e-NewsLetter

The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)

VOL. IV | MAY 2011

BARODA BRANCH OF WESTERN INDIAN CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION (WICASA) OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Taking Learning to a New Dimension........

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Students are requested to kindly send article / paper of interest to wicasa.baroda@gmail.com. The same may be published in the newsletter subject to availability of space & editing.

WICASA facebook COMMUNITY :

Be a part of the "WICASA Baroda" on FACEBOOK Community. Exchange views and news. Keep updated about ICAI Announcement and forthcoming events of WICASA.

STUDY CIRCLE - FOR THE STUDENT'S, BY THE STUDENT'S, OF THE STUDENT'S:

Join now .... where in students can exchange knowledge with the help of group discussion. Contact Mr. Amit Muley (M) 9974621161, Mr. Manish Gandhi (M) 9824385565, Mr. Ashish Agrawal (M) 9173416488

WICASA HELPLINE :

Students are invited to send their feedback suggestions or grievances to wicasa.baroda@gmail.com or contact Ms. Sheekha Kotak 9825312097

Chairman's Communication

I take this opportunity to convey my Best Wishes for your ensuing May 2011 Examination. This is the time for you to gear up your sprits and confidence and develop an attitude of "NEVER GIVE UP". Have faith in your abilities and skills. Self-study and self-confidence will lead you Brilliance Achievement.

By this time, you must have completed the examination preparation and ought to have started through the revision of the course. A systematic, orderly and a disciplined approach towards the course, will help to cover up the length of the curriculum on the day of the exam. Time management is very important at this juncture. Following a systematic Time – Routine will be helpful in reducing stress and tension during the examination times.

Now talking about, stress, worry, anxiety and tension. They seem to be a part of CA examinations even after the exams. So to relax your minds, we have a Picnic coming up in the last week of this month.

Further , we have National Conference coming up in the month of June. Interested students are required to register themselves. Limited seats, on first come … first serve basis. Registrations starts from 5-may-11

Students interested in becoming the Paper Writes are requested to kindly contact the Vice- Chairman- Mr. Amit Muley for the details.

CA Pradeep Agrawal

NATIONAL STUDENTS CONFERENCE

24 & 25th June, 2011

BREAKING NEWS

Students interacting with the Hon. President & Vice-President of ICAI

FORTHCOMING EVENTS

QUIZ/ELOCUTION/DEBATE

Date & Day	:	25.05.2011, Wednesday
Time	:	18.00 to 20.00 hrs.
Subject	:	Pop The Question- Current Affairs
Venue	:	Conference Hall, ICAI Bahawan
Fees	:	Nil

STUDY CIRCLE MEETING

Date & Day	:	26.05.2011, Thursday
Time	:	18.30 to 20.30 hrs.
Subject	:	Impact of IFRS
Venue	:	JRS Patel Class Room, ICAI Bahawan
Fees	:	Nil

PICNIC

Date & Day	:	29.05.2011, Sunday
Time	:	08.00 to 17.00 hrs.
Venue	:	To be announced

CPT Mock Test

Date & Day	:	05.06.2011, Sunday
Time	:	Will be Announced Later
Fees	:	Will be Announced Later
Venue	:	ICAI Bhawan,

ICAI ANNOUNCEMENT

Provision of 15-minutes reading time to the candidates of Chartered Accountants Examinations

(Effective from May-2011 CA Examinations)

The Council of the Institute, based on the recommendation of the Examination Committee has decided to allow 15-minute reading time to the candidates in the Chartered Accountants Examinations before the scheduled commencement of the examinations i.e, if the examination commences from 2.00 PM, then the candidates will be given Question Papers at 1.45 PM. This reading time will not be available for CPT and all post qualification Courses Examinations.

Candidates are required to note the following in this regard:

(1) The candidates will not be allowed to leave the Examination Hall under any circumstances from 1.45 PM to 3.00 PM.

(2) The candidates shall be allowed to enter the hall from 1.30 PM up to 2.30 PM only.

