducing dependence on cash.



bKash is a specialized company in Bangladesh focused on mass market mobile financial services. Launched in July 2011, bKash reached 11 million accounts by the end of 2013, just 30 months after launch. In India, Finance Ministry along with the National Payments Corporation of India (NPCI) and Reserve Bank of India (RBI) is bringing about various initiatives like UPI (Unified Payment Interface) to usher in a cashless economy

Haryana, a state in India, has begun training the government officials who in turn will educate the general public about digital transactions. Many banks have conducted camps to impart information about the same. Government offices are also being equipped with PoS (Point of Sale) machines. Prizes have also been announced for those who proactively participate in this movement. Sri Lanka Interbank Payment System (SLIPS) is an online interbank electronic fund transfer system catering mainly for low-value payments in Sri Lanka.

Conclusion

To conclude, I would like to quote the example of South Korea.

Starting out as a very cash dependent society, the Korean government has successfully put into place policies to encourage cashless behaviour. For example, South Korea introduced a preferential VAT treatment for consumers who pay with cards, moving the share of cash from 40 per cent to 25 per cent within four years from 2002 to 2006. (Figures: totalpayments.org)

All the member countries of SAFA have the basic infrastructure and the logistics needed to begin the journey towards an economy with minimum cash. All that is needed is the first step and I can proudly say that almost all member countries have already taken this first step. Therefore it can be safely concluded that the possibility of cashless economy in SAFA countries is high.

Feasibility of the same however will depend on the execution and the implementation of the policies and programs. If everyone is involved in the processes and Incentivization of cashless transactions is adopted, the idea of a less cash economy is definitely feasible in the SAFA countries.

Finally, to conclude about acceptability, I believe I speak on behalf of all the citizens of all member countries when I say that if a step makes our country better, we will accept it with open arms and support it whole-heartedly. Inconveniences and hardships are but small prices to pay for the growth of our country. We are all 'kisans' and 'jawans' of our countries and this is the least that we can do for our motherland. ■

REQUIREMENT TO COMPLETE ORIENTATION COURSE (15 DAYS) IN LIEU OF GMCS-I FOR SELECT CATEGORY OF STUDENTS

The Council of the Institute of Chartered Accountants of India at its 361st Meeting held in December 2016 has decided that the students registered for Practical Training (Articleship) on or after 1st May, 2012 uptill 31st December, 2014 but not completed the GMCS-I course, shall be required to undergo Orientation Course (15 days) w.e.f. 1st January, 2017 in lieu of GMCS-I.

This will be applicable to the students who have completed Orientation Programme (35 hours), and registered for articleship during the above period but not completed GMCS-I.

The above students are advised to register at the online portal www.icaionlineregistration.org or contact the nearest Programme Organising Unit – POU (Regional Offices & Branches) for registration for Orientation Course and complete the same at the earliest.

Director, Board of Studies

Ind AS: The Way Forward



Amitkumar Bavishi

ICAI Student Reg.No. WR00452685

The current Indian Economy is getting ready for coping up with dynamic changes, like Demonetisation, Goods & Services Tax, Insolvency & Bankruptcy Code, National Company Law Tribunal (NCLT), National Company Law Appellate Tribunal (NCLAT) etc. These tasks have a shared vision of betterment of Indian economy. One of the major changes in the area of Financial Reporting is the process of introducing Indian Accounting Standards converged with IFRS (Ind-AS).



Standards (IFRS), India's strategy for moving towards IFRS and what is Ind AS, carve-outs, the phased manner of implementation and major impacts on accounting.

International Financial Reporting Standards (IFRS)

IFRS refers to the entire body of IASB pronouncements, including standards and interpretations approved by the International Accounting Standard Board (IASB) & IASs and SIC interpretations approved by the predecessor International Accounting Standards Committee (IASC).

Broadly, IFRS consist of,

1. 16 International Financial Reporting Standards (IFRS)
2. 25 International Accounting Standard (IAS)
3. 13 International Financial Reporting Interpretation Committee (IFRIC) Interpretations
4. 5 Standard Interpretation Committee (SIC) Interpretation

Simply put, IFRS are global Accounting Standards adopted by most of the countries.

Indian Accounting Standards Converged with IFRS (Ind AS)

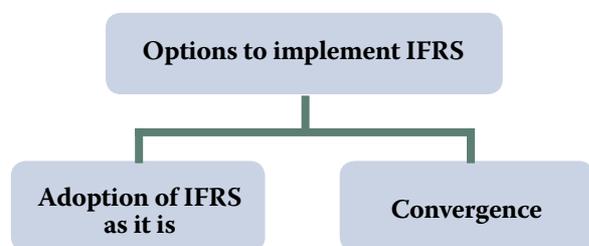
Approximately 140 countries worldwide have either adopted or converged with IFRS. India has also joined this elite club. Broadly, IASB permits two approaches for implementing IFRS, full adoption or convergence.

Full adoption means verbatim standards as IFRS, without making any changes therein. For example, Singapore has adopted IFRS.

Convergence means alignment of the standards of different standard setters with a certain rate of compromise, by adopting the requirements of the standards either fully or partially viz. allowing more options or restricting few alternative accounting treatments. Hence, substantially similar to the IFRSs, the Converged Standards are sculpted

Financial reporting in India is undergoing a momentous transformation, owing to the adoption of Ind AS, which are converged with IFRS. With the notification of Ind AS, India marked its presence in global accounting ambience and several gaps that existed in the Indian accounting framework have relatively been filled up, making Indian financial reporting standards contemporary and virtually at par with the leading global standards. This important and long pending reform will go a long way in helping India improve its global ranking on corporate governance and transparency in financial reporting.

