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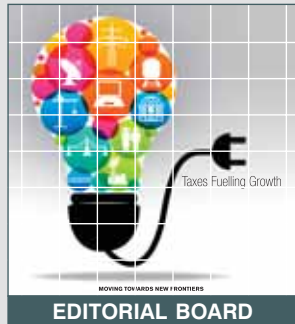
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Taxes Fuelling Growth

MOVING TOWARDS NEW FRONTIERS



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President's Communication

Dear Students,

It is none other than the teachers, who mould their students to bring out their hidden talents and skills and impart quality education and prepare good citizens for the nation. Teachers mould the lives that they influence because the lessons learned from teachers remain with their students throughout the life. As **Albert Einstein** said, *"It is the supreme art of the teacher to awaken joy in creative expression and knowledge"*. The great teacher, scholar, philosopher and the former President of India **Dr. Sarvepalli Radhakrishnan** said, only the right kind of education could solve many ills of the society and the country. In his opinion, teachers should be the best minds of the country; they should not merely instruct but should gain the true affection of pupils, and the respect for teachers cannot be ordered but it should be earned. His respect for the teaching profession and his contribution towards the Indian education system is memorable across the country. I, on behalf of the Institute felicitate and convey my heartiest greetings to the teaching fraternity on the auspicious occasion of Teacher's Day, which is observed every year on 5th September to commemorate the birthday of Dr. Radhakrishnan. I hope that the teachers working everywhere will define themselves what it is to be a teacher and what essential regular inputs can make their performance meaningful, purposeful and laudable.

CRET

I am happy to share that work of Committee for Review of Education and Training (CRET) (2014) is in full swing. As a matter of fact, I would like to express my sincere appreciation to Past Presidents, Members of Regional Councils and Branch Managing Committee, Members, Students and other users of professional services for giving valuable input and sending responses on various issues raised in Regional CRET meetings and filled-in questionnaires sent by them. I also wish to acknowledge the valuable contribution of Members of Central Council particularly on the issues related to Entry Requirement, Practical Training, Theoretical Instruction and Accounting Technician Course.

I would like to share with membership at large that the Council felt strongly that the entry should be slightly tougher and practical training should be continuous and uninterrupted. Further, the ICAI need to ensure that potential chartered accountants should also acquire some specialization in terms with the contemporary business environment.

e-learning

The Board of Studies of the Institute, in its continuous endeavour to provide good educational content and leverage technology, has made available ICAI Cloud Campus that offers a One-Stop-Window providing course information, course enrollment, online education, Knowledge Portal, administrative support, examination forms/ results and other requirements.

The Cloud Campus has transformed the learning system for CA Course from brick and mortar to a Campus on the Cloud by leveraging technology to provide good education at the doorsteps of students, at the click of a button anytime and anywhere across the country and abroad.

The distinctive features of Cloud Campus have in fact brought about a revolution in the way the education is being imparted to the CA Students. Recently, live mentoring has also been launched so that students can directly seek answers to their queries by talking to the subject faculty. We are confident that such an initiative by Board of Studies shall enable the students to concentrate on Practical Training in a more effective manner.

Reading Rooms: A place for comfortable Learning

To provide the students a comfortable atmosphere for reading, we have set up 19 additional Reading Rooms in various parts of the country under the new scheme commenced from June last year. Prior to launching of the new scheme 79 Reading Rooms and libraries were functioning in our Regional Councils and Branches.

Examination: Kudos to the Successful

I would like to congratulate all those who have passed the Intermediate (IPC) and Final examinations held in May/ June 2014. I am quite sure that our decision to allow **15 minutes extra time** for reading the question papers before the examination must have helped the students in a greater way to understand the questions fully and answer appropriately. I also congratulate the Rank Holders for their outstanding performance. Your stupendous performance had given you rich dividends thereby making your family and the Institute so proud. Those who could not make it for this time should not get disappointed. Prepare yourself for a great innings next time. You all may go through the Interview of the Rank Holders published in the later pages of this issue and gain something from that for future preparations.

Hard Work: Key to Success

Those who are preparing for the next examinations should not forget that it takes a lot of hard work and commitment to clear the examinations and emerge as a member of the much-coveted CA profession. You should not restrict your preparations only during the last couple of months before the examination. **Thomas H. Huxley** rightly said *"Sit down before fact as a little child, be prepared to give up every preconceived notion, follow humbly wherever or whatever abysses nature leads, or you will learn nothing."* I would like to exhort you to start your preparations from the day one you enroll for the CA course. Coupled with an effective study plan, hard work will surely lead you to success. You should chart out a comprehensive study plan well in advance and follow the same in a very systematic manner. You should also make optimum use of the Study Material and Practice Manual on different subjects being provided by the Institute from time to time.

Best Wishes

K. Raghu

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



Vice President's Communication

My Dear Students,

The students who have appeared in the Common Proficiency Test, Intermediate (IPC) examinations and Final Examinations held in the months of May and June, 2014 must have been anxiously waiting for the results. For them the wait is over as the results have been declared recently. My heartiest compliments and congratulations to rank-holders and all other students who have cleared the examinations. The examinations of professional chartered accountancy course are highly demanding and require well carved strategy and concerted hard work. However, a right approach will help to easily pass them. The students who could not get through should not get disappointed. Do not allow the feeling of discouragement come in your way. Believe in your abilities and continue hard work. Thomas A. Edison said – *"Many of life's failures are people who did not realize how close they were to success when they gave up."* I am quite sure that if you start afresh with renewed enthusiasm and full dedication, the success will be yours – sooner than later.

Our parents and teachers play a great role in our lives. They help to develop our inherent personality. In ancient Hindi literature the teachers have been compared with the God. Sant Kabir wrote - *Guru gobind dou khade, kaake lagoon pay. Balihari guru aapne gobind diyo batay.* Teachers impart quality education and help us to become capable citizens. They have an influencing role in our lives, guiding us right from the formative years of our lives. They mould us and shape-up our future. Fifth of September, the birthday of Dr. Sarvepalli Radhakrishnan, the second President of India is celebrated as teachers day. Dr. Radhakrishnan was a philosopher, a scholar and above all a great teacher. I extend my best wishes to the teaching fraternity on this auspicious occasion.

As we celebrate teachers day, it would be appropriate to mention about some of the

initiatives taken by the Board of Studies to provide quality education to its students. The Institute leaves no stone unturned to keep you well informed and enrich your knowledge. Keeping this in mind, we have launched Cloud Campus on the Chartered Accountant's Day. A very encouraging response is being received. The Cloud Campus galvanizes the power of information technology to reach out the students across the country and abroad to deliver education and training at your doorsteps. At the same time, it provides one-stop-window to all your educational, administrative, examination, enrolment and other requirements. We are in the process of including video and e-lectures for chartered accountancy courses. I am happy to share with you that so far we have covered about 150 hours of video lectures and 550 hours of e-lectures. This will greatly help the students, particularly those from small and mofussil towns who do not otherwise have access to good resources.

A number of knowledge based programmes such as conventions and conclaves are being held across the length and breadth of country. I had an opportunity to attend some of them. The overwhelming response of students was really heartening. I admire the students who took great efforts in assimilating information, writing papers and presenting them. These efforts would go a long way in shaping your personality. It is my earnest wish that you should attend these events in greater number. It would also rejuvenate your thinking process and help you mould your future. Students in audience should also try to write and present papers. Have a positive approach in life. I would like to conclude this message with the words of Mahatma Gandhi. "A man is but a product of his thoughts. What he thinks, that he becomes."

Wish you all the best.

