



The Institute  
of Chartered  
Accountants of  
India  
(Set up by an act of  
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# The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events

## UNION BUDGET 2017-18

- CA is the only commerce course, which opens up avenues for making a career in any field.
- ICAI study material - Key to my success in exams.

**Eti Agarwal**  
First Rank Holder,  
CA Final, November 2016



## GLIMPSES ||



Convocation- Delhi: New Vice President, ICAI, CA. Naveen N.D. Gupta, Central Council Members, CA. Sanjay Kumar Agarwal and CA. Sanjiv Kumar Chaudhary at the Certificate distribution ceremony.



Convocation- Mumbai: New President, ICAI, CA. Nilesh S. Vikamsey along with the new Vice Chairman, Board of Studies, CA. Mangesh Kinare, Central Council Members, CA. Anil Bhandari, CA. Prafulla Chhajed, CA. Tarun Ghia, CA. Nihar Jambusaria, Chairman, India Info line, CA. Nirmal Jain and WIRC Chairperson, CA. Shruti Shah at the inaugural ceremony.



Left: Convocation, Mumbai: Distribution of Certificates: New President, ICAI, CA. Nilesh S. Vikamsey, new Vice Chairman, Board of Studies, CA. Mangesh Kinare, Central Council Members, CA. Anil Bhandari, CA. Prafulla Chhajed, CA. Tarun Ghia, CA. Nihar Jambusaria and WIRC Chairperson, CA. Shruti Shah seen in picture. Right: A view of the audience.



Convocation - Hyderabad: Immediate Past President, ICAI, CA. M. Devaraja Reddy distributing Certificate to the newly qualified member. Central Council Member, CA. M. P. Vijay Kumar also seen.



National Conclave, Bhilai: The then Vice Chairman, Board of Studies, CA. Dhiraj Kumar Khandelwal releasing the Souvenir. Central Council Member, CA. Kemisha Soni, Director Bhilai Institute of Technology, Shri I. P. Mishra, Chairman, Bhilai Branch, CA. Mahavir Jain also seen among the dignitaries.

## || PRESIDENT'S COMMUNICATION



### My Dear Students,

I am delighted to communicate with you as the President of this esteemed/premier Institute, which ranks amongst the best in the world and holds the coveted position of being the second largest accounting body in the world. I would like to express my heartfelt gratitude to the Council and the CA fraternity for trusting me with a profound responsibility of serving in the best interest of members, students, and the profession. I truly believe that with your active participation and unflinching support and guidance of our members, we shall together add a new chapter in the echelons of our esteemed Institute.

My predecessors have set high benchmarks and accomplished a lot. I pledge to continue the good work to the best of my ability for the growth of accounting education and profession, enhancing its public image and value in our society.

#### Plan your future

As a student of this coveted profession, you must never let your eyes off your focus. Devise a **Macro Plan** for the year **2017**. Set your **goals** and sub goals as **milestones**. Prepare a timeline for academic pursuits, allocating time for all the subjects/topics. **Micro plan** for each month/week/day including planning for contingencies and emergencies. Set your monthly/weekly/daily targets. Identify your strengths to formulate a strategy and devise a daily regimen to guide you in your efforts. Remember- *A goal without a plan is just wishful thinking.*

#### Enhance your Knowledge

Enhancing knowledge on a continual basis is imperative, as it gives you a perspective for academic as well as professional growth. Strive to not only acquire knowledge but also share it by exchanging through discussions and debates. This fosters collaborative learning, making each one of you realize your skill gaps. Self-realization exhorts you to make concerted efforts towards self-development by acquiring new skills, making you a better student/learner in the process.

You must understand that mere subject specific knowledge will not suffice; you need to keep abreast with the current economic and business developments, discuss them with your peers, teachers and mentors to understand the business environment. You must realize that any development big or

small in economy, industry or policy either local or global, influences the profession.

#### Practical training: Your learning turf

While theoretical knowledge provides the necessary foundation, practical training imparts the necessary skill to apply that knowledge in actual practice to maximize learning and value creation/addition. It enables you to widen your knowledge spectrum about various avenues in the accounting profession and choose one according to your interest and aptitude, so that you can become a part of value chain in your respective chosen area. Besides technical expertise, practical training not only inculcates self-discipline but also helps to improve your application skills, whet your communication/articulation and negotiation skills enabling you to make a smooth transition from a student to a well-rounded professional. In fact, good practical training is the differentiation of the course.

#### Invest in Yourself

Setting and achieving great goals require great plans and even greater preparation. **Determination, courage, and perseverance** are character traits that will help you achieve your goals and succeed. **Read something new every single day**; cultivate a habit of reading to enhance your knowledge and inspire yourself. **Document your successes**, maintain a success journal, this will forge a positive mindset and motivate you to stay focused. **Value your time**; avoid procrastination and define stringent deadlines. **Work Smart**, prioritize your tasks; **Track your progress** to check whether you are keeping up with the schedules. **Push your Limits**, bringing out the best in you. *Plan, Strategize and Study hard, and success will follow!*

#### Institute: Your Alma Mater

We at ICAI are committed to facilitate learning resources, infrastructure and services to the stakeholders. To position our chartered accountants at par with chartered accountants from international accounting bodies, Board of Studies, ICAI is streamlining the course curriculum in line with international educational standards and international practices. Comprehensive training programmes have been introduced to skill up our students with an objective to develop them holistically. Timely delivery of students' services and effective guidance has always been our priority. Taking the commitment further, we are harnessing technology to reach out to all our students especially those based in the remote parts of the country.

I am quite hopeful that our continual endeavors towards strengthening the system will benefit you. Our initiatives will further be instrumental in empowering you to become accomplished professionals.

*The future belongs to the competent, get better and better till you become the Best!*

Best Wishes to you and your families for a Colourful Holi !

A handwritten signature in black ink, reading "N. S. Vikamsey". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

## VICE PRESIDENT'S COMMUNICATION ||



**Dear Students,**

**I**t is my pleasure to write this message to you as Vice President of the Institute. I am fully aware that the present role is much wider and bigger in terms of responsibilities. I hope and believe that with the active participation and sincere support of our esteemed members, our Institute will be able to set new milestones of towering success in times to follow. I am fully aware that you are at the threshold of your career, where you can make important decisions to mould it. In the emerging highly competitive world, there is obvious need to produce dynamic minds that can adapt to the changing scenario and complex situations and are innovative enough to face the diverse challenges effectively. In this context and direction, I am quite satisfied with the multifarious activities and steps initiated by the Board of Studies, which are aimed at exploring your potential.

In the era of globalization, the perception of a Chartered Accountant has totally changed. The Chartered Accountants of today are expected by the society to provide total business solutions. Now a Chartered Accountant is not confined to the corridors of accounting. He has moved into the realm of general management and it is not surprising to see that many Chartered Accountants adorn the positions of CEOs and CFOs. Therefore, I should congratulate you for your wise decision to take up this extremely prestigious professional course.

Being the budding CA professional, a great onus lies on your shoulders. I know that you are capable enough to live up to our expectations and hence completely gear up to work in the changing environment and will be able to meet all the deadlines. For achieving all-round excellence in the personal and professional ring, our Institute offers latest professional courses that provide numerous opportunities of professional enhancement

and at the same time, update your personal and professional skills. I am confident that you will take an earnest note of the social and economic development and contribute your share in an exemplary way so that our motherland will be able to illuminate the rest of the world with its crowning glory of knowledge and wisdom.

The Institute is fully aware of its onerous responsibilities to provide highest form of professional education to its students. The Board of Studies is continuously engaged in evolving and implementing a number of proactive measures for the benefit of students. The four weeks Residential Programme at the Centre of Excellence, Hyderabad has been appreciated by the student community. The course has been successful in developing the soft skills of the students. They have become much more management oriented, have learnt the art of working as a team and have considerably improved their communication skills. In this critical time of economic slowdown, students are expected to work earnestly on acquiring multifarious skills.

The young Chartered Accountants will have to work in a seamless manner to acquire holistic knowledge. In a global environment, professionals must learn to create synergy in cross-cultural working relationship. In the changed world order, the emphasis has shifted from process to outcome. So, you need to gear up your focus and work on your strengths and try to convert your weaknesses into strength.

There is no shortcut for success except hard work. But hard work should be correlated with smart work. Positive thinking, self confidence, enthusiasm, elevated spirits and persistent efforts are the integral parts of a successful professional life. The word success appears to be very simple to pronounce and spell out but contrary to this, it requires lots of painstaking and persistent efforts to make it worth meaning and enjoyable. I know that you are brimmed up with lots of potential, so acknowledge and unleash your skills in the overall development of your personality.

Wishing you all, a very wonderful and cheerful Holi festival.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Naveen N. D. Gupta'.

**CA. NAVEEN N. D. GUPTA**  
VICE PRESIDENT, ICAI, NEW DELHI

## || CHAIRMAN'S COMMUNICATION



### My Dear Students,

**F**irst thing first. Given the commitment of many of you towards course revision to make the same globally competitive, I appreciate your willingness to permit me to share some of my thoughts with you upon my selection as The Chairman, Board of Studies – an important pillar of our beloved Institute – for the Council Year 2017-18. Since almost all of you are well aware of the initiatives undertaken by the Board of Studies shared by my predecessor-in-office, this communication is generic in nature and shares with you some of my thoughts. Before proceeding further, I place on record my gratitude to CA. Nilesh Shivji Vikamsey, President, and to CA. Naveen N. D. Gupta, Vice-President, in particular, and to my colleagues in the Council of the Institute, for the trust reposed in me by selecting me to lead the Board of Studies. With the able assistance of my worthy Vice-Chairman and fellow members in the Board of Studies, we will, I am sure, **match their expectations**.

Our – the Chartered Accountancy – profession is a pioneer one, which blends education and training. Although certain other professions too have internship, the duration of, and, the diversity of learning activities, of our profession make our article-ship unique. In our profession, a student is not required to go to a school or a college, but to his principal who devotes individual attention to each of his limited number of articulated assistants. On the part of the articulated assistants, they too dedicate themselves. In this process, we continuously upgrade our knowledge and skills – especially in this era of both specialization and fast changing development. *Seva* (Service) to students at their door steps will facilitate taking the above commitment to the next level. To kick start the process, and to begin with, 'nukkad' (small) meetings have recently been organized at Jodhpur, Gurgaon, Guwahati, Gandhidham and Ratnagiri. The participation and the suggestions of students in these 'nukkad' meetings have been encouraging. Students too have a vital role to play here. They need to share with us their feelings and thoughts

on an on-going basis. We shall try and respond back individually to the suggestions.

We are in process of developing the vision document for 2017-18 which can set the road map for next ten years. Very soon you will find enrichment of course contents, Study Material, E-lectures, focus on Presentation Skills and related aspects to equip our students into more vibrant professionals.

Student's Journal always remained a source of knowledge for our students. Now onwards, our student journal will carry capsule points for one subject each month which will enable our students for exam preparation. We congratulate Ms. Eti Aggarwal, first ranker for November 2016 Final Exam and will continue to recognize student's achievements in every issue.

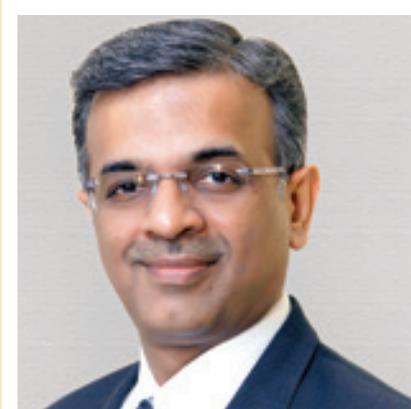
It is essential for us to always remember our parents, elders and principal. Their role in our life has been vital and without their kind support, we would not get anywhere. Their blessings do wonders to the efforts put in by us.

Since the examination are around the corner, let me share with you an important formula that I read somewhere. The formula is  $E + R = O$ . E denotes 'event', R denotes 'response' and O denotes 'outcome'. The underlined idea is that whatever we experience – be it a success or otherwise, it is the result of how we responded to an earlier event that occurred to us. Where the outcome is not to our liking, we may find a number of situations to pin point the blame on such an outcome. But the fact remains that nothing is thrust on us but the result of choices made. If a choice made is right, the outcome has got to be right too. Let us, with all the strength at our command, renew and cement our resources so as to be able to not only succeed but accomplish the outcome we look forward to. Globally renowned Deepak Chopra says *If you focus on success, you will have stress. But if you pursue excellence, success will be guaranteed*. Nothing comes for free and every single thing is to be paid the price for. There are innumerable examples where people despite many odds against them succeeded – greatly succeeded! A success story has a trail of education, training, practice, and discipline. As goes the saying, *Pain is only temporary, the Benefits Last Forever*.

Looking forward to addressing you as colleagues in not too distant a future!

Happy Colorful Holi and with Best Wishes

**CA. ATUL K GUPTA**  
CHAIRMAN, BOARD OF STUDIES, ICAI



**CA. NILESH SHIVJI VIKAMSEY**

PRESIDENT  
ICAI 2017-18

A person of professional vigour, high integrity and technical expertise, **CA. Nilesh Shivji Vikamsey** has been elected President of The Institute of Chartered Accountants of India (ICAI) by its 23rd Council for the term 2017-18 on 12th February 2017. While serving the ICAI Council as member since 2010 and then as Vice-President of the Institute in 2016-17, he has proven his strength as a formidable professional. Having gained deep insights into the profession as a fellow member of the ICAI with more than 30 years of impeccable professional standing, he is widely commended and credited for his key role in student uplift activities and conceptualisation and devising of a new futuristic CA Curriculum.

A selfless hard-worker and down-to-earth personality bestowed with exceptional professional prudence, organisational, administrative and leadership skills, CA. Nilesh S. Vikamsey has been elected to the Central Council for three consecutive terms, i.e. 2010-13, 2013-16 and 2016-19. As a Council Member, he has exceptionally served the ICAI and the accountancy profession as Chairman of Board of Studies, Financial Reporting Review Board, Research Committee and Expert Advisory committee. He has also been noted for his distinguished contribution in the capacity of Vice Chairman of Corporate Laws and Corporate Governance Committee, Committee on Accounting Standards for Local Bodies, Committee on Banking Insurance and Pension, and Committee on Information Technology in the past.