For better understanding, this article is divided into five parts i.e. what is International Financial Reporting



to ensure that they are suitable for the countries' socio-economic requirements.

India has not adopted IFRS but converged with IFRS. These converged set of standards are known as Indian Accounting Standards (Ind-AS). They are formulated by Accounting Standards Board in India (ASB) of Institute of Chartered Accountants of India (ICAI) and notified by the MCA making it applicable only for corporate entities including Banks, NBFCs and Insurance Companies.

In a nutshell, Ind AS can be referred as “International Dish with Indian Flavour” or “Desi version of IFRS”

Major Carve-Outs (Ind AS vis-à-vis IFRS):

Classification of a loan liability in case any loan condition is not met

IFRS - IAS 1, Presentation of Financial Statements requires that in the case of a loan liability classified as non-current, if any condition of the loan agreement is breached on the reporting date, such loan liability should be classified as current.

Under Indian Banking System, long term loan agreement contains a large number of condition, some of which are substantive (e.g. recalling the loan in case interest is not paid) and some are procedural and not substantive (e.g. periodical submission of stock statements by the entity). Generally, customer-banker relationships are developed whereby in case of any procedural breach, a loan is generally not recalled. Even in several cases, a breach is rectified after the balance sheet date and before the approval of financial statements. In both the cases, whether rectified later or not, IAS requires loans to be classified as current.

Carve Out - Ind AS 1 has been amended, by clarifying that where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the breach is rectified, after the reporting period and before the approval of the financial statements.

Recognition of Lease Rentals

IFRS - IAS 17, Leases, requires all the lease rentals to be charged to the statement of profit and loss on straight-line basis.

For e.g., an agreement for the lease of 3 years provide the initial rent of ₹ 10,000 with rent escalation of ₹ 10,000

per annum. As per IFRS, in the first year, on straight line basis, rent of ₹ 20,000 would be charged to the statement of profit and loss even though the agreement provides for payment of ₹ 10,000. However, it has been felt that where there is periodic rent escalation in line with the expected inflation so as to compensate the lessor for expected inflationary cost increase, the rentals shall not be straight-lined.

Carve Out – Accordingly, Ind AS 17 has been amended, to provide that leases rentals should be charged to the statement of profit and loss in accordance with the lease agreement.

Recognition of sale of goods and revenue in case of real estate construction

On the basis of principles of the IAS 18, IFRIC 15, Agreement for Construction of Real Estate, prescribes that construction of real estate should be treated as sale of goods and revenue should be recognised when the entity has transferred significant risks and rewards of ownership and retained neither continuing managerial involvement nor effective control. It was observed that requirement will lead to recognition of revenue in the financial statements by real estate developers based on the completion method, i.e., only in the last year of the completion of project. It was felt that in case the revenue for the whole project is recognised in the last year of completion of project, it will not reflect the true performance of the business of the real estate developer. Further, it was felt that since Ind-AS 11 requires recognition of revenue of all construction contracts by reference to stage of completion, it may lead to inappropriate accounting in case of certain real estate development projects in case this Ind AS is applied for all real estate development projects.

Carve out: IFRIC 15 has not been included in Ind AS 18 to scope out such agreements from Ind AS 18. A separate guidance note on accounting for real estate developers (for Ind AS compliant entities) has been issued by the ICAI to address the matter.

Classification of Foreign Currency Convertible Bonds (FCCBs)

IFRS - IAS 32, Financial Instruments: Presentation, equity conversion option in case of foreign currency denominated convertible bonds is considered a derivative liability which is embedded in the bond. Gains or losses arising on account of change in fair value of the derivative need to be recognized in the statement of profit and loss as per IFRS.

This would bring unintended volatility in the income statement due to volatility in share prices. This will also not give a true and fair view of the liability as in this situation when the share prices fall, the option will not be exercised.

However, it has been considered that if such an option is classified as equity, fair value changes would not be required to be recognized.

Carve Out - Accordingly, necessary changes have been made in the definition of financial liability in Ind AS 32,

whereby conversion option in FCCB would be considered as equity. In this case, equity would not be required to be re-measured at fair value.

Phased implementation of Ind AS Framework

(1) Companies (Indian Accounting Standards) Rules, 2015:

The MCA through a notification dated 16th Feb 2015 has issued the Companies (Indian Accounting Standards) Rules, 2015 which lays down a roadmap for companies excluding banking companies, and non-banking finance companies (NBFC) and insurance companies for implementation of Ind AS converged with IFRS.

The Ind AS shall be applicable to companies as follows:

	Phase I	Phase II	Voluntary Adoption
Year of Adoption	FY 2016-2017	FY 2017-2018	FY 2015-2016 or thereafter
Comparative Year	FY 2015-2016	FY 2016-2017	FY 2014-2015 or thereafter

Covered Companies

Phase I

- a. Companies listed or in process of being listed on any stock exchange in India or outside India, and unlisted companies having net worth of ₹ 500 crores or more
- b. Holding, subsidiary, joint venture or associate of the above companies

Phase II

- a. Companies listed or are in process of being listed on any stock exchange in India or outside India and having a net worth of less than ₹ 500 crores
- b. Unlisted companies having a net worth of ₹ 250 crores or more but upto ₹ 500 crores
- c. Holding, subsidiary, joint venture or associate of the above companies

(2) Reserve Bank of India:

On 29th September 2015, RBI recommended a roadmap to MCA for implementation of Ind AS from 2018-19 onwards for banks and NBFCs. The RBI then issued a circular on 11th February 2016 confirming the Ind AS implementation date as 1st April 2018 for scheduled commercial banks. Earlier adoption is not permitted.