Yours sincerely,

CA. Manoj Fadnis

Vice President

The Institute of Chartered Accountants of India



Chairman's Communication

Dear Students,

This issue would reach you when the most anxious waiting time would have elapsed and you would be ready for the next move. I heartily congratulate all those who have passed the examinations. I specially appreciate the Rank Holders for their stupendous and excellent performance. It is gratifying to note that the percentage of successful candidates has improved. This positive movement is a result of your combined successful performance. This success will show you the path to reach new heights of growth and leadership. My heart goes out to all those who could not make it through the examinations. But I wish to reiterate, that this is only an examination and not a personal failure. Do not get disheartened or depressed with the negative result. Take this as a learning opportunity and retry with fresh enthusiasm and vigor. Accept the outcome with grace and start again with a fighting spirit. Keep some old strategies and make new ones too and very soon victory will be at your doorstep. As said by Winston Churchill **"Success is not final, failure is not fatal: it is the courage to continue that counts."** And it was Bill Cosby who said, **In order to succeed your desire for success should be greater than your fear of failure. So put your best foot forward once again!**

Last month Committee on Review of Education and Training (CRET) invited certain suggestions from you all and I am happy to see that many of you have provided us with your valuable feedback through the questionnaire uploaded on the website. This would be of immense value to the Committee in deciding its way forward with your inputs.

Board of Studies organizes various **National Conventions and Conclaves** every month. It was heartening for me to see at the ones that I attended, the response from you all. Your energy levels were very high and you were updated and contemporary in the information you had. The

talent and skills showcased in the cultural programs also demonstrated that you believed in cultivating many facets of your personality. I congratulate you for your overwhelming participation. The next National Conclave is scheduled in Patna on September 6th and 7th 2014. The basic purpose is to make you all aware of the recent developments and to sharpen your presentation and communication skills. You will also get an opportunity to meet and communicate with eminent speakers. Many such programs are also scheduled in November and December, 2014. I request you to attend these events and extract maximum benefit from them.

Many of you may be aware of recently launched Cloud Campus, which not only provides existing information and resources but also other facilities. These include Online Mentoring Sessions for all subjects and Video Lectures for Practical subjects. **Online Mentoring** provides you a platform to have a live interaction with our experienced faculties. For availing the facility, you need to register well before the session. You may also ask your queries in advance while registering. I sincerely advice, that you utilize this service effectively and register in large numbers to clarify your doubts well before the examinations.

Recently, **Convocations** were held at various Regions with strong attendance by new Members. It was a highly prestigious moment for all recently qualified Chartered Accountants and their families. To receive the degree from the President ICAI was a great honour for each of the new members and an inspiration for the future.

Wishing you every success in all your endeavors and May I take this opportunity to wish all of you a very Happy Teachers' Day.

Something for all: Never let success get to your head and never let failure get to your heart.

Yours sincerely,

CA. M. Devaraja Reddy
Chairman, BOS

Practical Training in Indirect Taxes: Online Registration, E-Filing and E-Payment of Service Tax

CA. Smita Mishra

In our Practical Training series on Indirect Taxes, the Online Registration was published in the August 2014 issue of the Students' Journal. E-Filing and E-Payment of Service Tax are continued in the following pages.

5. E-filing of service tax return

5.1 Till September 30, 2011, assessees paying service tax of ₹ 10 lakh or more (by cash and/or utilizing CENVAT) in the previous financial year were required to file returns electronically. However, with effect from October 1, 2011, e-filing of service tax returns has been made mandatory for all service tax assessees under rule 7(3) of Service Tax Rules, 1994 irrespective of the quantum of their turnover in the previous year. On account of introduction of such mandatory e-filing of returns for all assessees, the procedure for electronic filing of returns had been revised vide CBEC Circular No. 956/17/201 CX dated 28.09.2011.

5.2 The assessees can electronically file statutory returns of service tax by choosing one of the two facilities being offered by the department at present : (a) they can file it online, or (b) download the off-line return utilities which can be filled-in off-line and uploaded to the system through the internet.

5.3 Steps for preparing and filing returns

On line filing

- ☑ Returns can be prepared and filed on line by selecting the "File Return" option under RET module after logging into the ACES.
- ☑ All validations are thrown up during the preparation of the return in this mode and the status of the return filed using the online mode is instantaneously shown by ACES.

Off line filing

- ☑ Returns can also be prepared and filed off-line. Assessee can download the Offline return preparation utility available at <http://www.aces.gov.in> (Under Download).
- ☑ Prepare the return offline using this utility. The return preparation utility contains preliminary validations which are thrown up by the utility from time to time.
- ☑ Log in using the User ID and password.
- ☑ Select RET from the main menu and upload the return. Instructions for using the offline utilities are given in detail in the Help section, under "Download" link and assessees are advised to follow them.
- ☑ Returns uploaded through this procedure are validated by the ACES before acceptance into the system which may take up to one business day.

Tracking status of return

- ☑ Assessee can track the status of the return by selecting the appropriate option in the RET sub-menu. The status will appear as "UPLOADED" meaning under process by ACES, "FILED" meaning successfully accepted by the system or "REJECTED" meaning the ACES has rejected the return due to validation error. The rejected returns can be resubmitted after corrections.
- ☑ Mere uploading the returns will not be considered as returns having been filed with the department. **A return will be considered as filed, when the same is successfully accepted by the application as "Filed"**
- ☑ **Relevant date for determining the date of filing of return will be the date of uploading of such successfully "Filed" returns.** In case a return is "rejected" by the application, the date of uploading of the rejected return will not be considered as the date of filing, rather the date of uploading of the successfully "filed" return (after the assessee carries out necessary corrections and uploads it again) will be considered as the actual date of filing.
- ☑ Service Tax Returns can be modified once, as per rules, up to 90 days from the date of filing the initial return.

The contributor is Deputy Secretary, ICAI

Validation of the entries made while filing return

5.4 At the time of making entry in the electronic format of the service tax return, the software does some preliminary validation for ensuring correctness of data, either concurrently or at the time of saving/submitting the return. This validation process is automated. The user is prompted by the application software to correct the particulars entered wherever required. In respect of certain entries, although the application alerts the assessee about any entry found erroneous or inconsistent, as per the automated validation process, the assessee is still allowed to proceed further to complete data entry of the return and finally submit it electronically. But in some cases the assessee is not allowed to proceed further unless the error indicated is corrected.

5.5 A return filed electronically is subject to automatic verification process by the application and defective returns are marked to the departmental officer for review and correction. While reviewing the return, the officer may seek some clarification from the assessee, call for some information, records or documents which should be furnished by the assessee. In case of review and correction of returns by the departmental officers, assessee will receive a message from the application and they can log in to the application to view the reviewed returns online.

5.6 Returns, captured off-line using the downloadable utility and uploaded later on, are further subjected to certain validation checks. Processing of uploaded returns, using the off-line versions, is done at the end of one business day and the status can be viewed by the assessee under the "VIEW STATUS" link under "RET" module.

Acknowledgement of E-Filing of the return

5.7 After a service tax return is filed on-line, ACES application software acknowledges it by displaying an acknowledgement message. A unique document reference number is generated which consists of a 15-digit registration number of the assessee, name of the return filed, the period for which return is filed etc. This is also automatically communicated to the email id of the assessee by the application.

Difficulties in filing return

5.8 Assessee should visit the ACES website for complete details and instructions. Assessee who are unable to file electronically, for any technical difficulty in filing the returns, on account of difficulties at the department's end viz. server/application is down or due to some defect in the software, should submit a soft copy of their return in CD along with a hard copy of the return prepared using the latest version of the offline utility and duly signed by the authorized person. This facility will be available only on the last day on which the return is to be filed. If the last day is a holiday then it can be submitted on the next working day. However, if the difficulty is on account of any defect on assessee's end, this facility will not be available.

5.9 The assessee may lodge a complaint with the ACES Service Desk or the department by e-mail and/or by telephone, details of which are given in para 8 and obtain a ticket no. as an acknowledgement from the department. However, mere lodging of complaints with the ACES service desk will not be a valid ground to justify late filing of returns. If the difficulty is not on account of problems at the assessee's end, and can be clearly attributed to the department's IT infrastructure such as problems in accessing Central Board of Excise and Customs' ACES application due to server, network or application being down, proportionate time will be deducted from the date of uploading of successfully "filed" returns to ascertain the actual date and time of filing of the return. Since the department maintains logs of such technical failures, in case of any dispute, the decision of the department will be final.