Besides, CA. Nilesh S. Vikamsey has also effectively served the cause of accountancy profession as a member of 27 ICAI committees during his tenure as

Council Member so far. These committees include the Executive Committee, Finance Committee, Accounting Standards Board, Auditing and Assurance Standards Board, Committee for Cooperatives and NPO sectors, Committee on Economic, Commercial Laws and WTO, Committee on International Taxation, Committee for Members in Industry, Professional Development Committee and Management Committee. Other such committees have been Disciplinary Committee (under Section 21B), Examination Committee, Audit Committee, Internal Audit Standards Board, Public Interest Advisory Committee, Peer Review Board, Continuing Professional Education Committee, Technology Development Committee, Committee on Vision and Restructuring, Ind-AS (IFRS) Implementation Committee, International Affairs Committee, Indirect Taxes Committee, Editorial Board, Committee on Government Accounting and Committee on Management Accounting.

CA. Nilesh S. Vikamsey has always dazzled his fellow members with his humble down-to-earth approach to connect with people, and brilliant and uninterrupted service to the profession. A resident of Mumbai, he has actively partnered in the growth of the nation and the profession as member and first Chairman of the Qualified Audit Report Committee (QARC) of SEBI, and as a member of Committee on Disclosures and Accounting Standards (SCODA) of SEBI, LLP Committee of Ministry of Corporate Affairs (MCA), Committee Constituted by Ministry of Corporate Affairs pertaining to certain issues raised regarding applicability of foreign investment in the LLPs, Committee for Digitisation of Balance Sheet & Annual Reports filed with MCA through MCA-21, Working Group for developing Indian Specific ACORD Standards for the Indian Insurance Market of IRDA, Committee on Road Map for Risk Based Solvency Approach in Insurance of IRDA, First Chairman of the then newly formed Corporate Members Committee of The Chamber of Tax Consultants (CTC) and also on the Managing Council of CTC in 2007-08, Project Implementation Committee to pursue the implementation of 'Accrual Accounting' in the Ministry of Road Transport & Highways constituted by Ministry of Road Transport & Highways and Ministry of Shipping, Merger & Acquisition (M&A) Council constituted by ASSOCHAM. He has been appointed Chairman of the Board of Directors of XBRL India and ICAI-Accounting Research Foundation (ARF). He is also a Director on the Board of Indian Institute of Insolvency Professionals of ICAI (IIPI). He is ICAI's representative on Government Accounting Standards

Advisory Board (GASAB) for Union and the States constituted by C & AG of India and also representing ICAI on XBRL Technical Advisory Committee (XTAC) of SEBI.

A proponent of putting Indian accountancy profession on global map, CA. Nilesh S. Vikamsey has passionately represented the profession on the international front at several global meetings

and conferences. With a global outlook and vision, he has been appreciated for his work as Chairman of Education & CPD Committee of South Asian Federation of Accountants (SAFA) and as Representative of ICAI on the Committee for Improvement in Transparency, Accountability and Governance (ITAG) of SAFA. In addition to serving as member of AOSSG (Asian-Oceanian Standard-Setters Group), he has also been serving as Technical Advisor of the ICAI nominee to the IFAC's SMP Committee.

As President of ICAI, CA. Nilesh S. Vikamsey is now the Chairman of all Standing Committees of the ICAI including Executive, Finance and Examination Committees and the Presiding Officer of Board of Discipline (under Section 21-A), Disciplinary Committee (under Section 21-B) and Chairman of Disciplinary Committee (under Section 21D). He is also an ex-officio Member of all Non-Standing Committees of the ICAI and Editor of *The Chartered Accountant* journal. He is also the new Chairman of Board of Directors of ICAI-ARF (Accounting Research Foundation) as well as of XBRL India. He is also on the Boards of several reputed companies/

corporates and banks.

A propagator of harnessing professional skills for the growth of the nation and society, CA. Nilesh S. Vikamsey has also been closely associated with Indian Merchants Chamber, WIRC of ICAI, The Chamber of Tax Consultants, Bombay Chartered Accountants Society, and Bombay Chamber of Commerce & Industry, as a key contributor in many ways. He has also been a Member/Convenor of more than 15 Study Groups formed by the ICAI including the Group for suggesting Uniform Accounting Policies to RBI for Asset Reconstruction Companies, Group for Suggestions on Companies Act, 2013 and Electoral Reforms Group and Group for Review of Examination Process.

A thorough professional, CA. Nilesh S. Vikamsey holds a Diploma in Information System Audit (DISA) of the ICAI besides having done Business Consultancy Studies course of the Bombay Chartered Accountants Society jointly with Jamnalal Bajaj Institute of Management Studies (JBIMS), Mumbai.

As an avid academic, CA. Nilesh S. Vikamsey has addressed and contributed to numerous national and international seminars and conferences on the issues of professional interest. He has been a Founder Member and Core Committee Member of Chembur Chartered Accountants Study Circle of WIRC, which had won the Best Study Circle Award consistently for over a decade. He is a Trustee at Sayagyi-U-Ba-Khin Memorial Trust (Vipassana International Academy) and at few other educational trusts in Mumbai. ■

## Toppers of Chartered Accountants Intermediate (IPC) Examination November-2016



**REKHA G. SUTHAR**  
First, Pune



**AAYUSH AGARWAL**  
Second, Kolkata



**SHIVKRISH V**  
Third, Chennai

*Our Hearty Congratulations*



**CA. NAVEEN N. D. GUPTA**  
VICE PRESIDENT,  
ICAI 2017-18

A man of professional wisdom, vision and strong organisational skills with a firm belief in all-inclusive growth of Indian accountancy profession, CA. Naveen N. D. Gupta is the new Vice-President of The Institute of Chartered Accountants of India (ICAI) for the term of 2017-18. He has been elected Vice-President of ICAI by the 23rd Council of the Institute on 12<sup>th</sup> February 2017.

An all India Rank Holder and a member of the ICAI since 1996, CA. Naveen N. D. Gupta is widely commended and credited for his facilitating role in making the Income Declaration Scheme, 2016 a success, in close coordination with the Government of India which was acknowledged by the Finance Minister through tweet.

CA. Naveen N. D. Gupta has always amazed his fellow members with his youthful and down-to-earth approach towards profession. A resident of New Delhi, CA. Gupta has been elected for a straight third term of the Central Council of ICAI (2016-2019), the earlier terms being 2010-13 and 2013-16. As a Council Member, he has served the ICAI as Chairman of various committees including Direct Taxes Committee, Public Relations Committee, Committee on Economic, Commercial Laws & WTO, Peer Review Board, and Committee for Capacity Building of CA Firms and Small & Medium Practitioners. He has also been appreciated for his distinguished contribution as Vice-Chairman of Audit & Assurance Standard Board, Professional Development Committee, Internal Audit Standards Board, Continuing Professional Education Committee, and Board of Studies.

An articulate professional and contributor, he has effectively served the cause of accountancy profession as member of several ICAI committees during his tenure as Council Member so far, which include Disciplinary Committee (under Section 21B), Accounting Standards Board, Examination Committee, Committee on International Taxation, Expert Advisory Committee, and Committee on Public Finance & Government Accounting.

Known for his technical contribution in many subjects, he steered the drafting of IFRS compliant Schedule III to the Companies Act, 2013, Ind- AS compliant Schedule III for NBFC, Ind-AS -114 on Regulatory Deferral Accounts and Guidance Note on Accounting for Rate Regulated Activities as Convenor. He was also Convenor of ICAI Group to assess Impact on business of moving to New Finance Year for submitting suggestions to Acharya Panel of Government of India. He is also credited for initiating and starting two Certificate Courses on "Intellectual Property Rights" and "Anti Money Laundering Laws" for ICAI.

He represented ICAI in many important committees constituted by the Government Ministers/Regulators and contributed important suggestions for the overall benefit of the economy. He represented ICAI on Committee for Preparation of Manual for the guidance of Official Liquidators of Ministry of Corporate Affairs (MCA), Bimal Jalan Report Implementation Technical Committee of MCA to advise Government of India on ownership and governance of Market Infrastructure Institutions (MII), Standing Committee on TDS, Central Board of Direct Taxes to advise Government of India on improving compliance of TDS provisions and also Member of high powered Group under Chairpersonship of Additional Secretary (Revenue) to make the legislative and administrative framework of the country more effective and capable of handling the new evolving threats to prevent money laundering including black money and shell companies and countering financing of terrorism.

Having multifarious skills, CA. Naveen N. D. Gupta has been widely commended for exhibiting professional brilliance at all assigned tasks and responsibilities at national as well as international levels. Towards enhancing branding and recognition at global arena, he has been instrumental in organising India – African Partnership: Conclave with Ambassadors / High Commissioners of African Continent Nations wherein representatives of various African countries have participated, and also organized Global Exhibition on Services which provided an effective platform to showcase Indian Accounting Profession. A proponent of putting Indian accountancy profession on global map, he has passionately represented the profession on international circuit at a number of global platforms including Committee on Harmonisation of Fiscal & Tariff Regimes at South Asian Federation of Accountants, IFAC's International Accounting Education Standards Board as an observer, International Congress of International Institute of Administrative Sciences, Mexico, Annual Congress of European Federation of Accountants & Auditors in Amsterdam, and Annual Congress of Global Reporting Initiative in Amsterdam and WTO Public Forum at WTO Headquarters at Vienna.

Widely known for his professional acumen and technical expertise, CA. Gupta has addressed and contributed to numerous national and international seminars and conferences on the issues of professional interest.

As the Vice President of the ICAI, CA. Naveen N. D. Gupta is now the Vice-Chairman of all Standing Committees of the ICAI including Executive, Finance and Examination Committees, and the ex-officio Member of all Non-Standing Committees of the ICAI and Joint Editor of *The Chartered Accountant* journal. He is also Director in ICAI-Accounting Research Foundation and XBRL India. ■



**CA. ATUL KUMAR GUPTA**  
CHAIRMAN, BOARD OF STUDIES  
ICAI 2017-18

of the Institute. **He is also a member of the Advisory Committee for GST in GSTN Board (Government of India IT Initiative for implementation of GST in India) besides**, Member of the Finance Committee of Delhi Management Association.

He has served as Chairman of the NIRC of two prestigious institutes, Institute of Chartered Accountants of India (2010-11) and Institute of Cost Accountants of India (2004-05). Mr. Gupta is also the Director of Accounting Research Foundation (ARF) of ICAI for promoting research in the fields of Accounting and XBRL India.

Mr. Gupta represented ICAI in SAFA, The Institute of Chartered Accountants of England and Wales, CIOT and FRC (UK), CPA (Ireland), XBRL International, American Accounting Association for various Professional development initiative.

**M**r. Atul Kumar Gupta is a fellow member of the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India, besides a Law Graduate. He is also member of various other professional bodies and Institutions. A thorough scholar, Mr. Gupta secured All India Rank at the CA Intermediate level. He has addressed more than 900 Seminars, workshops & conferences, organized by Various Professional Bodies, Institutions and Trade & Professional Associations & Chambers across India. He has been awarded many times for his contribution to the profession. He is also the founder of a weekly updates – “Do You Know Series” (DYKS) relating to Indirect Taxes.

**Mr. Gupta has authored several books, few of prominent ones are:**

1. Comprehensive Guide on Service Tax (14<sup>th</sup> Edition).
2. GST- Concept and Road Map (2<sup>nd</sup> Edition) *forwarded by Finance Minister of India.* with Lexis Nexis Publisher.

His articles have also been published in leading newspapers and various professional magazines across the country.

Presently, Mr. Gupta is a Central Council Member of the Institute of Chartered Accountants of India and Chairman of the Board of Studies and IT Committee of ICAI besides member of more than 15 Committees

#### Special Achievements

- ◆ As Director of Accounting Research Foundation of ICAI acted as Project Leader for **first ever project of conversion from Cash basis to Accrual based Financial Statement of Indian Railway**. Financial Statement for NWR Zone of Indian Railway released by Hon'ble Minister of Railways.
- ◆ As Director of XBRL India, represented India at XBRL International at various forums.
- ◆ As Consultant to Ministry of Power, conducted a **“comprehensive study on Impact of GST on power Sector”** and represented before GST Council, Government of India.
- ◆ Served as Chairman of Indirect Taxes Committee of ICAI for two consecutive year i.e. 2014-15 and 2015-16.
- ◆ Presently chairing a special task force in ICAI named **“Cost Optimization”** to bring in Concept of “Outcome Budgeting”.
- ◆ Special Research conducted on a very important topic; **“How to augment revenue in local bodies”** to strengthen the back-bone of financing and community living in the Country.
- ◆ Special Research conducted on **“early signal of fraud in banking Sector”** to handle the menace of NPAs.
- ◆ Special Research conducted as Chairman, Indirect Taxes Committee on **“Impact of GST on Jammu & Kashmir”** and showcased the benefit for the State on implementation of GST there. ■



**CA. MANGESH P. KINARE**  
VICE CHAIRMAN, BOARD OF STUDIES  
ICAI 2017-18

**M**angesh Pandurang Kinare is a Bachelor of Commerce and a Law Graduate. He is a Fellow Member of the Institute of Chartered Accountants of India. He also possesses the qualification of DISA (ICAI). He has been in practice for more than 25 years and the core area of his practice is on Service Tax, Audit and Consultancy.

A thorough academician, he had been a Lecturer of Accountancy in a leading Commerce College in Mumbai for nearly a decade and also a visiting faculty of Accountancy in reputed management colleges in Mumbai for two years. He had also delivered Lectures and Presented Papers at seminars organized by various Branches and study circles of WIRC of ICAI on Service Tax, Accounting Standards, Bank Audit and Co-operative Audit. He has delivered Lectures and is Panel Speaker at Refresher Courses of Mumbai University Staff Training.

He had also been appointed by Education Ministry of Govt. of Maharashtra, as a member of 'Fee Regulation Committee' for regulation of fees in Schools in Maharashtra.