(3) Non Banking Finance Companies

On 30 March 2016, the Ministry of Corporate Affairs (MCA) notified the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, which include a road map for implementation of Indian Accounting Standards (Ind AS) by Non-Banking Financial Companies (NBFCs). As per said roadmap, NBFCs will be required to comply with Ind AS in a phased manner, for accounting periods beginning on or after 1 April 2018 for the first phase and 1 April 2019 for the second phase.

(4) Insurance Regulatory Development Authority of India (IRDA):

IRDA issued circular on 1st March 2016 requiring all insurers to comply with the Ind AS for financial statements for accounting periods beginning on or after 1 April 2018, with comparatives for the periods ending 31 March 2018. Early adoption is not permitted. Ind AS will be applicable to both separate and consolidated financial statements.

Consolidation

Ind AS 110, Consolidated Financial Statements, introduces a new definition of control and a single control model as per which an investor is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Due to the fundamental difference in the definition of control, the entities that get consolidated could potentially be different under the two frameworks. Under Indian GAAP, control is assessed based on ownership of more than one-half of the voting power or control of the composition of the Board of Directors.

Mergers and Acquisitions

As per Ind AS 103, Business Combinations, all business combinations are accounted for using the purchase method that considers the acquisition date fair values of all assets, liabilities and contingent liabilities of the Target Company or amalgamating company. The limited exception to this principle relates to acquisitions between entities under common control. Under Indian GAAP, there is no comprehensive guidance that addresses accounting for business combinations and the current accounting are driven by the form of the transaction, i.e. legal merger, share acquisition, business division acquisition etc., which results in varied results based on the form of acquisition.

Equity and liabilities instruments

Ind AS 32, "Financial Instruments: Presentation" requires that a financial instrument should be classified in accordance with the substance of the contractual agreement, rather than its legal form (Substance over form). These changes can potentially have a significant impact on both the net worth as well as net income. Under Indian GAAP, equity and liability instruments are largely based on the legal form of these instruments and also governed by legal and regulatory treatments permitted.

Conclusion

If I could leave you with one thought, it will be that I am one of those dreamers who would like to see, by the year 2020, India becoming an important financial hub like Hong Kong, New York or London. To make that happen, there are several important steps to be undertaken, one of them is having accounting standards that are virtually at par with the Global Accounting Standards. However, by observing the steps undertaken by ICAI & MCA, it can be said that *achhe din* of financial reporting *anne wale hai*. ■

\$3.1 trillion is value of global M&As in 2016

Global merger and acquisition activity has soared to \$3.1 trillion in the year 2016, the third highest deal value since 2007, even as deal value saw over 22 per cent decline over last year. For more details please read at:

<http://economictimes.indiatimes.com/news/international/business/global-ma-deal-tally-touches-3-1-trillion-mark-in-2016-report/articleshow/56180237.cms>

Banks lure dollar sellers with discounts as yuan drops

Industrial & Commercial Bank of China Ltd, the world's biggest lender by assets, and at least three others are offering customers discounts when they sell foreign currency. But those who buy dollars don't get any such deals. For more details please read at:

<http://www.thestar.com.my/business/business-news/2016/12/09/banks-lure-dollar-sellers-with-discounts-as-yuan-drops/>

Bhutanese Nu Also a Way to Launder Rupee

Demonetisation has brought him a sudden fortune. For more details please read at:

<http://economictimes.indiatimes.com/news/politics-and-nation/demonetisation-impact-bhutanese-currency-nu-also-a-way-to-launder-rupee/articleshow/55969529.cms>

Bitcoin was the Clear Winner Among Currencies this Year

Bitcoin, that nebulous digital currency that trades in cyberspace and is "mined" by code-cracking computers, emerged as a better bet this year than every major foreign-exchange trade, stock index and commodity contract. For more details please read at:

<http://tech.economictimes.indiatimes.com/news/technology/bitcoin-was-the-clear-winner-among-currencies-this-year/56058436>

BSE's international exchange ties up with Dubai bourse

India International Exchange, being set up by the BSE, has worked out a collaboration with Dubai Gold and Commodity Exchange (DGCX) to reach out to global traders. For more details please read at:

<http://www.pressreader.com/india/the-hindu-business-line/20161208/282205125514379>

SEBI relaxes rules for angel funds to boost start-up funding

To give a fillip to start-up funding, the Securities and Exchange Board of India (SEBI) has relaxed its rules for investment by angel funds, including allowing them to invest in up to five-year old entities. For more details please read at:

<http://www.livemint.com/Companies/19CkJYgiOzpdNXvjJslcK/Sebi-relaxes-rules-for-angel-funds-to-boost-startup-funding.html>

Prime Minister hopes GIFT City will become price-setter in a decade

Exchanges in the Gujarat International Financial Tech City (GIFT) will become price-setters in at least some of the world's largest traded securities, said Prime Minister Narendra Modi. For more details please read at:

<http://www.livemint.com/Politics/w6735qMTbFFhQgZN1zdBjP/Narendra-Modi-inaugurates-Indias-first-International-exchan.html>

NSE to launch 13-year govt bond futures

The National Stock Exchange (NSE) introduced new interest rate futures (IRF) contracts on 13-year government bonds maturing in 2029. For more details please read at:

<http://www.livemint.com/Money/Cfj3rLkEkVjtlhLUDP9GEUN/NSE-to-launch-13year-govt-bond-futures-on-10-January.html>

NSE to set-up an international exchange in Gujarat's GIFT City

Leading bourse NSE today said it will set-up an international exchange in Gujarat's GIFT City, to be developed as the country's first International Financial Services Centre (IFSC). For more details please read at:

http://economictimes.indiatimes.com/articleshow/46382248.cms?from=mobile&utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Import cover of forex reserves rises to 12 months