Digital Signatures

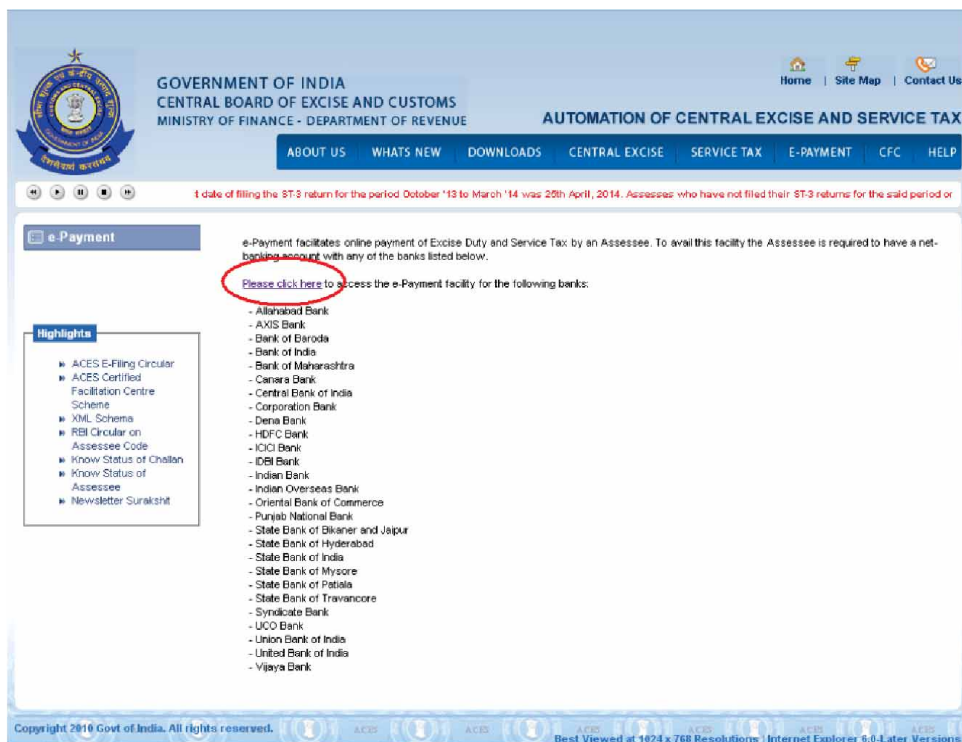
5.10 The ACES application is designed to accept digitally signed documents. However, this functionality is yet not activated. Pending its activation the electronic returns are filed into ACES without digital signatures. Hence, there is no requirement to submit signed hard copy separately.

6. E-payment of service tax

6.1 Under rule 6(2) of Service Tax Rules, 1994, payment of service tax through internet banking (e-payment) is mandatory for assessee who have paid service tax of ₹ 1,00,000 or more including the amount paid by utilisation of CENVAT credit, in the preceding financial year. However, with effect from 01.10.2014, e-payment will be made mandatory for all assessee regardless of the amount of service tax paid by them in the previous year. Till 31.12.2013, e-payment was compulsory only for those assessee who had paid service tax of ₹ 10,00,000 or more including the amount paid by utilization of CENVAT credit, in the preceding financial year.

6.2 For e-payment, assessee should open a net banking account with one of the authorized banks (currently there are 27 banks, list of which is available on the EASIEST (Electronic Accounting System in Excise and Service Tax) website of CBEC, maintained by NSDL (<https://cbec.nsdl.com/EST/>)).

6.3 For effecting payment, assessee can access the ACES website (<http://www.aces.gov.in/>) and click on the e-payment link that will take them to the EASIEST portal (<https://cbec.nsdl.com/EST/>) or they can directly visit the EASIEST portal.



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ELECTRONIC ACCOUNTING SYSTEM IN EXCISE AND SERVICE TAX *of Central Board of Excise and Customs*

Challan Status Inquiry Assessee Code Based Search e-Payment Feedback Related Links Circular & Notifications

EASIEST e-Payment

[Bank List](#) [Procedure for e-Payment](#) [FAQs](#) [Bank Contact Details](#)

Assessee Code

Assessee Code

Image Verification

Type the characters you see in the picture below. These characters are case sensitive.



Duty/Tax to be paid

☒ (0038) Central Excise Duty
 ☐ (0044) Service Tax

Type of Duty/Tax

[Select Accounting Codes for Excise Duty](#)
[Select Accounting Codes for Service Tax](#)

Bank

Select Bank Name

[Proceed](#) [Clear Form](#) [Home](#)

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6.4 Procedure for e-Payment

- ✓ To pay service tax online, assessee has to enter 15 digit Assessee Code allotted by the department/ ACES.
- ✓ There will be an online check on the validity of the Assessee Code entered. Only if the assessee has been registered in ACES under service tax), will validation be successful.
- ✓ If the Assessee code is valid, then corresponding assessee details like name, address, Commissionerate Code etc. as present in the Assessee Code Master will be displayed.
- ✓ Based on the Assessee Code, service tax will be automatically selected in the category Duty/Tax to be paid.
- ✓ Assessee is required to click on Select Accounting Codes for Service Tax in the category Type of Duty/ Tax to be paid.
- ✓ At a time, the assessee can select up to six Accounting Codes.
- ✓ The assessee should also select the bank through which payment is to be made.

- ☑ On submission of data entered, a confirmation screen will be displayed. If the taxpayer confirms the data entered in the screen, it will be directed to the net-banking site of the bank selected.
- ☑ The taxpayer will login to the net-banking site with the user id/password, provided by the bank for net-banking purpose, and will enter payment details at the bank site.
- ☑ On successful payment, a challan counterfoil will be displayed containing CIN, payment details and bank name through which e-payment has been made. This counterfoil would be the proof of payment made.

7. Certified Facilitation Centres

7.1 To provide services to taxpayers who may not have requisite IT infrastructure/resources to use ACES, CBEC has entered into MoUs with Institute of Chartered Accountants of India (ICAI), the Institute of Cost and Works Accountants of India (ICWAI) and the Institute of Company Secretaries of India (ICSI) for setting up ACES Certified Facilitation Centres (CFCs) by their Members. These centres are set up by eligible Members of ICAI/ICWAI/ICSI holding valid Certificates of Practice issued by the Institutes. Several CFCs have been set up across India, details of which are available under the CFC link in ACES website (<http://aces.gov.in/CFC.jsp>). The services are available to the assessee on payment of prescribed charges for various services such as digitisation of paper documents, on-line filing/uploading of documents such as application for registration, returns, claims, permissions and intimations etc. in ACES.

7.2 For this purpose, assessee is required to write to the department authorizing one of the CFCs, from the approved list, to work in ACES on their behalf. They have to furnish the name and other details of the CFCs, including the registration No. issued by the ICAI/ICWAI etc. At any given time, one assessee can authorize one CFC, while one CFC can provide services to more than one assessee throughout India. In case the assessee wants to withdraw the authorization, it can do so by intimating the department. However, an assessee will be held liable for all actions of omission or commission of the CFC, during the period they are authorized by him/her to work in ACES.

8. Help for Assessee

8.1 CBEC has set up a Service Desk with National toll-free No. 1800 425 4251, which can be accessed between 9 AM to 7 PM on all working days (Monday to Friday). Besides, e-mails can be sent to aces.servicedesk@icegate.gov.in. All the calls/e-mails will be issued a unique ticket number, which will be attended to by the Service Desk agents for appropriate response.

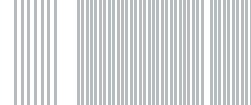
8.2 A Learning Management Software (LMS) has been provided on the ACES website, which is a multimedia-based self-learning online tutorial guiding the assessee in a step-by-step processes to use ACES. The downloadable version of Learning Management Software is also provided on the website. Besides, User Manuals, Frequently Asked Questions (FAQs), Power Point Presentation and a Brochure have also been provided on the website to help the assessee use ACES.