He was elected to the Central Council of ICAI for the term 2016-19. He served as a member of Executive Committee of ICAI (2016-17) and as member of a Bench of Disciplinary Committee of the Institute. He has also served as Vice Chairman of Committee of Co-

operatives & NPO in addition to serving as member of various other Committees such as Board of Studies, Direct and Indirect Tax and Auditing and Assurance Standard Board and Internal Audit Standards Board and this year as Vice Chairman, Board of Studies. He has also been nominated as member of 16 other Committees and as Deputy Convener of Women Members Empowerment (Sub-Group under CCBMP).

Before his election to the Central Council, he has served as Chairman of Western India Regional Council during 2013-14 and as Secretary of WIRC during 2010-11. He had also served as Member of WIRC for three consecutive terms.

He had also served as Chairman of various important Committees of WIRC of ICAI.

He was instrumental for **the introduction of CPT Mock Test on OMR Sheets first time in ICAI in 2010**. He was the Pioneer in starting GMCS Course on in house basis in WIRC. As Chairman of Research & Publication Committee, he gave a new look to WIRC Reference Manual.

A person with a journalistic bend of mind, he has contributed several articles on Service Tax in Marathi Dailies and has been an expert speaker on Service Tax and Budget in Panel Discussions of various TV channels. ■

## EDITORIAL BOARD

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## SWACHH BHARAT - A STEP TOWARDS CLEANLINESS

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# Highlights of Economic Survey 2016-17

The Union Finance Minister, Mr. Arun Jaitley presented Economic Survey 2016-17 in the Parliament recently. This year's Economic Survey came in the wake of a set of tumultuous international development- Brexit, political changes in advanced economies and two radical policies at home- Demonetization and GST. The Economic Survey says economic growth to return to normal as new currency notes in required quantities come back into circulation and follow-up action on demonetization is taken.



The Indian Economy has sustained a macro-economic environment of relatively lower inflation, fiscal discipline and moderate current account deficit coupled with broadly stable rupee-dollar exchange rate. Such sustenance is despite continuing global sluggishness. It says:

- ◆ As per the advance estimates released by the Central Statistics Office, the growth rate of GDP at constant market prices for the year 2016-17 is placed at 7.1 per cent, as against 7.6 per cent in 2015-16. This estimate is based mainly on information for the first seven to eight months of the financial year. Government final consumption expenditure is the major driver of GDP growth in the current year.
- ◆ Fixed investment (gross fixed capital formation) to GDP ratio (at current prices) is estimated to be 26.6 per cent in 2016-17, vis-à-vis 29.3 per cent in 2015-16.
- ◆ For 2017-18, it is expected that the growth would return to normal as the new currency notes in required quantities come back into circulation and as follow-up actions to demonetisation are taken. On balance, there is a likelihood that Indian economy may recover back to 6 ¾ per cent to 7 ½ per cent in 2017-18.

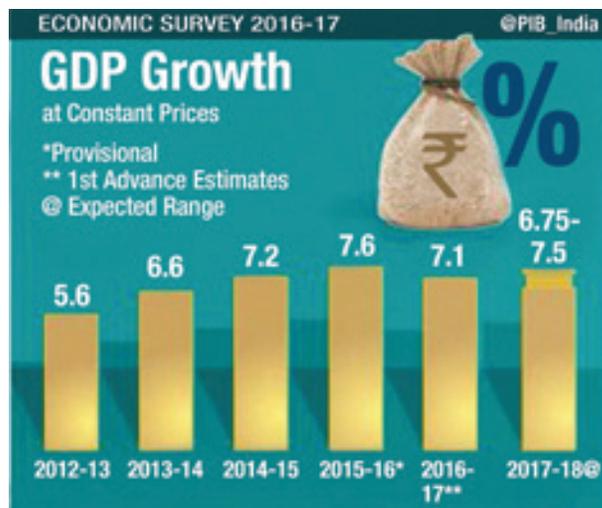
## Fiscal

- ◆ Indirect taxes grew by 26.9 per cent during April-November 2016.
- ◆ The strong growth in revenue expenditure during April-November 2016 was boosted mainly by

a 23.2 per cent increase in salaries due to the implementation of the Seventh Pay Commission and a 39.5 per cent increase in the grants for creation of capital assets.

## Prices

- ◆ The headline inflation as measured by Consumer Price Index (CPI) remained under control for the third successive financial year. The average CPI inflation declined to 4.9 per cent in 2015-16 from 5.9 per cent in 2014-15 and stood at 4.8 per cent during April-December 2015.
- ◆ Inflation based on Wholesale Price Index (WPI) declined to (-) 2.5 per cent in 2015-16 from 2.0 per cent in 2014-15 and averaged 2.9 per cent during April-December 2016.
- ◆ Inflation is repeatedly being driven by narrow group of food items, of these pulses continued to be the major contributor of food inflation.
- ◆ The CPI based core inflation has remained sticky in the current fiscal year averaging around 5 per cent.



## Trade

- ◆ The trend of negative export growth was reversed somewhat during 2016-17 (April-December), with exports growing at 0.7 per cent to US\$ 198.8 billion. During 2016-17 (April-December) imports declined by 7.4 per cent to US\$ 275.4 billion.

- ◆ Trade deficit declined to US\$ 76.5 billion in 2016-17 (April-December) as compared to US\$ 100.1 billion in the corresponding period of the previous year.
- ◆ The current account deficit (CAD) narrowed in the first half (H1) of 2016-17 to 0.3 per cent of GDP from 1.5 per cent in H1 of 2015-16 and 1.1 per cent in 2015-16 full year.
- ◆ Robust inflows of foreign direct investment and net positive inflow of foreign portfolio investment were sufficient to finance CAD leading to an accretion in foreign exchange reserves in H1 of 2016-17.
- ◆ In H1 of 2016-17, India's foreign exchange reserves increased by US\$ 15.5 billion on BoP basis.
- ◆ During 2016-17 so far, the rupee has performed better than most of the other emerging market economies.

## External Debt

- ◆ At end-September 2016, India's external debt stock stood at US\$ 484.3 billion, recording a decline of US\$ 0.8 billion over the level at end-March 2016.
- ◆ Most of the key external debt indicators showed an improvement in September 2016 vis-à-vis March 2016. The share of short-term debt in total external debt declined to 16.8 per cent at end-September 2016 and foreign exchange reserves provided a cover of 76.8 per cent to the total external debt stock.
- ◆ India's key debt indicators compare well with other indebted developing countries and India continues to be among the less vulnerable countries.

## Agriculture

- ◆ Agriculture sector is estimated to grow at 4.1 per cent in 2016-17 as opposed to 1.2 per cent in 2015-16; the higher growth in agriculture sector is not surprising as the monsoon rains were much better in the current year than the previous two years.
- ◆ The total area coverage under Rabi crops as on 13.01.2017 for 2016-17 is 616.2 lakh hectares which

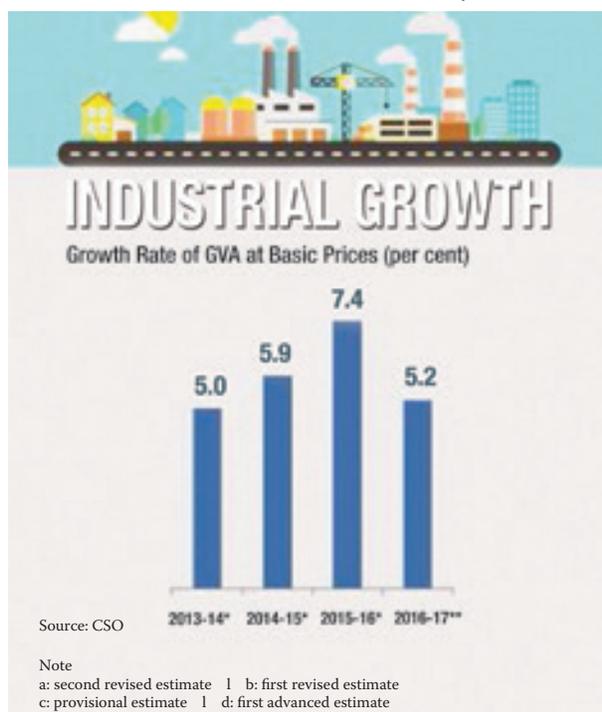


is 5.9 per cent higher than that in the corresponding week of last year.

- ◆ The area coverage under wheat as on 13.01.2017 for 2016-17 is 7.1 percent higher than that in the corresponding week of last year. The area coverage under gram as on 13.01.2017 for 2016-17 is 10.6 percent higher than that in the corresponding week of last year.

## Industry

- ◆ Growth rate of the industrial sector is estimated to moderate to 5.2 per cent in 2016-17 from 7.4 per cent in 2015-16. During April-November 2016-17, a modest growth of 0.4 per cent has been observed in the Index of Industrial Production (IIP).
- ◆ The eight core infrastructure supportive industries, viz. coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity registered a cumulative growth of 4.9 per cent during April-November 2016-17 as compared to 2.5 per cent during April-November 2015-16. The production of refinery products, fertilizers, steel, electricity and cement increased substantially, while the



production of crude oil, natural gas fell during April-November 2016-17. Coal production attained lower growth during the same period.

- ◆ The performance of corporate sector (Reserve Bank of India, January 2017) highlighted that the growth of sales grew by 1.9 per cent in Q2 of 2016-17 as compared to near stagnant growth of 0.1 per cent in Q1 of 2016-17. Growth in net profit registered a remarkable growth of 16.0 per cent in Q2 of 2016-17 as compared to 11.2 per cent in Q1 of 2016-17.

## Services

- ◆ Service sector is estimated to grow at 8.9 per cent in 2016-17, almost the same as in 2015-16. It is the significant pick-up in public administration, defence and other services, boosted by the payouts of the Seventh Pay Commission that is estimated to push up the growth in services.

## Social Infrastructure, Employment and Human Development

### ◆ Employment

As per the Annual Employment and Unemployment Surveys (EUS) conducted by Ministry of Labour and Employment, the Labour Force Participation Rate (LFPR) at the all India level based on usual principal status approach was estimated at 50.3 per cent and unemployment rate was estimated at 5 per cent.

The All India LFPR of females is much lower than that for males. As per EUS Surveys, employment growth has been sluggish.

The sectors that contributed to this increase include: IT/BPOs sector, textiles including apparels and metals. Employment, however, declined in gems & jewellery sector, handloom/powerloom sector, leather, automobiles sectors and transport sector during the same period.

### ◆ Education

While there has been improvements in access and retention, the learning outcomes for a majority of children is still a cause of serious concern. Some of the underlying causes contributing to low quality of education in the primary sector are teacher absenteeism and the shortage of professionally qualified teachers.

### ◆ Health

India's health policy aims at an integrated approach which will provide accessible, affordable and equitable quality health care to the marginalized and vulnerable sections. Despite the challenges faced by the government in providing affordable health services to the population, there have been some notable achievements in the health sector. Life expectancy has doubled and infant mortality and crude death rates have reduced sharply. India's total fertility rate (TFR) has been steadily declining and was 2.3 (rural 2.5 & urban 1.8) during 2014. Infant Mortality Rate (IMR) has declined to 37 per 1000 live births in 2015 from 44 in 2011. The challenge lies in addressing the huge gap between IMR in rural (41 per 1000 live births) and urban (25 per 1000 live births) areas.

### ◆ Inclusive Growth

It is the vision of the Government to have an inclusive society in which equal opportunities are provided for the growth and development of all sections of the population including the marginalised, vulnerable

and weaker sections to lead productive, safe and dignified lives. Accordingly, programmes have been initiated by the government towards attaining the objective of inclusive society like the Accessible India Campaign.

### Outlook for 2017-18

- ◆ Real GDP growth is expected to be in the range of 63/4 to 71/2 percentage range in Fiscal Year 2018.
- ◆ The fiscal outlook for next year will be marked by three factors- disappearance in increase in tax to GDP ratio (which resulted due oil windfall), demonetization of high denomination notes and increased disclosure of income and implementation of GST.
- ◆ There will be a need to provide policy support to the economy who is recovering from demonetization in the form of easing of monetary rates and supportive fiscal policy. ■

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I, CA. Vandana D. Nagpal, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Dated: February 26, 2017

Sd/-  
Signature of Publisher

# Highlights of Union Budget 2017-18



"While presenting the Union Budget 2017-18, the Finance Minister voiced the commitment of the Government to make tax rates more reasonable, tax administration fairer and expand the tax base in the country. The tax proposals in this Budget are aimed at stimulating growth, providing relief to middle classes, affordable housing, curbing black money, promoting digital economy, and transparency of political funding and simplification of tax administration. Students may note that the tax proposals contained in the Finance Bill, 2017, would become law when the bill is passed by the Lok Sabha and the Rajya Sabha and receives the assent of the President. Some of the proposals may undergo change when the Finance Bill, 2017 is passed by the Lok Sabha. The tax laws, as amended by the Finance Act, 2017, would be applicable for May 2018 and November 2018 examinations."

## DIRECT TAXES

### Personal Taxation

- ◆ The existing rate of income tax applicable on income between ₹ 2.5 lakhs to ₹ 5 lakhs is proposed to be reduced from 10% to 5% in case of individuals/HUFs or AOPs or BOIs.
- ◆ The rebate of ₹ 5,000 under section 87A in case of an individual resident in India whose total income does not exceed ₹ 5,00,000, is proposed to be reduced to ₹ 2,500, where the total income does

not exceed ₹ 3,50,000 from A.Y. 2018-19.

- ◆ Surcharge @ 10% of tax payable is proposed to be levied on individuals/HUFs or AOPs or BOIs whose total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore. Surcharge @15% would continue to be applicable on total income exceeding ₹ 1 crore.
- ◆ Section 71 proposed to be amended to restrict set off of loss from house property against income under any other head during the current year up to ₹ 2 lakhs. The loss not so set off would be allowed to be carried forward for set off against house property income for eight assessment years.
- ◆ No deduction to be allowed under section 80G in respect of donation made by any mode other than cash, if such amount of donation exceeds ₹ 2,000. The present limit is ₹ 10,000.
- ◆ To provide parity between an individual who is an employee and an individual who is self-employed, section 80CCD proposed to be amended to increase the upper limit for allowability of deduction in respect of contribution made to pension scheme of Central Government from 10% of gross total income to 20%, in case of individual other than employee.

### Business Taxation

- ◆ The threshold limit for audit of business entities who opt for presumptive income scheme proposed to be increased from ₹ 1 crore to ₹ 2 crore. This is a clarificatory amendment.