The import cover of India's foreign exchange reserves has increased to 12 months as on September-end 2016 from 10.9 months as on March-end 2016, according to the Reserve Bank of India. For more details please read at:

<http://www.thehindubusinessline.com/money-and-banking/import-cover-of-forex-reserves-rises-to-12-months/article9476703.ece>

Revision of monetary limits for the purpose of adjudication of penalty under section 83A of the Finance Act, 1994

The adjudication power of officers has been amended vide Notification No. 44/2016 ST dated 28.09.2016. The revised limits are as under:

S. No.	Rank of the Central Excise Officer	Amount of service tax or CENVAT credit specified in a notice issued under the Finance Act 1994.
Amended Limits-w.e.f. 28th September, 2016		
(1)	Superintendent	Not exceeding ₹ 10 lakh (excluding the cases relating to taxability of services or valuation of services and cases involving extended period of limitation).
(2)	Assistant Commissioner or Deputy Commissioner	Not exceeding ₹ 50 lakh (except cases where Superintendents are empowered to adjudicate).
(3)	Joint Commissioner (JC) or Additional Commissioner (AC)	₹ 50 lakh and above but not exceeding ₹ 2 crore.
(4)	Commissioner	without limit.

[Effective from 28.09.2016]

Toppers of Chartered Accountants Final Examination November 2016



ETI AGARWAL
First Rank
Lucknow



PIYUSH RAMESH LOHIA
Second Rank
Bhiwandi



JYOTI M. MAHESHWARI
Third Rank
Ahmedabad

Our Hearty Congratulations



IMPORTANT ANNOUNCEMENT

18th January, 2017

No. 13-CA (EXAM)/M/2017: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to announce 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 Course under Regulations 204, viz.: International Taxation Course - Assessment Test (which is 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: 3rd, 5th, 7th & 9th May 2017

Group-II: 12th, 14th & 16th May 2017

(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: 2nd, 4th, 6th & 8th May 2017

Group -II: 11th, 13th, 15th & 17th May 2017

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

INTERNATIONAL TAXATION – ASSESSMENT TEST (INTT – AT)

11th & 13th May 2017

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

Places Of Examination Centres In India:

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
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	HARIDWAR	63	HISAR
64	HUBLI	65	HYDERABAD	66	ICHALKARANJI
67	INDORE	68	JABALPUR	69	JAIPUR
70	JALANDHAR	71	JALGAON	72	JAMMU
73	JAMNAGAR	74	JAMSHEDPUR	75	JHANSI
76	JHUNJHUNU	77	JIND	78	JODHPUR
79	KAITHAL	80	KAKINADA	81	KANNUR
82	KANPUR	83	KARIMNAGAR	84	KARNAL
85	KISHANGARH	86	KOLHAPUR	87	KOLKATA
88	KOLLAM	89	KOTA	90	KOTTAYAM
91	KOZHIKODE	92	KUMBAKONAM	93	KURNOOL
94	LATUR	95	LUCKNOW	96	LUDHIANA
97	MADURAI	98	MALAPPURAM	99	MANGALORE
100	MAPUSA (GOA)	101	MARGAO (GOA)	102	MATHURA
103	MEERUT	104	MORADABAD	105	MUMBAI
106	MUZAFFARNAGAR	107	MYSORE	108	NAGPUR
109	NANDED	110	NASHIK	111	NAVI MUMBAI
112	NAVSARI	113	NEEMUCH	114	NELLORE
115	NIZAMABAD	116	NOIDA	117	ONGOLE
118	PALAKKAD	119	PALI MARWAR	120	PANIPAT
121	PANVEL	122	PATIALA	123	PATNA
124	PIMPRI-CHINCHWAD	125	PONDICHERRY	126	PUNE
127	RAIPUR	128	RAJAMAHENDRAVARAM	129	RAJKOT
130	RANCHI	131	RATLAM	132	REWARI
133	ROHTAK	134	ROURKELA	135	SAHARANPUR
136	SALEM	137	SAMBALPUR	138	SANGLI
139	SANGRUR	140	SATARA	141	SHIMLA
142	SHIMOGA	143	SIKAR	144	SILIGURI
145	SIRSA	146	SIVAKASI	147	SOLAPUR
148	SONEPAT	149	SRI GANGANAGAR	150	SRINAGAR
151	SURAT	152	SURENDRANAGAR	153	THANE
154	THIRUVANANTHAPURAM	155	THRISSUR	156	TINSUKIA

EXAMINATION ||

157	TIRUCHIRAPALLI	158	TIRUNELVELI	159	TIRUPATI
160	TIRUPUR	161	TUTICORIN	162	UDAIPUR
163	UDUPI	164	UJJAIN	165	VADODARA
166	VAPI	167	VARANASI	168	VASAI
169	VELLORE	170	VIJAYAWADA	171	VISAKHAPATNAM
172	WARANGAL	173	YAMUNA NAGAR		

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

1) ABU DHABI	2) DUBAI
3) KATHMANDU (NEPAL)	4) MUSCAT

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 apply online at <http://icaiaexam.icaai.org> from 6th February, 2017 to 27th February, 2017 and remit the examination fee online by using either VISA or MASTER Credit / Debit Card. They shall however, be required to remit additional ₹ 600/- towards late fee (for Domestic & Kathmandu centres) and US\$ 10 (for Overseas centres) in case the application online is made after 27th February, 2017 and upto 6th March, 2017. Please note that sale & submission of OMR examination application form has been discontinued w.e.f. May 2017 examinations onwards.

