# Gzb CA Yahoo Group

Issue 3 Student E-Newsletter August 2013

## Inside this Issue:

# From The Desk of the Moderator


CA. Vinay Mittal donating blood on CA Day

**Dear Students**,

**66 years ago a Nation was searching for a piece of land. Now, a piece of Land is searching for a Nation.**

The journey, our motherland began on 15 August 1947 is now 66 years old. I convey my warm greetings to all on this joyous occasion of the67th Independence Day. Before, I proceed I would like to express my heartily congratulations to all the students who had cleared their respective Chartered Examinations Exams at different levels in the month of July 2013. May God bless all of you & you came out with the flying colours in your life. But the students who had not been able to clear the exams should not be depressed, as this is the movement when you should introspect in your selves, extracts your deficiencies, wake up & run for your success.

As we all are aware that the present situations of our economy even the world's economy is going through a worst situation. Regularly, depreciation of Indian Currency, Period of Recession, Inadequate Economic Policies, and Failure of the system has left us on the stage, where we are forced to think that

- What is going to happen in Future?
- Are we will be able to get the good job?
- What will be the result?
- We will be succeeded or not?

But, the answer of all these questions are with you only, as it has been said that **"We are the only one who can help our self".** My sincere recommendation to all of you is that please take your Articleship training seriously. This is your internship period only which can make possible for you to touch the limits of sky in your life. Don't do the Articleship just as a formality only. The importance of today's labour will be recognizing by you on the day, when you will be getting success on your life on the basis of these efforts.

At last, it's giving me an immense pleasure in congratulating my younger brother, Anshul Mittal, Member of our Editorial board on clearing CA Final Exams in July. I wish him for his great future.

**With Thanks-**

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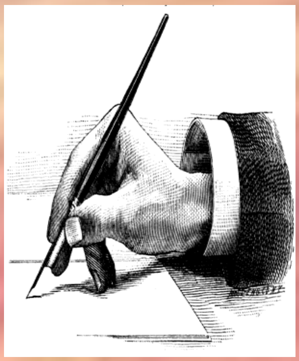
# From The Desk of the Editor



Dear Readers,
Here we come again with yet another issue of our monthly Student E- Newsletter. Before going further, I would like to wish you all a very "Happy Independence Day".

Every time we are out with an issue, we try to revamp the newsletter to reflect freshness and vibrancy, as we think there is always a scope of improvement in everything you do, and this time also we have tried to do the same with the colors of independence.

In this issue an article on the recent updates by ICAI has been added which has been shared by our regional CICASA Chairman CA. Abhay Chhajed. An article by our very own CA Rajesh Makkar on Strategic Decision Models and Keeping in mind the need of the hour i.e. the new Companies Bill has also been added in this issue along with various other articles such as SSI notification under Excise, Peer Review, IFRS etc .

I would like to take the opportunity to thank CA Vinay Mittal Ji who have put his trust in me and have considered me worthy of handling the position of Editor of this E-Newsletter. I also thank Raghvendra Goel, Vaibhav Goel and other members of the editorial board for their constant support. Last but not the least I would like to thank all the readers of this newsletter whose continuous support motivate us to work better and come out with something new and better every time.

All the readers are welcome to send their contributions, ideas, pictures, feedback/suggestions or anything you like at vncgzb@gmail.com or to me at ysaekansal@yahoo.co.in. This newsletter is not your normal pdf, instead it is an engagement platform for you to connect with the editorial team and each other. Together, let's make this a truly successful and interactive platform.

"Don't ever settle for average, as average is just as close to the bottom as it is to the top"..

From all of us in the editorial team – happy reading!

Er. Abhay Kansal
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# RECENT UPDATES BY ICAI

**CA. Abhay Kumar Chhajed**
**Chairman, CICASA 2013-14**

My Dear Students

"**Hope is one of the God's greatest gifts to all of us because it's the magic that inspires us to keep trying and to keep learning always**." And I presume that all my dear students who were unable to score what they expected are further motivated to give their cent percent efforts with a hope that they will modify their approach to qualify because we know that standard of Chartered Accountants is far much better than all other professionals. What if it takes attempts to qualify, at least we will raise our standard up to what is required to be best. I would like to congratulate all the students who have become Chartered Accountants and have joined this noble profession.

I would like to place and appeal to new members that they should not compromise on their ability, knowledge and responsibility at any point and rather use these attributes to his/ her benefit. Time has come for continuous learning. It is very important to keep our self up-to-date so that we are always ahead of the rest. We are a part of a rare and esteemed fraternity and must maintain Integrity and Excellence.

**Important updates which has been recently done by ICAI and very useful for the students are:**

E-learning facility is made available by BOS for IPC and CPC students. This will help students with anywhere/ anytime learning, online self assessment quiz, quality lectures by leading faculties, uniform training across the country etc. you can access by registering with your registration number and start using this facility.

Webcast is also on ICAI website and broadly it talks about the subject specific and motivational areas. The BOS has already made available the e-learning facility for CA Students at three levels, CPT, IPCC and Final course on the students Learning Management System (LMS). The biggest advantage of e-learning is that it provides quality education for learning, re-learning and revise anytime and anywhere in the affordable manner through a self learning development facility.

Audit report format has changed for the year ending 31$^{st}$ march 2013 and you must ensure to comply with SA 700 (revised), 705 and 706 issued by ICAI. Please go the format and use it for the audits after the year.

Now, CA regulation provide scope for secondment of articled assistant facilitating an opportunity for gaining practical experience in multi disciplinary work and variety of business situations. A principal can second an article assistant to other members for a min period of four months and up to one year. An application can be filed with ICAI within 30 days from the date of commencement of training.

Important Announcement has been done on 1st August 2013 with respect to Revision of Syllabus of Group I and Group II papers of IPCC and Group II paper 6 and 8 of Final course with effect from November 2014 examination. Kindly check the ICAI website for further details.

Board of Studies has also extended the last date for completing the OT and ITT for Direct Entry scheme students upto 31st December 2013.

