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The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

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Initiating Change... Influencing the World

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President's Communication

Dear Students,

Warm Greetings to you.

Many of you must be busy preparing for the ensuing examinations. I am sure, those of you who are appearing in the examinations would aim to qualify the examination with flying colours and join the coveted and noble profession of Chartered Accountancy. Nurturing such an ambition is indeed quite positive and shall motivate you to perform to the best of your ability.

Cover the entire syllabus : Do not skip any topic

The Chartered Accountancy examination is one of the toughest examinations in the country. It requires thorough knowledge and understanding of the various subjects as well as the ability to apply such knowledge to solve different types of questions. As such, attempting the examination with thorough preparation is the mantra for success. Therefore, cover the syllabus in entirety while preparing for the examination. Inadequate preparation or coverage of only selective topics may sometimes give you success in short term but would ultimately not help you in your professional career.

Consistent hard work: Key to success

Needless to say, hard work coupled with utmost dedication is a pre-requisite to accomplish your much cherished goal. The hard work should not be restricted only during the last couple of months before the examination but should be consistent right from day one when you enroll yourself for the CA course. Coupled with an effective study plan, hard work will definitely lead you to the path of success.

Be clear with concepts and their application : An essential pre-requisite

The Institute is fully aware of its onerous responsibilities to provide the highest form of professional education to you. The Study Material and other educational inputs provided to you are prepared with an aim of building a strong conceptual base. Therefore, it is of utmost importance that you read the Study Materials and understand the concepts thoroughly. After reading the Study Materials provided by the Institute thoroughly, you have to make an attempt to answer the questions in the corresponding Chapter of Practice Manual on your own and compare your answers with the given answers. This will help testing your level of understanding of the concepts explained in the Study Materials.

Make full use of the BOS Knowledge inputs : For complete preparation

The suggested answers will enhance your understanding about the pattern of questions asked and the manner of answering such questions. It will enable you to solve the problems in the best possible manner and help you work upon your grey areas.

You must also go through the Revision Test Papers (RTPs) which help in revision of the subjects before taking the examination. Do go through the latest updates contained in the RTPs to wrap up your preparation. You should also go through the students' journal on a regular basis for important academic updates and articles on different subjects as well as important announcements relevant for the students pursuing CA course.

Check your level of preparation by attempting the Mock Test Papers on all subjects hosted on the Institute's website under simulated examination conditions.

Practice well : Improve your performance

Practice makes a man perfect. The learning curve technique states that a person takes lesser time in each successive revision and the learning improves each time. Preparation of short notes, small titles and code words are really useful for the examinations. Short notes help in revising quickly, remembering clearly and presenting the answers properly.

Catch the bull by its horns : Go ahead and perform

As a matter of fact, your actual performance is the examination hall matters a lot. First of all, you should maintain calm and cool and read the question paper carefully. Budget your time wisely. Normally, attempt those questions first of which you are most confident. Keep in mind the requirements of the question and the marks it carries while answering the question. Give working notes while working out practical/ computational problems. Do not indulge in unnecessary details. State your assumptions, wherever necessary. Also, ensure that your handwriting is neat and legible.

I am sure that with sincerity, enthusiasm, determination and consistent hard work, all of you should be able to perform well in the examinations. May I request all of you to judiciously utilize the extra time available to you due to the delayed start of our examinations in view of the general elections.

Wish you all the best for success in forthcoming examination.

Yours sincerely,

K. Raghu

CA. K. Raghu
President,
The Institute of Chartered Accountants of India

Vice President's Communication

My Dear Students,

Mahatma Gandhi said – "*First they ignore you, then they laugh at you, then they fight you, then you win.*" The life poses several challenges and it is for us to overcome them and succeed. In our journey sometimes we find impediments. There are also people who do not believe in our abilities. It is for us to fight these negativities and come out victorious.

It is my firm belief that the present day youth is highly motivated, ambitious and well-informed. With proper approach you can ink a strong future for yourself and make all your well-wishers very proud. Swami Vivekananda said "*We reap what we sow. We are the makers of our own fate. The wind is blowing; those vessels whose sails are unfurled catch it, and go forward on their way, but those which have their sails furled do not catch the wind. Is that the fault of the wind?....... We make our own destiny.*"

Those of you who are appearing in the forthcoming Examinations must be putting in their best efforts to improve their preparations to get better marks. Single minded devotion, confidence and rigorous study will help you to not only pass the examination but also succeed in your future professional lives. As a CA student, it is very important that you keep abreast with the latest developments in the core areas of accounting, finance, auditing, corporate and tax laws. You should have comprehensive understanding of standards and guidance notes in the areas of accounting and auditing.

As you are aware that the significance of the Accounting Standards has gone-up manifold in the recent years due to various factors like liberalization, flow of cross-border capital, introduction of e-commerce, emergence of global corporations and movement towards best corporate governance practices.

In depth knowledge of Accounting Standards is sine-qua-non for professional success. Today, Accounting Standards in our country have come a long way in achieving international benchmarks of financial reporting. Significant step taken in this direction is the convergence of our Accounting Standards in line with globally accepted IAS/IFRS issued by IASB. In pursuance of G-20 commitment given by India, the process of convergence of Indian Accounting Standards with IFRS is being carried out by the Ministry of Corporate Affairs through wide ranging consultative exercises with all the stakeholders. Accounting Standards issued have legal recognition through Section 133 of the Companies Act, 2013 (Section 211(3C) of the Companies Act, 1956), whereby every company is required to comply with the Accounting Standards.

To be a successful chartered accountant one should be able to analyze and develop an understanding of published financial statements and annual reports of the companies. They should know how the various accounting concepts, conventions, rules, principles and standards are applied in real life situations. Working knowledge of certain important Accounting Standards is imparted at the Intermediate (IPC) level. The Board of Studies has recently published a separate book on Accounting Pronouncements containing all the Accounting Standards and relevant Guidance Notes for ease of reference. Many practical problems based on application of provisions of Accounting Standards are given in the publication for better understanding of the students.

Our website contains Preface to the Statements of Accounting Standards, Framework for the Preparation and Presentation of Financial Statements, Accounting Standards, Guidance Notes, New/Revised Ind-ASs, IAS, Exposure Drafts, Announcements issued by the ICAI and all other related materials. All CA students are advised to make it a part of their daily routine to access the Institute's website and be abreast with the latest developments in Accounting Standards and other areas.

While concluding, I would like to convey my sincere best wishes to the students appearing in the forthcoming examinations. I wish that students pass the examinations and join the realms of the profession at the earliest.

Yours sincerely,

CA. Manoj Fadnis
Vice President
The Institute of Chartered Accountants of India

Chairman's Communication

Dear Students,

Time and Tide continuously move at their own pace and can never be altered or adjusted. The time has come when many of you would be busy preparing for your examinations to be held in May 2014. You just need to concentrate on your studies and utilize every single moment in a fruitful manner. Just focus on the final target, which will automatically push you to put in your best. But remember that overburdening yourself can put you in a state of distress. The need of the hour is to put in your best efforts to accomplish your ultimate goal. Swami Vivekananda said, *"**If the mind is intensely eager, everything can be accomplished—mountains can be crumbled into atoms**."*

You need to adhere to the right and the apt approach while studying for the examinations. Sometimes you may feel that you had given all that was needed to clear the exams but still you were not able to succeed. This may be due to not following the right approach and not selecting the precise methods. You need to plan methodically and prepare a realistic time table well before the examinations and strictly follow it. You are aware that to qualify as a Chartered Accountant you need to acquire an in-depth knowledge and understanding of various relevant subjects as well as the ability to apply these basic concepts appropriately. At this juncture, it is stated that majority of the student's just start solving the questions casually without getting a grip on the concepts. Such students shall definitely falter at the time of actual examinations. Many students do not solve the practical problems but only read their solutions. Please remember you need to practice solving the question to get grasp over the subject. Only then you will have the confidence to attempt them successfully in the exams. This way you would be able to identify and tackle with the grey areas productively. It must be kept in mind that conceptual clarity and appropriate application skills are very vital to attain success in the exams.

Perhaps you all are aware that in order to help you prepare for the examinations, **Mock tests** are being conducted with the able support of the Regional Offices and its Branches across India. If you have not taken the mock tests conducted by your region or branch till now, you can download them from Students' Home Page. It will be for your immense benefit if you attempt them under simulated examination conditions. This way you will be able to assess not only your level of preparedness for the exams but also find out the areas where you need to improve further.

The Board of Studies e- learning initiative in 2013 has been the most talked about among the students fraternity. It added yet another feather to the Board of Studies Cap. It is an effective learning mechanism for all the students, especially, the students in non-urban areas. Another initiative of Board of Studies is holding video lectures on various practical subjects. Video lectures will soon be hosted on the website for practical subjects to guide you about the practical problems in a detailed manner as in the live classes. I am sure you would find them very valuable in preparing for your exams.

Wishing you all the very best for the upcoming examinations.

Yours Sincerely

CA. M. Devaraja Reddy
Chairman, BOS

Bitcoin

Ram Awasthi

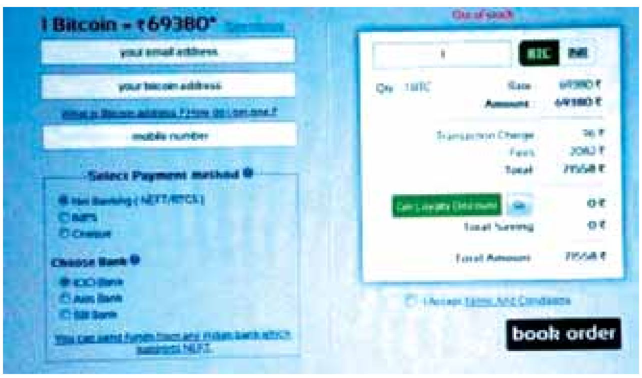
Journey from Barter System to Bitcoin

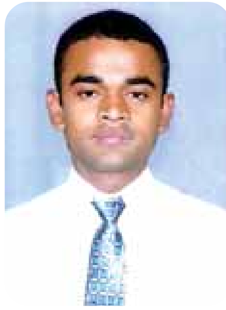
There has been much talk about Bitcoin within libertarian and economic circles. It is becoming a buzzword, but like all new systems that break onto the public stage quickly, Bitcoin brings with it excitement, speculation and of course, rumor. After all, it is an entirely new global monetary system - both a currency and a payment network for that currency. Bitcoin is thus the only currency and money system in the world, which has no counter-party risk to hold and to transfer.

Bitcoin (abbreviated as BTC) is the world's first decentralized borderless currency. It is a virtual currency, or crypto-currency, used only for online transactions. It is also called Money 3.0, the next gen currency. It was invented in the wake of global financial crisis in November 9, 2008 by mysterious computer guru pseudonymous developer Satoshi Nakamoto. With most transactions being effected online these days, e-payment world is finding it convenient to shift to Bitcoins. It can be stored either virtually or on a user's hard drive, and offers a largely anonymous payment system but it is still in its childhood and this brings with it both challenges and opportunities. It is based on an open source protocol, which makes use of a public transaction log. It is world's most expensive currency.

Procedure of Bitcoin transaction

There is no exchange of notes or tokens between purchaser and seller. Bitcoin comes into existence through mining only. If you want to buy anything,





you should have bitcoins in your e-wallet. It can be obtained through two ways:

1. **Purchase from Exchange:** It can easily be exchanged with conventional currencies. It can be bought and sold in return for traditional currency on several exchanges, and can also be directly transferred across the internet from one user to another by using appropriate software. The total coins generated by August 2013 through mining are nearly 11.5 million and that is the total number of coins available for circulation today.