9. Conclusion

9.1 Apart from the two procedures mentioned above i.e., e-filing of service tax returns and e-payment of service tax, ACES platform offers various other facilities also. A student undergoing practical training should strive to familiarize themselves with all such procedural compliances and undertake other type of assignments in the area of indirect taxes as detailed in para 2.5 above, to get a good grasp of the subject. In fact, a student's endeavor should, as far as possible, be to diversify his experience under each category of work area as that would enrich his knowledge on the subject and help him to improve his performance in the examinations and ultimately facilitate him to become a competent professional.

9.2 The significance of effective practical training in indirect taxes assumes more importance in view of the growing scope of professional opportunities in this area. In the past decade, service tax has proved to be a very promising avenue for Chartered Accountants amongst the various indirect taxes and continues to have tremendous potential. Further, the introduction of India's most ambitious and path breaking indirect tax reform viz., Goods and Service Tax is on the anvil which would wholly revamp its entire indirect tax system. Goods and Service Tax would unequivocally open up a wide arena of professional opportunities for our members. Effective practical training in indirect taxes would certainly boost the preparedness of young members to take up the challenges which would be posed by the new tax regime. ■

The above write-up is essentially based on CBEC' Circular No. 956/17/201 CX dated 28.09. 2011.



International Double Taxation – Demystifying the Basics

CA Richa Sawhney

Countries across the globe, exercise their taxation rights, in accordance with their domestic tax laws. Internationally, it is recognised that there are certain links which connect a taxpayer to a particular country or a particular jurisdiction. These could be residence, citizenship, nationality, place of incorporation or place of management and control etc. It is also accepted that it is these links which give a country or a jurisdiction, a right to tax a taxpayer.

Under their domestic tax laws, most countries follow two important canons of international taxation, which are based on these links. These are:

- The Source Rule of taxation
- The Residence Rule of taxation.

Source Rule v. Residence Rule

Under the Source Rule of taxation, income is taxed in the country or jurisdiction in which it originates. This happens irrespective of whether it accrues to a resident or a non-resident. On the other hand under the Residence Rule, power to tax lies with the country in which the taxpayer resides. The country of residence of a taxpayer is typically referred to as “the home country” and country of source is called “the host country”.

In case of cross border transactions, issues arise if in any particular situation, both these rules get triggered simultaneously. The term “double taxation” refers to over taxation due to the interplay and overlap of these two rules of taxation.

Further, double taxation can also arise in the event, the criterion to determine tax liability differ i.e. some of the other links are used as a basis of taxation. For example one country may claim taxation rights on the basis of nationality and the other based on residence.

Let us examine this concept in the backdrop of the familiar Indian tax regime. As you are aware, in India a resident get taxed on his global income. However, if this income is earned from a source outside India then he may also suffer limited taxation on such income in country where this income originates. On the other hand a non-resident in India would be taxable on income which accrues or arises in India. He may also

be taxed again in his home country on this income, based on his residence or nationality. Thus, it can be observed, that there would be double taxation in both these cases.

Types of Double Taxation

Double Taxation can be of two types:

- Economic
- Juridical

Economic double taxation happens when two different persons get taxed in respect of one income. For example, cases where there is taxation of business profits in the hand of company and on distribution, dividend gets taxed in hands of shareholders, i.e. the same income stream gets taxed in two hands.

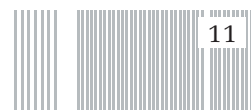
However, in case of juridical double taxation one person gets taxed twice in respect of the same income in two jurisdictions. For example royalty income of an Indian resident is taxed in country X in which it originates and also again in India, where his global income is taxed.

Double Taxation Avoidance Agreement

A Double Taxation Avoidance Agreement (DTAA or a Tax Treaty) is a tool to mitigate this hardship in case of cross border transactions. It typically redresses juridical double taxation. A DTAA is an agreement between two countries or jurisdictions to regulate matters concerning taxation. The two parties of a DTAA are termed as Contracting States. It is important to note that taxpayer is not a party to this agreement.

Just like any other agreement, a DTAA is also entered into after negotiations and bargaining among the contracting States. DTAA lists down the rights and obligations between different parties. Right to tax may vest either with the home country or with the host country or they may share the taxation rights. Typically relief from double taxation is provided by home country. DTAAs usually provide for both avoidance and relief in case of double taxation.

(The author is a member of ICAI. (Mem. No. 094560))



In the Indian context, power to legislate international treaties is conferred on the Union Parliament¹ by the Indian Constitution i.e. It is in the Union List. This power includes power to enter into DTAA's.

Classification of DTAA's

DTAA's can be classified as:

- Limited DTAA
- Comprehensive DTAA

A Limited DTAA is a DTAA, which deals with only certain sources of income. Indian DTAA with Pakistan and Afghanistan are examples of Limited DTAA's. Comprehensive DTAA is a DTAA, which deals with all possible sources of income. A comprehensive DTAA would have about 30-32 Articles. Indian DTAA's with USA, UK and Singapore are examples of comprehensive DTAA's.

Objectives of DTAA's

Apart from avoidance or relief from double taxation, DTAA's are entered into for:

- Allocation of taxing rights between the contracting states
- Prevention of tax discrimination
- Sorting out tax disputes
- Exchange of tax information to ensure compliance and prevent tax evasion
- Mutual assistance in tax collection
- To promote trade, business and investment

In fact, sometimes in the case of developing countries, promotion of trade, business and investment could be the most important objective for entering into a DTAA. These countries need to boost their economies by attracting foreign investment and technology, DTAA's are then used as a tool to enhance their tax competitiveness to gain foreign capital and technology.

As far as tax payers are concerned apart from relief from double taxation DTAA's also provide certainty. Many countries, including India, provide that DTAA's would prevail over domestic tax law. Generally domestic tax laws keep changing more frequently. Tax Treaties are relatively stable and remain in force for several years as it is more difficult to amend them. Hence, they shield the taxpayers from adverse changes in domestic law.

¹ by virtue of Entries 10 and 14 of List I of the Seventh Schedule of the Indian Constitution

In Indian context, the purpose for which the government could enter into DTAA is listed in section 90 of the Income-tax Act (the Act) and it can be observed that it is not limited to avoidance or relief of double taxation.

Model Conventions and Commentaries

A model convention is a suggested draft which provides standard text which can be used as a basis of DTAA negotiation between two countries. Just as any other agreement the DTAA is also a product of negotiation between two parties. It can be adopted as it is or tweaking may be done on the basis of the negotiations. It is quite possible that it may contain suggested articles from different model conventions.

Globally, there are two model conventions which are commonly referred to while negotiating Tax Treaties. They are the:

- Organization for Economic Co-operation and Development (OECD) Model Convention
- United Nations (UN) Model Convention

The OECD Model Convention reflects the views of OECD Committee on Fiscal Affairs on various international tax principles. OECD Model is a perceived as a model between developed countries and the thrust is on residence based taxation. OECD Model is generally taken as a basis of negotiation between the OECD Countries. Currently 34 countries are members of OECD. India is not OECD member but has been inducted as an observer member.

As far as the UN Model is concerned, it reflects the views of an ad-hoc group of experts appointed by the United Nations. It is perceived as a model between a developed and developing countries with thrust on source based taxation. Most Indian DTAA's are based on the UN Model.

The Model Conventions have their respective commentaries as well. These are updated periodically. These Model Commentaries aid in the interpretation of the Model Conventions. They explain the terms and provisions of the Model Conventions. In case of the OECD Commentary the OECD members have also provided their reservations, which reflects their views on points they depart from the main text. India also, as an observer member, has provided its reservations on the OECD Commentary.

In the Indian context, though the Model Commentaries are not legally binding but they do have a persuasive value and they are widely used in DTAA interpretation.

Vienna Convention

Vienna Convention on law of Treaties entered into force on January 27, 1980. To a great extent it codifies the earlier international practices and customary international law. Rules of Vienna Convention apply to all international treaties including Tax Treaties. One of the basic principles of the Vienna Convention is that every treaty in force is binding upon the parties and it must be performed by them in good faith.