Help Line Desk - Admit Card

The Help Line Desk will be functional from 13th April to 10th MAY, 2011 for 24 hours on all days (inclusive of holidays and Sundays) to attend to any query relating to the ensuing Chartered Accountant Examinations to be held in MAY, 2011. The telephone Numbers of Help Line Desk are:

0120-3054851 / 0120-3054852 / 0120-3054853 / 0120-3054835 / (0120) 3054843 (FAX)

Students who have not received their admit cards can download it from website

www.icai.nic.in

Also they can mail their queries on:

pce_examhelpline@icai.in for Professional Competence Examination
ipce_examhelpline@icai.in for Integrated Professional Competence examination/Accounting Technician Examination
final_examhelpline@icai.in for Final Examination
irm_examhelpline@icai.in for IRM Examination

TECHNIQUES OF MATHEMATICAL CALCULATION

Compiled by : **Mohd. Atiq Qureshi (IPCC)**

Why Fast calculation Required?

It's easy to calculate with the use of calculator, but in all situation it is not proper to use calculator now & then. It's coverage is vast as every organization required it for many purposes. Calculation is not only a part of Mathematics but also includes In Accounts, Statistics Taxation, Cost Accounting, Financial Management & Many More. Techniques to Calculate things

(a) In case of Multiplication

RULE: Any Two Digits = (Mid Term)2 - (Difference)2

Example

1. 77*83 = (80)2-(3)2 = 6400-9 = 6391
2. 92*88 = (90)2 -(2)2 = 8100-4 = 8096
3. 66*74 = (70)2-(4)2 = 4900-16 = 4884
4. 59*61 = (60)2-(1)2 = 3600-1 = 3599

Note : If there is mid term in decimal or difference is decimal than it's square should be taken to know any multiple of two digits.

(b) To calculate squares having last digit 5

Example

(85)2 = (80)2 + 825 = 6400+825 = 7225
(125)2 = (120)2+1225 = 14400+1225 = 15625
(205)2 = (200)2 + 2025 = 40000+2025 = 42,025
LAST 5's SQUARE IS COMMON

(c) To Calculate Squares

Step -1: Find Nearest digit square (in 10's or 5's)

Step-2 : Sum of succeeding digit with that digit to get next digit Square.

Step-3: This process continuous until to get desired result.

Example:

1. (76)2 = (75)2 + (75+76) = 5625+15 = 5776
2. (57)2 = (55)2 + (55+56) = 3025+111 = 3136 = (56)2
   (57)2 (56)2 + (56+57) = 3136+113 = 3249
3. (89)2 = (90)2 – (90+89) = 8100-179 = 7921

Know Status of Quarterly TDS/TCS Statement by SMS

Status of Quarterly TDS/TCS Statement now available by SMS

NSDL is pleased to announce that henceforth, NSDL will send SMS for each quarterly TDS/TCS statement processed at TIN. You just need to quote correct latest mobile number in the quarterly TDS/TCS statement. Status as below is provided in the SMS:

Accepted: This status is provided if the statement is accepted by TIN.

Rejected: This status is provided if the statement is rejected by TIN.

Partially accepted: This status is provided if the statement is partially accepted by TIN.

Further details can we viewed under the quarterly statement status view available at TIN website

IMPORTANT JUDGEMENTS IN DIRECT TAXES

Compiled by : **Tanay Garodia** (CA Final)

1) Failure to voluntarily apply s. 50C does not attract penalty u/s 271(1)(c)

The assessee sold a flat for Rs. 63 lakhs and offered capital gains on that basis while its stamp duty valuation was Rs. 72 lakhs. The difference of Rs. 9 lakhs was assessed by the AO u/s 50C which the assessee accepted. The AO levied penalty u/s 271(1)(c) which was confirmed by the CIT (A). On appeal to the Tribunal, HELD allowing the appeal:

The AO had not questioned the actual consideration received by the assessee but the addition was made purely on the basis of the deeming provisions of s. 50C. The AO had not doubted the agreement or given any finding that the actual sale consideration was more than the sale consideration stated in the sale agreement. The fact that the assessee agreed to the addition is not conclusive proof that the sale consideration as per agreement was incorrect and wrong. Accordingly, there was no concealment of income or furnishing inaccurate particulars of income.