Now that the Articled assistants who pass Intermediate (Integrated Professional Competence) Examination/Intermediate (Professional Competence) Examination/Professional Education (Examination-II)/Intermediate Examination may serve as an industrial trainee in any of the financial, commercial or industrial undertakings, as approved by the Institute, under an eligible member of the ICAI working in that organisation. I would request final-year articled assistants, who have passed Intermediate (IPC) Examination in entirety, to pursue industrial training for 9-12 months. Other details including application form and the list of organisations permitted to impart industrial training are available on the Institute's website.

Further I would like to congratulate all those CA-IPC students who qualified this time and are willing to start their internship. I also anticipate that my intelligent students are awarded that to facilitate them in finding appropriate exposure of practical training, On Line Articles Placement Portal has been introduced by ICAI in which candidates who are willing to avail of this facility has to register themselves online through the Articles Placement Portal at http://bosapp.icai.org. Apart from this CIRC website also helps to trace the vacancies in various chartered accountant firms located across CIRC branches. Lastly will end with a nice quote

**"It is impossible to fail completely and it is impossible to succeed perfectly. But, it is always possible to perform dedicatedly"**

Yours Sincerely,

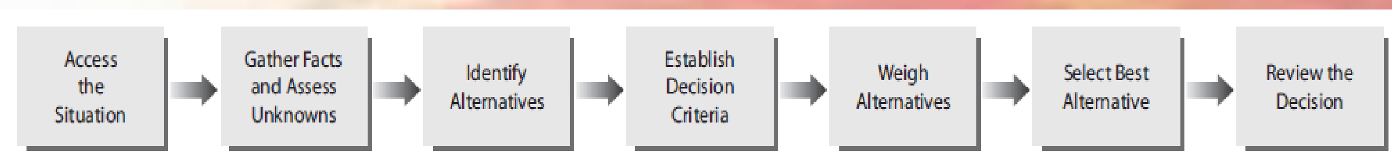
**CA. Abhay Kumar Chhajed,**
**Chairman, CICASA 2013-14**
**Chhajed_abhay@hotmail.com**

# STRATEGIC DECISION MODELS & CHARACTERSTICS

**CA. Rajesh Makkar**

### Classic Decision Making Process

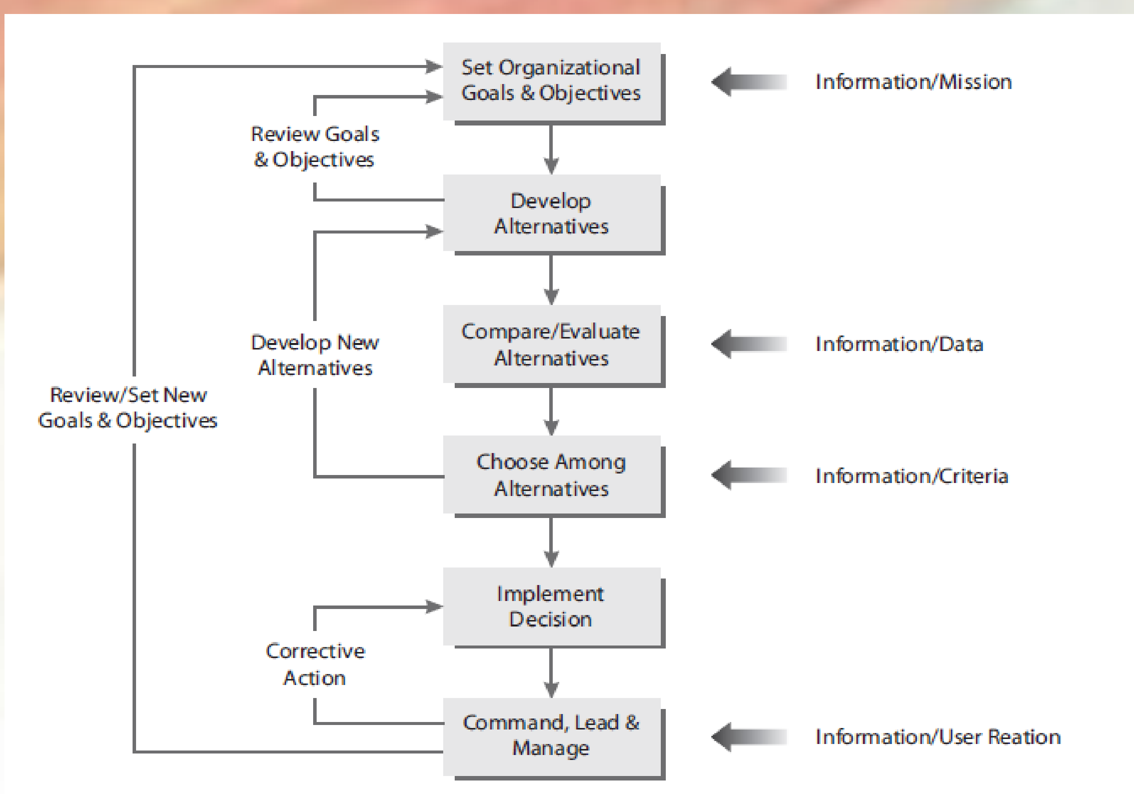
The "classic" decision making process is traceable to John Dewey's formulation of the problem solving process. With minor variation it can be found in many places. It is the archetype of the rational-analytic approach to problem solving and decision making, the kind that featured prominently in Charles Kepner and Benjamin Tregoe's book, The Rational Manager.