It may be noted that India is not a signatory to the Vienna Convention; however, it in general abides by customary international law. In fact the Indian Constitution² directs the government to foster respect for international law and treaty obligations.

Section 90 of the Act

In India, section 90 and section 91 of the Act, provide relief from double taxation. Section 90 deals with cases where the government has entered into a DTAA with another country i.e. bilateral relief and section 91 deals with cases where there is no agreement i.e. unilateral relief.

As per section 90, the taxpayer has an option to be taxed as per DTAA or domestic tax law, whichever is more beneficial, except in the cases where GAAR is applicable. GAAR provisions³ would be effective from April 1, 2016 and would apply to the taxpayer even if such provisions are not beneficial to him.

² Directive Principles – Article 51 of the Constitution

³ Inserted by Finance Act 2012

⁴ DCIT v Patni Computers Systems Private Limited (2007) 301 ITR 60 (Pune)

⁵ Rule 21AB of the Income-tax Rules, 1962 and Form 10F

CBDT Circular 333 dated April 2, 1982 clarifies that provisions of DTAA will prevail over the Act. The choice, however lies with the taxpayer and the tax officer cannot thrust the provisions of DTAA on the taxpayer. The taxpayer can exercise this option differently for different sources of income in one year and also in respect of same source of income in different years. Pune Tribunal in case of Patni Computers⁴ has held that under the Act every year is independent and it is upto the taxpayer to decide if in a year provisions of the DTAA are more beneficial than the Act.

However, if there is no tax liability under domestic law, the DTAA cannot impose it. Also now in India, DTAA benefit can only be availed if the taxpayer produces a Tax Residency Certificate (TRC) from Government of Tax Treaty partner country. Some additional information⁵ to supplement the TRC is also required to be furnished.

Lastly, the discussion on double taxation is incomplete unless it is pointed out that at a micro level, international double taxation negatively impacts cross border transactions as it has a direct bearing on the return on investment and cash flows of a taxpayer. On the other hand, at a macro level, it acts an impediment to cross border flow of capital and technology. Hence, there is dire need to address the issues relating to double taxation so as to promote international trade and investment.

Disclaimer: The views expressed in this article are the personal views of the author and does not necessarily reflect the views of the Institute. ■

CROSSWORD

August, 2014
Solution

¹ R	E	² D	³ E	M	⁴ P	⁵ T	I	O	⁶ N		⁷ R
⁸ E	M	I	R		⁹ O	A	K		¹⁰ I	¹¹ P	O
D		¹² S	P	L	I	T		¹³ I	F	A	C
¹⁴ E	¹⁵ L	K			¹⁶ S	A	¹⁷ P		¹⁸ T	V	
E	I		¹⁹ A	²⁰ G	O		A		²¹ Y	E	²² N
²³ M	E	Z	Z	A	N	²⁴ I	N	²⁵ E		²⁶ D	O
			²⁷ E	S	P	N		²⁸ V	I		
²⁹ O	³⁰ P				I		³¹ M	I		³² B	³³ O
³⁴ P	O	³⁵ S	T	A	L	³⁶ B	A	L	³⁷ L	O	T
³⁸ C	O	W		³⁹ X	L	R	I		⁴⁰ I	T	C
	⁴¹ L	O	⁴² C			⁴³ A	L	⁴⁴ T		T	
⁴⁵ E		⁴⁶ T	I	N		V		⁴⁷ A	D	O	
⁴⁸ G	O		⁴⁹ F	R	E	E		⁵⁰ N	A	M	E

Some Essentials for Preparation: November, 2014 Examination

Intermediate (IPC) Paper 4 – Taxation

In order to ensure clarity as regards the applicability of provisions of income-tax and indirect taxes for November, 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 November, 2014 Examination

- (1) The amendments made by the **Finance Act, 2013** in income-tax and indirect taxes;
- (2) The provisions of income-tax law as applicable for the **assessment year 2014-15**;
- (3) The significant **notifications and circulars issued upto 30th April, 2014** (income-tax and indirect taxes)

II. BOS Publications relevant for November, 2014 Examination

	Publication	Edition	Objective & Content
(1)	Study Material (and Practice Manual) on Paper 4 : Taxation		
	Volume I Study Material (Part I: Income-tax) (A.Y.2014-15) <i>(As amended by the Finance Act, 2013)</i> (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: Indirect Taxes) (As amended by the Finance Act, 2013)	November, 2013	Volume III of the November, 2013 edition comprising of the Study Material on Part II: Indirect Taxes is based on the indirect tax laws as amended by the Finance Act, 2013 and the significant notifications and circulars issued upto 30.4.2013. Students appearing in November, 2014 examination are advised to read this edition of the Study Material as it has been prepared in accordance with the revised syllabus of Part II of this Paper. Students may note that the examination under the revised syllabus of Paper 4: Taxation will be held from November, 2014 onwards. Study Material has been prepared with an aim to build a strong conceptual base in each of the indirect tax laws covered in the syllabus. Complex tax laws have been explained in lucid language with the aid of examples, diagrams, flow charts and the like. Students should make it a point to study each and every topic in the syllabus thoroughly.
	Volume IV Practice Manual (Part II: Indirect Taxes) (Questions solved/ answered on the basis of the provisions of law as amended by Finance Act, 2013)	April, 2014	All questions/problems of the Practice Manual on Indirect Taxes have been answered/solved on the basis of the provisions of law as amended by the Finance Act, 2013. Questions in Practice Manual have been grouped chapter-wise. Each Chapter contains a variety of questions and problems for the better understanding and application of the concepts explained in the Study Material. After reading each chapter in the Study Material, try to work out the questions/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.
(2)	Supplementary Study Paper - 2013 (Taxation) [A discussion of amendments made by the Finance Act, 2013 in income-tax]	July, 2013	This publication explains the amendments made in income-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 of Part I Income-tax (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 Volume I 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 November, 2014 Examination [Revision material for self-assessment and updation]		The August, 2013 edition of the Study Material of Part I: Income-tax and the November, 2013 edition of the Study Material of Part II: Indirect Taxes, updated on the basis of the amendments made by the Finance Act, 2013 and significant notifications and circulars issued upto 30th April, 2013, are the Study Materials relevant for November, 2014 examination. However, significant notifications/circulars issued upto 30th April, 2014 are applicable for November, 2014 examination. The RTP for November, 2014 examination, therefore, contains the significant notifications and circulars in income-tax and indirect taxes issued after the date up to which they are covered in the above editions of the Study Materials (i.e., the RTP contains the notifications and circulars issued during the period from 1st May 2013 upto 30th April, 2014). The RTP also helps you self-assess your preparation by solving the questions contained therein independently and comparing the same with the answers given.