2. **Mining:** If you don't want to purchase the bitcoin, you can mine it through super computers dedicated towards processing mathematically complex calculations. These are mathematically generated as the computers in this network execute difficult number-crunching tasks, a procedure known as Bitcoin "mining". The mathematics of the Bitcoin system was set up so that it becomes progressively more difficult to "mine" bitcoins overtime. Miners must invest computer processing power and electricity to mine it and are currently awarded 25 bitcoins every 10 minutes by the bitcoin network.

Bitcoins can be stored on your computer using wallet software (equivalent to the wallet in your personal pocket) which is an open source and can be downloaded, or in an online wallet. Both methods provide you with an address which you use similar to a paypal address. Send the address to people from whom you want to receive Bitcoin from. Instead, the buyer requests an update to a public transaction log, the blockchain (Integral to Bitcoin- a public transaction log, that records bitcoin ownership currently as well as in the past). This master list of all transactions shows who owns what bitcoins currently and in the past and is maintained by a decentralized network that verifies and timestamps payments. The operators of this network, known as "miners", are rewarded with transaction fees and newly minted bitcoins.

Blockchain is a master list of all transactions that is maintained by a distributed network of computers that does the payment processing work of Bitcoin. Payment

The author is a student of ICAI(Reg. No. CRO 0289548)

processing work done by miners verifies each transaction as valid and adds it to the blockchain. As more bitcoins come into circulation, the reward for doing payment processing decreases and will stop altogether when the Bitcoin ceiling of 21 million bitcoins has been reached. As by the end of December 2013, the number of Bitcoin network peers was about 172,000.

Advantages of Bitcoins

1. **Lesser Transaction Cost:** Merchants have an incentive to accept the currency because transaction fees are lower than the 2-3% typically imposed by credit card processors. Notable vendors accepting Bitcoin include WikiLeaks, OkCupid, Reddit, WordPress and Virgin Galactic. In India, Kolonial Vintage themed Pizza outlet at Worli Mumbai & Castle Blue Spa & Salon at Mumbai started accepting Bitcoins. The network recommended fee is 0.0005 BTC, which is equivalent to INR 3.
2. **New Investment Venue:** As per report of NRK (Norweigian broadcaster), Kristoffer Koch bought $24 worth of bitcoins in 2009 & then forgot about them until this year when he checked his investment's value, it had soared to more than $8,00,000 helping him to buy an apartment.
3. **World Wide Acceptance:** Where credit card, debit card or PayPal does not exist, bitcoin makes digital payment possible. In October 2013, the world's first Bitcoin ATM opened in Vancouver letting users access online BTC accounts to exchange bitcoins for cash or transfer it through smartphone to buy stuff online. Coin Monk, online site for awareness for bitcoin, organized India's first bitcoin conference in Bengluru on December 15, 2013 where investors & bankers gathered to convince the government & regulators that it will be a beneficial economic innovation for unbanked India & for remittances. It is organizing monthly conferences in Bengluru to spread awareness regarding bitcoin awareness to the general public & opportunity to invest in bitcoin and bitcoin mining initiatives.
4. **Peer to peer transactions (no single authority):** The money sent will reach the recipient without going through any intermediary bank or exchange or payment gateway.
5. **Anonymity:** One only needs to provide his/her bitcoin address to the person who needs to send him/her bitcoin. The rest of the world will never know the receiver's bitcoin address unless the receiver or the sender release the bitcoin address to the world.
6. Limited number of coins will ever be produced (cap at 21 million), thus no inflation.

Limitations of Bitcoins

1. **No Authorized Agency:** Bitcoins are used for peer-to-peer transactions, without an authorized agency regulating payments there is no established framework for recourse before customers. Though not backed by any central bank in the world, the currency is traded on a number of exchanges or swapped privately.
2. **Speculation:** There is no underlying or backing of any asset for Virtual Currencies (VCs) and their value seems to be a matter of speculation. A huge volatility in the value of VCs has been noticed in the recent past. So, the users are exposed to potential losses on account of such volatility in value.
3. **Cyber Security Risk:** RBI authorities have cautioned the general public that it may result into 'e-ponzi' or an electronic version of investor fraud. Theft of bitcoins can and does occur. Generating and storing keys offline mitigates such risk. They are prone to losses arising out of hacking, loss of password, compromise access credentials, malware attack etc. Loss of e –wallet could result in permanent loss of the currencies held in them. Trading exchanges like Mt. Gox, world's leading bitcoin exchange based at Tokyo, which handle almost 70% of all bitcoin trades have seen trading halted due to Distributed Denial of Service (DDoS) attacks in April 2013. BuySellbitco.in, India's biggest Bitcoin trading platform suspended its operations on receipt of advisory from RBI on Christmas eve highlighting the risk of digital currency.
4. **Instability of prices:** Bitcoins are bought and sold at a variable price against the value of other currencies. While there may be a seemingly large number, exchanges regularly fail, taking client bitcoins with them. A published research study showed that of 40 Bitcoin exchange markets studied, 18 ended up closing over a period of 3 years. Bitcoin prices are fragmented and vary widely across exchanges.
5. **Illegal/Illicit use:** The value of the online currency fell steeply after a large amount of it was seized in the closure of the website Silk Road, an online marketplace for illegal drugs & arms which had been used to trade illegal drugs. In August, 2013 security concerns were identified in certain apps used to store the currency. People's Bank of China (China's central Bank) banned bitcoin after devaluation of bitcoin almost by 50% in china & vulnerability for being used in money

laundering activities. Use of Bitcoins is increasing in drug market, child pornography & large scale fraud perpetration.

6. **Others:** Bitcoin transactions are untraceable, untaxed and ownership changes instantly.

Future Aspects

In India, it got its visibility when bitfilm used it for the voting process & as prize money in its 13th International Digital film competition in Bengaluru. Report says that in India, there are 30000 strong BTC & e wallet owners participating in TOR forums on BTC. Bitcoin supporters say it is a safer alternative to online payments through credit or debit cards. When one makes an online transaction using a credit or debit card, one is exposed to frauds like phishing. A transaction using Bitcoins is more secure, they argue, as it involves a private key.

However, the United States is currently considered to be Bitcoin friendly compared to other governments. Norway has decided to treat it as asset & charge capital gains tax following the decision of Germany.

India has very young techno-savvy population which is driving bitcoins popularity in India. India is also showing increasing penetration towards it, there have been 35,648 downloads in India since its launch in 2008. Bitcoin is technology generating currency which can transform the world economy & give way to new economic era.

Sources: Coinmonk, thehindubusinessline.com & economictimes.com

Disclaimer: - The purpose of the article is to create interest among the students on a new concept. However, the ICAI may or may not subscribe to the views)

ANNOUNCEMENT

Webcasts for Students: Common Proficiency Course (CPC), Intermediate (IPC) Course & Final Course

The Board of Studies of the Institute has organized Webcasts for the respective subjects of the Common Proficiency Course (CPC), Intermediate (IPC) Course and Final Course; and on "Accounting Standards" and on "How to Prepare for CA Exams" for the benefit of Students. The Subject specific webcasts by leading faculty members aim to mentor Students on the successful strategies to succeed in their forthcoming examinations.

The webcasts aim to take learning and development to the doorsteps of students through a uniform platform across the country. Specific queries/questions from Students have also been answered to address students' requirements.

The schedule of forthcoming webcasts and links to access available webcasts would be available on the Institute's website at the link http://www.icai.org/new_post.html?post_id=9630&c_id=344 and updated from time to time.

Students of the CA Course are encouraged to make good use of this opportunity to learn from and interact with the eminent speakers on the topic. Students are also encouraged to view recorded webcasts and the Online e-Learning facility available on Students Learning Management System at http://studentslms.icai.org to learn anytime from anywhere.

Director of Studies

Forthcoming Live Webcasts Schedule

Date	Time	Webcast Topic	Faculty	Link/URL
May 3	12.15-1.00 p.m.	How to excel in CA Final Examination	CA. Mandar Pramod Dixit	http://icaitv.com/live/icai030514
	1.00-3.00 p.m.	Impact of Accounting Standards on Taxation	CA. Jayant Gokhale	
	3.00-5.00 p.m.	Final Course Paper-3 Advanced Auditing and Professional Ethics Ch-22: Professional Ethics	CA. C.N. Vaze	
May 7	6.00-8.00 p.m.	Final Course Paper-7 Direct Tax Laws: Ch-6: Profits and Gains from Business of Profession	CA. Kapil Goel	http://icaitv.com/live/icai070514
May 10	1.00-3.00 p.m.	CPT Section-A Fundamentals of Accounting Ch-9: Company Accounts	CA. Rahul Malkan	http://icaitv.com/live/icai100514
	3.00-5.00 p.m.	CPT Section-D Quantitative Aptitude Ch-8: Limits and Continuity - Intuitive Approach and Ch-9: Basic Concepts of Differential and Integral Calculus	Mr. Lalit Dedhia	

May, 2014 Intermediate (IPC) Examination Paper 4 – Taxation : Some Essentials for Preparation

In order to ensure clarity as regards the applicability of provisions of income-tax, service tax and VAT for May, 2014 Intermediate (IPC) Examination, as well as the BOS publications relevant for the said examination, the details regarding the same are briefed hereunder:

I. Applicability of Finance Act, Assessment Year etc. for May, 2014 Examination

(1) The amendments made by the **Finance Act, 2013** in income-tax and service tax;

(2) The provisions of income-tax law as applicable for the **assessment year 2014-15**;

(3) The significant **notifications and circulars issued upto 31st October, 2013** (income-tax and service tax)

II. BOS Publications relevant for May, 2014 Examination

	Publication	Edition	Objective & Content
(1)	**Study Material (and Practice Manual) on Taxation**		
	Volume I **Study Material** **(Part I: Income-tax)** **(A.Y.2014-15)** ***(As amended by the Finance Act, 2013)*** **(Thoroughly revised and updated)**	August, 2013	Volume I of this edition of the Study Material is based on the provisions of the Income-tax Act, 1961, **as amended by the Finance Act, 2013 and applicable for A.Y.2014-15**, and the significant notifications and circulars issued upto 30.4.2013. Study each topic of your syllabus thoroughly for conceptual clarity. The aim of the Study Material is to build a strong conceptual base by explaining the complex tax laws in a lucid manner.
	Volume II **Practice Manual** **(Part I: Income-tax)** **(Thoroughly revised and updated)** **(Questions adapted/ modified and solved on the basis of the provisions of law applicable for A.Y.2014-15)**	August, 2013	Each problem on income-tax contained in Volume II of this edition of the Practice Manual has been adapted/ modified and solved on the basis of the provisions of law applicable for **A.Y.2014-15.** The amendments made by the Finance Act, 2013 and significant notifications and circulars issued upto 30.4.2013 have been taken into account. The Practice Manual has also been grouped chapter-wise and contains a variety of questions and problems in each topic for the better understanding and application of the concepts explained in the Study Material. **In the Practice Manual, questions set at the past PE-II, PCC, and IPCC level examinations of chartered accountancy course have been modified/ adapted and answered on the basis of the provisions of law applicable for A.Y.2014-15.** After reading each chapter in the Study Material, try to work out the problems in the corresponding chapter of the Practice Manual on your own, and thereafter compare your answers with the answers given therein. This would help you to identify your mistakes and also learn from your mistakes. Further, this process would help in revision of the concepts and principles contained in each chapter of the Study Material and application of the same while solving practical problems. ***Note*** *– After you complete study of the entire syllabus content, solve all the questions in the Practice Manual once again to make sure that there are no grey areas.*