Renu Hingorani vs. ACIT (ITAT Mumbai) April 26th, 2011

2) Granting permission for development not "transfer" & consideration not assessable in society's hands

The assessee, a co-operative housing society, was the owner of a plot of land on which a building was constructed. The assessee entered into a development agreement pursuant to which it gave the developer the right to demolish the structure and construct a new building. In consideration, the developer paid Rs. 2.51 Lakhs to the assessee and Rs. 3.02 crores to the individual members of the society. The AO held that as the assessee was the owner, it was entitled to the entire consideration of Rs. 3.02 crores (though paid to the members) and was assessable u/s 2(24). This was confirmed by the CIT(A) on the ground that the grant of development rights was a "transfer" and the consideration was assessable as "capital gains". On appeal by the assessee, HELD allowing the appeal:

The assessee-society had merely given permission to the developer to construct on the society's land. No part of the land was ever transferred by the society. The Society continued to be the owner of the land and no change in ownership of land had taken place. Mere grant of consent will not amount to transfer of land/or any rights therein. The amount of Rs. 3.02 crores received by the members (on which some of them had paid tax) was not assessable in the assessee's hands either u/s 2(24) or as capital gains

Raj Ratan Palace Co-op Hsg Soc vs. DCIT (ITAT Mumbai) April 26th, 2011

3) Refund of Excise Duty under subsidy scheme is a capital receipt & not taxable

The assessee, pursuant to the New Industrial Policy announced for the State of J&K, received excise refund and interest subsidy, etc which it claimed to be a capital receipt. In the alternative, it was claimed that the same was eligible for deduction u/s 80-IB. The AO, CIT (A) and Tribunal rejected the claim and held the receipts to be revenue on the ground that the subsidy (i) was for established industry and not to set up a new one, (ii) it was available after commercial production, (iii) it was recurring in nature, (iv) it was not for purchasing capital assets and (v) it was for running the business profitably. On appeal by the assessee, HELD reversing the lower authorities:

(i) If the object of the subsidy scheme is to enable the assessee to run the business more profitably then the receipt is on revenue account. On the other hand, if the object of the subsidy scheme is to enable the assessee to set up a new unit or to expand the existing unit then the receipt of the subsidy was on capital account. It is the object for which the subsidy/assistance is given which determines the nature of the incentive subsidy. The form or the mechanism through which the subsidy is given is irrelevant;

(ii) On facts, the object of the subsidy scheme was (a) to accelerate industrial development in J&K and (b) generate employment in J&K. Such incentives, designed to achieve a public purpose, cannot, by any stretch of reasoning, be construed as production or operational incentives for the benefit of assesses alone. It cannot be construed as mere production and trade Incentives;

(iii) The fact that the incentives were available only after commencement of commercial production cannot be viewed in isolation. The other factors which weighed with the Tribunal are also not decisive to determine the character of the incentive subsidies in view of the stated objects of the subsidy scheme;

(iv) Question whether the subsidy receipts are eligible u/s 80-IB not decided.

M/s Shree Balaji Alloys vs. CIT (J&K High Court) April 19th, 2011

SATYAM AUDIT FAILURE – AN ENLIGHTENMENT

Compiled by : **Prateekkumar Patel**

Abstract: In process of reform and internationalizing, our Institute (ICAI) introduces new/revised sets of Standard's of Auditing. SA 200*(Revised) "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing" It states the overall responsibilities of independent auditor when conducting an audit of financial statements in accordance with SAs. Stated fundamental principles are;

a. Integrity;
b. Objectivity;
c. Professional competence and due care;
d. Confidentiality; and
e. Professional behavior.

Further SA 240 "THE AUDITOR'S RESPONSIBILITIES RELATING TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS" states that, An auditor conducting an audit in accordance with SAs is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

In recent year, a financial embezzling case has taken place in India (i.e. Satyam fraud). The influence wouldn't be anticipated. Behind this financial embezzling case, there is one of the most know auditing firm (i.e. PWC). Why this auditing firm would be involved in the financial cases without discovering it in time? Why did these huge audit failures take place in the famous accounting firms?

Summary: Audit failure means that CA provides erroneous audit opinion for unfaithful financial statements because he or she doesn't conform to audit standard. Audit risk is the risk that the auditor may unknowingly fail to appropriate his or her opinion on financial statements that are materiality misstated. The main difference of audit failure and audit risk is that whether or not the CA conforms to standards of auditing.

Here PWC failed to detect;

- ⌘ Inflated billing to customers
- ⌘ Non-existent cash & bank balances $ I bn
- ⌘ Overstated Debtors $ 100 million
- ⌘ Operating margin shown high at 24% in Q2 (Sept 2008) as against 3% real profit margin
- ⌘ Such manipulation done in earlier years(6 yrs-$ 1.2 Bn)
- ⌘ Increased costs to justify higher level of operations

Factors that contribute to this Audit failure are;

- ⌘ CA couldn't carry out audit procedure strictly,
- ⌘ Professional judgments were error-prone,
- ⌘ Audit report with a qualified opinion was subsidized by management's representation.