## BUDGET- DIRECT TAXES ||

- ◆ The threshold limit of turnover/sales/gross receipts or income for maintenance of books of accounts for individuals and HUF proposed to be increased from ₹ 10 lakhs to ₹ 25 lakhs or from ₹ 1.2 lakhs to ₹ 2.5 lakhs, respectively.
- ◆ The scope of domestic transfer pricing to be restricted to cases where atleast one of the entities involved in related party transaction enjoys specified profit-linked deduction.
- ◆ In order to promote affordable housing and development of real estate sector, section 80-IBA proposed to be amended to restrict carpet area to 30 and 60 sq.mtr. in the place of restriction of built up area to 30 and 60 sq.mtr. Also the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr. will apply. In order to be eligible for deduction, the project can now be completed in 5 years from the date of approval by the competent authority (in the place of 3 years).
- ◆ Considering the business exigencies in case of real estate developers, section 23 is proposed to be amended to provide that
  - ❖ where the house property consisting of any building and land appurtenant thereto is held as stock-in-trade and
  - ❖ the property or any part of the property is not let during the whole or any part of the previous year,the annual value of such property or part of the property, for the period upto one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil.
- ◆ The threshold limit under section 40A(3) for allowability of revenue expenditure incurred in cash is proposed to be reduced from ₹ 20,000 to ₹ 10,000.
- ◆ Currently, there is no provision to disallow the capital expenditure incurred in cash. In order to discourage cash transactions even for capital expenditure, limit of ₹10,000 is proposed. Accordingly, capital expenditure incurred in cash shall be ignored for the purposes of determination of actual cost under section 43, if such amount of expenditure exceeds ₹10,000. Further, no deduction would be allowable under section 35AD, in respect of capital expenditure incurred in cash in excess of ₹ 10,000.
- ◆ To promote digital transactions and to encourage small unorganized business to accept digital payments, section 44AD proposed to be amended to reduce the existing presumptive income rate of 8% to 6%, in respect of the amount of such total

turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in section 139(1) in respect of that previous year. However, the existing rate of deemed profit of 8% referred to in section 44AD of the Act, shall continue to apply in respect of total turnover or gross receipts received in any other mode. This amendment is proposed to be effective from A.Y. 2017-18.

- ◆ Section 269ST proposed to be inserted, to provide that no person shall receive an amount of ₹ 3 lakh or more
  - ❖ in aggregate from a person in a day;
  - ❖ in respect of a single transaction; or
  - ❖ in respect of transactions relating to one event or occasion from a person,otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.
- ◆ New section 115BBG proposed to be inserted to provide that the income from transfer of carbon credits to be taxable at a concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. No expenditure or allowance in respect of such income shall be allowed.

### Corporate Taxation

- ◆ To give effect to the announcement made by the Finance Minister, in Union Budget 2015-16 that the corporate income tax rate would be reduced to 25% gradually and in order to make Medium and Small Enterprises more viable and to encourage firms to migrate to company format, the corporate tax rate is proposed to reduce to 25% from A.Y. 2018-19 for domestic companies with annual turnover upto ₹ 50 crore in P.Y. 2015-16.
- ◆ The period for carry forward and set off of MAT credit proposed to be increased from 10 years to 15 years. Similar amendment is proposed in section 115JD to allow carry forward and set off of Alternate Minimum Tax (AMT) to 15 years.
- ◆ Provisions relating to computation of book profit for the purpose of levy of minimum alternate tax (MAT) for Ind-AS compliant companies introduced.

### Capital Gain Taxation

- ◆ The base year for indexation proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property. The change in base year will significantly lessen the capital gain tax liability while encouraging the mobility of assets.
- ◆ With a view to promote the real-estate sector and to

make it more attractive for investment, the period of holding for considering long term capital gain from immovable property, being land or building or both to be long term capital asset is proposed to be reduced from 3 years to 2 years.

- ◆ Presently, investment in bond issued by the National Highways Authority of India or by the Rural Electrification Corporation Limited is eligible for exemption under section 54EC. In order to widen the scope of the section for sectors which may raise fund by issue of bonds eligible for exemption, the said section proposed to be amended so as to provide that investment in any bond redeemable after three years which has been notified by the Central Government in this behalf, shall also be eligible for exemption.
- ◆ Section 47 proposed to be amended to provide that conversion of preference share of a company into its equity share shall not be regarded as transfer.

### Tax Deduction at Source/ Tax Collection at Source

- ◆ In order to widen the scope of tax deduction at source, new section 194-IB proposed to be inserted to provide for tax deduction at source @ 5% by an Individuals or a HUF (other than those covered under Section 44AB), while making payment of rent to a resident of an amount exceeding Rs 50,000 per month or part of month during the previous year. To reduce compliance burden, the deductor shall not be required to obtain TAN.
- ◆ In order to promote ease of doing business, section 194J proposed to be amended to provide for lower rate of tax deduction at source from 10 % to 2% in case of payments made or credited to a person engaged only in the business of operation of call centre.
- ◆ A concessional with-holding rate of 5% is being charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities. This concession is available on borrowings made, under a loan agreement at any time on or after 1<sup>st</sup> July, 2012, but before 1<sup>st</sup> July, 2017; or by way of any long-term bond including long-term infrastructure bond on or after 1<sup>st</sup> October, 2014 but before 1<sup>st</sup> July, 2017, respectively. The Concessional rate of 5% proposed to be extended in respect of borrowings made before 1<sup>st</sup> July, 2020. This benefit is also proposed to be extended to Rupee Denominated (Masala) Bonds.
- ◆ In order to strengthen the TCS regime, new section 206CC proposed to be inserted to provide that the collectee shall furnish his PAN to the collector, failing which, tax shall be collected at a higher rate i.e., twice the applicable tax collection rate or 5%, whichever is higher.

### Fee/ Penal Provisions

- ◆ For improving tax compliance, new section 234F is proposed to be inserted to provide for levy of fees for late filing of return after the due date. ₹ 5,000 would be levied for return filed after the due date but on or before the 31<sup>st</sup> day of December of the assessment year and Rs 10,000, in any other case. However, where the total income does not exceed ₹ 5 lakh, the fee amount shall not exceed ₹ 1,000.
- ◆ New section 271J proposed to be inserted to provide that penalty of ₹ 10,000 would be levied, if an accountant or a merchant banker or a registered valuer furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder.
- ◆ New section 271DA proposed to be inserted for levy penalty on a person who receives any sum in contravention of the provisions of the proposed section 269ST, of sum equal to the amount of such receipt.

### Assessment Procedure

- ◆ The time period for revising a tax return proposed to be reduced to 12 months from completion of financial year, at par with the time period for filing of return.
- ◆ The time for completion of scrutiny assessments is also proposed to be compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter.
- ◆ Sub section 132(9B) and 132(9C) proposed to be inserted to provide that the authorised officer can, subject to conditions as specified, provisionally attach a property for a period of 6 months in order to protect the interest of revenue.
- ◆ Section 133 proposed to be amended to authorise Joint Director, Deputy Director or the Assistant Director of Income-tax to call for information for the purpose of any enquiry without seeking approval of the higher authority.

### Charitable Institutions And Political Parties

- ◆ Section 13A proposed to be amended to restrict the political parties from accepting donation in excess of ₹ 2,000 otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds.
- ◆ Section 12A proposed to be amended that in case of modification or change in the object of a trust registered under section 12A or 12AA which do not conform to the conditions of registration, it would be required to apply for fresh registration within a period of 30 days from such modification or change in the object.

## INDIRECT TAXES

### Service Tax

Amendments effective from 02.02.2017

#### Amendment in Mega Exemption Notification No. 25/2012 ST dated 20.06.2012

- ◆ Services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government exempted from service tax vide *new entry 26D* inserted in Mega Exemption notification.
- ◆ Under the Regional Connectivity Scheme (RCS), exemption from service tax is provided in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers, with or without accompanied belongings, by air, embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of 1 year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) as notified by Ministry of Civil Aviation vide *new entry S. No. 23A* inserted in Mega Exemption notification.
- ◆ The entry 9B exempts services provided by Indian Institutes of Management (IIMs) by way of two year full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIM. The said entry is amended so as to omit the word “residential” appearing in the notification. The exemption remains the same in all other respects.

#### Amendments to be effective from the date of enactment of the Finance Bill, 2017

- ◆ The Negative List entry under section 66D(f) of the Finance Act, 1994 covering “*services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption*” is proposed to be omitted. The said benefit would continue by way of exemption under Mega Exemption Notification. Consequently, the definition of ‘*process amounting to manufacture*’ [Section 65B(40)] is also proposed to be omitted from the Finance Act, 1994 and to be incorporated in the Mega Exemption Notification.
- ◆ Research and Development (R & D) Cess Act, 1986 to be repealed. Consequently, exemption from service tax equivalent to the amount of R & D cess payable on the import of technology under the said Act under *Notification No. 14/2012 ST dated 17.03.2012* would not be available with respect to a taxable service involving import of technology.

- ◆ Rule 2A of the Service Tax (Determination of Value) Rules, 2006 to be amended so as to clarify that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land. In view of the said amendment, the recent Delhi High Court judgment in case of *Suresh Kumar Bansal v. UOI 2016 (43) ST5R 3 (Del.)* no longer holds good. In this the High Court held that service tax cannot be charged in respect of composite contracts for purchase of units in a complex, entered into by the buyers with the builder, in view of the absence of the specific machinery provisions for the valuation of the same.

#### Amendments in Provisions of Advance Ruling

- ◆ Section 96A(d) relating to Advance Rulings proposed to be amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under section 28E of the Customs Act, 1962. Section 28 (E) of the Customs Act, 1962, is also to be amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.
- ◆ Section 96B relating to vacancies not to invalidate proceedings also proposed to be omitted.
- ◆ Section 96C(3) to be amended so as to increase the application fee for seeking advance ruling from ₹ 2,500 to ₹ 10,000.
- ◆ Section 96D(6) to be amended so as to extend the existing time limit of pronouncement of advance ruling by the authority from 90 days to 6 months.
- ◆ A new section 96HA proposed to be inserted so as to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

#### Retrospective Exemptions

- ◆ With effect from 22.09.2016, *Notification No. 41/2016 ST dated 22.09.2016* exempted one time upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units. It is proposed that service tax would also not be leviable on such amounts during the period between 01.06.2007 [date on which service tax was levied on renting of immovable property service] and 21.09.2016 (both days inclusive).

- ◆ Services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government are proposed to be exempted from service tax retrospectively during the period commencing from the 10.09.2004 [date on which life insurance service became leviable to service tax] and ending with the 01.02.2016 (both days inclusive).

### EXCISE

#### Amendments to be effective from the date on which Finance Bill, 2017 receives the assent of the President

- ◆ **Changes in the provision of Authority for Advance Ruling**
  - ❖ Clause (e) of section 23A is being amended so as to substitute the definition of "Authority" to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.
  - ❖ Section 23B relating to vacancies (in the Authority for advance ruling) not to invalidate proceedings is being omitted.
  - ❖ The application fee for seeking advance ruling has been increased from ₹ 2,500/- (Rupees two thousand five hundred) to ₹ 10,000/- (Rupees ten thousand) - Section 23C (3).
  - ❖ The time limit for pronouncing judgement by Authority for Advance Ruling has been extended from ninety days to six month - Section 23D (6).
  - ❖ The pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) would stand transferred to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President - new Section 23-I
- ◆ **Changes in the provisions of Settlement Commission:**
  - ❖ A new sub-section (5) has been inserted in Section 32E so as to enable any person, other than assessee, referred to in sub-section (1) to make an application to the Settlement Commission.
  - ❖ A new sub-section (5A) has been inserted in Section 32F to enable the Settlement Commission to rectify the error in the order passed by it under sub-section (5), which are apparent on the face of record.

#### Amendment effective from 02.02.2017

- ◆ **Amendment in Central Excise Rules, 2002**
  - ❖ Rule 21 provides for the remission of duty in case the goods have been lost or destroyed etc. A new sub-rule (2) has been inserted providing

a time limit of three months [further extendable by 6 months] for granting such remission of duty from the receipt of application under this rule read with section 5 of the Central Excise Act, 1944.

- ◆ **Amendments in CENVAT Credit Rules, 2004**

- ❖ Rule 10 of the CENVAT Credit Rules, 2004 provides for transfer of CENVAT credit in different cases. In this regard, a new sub-rule (4) has been inserted so as to provide for a time limit of three months [further extendable by 6 months] for approval of requests regarding transfer of CENVAT credit on shifting, sale, merger, etc. of the factory.
- ❖ Explanation-I(e) to rule 6 of the CENVAT Credit Rules, 2004 amended so as to exclude banks and financial institutions including non-banking financial companies engaged in providing services by way of extending deposits, loans or advances from its ambit.

### CUSTOMS

#### Amendments to be effective from the date on which Finance Bill, 2017 receives the assent of the President

- ◆ Definition of following terms is proposed to be incorporated in section 2 of the Customs Act, 1962:
  - ❖ Beneficial owner
  - ❖ Passenger Name Record Information
  - ❖ Foreign Post Office and
  - ❖ International Courier Terminal
- ◆ Section 2 of the Customs Act, 1962 is further proposed to be amended to include:
  - ❖ Foreign Post Office and International Courier Terminal in the definition of a customs station.
  - ❖ Beneficial owner in the existing definitions of exporter as well as importer.
- ◆ Section 7 of the Customs Act, 1962 to be amended to empower the Board to notify Foreign Post Offices and International Courier Terminals.
- ◆ Section 17 of the Customs Act, 1962 is proposed to be amended to rationalize the requirement of documents for verification of self-assessment.
- ◆ Section 27(2) of the Customs Act, 1962 to be amended so as to keep outside the ambit of unjust enrichment, the refund of duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, where-
  - ❖ such excess payment is evident from the bill of entry in the case of self-assessed bill of entry or
  - ❖ the duty actually payable is reflected in the reassessed bill of entry in the case of reassessment.
- ◆ Section 28E(e) of the Customs Act, 1962 is proposed to be amended so as to substitute the definition of 'Authority for Advance Ruling' to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.