**The Classic Decision Making Process**

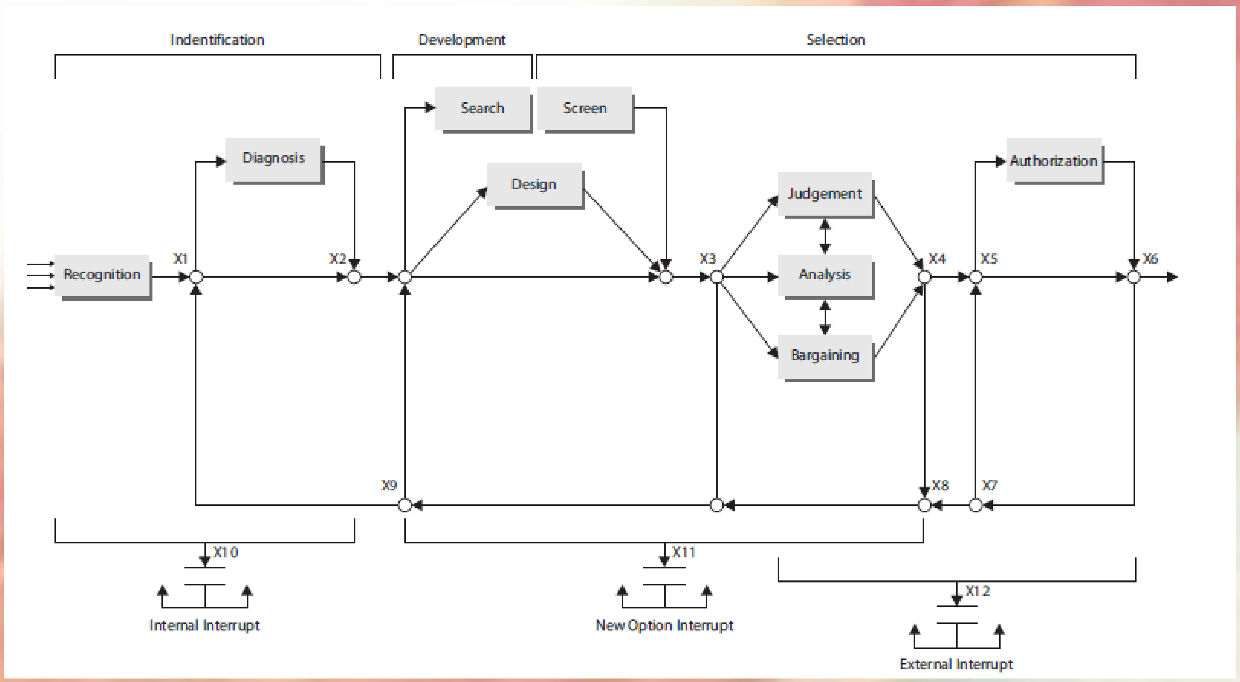
### The Military Model

Th e military model is a variation on the classic model. Th e model that appears to the right is from the U. S. Army War College.



**Mintzberg's General Model of the Strategic Decision Process**

The most frequently cited model of the decision-making process is one proposed by well-known professor Henry Mintzberg and his colleagues, Raisinghani, and Theoret (1976).
Mintzberg and his colleagues, Raisinghani, and Theoret identified three major phases with subroutines or subphases within each. These included the following:




The Identification Phase
• The Decision Recognition Routine: Opportunities, problems, and crisis are recognized and decisional activity is evoked.

• The Diagnosis Routine: Information relevant to opportunities, problems, and crisis is collected and problems are more clearly identified.

The Development Phase
• The Search Routine: Organizational decision makers go through a number of activities to generate alternative solutions to problems.

• The Design Routine: Ready-made solutions which have been identified are modified to fit the particular problem or new solutions are designed.

The Selection Phase
• The Screen Routine: This routine is activated when the search routine identifies more alternatives than can be intensively evaluated. Alternatives are quickly scanned and the most obviously infeasible ones are eliminated.

# PEER REVIEW

CA Anshul Mittal

**Introduction**

The concept of peer review was introduced by the ICAI in the year 2002 with the objective to ensure that its member comply the technical standards laid down by the institute & have in place proper system for maintaining the quality of attestation services work they perform.

The term **"peer"** means "**a person of similar standing"**.

The term **"review"** means conduct of **re-examination or assessment of a subject matter or thing**.

In general, for a professional, the term "peer review" would mean

**<u>"Review of work done by a professional by another professional of similar standing".</u>**

**As per the ICAI Peer Review - Means**

An examination and review

Of the systems and procedures to determine whether;

They have been put in place by the practice unit

(a) for ensuring the quality of attestation services as envisaged &

(b) implied/mandated by the Technical Standards &

Whether these were effective or not during the period under review

**<u>Analysis of definition</u>**

Peer review is an examination of work performed by the member of ICAI.

The main objective of peer review is to ensure that the practice unit ( chartered accountant practicing either individually/firm) in carrying out their professional attestation services assignments:

(a) Comply with the Technical Standards laid down by the Institute; and

(b) Have in place proper systems (including documentation systems)

For maintaining the quality of the attestation services work they perform for their clients.

**Objectives of Peer Review**

The main objective of the peer review is,

1) To ensure that the practicing unit while maintaining & performing the attestation services has;

In place the proper system including documentation thereof, for maintaining the quality of work.

(a) Complied Technical standards

(b) Lay down by the ICAI.

2) To improve the quality of attestation services rendered by the practicing chartered accountant for enhancing the Confidence of the stakeholders.

●●●

**Some Important Meanings**

Peer Reviewer :- A person selected from the panel of peer review board carrying our the process of peer review

Practice unit: - Member of ICAI practicing either individually / firm of Chartered Accountants.

Technical Standards: - Accounting & Auditing Standards, Guidance Notes, framework in respect of accounting & auditing, self regulatory measures etc issued by the ICAI

●●●

**Scope of Peer Review**

**1) Peer review shall focus on** :-

a. Compliance with technical standards.

b. Quality of reporting.

c. Office systems & procedures with regards to compliance of attestation services systems & procedures.

d. Training programme to staff including appropriate infrastructure, attestation related functions.

e. Time & Staff Management.

f. Professional Development of Staff.

**2) Period to be covered under peer review**: - once a practice unit is selected for peer review mechanism, its attestation engagement records pertaining **to immediately preceding 3 financial years** shall be subjected to review.

**3) Activities:** - Peer review shall be subjected to only those activities of practicing unit which involve provision of some kind of element of assurance to users.