Whereas the Examination application form for International Taxation – Assessment Test is to be filled up in the paper based form only and is priced at ₹ 100/- per application form. The form 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 6th February, 2017. Payment of fees for the International Taxation – Assessment Test should be made by Demand Draft only. The Demand Draft 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**. Application 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 **27th February, 2017**. However, application form duly completed for the Post Qualification Course Examination i.e. International Taxation – Assessment Test (INTT – AT), after the due date i.e. **27th February, 2017** and upto **6th March, 2017** with late fee of ₹ 600/- will be received **only** at the New Delhi office of the Institute.

The fees payable for the various examinations are as under:

INTERMEDIATE (IPC)	
For Indian Centre(s)	
Single Group / Unit 1 to 8	₹ 1500/-
Both the Groups / Unit - 9	₹ 2700/-
For Overseas Centre(s) i.e. Abu Dhabi, Dubai & Muscat	
Single Group / Unit 1 to 8	US\$ 325
Both the Groups / Unit - 9	US\$ 500
For Kathmandu Centre	
Single Group / Unit 1 to 8	INR 2200
Both the Groups / Unit - 9	INR 3400
FINAL	
For Indian Centre(s)	
Single Group	₹ 1800/-
Both Groups	₹ 3300/-
For Overseas Centre(s) i.e. Abu Dhabi, Dubai & Muscat	
Single Group	US\$ 325
Both Groups	US\$ 550
For Kathmandu Centre	
Single Group	INR 2200
Both Groups	INR 4000
INTERNATIONAL TAXATION – ASSESSMENT TEST	
	₹ 2000/-

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 Guidance Notes, available on the abovementioned website. However the medium of Examination will be only English in respect of Post Qualification Course viz.: International Taxation – Assessment Test. ■

(B. MURALIDHARAN)
DEPUTY SECRETARY (EXAMINATIONS)



GIVE ANSWERS & WIN PRIZES

1. **Which of the following does not influence the use of Activity Based Costing (ABC):**
 - (a) Product complexity
 - (b) Volume diversity
 - (c) Monopoly position
 - (d) High proportion of overhead costs

2. **With regard to break-even charts and break-even analysis, which of the following is true?**
 - (a) A break-even chart is capable of dealing with any change of product mix
 - (b) It is assumed that variable cost fluctuates in direct proportion to output
 - (c) A break-even chart shows the maximum profit possible
 - (d) The break-even point is at the intersection of the sales line and the variable cost line

3. (i) **An adverse material usage variance can be caused by the employment of unskilled labour.**
 (ii) **A favourable labour efficiency variance can be caused by the purchase of cheap materials.**
 - (a) (i) true; (ii) false
 - (b) both false
 - (c) both true
 - (d) (i) false; (ii) true.

4. **The cash inflows on account of operations are presumed to have been reinvested at the cut-off rate in case of:**
 - (a) Discounted cash flow method
 - (b) Accounting rate of return method
 - (c) Pay-back method
 - (d) None of the above

5. **For determining the value of a share on the basis of price earnings ratio, information is required regarding:**
 - (a) Rate of return
 - (b) Earnings per share
 - (c) Divided per share
 - (d) Retention ratio

6. **Repayment capability is judged by:**
 - (a) Net profit
 - (b) Interest coverage ratio
 - (c) Dividend pay-out ratio
 - (d) Operating profit

7. **Capital adequacy ratio of a bank is based on**
 - (a) Capital and debts.
 - (b) Capital funds and risk assets.
 - (c) Secured and unsecured assets.
 - (d) Capital balance

8. **Which one of the following is not financing activities**
 - (a) cash proceeds from issuing equity instruments
 - (b) the acquisition of an entity by means of an equity issue
 - (c) cash payments to owners to acquire the entity's shares;
 - (d) cash proceeds from issuing notes

9. **Estimates of future cash flows shall include:**
 - (a) projections of cash inflows from the continuing use of the asset;
 - (b) cash inflows from financing activities;
 - (c) cash outflows from financing activities;
 - (d) income tax receipts or payments

10. **An unconditional govt. grant related to a biological asset is measured at**
 - (a) Cost price
 - (b) Its Fair value
 - (c) Its Fair value less costs to sell.
 - (d) (a) or (b) whichever is more.

11. **As per provisions of the Companies Act, 2013, which statement is correct regarding issue of shares at discount?**
 - a) At least one year must have elapsed since the company commenced business.
 - b) Rate of discount cannot be more than 10%.
 - c) The issue is sanctioned by Central Govt.
 - d) No company can issue shares at discount.



GIVE ANSWERS & WIN PRIZES

- 12. A communication processor that connects dissimilar networks by providing the translation from one set of protocol to another is,**
- (A) Bridge
(B) Gateway
(C) Router
(D) Modem
- 13. A _____ is the term used when a search engine returns a Web page that matches the search criteria.**
- (A) blog
(B) hit
(C) link
(D) success
- 14. Virtual memory is,**
- (A) memory on the hard disk that the CPU uses an extended RAM
(B) Present in RAM
(C) only necessary if you do not have any RAM in your computer
(D) a back-up device for floppy disks
- 15. MICR technology used for clearance of cheques by banks refers to,**
- (A) Magnetic Ink Character Recognition
(B) Magnetic Intelligence Character Recognition
(C) Magnetic Information Cable Recognition
(D) Magnetic Insurance Cases Recognition
- 16. To make a notebook act as a desktop model, the notebook can be connected to a _____ which is connected to a monitor and other devices.**
- (A) bay
(B) docking station
(C) port
(D) network
- 17. A range check,**
- (A) ensures that only the correct data type is entered into a field
(B) verifies that all required data is present
(C) determines whether a number is within a specified limit
(D) tests if the data in two or more associated fields is logical
- 18. Small application programs that run on a web page and may ensure a form is completed properly or provide animation are known as—**
- (A) Flash
(B) Spiders
(C) Cookies
(D) Applets
- 19. The overall capitalization rate and the cost of debt remain constant for all degree of leverage. This is pronounced by**
- (a) Traditional approach
(b) Miller and Modigliani (MM) approach-1963: with tax
(c) Net Operating Income (NOI) approach
(d) Net Income (NI) approach
- 20. 100 units are processed at a total cost of ₹ 160, normal loss is 10%, & scrap units are sold @ 25 paise each. If the output is 80 units, then the value of abnormal loss is**
- (a) ₹ 2.50
(b) ₹ 16
(c) ₹ 17.50
(d) ₹ 17.75