## BUDGET- INDIRECT TAXES ||

- ◆ Section 28F of the Customs Act, 1962 to be amended so as to provide that the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act, 1961 shall be the Authority for giving advance rulings for the purposes of the Customs Act, 1962.

It is further sought to provide that the Member of the Indian Revenue Service (Customs and Central Excise), who is qualified to be a Member of the Board, shall be the revenue Member of the Authority for the purposes of Customs Act.

The pending applications are proposed to be transferred to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

- ◆ Section 28H(3) of the Customs Act, 1962 is proposed to be amended so as to increase the application fee for seeking advance ruling from ₹ 2,500 to ₹ 10,000 on the lines of the Income-tax Act.
- ◆ Section 28-I(6) of the Customs Act, 1962 to be amended so as to provide time limit of 6 months by which Authority shall pronounce its ruling on the lines of the Income-tax Act.
- ◆ A new section 30A to be introduced in the Customs Act, 1962 so as to make it obligatory on the person-in-charge of a conveyance that enters India from any place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew arrival manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and passenger name record information of arriving passengers in such form, containing such particulars, in such manner and within such time as may be prescribed. The section also intends to provide for imposition of a penalty not exceeding ₹ 50,000, as may be prescribed, in the case of delay in delivering the information.
- ◆ A new section 41A to be introduced in the Customs Act, 1962 so as to make it obligatory on the person-in-charge of a conveyance that departs from India to a place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew departure manifest and passenger name record information of departing passengers before the departure of the conveyance in such form, containing such particulars, in such manner and within such time as may be prescribed. The section also intends to provide for a penalty not exceeding ₹ 50,000, as may be prescribed in the case of delay in delivering the information.
- ◆ Section 46(3) of the Customs Act, 1962 is to be

substituted so as to make it mandatory to file the bill of entry before the end of the next day following the day (excluding holidays) on which the vessel or aircraft or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing and to provide for imposition of such charges for late presentation of the bill of entry, as may be prescribed.

- ◆ Section 47(2) of the Customs Act, 1962 is to be amended so as to provide the manner of payment of duty and interest thereon in the case of self-assessed bills of entry or, as the case may be, assessed, reassessed or provisionally assessed bills of entry.
- ◆ Section 49 of the Customs Act, 1962 provides the facility of storage of imported goods entered for home consumption in a warehouse pending their clearance. The said section is proposed to be amended to extend the said facility to imported goods entered for warehousing before their removal.
- ◆ Section 82 relating to label or declaration accompanying goods to be treated as entry for import or export is proposed to be omitted. Consequently, section 69 of the Customs Act, 1962 relating to clearance of warehoused goods for exportation is proposed to be accordingly amended to align it with the proposed omission of section 82. Further, Board is proposed to be empowered to make regulations to provide for the form and manner in which an entry may be made in respect of goods imported or to be exported by post by amending section 84 of the Customs Act, 1962.
- ◆ A new sub-section (5) to be inserted to section 127B of the Customs Act, 1962 to enable any person, other than applicant, referred to in sub-section (1) to make an application to the Settlement Commission.
- ◆ Section 127C(3) of the Customs Act, 1962 is to be amended so as to substitute certain words therein. It further seeks to insert a new sub-section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5), to rectify any error apparent on the face of record.
- ◆ Section 157 of the Customs Act, 1962 is to be amended so as to empower Board to make regulations for specifying the form, particulars, manner and time of providing the passenger and crew manifest for arrival and departure and passenger name record information and penalty in the case of delay in delivering the information.
- ◆ Section 9(3)(c) of the Customs Tariff Act, 1975 is to be substituted so as to withdraw the exemption to three categories of non-actionable subsidies specified therein from the scope of anti-subsidy investigations. ■

# Hedge Accounting: An Insight



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In today's world, lot of buzz is going around hedge accounting, which is often considered as one of the complex topics. This article is in the context of Hedge accounting prescriptions under IFRS 9 Financial Instruments, a new standard issued by IASB (International Accounting Standards Board), which will replace IAS 39 effective Jan 1, 2018 globally. Hedge accounting model of IFRS 9 is intended to reduce complexities of IAS 39 such as arbitrary conditions for hedge effectiveness (80% to 125%) and to align hedge accounting more closely with entities risk management.



Before starting our discussion, let's informally understand the importance of hedging in today's business environment. Due to the advent of technological advancement, the world has become a global village and business entities started expanding business across countries. Due to this, business entities are exposed to a lot of newer risks. The old strategy of ignoring of risk is no longer effective, so to achieve a goal of value maximization all business entities started developing hedging strategies to mitigate these risks. Some of the examples are entering forward agreement for foreign exchange to minimize currency fluctuations, entering swap agreements to protect from interest rate changes and entering offsetting position in commodity markets to protect against inflation etc..., knowing its importance, SEBI under listing clause 49

recommended companies to form Risk Management Committee for this purpose. To achieve high returns, there are some inevitable risks involved and hedging is one way to oversee all the risk taken and to minimize risk.

Before starting our discussion, one should be very clear about its meaning and attributes which qualify it as hedge accounting. A **hedging** is making an investment or acquiring some derivative or non-derivative instruments in order to offset potential losses (or gains) that may be incurred on some items as a result of particular risk.

A **hedge accounting** means designating one or more *hedging instruments* so that their change in fair value *offsets* the change in fair value or the change in cash flows of a *hedged item*. Before going into a detailed understanding of the concept, we have to first analyse key words in its definition.

- ◆ *Hedged item* – an asset or liability
- ◆ *Hedging instrument* – the financial instrument (normally a derivative) used to hedge the exposure risk (hedged item) with offsetting movements in either fair value or cash flows
- ◆ *Hedge ratio* – the ratio between the amount of hedge item and the amount of hedging instrument in terms of their relative weighting.

Under IFRS 9, a hedging relationship qualifies for hedge accounting if it meets all the following requirements:

## 1. hedging documentation:

It is the first step towards incorporating hedge accounting as it is mandatory for an enterprise to have in place proper documentation at its inception. These include the entity's risk management objective underlying the hedging relationship and how that fits within the overall risk management strategy. The

documentation has to include an identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements.

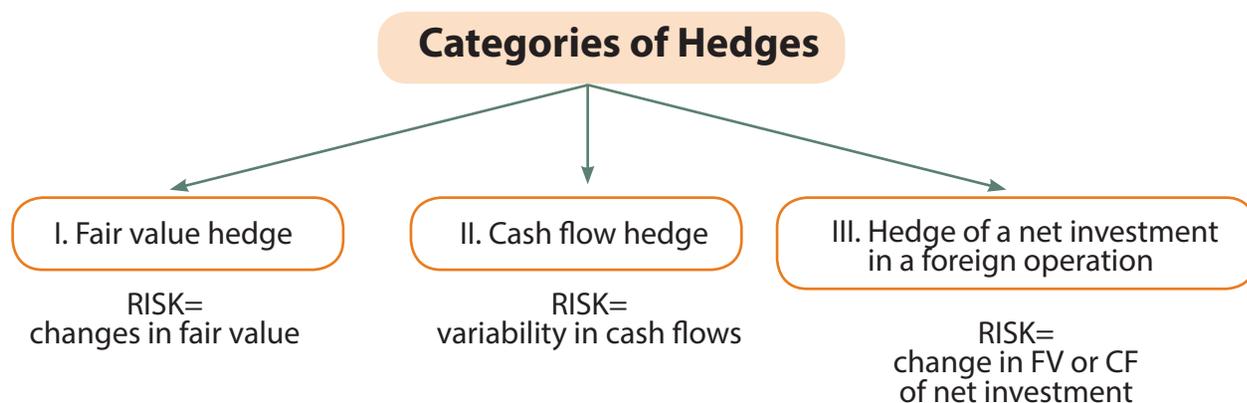
## 2. Hedge effectiveness requirements

- ◆ There is '*an economic relationship*' between the hedged item and the hedging instrument.
- ◆ The effect of credit risk does not '*dominate the value changes*' that result from that economic relationship.
- ◆ Designated hedge ratio is *consistent* with risk management strategy.
- ◆ The effectiveness of hedge can be *reliably measured*.
- ◆ Hedge is assessed on *an on-going basis* and determined actually effective throughout financial reporting period.

### Importance of hedge accounting

Hedge accounting is **not mandatory**. It is **optional**, so

Hedge accounting is classified into 3 categories



### 1. Fair value hedge:

*Fair value hedge* is a hedge of the exposure to *changes in fair value* of a recognized asset or liability or unrecognized firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss. E.g. Fixed interest loan i.e. 10% debentures.

### 2. Cash flow hedge:

*Cash flow hedge* is a hedge of the exposure to *variability in cash flows* that is attributable to a particular risk associated with all or a component of a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss. E.g. floating interest loan i.e. PLR+ 2.5%.

you can select not to follow it and recognize all gains or losses from your hedging instruments to profit or loss. Basic intention of all accounting standards is to provide information to users of financial statements, get a clear idea about how entity works in achieving their goal of value maximization. IFRS-9 fulfils this requirement by following disclosures:

- ◆ *That your company faces certain risks.*
- ◆ *That you perform certain risk management strategies in order to mitigate those risks.*
- ◆ *How effective these strategies are.*

In fact, with hedge accounting, your profit and loss statement is less volatile, because you basically match these gains and losses with gains / losses on your hedged item.

### Classification of hedge accounting

The first thing you need to do before you even start to play with hedge accounting is to determine the *type of hedge relationship* that you're dealing with it. Because: *the type of hedge* determines your accounting entries. If you incorrectly identify the type of the hedge, then your hedge accounting will go totally wrong.

### 3. Hedge of a net investment in a foreign operation:

IFRS 9 does not revisit the mechanics for hedges of net investments in foreign operations. Such hedges must still be accounted for similar to cash flow hedges.

### Accounting principles in hedge accounting:

#### 1. Fair value hedge:

- ❖ First step is determine fair value of both *hedged item* and *hedging instrument* at the *reporting date*.
- ❖ Recognize any change in fair value (gain or loss) on the *hedging instrument* in profit or loss (in most cases)
- ❖ Recognize the hedging gain or loss on the *hedged item* in its carrying amount.

**Accounting entries for a Fair value hedge:**

Situation	Debit	Credit
<b>Hedging Instrument</b>		
Loss on the hedging instrument	P/L – FV loss on hedging instrument	SFP – Financial liabilities from hedging instruments
Or		
Gain on the hedging instrument	SFP – Financial assets from hedging instruments	P/L – FV gain on hedging instrument
<b>Hedging item</b>		
Loss on the hedged item	P/L – FV loss on hedged item	SFP – hedged item
Or		
Gain on the hedged item	SFP – hedged item	P/L – FV loss on hedged item

Note: FV= Fair Value, P/L = Profit or Loss, SFP = Statement of Financial Position.

**2. Cash flow hedge:**

- Determine the gain or loss on your hedging instrument and hedge item at the reporting date.
- Calculate the effective and ineffective portions of the gain or loss on the hedging instrument.
- Recognize the effective portion of the gain or loss on the hedging instrument in other comprehensive income (OCI). This item in OCI will be called “Cash flow hedge reserve” in OCI.
- Recognize the ineffective portion of the gain or loss on the hedging instrument in profit or loss.
- Deal with a cash flow hedge reserve when necessary. You would take this step basically when the hedged expected future cash flows affect profit or loss, or when a hedged forecast transaction occurs.

**Accounting entries for a cash flow hedge:**

Situation	Debit	Credit
<b>Hedging Instrument</b>		
Loss on the hedging instrument – effective portion	OCI – Cash flow hedgereserve.	SFP – Financial liabilities from hedging instruments
Loss on the hedging instrument – ineffective portion	P/L – Ineffective portion of loss on hedging instrument	SFP – Financial liabilities from hedging instruments
Or		
Gain on the hedging instrument – effective portion	SFP – Financial assets from hedging instruments	OCI – Cash flow hedge reserve
Gain on the hedging instrument – ineffective portion	SFP – Financial assets from hedging instruments	P/L – Ineffective portion of gain on hedging instrument
<b>Hedging item</b>		
At this stage, hedged item is not yet recognised in SFP. Hence, no accounting entries. But, unrealised gains/losses recognised in OCI will be recognised in financials when the forecast transaction results into recognition of asset or liability.		

Note: P/L = Profit or Loss, FP = Statement of Financial Position, OCI = Other Comprehensive Income.

As you can see, **you don't even touch the hedged item** here and you only deal with the hedging instrument. So that's completely different from fair value hedge accounting.

**Measuring Hedge effectiveness**

As it is a very clear phenomenon that IASB has removed arbitrary provision that hedge is highly effective only if it offsets in the range of 80-125 percent. IFRS 9 enables an entity to use information produced internally for risk management purposes and stopped forcing to perform complex analysis required only for accounting purposes. Now it often comes into mind how to *measure hedge*

*effectiveness?* There are so many methods to measure its effectiveness namely, Critical Terms method, Ratio method, Volatility Risk Reduction method and Regression method.

One of the popular methods is to adapt Critical Term Method. In this method Critical Terms of hedging instruments and hedged item are considered, namely *amount, currency and period*. If these are identical, the probability of hedge to be effective can be taken as high.

Another most common method used is Ratio Method. Under this Ratio method, are the the absolute fair value change in hedging instrument (*Say A*) and the absolute fair value change in hedged item (*Say B*). The resultant

fraction derived from A divided by B is compared from pre-determined range as defined in the hedging document which is fixed at its inception of hedge relationship, if it falls in that range is qualified as highly effective hedge.

If it fails to fall in pre-determined range then it is ineffective and hedge relationship stands to be treated withdrawn.

*Caution Note: Under cash flow hedge*, when hedge is determined as effective, the quantum of fair value of change transferred to Equity component (OCI) should not be in excessive of following:

- a. Cumulative gain/loss in fair value change of Hedging instrument from its inception and
- b. Cumulative change in fair value change of expected cash flows on Hedged item from the inception of hedge.

## Rebalancing

This is one of the complex topic of IFRS-9, so let us start understanding this concept by an example. ABC Ltd. is a manufacturing company mainly with exposure to commodity, primarily comprising input cost of Zinc. To manage risk of rising prices of zinc cost, they entered into commodity derivative contract to hedge this risk. There is strong correlation between hedging item (Zinc contract) and hedging instrument (Zinc derivative) but due to manufacturing process, there is difference in prices due to its molten form of supply contract. So ABC Ltd. decided Hedge ratio as 1:0.85 (0.85 hedge item to 1 derivative) and this is commonly referred as basis risk.

