

**Applicability of Pronouncements/Legislative Amendments/Circulars etc.
for November, 2013 – Intermediate (IPC) Examination**

Paper 5: Advanced Accounting

A. Pronouncements

Accounting Standards 4, 5, 11, 12, 16, 19, 20, 26 and 29 are covered in the syllabus.

(Text of all applicable Accounting Standards are available in the Appendix II of Volume I of 'Advanced Accounting' Study Material revised in November, 2012.)

B. Notification/Announcement relevant for November, 2013 examination

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

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 Banking 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%

Every company required to create/maintain DRR shall before the 30th day of April of each year, deposit or invest, as the case may be, a sum which shall not be less than fifteen percent of the amount of its debentures maturing during the year ending on the 31st day of March next following year.

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 by 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.BC.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 year 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 provisioning 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 closure	0.40 per cent

If the DCCO is extended beyond two years and upto four years or three 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.
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Non-infrastructure projects

Particulars	Provisioning
If the revised DCCO is within six months from the original DCCO 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.

Non-Applicability of Ind ASs for November, 2013 Examination

The MCA has hosted on its website 35 converged Indian Accounting Standards (Ind AS) without announcing the applicability date. These are the standards which are being converged by eliminating the differences of the Indian Accounting Standards vis-à-vis IFRS.

(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.)

Paper 6: Auditing and Assurance
I. Standards on Auditing (SAs)

S.No	SA	Title of Standard on Auditing	Effective Date
1	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	April 1, 2010
2	SA 210	Agreeing the Terms of Audit Engagements	April 1, 2010

3	SA 220	Quality Control for Audit of Financial Statements	April 1, 2010
4	SA 230	Audit Documentation	April 1, 2009
5	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements	April 1, 2009
6	SA 250	Consideration of Laws and Regulations in An Audit of Financial Statements	April 1, 2009
7	SA 260	Communication with Those Charged with Governance	April 1, 2009
8	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	April 1, 2010
9	SA 299	Responsibility of Joint Auditors	April 1, 1996
10	SA 300	Planning an Audit of Financial Statements	April 1, 2008
11	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment	April 1, 2008
12	SA 320	Materiality in Planning and Performing an Audit	April 1, 2010
13	SA 330	The Auditor's Responses to Assessed Risks	April 1, 2008
14	SA 402	Audit Considerations Relating to an Entity Using a Service Organization	April 1, 2010
15	SA 450	Evaluation of Misstatements Identified during the Audits	April 1, 2010
16	SA 500	Audit Evidence	April 1, 2009
17	SA 501	Audit Evidence - Specific Considerations for Selected Items	April 1, 2010
18	SA 505	External Confirmations	April 1, 2010
19	SA 510	Initial Audit Engagements-Opening Balances	April 1, 2010
20	SA 520	Analytical Procedures	April 1, 2010
21	SA 530	Audit Sampling	April 1, 2009
22	SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	April 1, 2009
23	SA 550	Related Parties	April 1, 2010
24	SA 560	Subsequent Events	April 1, 2009

25	SA 570	Going Concern	April 1, 2009
26	SA 580	Written Representations	April 1, 2009
27	SA 600	Using the Work of Another Auditor	April 1, 2002
28	SA 610	Using the Work of Internal Auditors	April 1, 2010
29	SA 620	Using the Work of an Auditor's Expert	April 1, 2010
30	SA 700	Forming an Opinion and Reporting on Financial Statements	April 1, 2012
31	SA 705	Modifications to the Opinion in the Independent Auditor's Report	April 1, 2012
32	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	April 1, 2012
33	SA 710	Comparative Information – Corresponding Figures and Comparative Financial Statements	April 1, 2011
34	SA 720	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	April 1, 2010

II. Statements

1. Statement on Reporting under Section 227 (1A) of the Companies Act, 1956.
2. Statement on the Companies (Auditor's Report) Order, 2003.

III. Guidance Notes

1. Guidance Note on Audit of Inventories.
2. Guidance Note on Audit of Debtors, Loans and Advances.
3. Guidance Note on Audit of Investments.
4. Guidance Note on Audit of Miscellaneous Expenditure.
5. Guidance Note on Audit of Cash and Bank Balances.
6. Guidance Note on Audit of Liabilities.
7. Guidance Note on Audit of Revenue.
8. Guidance Note on Audit of Expenses.
9. Guidance Note on Provision for Proposed Dividend.