	Volume III **Study Material** **(Part II: Service tax and VAT)** **(As amended by the Finance Act, 2012)**	November, 2012	Volume III of the November 2012 edition comprising of the Study Material and Practice Manual on Part II: Service tax & VAT is based on the law as amended by the **Finance Act, 2012** and the significant notifications and circulars issued upto 30.6.2012. **Students appearing in May, 2014 examination are advised to read this edition of the Study Material, along with the Supplementary Study Paper – 2013 explaining the amendments made in service tax by the Finance Act, 2013 and through notifications and circulars issued between 1.7.2012 and 30.4.2013.**
(2)	Supplementary Study Paper - 2013 (Taxation) **[A discussion of amendments made by the Finance Act, 2013 in income-tax and service tax]**	July, 2013	This publication explains the amendments made in income-tax and service tax by the **Finance Act, 2013** as well as by way of **significant circulars and notifications issued between 1.7.2012 and 30.4.2013**. It is especially relevant in case you have the earlier edition of the Taxation Study Material (i.e., the November, 2012 edition), which is based on the provisions of law as amended by the Finance Act, 2012. However, even if you have the latest edition (i.e., August, 2013 edition) of Volumes I and II of the Taxation Study Material, you are still advised to read the Supplementary Study Paper-2013 for a better understanding of the statutory amendments.
(3)	Revision Test Paper (RTP) for May, 2014 Examination **[Revision material for self-assessment and updation]**		The August, 2013 edition of Vol. I & II of the Study Material, updated on the basis of the amendments made by the Finance Act, 2013 and significant notifications and circulars issued upto 30th April, 2013, is the Study Material relevant for May, 2014 examination. However, the significant notifications issued upto 31st October, 2013 are applicable for May, 2014 examination. **The RTP for May, 2014 examination, therefore, contains the significant notifications in income-tax issued after the date up to which they are covered in the August, 2013 edition of Vol. I & II of the Study Material on Taxation (i.e., from 1st May 2013 upto 31st October, 2013).** The RTP also helps you self-assess your preparation by solving the questions contained therein independently and comparing the same with the answers given.
Note: *All the publications mentioned above have also been hosted at the BOS Knowledge Portal on the Institute's website www.icai.org.*			

Important Announcement

It has been decided to grant extension to students, who were registered for practical training on or after 1st May, 2012 and completed one year of their practical training but not completed the GMCS-I course are required to complete GMCS-I Course latest by 30th September, 2014.

The above students are advised to register at the portal www.icaionlineregistration.org or contact the nearest Regional Council/Branch for registration in GMCS-I Course and complete the same at the earliest but not later than 30th September, 2014.

Director, Board of Studies

Auditor's Report Format: Important Amendments

Announcement 1 : Manner of Reporting on Section 227(3)(bb) of the Companies Act, 1956

I. Section 227(3)(bb) of the Companies Act, 1956 requires the statutory auditor to report on the following aspect:

"bb. whether the report on the accounts of any branch office audited under section 228 by a person other than the company's auditor has been forwarded to him as required by clause (c) of sub-section (3) of that section and how he has dealt with the same in preparing the auditor's report;"

(A similar reporting requirement appears in section 143(3)(c) of the Companies Act, 2013 though the section has not yet been notified by the Central Government.)

II. The Council of the Institute, at its 329th (Adjourned) meeting held on 03rd and 04th January 2014 at New Delhi noted that reporting by the statutory auditors of the Company on clause (3)(bb) of section 227 of the Companies Act, 1956 is a legal requirement in cases where the company had appointed separate branch auditor/s. However, the same was inadvertently not appearing under the "Report on Other Legal and Regulatory Requirements" paragraph in the illustrative format of the independent auditor's report for a Company as given in the Appendix to SA 700. The Council accordingly, decided to add the following reporting in the illustrative independent auditor's report formats for a Company (to be reported upon as and where applicable):

"bb. the report on the accounts of the branch offices audited under section 228 by a person other than the company's auditor has been forwarded to us as required by clause (c) of sub-section (3) of section 228 and have been dealt with in preparing our report in the manner considered necessary by us;"

Announcement 2 : Reference to the Accounting Standards Applicable to the Companies in the Auditor's Report and Limited Review Reports and various Engagement Standards

I. The Ministry of Corporate Affairs (MCA) has *vide* its notification dated 12th September 2013 notified 98 sections of the Companies Act 2013 having come into force from that date. One of the sections so notified is Section 133 which empowers the Central Government to prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India (ICAI) in consultation with and after examination of the recommendation by the National Financial Reporting Authority (NFRA).

II. Subsequently, MCA vide its General Clarification No. 15/2013 dated 13th September 2013, has clarified that to facilitate proper administration of the notified sections of the Companies Act 2013, in respect of the aforesaid Section 133, "Till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards, notified under the Companies Act, 1956 shall continue to apply."

III. Further, vide its Circular no. 16/2013 dated 18th September 2013 has further clarified that with effect from 12th September 2013, "the relevant provisions of the Companies Act, 1956, which correspond to provisions of 98 sections of the Companies Act, 2013 brought into force on 12.09.2013, cease to have effect from that date." As a result, section 211(3C) of the Companies Act, 1956 corresponding to which section 133 of the Companies Act, 2013 has been notified has ceased to have effect from 12th September, 2013.

IV. In view of the above, members have sought guidance on the manner of reference to the Accounting Standards applicable to the company in the statutory auditor's report of the company as well as the limited review report in case of a listed company, issued pursuant to clause 41 of the Listing Agreement.

IV. The matter was considered by the Council of the Institute of Chartered Accountants of India at its 329th Adjourned meeting held on 03rd and 04th January 2014 at New Delhi. The Council noted that in so far as the format of the auditor's report for a statutory audit of a company, for example, as given in illustration 1 in Appendix to SA 700, is concerned, reference to the Accounting Standards issued under section 211 (3C) of the Companies Act, 1956 appears at two places. First, under the "Management's Responsibility for the Financial Statements" paragraph and second, under the "Report on Other Legal and Regulatory Requirements" paragraph.

V. The Council noted that, while section 133 of the Companies Act, 2013 had been notified, and accordingly, section 211(3C) of the Companies Act, 1956 had been superceded, section 143 of the Companies Act, 2013, which dealt with the matters to be contained in the auditor's report, had not yet been notified. Accordingly, the auditor's reporting requirements were still being governed by section 227(3) of the Companies Act, 1956 and that clause 227(3)(d) of the Companies Act, 1956 requires the auditors to report "whether, in his opinion, the profit and loss account and balance sheet comply with the accounting standards referred to in sub-section (3C) of section 211" of the Companies Act, 1956.

VI. The Council is of the view that in the above background, till the time section 143 of the Companies Act, 2013 is made operative, both the following manners of making reference to the Accounting Standards in the independent auditor's report of a Company would be acceptable:

Alternative 1: Refer to section 211(3C) of the Companies Act, 1956 (both in the "Management's Responsibility for Financial Statements" and "Report on Legal and Other Regulatory Matters" paragraphs (as currently given in the illustrative format of independent auditor's report for accompany given in Appendix to SA 700);

OR

Alternative 2: Refer to only the Companies Act, 1956 along with the reference to the relevant notifications of MCA vide which it had clarified that the Accounting Standards prescribed under the Companies Act, 1956 would continue to apply in respect of section 133 of the Companies Act, 2013.

VII. Where the members decide to opt for *Alternative 2* above, the "Management Responsibility for Financial Statements" paragraph and the "Report on Legal and Other Regulatory Matters" paragraph in the independent auditor's report would need to suitably reworded as follows and such rewording would be construed to be in accordance with that prescribed in the text/ Appendix to the concerned Engagement Standard.

"Management's Responsibility for the Financial Statements Management is ………………….. cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility …………… fraud or error."

"Report on Other Legal and Regulatory Requirements

2. As required by Section 227(3) of the Act, we report that:

(a) …………………………………

…………………………………..

(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.

………………………………..

(f) ………………………………"

VIII. Similarly, in case of limited review reports issued in terms of clause 41 of the Listing Agreement, approach similar to as suggested above may also be adopted while making a reference to the Accounting Standards applicable to the concerned Company in the limited review report/s issued by a practitioner pursuant to the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements or the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

Announcement 3 : Amendment to the "Auditor's Responsibility" Paragraph Included in the Independent Auditor's Report

1. The Council of the Institute of Chartered Accountants of India at its 329th Adjourned meeting held on 03rd and 04th January 2014, New Delhi noted that in the context of the "auditor's responsibility", paragraph 31(b) of the Standard on Auditing (SA) 700, *Forming An Opinion and Reporting on Financial Statements,* issued by the Institute, required the following to be mentioned in the auditor's report:

"31. The auditor's report shall describe an audit by stating that:

(b) The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and"

(emphasis added)

2. The Council noted that the "Auditor's Responsibility" paragraph as given in the illustrative formats of the independent auditor's report, as given in the Appendix to SA 700 (and as a corollary, in the Appendices to SA 7052 and SA 7063), however, did not contain such description that the auditor's risk assessment and

procedures were not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

3. The Council, accordingly, decided to amend the "Auditor's Responsibility" paragraph in an independent auditor's report as follows:

"An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, **but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.** An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements."

Announcement 4 : Use of the Term "Profit and Loss Account" or "Statement of Profit and Loss" in the Statutory Audit Reports of Companies.

I. The Council of the Institute of Chartered Accountants of India, at its 329th Adjourned meeting, held on 03rd and 04th January, 2014 at New Delhi noted that the illustrative formats of the independent auditor's report (in respect of a Company) as given in SA 700, SA 705 and SA 706 contain the references to "Profit and Loss Account" at various places. The term was being used since the Schedule VI to the Companies Act, 1956 also used this term.

II. The Council also noted that though the Revised Schedule VI to the Companies Act, 1956 as also the corresponding Schedule III to the Companies Act, 2013, instead use the term "Statement of Profit and Loss", section 227 of the Companies Act, 1956, which continues to be applicable in respect of the statutory auditor's reporting requirements, used the term "Profit and Loss Account".

III. The Council decided that in view of the above, in the independent auditor's report of a Company, the auditors may chose to use the term "Profit and Loss Account" or "Statement of Profit and Loss".

Announcement 5 : Manner of Reporting In Respect of Such Clauses of the Companies (Auditor's Report) Order, 2003 Which Are Not Applicable to the Auditee Company.

I. The Council, at its 329th Adjourned meeting held on 03rd and 04th January 2014 at New Delhi noted that the paragraph 80 of the Statement on the Companies (Auditor's Report) Order, 2003 (the Statement) requires that, in such situations, where one or more of the clauses are not applicable, it would be appropriate for the auditor to make a suitable comment in his report bringing out the fact of non-applicability of a particular clause.

II. The Council considered the requirements of paragraph 80 of the Statement and was of the view that non applicability of one or more clauses of the Companies (Auditor's Report) Order, 2003 (CARO 2003) to the company would not, in any way, impact the auditor's opinion on the financial statements. Thus, the said information did not have much perceivable benefit to the readers of the audit report. Accordingly, the auditor may choose to report on the non-applicability of the individual clause of CARO, 2003, or, alternatively, aggregate/ club the fact of non applicability of different clause(s) of CARO 2003.