Final Paper 7: Direct Tax Laws & Paper 8: Indirect Tax Laws

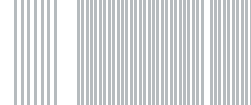
In order to ensure clarity as regards the applicability of provisions of Direct Tax Laws (DTL) and Indirect Tax Laws (IDTL) for November, 2014 examination, as well as the BOS publications relevant for the said examination, the details regarding the same are briefed hereunder:

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

- (1) The amendments made by the **Finance Act, 2013** in DTL & IDTL;
- (2) The provisions of direct tax laws as applicable for the **assessment year 2014-15**;
- (3) The significant **notifications and circulars issued upto 30th April, 2014** (DTL & IDTL)

II. BOS Publications relevant for November, 2014 Final Examination

	Publication	Edition	Particulars
(1)	Study Material on DTL (Vol. I & II) (A.Y.2014-15) (As amended by the Finance Act, 2013) (Thoroughly revised and updated)	October, 2013	This edition of the Study Material is based on the provisions of the Income-tax Act, 1961 and Wealth-tax Act, 1957, 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. Do keep the Bare Acts i.e., Income-tax Act, 1961, and Wealth-tax Act, 1957 by your side for reference

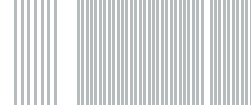


			purposes. This will facilitate understanding of the language of law and the logical sequence of the sections. You should make it a habit to read the tax provisions along with the relevant sections so that you are able to relate the provisions of law, circulars and notifications with the respective sections.
	Practice Manual on DTL (Vol. III) (Thoroughly revised and updated) (Questions adapted/modified and solved on the basis of provisions of law applicable for A.Y. 2014-15)	October, 2013	Each question contained in this edition of the Practice Manual has been answered/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 questions in Practice Manual have also been grouped chapter-wise. The Practice Manual 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 Final 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. <i>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.</i>
(2)	Study Material on IDTL (Vol. I & II) (As amended by the Finance Act, 2013) (Thoroughly revised and updated)	August, 2013	This edition of the Study Material is based on the provisions of indirect tax laws, as amended by the Finance Act, 2013 and the significant notifications and circulars issued upto 30.4.2013. The Appendix to the Study Material may be ignored as it relates to May, 2014 examination based on old syllabus. The objective of the Study Material on IDTL and the manner of study is the same as described for DTL.
	Practice Manual on IDTL (Vol. III) (Thoroughly revised and updated as per the law as amended by the Finance Act, 2013)	December, 2013	The questions contained in this edition of the Practice Manual have been adapted/modified and solved on the basis of the provisions of law as amended by the Finance Act, 2013 and significant notifications and circulars issued upto 30.4.2013. The Appendix to the Practice Manual may be ignored as it relates to May, 2014 examination based on old syllabus. The objective of the Practice Manual on IDTL and the manner of solving the questions is the same as given for DTL.

(3)	Supplementary Study Paper - 2013 (DTL & IDTL) [A discussion of amendments made by the Finance Act, 2013 in DTL & IDTL]	June, 2013	This publication explains the amendments made by the Finance Act, 2013 in DTL & IDTL as well as the significant circulars and notifications issued between 1.7.2012 and 30.4.2013. It is especially relevant in case you have the earlier editions of the DTL & IDTL Study Materials (i.e., the October, 2012 & November 2012 editions, respectively), which are based on the provisions of law as amended by the Finance Act, 2012. However, even if you have the latest editions, i.e., the October, 2013 and August, 2013 editions of the DTL & IDTL Study Materials, you are still advised to read the Supplementary Study Paper-2013 for a better understanding of the statutory amendments.
(4)	Select Cases in Direct & Indirect Tax Laws – An Essential reading for the Final Course (Relevant for May 2014 & November 2014 Examinations)	September, 2013	This publication is a compilation of significant recent judicial decisions of Supreme Court and High Courts which, when read in conjunction with the DTL & IDTL Study Materials, will enable you to appreciate the significant issues involved in interpretation and application of tax laws.
(5)	Revision Test Paper (RTP) for November, 2014 Examination [Revision material for self-assessment and updation]		The October, 2013 edition of DTL Study Material & the August, 2013 edition of the IDTL 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, are the Study Materials relevant for November, 2014 examination. However, the significant notifications and circulars issued up to 30th April, 2014 are applicable for November, 2014 examination. The Annexure to the RTP for November, 2014 examination, therefore, contains the significant notifications and circulars issued after the date up to which they are covered in the DTL & IDTL Study Materials i.e. the RTP contains the significant notifications and circulars issued between 1st May, 2013 and 30th April, 2014. The Annexure also contains recent significant legal decisions in direct and indirect tax laws which are relevant for November, 2014 examination. These legal decisions are in addition to the case laws reported in the September, 2013 edition of the publication “Select Cases in Direct and Indirect Tax Laws”. 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. RTP will be hosted shortly.

(Contributed by Board of Studies)



How to prepare for November 2014 examinations

Intermediate (IPC) - Paper 2: Business Laws, Ethics and Communication

Final- Paper 4: Corporate and Allied Laws, Final

The Companies Act, 2013 received the assent of the President on 30th August, 2013 stating that different provisions of the Act would be enforced in a phased manner by the Central Government through notification. Accordingly, the Central Government notified 98 sections of the Companies Act, 2013 on 12th September, 2013.

In view of the said development, the syllabi of Paper 2: Business Laws, Ethics and Communication, at Intermediate (IPC) level and Paper 4: Corporate and Allied Laws at Final level have been revised in a limited manner so as to include the following note at the end of each syllabus:

"If any provision of the Companies Act, 2013 comes into force in place of an existing provision under the Companies Act, 1956 or otherwise by way of new provision, the syllabus would accordingly include the corresponding or new provisions of the Companies Act, 2013, as the case may be".

Accordingly, out of 98 sections notified in September, 2013, 53 sections are relevant for the Paper – 2, Business Laws, Ethics and Communication [Intermediate (IPC) Course], and 45 sections are relevant for the paper- 4, Corporate and Allied Laws [Final Course] for November, 2014 examinations. Further also, the notified sections of Chapter IX, "Accounts of Companies" and Chapter X, "Audit and Auditors" of the Companies Act, 2013, along with its relevant rules are applicable for the Paper- 4, Corporate and Allied Laws [Final Course] for November 2014 examinations.

In order to apprise the students with the said new sections, the Board of studies has prepared a Supplementary Study Paper [both at Intermediate (IPC) and Final level] containing the notified sections of the Companies Act, 2013 applicable for November, 2014 examinations. Further, a comparative study of the erstwhile sections and the newly notified sections is incorporated for the easy understanding of the students. The same has been prepared in consonance with the Study Material for the ease of reference of the students.

Intermediate (IPC) - Paper 2: Business Laws, Ethics and Communication

Supplementary Study Paper for Intermediate (IPC) level [June, 2014 edition] contains notified 53 sections of the Companies Act, 2013 as applicable for November 2014 examinations. Students may note that along with these applicable notified sections of the Companies Act, 2013 [covered in Supplementary], remaining existing provisions of the Companies Act, 1956 would continue

to apply for November 2014 examinations. Thus, students should go through the existing applicable provisions of the Companies Act, 1956 from the Study Material [July 2013 edition] and for the newly notified sections of the Companies Act, 2013, they should refer the Supplementary Study Paper.

Supplementary Study Paper for Intermediate (IPC) level is hosted on the ICAI website in the BoS Knowledge Portal at <http://220.227.161.86/32794ssp-p2blec-ipcc.pdf>. Further, hard copy of the same is also available for the reference of the students.

Final- Paper 4: Corporate and Allied Laws

Supplementary Study Paper for final level [June, 2014 edition] has two parts-Part-I and Part-II.

Part-I contains 45 notified sections of the Companies Act, 2013. The same is also hosted on the ICAI website in the BoS Knowledge Portal at <http://220.227.161.86/32793ssp-p4final.pdf>. Further, hard copy of the same is also available for the reference of the students.

Part-II contains notified sections of Chapter IX, "Accounts of Companies" and Chapter X, "Audit and Auditors" of the Companies Act, 2013 along with its rules. The same is also hosted on the ICAI website in the BoS Knowledge Portal at <http://220.227.161.86/33649bos23281.pdf>. Further, hard copy of the same is also available for the reference of the students. Students are advised to refer this part of the Supplementary instead of Chapter 1 i.e. Accounts and Audit of the Study Material.

Relevant definitions relating to the notified sections of the Companies Act, 2013 have been consolidated and given in the initial pages for the easy reference of the students. Further, students may note that along with the applicable notified sections of the Companies Act, 2013, the remaining existing provisions of the Companies Act, 1956 would continue to apply for November 2014 examinations. Students may refer to Study Material of Paper 4: Corporate and Allied Laws (January, 2014 edition).

Revision Test papers

The students at both- Intermediate (IPC) and Final level must refer the Revision Test Papers relevant for November 2014 examinations covering various new questions and answers based on the Companies Act, 2013 along with the questions and answers based on the Companies Act, 1956.