**4) Peer review is not for a Constructive criticism or error finding approach**

The significant objective of peer review is not to find out deficiencies but to improve the quality of services rendered by the members. The objective of peer review is not to identify isolated cases of engagement failure, but to identify weaknesses that are pervasive and chronic in nature. Therefore peer review is not to find out the deficiency of someone but an effort to improve the quality of services rendered by the member of the profession.

**5) Limitations of Peer Review**

The reviewer conducts the peer review in accordance with the statements on peer review.

The review would not necessarily disclose all weaknesses, since it would be based on test checking.

As there are inherent limitations in the effectiveness of any system of quality control which happens to be subject matter of review, departure from the system may occur & may not be detected.

**Peer Review Board**:

• Peer review Board was set up by the ICAI in the year 2002
• The Board consist of a maximum of twelve members to be appointed by the Council, of whom not less than 50% shall be from amongst the members of the Council as defined in Section 9 of the Chartered Accountants Act, 1949, as amended from time to time.
• The Council may nominate members to the Board from outside bodies and from amongst prominent individuals of high integrity and reputation, including but not limited to, regulatory authorities, bankers, academicians economists, legal Professionals and business executives.
• The Council shall appoint the Chairman and the Vice-Chairman from amongst its elected Council members appointed on the Board.
• The term of a member shall be for one year, or such other period as may be prescribed by the Council from time to time.
• Casual vacancies on the Board shall be filled by the Council.
• A Member of the Disciplinary Committee or the Disciplinary Board or the Committee on Ethical Standards or the Committee on Financial Reporting and Review Board of the Institute of Chartered Accountants of India shall not be a member of the Board.
• At present, Peer review Board consists of 7 members.

**Applicability for Peer Review**
• Only the practice units covering under level I, II & III are subjected to peer review.
• A practice unit on suomoto may apply to the board for conduct of its peer review.
• Even a client of the practice unit may request the board for conduct the peer review of its auditor (practice unit).
• The board shall act upon the same within 30 days of receipt of request.

**Peer Reviewer**
A Peer Reviewer is a member of ICAI, selected from a panel of reviewers maintained by the board to carry out the peer review of practice unit.
A member who is not on the panel of the board cannot be appointed as a peer reviewer.
A member having requisite qualifications, skills & competence can apply to the board for empanelment of his name as a peer reviewer. .
For empanelling as a Peer Reviewer a member shall possess the following characteristics :-
✓ Must be a member of ICAI (Chartered Accountant) and
✓ Possess at least ten years' experience of audit; and
✓ Be currently active in the practice of accounting and auditing.
✓ Must have undergone the requisite training as prescribed by the board.
A peer reviewer should have signed the declaration of confidentiality as prescribed by the board.
A peer reviewer should furnish a declaration as prescribed by the board, at the time of acceptance or peer review engagement.
The reviewer may take the help of a qualified assistant while carrying out the peer review subject to following conditions:-

Read More…

# HIGHLIGHTS OF NEW COMPANIES BILL

**CA Aditya Gupta**

1. Companies are required to spend at least **two per cent (2%) of their net profit** for the three immediately preceding financial years on **CSR**, Corporate Social Responsibility. This is applicable to companies with a **net worth of Rs 500 crore or more, or Rs 1,000 crore turnover or Rs 5 crore net profits**, who have to set up a corporate social responsibility committee. The companies will also have to give preference to the local areas of their operation for such spending.

2. To help in curbing a major source of corporate delinquency, introduces **punishment for falsely inducing a person** to enter into any agreement with bank or financial institution, with a view to obtaining credit facilities.

3. The limit in respect of **maximum** number of companies in which a person may be appointed as **auditor** has been **proposed as 20.**

4. **Independent directors'** shall be **excluded** for the purpose of computing 'one third of retiring directors'.

5. Appointment of **auditors for 5 years shall be subject to ratification** by members at every Annual General Meeting.

6. **'Whole-time director'** has been i**ncluded** in the definition of the term **'key managerial personnel'**.

7. **Maximum number of directors** in a private company **increased from 12 to 15** which can be increased further by special resolution.

8. **Financial Year** of any company can **end only on March 31** and only exception is for companies, which are holding/subsidiary of a foreign entity requiring consolidation outside India, can have a different financial year with the approval of Tribunal.

9. The concept of **One Person Company** has been introduced in the new company law.

10. The bill **increased the number of members** of private companies from **50 to 200**. This allows companies access to large pool of capital without going public.

11. The new bill gives recognition to transfer restrictions on inter-se shareholders **– 'Right of First Refusal' will be enforceable**. This would clear existing ambiguity on legal enforceability on transfer restrictions under JV/shareholder agreements.

12. While the old bill only permitted merger of a foreign company with an Indian company, the new bill **allows merger of Indian companies into foreign companies** which would aid in consolidation of cross-border businesses/assets.

13. The new bill permits **merger of a listed company with an unlisted one**, subject to exit opportunity being offered to shareholders of the listed company.

14. While the old bill depended on precedents for **merger of a subsidiary with a parent** (or **between two small companies**), the new bill provides a separate and simplified regime for this without any approval from High Court.

15. The new bill also gives rights for **objections to schemes to only creditors** who owed over **5 per cent and minority shareholders** with over **10 per cent** stake against no thresholds earlier.

16. The new bill also has a detailed **mechanism for acquisition of shares by majority** shareholder from minority shareholders.

17. The bill **restricts creation of multi-layered holding structures**, **prohibiting making** investments through **more than two layers of investment companies**.

18. The new bill **bans holding 'Treasury Stock'**, which is often used by companies to increase shareholding or future monetization after consolidation.

29. The new bill asks that **listed companies and other specified companies** will have to **change** individual auditor **after five years** and **audit firm after 10 years**. The old bill had no provisions for this.