3. The Council, accordingly, decided to amend paragraph 80 of the Statement on CARO, 2003 as follows:

80. There may be situations where one or more of the clauses are not applicable. For example, the requirement regarding internal audit system does not apply in case of all the companies. In such situations, it would be appropriate for the auditor to make a suitable comment in his report bringing out the fact of non-applicability of a particular clause. To illustrate, where the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Act, the auditor may state:

"The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the company".

Alternatively, the auditor may aggregate/ club the fact of non applicability of different clauses of CARO, 2003 and report as under:

"Matters specified in clauses.......(relevant clause number of the clause/s not applicable) of paragraph 4 of the CARO 2003 do not apply to the Company."

(Note: Amendments to paragraph 80 of the Statement on CARO, 2003 are given in BOLD AND UNDERLINE mode).

Information Regarding Audited/ Unaudited Components – Manner of Disclosure In Principal Auditor's Report

Announcement

Manner of Disclosure in the Auditor's Report of the Fact of Inclusion of Unaudited Financial Statements/ Information of Component/s in the Financial Statements Audited by the Principal Auditor(s)

1. An independent auditor of the financial statements of an entity may, at times, need to rely upon work of the other auditors. For example, in an audit of the stand alone financial statements of an entity the independent auditor thereof (the Principal Auditor) may need to rely upon the financial statements of the entity's component/s such as branch/es, division/s, etc., which have been audited by other independent auditor/s. Similarly, in an audit of the consolidated financial statements of a group, the independent auditor thereof (the Principal Auditor), may need to rely upon the work of the independent auditors of the components of the group such as subsidiary/ies, joint venture/s, associate/s, etc., whose audited financial statements/ information have been included in the consolidated financial statements and have been audited by their respective independent auditors (the Component Auditors).

2. There may also be a situation where the financial statements of one or more components included in the stand alone financial statements of an entity/ consolidated financial statements of a group have not been audited either by the Principal Auditor or the Component Auditor/s.

3. Members have sought guidance on the appropriate manner of disclosure of information in the independent auditor's report of the Principal Auditor about the fact that the financial statements/ information pertaining to certain/ all components, included in the stand alone financial statements of an entity/ consolidated financial statements of a group are unaudited.

4. The Council at its 331st meeting held on 10th February 2014 considered the above matter and decided as under:

<table>
<tr><th></th><th></th><th>Disclosures in the Principal Auditor's Report</th></tr>
<tr><td>Situation 1</td><td>Component/s is/are unaudited and such component/s is/are not material to the financial statements of the entity/consolidated financial statements of the Group</td><td rowspan="2">The principal auditor may or may not disclose the fact of such component/s in the Principal Auditor's report. In case the Principal Auditor decided to make such disclosure, the same would be done under the "Other Matters" paragraph, pursuant to SA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report. An illustrative manner of reporting is given in Illustration 2 in the Appendix to SA 706.</td></tr>
<tr><td>Situation 2</td><td>Component/s is/are audited by auditor/s other than the Principal Auditor and such component/s is/are not material to the financial statements of the entity/consolidated financial statements of the Group</td></tr>
<tr><td>Situation 3</td><td>Component/s is/are audited by auditor/s other than the Principal Auditor and such component/s is/are material to the financial statements of the entity/consolidated financial statements of the Group</td><td>The principal auditor would need to disclose the fact of such component/s in the Principal Auditor's report. Such disclosure would be done under the "Other Matters" paragraph, pursuant to SA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report. An illustrative manner of reporting is given in Illustration 2 in the Appendix to SA 706.</td></tr>
<tr><td>Situation 4</td><td>Component/s is/are unaudited and such component/s is/are material to the financial statements of the entity/ consolidated financial statements of the Group</td><td>The Principal Auditor needs to consider its/ their impact on the auditor's opinion on the financial statements of the entity/ consolidated financial statements of the group, in terms of the principles laid down in SA 705, Modifications to the Opinion in the Independent Auditor's Report.</td></tr>
</table>

5. Further, in case of the auditor's reports of the statutory central auditors, the manner of disclosure about the audited/ unaudited components as given in the illustrative formats of the auditor's report in the Guidance Note on Audit of Banks would continue to apply.

For details, students may follow the under mentioned link- http://www.icai.org/new_post.html?post_id=10344&c_id=219, http://220.227.161.86/32350aasb110214.pdf

(Board of Studies)

Corporate Laws

(i) Implementation of 183 sections and various Rules of the Companies Act, 2013

The MCA vide Notification No. S.O. 902(E) dated 26th March, 2014 has further notified 183 new sections of the Companies Act, 2013 and some sub-sections of 13 sections which were already notified on 12th September, 2013 and the remaining six schedules, effective from 1st April, 2014. The MCA has also notified Rules for 19 chapters of the Companies Act, 2013 on March 27th, 28th, 30th and 31st, 2014.

The links of the said notifications are:

http://egazette.nic.in/WriteReadData/2014/158869.pdf (List of further notified 183 sections of the Companies Act, 2013)

http://www.mca.gov.in/MinistryV2/companiesact.html (Details of various notified Rules under the Companies Act, 2013)

(ii) Clarification with regard to Section 180 of the Companies Act, 2013

The MCA vide General Circular No. 04/2014 dated 25th March, 2014 has issued a clarification on section 180 of the Companies Act 2013 to provide much needed relief to the corporate(s). It is clarified that the resolution passed under section 293 of the Companies Act, 1956 prior to 12th September, 2013 with reference to borrowings (subject to the limits prescribed) and / or creation of security on assets of the company will be regarded as sufficient compliance of the requirements of section 180 of the Companies Act, 2013 for a period of one year from the date of notification of section 180 of the Act.

The link of the said notification is http://www.mca.gov.in/Ministry/pdf/gencircular_042014.pdf

(iii) Alteration in Schedule II to the Companies Act, 2013

In exercise of the powers conferred by sub-section (2) of section 123 read with sub-section (1) of section 467 of the Companies Act, 2013, the Central Government vide Notification No. G.S.R. 237(E) dated 31st March, 2014 has made alterations in Schedule II to the Companies Act, 2013.

The link of the said notification is http://egazette.nic.in/WriteReadData/2014/159092.pdf

(iv) Dissemination of information with regards to the provisions of the Companies Act, 2013 as notified till date vis-à-vis the corresponding provisions of the Companies Act, 1956.

The MCA vide General Circular No. 07/2014 dated 1st April, 2014 has provided a table indicating the notified provisions of the Companies Act, 2013, corresponding provisions of the Companies Act, 1956 and the corresponding sections and part of certain sections of the Companies Act, 1956 which shall remain in force.

The link of the said notification is http://www.mca.gov.in/Ministry/pdf/General_Circular_7_2014.pdf

(v) Applicability of the notified sections of the Companies Act, 2013 with regard to relevant financial Year

The MCA vide General Circular No. 08/2014 dated 4th April, 2014 has notified that the financial statements (and documents required to be attached thereto), auditor's report and Board's report in respect of financial years that commenced earlier than 1st April, 2014 shall be governed by the relevant provisions/ Schedules/ rules of the Companies Act, 1956 and that in respect of financial years commencing on or after 1st April, 2014, the provisions of the Companies Act, 2013 shall apply.

The link of the said notification is http://www.mca.gov.in/Ministry/pdf/General_Circular_8_2014.pdf

Note: The applicability of the above provisions for the examinations will be announced in due course of time.

(Board of Studies)

Legal Decisions – Income-tax

1. **Can an assessee who has surrendered his income in response to the specific information sought by the Assessing Officer in the course of survey, be absolved from the penal provisions under section 271(1)(c) for concealment of income?**

MAK Data P. Ltd. v. CIT (2013) 358 ITR 593 (SC)

Facts of the case:

The assessee-company filed its return of income for the A.Y. 2004-05 declaring an income of Rs.16.17 lakh along with tax audit report. The assessee's case was selected for scrutiny and notices were issued under section 143(2) and section 142(1). During the course of assessment proceedings, it was noticed by the Assessing Officer that certain documents, namely, share application forms, bank statements, memorandum of association of companies, affidavits, copies of income-tax returns and assessment orders and blank share transfer deeds duly signed, had been found in the course of survey proceedings under section 133A conducted on December 16, 2003, in the case of a sister concern of the assessee, and the same were impounded.

The Assessing Officer issued a show cause notice dated October 26, 2006 to the assessee seeking specific information regarding the documents pertaining to share applications found in the course of survey, particularly, blank transfer deeds signed by persons who had applied for the shares.

In its reply to the show cause notice, the assessee made an offer to surrender a sum of Rs. 40.74 lakhs by way of voluntary disclosure without admitting any concealment or any intention to conceal and subject to non-initiation of penalty proceedings and prosecution. The Assessing Officer, however, completed the assessment bringing the sum of Rs. 40.74 lakhs to tax and levied penalty under section 271(1)(c) for concealment of income and not furnishing true particulars.

Assessee's contention:

The assessee contended that the penalty proceedings were not maintainable since the Assessing Officer had not recorded his satisfaction to the effect that there has been concealment of income/furnishing of inaccurate particulars of income. Further, it also contended that the surrender of income was a conditional surrender before any investigation in the matter.

Appellate Authorities' view:

The Commissioner (Appeals) did not accept the assessee's contention. The Tribunal, however, was of the view that the amount of Rs.40.74 lakhs was surrendered by the assessee to settle the dispute with the Department. It opined that since the assessee, for one reason or the other, agreed or surrendered certain amounts for assessment, the imposition of penalty solely on the basis of the assessee's surrender could not be sustained. The Tribunal, therefore, allowed the appeal and set aside the penalty order.

The High Court, however, accepted the plea of the Revenue that there was absolutely no explanation by the assessee for the concealed income of Rs.40.74 lakhs. The High Court took the view that in the absence of any explanation in respect of surrendered income, the first part of *Clause (A) of Explanation 1 to section 271(1)(c)* would be attracted.

Apex Court's Observations:

The Apex Court observed that the assessee had stated that the surrender of the additional sum was with a view to avoid litigation, to buy peace and to channelize the energy and resources towards productive work and to make amicable settlement with the Income-tax Department. The Court observed that these types of defenses are, however, not recognized under the statute. It further observed that the survey was conducted and documents were impounded ten months before the assessee filed its return of income. The Court opined that had it been the intention of the assessee to make full and true disclosure of its income, it would have filed the return declaring an income inclusive of the amount which was surrendered later during the course of the assessment proceedings. It is the statutory duty of the assessee to record all its transactions in the books of account, to explain the source of payments made by it and to declare its true income in the return of income filed by it from year to year.

Apex Court's Decision

The Apex Court was, therefore, of the view that surrender of income in this case is not voluntary, in the sense, that the offer of surrender was made in view of detection made by the Assessing Officer in the survey conducted in the sister concern of the assessee. The Apex Court, therefore, concurred with the view of the High Court that levy of penalty is correct in law.

Note: *According to Explanation 1 to section 271(1)(c), where in respect of any facts material to the computation of the total income of any person under this Act,-*

(A) such person fails to offer an explanation or offers an explanation which is found by the

Assessing Officer or the Commissioner (Appeals) or the Commissioner to be false, or

(B) such person offers an explanation which he is not able to substantiate and fails to prove that such explanation is bona fide and that all the facts relating to the same and material to the computation of his total income have been disclosed by him,

then the amount added or disallowed in computing the total income of such person as a result thereof shall, for the purposes of clause (c) of this sub-section, be deemed to represent the income in respect of which particulars have been concealed.