**QUIZ ANSWERS
JANUARY, 2017**

1:A, 2:D, 3:A, 4:C, 5:D, 6:A, 7:D, 8:C, 9:C, 10:B, 11:B, 12:D, 13:A, 14:D, 15:D, 16:D, 17:C, 18:A, 19:A, 20:B, 21:D, 22:A, 23:A, 24:A

Please send your answers to E-mail address writesj@icai.in along with student Registration Number and complete contact details. 1st ten students giving all the correct answers will be awarded with BoS publications worth ₹ 1000/-

BRIDGE

This is a story of two brothers who lived side by side in their own farms for many years, until one day, a foolish argument caused a rift between them.

This was the first serious disagreement the brothers had in all of their 50 years. Up until that day, they always worked their fields together, shared knowledge and produce, and lent a helping hand to one another in times of need.



The fight began over a small

misunderstanding, which can sometimes happen, but the dispute dragged on and became an angry exchange of words, followed by weeks of silence.

One day, there was a knock on the older brother's door. When he opened it, he was facing an old, bearded carpenter, holding a toolbox. "I could sure use some work, sir" said the stranger. "Do you need any repairs in your farm?" "Yes," replied the brother. "I've got a job for you. Across the creek, there's a farm that happens to belong to my younger brother.

Until recently, the whole area between our homes was green, but then he changed the creek's path, making it into a border between us. I'm sure he did that for spite, but I'll show him..." said the older brother. "You see those trees by the barn? I want you to turn them into a 10-foot tall fence. I never want to see his face again."



The old carpenter thought quietly to himself for a few minutes and eventually said: "I see".

The farmer helped the carpenter carry his tools and the wood, and then drove off to the city on some errands. When he came back in the evening, the old carpenter had finished. Upon arriving at the creek, the older brother was stunned. His eyes were bulging out, and he couldn't utter a single word.



Where a fence should have been standing, a bridge now stood. A quaint and special bridge, truly a work of art, with an intricately carved banister. At the same time, the younger brother happened to come to the same spot. He rushed over the bridge and embraced his older brother, and said:

"You're something special... Building a bridge, after all I've said and done!" While both brothers were hugging, the old carpenter collected his tools and started walking away. The brothers turned to him and said "Please, stay for a few more days – we have more things that need fixing." "I would have loved to stay, kind sirs," said the carpenter, "But I have many more bridges to build and things to fix in other places..."



The moral of this story is a simple one: We often let anger push us away from our loved ones, and allow pride to come before our love. Don't let it happen to you. Learn to forgive and appreciate what you have.

(Source: Internet)

PEN IT TO WIN IT

We empower our students by giving them the opportunity and platform to showcase their hidden talent and win some prizes. Most importantly, the winning entries will be published by us.

Here we announce various competitions for the students pursuing Chartered Accountancy Course. There are four submission categories as detailed below:

- **Theme based article writing**
- **Moral Story based Cartoon drawing**
- **Poetry writing**
- **Short Story/Life Experience Story writing**

The topics for article writing competition are:

1. Major Amendments in Direct Tax and it's implications.
2. Major Amendments in Indirect Tax and it's implications.

The word limit is 1,600- 2,200. Other submission categories are Short stories/Life Experience Stories with a word limit of 750 words, and poetry not longer than one page.

The winners of 1st best and 2nd best articles will be published in any of the issues of the Students' Journal and awarded **with Certificate of Merit and admissible honorarium. The best Cartoon with Moral Story and the best selected one Poem will be published in the Students' Journal and Appreciation Letters will be awarded to another three.**

The winner of the best selected Short Story/Life Experience Story will get the BoS Publications worth ₹ 1,500/-. The Story will also be published in the Students' Journal. The 2nd best will be awarded with BoS Publications worth ₹ 750/-.

Soft copies of the work with complete communication and E-mail address, declaration of originality, soft copy of the colour passport size photograph may be mailed to writesj@icai.in

Director, Board of Studies

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 February, 2017 is as follows:

Online Mentoring Schedule

Date	Course	Paper	Topic	Faculty	Time
February 9	IIPC	Paper-7A: Information Technology	Telecommunication Networks and Business Information Systems	Ms. Sukriti Arora	3 pm - 5 pm
February 10	IIPC	Paper-4: Taxation Part-II: Indirect Taxes	Recent Amendments	CA. Shefali Jain and CA. Swati Aggarwal	3 pm - 5 pm
February 15	IIPC	Paper-3: Cost Accounting and Financial Management	Process Costing	Dr. N.N. Sengupta and CA. Sanjit L. Sharma	3 pm - 5 pm
February 17	IIPC	Paper-2: Business Laws, Ethics and Communication	How to prepare for Business Laws, Ethics and Communication	CA. Shradha Saxena and Ms. Megha Goel	3 pm - 5 pm
February 22	Final	Paper-7: Direct Tax Laws	How to Prepare for Examination and Recent Amendments	CA. Priya Subramanian and CA. Aparna Chauhan	3 pm - 5 pm
February 23	IIPC	Paper-1 Accounting and Paper-5 Advanced Accounting	Amendments applicable for May, 17 Examination	CA. Seema Gupta and CA. Asha Verma	3 pm - 5 pm
February 27	Final	Paper-5: Advanced Management Accounting	Just in Time and Standard Costing	Dr. N.N. Sengupta and CA. Deepak Gupta	