20. The new bill also requires companies to **appoint one woman director**.

**Non-applicability of Companies Bill, 2012 (to be enacted as the Companies Act, 2013) for May 2014, Examinations. - (14-08-2013)**

**14th August, 2013**

**Important Announcement**

**Attention: Intermediate (IPC) and Final Course students**

**Non-applicability of Companies Bill, 2012 (to be enacted as the Companies Act, 2013) for May 2014, Examinations**

This is to bring to the notice of students that the Companies Bill, 2012 (to be enacted as the Companies Act, 2013) which was passed by the Lok Sabha on 18th December, 2012 and was pending before the Rajya Sabha, has been finally passed on 8th of August, 2013. This Companies Bill will be enacted as the Companies Act, 2013 on receiving the assent of the President of India and notification in the Official Gazette, which will replace the existing statute, the Companies Act, 1956.

Based on the above, it is hereby clarified that the proposed Companies Act, 2013 will not be applicable for the Intermediate (IPC) and Final Examinations to be held in May 2014.

Regarding the applicability for November 2014 Examination, the decision will be taken based on the exact date of enactment of the above Companies Bill into the Act.

Director, Board of Studies

**CA Rajeev Gupta**
**(Meerut)**

## "BUSINESS COMBINATIONS"

**INTRODUCTION**

Growth being the ultimate aim of all business organizations can be achieved by, either slow and gradual expansion of services, product lines or facilities, or by business combinations, which occurs when operations of two or more companies are brought under common control. In the past few years, the latter method being quick and simple has been opted by many organizations.

**OBJECTIVE**

The objective of the IFRS is to enhance the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. It does that by establishing principles and requirements for how an acquirer:

a) recognize and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire ;

b) recognize and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and

c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

**SCOPE**

The Standard defines business combination as a transaction or other event in which an entity obtains control of one or more businesses.

**INCLUSIONS:**

The Standard applies to all transactions which meet the definition of a business combination. Following are the few examples a business combination:

**i) Holding - Subsidiary** relationship.

**ii)** a transaction in which all the entities transfer their **net assets** or the owners transfer their **equity interests**, to a **newly formed entity**.

**iii)** a transaction in which one entity transfers its net assets or its owners transfer their equity interests, to **existing entity** or its **owners**.

**iv)** Combinations **achieved by contract alone**. For example: bringing two businesses together, forming a dual-listed corporation or a stapling arrangement.

**v)** A transaction in which a group of former owners of an entity obtains control of the combined entity.

**EXCLUSIONS:**

This IFRS applies to a transaction or other event that meets the definition of a business combination. This IFRS does not apply to:

The formation of a **joint venture**.

The **acquisition of an asset or a group of assets** that does not constitute a business. In such cases the acquirer shall identify and recognize the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

A combination of **entities or businesses** under common control.

**COMPARISON**

The following are the major differences between IAS 14 ('Accounting for Amalgamations') and IFRS 3:

| IFRS 3 | IAS 14 |
|---|---|
| Allows only 'acquisition method'. | Allows both 'pooling of interest' method and 'acquisition' method. |
| Requires valuation of assets & liabilities at fair value. | Allows valuation at carrying value. |
| Requires goodwill to be tested for impairment. | Requires amortization of goodwill. |
| Requires amortization of goodwill. | Requires negative goodwill to be credited to 'Capital Reserve'. |
| Reverse acquisition in accounted assuming acquirer is the acquiree. | Does not deal with reverse acquisitions. |
| Requires valuation of financial assets to be dealt with as per IAS 39 | No such provision. |
| Provisional values can be used provided they are updated retrospectively within 12 months with actual values. | No such provision. |
| Allows recognizing contingent liabilities. | No such provision. |

# A ROAD TO SUCCESS

**PUSHP RAJ**
**(CA. Student)**

**"You lose with potential. You win with performance "**

The road to success is not straight . There is a curve called failure , a loop called confusion , speed bumps called friends .The road to success come through hard work and determination . The road to success starts within a heart that wants to be the best at something - a heart , mind and soul that doesn't want to be ordinary but extra ordinary. These words of hope come from the roots of our country's heritage where ordinary people ; who have dream , work to achieve. Let the words of truth breath life into the core of your bones . Winner never look for the easy way out . They simply look for the impossible , and say to themselves to set their heart upon this lofty dream and chase after it with their whole heart.

The road to success is narrow and many will miss it because the road to failure is broad and easy . Plant your feet firmly upon the rock of your desire to become the best . It is easy to fail ; don't work hard and don't have dream that it all takes. In a corporate life the most challenging task, I should say, is to manage your subordinates. Day to day we get to deal with different attitude and employee aren't an exception to ideal "attitude" that we except especially on their productivity . Confidence are the most dependable partners in our journey towards the goal , be it an academic course of study that we taken up or an assignment entrusted in the office or an event on the personal front .

When we take up a task or a mission it is our attitude and approach that determines our success. If the path to the goal were clear and smooth , there would no thrill no joy when we achieved it. However , that is all right , because somewhere out there is an ordinary person hoping that is exactly what you are doing-nothing . Yes the road to an average , mediocre life is easy, but for those who have a dream ; the road to success is another story . Count the cost before you start down this road ; for in a month, or in a year will you still be fighting to become the best ? Oh , but the road to success is filled with life, happiness and sweet, sweet, sweet victory !! Are you ready to travel down to this road to success no matter what the price ? Learn to enjoy the journey and be committed to the long haul to achieve your heart's desire.

We could look at the following words of Dr. A P J Abdul Kalam as quoted in his autobiography:-

* " WITH FAITH , YOU CAN CHANGE YOUR DESTINY "
* " Know where you are going . The great thing in the world is not to knowing so much where we stand , as in what direction we are moving "

-PUSHP RAJ
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# SSI NOTIFICATION UNDER EXCISE

**Sakshi Gupta**
**CA-Final**

The Union List under Entry No. 84 specifies:-
Duties of Excise is on Tobacco and Other Goods produced or manufactured in India, except Alcoholic Liquor for Human Consumption, Opium & Narcotics but including Medicinal and Toilet preparations containing Alcoholic Liquor, Opium or Narcotics.