In this case, since the assessee has failed to offer an explanation regarding surrendered income, the amount of income surrendered is deemed to represent the income in respect of which particulars have been concealed, thereby attracting penal provisions under section 271(1)(c).

2. Can share issue expenses incurred by a company be treated as capital in nature, if the public issue could not ultimately materialize on account of non-clearance by SEBI?

Mascon Technical Services Ltd. v. CIT (2013) 358 ITR 545 (Mad.)

Facts of the case:

The assessee-company incurred share issue expenses of Rs.35.39 lakh for its proposed public issue, which could not ultimately materialize due to non-clearance by the SEBI. It claimed such expenses as revenue in nature, on the ground that the same was incurred for augmenting its working capital. The claim of the assessee was, however, rejected by the Assessing Officer.

Assessee's contention vis-à-vis Tribunal's contention:

On appeal to the Tribunal, the assessee contended that the expenditure incurred was only for the purpose of bettering the cash availability and the working capital of the company, and hence, the same should be allowed as a revenue expenditure. The assessee further contended that since incurring of share issue expenses did not result in increase in the share capital of the company on account of the reasons beyond its control, such expenditure should be allowed as revenue expenditure.

The Tribunal rejected the said contention of the assessee and took the view that the share issue expenditure was incurred *prima facie* for expansion of the capital base of the company and was, hence, in the nature of capital expenditure. The fact that the efforts had got frustrated later on would not alter the nature of the expenditure.

High Court's Decision:

The High Court noted that the assessee-company had taken steps to go in for a public issue and incurred share issue expenses for the same. However, it could not go in for the public issue by reason of the orders issued by the SEBI just before the proposed issue. Though the efforts were aborted, the fact remains that the expenditure incurred was only for the purpose of expansion of the capital base. The capital nature of the expenditure would not be lost on account of the abortive efforts. The expenditure, therefore, constitutes a capital expenditure.

3. Can depreciation under section 32 be allowed on the plant and machinery which is ready for use but could not be put to use at any time during the previous year due to some extraneous reason, for example, paucity of raw material?

CIT v. Chennai Petroleum Corporation Ltd. (2013) 358 ITR 314 (Mad.)

Facts of the case:

The assessee claimed depreciation on the gas sweetening plant, which was built during the relevant previous year, but was not put to use in that year on account of non-availability of raw material i.e., sour gas. In the earlier previous year, the plant was commissioned by running a test run for the first time and depreciation was allowed for that year by the Department, considering the trial run as equivalent to putting the said plant to use. However, the assessment for the relevant previous year was reopened on the ground that the assessee had not disclosed the material fact that the plant was not in use for the whole of the said previous year

Assessee's contention vis-à-vis Assessing Officer's contention:

The assessee's contention was that the plant was ready for use for the year under consideration and the non-availability of raw material was an impediment to put the plant to use. The expression "used" in section 32(1) should be understood to include passive as well as active use. In this case, the asset was in good condition and ready for use. It could have been put to actual use in any minute, at any time during the relevant previous year, and hence the claim for depreciation cannot be denied.

The Assessing Officer, however, completed the assessment rejecting the assessee's claim on the ground that the asset had never been put to use during the whole of the relevant previous year i.e., the second year of installation of the plant.

Majority view of the Tribunal:

The Accountant Member of the Tribunal supported the assessee's view that once the plant was ready for use, it was entitled to depreciation. The Judicial Member, however, was of the view that unless the assets have been actually put to use, the claim of the assessee could not be granted. The Third Member i.e., the Vice President of the Appellate Tribunal agreed with the view taken by the Accountant Member in favour of the assessee.

High Court's observations:

The High Court referred to the Supreme Court ruling in *Liquidators of Pursa Ltd. v. CIT (1954) 25 ITR 265* in context of the expression "used for the purpose of business" for claim of depreciation. The Court held that so long as the business was a going one and the machinery got ready for use but could not be put to use due to certain extraneous circumstances, depreciation under section 32 would be allowable.

High Court's decision:

The High Court confirmed the majority decision of the Tribunal holding that, in this case, the machinery was entitled to depreciation since the business was a going concern and the machinery, being ready for use, could not be actually put to use due to an extraneous reason, namely, raw material paucity.

4. In the case of an assessee, being a dealer in shares and securities, whose portfolio comprises of shares held as stock-in-trade as well as shares held as investment, is it permissible under law to convert a portion of his stock-in-trade into investment and if so, what would be the tax treatment on subsequent sale of such investment?

CIT v. Yatish Trading Co. Pvt. Ltd. (2013) 359 ITR 320 (Bom.)

Facts of the case:

The assessee, being a dealer in shares and securities, has a trading as well as an investment portfolio of shares and securities. On 1st April 2002 and 1st October 2004, the assessee converted certain shares and securities held as stock-in-trade into investments and thereafter, in the A.Y.2006-07, it transferred such converted shares and securities and declared income arising on such transfer under the head "Profits and gains of business or profession" and "Capital gains". The profits and gains up to the date of conversion was offered as business income (i.e., fair market value on the date of conversion minus the cost of acquisition). The profits and gains arising after conversion up to the date of sale was offered as capital gains (i.e., sale price minus the fair market value on the date of conversion).

The Assessing Officer, however, assessed the entire income arising on transfer of such converted shares and securities as business income.

Appellate Authorities' findings & views:

The CIT (Appeals) opined that the view of the assessee was logical and reasonable. The Tribunal noted that the Department had accepted the conversion of stock-in-trade into investment while assessing the income of A.Y.2003-04 and A.Y.2005-06. Further, the books of account of the assessee showed such shares (on which the assessee offered income as capital gains) as investment. Also, the mere fact that the assessee-company was trading in shares and securities cannot estop it from holding certain shares as investment and offering the gains on sale of such shares to tax under the head "Capital gains". It is open for a trader in shares to have a trading as well as an investment portfolio of shares and securities.

High Court's decision:

The High Court concurred with the Tribunal's ruling that the gains arising on sale of those shares held as investments by the dealer-assessee (i.e., the difference between the sale price and the fair market value on the date of conversion) were to be assessed under the head "Capital gains" and not under the head "Profits and gains of business or profession".

5. Are the provisions of section 234D levying interest on excess refund attracted in a case where the refund granted to the assessee in pursuance of the order of Commissioner (Appeals) was reversed on account of setting aside of such order by the Tribunal?

DIT (International Taxation) v. Delta Air Lines Inc. (2013) 358 ITR 0367 (Bom.)

Facts of the case:

In the present case, the Assessing Officer disallowed the benefit of article 8 of the Double Taxation Avoidance Agreement between India and the U.S.A. (DTAA) to the assessee. The Commissioner (Appeals), on the other hand, held that the assessee was entitled to the benefit of article 8 of the DTAA. The Tribunal, however, set aside the order of the Commissioner (Appeals) and restored the order passed by the Assessing Officer. While giving effect to the order of the Tribunal, the Assessing Officer apart from levying interest under sections 234A and 234B, also levied interest under section 234D on the refund granted to the assessee pursuant to the order of Commissioner (Appeals).

Appellate Authorities' contention:

The assessee challenged the order of the Assessing Officer levying interest under section 234D by filing an appeal before the Commissioner (Appeals). The Commissioner (Appeals) opined that since the refund was not granted under section 143(1), section 234D was not attracted.

The Tribunal concurred with the view of the Commissioner (Appeals).

High Court's decision:

The High Court observed that interest under section 234D is chargeable only where the refund has been granted to the assessee while processing the return of income under section 143(1) and thereafter, such refund is found to be excessive under the regular assessment.

In the present case, the refund was not granted under section 143(1). The refund was not granted even by way of an assessment order passed under section 143(3) read with section 147. The same was granted pursuant to the order passed by the Commissioner (Appeals). Consequently, the High Court concurred with the Tribunal's view that the provisions of section 234D were not attracted in this case.

***Note**: Section 234D(1) provides that where any refund is granted to the assessee under section 143(1) and -*

(a) no refund is due on regular assessment; or

(b) the amount refunded under section 143(1) exceeds the amount refundable on regular assessment,

the assessee shall be liable to pay simple interest @1½% on the whole or the excess amount refunded, for every month or part of a month comprised in the period from the date of grant of refund to the date of such regular assessment.

Explanation 1 to section 234D provides that where, in relation to an assessment year, the assessment is made for the first time under section 147 or section 153A, the assessment so made shall be regarded as regular assessment for the purpose of this section.

Therefore, the above provisions of section 234D(1) read with Explanation 1 thereto makes it clear that interest thereunder is attracted only in a case where refund is granted to the assessee under section 143(1), which becomes refundable on account of the order passed under section 143(3) or section 147 or section 153A.

6. Can refund of tax due to the assessee for a particular assessment year be adjusted, against sums due from the assessee in respect of another assessment year, under section 245, without giving prior intimation to the assessee of the proposed adjustment?

Jeans Knit P. Ltd. v. DCIT (2013) 358 ITR 0505 (Kar.)

Facts of the case:

In the present case, the company is an export oriented unit. A certain deduction was disallowed for A.Y.2007-08 by the Assessing Officer, but subsequently, on appeal by the assessee, the same was allowed by the Commissioner (Appeals). Consequent to the order of Commissioner (Appeals), the assessee became entitled to a refund of Rs. 14.25 crores. While giving effect to the order of Commissioner (Appeals), the Assessing Officer adjusted the refund towards the tax demand for the A.Y. 2008-09.

High Court's Observations:

On the issue of whether refund can be adjusted against demand for the subsequent year without prior intimation, the Karnataka High Court referred to the following High Court rulings–

(i) The Karnataka High Court's ruling in *Fosroc Chemicals (India) Ltd. v. CIT (2001) 248 ITR 607*, wherein it was observed that for the purpose of any adjustment of the amount due to the assessee by way of refund against an outstanding demand due from the assessee to the Revenue, an intimation in writing is required to be given to the concerned person of the action proposed. Proposed action would mean a notice before making the adjustments and not an intimation of making the adjustment. An order passed purporting to adjust the refund due to the assessee without prior intimation would be against the express provisions of law and is hence, bad in law. The provisions of section 245 are mandatory in nature.

(ii) The Delhi High Court's ruling *in Vijay Kumar Bhati v. CIT (1994) 205 ITR 110*, wherein it was held that any order of set-off of refund purporting to be made without prior intimation is neither fair, nor just, nor reasonable and has to be ignored.

(iii) The Calcutta High Court's ruling in *J.K. Industries Ltd. v. CIT (1999) 238 ITR 820*, wherein it was held that the Revenue has no jurisdiction to make an adjustment of a refund without following the provisions section 245 and without giving prior intimation to the assessee as required by that section.

High Court's Decision:

In view of the above rulings, the Karnataka High Court, in this case, held that the communication informing the adjustment of refund, without prior intimation to the assessee, is illegal and contrary to law. Therefore, the High Court set aside the order in so far as it relates to adjustment of refund against tax due.