Two months later, the price differential (basic risk) has increased further by 10% to 25%. In order to maintain hedge as effective, hedge ratio should be 1: 0.75. So now there is a scenario to rebalance hedge ratio, otherwise it ultimately leads to ineffective hedge.

So if one can visualize above example we can have a clear-cut picture about concept of rebalancing. This

“ **Basic intention of all accounting standards is to provide information to users of financial statements, get a clear idea about how entity works in achieving their goal of value maximization.** ”

mainly happens due to *basic risk*. Earlier concept of rebalancing is absent as IAS-39 does not permit change in hedge ratio later on. So relationship leads to be discontinued.

Now let us start our discussion formally, when the economic relationship changes between the hedged item and the hedging instrument due to basic risk, under IFRS 9 you can make **adjustments to the hedge ratio** on a prospective basis allowing continuation of the hedging relationship.

In practice, risk managers with risk exposures alter and adjust their hedge position when market conditions change. So it is most common in the field of risk management as market is volatile.

## Discontinuation of hedge accounting

IFRS 9 does not allow terminating a hedge relationship voluntarily, so once you decide to apply hedge accounting under IFRS 9, you cannot discontinue it unless the following happen:

- ◆ The risk management objective changed.
- ◆ Economic relationship no longer exists.
- ◆ Credit risk now dominates the relationship.
- ◆ The hedge expired or is no longer eligible. ■

## Operationalisation of Online Payment Gateway at 17 POUs for the GMCS/ITT/OC

The registration of GMCS/OC/ITT courses is done through the online portal [www.icaionlineregistration.org](http://www.icaionlineregistration.org) whereas the fee for the aforementioned courses is paid through offline mode only.

From now onwards, the payment gateway has been made operational for 17 POUs, i.e. Mumbai, Chennai, Kolkata, Kanpur, Delhi, Pune, Thane, Ahmedabad, Baroda, Nagpur, Surat, Ernakulum, Bangalore, Hyderabad, Coimbatore, Indore and Jaipur.

The students registering from the aforesaid POUs can pay the fees by using the online payment gateway for all the soft skill courses. The fees can be paid through Demand Draft also. For any further assistance/ clarifications, kindly contact the following Help Desk:

GMCS Course : 0120-3045915, [helpdeskgmcs@icai.in](mailto:helpdeskgmcs@icai.in), [mitali.khosla@icai.in](mailto:mitali.khosla@icai.in)  
 Orientation Course : 0120-3045988/927, [helpdeskop@icai.in](mailto:helpdeskop@icai.in), [nidhi.aggarwal@icai.in](mailto:nidhi.aggarwal@icai.in)  
 ITT & Advanced ITT : 0120-3045964/924, [helpdeskitt@icai.in](mailto:helpdeskitt@icai.in), [mannadey@icai.in](mailto:mannadey@icai.in)

**Director,  
Board of Studies**

# Judicial Decision-Indirect Tax Laws

**Whether section 66E(i) of the Finance Act, 1994 to the extent it seeks to constitute the service portion in an activity of supply of food or other articles as 'declared service' and rule 2C of the Service Tax (Determination of Value) Rules, 2006, constitutionally valid?**

**Federation of Hotel & Restaurants Association of India v. UOI 2016 (44) STR 3 (Del.)**

**Point of Dispute:** The petitioner sought a declaration that:

- (i) section 66E(i) of the Finance Act, 1994 to the extent it seeks to constitute the service portion in an activity of supply of food or other articles as 'declared service' is bad in law, and
- (ii) rule 2C of the Service Tax (Determination of Value) Rules, 2006 is invalid.

**High Court's Observation:** Considering the legislative history of Constitution (46th) Amendment Act, 1982 wherein article 366(29A)(f) was introduced, the Delhi High Court observed that introduction of said clause (f) was focussed on ensuring that State sales tax was leviable on the portion of supply of food and drinks even where it was as a part of a composite catering contract.

However, at that stage, focus could not be on levying service tax on any portion of that composite contract because service tax was not in existence even after two decades of such amendment. Therefore, it cannot be concluded that at the time of 46<sup>th</sup> Constitutional amendment, Parliament had consciously decided that no portion of composite contract of catering would be amenable to levy of service tax.

Thereafter, the High Court examined the constitutional validity of levy of service tax on service portion in an activity of supply of food or other articles. Referring to various judgments and analysing clause (f) of Article 366(29A), it inferred that if some part of the composite transaction involves the rendering of service, there should be no difficulty in recognising the power of the Union to bring that portion to tax.

The Delhi High Court noted that in *Tamil Nadu Kalyana Mandapam Association v. Union of India 2006 (3)STR 260 (S.C.)*, the service component of an outdoor catering contract was emphasised. With reference to said Supreme Court judgment, the Delhi High Court observed that:

- (i) Although in one of the paras in the *Tamil Nadu Kalyana Mandapam Association* case, the Apex Court sought to distinguish the outdoor catering services from restaurant services thereby pointing out that in outdoor catering there is an element of personalized service, it in no way suggested that there was no service element involved in the supply of food and drinks in a restaurant.

- (ii) The primary issue decided by the Apex Court was as to whether in the context of Article 366(29A)(f) of the Constitution, the service portion of a composite catering contract can be made exigible to service tax.

- (iii) Supreme Court applied pith and substance doctrine to such situations [restaurant service and outdoor catering service] and concluded that the manner of service provided assumes predominance over the providing of food which is a definite indicator of the supremacy of the service aspect.

- (iv) Further, the concept of catering admittedly includes the concept of rendering service. The fact that tax on the sale of the goods involved in the said service can be levied does not mean that a service tax cannot be levied on the service aspect of catering. Thus, the decision highlighted the possibility of splitting up of the composite transaction into the provision of service element and the supply of food.

- (v) Resultantly, *Tamil Nadu Kalyana Mandapam Association* case fully supported the stand of the respondents as far as the interpretation of Article 366(29A)(f) of the Constitution is concerned.

The Parliament has made the legal position explicit by inserting section 66E(i) of the Finance Act, 1994, alongwith sections 65B(22) and 65B(44) of the Finance Act, 1994. The provisions read together stipulate that the service portion in an activity wherein goods, being food or any other article of human consumption or any drink (whether or not intoxicating) is supplied in any manner as a part of the activity is a 'declared' service.

The legislative carving out of the service portion of the composite contract of supply of food and drinks has sound constitutional basis. Even if this is viewed as Parliament deploying a legal fiction, it is legally permissible.

Thus, it is not possible to accept the contention of the petitioners that Parliament lacks the legislative competence to bring the service component of the composite contract of supply of food and drinks within the service tax net.

Further, while examining the constitutional validity of rule 2C of the Service Tax (Determination of Value) Rules, 2006, the High Court noted that this rule enables the assessing authority to put a definite value to the service portion of the composite contract of supply of goods and services in a restaurant/ outdoor catering.

**High Court's Decision:** In the light of the aforementioned discussion, the High Court upheld the constitutional validity of section 66E(i) of the Finance Act, 1994 read with section 65B(22) and 65B(44) thereof and rule 2C of the Service Tax (Determination of Value) Rules, 2006. ■

# FINANCE UPDATES ||

## Sebi seeks forensic audit of MCX's trading software

Sebi wants to know whether FTIL's technology solution used by MCX, is being used to gather price sensitive information and for insider trading. For more details please read at:

<http://www.livemint.com/Money/DI5uw74Q3wrjqeIMeN4CTL/Sebi-seeks-forensic-audit-of-MCXs-trading-software.html>

## Indian firms are hugely unhedged: India Ratings & Research

Indian companies may have bet too much on rupee stability as they have kept most of their foreign currency exposures unhedged, reveals a first-of-its-kind detailed study by India Ratings & Research (Ind-Ra). For more details please read at:

[http://www.business-standard.com/article/economy-policy/indian-firms-are-hugely-unhedged-india-ratings-research-117012401235\\_1.html](http://www.business-standard.com/article/economy-policy/indian-firms-are-hugely-unhedged-india-ratings-research-117012401235_1.html)

## NTPC raises ₹500 mn via overseas bonds sale

NTPC Ltd, India's biggest power producer, has raised ₹500 million through overseas bonds sale that perhaps may be the first longest tenor euro-denominated issuance by an Indian company. For more details please read at:

<http://www.thehindubusinessline.com/markets/stock-markets/ntpc-raises-500-mn-via-overseas-bonds-sale/article9502933.ece>

## Sebi proposes steps to boost liquidity in corporate bonds

The Securities and Exchange Board of India (Sebi) proposed a mechanism for consolidation in corporate bonds for private placement of debt securities and enhancing liquidity. For more details please read at:

<http://www.livemint.com/Money/LITw9DPaOpdvG0LIDrOKJN/Sebi-proposes-steps-to-boost-liquidity-in-corporate-bonds.html>

## Masala bonds to get more tax benefits

Rupee-denominated offshore bonds, popularly known as masala bonds, will get a tax benefit boost with the Union Budget exempting them from taxation for transfer among non-residents, while a low rate of 5 per cent will apply for investors till 2020. For more details please read at:

[http://www.business-standard.com/budget/article/masala-bonds-to-get-more-tax-benefits-117020100919\\_1.html](http://www.business-standard.com/budget/article/masala-bonds-to-get-more-tax-benefits-117020100919_1.html)

## RBI allows NRIs to invest in exchange-traded currency derivatives

RBI allowed NRIs to access the exchange-traded currency derivatives market to hedge the currency risk arising out of their investments in India. For more details please read at:

<http://www.livemint.com/Money/55AmWSguNke9rebZ8Dg09K/RBI-allows-NRIs-to-invest-in-exchangetraded-currency-deriva.html>

## Cognizant to return \$3.4 billion to shareholders, in deal with Elliott

Cognizant's share buyback move comes in the wake of activist investor Elliott Management urging it to take steps to boost shareholder value. For more details please read at:

<http://www.livemint.com/Companies/9oeLbN9GB602jhycFYhopK/Cognizant-to-appoint-3-directors-buy-back-34-billion-wor.html>

## BSE resets circuit limit of Future Retail, 5 others

To check excessive volatility, stock exchange BSE revised the circuit limit for share movement of Future Retail and five others. For more details please read at:

[http://www.business-standard.com/article/pti-stories/bse-resets-circuit-limit-of-future-retail-5-others-117020800969\\_1.html](http://www.business-standard.com/article/pti-stories/bse-resets-circuit-limit-of-future-retail-5-others-117020800969_1.html)

## Sebi to open commodities route for AIFs

The board of the Securities and Exchange Board of India (Sebi) has initiated the process of opening up the country's commodity derivatives market to new participants. For more details please read at:

<http://www.livemint.com/Money/AWNfWzGjbARaQ74cj7M4gM/Sebi-to-open-commodities-route-for-AIFs.html>

## Commerce ministry plans merger of commodity boards

The commerce ministry is planning merger of the commodity boards and set up an umbrella organisation in order to improve production and exports of plantation crops like tea, coffee and spices. For more details please read at:

<http://www.livemint.com/Politics/B0xkW0dmM25DRzcvPkyBGL/Commerce-ministry-plans-merger-of-commodity-boards.html>

QUIZ ANSWERS  
FEBRUARY, 2017

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

## TOPPERS SPEAK...

A set of questions were asked to the first three rank holders of the CA Final Examination-November 2016. The questions and their responses, which are included in these pages, would be helpful to the students sail through the Examinations smoothly and with good scoring.



**Eti Agarwal**  
Lucknow  
First Rank – CA Final  
November 2016

**Q. How does it feel to be at the top?**

A. No words can describe that moment when the President of ICAI gives you a call to congratulate you for securing AIR 1 in the CA examinations. And I have been immensely fortunate to experience it two times, once at the time of my IPCC results and again at the time of my Final results. The realisation that all my hard work and dedication has paid off so well and that feeling of making my parents so proud of you makes me feel overwhelmed.

**Q. Did you ever consider gender as a limiting factor/ contributing factor in achieving your goal?**

A. Personally, I have never come across any situation in my life where I felt that being a girl has acted as a limiting factor for me. As the society is progressing, gender is slowly ceasing to act as a stumbling block in the path to success. Rather, I strongly feel that when it comes to sincerity and dedication, girls have the capability to perform much better and this belief has always kept me going and held me in high stead throughout my life.

**Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.**

A. It has been rightly said that “once you have tasted success, there is no stopping you, as long as you are honest to your work and are committed towards your goal”. And, I am a firm believer and follower of the same. My dedication, confidence, positive energy, passion and drive to succeed are what make me stand out in a crowd. But above them all, I owe my success to God’s grace and my parents’ blessings who have inculcated the strong values and discipline in me.

**Q. What strategy/study plan did you follow while preparing for the exam?**

A. The only strategy I followed while preparing for the exams was “Plan your work and work your plan”. While most of us are very efficient in planning, it is the execution stage where most of us lack, little realising that it is only

the execution of these plans which will help us achieve success. Talking about my study plan, I always made an effort to balance one theory subject with one practical subject. While practical subjects like Strategic Financial Management and Advanced Management Accounting require a thorough grasp over the concepts and rigorous practice for effective time management during exams, for theoretical subjects like law and ISCA, the number of revisions makes a difference. At the same time, staying abreast with all the latest developments and judicial decisions in law and taxation gives you the edge in exams as well as makes the subject more interesting.

**Q. How have been the inputs provided by the Institute contributed to your success in the examinations?**

A. The Institute has provided us with excellent material to prepare for the exams. I would specially acknowledge the Practice Manuals and the Revision Test Papers which helped me muster confidence in every subject. Moreover, the suggested answers issued by the Institute helped me understand the type of answers which are expected from students in the exams.

**Q. What are your aspirations for the future? Do you have any specific career choice?**

A. Greatly inspired by my dad, a successful Chartered Accountant, I have always wished to follow his footsteps. I intend to have a career in corporate taxation and emerge as one of the leading tax consultants. To begin with, I would join one of the Big Fours and with the zeal and passion I have for taxation, I aim to grow and excel in that field.

**Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?**

A. Yes, I have always believed that the Chartered Accountancy course is the gateway to achieve professional excellence. The perfect amalgam of theoretical knowledge and the practical training this course provides, gives us the right start for a bright and successful professional career ahead.

**Q. How would you motivate the youngsters joining this course?**

A. To the youngsters, I would just like to tell them that CA is the only commerce course which gives us the exposure to all the fields, be it tax, audit, finance, accounts, law. It opens up avenues for making a career in any field. The technical knowledge we possess when compared to other financial courses, the respect a CA gets from the society and the exposure and experience one gets from the 3 year long articleship, is priceless one that no college with regular classes can ever provide.



**Piyush R. Lohia**  
Bhiwandi  
Second Rank- CA Final  
November 2016

**Q. How does it feel to be at the top?**

A. Being at the top makes you feel contended. Clearing the exam makes you feel victorious but raking up as a topper gives you immense delectation and satisfaction. Chartered Accountancy is one of the most valued professions in our country and accomplishing it with a rank makes you feel ecstatic.

It is a reward to all your determined efforts that were put in right from the inception of the course. The happiness is difficult to jolt down but nevertheless, it's just the beginning, a start to a long journey.

**Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.**

A. Three years of articleship curriculum is a challenging phase of our CA Course. It is the blend of the intrinsic and external factors which has landed me up to this position while undergoing the above phase. According to me, perseverance, sticking to study plans, constant self-evaluation through Institute's various study materials & conceptual understanding were the intrinsic factors which attributed to my success. As far as external factors are concerned guidance from professors, seniors, colleagues were the major contributors along with constant support and motivation from family, relatives and friends created a positive aura which helped to achieve my dream.

**Q. What strategy/study plan did you follow while preparing for the exam?**

A. Considering the enormous volume of our CA-Final Course, planning out the syllabus effectively was the pre requisite but adhering to the plans obediently was the vital game plan. Initially, I made a plan covering all the Topics and Chapters of all subjects to be covered during my final term of 3 years. As the time progressed, I kept updating my plans as per the requirements. During the 4 month time period of study leave, my study pattern was based on that one day which you get before the exam day so as to set the priorities amongst the Topics and determine the time allocation accordingly. It goes without saying that the preparation has to start from day one by studying regularly and applying your knowledge in your practical articleship as that is the best way of learning.

**Q. How have been the inputs provided by the Institute contributed to your success in the examinations?**

A. The Institute's study materials played a key role. Referring past RTPs (at least 5) and suggested answers gives you a glimpse of the type of questions that might be asked and what the Institute expects as an answer.

Study material for practical subjects is must, which provides you an in-depth understanding of the concepts with plethora of examples to practice. It is sad to see that the pronouncements of accounting and auditing standards as provided by the Institute are normally neglected by the students, which helps to develop a better understanding of the standard and also ability to interpret legal texts. On the front of some subjects like Strategic Financial Management, I believe that the course material needs to get updated in light of new products & concrete developments made in the financial markets.

**Q. What are your aspirations for the future? Do you have any specific career choice?**

A. Right now, the opportunity cost of selecting an option is very high. I'd definitely like to drive my career into consulting or front end investment banking as that has always an area of interest to me. I'd like to take guidance from my seniors to build the career in the rightful direction.

**Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?**

A. Chartered Accountancy, along with a gateway, is a meteoric roadmap to achieve and attain the professional excellency. When it comes to the conventional & fundamental areas of accounting, auditing & taxation, the Chartered Accountancy course is considered to be of a supreme stature, with a blend of rightful combination of theoretical knowledge & practical exposure. But given the pace at which the global and Indian economic environment is changing, the course needs to be in harmony with the new developments as newly emerging areas of forensic auditing, career in financial markets, international taxation requires a different skill set apart from the regular curriculum of ICAI.

**Q. How would you motivate the youngsters joining this course?**

A. Chartered Accountancy is not as tough as the society portrays. It requires immense hard work, planning, management skills, perseverance as mentioned above and an ability to handle stress. It doesn't need a high aptitude to accomplish; it just needs the right attitude to conquer. According to me, Intelligence should not be the parameter of selecting this course, rather, your determination to learn matters. It is a challenging course, there's no denying to it, but a worthy course if one is willing to exploit their own potential.



**Jyoti M. Maheshwari**  
Ahmedabad  
Third Rank- CA Final  
November 2016

**Q. How does it feel to be at the top?**

A. This feeling of getting AIR 3 cannot be described, it is just beyond words. It is all about exhilaration, elation and happiness. It is like living the dreamland. When President Sir called up informing about AIR, there were tears of happiness in my as well as my parents' eyes.

**Q. Did you ever consider gender as a limiting factor/ contributing factor in achieving your goal?**

A. In today's competitive world, I don't think that there is any difference between what a boy or a girl can do. Definitely, there hasn't been any problem in achieving my goals just for the reason being that I am a girl.

**Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.**

A. There's always a driving force which keeps oneself going. For me, that internal force was my parents' expectations from me, their support and love. I would dedicate my success to my entire family, my teachers, friends and colleagues. The other factors affecting success are our dedication, hard work and smart work, our passion and consistency in studies.

**Q. What strategy/study plan did you follow while preparing for the exam?**

A. So far as strategy is concerned, it all depends on our interest and the subject in which we are comfortable at. I was good at practical subjects and so I started my preparation with those subjects and later followed with the theory portion. I tried to cover the full syllabus and not to miss out any topic or concept. I emphasized more on ICAI materials and solved previous attempts papers and RTP.

**Q. How have been the inputs provided by the Institute contributed to your success in the examinations?**

A. As I mentioned earlier, ICAI material is the best one to refer. Study material and practice manual has helped me a lot. Further, solving RTPs and Model test papers added value to my preparation.

**Q. What are your aspirations for the future? Do you have any specific career choice?**

A. I want to pursue IAS. Simultaneously, I want to start my career in consultancy.

**Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?**

A. Definitely, a BIG yes. There is no other course par Chartered Accountancy Course for achieving the professional excellence. Getting the prefix "CA" to the name itself indicates the knowledge, respect and professionalism.

**Q. How would you motivate the youngsters joining this course?**

A. I would say that CA is all about our mental strength i.e. never get stressed out or feel de-motivated looking at the huge syllabus. Believe in yourself. Set your goals/ targets clear and do focused study towards achievement of the same. Be passionate and a consistent performer.

**CROSSWORD SOLUTION – FEBRUARY 2017**

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

## The Brick

A young and successful executive was travelling down a neighbourhood street, going a bit too fast in a new Jaguar. While watching for kids darting out from between parked cars, there was movement on the sidewalk that made the executive slow down.



As the car passed, no children appeared. Instead, a brick smashed into the car's side door! The executive slammed on the brakes and drove the car back to the spot where the brick had been thrown.



The angry driver then jumped out of the car, grabbed the nearest kid and pushed the child against a parked car shouting, "What was that all about and who are you? Just what the heck are you doing? That's a new car and that brick you threw is going to cost a lot of money. Why did you do it?"

The youth was apologetic. "Please...please, I'm sorry...I didn't know what else to do. I threw the brick because no one else would stop..." With tears, the youth pointed to a spot just around a parked car. "It's my brother, he rolled off the curb and fell out of his wheelchair and I can't lift him up."



Now sobbing, the child asked the stunned executive, "Would you please help me get him

back into his wheelchair? He's hurt and he's too heavy for me."

The driver was moved beyond words and hurriedly lifted the differently abled boy back into the wheelchair; then took out a fancy kerchief and dabbed at the scrapes and cuts. A quick look over the minor injuries relieved the executive.



"Thank you," the grateful child told the stranger.

Too shook up for words, the young executive simply watched the child push his wheelchair-bound brother down the sidewalk toward their home. It was a long, slow walk back to the Jaguar. The damage was very noticeable, but the driver never bothered to repair the dented side door. The dent was there to remind the executive of this message:

Don't go through life so fast that someone has to throw a brick at you to get your attention!



**The universe whispers messages to our souls and speaks to our hearts. Sometimes when we don't have time...a brick is thrown to ensure we listen.**

**We all have the choice to listen to the whisper...or wait for the brick!**

(Source: Internet)

## APPLICABILITY OF INCOME COMPUTATION AND DISCLOSURE STANDARDS (ICDSs) FOR MAY 2017 EXAMINATION

The Central Government had, *vide* Notification No.S.O.892(E) dated 31.3.2015, in exercise of the powers conferred by section 145(2), notified ten income computation and disclosure standards (ICDSs) to be followed by all assessees, following the mercantile system of accounting, for the purposes of computation of income chargeable to income-tax under the head "Profit and gains of business or profession" or "Income from other sources". This notification was to be applicable from A.Y. 2016-17.

However, the Central Government has, *vide* Notification No.S.O.3078(E) dated 29.9.2016, rescinded Notification No.S.O.892(E) dated 31.3.2015. Simultaneously, *vide* Notification No.S.O.3079(E) dated 29.9.2016, the Central Government has notified ten new ICDSs to be applicable from A.Y.2017-18.

The newly notified ICDSs have to be followed by all assessees (other than an individual or a Hindu undivided family who is not required to get his accounts of the previous year audited in accordance with the provisions of section 44AB) following the mercantile system of accounting, for the purposes of computation of income chargeable to income-tax under the head "Profits and gains of business or profession" or "Income from other sources", from A.Y.2017-18.

**Since the relevant assessment year for May 2017 examination is A.Y.2017-18 and notifications and circulars issued upto 31.10.2016 are applicable for the said examination, the ICDSs notified on 29.9.2016 would be applicable from May 2017 examination.**

The salient features of the ICDSs notified on 29.9.2016 as well as the significant changes *vis-à-vis* ICDSs notified on 31.3.2015 (since rescinded) have been given as Annexure to the Revision Test Paper (RTP) for Final Course [Group II], May 2017 examination. The text of these standards are given as Annexure to the December 2016 edition of the Practice Manual for Final Paper 7 Direct Tax Laws. Chapter 12 of this Practice Manual contains questions based on the ICDSs notified on 29.9.2016. Both the Practice Manual and the RTP for May 2017 Examination have been webhosted at the BOS Knowledge Portal on the Institute's website [www.icai.org](http://www.icai.org).

As far as IIPCC Paper 4 Taxation [Part I: Income-tax] is concerned, the text of ICDSs notified on 29.9.2016 as well as the significant changes *vis-à-vis* ICDSs notified on 31.3.2015 (since rescinded) have been given as Annexure to October 2016 edition of the Practice Manual, which has also been hosted at the BoS Knowledge Portal. Students of IIPCC may note that they are only expected to have basic knowledge of the ICDSs.

## PAPER 1: FINANCIAL REPORTING CORRIGENDUM TO PRACTICE MANUAL (JANUARY, 2017 EDITION) – PRINTED COPY

In the printed copy of the January, 2017 edition of the Practice Manual, students may note the following corrections:

S.No.	Chapter	Question No.	Page No.	Suggested corrections
1	1	44	1.34	In Answer, the cost given in point "1" should be covered under 'included in cost' instead of 'excluded from cost'.
2	4	5	4.22 and 4.23	Amalgamation Adjustment Reserve of ₹ 100 lakhs should be shown under the Note 2. "Reserves and Surplus" with negative figure. Thereafter, total of Reserves and Surplus will be ₹ 1,650 lakhs instead of ₹ 1,750 lakhs. Further there will be no Note 7 on "Other non-current assets". Also total of balance sheet will be ₹ 3,520 lakhs instead of ₹ 3,620 lakhs.
3	4	11	4.47	The amount in 5th entry shall be ₹ 3,60,000 instead of ₹ 3,90,000. In 6th entry, amount of 'Business Purchase Account' and 'Capital Reserve' will be ₹ 3,60,000 and ₹ 54,000 respectively 7th entry shall be in two parts as follows: A. Liquidator of B Ltd.                      Dr.                      ₹ 3,60,000 To Equity Share Capital                      ₹ 2,70,000 To 10% Preference Share Capital                      ₹ 90,000 B. Capital Reserve                              Dr.                      ₹ 30,000 To Bank A/c                                      ₹ 30,000
4	4	14	4.63	Amalgamation Adjustment Reserve of ₹ 1,00,000 should be shown under the Note 2. "Reserves and Surplus" with negative figure. Thereafter, total of Reserves and Surplus will be ₹ 65,10,000 instead of ₹ 66,10,000. Further there will be no Note 8 on "Other non-current assets". Also total of balance sheet will be ₹ 1,83,54,000 instead of ₹ 1,84,54,000.
5	4	21	4.95	In entry 4, debit 'Capital Reserve A/c' instead of 'Profit and Loss A/c' by ₹ 25,000.
6	4	27	4.119	Amalgamation Adjustment Reserve of ₹ 70,000 should be shown under the Note 2. "Reserves and Surplus" with negative figure. Thereafter, total of Reserves and Surplus will be ₹ Nil instead of ₹ 70,000. Further there will be no Note 4 on "Other non-current assets". Also total of balance sheet will be ₹ 14,99,900 instead of ₹ 15,69,900.

The above corrections have been incorporated in the Practice Manual of January, 2017 edition uploaded on the website at the link [http://www.icai.org/post.html?post\\_id=13286](http://www.icai.org/post.html?post_id=13286)



**The Institute of Chartered Accountants of India**  
*[Set up by an Act of Parliament]*  
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## IMPORTANT ANNOUNCEMENT

27<sup>th</sup> January, 2017

**N**o. No.13-CA (EXAM)/CPT/June/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 **Common Proficiency Test** will be held on **Sunday, 18<sup>th</sup> June, 2017** in two

sessions as below, at the following centres provided that sufficient number of candidates offer themselves to appear from each centre.

[This Common Proficiency Test will be conducted as per provisions of Regulation 25 D (3) of the Chartered Accountants Regulations, 1988.]