Analysis of Satyam Audit Failure;

The financial embezzlement in Satyam didn't violate auditing system, but manipulated financial data according to accounting system. As long as coincidence with regular, "Wipe the Side Ball" could be used.

Audit is a course that needs a great deal of professional judgment. The reason of this audit failure was mainly that CAs were lacking in independence, and they were not able to keep enough professional cautiousness and professional skepticism. Audit models contain system-based and risk-based audit model. System-based audit is based on internal control system. Based on the analysis and evaluation of the internal control system, it can achieve audit goal. According to the risk-based model, auditing firms used a great deal of energy to analyze trade and management risks of the clients. The control of CA profession includes three factors: self-control, government control and independent control. Different factors had different effects. The independence of self-control is the lowest, independent control is the reverse. The independence is the key to ensure audit quality, and makes public believe in auditing firm. The PWC didn't bother looking for fraud. The PWC failed in being good watchdogs.

Other considerable fact is Satyam's auditor fee, Fess jumped from Rs 92 lakh (as stated in the consolidated balance sheet data) in 2004-05 fiscal to Rs 1.69 crore the next year. But it was in the financial year 2006-07 when PwC's auditing fee shot phenomenally to Rs 4.21 crore. It saw a marginal hike in the last fiscal with its fee for the year 2007-08 stated as Rs 4.31 crore. The hike in auditing fee has been significant in other IT majors such as Wipro and Infosys that too have crossed the crore marks but the jump hasn't been as sharp. On any given year, Satyam's auditor remuneration has consistently been much higher compared to other big IT firms.

Enlightenments;

Auditors obviously play a crucial role in the corporate governance of financial institutions. The clear lesson from the Satyam scam is the need to adhere to the auditing standards and institute's guidelines more precisely and to develop the ability to understand and regulate them in audit procedure. Auditors are best placed to detect scams at early stage. All an auditor needs to do is;

- ⌘ Build up effective system,
- ⌘ Adhere the Standards of auditing and guidelines at paramount level,
- ⌘ Ensure the independence of audit,
- ⌘ Plan and perform an audit with an attitude of required professional skepticism,
- ⌘ Strengthen the training to staff,
- ⌘ Proper verification of work done by staff.

We encountered such situation earlier also in case of Enron, Xerox, WorldCom but Satyam scam is the first such a big audit failure in India. We also know that frauds are intentional act by management, so it's difficult to detect it easily but Auditors have a position from which, if they behaved intelligently and correctly, they could prevent a huge amount of all this fraudulent activities.

All about of SAHAJ Contributed by : Ms. Anagha Dandekar (CA Final)

1. What is SAHAJ

SAHAJ is the newly designed ITR-1 which replaces SARAL Income Tax Return. It is the most modern technology enabled Tax Payer Friendly Form.

2. Who can use SAHAJ?

This return form is to be used by the Individual whose total income for the assessment year 2011-12 includes

(i) Income from salary/pension or

(ii) Income from one house property(excluding where loss brought forward from previous year) or

(iii) Income from other sources(excluding winnings from lottery and income from races horses)

Note: Further in a case where income of another person like spouse, minor child, is to be clubbed with the assessee this return form can be used only if the income being clubbed falls in to above income categories.

3. Who cannot use SAHAJ?

This return form should not be used by an individual whose total income for the assessment year 2011-12 includes:

(i) Income from more than one House property or

(ii) Income from winnings from lottery or income from races horses or income under the head "Capital Gain ",which are not exempted from tax, Eg short term capital gain from sale of house, plot etc or

(iii) Income from agriculture in excess of Rs 5000 or

(iv) Income from Business or profession.

4. Can I annex Form 16/FORM 16A to SAHAJ?

No documents (including TDS certificates) should be attached to this return form.All such documents with this return form will be detached and returned to the person filing the return.