(Compiled by CA.Priya Subramanian/ CA. Aparna Chauhan, BoS)

Limitations of Standard Costing and Flexible Budgeting

R.K. Srivastava

"We have been leaders in Picture Tube manufacturing from the last many years, however, it appears that frequent changes in government policies have been adversely affecting us leading to a demand from the quality and production personnel to abandon the age old budgeting and standard costing system which has been used so effectively in the past. The argument is simple that since we do not know in advance, as to what the demand in the market is going to be, we are in no position to budget production. Last year the budget forecasted a potential manufacture of 2000 17' Picture Tubes; however, we ended up manufacturing nothing of that sort as there was no demand in the market. Blaming the marketing personnel is of no use as demand in the present day scenario is widely fluctuating specially with customers having multiple choices in both the Picture Tube sizes as well as quality parameters. Critics argue that in the present business environment there may be little use of budget related activities as they may not be able to provide us with any measure of our competitiveness in the industry. On the other hand, the accounting and finance personnel are vehemently opposed to the issue of abandoning the old concept as they feel that slight changes and modifications in the same may allow us to retain our effectiveness as well as help in enhancing efficiency. I understand that there was a proposal of changing our system to an Activity Based Costing methodology but the same was talked down upon because of the excessive costs involved." Thyagrajan, the General Manager of Pele tube Electronics recalled issues, which were discussed during the last meeting chaired by President Shri Victor Nichole.

Minutes of an internal meeting of managers of Peletube Eletronics ltd.

DATE: November 09, 2012

TIME: 5.30 p.m.

VENUE: Peletube Bhavan, Ghaziabad

PRESENT: Thyagrajan , General Manager; Devendra Bahadur, Sr Manager (Marketing); Arvind Lakhotia , Sr Manager (Finance); Shalab Kapur ,Dy General Manager (Manufacturing); OP Singh , Quality Control Manager

Thyagrajan: Good evening to all of you. I have called this meeting to resolve an issue raised in the meeting held last month chaired by our honorable President Shri Victor Nichole. There was a proposal in the meeting of discarding the Budgeting and Standard Costing systems since, according to OP Singh, the reports generated by the same were inducing dysfunctional behaviour in our employees, so much so, that they would ultimately end up distancing us from our customers. The reasons, according to OP Singh were many and I would ask him to apprise you of the same. However, before we commence further with the meeting I would request you all to be futuristic in your approach as we are planning a quantum leap in our production in the coming years with talks in advanced stages with quite a few leading companies, which are engaged in the assembly of Televisions. Ideally, I would like to see a process built up so as to ensure timely production for timely deliveries along with minimal or even zero variances. Subsequent to achieving the same, we would perform both value engineering and value analysis for cost reduction purposes. However, since OP Singh raised the matter in the monthly meeting, I would request him to take a lead and share with all of your good selves the issues he has in mind, which he believes may be detrimental for Pele tube in the coming years.

OP Singh : Thank you Thyagrajan. In my opinion, Standard Costing and Budgeting have actually become a liability to our company. These systems are old and meant for an environment very unlike of what we are witnessing now. The basic objectives of these systems were that of controlling costs and evaluating performance of various Responsibility Centre managers. The environment prevailing during those times was not as competitive as now and we were amongst the very few organizations that had the capability of manufacturing Picture Tubes. A cost plus pricing approach was sufficient. Competitors used our price as a benchmark for pricing Tubes produced by them. Our infrastructure was better than what was available with most organizations and to add to the advantage the promoters of our company had the latest technical knowhow available in the world: that too with first hand working experience. In fact, two of our promoters had been technically trained in the manufacturing process of Picture Tubes in the US. This led us to have a huge competitive advantage over others and in case you allow me to be blunt – we have milked our knowledge cow for perhaps too long a period.

Thyagrajan : Yes , you are right. In fact, another founding Director of ours had worked in the UK with a Picture Tube manufacturing organization. During his tenure, he was responsible for the entire factory accounting and other commercial activities. I understand that Budgeting and Standard Costing systems implemented in our factory are similar to those implemented in that UK based company. I believe that there have been a few changes in the system from what we did during the 1980s to what we do now. Perhaps Mr. Lakhotia may be able to tell us more as he has been associated with the company since its inception.

Arvind Lakhotia : Change is a very subjective term . A change made in the Bill of Material is a change but also a result of intensive R&D effort. Similarly a change made in the relevant range assigned to any activity may , technically be termed as a change, however, it is most of the times due to the increase in efficiency, either concerted or otherwise, through a mere application of the learning curve. The word 'improvement' would be more appropriate in such situations. In this sense, I would not agree with respected Thyagrajan. In my opinion, there have been no changes in the systems we used in the 1980's and the systems, which are in vogue today. These systems have been giving excellent results since inception and similar systems are in fact being used the world over, even now.

Thyagrajan: But OP Singh was so emphatic – in fact, according to him the system should be abandoned and replaced with an Activity Based Costing System. Isn't it , OP Singh? I distinctly remember your presentation during the meeting chaired by our President!

OP Singh : The system in vogue is managing events in isolation giving scant regard to the cross functional dynamics. I would go even further to claim that the systems are actually preventing management from taking proactive actions and in case this continues, it would certainly be detrimental in the long run. I believe that variations are bound to exist in any dynamic system and in case one wants to get a real picture, the measurement practices at our company need to be improved. I would give you specific examples but before that, it is essential to understand the complexities faced by our company today and appreciate the business environment changes, which have happened over the past many years.

As you are aware, we had established our plant in the early 80s and were pioneers in manufacturing Picture Tubes in India. There were only black and white Tubes made during those times and that too in a couple of sizes, 17" and 21". Subsequently we diversified into the making of coloured Picture Tubes and added two more sizes, 19" and 27". Later developments in the Television market pushed us into the making of Flat Surface tubes, which were in addition to the curved monitors made since long. We were able to survive because of the high quality human capital which existed in our organization who were good enough to adapt with the much needed technical changes happening globally. However, today, the paradigm is completely different with manufacturers from North America, Korea, Japan and China entering India to produce in our territories. In addition, with a drastic reduction in Custom Duties, both CKDs and SKDs can be imported at a very cheap rate .These when assembled turn out to be cheaper than what we produce at our plant; however, we have still managed to survive and profit because of the competitive advantage which I mentioned earlier.

Let me come to specific instances, which I believe shall help everyone understand the point I want to make. Our Costing system computes a variance known as a production volume variance (PVV). An adverse PVV highlights the money, which we lose because of not utilizing the capacity to the full. An adverse variance is understood to be a lapse on the part of the production department. However, in the present circumstances where we have to produce only as per the demand in the market, the computation of PVV does not make sense. In case we continue doing so, the production personnel shall be forced to produce for stock, as they would be reluctant to have an adverse PVV reflecting negatively on their performance. The need of today is to produce in small quantities as per the market requirements and that to deliver the same on time. Capacity utilization is no longer the paradigm, especially post globalization where the competition is intense. Apart from locking up unnecessary funds in the Inventory, we also run the risk of obsolescence with frequent rapid changes being introduced in the product characteristics .

Arvind Lakhotia : I agree with this, however, doing away with PVV may not be a solution. We can make PVV independent of performance appraisal and that be that. The computation of unutilized fixed expenses would certainly help in improving future performance. How do we know whether we can produce more than what we have in hand? PVV would be necessary.

Shalab Kapur : Unutilized fixed expenses ! Uh! This shall be of use in case we are measuring the fixed expenses properly. Let me give you an example. Salaries paid to the production personnel are a fixed cost in our budgeting and costing systems. A huge component of the PVV arises due to the same. However, with frequent changes in production schedules and the routing plans on the floor, a major portion of the production personnel's time is devoted to Setup activities rather than actual production. The resources consumed during Setup are a part of the fixed salary component. Don't you think it is wrong to call them fixed costs? This is one reason I advocate for an Activity Based Costing System. In case implemented, Setups would be treated as a distinct Cost Object and so the salary related to every Setup would become variable in nature. As we know, "the more we identify variability; the more precise we get in cost ascertainment".

Arvind Lakhotia : I agree with what Shalab is saying. In the present scenario, there is a need for redefining the fixed overheads. The finance department is already working in this regard with a proposal to identify resources consumed during a Setup and removing the same from the fixed cost component. Once this is done, the PVV would reflect the unutilized capacity in real terms. Setup costs would be concentrated upon separately with a view to control and gradually reduce the same. Removal of PVV as a parameter for performance appraisal plus the changes we propose in the computation of PVV shall help address the concern of Shalab.

Devendra Bahadur: Perhaps we may be better off by removing the fixed cost component from the product cost. These costs are imputed, not traced and should be looked upon holistically.

OP Singh : I am glad that we are working on this aspect. I agree with Devendra Bahadur that fixed costs are imputed and the same need not be a part of the product cost. Also, that Setups shall be treated as a separate Cost Object is welcome. The same would have been done in case we had an operational Activity Based Costing system. However, there are other issues that need to be taken care about. Let us take the example of the computation of Material Price Variance (MPV). The variance reflects the deviations in the raw material prices actually paid from the ones, which were established in the beginning of the year. This variance reflects performance of the Purchase department. Frequently, in order to get a favourable or a negligible adverse variance, the purchase people have resorted to buying in bulk as the same fetches them discount. However, this is against the basic need of our company. Buying in bulk may fetch us discounts but it also increases the risk of obsolescence of the raw material inventory. Imagine buying material for 17" Picture Tubes and having the same locked in Stores for years because of zero production. The inventory would go obsolete. Similarly, the use of MPV for performance appraisal can induce another type of dysfunctional behavior i.e. buying of poor quality raw material at cheaper prices, which would help reduce the MPV. Both these examples again focus on the limitations of Standard Costing and Flexible Budgeting.

Arvind Lakhotia : I agree with the first point you have made. Buying in bulk could reduce MPV but alongside, there is a risk of huge capital tied up in the inventory. This can be rectified at the time we establish standards. Perhaps the standard prices for material would have to be raised . However, I would not agree with the second point. According to me, in case the purchase department saves money by buying low quality stuff at cheaper rates to improve MPV, the same would be reflected in an extremely high adverse usage variance. In addition, the cost of quality would shoot up abnormally. We had understood this recently when the Solder purchased was not of good quality, because of which the usage variance at the floor had become extremely high. Variances are all interdependent and it is wrong to say that the costing and budgeting systems in our factory measure things in isolation. What is important is the way we interpret these variances. We need to understand that our operations are volume related. Variances for volume related activities are controllable and in case we incorporate the kaizan approach while establishing benchmarks, we could have a continuously improving operational situation. I would like to emphasise over here that the Finance department is looking into the matters raised by OP Singh and Shalab Kapur and the perceived anomalies shall be looked into and rectified very soon. We believe that all of us are working towards the same goal and hence any MIS implemented should be in line with the ultimate objective of our company. I am sure that you will agree that the rectifications, which I have proposed in today's discussions, are acceptable and would go a long way in addressing the concerns.

Shalab Kapur : Yes, in case we exclude the fixed cost component from our cost sheets and treat them in totality , we would have made progress in the right direction. Also. there is a compelling need to change the standard prices of raw material since buying in small quantities shall certainly be more expensive than when we buy in bulk. Both these developments would go a long way in improving performance. I would recommend that we stop using variances as a stick to beat managers, rather we use them to improve future performance by rectifying past errors.

OP Singh : In a way, what Mr Lakhotia is proposing is to have a hybrid system which utilizes concepts of ABC and blend the same to the traditional approach. I have absolutely no problem with such a development but allow me to say that still the system would be historical in nature which by itself is a big shortcoming for decision making . I am sure you will accept that what we need is real time information rather than a historical analysis.

Arvind Lakhotia : We are already in the process of implementing Integrated Accounting . This type of a system is actually designed to provide real time information. Once this is done, the Cost Accounting section would not need to wait for the Trial Balance to be prepared by us in Accounting for computing variances , specially those which concern Overheads.

