

**APPLICABILITY OF
PRONOUNCEMENTS/LEGISLATIVE
AMENDMENTS/CIRCULARS FOR NOVEMBER 2013
EXAMINATION IPC EXAMINATION
(SECOND GROUP:ADVANCE ACCOUNTS)**

1. Presentation of Foreign Currency monetary Item Translation Difference Account (FCMITDA)

AS PER ACCOUNTING STANDARD 11(NON INTEGRAL FOREIGN OPERATION)

In the Revised Schedule VI format, no line item has been specified for the presentation of "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)". Therefore, the Council of the Institute at its 324th meeting held on March 24-26,2013 at New Delhi, decided that debit or credit balance in FCMITDA should be shown on the "Equity and Liabilities" side of the balance sheet under the head 'Reserves and Surplus' as a separate line item.

2. Criteria for Classification of Entities and Applicability of Accounting Standards.

Due to recent changes in the enhancement of tax audit limit, the Council of the ICAI has recently decided to change the 1st criteria i.e. determination of SME on turnover basis for level II entities from 40 lakhs to 1 crore with effect from the accounting year commencing on or after April 01, 2012.

3. **Clarification on Debenture Redemption Reserve (DRR)**

Ministry of Corporate Affairs vide Circular no 04/2013 dated 11 February, 2013 has clarified the adequacy of DRR for various institutions/ companies as follows:

All India Financial Institutions (AIFIs) regulated by Reserve Bank of India and bank Companies for both public as well as privately placed debentures	Nil
Other Financial Institutions and NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997	
if debentures issued through public issue	25%
if privately placed debentures	Nil
Other companies including manufacturing and infrastructure companies (including listed and unlisted companies).	25%

4. **Maintenance of Cash Reserve Ratio at 4.00 per Cent** for all banks vide circular DBOD. No. Ret. BC. 76/12.01.001/2012-13 dated January 29, 2013.

5. **Statutory Liquidity Ratio for local Area Banks be reduced from 25 per cent to 23 per cent of their Net Demand and Time Liabilities (NDTL)** with effect from the fortnight beginning August, 11, 2012.

6. **Review of the Prudential Guidelines on Restructuring of Advances of Banks/ Financial Institutions.**

Reserve Bank of India has reviewed the prudential guidelines on restructuring of advances by banks/ financial institutions vide circular no. DBOD. No. BP.B.C.63/21.04.048/2012-13

Applicable for all scheduled commercial banks excluding RRBs dated November 26, 2012 and has decided.

- i) To enhance the provisioning requirement for restructured accounts classified as standard advances from the existing 2.00 per cent to 2.75 per cent in the first two years from the date of restructuring. In cases of moratorium on payment of interest/ principal after restructuring, such advances will attract a provision of 2.75 per cent for the period covering moratorium and two years thereafter ; and that
- ii) Restructured accounts classified as non-performing advances, when upgraded to standard category will attract a provision of 2.75 per cent in the first from the date of upgradation instead of the existing 2.00 per cent.

In accordance with the above, loans to projects under implementation, when restructured due to change in the date of commencement of commercial operations (DCCO) beyond the original DCCO as envisaged at the time of financial closure and classified as standard advances would attract higher provisions at 2.75 per cent as against the present requirement of 2.00 per cent as per the details given below:

Infrastructure projects

Particulars	Provisioning Requirement
If the revised DCCO is within two years from the original DCCO prescribed at the time of financial	0.40 per cent

closure	
If the DCCO is extended beyond two years and upto four years from the original DCCO, as the case may be, depending upon the reasons for such delay (Ref.: DBOD. No. BP.,BC. 85/21.04.048/ 2009-10 dated March, 31, 2010)	2.75 per cent - From the date of such restructuring till the revised DCCO or 2 years from the date of restructuring, whichever is later.

Non- infrastructure projects

Particulars	Provisioning Requirement
If the revised DCCO is within six months from the original DGGO prescribed at the time of financial closure	0.40 per cent
If the DCCO is extended beyond six months and upto one year from the original DCCO prescribed at the time of financial closure (Ref. DBOD. No. BP.BC.85/21.04.048/2009-10 dated March, 31, 2010)	2.75 per cent -From the date of such restructuring for 2 years

All other extant guidelines on Income Recognition, Asset Classification and Provisioning pertaining to advances will remain unchanged.

Note: (Common for Intermediate (IPC) Paper 1 and paper 5)

Non- Applicability of Ind Ass (CONVERGED IFRS) for November, 2013 examination

(Students may note that Ind ASs are not applicable in November 2013 Examination. However, Accounting Standards as specified in the syllabus are applicable for them in November 2013 examination).

**NOTE: THESE NOTES ARE PREPARED BY CA CONFESSION
FOR STUDENT AWARENESS**