On all the Excisable Goods, at the point of removal from factory the manufacturer is liable to pay Excise Duty. But SSI Units are exempt from duty under Notification No. 8/2003-CE dated 1.3.2003. The SSI unit need not be registered with any authority Under Excise. Unit whose aggregate value of clearances for home consumption was less than Rs. 400 lacs in the year preceding to the relevant previous year are entitled to full exemption upto Rs 150 lacs in the relevant previous year. SSI unit can avail Cenvat credit on inputs and input services only after it starts paying duty. However, Cenvat credit of capital goods can be availed even if these were received during period of exemption.

**Clubbing of Clearances of all units**

Value of clearances shall be aggregated before applying the exemption in the following cases:-

- One factory and multiple manufacturers.
- One manufacturer and multiple factories.

If two SSI units are genuinely independent, they are eligible for SSI exemption, even if some or even most partners/directors are common. Financial control, flow back of profits and unity of interest are the major tests to determine whether turnover of two units is required to be clubbed.

**Mode of calculation of limit of Rs 150 lacs/Rs 400 lacs**

While calculating limit of Rs 400/150 lacs –

- Clearances of Exports, deemed exports, clearances of non-excisable goods, goods manufactured with other's brand name and cleared on full payment of duty, job work done under notification No. 214/86-CE, 83/94-CE and 84/94-CE, processing not amounting to manufacture and traded goods is to be excluded.
- Value of intermediate products (when final product is exempt under notification other than SSI exemption notification), branded goods manufactured in rural area and cleared without payment of duty, export to Nepal and Bhutan and goods cleared on payment of duty is to be included.
- Value of cleared goods exempted under notification (other than SSI exemption notification or job work exemption notification) is to be included for purpose of limit of Rs. 400 lacs, but excluded for limit of Rs. 150 lacs.

**SSI Notification**

**What is SSI Notification?**

Legal Name of this notification is 'VALUE BASED EXEMPTION NOTIFICATION'.

It seeks to exempt units operating upto a certain level from ED payment – so it is popularly referred as '**SSI Notification'**.

**What do you mean by SSI?**

Notification does not use this term at all – therefore this term is not defined therein.

But considering overall text of notification:-
**SSI Unit** = Any Manufacturing Unit – Manufacturing Specified Goods.

**Specified Goods - Meaning**

Specified Goods means goods specified in the Notification.

Almost entire CETA (list of excisable goods) is covered by SSI Notification. So SSI Notification lists down ineligible goods- some are tobacco, matches, textile sector goods, automobiles, primary iron and steel etc.

**SSI Exemption – Mandatory?**

OPTIONAL (it is a Conditional Exemption)

**Extent of Exemption**

Aggregate Value of Clearances for Home Consumption upto Rs. 150 Lacs shall be exempt from payment of Normal Rate of Duty.

**<u>SSI unit manufacturing goods with other's brand name not eligible for exemption- LATEST CASE STUDY ( AUSTRALIAN FOODS INDIA (P) LTD. – 2013 – SC )</u>**

Assessee was engaged in the manufacture and sale of cookies.

<u>Facts of the Case:</u>

- Some cookies were sold in pouches/containers on which 'Cookies Man' (Brand name of another person was printed) - these clearances were affected on ED payment as assessee considered these as clearances bearing brand name of another person.
- Some cookies were sold in loose from retail outlet with a board bearing the brand name 'Cookies Man'.

<u>Issue:</u> Whether clearances from a retail outlet bearing brand name of another person can be classified as 'clearances bearing the brand name or trade name of another person'?

<u>Decision of SC:</u> The court held that the advantage of brand name is flown to the assessee as the outlet board was bearing the brand name 'Cookies Man'. The sale was made under brand name. The cookies continue to be branded cookies of 'Cookies Man' and hence assessee cannot claim exemption under the SSI Notification.

# DEPRICIATION : SECTION 32 OF THE INCOME TAX ACT, 1961

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Depreciation is one of the important aspect to be understood under income tax law. It is important for exams as well as practical point of view, Depreciation is a non cash expenditure allowed under Income Tax Act, 1961 following **block concept**.
-Under the **block concept**, all the assets falling within the **same class** (say machinery) and subject to **same rate**(say 15%) of depreciation are **clubbed together** and **considered** as **single asset**.

As per section 32 of Income Tax Act, 1961, a assessee is entitled to claim depreciation on **fixed assets** only if the following conditions are satisfied:

1. Assessee must be owner of the asset – registered owner need not be necessary.
2. The asset must be used for the purposes of business or profession.
3. The asset must be used during the previous year.

One of the conditions for claim of depreciation is that the asset must be "used for the purpose of business or profession".
- The Delhi High Court, in *CIT v. Insilco Ltd.(2009),*observed that the expression "used for the purposes of business" appearing in section 32 also takes into account emergency spares, which, even though **ready for use but are not used** during the relevant period.

**<u>Clarification from ICAI:</u>**
Courts have held that, in certain circumstances, an asset can be said to be in use even when it is **"kept ready for use"**.
For example, depreciation can be claimed by a transport company on spare engines kept in store in case of need, though they have not actually been used by the company.
Hence, in such cases, the term "use" embraces both active use and passive use. However, such passive use should also be for business purposes.

Whittle Anderson Ltd. v. CIT 79 ITR 613 (Bom.)-
-The word "used" should be understood in a wide sense so as to embrace passive as well as active user ;
when machinery is **kept ready for use** at any moment in a particular factory under an express agreement from which taxable profits are earned, the machinery **can be said to be "used"** for the purposes of the business which earned the profits **although it was not actually worked.**

Grasim Industries Ltd. v. CIT 32 TTJ 329 (Bom-Trib.)
- A company **need not have actually commenced** production to claim depreciation.
It was enough if it was merely ready to produce. The bench ruled that the **plant was "ready for"** business to produce and hence eligible for claiming depreciation.

**Is it Mandatory to Claim Depreciation?**

As per explanation 5 to section 32(1), it is mandatory for every assessee to claim depreciation.