Thyagrajan : Thank you gentlemen. I think we have had an intellectually stimulating session with Mr Lakhotia proposing certain changes in the existing costing and budgeting systems in our company. Perhaps we should meet again, once the existing system is improved upon and see how the MIS generated is different and hopefully better. Thank you all for being in the meeting.

Questions

1. Do you agree with the statement that variance analysis induces dysfunctional behaviour?
2. Do you think variances should be used for performance appraisal?
3. Should Pele tube Electronics abandon its existing Costing and Budgeting system?
4. How is Activity Based Costing different from traditional Costing?

(Note: The theme adopted from Business Today-January 1999)

(The Contributor is Professor (Finance), Asia Pacific Institute of Management, Delhi.)

(Students are requested to e-mail their solutions to "kunhan.sudhakaran@icai.in" by May 30, 2014. The best solution will be published in any one of the upcoming issues of the Students' Journal)

Important Announcement

Revalidation of Registration for continuation of CA Course

The Council of the Institute of the Chartered Accountants of India has announced a Scheme for Re validation of registration after expiry of its scheduled time period enabling students to continue the respective CA Course they are registered in.

The scheme is effective from 1st January, 2013 and details are given as under:-

1. **Common Proficiency Course (CPC):**
   - Initial registration for Common Proficiency Course (CPC) is valid for 3 years.
   - Fee for revalidation is Rs.300/- for a period of 3 years.
2. **Intermediate (Integrated Professional Competence) Course :**
   - Initial registration for Intermediate (IPC) Course is valid for 4 years
   - Fee for revalidation is Rs.400/- for a period of 4 years.
3. **Final Course:**
   - Initial registration for Final Course is valid for 5 years.
   - Fee for revalidation is Rs.500/- for a period of 5 years

Accordingly students who could not complete their course in its entirety in the stipulated period of registration have to revalidate their registration so as to continue CA course. Students' desirous to continue the course may apply for revalidation of registration by filing the prescribed Application Form to their respective Regional Office of ICAI as available on the Institutes website www.icai.org or on link: http://220.227.161.86/31554bos21626.pdf along with prescribed revalidation fee as stated above.

Students may note that only such students having valid registration will be allowed to apply and appear at CPT, Intermediate (IPC) and Final Examination, as the case may be.

Director, Board of Studies

Practical Training Series...

We have published a write up on the "Importance of Practical Training" in the April 2014 issue of the Students' Journal. Considering the importance of practical training in the CA curriculum, we have decided to continue the series in the upcoming issues of the Students' Journal.

A student of Ph. D was writing a thesis on wheat. He had partly written the thesis and went to show it to his guide, a professor of Economics, at his residence. As it happened, there was a plant in the backyard of the professor. Curious to know the name of the plant, the research scholar asked the professor its name. The professor told him that it is wheat's plant, on which he was doing research. The scholar became very ashamed of the fact that he did not know how the wheat plant looks like although he was doing Ph.D. on it.

Can you relate this story to your real life? This is actually happening with many students of CA course in India. They are so much involved with theoretical aspects that they totally ignore the practical aspects of the course. Many of them consider it a burden, a waste of time and an obstacle in their studies, as they have to devote a major part of the day on it. And for this reason, some of them even go to the extent of doing dummy articleship. This is very unfortunate. Even if such students manage to pass the CA examinations, they will not have a successful career as Chartered Accountants as they would not have experienced the rigors of the professional world during their studentship. It is true that articleship may not make a student a perfect professional but it surely gives him an edge to look at all the areas of practical world from very close quarters. The 36 months that you spend with an articleship firm as an articled trainee lay the foundation of a successful career ahead. During this period, you learn to apply theoretical knowledge to practical situations. They give you an interface with the industry and give you an opportunity to develop into a well-rounded personality. Being exposed to a variety of areas – accounts, taxation, auditing, finance etc., you get a broader perspective of the real business world. Moreover, such experience certainly comes handy while answering questions in the examination. A student who has not audited sales transactions during articleship will fumble while writing the answer to the question as to how one would audit sales transactions. He will simply vomit out what he has crammed up from the auditing study material. A student, who has actually done this audit, during his articleship, will not only write what he has learnt from the study material but also will add practical dimensions to it. Similarly, a student who has worked in a firm majoring in tax work will find the tax paper relatively easier than a student who has not undergone training at all. All this is not surprising considering the fact that practical exposure facilitates more effective retention than theoretical study. Remember, when you were a secondary school student, you understood Physics/ Chemistry much easier when the experiments were done in the laboratory than when they were demonstrated in the classroom on a black board.

One of the most important advantages of practical training is that you inculcate professional values, ethics and attitudes. Chartered Accountants have an important role in society. Investors, creditors, employers and other sections of the business community, as well as the government and the public at large rely on them for sound financial accounting and reporting, effective financial management and competent advice on a variety of business and taxation matters. The professional attitude of chartered accountants in providing such services has an impact on the economic well-being of their community and country. This reliance imposes a public interest responsibility on the accountancy profession. Chartered Accountants are expected to demonstrate the highest standards of professional conduct taking in to into consideration, the public interest. Training in ethics and values cannot be taught merely through theoretical instructions but has to be inculcated and imbibed through practical training. If your principal demonstrates high standards of ethics and values, you will naturally imbibe them.

The crux of the whole story is that you should take the Practical Training seriously, as you will reap its benefit both in the short run by gaining a better understanding of practical application of concepts learnt through theoretical study and in the long run through inculcation of professional values and ethics.

(Contributed by Prem Bhutani, Board of Studies)

ANNOUNCEMENT

November, 2014 Examination: Practice Manuals of Select Papers based on revised syllabus web-hosted

The syllabi of following papers have been revised in terms of the decision of the Council taken at its 324th meeting held in March, 2013:

Course	Paper
Final	Paper 6: Information Systems Control and Audit
Intermediate (IPC)	Part II: Indirect Taxes of Paper 4: Taxation
	Paper 7A: Information Technology

It has been decided to hold the examinations of the aforesaid papers in accordance with the revised syllabi from November, 2014 onwards. *[Refer the detailed Announcement and Note explaining significant changes made in the syllabi published in September, 2013 issue of this Journal as also hosted on the Institute's website.]*

The Study Materials of these papers prepared in accordance with the revised syllabi are already available at Institute's website as also at the sale counters of the Institute. Now, the Practice Manuals prepared on the basis of the revised syllabi of these papers have also been **hosted at the Institute's website on BoS Knowledge Portal**.

The questions included in the Practice Manual of Part II: Indirect Taxes of Paper 4: Taxation have been adapted and answered on the basis of the indirect tax laws as amended by the Finance Act, 2013.

The revised Practice Manuals will be available at the sales counters of the Institute shortly.

Director, Board of Studies

ANNOUNCEMENT

Mobile enabled e-Learning for CA Course on Cloud Campus

The e-Learning facility on Students Learning Management System (LMS) at http://StudentsLMS.icai.org is now Mobile Enabled – Students can view the e-Lectures on smart phones/ mobiles/ tablets.

The Board of Studies has also released e-Learning DVD's for CPT, Intermediate (IPC) (Group-I and Group-II) and Final (Group-I and Group-II) offering Chapter Wise Study Material, Practice Manual, e-Lecture, Podcast (MP3 Audio), PowerPoint Presentation (Short Notes) and Self Assessment Quiz. Students can copy the contents of these DVD's into the SD/ Memory Card of their Mobile Phone/ Tablet and view using Mozilla Firefox. Students can learn anytime/ anywhere without need for internet, waiting for content to download and costs thereto.

Students are advised to make good use of the aforementioned e-Learning facility.

Director, Board of Studies

ANNOUNCEMENT

ICAI Four Weeks Residential Programme on Professional Skills Development at the Centre of Excellence, (COE), Hyderabad

The Board of Studies is pleased to announce two batches (24th and 25th Batch) of Four Weeks Residential Programme exclusively for Men, on Professional Skills Development at the Centre of Excellence, (COE), Hyderabad from June 13, 2014 to July 10, 2014.

The programme offers a unique opportunity and would focus on development of communication skills, leadership skills, personal traits for effective functioning in business organization and profession. More emphasis is given on soft skills, developing personality trait and communication skills of the participants.

For online registration and further details visit the Board of Studies Announcements under the Students Icon on the Home Page of ICAI website www.icai.org -http://220.227.161.86/32838bos22622main.pdf

Director, Board of Studies

ANNOUNCEMENT

Video on Demand (VoD) - Lectures

The Board of Studies of the Institute has made available Video lectures on "How to Qualify and Excel in CA Exams", Strategy to Qualify and Excel in respective subjects of the Common Proficiency Course (CPC), Intermediate (IPC) Course and Final Course; and Accounting Standards on http://icaitv.com. These lectures have been captured in interactive webcasts contributed by leading faculty members that aim to mentor Students on the successful strategies to succeed in their forthcoming examinations. Details of the Video on Demand (VoD) webcasts are available on the Students Home Page (http://students.icai.org) under "Announcements for Students" for respective courses – CPT, IIPC & Final. Direct link is: http://www.icai.org/new_post.html?post_id=9630&c_id=344.

Students of the CA Course are encouraged to refer to the aforementioned VoDs to succeed in their forthcoming examinations. Director, Board of Studies

Director,
Board of Studies

ANNOUNCEMENT

Facility for Generation of Online CPT Registration Letter for students registered with the Southern Regional office- Chennai.

The test project initiative aims to provide a web-based facility for the students to generate their computer generated registration letter with the features as follows:

- Registration Letter generation based on the **Demand Draft number** submitted with the CPT Registration Form.

(or)

- Registration Letter generation based on the **online acknowledgment number** (ACKC) assigned while online CPT Registration process.
- The student can generate the letter by using the **one time transaction password** (OTP) received on his **registered/given mobile number**.
- Registration letter generation can be done for **a limited number of times only** for the CPT course.

The web link is http://students.icai.org/registrationletter-cpt

Students are requested to use this letter generation facility prudently and ensure that their credentials are not shared or misused.

Regional Head
SRO-Chennai

Important Announcement

As per the Council's decision, students who registered for Practical Training on or before April 30, 2012 were required to underg o **General Management Communication Skills (GMCS) Course** before applying for membership of the ICAI as per Regulation 51A/72A of the Chartered Accountants Regulations, 1988.

With a view to make the GMCS more effective, the Council at its 331st Meeting decided to discontinue the existing GMCS course with effect from 1st April, 2014 and directed that students registered for Practical Training on or before April 30, 2012 shall be required to undergo GMCS-II course only instead of existing GMCS course before applying for membership of the ICAI as per Regulation 51A/72A of the Chartered Accountants Regulations, 1988.

In this connection, above students are advised to register at the portal www.icaionlineregistration.org or contact the nearest Regional Council/Branch for registration in GMCS-II Course.

Director,
Board of Studies

Student's Services – Contact Details

In keeping with our goal to provide efficient services to our students, we have updated the contact details of ICAI Officials dealing with students matters in the respective departments. Students are requested to contact the concerned offices/departments depending upon the nature of their query. Generally, in respect of all administrative matters relating to registration, articles training etc. students are advised to contact with Regional office under which they have been registered. All queries relating to examination matters be referred to appropriate level in the Examination Departments. All academic and specified matters be referred to the Board of Studies.