Note that you can attach only the supplementary Sch TDS1, TDS2, IT only after exhausting the items given in the Form

5. Who are obligated to File SAHAJ?

All those individuals who have income from sources as given in Question 2 and if their Taxable Total Income exceeds the upper limit as given below would be obligated to file SAHAJ

6. In what ways can I file this return?

This return can be filed with the income tax department in any of the following ways:

(i) by furnishing the return in a paper form:

(ii) by furnishing the return electrically under digital signature

(iii) by transmitting the data in the return electrically and thereafter submitting the verification of the return in return form ITR-V

(iv) by furnishing a bar coded return.

Note where the return form is furnished in the manner mentioned at 6(iii),the assessee should print out two copies of Form ITR-V.one copy of ITR_V ,duly signed by the assessee ,has to be sent by ordinary post to Post Bag no -1,electricity city office, Bangaluru-560100, Karnataka. The other copy may be retained by the assessee for his record.

8. Can I use SAHAJ if I have carry forward Losses?

No, you need to use ITR-2 for carry forward of Losses.

9. Please explain me how to use SAHAJ for Filling Schedules from Form 26AS?

This is available in the Instructions, Please refer to the same

10. Can I use SAHAJ for declaring Income from Capital Gains?

No, use ITR-2 and above

11. Would SAHAJ enable me to get my refund faster?

Surely, since the entire process is automated the refund processing time would be substantially reduced. Many Processing Mistakes noticed are because of lack of awareness among Taxpayers on how to fill the form. Taxpayers are advised to look into the common mistakes in Instructions to make sure that they don't commit any mistakes as given in the list. This would enable faster dispersal of refunds to the Taxpayers.

APRIL - 2011 Events

Date	Day	Events	Venue	Atten.
03.04.2011	Sunday	Public Program of Mega Career Counseling	C C Mehta, M S U	100+
08.04.2011	Friday	Indirect Taxes- Customs	ICAI Bhawan, Baroda	25
09.04.2011	Saturday	Indirect Taxes- Appeals, Revision & Settlement	ICAI Bhawan, Baroda	20
10.04.2011	Sunday	Indirect Taxes- Selected Case Laws	ICAI Bhawan, Baroda	25
11.04.2011	Monday	Major Services Relevant to May-11 Exams	ICAI Bhawan, Baroda	10
22.04.2011	Friday	Interaction of WICASA with Hon'ble- President & Vice-President- ICAI	ICAI Bhawan, Baroda	110+
26.04.2011	Tuesday	Industrial Visit Full Fledged Foreign Exchange Money Changer	Shop No: 3, Shreyas Appt. Nr. Alka Restaurant	5
27.04.2011	Wednesday	Exam Helpdesk	ICAI Bhawan, Baroda	8
29.04.2011	Friday	Industrial Visit Hotel Industry	Hotel Surya Palace, Sayajigunj	5

Statutory Dates

MAY 2011

Contributed by :
Ms. Ravida Zaidi (CA Final Student)

sun	mon	tue	wed	thu	fri	sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

- Service Tax Payment in Form GIR7 & Excise Duty Payment for the month of April (6th in case of electronic payment, otherwise due date in 5th)
- TDS (Form 280/281)/TCS payment for the month of April.
- Excise return (ER 1) for the month of April 2011, ER-6 Monthly Return U/R9A(3) of CCR, 2004
- PF payment for the month of April.
- VAT & CST monthly payment for the month of April 2011
- ESI remittance for the month of March 2011
- PF monthly return for the month of April.
- Issue of TDS certificates for the month of April, Professional Tax payment for the month of April.

PHOTO FLASH

Dt.: 03.04.2011 : CA Nirav Shah, CA Mayur Swadia and CA Pradeep Agarwal conducting the Mega Career Counseling program in C C Mehta Auditorium

Dt. : 08.04.2011 :
Adv. Saurabh Dixit addressing the students on the topic of Indirect Taxes.

Dt.: 11.04.2011 :
CA Nirav Shah addressing the CA Final students on Service Tax.

Dt.: 26.04.2011 : The students learning about foreign exchange money changer at Kwick Deals Broking Pvt. Ltd.

Dt.: 22.04.2011 : The students and committee members interacting with the Hon'ble President and Vice – President of ICAI.

Dt.: 27.04.2011 : The students resolving their administrative doubts related to exams.

Dt.: 29.04.2011 : The students getting an overview of the Hotel Industry at the esteemed Surya Palace Hotel with Ms. Binfar Ghai.

CENTRAL LIBRARY AND ROTARY CLUB

The students taking full benefit of the reading rooms facility at Central Library and Rotary club