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**

APPLICABILITY OF STANDARDS/GUIDANCE NOTES

Student may refer below mentioned link for "Applicability of Standards/Guidance Notes/Legislative Amendments etc. for May, 2017 Examination"

For CA. Final Level:

<http://resource.cdn.icai.org/44315bos34182final.pdf>

For CA. Intermediate (IPC) Level :

<http://resource.cdn.icai.org/44314bos34182ipc.pdf>

CROSSWORD SOLUTION – JANUARY 2017

1H	2A	3L	O		4E	M	5P	6L	O	Y	7E	8E	9S
10A	P	E		11I	T		12A	I	L		13S	U	O
14S	P	E	15C	S		16O	Y	O		17P	E	R	U
	L		18A	D		19L	A	N		R		A	L
20H	E	21L	P		22T	A	B		23M	E	S	S	
O		I		24G	O		25L	26E	S	S		27I	28F
29T	30R	E	31E			32L	E	O		33S	34T	A	R
35M	A	N	U	36A	37L			38N	O		I		A
39A	M		40R	I	C	H				41M	E	N	U
I		42L	O	M			43G	44A	45M	E		46I	D
47L	48E	T						49I	A	G	50O		
	51G	A	A	P		52N	O	R	T	A	N		

BoS Publications for IIPCE Paper 4: Taxation relevant for May 2017 & November 2017 Examinations

1. Study Materials

Part I: Income-tax – September 2016 Edition containing the Income-tax law as amended by the Finance Act, 2016 and significant notifications and circulars issued upto 30.4.2016.

Part II: Indirect Taxes - Edition September 2015, Reprint Edition October 2016) to **be read along with Supplementary Study Paper-2016** explaining the amendments made by the Finance Act, 2016 and significant notifications and circulars issued upto 30.4.2016.

2. Practice Manuals – Part I: Income-tax & Part II: Indirect Taxes – October 2016 Edition, wherein the questions have been modified/adapted and answered on the basis of the provisions of tax laws as amended by the Finance Act, 2016.

3. Supplementary Study Paper - 2016 explaining the amendments made by the Finance Act, 2016 and significant notifications and circulars issued upto 30.4.2016. The amendments in the Supplementary Study Paper 2016 have been grouped chapter-wise in line with the Study Material to facilitate combined reading therewith.

BoS Publications for Final Course Paper 7: Direct Tax Laws (DTL) & Paper 8: Indirect Tax Laws (IDTL), relevant for May 2017 & November 2017 Examinations

1. Study Materials – DTL & IDTL - (Edition November 2015, Reprint Edition November 2016) to **be read along with Supplementary Study Paper-2016** explaining the amendments made by the Finance Act, 2016 and significant notifications and circulars issued upto 30.4.2016. The amendments in the Supplementary Study Paper 2016 have been grouped chapter-wise in line with the Study Material to facilitate combined reading therewith.

2. Practice Manuals – DTL & IDTL (December 2016 Edition), wherein the questions have been modified/adapted and answered on the basis of the provisions of tax laws as amended by the Finance Act, 2016.

3. Select Cases in DTL & IDTL, 2016 – September 2016 Edition, wherein select significant Supreme Court and High Court decisions in direct and indirect tax laws, which are relevant in the context of tax laws as amended by the Finance Act, 2016, have been reported. This publication has also been divided chapter-wise in line with the Study Material, to facilitate combined reading therewith.

All the above publications have also been hosted at the BOS Knowledge Portal on the Institute's website www.icaai.org.

MASKS

All people wear a mask
 Why? You are not supposed to ask
 Being yourself is a thing of past
 You need to be sailing keeping high the mast.

Original ideas are the things that last
 But innovations is a thing of past
 Adhering to the guidelines and doing your task
 Making sure that the truth shall not unmask

People find happiness in many things
 Can't do them, cause they strive for lives of kings
 All what people want is material pleasures
 Working for which they miss life's real treasures

Ask all freshers, they want to do something different
 Due to rat race, they get nothing indifferent
 That's when people face mid life crisis
 And then they start taking decisions unrighteous



Deep Dehadray

ICAI Student Reg.No. WRO0500202

The mask should be given a rest
 Let us learn through life's tests
 If everything which happen is meant with a reason
 Then why believe people around you are
 committing high treason

Let life just go with the flow
 Through which we can definitely grow
 Allow yourself to roam in the woods free
 In the end whatever will be, will be.....

SAFAR



Sakshi Gupta

ICAI Student Reg.No. CRO0513234

Khoobsurat safar kabhi aasaan nahi hota,
 Naa hi kharab paristhiti arth heen hoti hai.
 Manzil ke safar main milne wali har cheez
 Behad haseen hoti hai.

Andhero ko bhi ujaalo ki darkaar hai,
 Manzil ke beech aane wali har cheez darkinar hai
 Andhero ko cheerne ki junoniyat hi
 kuch alag hoti hai

Zindagi ke safar main
 raahen kaha khatm hoti hai
 Khwahishe jaha khatm hon
 manzil to bus waheen hoti hai.

Maathe pe naseeb or haathon mein lakiren
 hi sab kuch nahi hoti hai
 Kyunki kismat unki bhi hoti hai
 Jinke haath nahi hote hai.