Explanation 5.—For the removal of doubts, it is hereby declared that the provisions of this sub-section shall apply whether or not the assessee has claimed the deduction in respect of depreciation in computing his total income.

**DEPRECIATION AS A TOOL FOR TAX PLANNING:**

Depreciation can be used as an effective tool for tax planning. According to section 32 (1), depreciation can be claimed in respect of-

**building, machinery, plant or** furniture and on **intangible assets** such as know-how, patent rights, copyrights, trade marks, licenses, franchises, or any other business or commercial rights acquired on or after 1.4.98 can also be claimed,

-which are **owned** by the assessee **and used** for the purposes of business or profession.

-It may be noted that for the purpose of depreciation "Building" includes roads, bridges, culverts ,wells and tubewells.

-Likewise, plant and machinery includes Typewriters, Photocopiers, Telex & Fax Machines, Computers, Tools and Books (used by the professionals).

-Depreciation is allowed at prescribed percentage, which varies between 5% to 100% for various blocks of assets on the written down value.

**The rates of depreciation are as under –**

**Tangible Assets**

**I. Building**

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| 1. Buildings which are used mainly for residential purposes except hotels and boarding houses | 5% |
| 2. Buildings other than those used mainly for residential purposes and not covered above | 10% |
| 3. Purely temporary erections such as wooden structures | 100% |

**II. Furniture and Fittings**

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|---|---|
| Furniture and fittings including electrical fittings | 10% |

"Electrical fittings" include electrical wiring, switches, sockets, other fittings and fans, etc.

**III. Machinery and Plant**

**Plant: Section 43(3):** "Plant" includes ships, vehicles, books, scientif-ic apparatus and surgical equipment used for the purposes of the business or profession but does not include tea bushes or livestock or buildings or furniture and fittings**.**

| | |
|---|---|
| 1. Machinery and plant other than those mentioned below (like air-conditioner, generator, fire-extinguisher etc.) | 15% |
| 2. Motor cars, other than those used in a business of running them on hire | 15% |
| 3. Aeroplanes – Aero engines | 40% |

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|---|---|
| 4. Motor buses, motor lorries and motor taxis used in a business of running them on hire | 30% |
| 5. Computers including computer software | 60% |
| 6. Books owned by assessees carrying on business in run-ning lending libraries | 100% |
| 7. Books owned by assessees carrying on a profession | |
| (*a*) Books, being annual publications | 100% |
| (*b*) Books, other than those covered above | 60% |

**Intangible Assets**

| | |
|---|---|
| Know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature | 25% |

**If Assets purchased during the year and put to use for less than 180 days**

As per second proviso to section 32(1),depreciation shall be **restricted to 50%** of the prescribed percentage in respect of such asset which is **acquired** by the assessee during the previous year and **put to use** for the purpose of business or profession for a period of **less than 180 days** in **that** previous year.

**Important analysis of above proviso to section 32(1)**

ITC Ltd. has purchased one plant and machinery on 01.07.2013 for 30,00,000, it was installed on 01.10.2013, but it was brought into actual use w.e.f. 01.03.2014, in this case, depreciation allowed shall be 4,50,000 (15%), because the asset was put to use from 1st October 2013 to 31st march 2014 (i.e. 180 days or more),

--But if the asset was installed on 10.10.2013, depreciation allowed shall be 2,25,000, as put to use of asset less than 180 days therefore half of 15% (7.5%) depreciation shall be allowed.

--If the asset was not at all installed in the year 2013-14, depreciation allowed in 2013-14 shall be nil.

--If the asset was installed on 31.03.2015, depreciation allowed in 2013-14 shall be nil, but the depreciation allowed in the year 2013-14, shall be 4,50,000.

**Computation of depreciation**

Under Income Tax Act, depreciation shall be computed in the manner given below:

1. Take **opening written down value** of the particular block of asset as on 1st day of April of the relevant year.

2. **Add purchases** during the year & **Deduct sale** value in case of sale.

(sale value equals amount of insurance claim in case of fire or theft etc.)

4. **Apply depreciation** on the balance amount as **on the last day of the year**.

5. If any asset was put to use for less than 180 days, depreciation shall be allowed at half the normal rate and for this purpose its actual cost shall be separated from the total written down value of the block.

6. **If there is a negative balance** at the end of the year, it will be considered to be short term capital gain as per section 50 and no depreciation is allowed.(as WDV can never be negative).

7. **If there is no asset** at the end of the year but still there is some balance, it will be considered to be short term loss or short term capital gain as per section 50 and no depreciation is allowed.


## REDUCE! REUSE! RECYCLE! :-

Buddha, one day, was in deep thought about the worldly activities and the ways of instilling goodness in human. One of his disciples approached him and said humbly “Oh my teacher! While you are so much concerned about the world and others, why don’t you look in to the welfare and needs of your own disciples also?”

Buddha: “OK.. Tell me how I can help you?”
Disciple: “Master! My attire is worn and beyond the decency to wear the same. Can I get a new one, please?”

Buddha found the robe indeed was in a bad condition which needed replacement. He asked the store keeper to give the disciple a new robe to wear on. The disciple thanked Buddha and retired to his room.

Thought he met disciple’s requirement, Buddha was not all that contended on his decision. He realized he missed out some point. A while after, he realized what he should have asked disciple. He went to his disciple’s place and asked him “Is your new attire comfortable? Do you need anything more?”

Disciple: “Thank you my Master. The attire is indeed very comfortable. I need nothing more.”
Buddha: “Having got the new one, what did you do with your old attire?”
Disciple: “I am using it as my bed spread.”
Buddha: “Then hope you have disposed off your old bed spread.”
Disciple: “No.. no.. Master. I am using my old bedspread as my window curtain.”
Buddha: “What about your old Curtain?”
Disciple: “It is being used to handle hot utensils in the kitchen.”
Buddha: “Oh..I see.. Can you tell me what you did with the old cloth you used in kitchen.”
Disciple: “It is being used to wash the floor.”
Buddha: “Then, what about the old rug which was being used to wash the floor?”
Disciple: “Master, since they were torn off so much, I could not find any better use, but to use as a twig in the oil lamp, which is right now lit in your study room.