<b>First Session (i.e. Morning Session)</b>	<b>10.30 AM to 12.30 PM (IST)</b> Section - A Fundamentals of Accounting Section - B Mercantile Laws
<b>Second Session (i.e. Afternoon Session)</b>	<b>2.00 PM to 4.00 PM (IST)</b> Section - C General Economics Section - D Quantitative Aptitude

### 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	BADLAPUR	18	BANSWARA
19	BAREILLY	20	BATHINDA	21	BEAWAR
22	BELGAUM	23	BELLARY	24	BENGALURU
25	BERHAMPORE	26	BHAGALPUR	27	BHARATPUR
28	BHARUCH	29	BHAVNAGAR	30	BHILWARA
31	BHIWANI	32	BHOPAL	33	BHUBANESWAR
34	BHUJ	35	BIKANER	36	BILASPUR
37	BUNDI	38	CHANDIGARH	39	CHANDRAPUR
40	CHENNAI	41	CHITTORGARH	42	CHURU
43	COIMBATORE	44	CUTTACK	45	DEHRADUN
46	DELHI / NEW DELHI	47	DHANBAD	48	DHULE
49	DUNDLOD	50	DURG	51	DURGAPUR
52	ELURU	53	ERNAKULAM	54	ERODE
55	FARIDABAD	56	FATEHABAD	57	FIROZABAD
58	GANDHIDHAM	59	GANDHINAGAR	60	GHAZIABAD
61	GONDIA	62	GORAKHPUR	63	GUNTUR
64	GURGAON	65	GUWAHATI	66	GWALIOR
67	HALDWANI	68	HARIDWAR	69	HISAR
70	HUBLI	71	HYDERABAD	72	INDORE
73	JABALPUR	74	JAIPUR	75	JALANDHAR
76	JALGAON	77	JALNA	78	JAMMU
79	JAMNAGAR	80	JAMSHEDPUR	81	JHANSI
82	JHUNJHUNU	83	JODHPUR	84	JUNAGADH
85	KAITHAL	86	KAKINADA	87	KANNUR
88	KANPUR	89	KARIMNAGAR	90	KARNAL

## EXAMINATION

91	KISHANGARH	92	KOLHAPUR	93	KOLKATA
94	KOLLAM	95	KOTA	96	KOTTAYAM
97	KOZHICODE	98	KUMBAKONAM	99	KURNOOL
100	LATUR	101	LUCKNOW	102	LUDHIANA
103	MADURAI	104	MALAPPURAM	105	MANDSAUR
106	MANGALORE	107	MAPUSA (GOA)	108	MARGAO (GOA)
109	MATHURA	110	MEERUT	111	MORADABAD
112	MUMBAI	113	MUZAFFARNAGAR	114	MUZAFFARPUR
115	MYSORE	116	NAGPUR	117	NANDED
118	NASHIK	119	NAVI MUMBAI	120	NAVSARI
121	NEEMUCH	122	NELLORE	123	NIZAMABAD
124	NOIDA	125	ONGOLE	126	PALAKKAD
127	PALGHAR	128	PALI MARWAR	129	PANIPAT
130	PANVEL	131	PARBHANI	132	PATIALA
133	PATNA	134	PIMPRI-CHINCHWAD	135	PONDICHERRY
136	PUNE	137	RAIPUR	138	RAJAMAHENDRAVARAM
139	RAJKOT	140	RANCHI	141	RATLAM
142	RATNAGIRI	143	REWARI	144	ROHTAK
145	ROURKELA	146	SAHARANPUR	147	SALEM
148	SAMBALPUR	149	SANGLI	150	SANGRUR
151	SATARA	152	SATNA	153	SHIMLA
154	SHIMOGA	155	SIKAR	156	SILIGURI
157	SIROHI	158	SIRSA	159	SIVAKASI
160	SOLAPUR	161	SONEPAT	162	SRI GANGANAGAR
163	SRINAGAR	164	SURAT	165	SURENDRANAGAR
166	THANE	167	THIRUVANANTHAPURAM	168	THRISSUR
169	TINSUKIA	170	TIRUCHIRAPALLI	171	TIRUNELVELI
172	TIRUPATI	173	TIRUPUR	174	TUTICORIN
175	UDAIPUR	176	UDUPI	177	UJJAIN
178	VADODARA	179	VAPI	180	VARANASI
181	VASAI	182	VELLORE	183	VIJAYAWADA
184	VISAKHAPATNAM	185	WARANGAL	186	YAMUNA NAGAR
187	YAVATMAL				

### PLACES OF EXAMINATION CENTRES OVERSEAS:

1) ABU DHABI	2) DOHA	3) DUBAI	4) KATHMANDU	5) MUSCAT
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The Council reserves the right to withdraw any centre at any stage without assigning any reason.

Applications for admission to Common Proficiency Test (CPT) is required to apply online at <http://icaiaexam.icaai.org> from 5<sup>th</sup> April, 2017 to 27<sup>th</sup> April, 2017 and remit the examination fee online by using either VISA or MASTER Credit / Debit Card. **It may be noted that there is no provision for acceptance of application forms after 27<sup>th</sup> April, 2017 with late fee.**

The fees payable for the Common Proficiency Test is ₹ 1000/- for centres in India, ₹ 1700/- for centres in Kathmandu (Nepal) and \$ 300/- for centres in Abu Dhabi, Doha, Dubai & Muscat

**The aforesaid Common Proficiency Test (CPT) is open only to students registered with the Institute of Chartered Accountants of India for the Common Proficiency Course on or before 3<sup>rd</sup> April, 2017 and fulfill the requisite eligibility conditions.**

### QUESTION PAPER BOOKLET LANGUAGE:

Common Proficiency Test is an objective type multiple choice questions based examination. Candidates will be allowed to opt for Hindi medium Question Paper Booklet for answering the questions. Detailed information will be found given in the Information brochure. ■

(B. MURALIDHARAN)  
DEPUTY SECRETARY (EXAMINATIONS)

## Scholarships for CA Students

**Board of Studies, ICAI invites applications for the award of Scholarships to the selected candidates to be paid from April 1, 2017 onwards under following categories:**

Sr. No.	Scholarship Category	No. of Scholarships	Amount (p.m.)	Eligibility Criteria
1.	<b>Merit-cum-Need</b>	15	₹ 1500/-	Rank holders (other than covered under Merit category) of Intermediate (IPC) November, 2016 Exam whose parents/guardians total annual income does not exceed ₹ 1,50,000/-
2.	<b>Need Based and Weaker Sections</b>	125	₹ 1250/-	Students of Intermediate (IPC) Course whose parents/guardians total annual income does not exceed ₹ 1,00,000/-
		150	₹ 1250/-	Students of Final Course whose parents/guardians total annual income does not exceed ₹ 1,00,000/-
		As per eligibility criteria	₹ 1250/-	The children undergoing Intermediate (IPC) or Final Course of the deceased members of ICAI where financial assistance is provided to spouses of the deceased members from the Chartered Accountants Benevolent Fund (CABF) shall also be eligible for scholarship.
3.	<b>Sri Dhanraj Kanhaiyalal Dudheria Scholarships</b>	5	₹ 1250/-	Students of Intermediate (IPC)/Final from Karnataka State under Need Based & Weaker Sections criteria
4.	<b>R.K. Khanna Memorial Scholarships</b>	1	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
5.	<b>J.S. Lodha Memorial Scholarships</b>	2	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
6.	<b>J.M. Sethia Charitable Trust Scholarships</b>	1	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
7.	<b>BCCO Foundation Scholarships</b>	1	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
8.	<b>Out of Joint Corpus formed by Donors</b>	5	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria

Board of Studies, ICAI also awards **Merit Scholarships** to the Meritorious Students as a token of appreciation. Students whose names are appearing at Sl. No. 1-10 of Merit lists of Intermediate (IPC) of November, 2016 Exam, in case the Rank at Sl. No.10 continues to Sl. No. 11 or 12 or so on, then all such rank holders shall be granted @ ₹ 2000/- p.m. Such students are not required to apply.

The detailed guidelines along with the requisite application forms (Form no. 3 & 4) are available on the Institute's Website ([www.icai.org](http://www.icai.org)) (link: [http://www.icai.org/post.html?post\\_id=6486](http://www.icai.org/post.html?post_id=6486)).

### Terms for award of Scholarships:

- Applicants shall be the registered students of Intermediate (IPC) or Final Course.
- In the case of Intermediate (IPC) Students, Scholarship shall be paid for a maximum period of 18 months.
- In the case of Final students, Scholarship shall be paid for a maximum period of 30 months or balance period of their articleship, whichever is less.
- An additional amount of ₹ 100/- p.m. shall be paid to SC/ ST/ OBC students, under Need-based and Weaker Section Category on submission of certificate/ documentary proof duly attested by a gazetted officer or a member of the Institute.
- One scholarship under the Need-Based and Weaker Section Category is reserved for a Physically Challenged student.
- Income Certificate (Form No. 4) to be submitted on the letter head of the Principal by the Student undergoing Articleship (Practical Training) (Part I) / letter head of any member of ICAI by the Student not undergoing Articleship (Part-II).

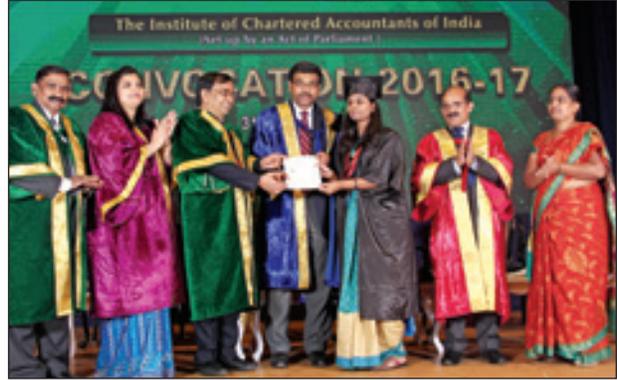
Duly completed and signed Application Forms in the prescribed formats as mentioned above should reach the Director, Board of Studies, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, NOIDA-201309 **latest by 31<sup>st</sup> March, 2017.**

In case of any clarification, please contact the Board of Studies, Telephone Nos. 0120-3045914/931; Email: [bosnoida@icai.in](mailto:bosnoida@icai.in); [ajay.kumar@icai.in](mailto:ajay.kumar@icai.in)

**Director,  
Board of Studies**



The New Chairman, Board of Studies, CA. Atul Kumar Gupta with the students of Jodhpur Branch during an interaction meeting.



Convocation, Chennai: The then Chairman, Board of Studies, CA. Babu Abraham Kallivayalil, Central Council Members, CA. G. Sekar, CA. Sripriya Kumar and SIRC Chairman, CA. E. Phalgun Kumar at the Certificate distribution Ceremony.



Convocation, Kolkata: Central Council Members, ICAI, CA. (Dr.) Debashis Mitra, CA. Ranjeet Kumar Agarwal and CA. Sushil Kumar Goyal at the Certificate distribution Ceremony.



National Convention for CA Students, Agra: Past President, ICAI, CA. Amarjit Chopra releasing the Souvenir along with Branch Chairman, CA. Amit Bansal, Vice Chairman, CA. Rohit Dua and branch CICASA Chairman, CA. Deepika Mittal and other managing committee members.



National Convention for CA Students, Chennai: Past President, ICAI, Padma Shri CA. T. N. Manoharan and Chairman, SICASA, CA. Babu K. Thevar with the students.



National Convention for CA students, Trivandrum: Central Council Member, ICAI, CA. M. P. Vijay Kumar lighting the auspicious lamp to inaugurate the function.

## CROSSWORD - MARCH 2017

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### ACROSS

- Vehicle under Customs means conveyance of any kind used on -----
- To move to the beginning of a line of text, press \_\_\_\_ Key
- A line of tablet computers designed, developed and marketed by Apple Inc., which run IOS mobile operating system.
- 101 in Roman numeral.
- Name the application to connect passengers with drivers of vehicles for hire.
- FERA was replaced by \_\_\_\_.
- 150 in Roman numeral.
- \_\_\_\_ is a sauce that is commonly served with pasta and created by Alberto Alvisi in the 18th century.
- A kind of poem, usually praising something.
- An international code signal of extreme distress, used especially by ships at sea.
- A form of computer data storage which stores frequently used program instructions to increase the general speed of a system.
- Anger
- The provisions of tax collection at source under section 206C(1F) apply in case of sale of ..... exceeding Rs.10 lakh.
- In India, an IPS officer having a three-star rank.
- Guys
- 610 in Roman numeral.
- A public sector bank in India.
- Eat.
- Ardent
- Costa \_\_\_\_ meaning "Rich Coast", a country in Central America.
- Penalty@30% of undisclosed income is leviable under section 271AAB in case where such income is admitted in the course of ..... initiated on or after 15th December, 2016 in a statement furnished under section 132(4), the manner in which such income was derived is explained by the assessee and tax together

- with interest is paid by him, on or before the specified date.
- Zero
  - Immoral action
  - Wars Cunningham is the developer of which famous online encyclopedia /database
  - A United Nations observance that aimed to raise awareness of the achievements of light science and its applications, and its importance to humankind.
  - For example, in Latin.

### DOWN

- \_\_\_\_ method is not accepted under AS 2.
- Copied
- What's there in \_\_\_\_? A rose by any other \_\_\_\_ would smell as sweet". (Repeat word)
- The \_\_\_\_ was created in 1955 to promote and secure the development of Delhi.
- A public-private company in India whose businesses span the sectors of Engineering & Construction, Real Estate, Infrastructure, Urban development & Management.
- One of the chief imports of India.
- Continental currency.
- Limb, segment.
- \_\_\_\_ Standard that is never altered once established.
- Indian currency.
- The contribution margin is also known as \_\_\_\_ Income.
- Spare the \_\_\_\_, and spoil the child.
- 1005 in Roman numeral.
- \_\_\_\_ is a mega-database that includes the on-line catalogue records of the member libraries.
- The \_\_\_\_ is the value that appears most often in a set of data.
- A financial charge or other levy imposed upon on an individual or legal entity by a state or the functional equivalent of a state to fund various public expenditures.

- The provisions of section 206C(1D) requiring tax collection at source on cash consideration received in respect of sale of goods (other than bullion and jewellery) or provision of services would not apply to, inter alia, a buyer being an .....
- A pronoun.
- Export rebate is not allowed when \_\_\_\_ market price of goods exported is less than the rebate claimed.
- A specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank.
- A financial instrument denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.
- Reverberate
- Write signature
- 102 in Roman numeral.
- \_\_\_\_ in the machine means one who holds a minor but necessary post in a large organization.

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