CROSSWORD-FEBRUARY 2017

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ACROSS

- Computer Hard disk was first introduced in 1956 by ____.
- The condition for employment of minimum number of employees for availing deduction under section 80JJAA is proposed to be relaxed from 240 to 150 in case of an employer engaged in business
- For example in Latin.
- ____: compiled English-like computer programming language designed for business use.
- Four in Roman numeral.
- A Konkani state of India which is a famous tourist spot.
- The second-oldest high-level programming language.
- A demand curve shows an inverse relationship between ____ and quantity demanded.
- A machine, especially one programmable by a computer, capable of carrying out a complex series of actions automatically.
- A rating given by credit rating agency.
- A report which helps lenders to evaluate loan applications.
- English article.
- CENVAT credit is not to be used for payment of -----cess.
- An organization that operates independently of any government, typically one whose purpose is to address a social or political issue.
- Fifty six in Roman numeral.
- Murder.

- A video codec developed by Intel in 1992.
- Used as a call to hail another ship.
- Central
- Margin of safety is the difference between the expected level of ____ and the break-even sales.
- Total no. of pins in serial Port.
- Conduct of the people observed on uniformity and voluntary basis

DOWN

- A transnational non-profit, non-governmental organization founded in 1995 that carries out field research on violent conflict and advances policies to prevent, mitigate or resolve conflict.
- Time ____ basically records the details of work done and the time spent by workers on each job or process.
- ____ degree originated in the United States in the early 20th century when the country industrialized and companies sought scientific approaches to management.
- Cost ____ is the allotment of whole item of cost to a cost centre or cost unit.
- Previously used symbol for Indian currency.
- The official unit of currency in Italy until January 1, 1999.
- Extreme happiness.
- By way of
- A long-legged wading bird.
- ____ is the term to ask the computer to put information in order numerically or alphabetically.

- ____ Association is a formal organization composed of parents, teachers and staff that is intended to facilitate parental participation in a school.
- As per clause (x) of Para 3 of CARO, 2016, the auditor shall include a statement on whether _____ on the Company by its officers or employees has been noticed during the year.
- Export rebate is not allowed when ____ market price of goods exported is less than the rebate claimed.
- To ____ means to lift largish parts of a paste / batter with a flat spatula, and gently placing it in an adjoining place.
- Impulsive
- Plaything
- ____, in short, refers to the code generated for the purpose of electronic verification of the person furnishing the return of income as per the data structure and standards specified by Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems).
- Prefix added to the start of a word indicating poison.
- A monopoly can never earn ____ in the long run.
- When changes in price and quantity demanded are substantial, we use ____ elasticity method for finding elasticity.
- Precious stone.



ICAI Vice President, CA. Nilesh S. Vikamsey and Board of Studies Chairman, CA. Babu Abraham Kallivayalil with the participants of the 50th and 51st Batch of Residential Programme on Professional Skills Development at CoE, Hyderabad.



National Convention for CA Students, Mumbai: ICAI President, CA. M. Devaraja Reddy, Vice President, CA. Nilesh S. Vikamsey, Board of Studies Chairman, CA. Babu Abraham Kallivayalil, Vice Chairman, CA. Dhiraj Kumar Khandelwal with Chairman & Managing Director, RRB Energy Ltd., Shri Rakesh Bakshi. WIRC Chairperson, CA. Shruti Shah and WICASA Chairman, CA. Pradeep Agrawal also seen.



National Convention for CA Students, Udupi. ICAI President, CA. M. Devaraja Reddy with Karnataka Minister of Fisheries & Sports, Shri. Pramod Madhwaraj at the inaugural function. Central Council Members, CA. Madhukar N. Hiregange, CA. M. P. Vijay Kumar, SIRC Chairman, CA. E. Phalgun Kumar and Branch Chairman, CA. Ganesh B. Kanchan also seen.



National Conclave for CA Students, Pimpri Chinchwad. Board of Studies Chairman, CA. Babu Abraham Kallivayalil and Central Council Member, CA. S. B. Zaware at the inaugural function. Branch Chairman, CA. Suhas Gardi and WICASA Chairperson, CA. Prajakta Chincholkar also seen.



National Convention for CA Students, Surat: Board of Studies Chairman, CA. Babu Abraham Kallivayalil with Surat Smart City CEO, N. Nagarajan at the inaugural function. Central Council Members, CA. Jay Chhaira, CA. Rajesh Sharma and branch WICASA Chairman, CA. Abhishek Mittal also seen.



ICAI President, CA. M. Devaraja Reddy with the student volunteers of the International Conference for CA Students at Hyderabad.



National Convention for CA Students, Gurgaon: Haryana Chief Minister, Mr. Manohar Lal Khattar being honoured with a memento at the inaugural function. State PWD Minister, Rao Narbir Singh, Member, Legislative Assembly, Mr. Umesh Aggarwal, Central Council Members, CA. Atul Gupta and CA. Sanjiv K. Chaudhary also seen.



National Convention for CA Students, Thane: Board of Studies Chairman, CA. Babu Abraham Kallivayalil addressing the inaugural function. Vice Chairman, CA. Dhiraj Kumar Khandelwal and Thane Branch Chairman, CA. Mahavir Jain also seen.



National Convention for CA Students, Pune: Board of Studies Chairman, CA. Babu Abraham Kallivayalil, Chief Guest, Mr. Kishor Chaukar-Ex-MD, Tata Sons Ltd., Central Council Member, CA. S.B. Zaware, WIRC Chairperson, CA. Shruti Shah and Pune Branch Chairperson, CA. Rekha Dhamankar at the inaugural function.

If undelivered, please return to: The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi-110104