Buddha smiled in contentment and left for his room.

**If not to this degree of utilization, can we at least attempt to find the best use of all our resources - at home and at office? So, think what we need rather than what all we want and how we can REDUCE! REUSE! RECYCLE! before its too late.**

**Approved Industries for Industrial Training**

Links for name, address & contact information of Approved Industries for Industrial Training of CA Students undergoing last year of article training are as under:

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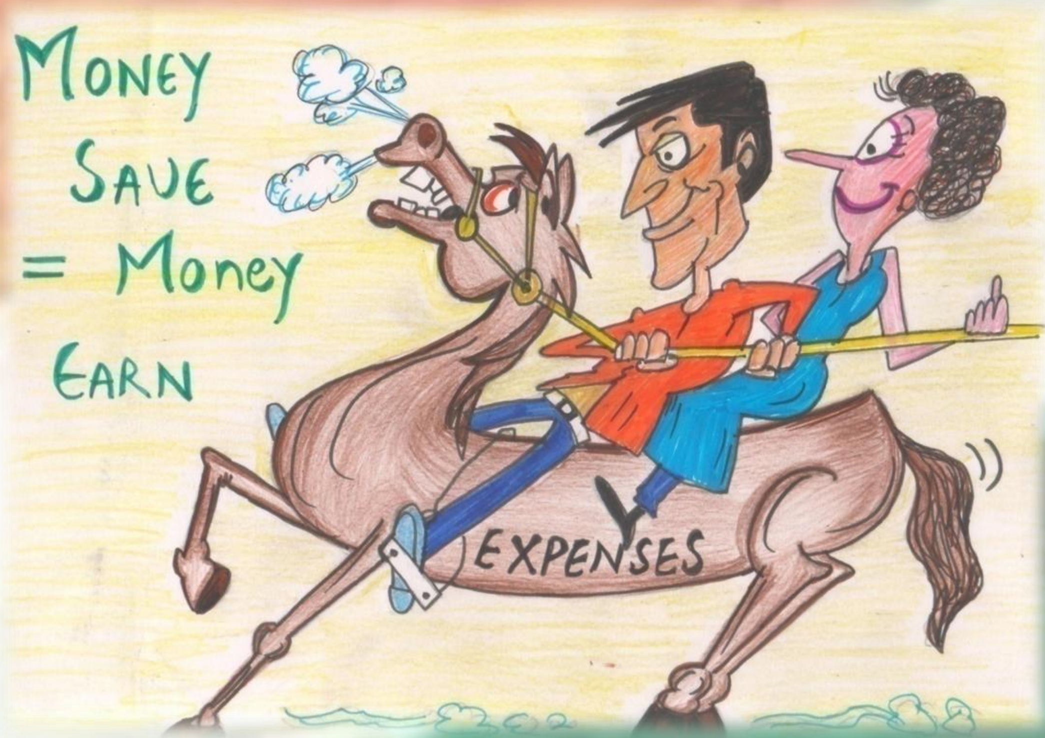
|---|---|
| Central India : | http://220.227.161.86/26830crolist16242.pdf |
| Northern India : | http://220.227.161.86/20695NRO.pdf |
| | http://220.227.161.86/22279nrocurrent.pdf |
| Eastern region: | http://220.227.161.86/17579announ9351.pdf |
| Southern Region: | http://220.227.161.86/29522srolist19173.pdf |
| Another common link is : | http://www.icai.org/post.html?post_id=823 |

-Vaibhav Goel

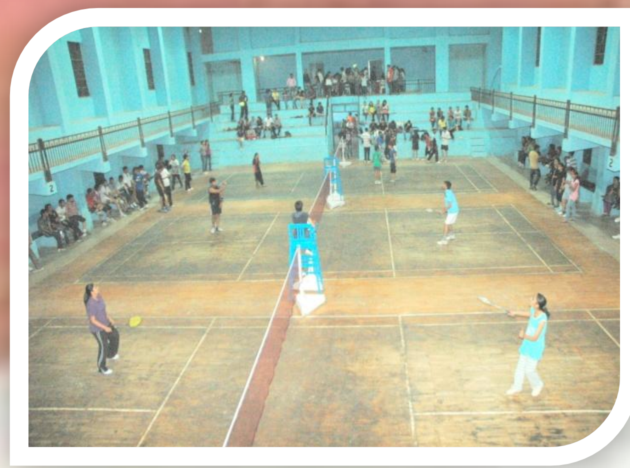
**Submitted By:**
**Kaveri Agrawal**
**(CA Final)**



# GLIMPSES OF PROGRAMMES


Chairman of Jamshedpur Branch Lighting the lamp at the Inaugurarion Session of Quiz/Elocution Contest

Student's Seminar view of Auditorium, organised by Jamshedpur Branch



Indoor Sports event organized by Udaipur Branch

A batch of GMCS-I organized at Muzaffarnagar Branch

Orientation batch for students organized at Muzaffarnagar Branch


Flag Hosting organized by Bhopal Branch

CA Abhay Chhajed donating blood at blood donation camp orgnaised by Bhopal Branch


Student Seminar on Concurrent Audit organized at Ghaziabad Branch of CIRC (from left to right)
CA Meetanshu Singhal, CA Ankur Tayal, CA Vinay Mittal, CA Pawan Goel, CA Nitin Gupta
(Executive Member) (Secretary) (Vice Chairman CIRC) (Speaker) (Chairman CICASA)

## Congratulations!

Heartiest Congratulations to Mr. Anshul Mittal (Member, Editorial Board of Gzb CA Yahoo Group E-Newsletter) on becoming CA. We wish you a great career ahead.

**We cordially invite you to send your articles, queries, suggestions, pictures etc. to our email id: vncgzb@gmail.com, So that they can be published/considered for the next edition of the E-newsletter.**

-Designed By: Abhay Kansal