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Board of Studies

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Registration of Industrial Training Supplementary Registration Articles Termination (more than one year) Articles completion	Ms. J Azeez Unnissa	Data Entry Operator (Gr UDC)	30210316	30210315	sroartcomp@icai.in sroart@icai.in
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CA Payal Agarwal	Executive Officer	30211107	payal.agarwal@icai.in eroterm@icai.in	Article Re-registration, termination, Other Course & Query Redressal
CA. Shreya Lohia	Executive Officer	30211113	shreya@icai.in	Registration alongwith other courses, Supplementary Registration
Smt Sutapa Das	Executive Officer	30211114	erocompl@icai.in	Article Completion & Secondment.
Shri Soumen Mondal	Data Entry Operator (UDC)	30211112	eroreg@icai.in	Registration, Industrial Training, ATC,
BOARD OF STUDIES - (All queries relating to any activities of BOS - Contact No. 30211123 (from 2:00 p.m. to 5:00 p.m.)				
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Shri B.K. Dasgupta	Assistant Secretary	30211121	erocct@icai.in	Final & ITT Certificate, Campus Placement
Shri A.K.Santra	Assistant Secretary	30211122	eroexam@icai.in	GMCS & Orientation Course, Main Examination related issues,
Ms. Susmita Sen	Student Counsellor (Sr. Executive Officer)	30211137	erobos@icai.in	To know about CA Course, Student Programmes, Campus Placement
Shri Pallab Ghosh	Data Entry Operator (UDC)	30211123	eircorient@icai.in,	Orientation Course, CPT
Shri Koushik Bhattacharjee	Data Entry Operator (UDC)	30211123	eircgmcs@icai.in	GMCS , IPCC, Revalidation

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Final Registration with Articles	Mrs. Renu Gera	Assistant Secretary	3011161	3011190	croartjour@icai.in
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Issuance of Study Material IPCC COURSE	Mr. Sunil Garg	Section Officer	3011154	3011159	croisa@icai.in
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Transfer of Articles					
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Transfer of Articles					
Permission to Study other Courses					
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Membership Certificates, Identity card	Mr. L M Tandon	Assistant Secretary	3045997	lmtandon@icai.in
Regulatory Information, Condonation Cases related to CA Firms and Articled Assistants	Ms. Suman Arora	Assistant Secretary	3045997	msr@icai.in
S. Vaidyanath Aiyar Memorial Fund (SVAMF), Chartered Accountants' Students Benevolent Fund (CASBF)	Mr. Bhushan Sood	Assistant Secretary	3045998	cabf@icai.in
Good standing Certificates, CABF Group Term Insurance Scheme	Ms. Sarita Madan	Assistant Secretary	3045997	goodstanding@icai.in
Firm name Approval	Mr. Bhupesh Gupta	Assistant	3045998	firmname@icai.in; fna@icai.in
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Permission for Transfer/Termination of Articles and completion of Training, Verification of status of Students	Dr. Anita Mittal	Executive Officer	3045998	anita.mittal@icai.in

EXAMINATION DEPARTMENT

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	In-charge CPT/PQC : Shri Rajiv Seth, Deputy Secretary, Tel. Nos. 3054805, 9350799940, e-mail ID. rajivseth@icai.in		
Intermediate/PE-II/PCE/IPCE examinations			
(i) Duplicate marks sheets/Pass Certificate/Rank Certificate etc.	Shri Kishan Singh Bisht LDC	3054836/3054842	dms_examhelpline@icai.in
(ii) IPCE examination application form submission, Admit Card, Centre/Medium change requests, withheld result related queries, verification/certified copies of answer sheets and merit list etc.	Shri J.P. Saini	3894818	ipce_examhelpline@icai.in
	In-charge IPCC : Shri S.C. Ravishankar, Deputy Secretary, Tel. Nos. 3894828, e-mail ID. scravishankar@icai.in		
Final Examination			
(i) Duplicate marks sheet/Pass Certificate/Rank Certificate etc.	Ms. Manju Sharma, S.O. (SU)	3054836/3054842	dms_examhelpline@icai.in
(ii) Final examination application form submission, Admit Card, Centre/Medium change requests, withheld result related queries, verification/certified copies of answer sheets and merit list etc.	Shri N.C. Goswami, Assistant Secretary	3054808/3054809	final_examhelpline@icai.in
	In-charge Final: CA. Anand Kumar Chaturvedi, Sr. Asstt. Secretary, Tel. Nos. 3054819, 9312209533, e-mail ID. anand.chaturvedi@icai.in		
Issuance of Accounting Technician Certificate	Mrs. Manju Sharma Section Officer (SU)	3054836/3054842	dms_examhelpline@icai.in
Post Qualification Courses in MAC/TMC/CMC, DIRM, ITL&WTO and ISA-AT Examination matters (like exam form, admit card, result, Mark Sheet, Pass Certificate, Rank Certificate etc.)	Mrs. Geetha Sreejit, Assistant	3054836/3054842	examhelpline@icai.in
Confirmation of CA Students'/Members' passing details, to Govt./PSUs	Ms. Kishan Singh, LDC	3054836/3054842	dms_examhelpline@icai.in
Transcripts of CA qualification for the purpose of higher studies abroad/ immigration etc.			
On-line submission Form enquiry related to PDF generation/duplicate payment etc.	Shri Ashutosh Arora, Deputy Secretary	3054834 9350572208	ashu@icai.in

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2.	**Articles Placement Portal**	Dr. Mitali Pathak Sr. Executive Officer	3045988	mitali.khosla@icai.in
3.	**Scholarships for Students**	Shri Gagandeep Singh, Section Officer	3045930/31	gagandeepsingh@icai.in
4.	**Misc. Queries**	Mrs. Kiran Handa, Sector Officer (SU)	3045930/31	bosnoida@icai.in;
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5.	**Four Weeks' Residential Programme/MOUs with Universities**	Shri Ashok Dua Asstt. Secretary	3045935	ashokdua@icai.in
Officer In-charge: Dr. N. N. Sengupta, Assistant Director Tel. Nos. 0120-3045919, 9310518504, e-mail ID. nnsengupta@icai.in				
6.	**Students' Journal**	Mr. Yashwant Singh Bisht Section Officer	3045903	nosj@icai.in
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CROSSWORD

April, 2014
Solution

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

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31			32						33		
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36		37						38			39
		40							41		

ACROSS

1. One of the main export items of India after Independence.
4. The value of an entity's assets less the value of its liabilities often in relation to open-ended or mutual funds.
9. A famous saying: Spare the ____________ and spoil the child.
10. The self of an individual.
11. A list of employees who are working on any given day, week, or month.
14. A metabolic disease characterized by painful inflammation of certain joints.
15. The proceeds arising out of activity to ——— is taxable under the Income Tax Act.
16. Graduation in computer application.
18. A political party in India.
19. To follow _____ means to act in the same way as someone else.
21. _____ of audit evidence is the measure of the quantity of audit evidence.
24. An idiot or lunatic person.
25. To ____ one's opinion means to give public utterance to one's feelings.
26. An initiative by Income Tax Department of India for the modernization of the current system for collection, processing, monitoring and accounting of direct taxes using information technology.
28. In the theory of composite materials, ___ is the smallest volume over which a measurement can be made that will yield a value representative of the whole.
29. Loss under the head "Income from house property" can be carried forward for _____________ assessment years.
30. We normally use for ________ , when we want to give example.
31. __________ insurance is life insurance which provides coverage at a fixed rate of payments for a limited period of time.
33. A United Nations agency dealing with labour issues, particularly international labour standards and decent work conditions.
35. Numbers which cannot be exactly divided by 2.
36. One is ___________ a composite number nor a prime number.
38. In Maslow's theory the _____ for self actualization has been kept at the top.
40. Lifting of corporate _______ means to treat the rights or duties of a corporation as the rights or liabilities of its shareholders.
41. Much ____ about nothing means a great deal of fuss over nothing of importance.

DOWN

1. Which MS-DOS command is used to see the sub-directory structure of drive.
2. A very long period.
3. The term _________ is Medieval Latin, translated as in the year of Lord.
4. Services provided by RBI are not liable to service tax as they are included in the ___________ list of services.
5. Past
6. The act of examining vouchers is referred to as _____
7. _____ is also known as price.
8. A separate article.
12. Cost _____________ is anything for which a separate measurement of cost is required.
13. Cash dispenser.
16. A storage area used to store data to compensate for the difference in speed at which the different units can handle data is _____.
17. A trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier.
19. Urbane
20. Third son of Adam.
21. The arranging of data in a logical sequence is called _________.
22. Cover
23. Relinquished
27. An organization that is neither a part of a government nor conventional for-profit business.
32. An associate or a fellow worker.
33. What an ___________ sir ji, a famous advertisement by a cellular company.
34. ________-square is a statistical test commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis.
35. Opposite of off.
37. Roman numeral for 4.
39. _______ unto others as you would have them ____ to you. (same words).

ICAI President CA. K.Raghu presenting memento to Dr. G. James Pitchai, Vice Chancellor, Bharathiar University on the occasion of a meeting. ICAI Vice President, CA. Manoj Fadnis, Board of Studies Chairman, CA. M. Devaraja Reddy, Vice Chairman, CA.Prafulla Chhajed, Central Council Member, CA. G.Sekar also seen in picture.

ICAI President CA. K.Raghu in discussion with Dr. G. James Pitchai, Vice Chancellor, Bharathiar University in the presence of Board of Studies Chairman, CA. M. Devaraja Reddy, Vice Chairman, CA.Prafulla Chhajed and Director, Board of Studies, Shri Vijay Kapur.

ICAI President CA. K.Raghu addressing the 274th meeting of the Board of Studies. ICAI Vice President, CA. Manoj Fadnis, Board of Studies Chairman, CA. M. Devaraja Reddy, Vice Chairman, CA.Prafulla Chhajed, Director Board of Studies, Shri Vijay Kapur also seen in picture.

ICAI President CA. K.Raghu with Vice President, CA. Manoj Fadnis, Board of Studies Chairman, CA. M. Devaraja Reddy, Vice Chairman, CA.Prafulla Chhajed and other Council colleagues at the 274th meeting of the Board of Studies.

ICAI President CA. K.Raghu with students on the occasion of the inauguration of Reading Room in Karnal. Also seen in picture, Central Council Members, CA. Naveen N.D.Gupta,CA. Sanjiv Chaudhary,CA. Vijay K.Gupta, CA.Sanjay Agarwal and NIRC Chairman, CA. Radhey Shyam Bansal.

ICAI President CA. K.Raghu with students on the occasion of an interactive programme at Ahmedabad Branch of WIRC. CA. J. Vekateswarlu, Central Council Member is also seen in picture.

RNI No. 66180/97

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ICAI President CA. K.Raghu with students on the occasion of an interactive programme at Kolkata Branch of EIRC. CA. Babu Abraham Kallivayalil, Central Council Member also seen in picture.

ICAI President CA. K.Raghu and Central Council Members, CA. Babu Abraham Kallivayalil and CA. SumantraGuha with students on the occasion of an interactive programme at Kolkata Branch of EIRC.

ICAI President CA. K.Raghu inaugurating the Flexi Working Portal for Women Members of the ICAI in the presence of ICAI Vice President, CA. Manoj Fadnis, Chairman, Women Members Empowerment Committee CA. C.S.Nanda and other Central Council Member in Delhi.

ICAI President CA. K.Raghu with his Council colleagues CA. Naveen N.D.Gupta,CA. Sanjiv Chaudhary,CA. Vijay K.Gupta, CA.Sanjay Agarwal CA. Atul Gupta on the occasion of the inauguration of Reading Room in Karnal.

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