(Contributed by Board of Studies)

1 Though the study material (January 2014 edition) has been prepared keeping in view the provisions of 45 sections of the Companies Act, 2013, the students may also refer the supplementary on these 45 sections for various points of comparison between the provisions of old Act and the new Act, and for relevant definitions of the Companies Act, 2013 related to 45 notified sections of the Companies Act, 2013.

Applicability of Standards/Guidance Notes/Legislative Amendments etc. for November 2014 – Final Examination

Paper 1: Financial Reporting

I. Statements and Standards

1. Framework for the Preparation and Presentation of Financial Statements.

2. Accounting Standards

AS No.	AS Title
1	Disclosure of Accounting Policies
2	Valuation of Inventories
3	Cash Flow Statements
4	Contingencies and Events Occurring after the Balance Sheet Date
5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
6	Depreciation Accounting
7	Construction Contracts (Revised 2002)
9	Revenue Recognition
10	Accounting for Fixed Assets
11	The Effects of Changes in Foreign Exchange Rates (Revised 2003)
12	Accounting for Government Grants
13	Accounting for Investments
14	Accounting for Amalgamations
15	Employee Benefits
16	Borrowing Costs
17	Segment Reporting
18	Related Party Disclosures
19	Leases
20	Earnings Per Share
21	Consolidated Financial Statements
22	Accounting for Taxes on Income
23	Accounting for Investment in Associates in Consolidated Financial Statements
24	Discontinuing Operations
25	Interim Financial Reporting
26	Intangible Assets
27	Financial Reporting of Interests in Joint Ventures
28	Impairment of Assets
29	Provisions, Contingent Liabilities and Contingent Assets

AS No.	AS Title
30	Financial Instruments: Recognition and Measurement
31	Financial Instruments: Presentation
32	Financial Instruments: Disclosure

Note: Non-Applicability of Ind ASs for Nov. 2014 Examination

The MCA has hosted on its website 35 Indian Accounting Standards (Ind AS) without announcing their applicability date. Students may note that Ind ASs are not applicable for November, 2014 Examination.

II. Guidance Notes on Accounting Aspects

1. Guidance Note on Treatment of Reserves created on Revaluation of Fixed Assets.
2. Guidance Note on Accrual Basis of Accounting.
3. Guidance Note on Accounting Treatment for Excise Duty.
4. Guidance Note on Terms Used in Financial Statements.
5. Guidance Note on Accounting for Depreciation in Companies.
6. Guidance Note on Availability of Revaluation Reserve for Issue of Bonus Shares.
7. Guidance Note on Accounting Treatment for MODVAT/CENVAT.
8. Guidance Note on Accounting for Corporate Dividend Tax.
9. Guidance Note on Accounting for Employee Share-based Payments.
10. Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961.
11. Guidance Note on Measurement of Income Tax for Interim Financial Reporting in the context of AS 25.
12. Guidance Note on Applicability of Accounting Standard (AS) 20, Earnings per Share.
13. Guidance Note on Remuneration paid to key management personnel – whether a related party transaction.
14. Guidance Note on Applicability of AS 25 to Interim Financial Results.
15. Guidance Note on Turnover in case of Contractors.
16. Guidance Note on the Revised Schedule VI to the Companies Act, 1956 (Schedule III to the Companies Act, 2013).

III Applicability of the Companies Act, 2013

1. Accounting related sections of the Companies Act, 2013, notified in Sept, 2013, along with the clarifications issued by the Ministry of Corporate Affairs are applicable for Nov. 14 Examination.
2. Notified Sections of Chapter IX of the Companies Act, 2013 along with relevant Rules will be applicable for November, 2014 Examination.

Paper 3: Advanced Auditing and Professional Ethics

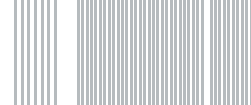
I. Statements and Standards

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

Note : *Statement on CARO, 2003 is applicable on Financial Statements prepared on or before March 31, 2014.

II. Engagements and Quality Control Standards on Auditing

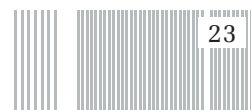
S.No	SA	Title of Standard on Auditing
1	SQC 1	Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements
2	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing
3	SA 210	Agreeing the Terms of Audit Engagements
4	SA 220	Quality Control for Audit of Financial Statements
5	SA 230	Audit Documentation
6	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements
7	SA 250	Consideration of Laws and Regulations in An Audit of Financial Statements
8	SA 260	Communication with Those Charged with Governance
9	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
10	SA 299	Responsibility of Joint Auditors
11	SA 300	Planning an Audit of Financial Statements
12	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment
13	SA 320	Materiality in Planning and Performing an Audit
14	SA 330	The Auditor's Responses to Assessed Risks
15	SA 402	Audit Considerations Relating to an Entity Using a Service Organization
16	SA 450	Evaluation of Misstatements Identified during the Audits
17	SA 500	Audit Evidence
18	SA 501	Audit Evidence - Specific Considerations for Selected Items
19	SA 505	External Confirmations
20	SA 510	Initial Audit Engagements-Opening Balances
21	SA 520	Analytical Procedures
22	SA 530	Audit Sampling
23	SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
24	SA 550	Related Parties
25	SA 560	Subsequent Events
26	SA 570	Going Concern
27	SA 580	Written Representations
28	SA 600	Using the Work of Another Auditor
29	SA 610	Using the Work of Internal Auditors
30	SA 620	Using the Work of an Auditor's Expert



S.No	SA	Title of Standard on Auditing
31	SA 700	Forming an Opinion and Reporting on Financial Statements
32	SA 705	Modifications to the Opinion in the Independent Auditor's Report
33	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
34	SA 710	Comparative Information – Corresponding Figures and Comparative Financial Statements
35	SA 720	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements
36	SA 800	Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Framework
37	SA 805	Special Considerations-Audits of Single Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
38	SA 810	Engagements to Report on Summary Financial Statements
39	SRE 2400	Engagements to Review Financial Statements
40	SRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity
41	SAE 3400	The Examination of Prospective Financial Information
42	SAE 3402	Assurance Reports on Controls At a Service Organisation
43	SRS 4400	Engagements to Perform Agreed Upon Procedures Regarding Financial Information
44	SRS 4410	Engagements to Compile Financial Information

III. Guidance Notes and other publications

1. Code of Ethics
2. Guidance Note on Independence of Auditors.
3. Guidance Note on Audit Reports and Certificates for Special Purposes.
4. Guidance Note on Audit under Section 44AB of the Income-tax Act.
5. Guidance Note on Audit of Abridged Financial Statements.
6. Guidance Note on Audit of Inventories.
7. Guidance Note on Audit of Debtors, Loans and Advances.
8. Guidance Note on Audit of Investments.
9. Guidance Note on Audit of Miscellaneous Expenditure.
10. Guidance Note on Audit of Cash and Bank Balances.
11. Guidance Note on Audit of Liabilities.
12. Guidance Note on Audit of Revenue.
13. Guidance Note on Audit of Expenses.
14. Guidance Note on Sections 227(3)(e) and (f) of the Companies Act, 1956.
15. Guidance Note on Certificate of Corporate Governance



16. Guidance Note on Computer Assisted Audit Techniques (CAATs).
17. Guidance Note on Audit of Payment of Dividend.
18. Guidance Note on Audit of Capital and Reserves.
19. Guidance Note on Auditing of Accounts of Liquidators.

IV Applicability of the Companies Act, 2013 :

1. Auditing related sections notified in Sept, 2013 of the Companies Act, 2013 along with the clarifications notified by the Ministry of Corporate Affairs.
2. Notified sections of Chapter IX: Accounts of Companies and Chapter X: Audit and Auditors of the Companies Act, 2013 along with its relevant Rules.

Paper 4 : Corporate and Allied Laws

1. The Companies Act, 2013

- (i) 45 sections of the Companies Act, 2013 along with the clarifications notified by the Ministry of Corporate Affairs.
- (ii) Notified sections of Chapter IX: Accounts of Companies and Chapter X: Audit and Auditors of the Companies Act, 2013 along with its relevant Rules.

2. SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009

SEBI vide Notification dated 4th February, 2014 has issued SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2014 which is available at the following link http://www.sebi.gov.in/cms/sebi_data/attachdocs/1391509221289.pdf

3. The Foreign Exchange Management Act, 1999

- (i) The Reserve Bank of India has issued a circular dated 9th January, 2014 on Section 6 of the Foreign Exchange Management Act, 1999 which is available at the following link http://rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=8685
- (ii) The Reserve Bank of India has issued a circular dated 4th April, 2014 on Compounding of Contraventions under FEMA, 1999 and decided to delegate further powers to the Regional Offices of Reserve Bank of India. The circular is available at the following link <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/553APD04042014.pdf>

Non-Applicability of the following Amendments/Circulars/Notifications

S.No.	Subject Matter
1.	*New 184 sections of the Companies Act, 2013 notified on 27 th February, 2014 and 26 th March, 2014.
2.	*Rules notified under the Companies Act, 2013
3.	Provisions relating to Revival and Rehabilitation of Sick-Industrial Companies

***As per the Council decision at its 333th meeting held on 14th May, 2014, notified sections of Chapter IX: Accounts of Companies and Chapter X: Audit and Auditors of the Companies Act, 2013 along with its relevant Rules will also be applicable for November 2014 examinations.**

Paper 7 : Direct Tax Laws & Paper 8 : Indirect Tax Laws

Applicability of the Finance Act, Assessment Year etc. for November, 2014 Examination

The provisions of direct and indirect tax laws, as amended by the Finance Act, 2013, including notifications and circulars issued upto 30th April, 2014. The applicable assessment year for Direct Tax Laws is A.Y. 2014-15. ■

Applicability of Standards/Guidance Notes/Legislative Amendments etc. for November, 2014 – Intermediate (IPC) Examination

Paper 1: Accounting

Accounting Standards

- AS 1 : Disclosure of Accounting Policies
- AS 2 : Valuation of Inventories
- AS 3 : Cash Flow Statements
- AS 6 : Depreciation Accounting
- AS 7 : Construction Contracts (Revised 2002)
- AS 9 : Revenue Recognition
- AS 10 : Accounting for Fixed Assets
- AS 13 : Accounting for Investments
- AS 14 : Accounting for Amalgamations

Paper 5: Advanced Accounting

Accounting Standards

- AS 4 : Contingencies and Events occurring after the Balance Sheet Date
- AS 5 : Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
- AS 11 : The Effects of Changes in Foreign Exchange Rates (Revised 2003)
- AS 12 : Accounting for Government Grants
- AS 16 : Borrowing Costs
- AS 19 : Leases
- AS 20 : Earnings Per Share
- AS 26 : Intangible Assets
- AS 29 : Provisions, Contingent Liabilities and Contingent Assets.

Non-Applicability of Ind ASs for November, 2014 Examination

The MCA has hosted on its website 35 Indian Accounting Standards (Ind AS) without announcing the applicability date. Students may note that these Ind ASs are not applicable for November, 2014 Examination.

Paper 2: Business Laws, Ethics and Communication

The Companies Act, 2013

The 53 sections of the Companies Act, 2013 along with the clarifications notified by the Ministry of Corporate Affairs.

Supplementary study material in this regard has been hosted on the student portal, ICAI at the following link <http://220.227.161.86/32794ssp-p2blec-ipcc.pdf>

Non-Applicability of the following /Circulars/Notifications

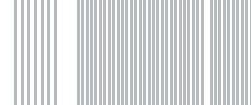
S. No.	Subject Matter
1.	New 184 sections of the Companies Act, 2013 notified on 27 th February, 2014 and 26 th March, 2014.
2.	Rules notified under the Companies Act, 2013

Paper 4: Taxation
Applicability of the Finance Act, Assessment Year etc. for November, 2014 examination

The provisions of income-tax and indirect tax laws, as amended by the Finance Act, 2013, including circulars and notifications issued upto 30th April, 2014. The relevant assessment year for income-tax is A.Y. 2014-15.

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

S.No	SA	Title of Standard on Auditing
1	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing
2	SA 210	Agreeing the Terms of Audit Engagements
3	SA 220	Quality Control for Audit of Financial Statements
4	SA 230	Audit Documentation
5	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements
6	SA 250	Consideration of Laws and Regulations in An Audit of Financial Statements
7	SA 260	Communication with Those Charged with Governance
8	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
9	SA 299	Responsibility of Joint Auditors
10	SA 300	Planning an Audit of Financial Statements
11	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment
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16	SA 500	Audit Evidence
17	SA 501	Audit Evidence - Specific Considerations for Selected Items
18	SA 505	External Confirmations
19	SA 510	Initial Audit Engagements-Opening Balances
20	SA 520	Analytical Procedures
21	SA 530	Audit Sampling
22	SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
23	SA 550	Related Parties
24	SA 560	Subsequent Events
25	SA 570	Going Concern
26	SA 580	Written Representations
27	SA 600	Using the Work of Another Auditor
28	SA 610	Using the Work of Internal Auditors
29	SA 620	Using the Work of an Auditor's Expert



S.No	SA	Title of Standard on Auditing
30	SA 700	Forming an Opinion and Reporting on Financial Statements
31	SA 705	Modifications to the Opinion in the Independent Auditor's Report
32	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
33	SA 710	Comparative Information – Corresponding Figures and Comparative Financial Statements
34	SA 720	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements

II. Statements

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

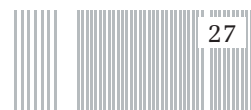
III. Guidance Notes

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

Announcement

The following Conventions/Conclaves for CA students have been planned as of August, 2014. For further details, please contact the respective Branch.

S.N.	Branch	Name of the Programme	Dates	Contact Details
1.	Patna	National Conclave	6 th & 7 th Sep, 14	Phone: (612) 2238 750, Email: patna@icai.org
2.	Ahmedabad	National Convention	22 nd & 23 rd Nov, 14	Phone: (79) 3989 3989, 2768 0946, Email: ahmedabad@icai.in
3.	Salem	Regional Conference	28 th & 29 th Nov, 14	Phone: (427) 2318 813, Email: salem@icai.org
4.	Jalgaon	National Conclave	29 th & 30 th Nov, 14	Phone: (257) 2224 305, Email: jalgaon@icai.org
5.	Gurgaon	National Convention	29 th & 30 th Nov, 14	Phone: (124) 4268 867, Email: gurgaon@icai.org
6.	Hyderabad	All India Conference	4 th & 5 th Dec, 14	Phone: (40) 2331 7026, Email: hyderabad@icai.org
7.	Thrissur	National Conclave	6 th & 7 th Dec, 14	Phone: (487) 2253 400, Email: trichur@icai.org
8.	Bhopal	National Conclave	6 th & 7 th Dec, 14	Phone: (755) 2558 066, Email: bhopal@icai.org
9.	Ernakulam	National Convention	12 th & 13 th Dec, 14	Phone: (484) 2369 238, 2372 953, Email: ernakulam@icai.org
10.	Bilaspur	National Convention	13 th & 14 th Dec, 14	Phone: (775) 2428 611, Email: bilaspur@icai.org
11.	Aurangabad	National Convention	19 th & 20 th Dec, 14	Phone: (240) 2342 157, Email: aurangabad@icai.org
12.	Mumbai (WIRC)	National Convention	20 th & 21 st Dec, 14	Phone: (22) 3367 1400, Email: wro@icai.in
13.	Bangalore	International Conference	27 th & 28 th Dec, 14	Phone: (80) 3056 3500, Email: bangalore@icai.org
14.	Udupi	National Conclave	5 th & 6 th Jan, 15	Phone: (820) 2536 603, Email: udupi@icai.org
15.	Karnal	National Convention	23 rd & 24 th Jan, 15	Phone: (184) 4045 666, Email: karnal@icai.org,
16.	Pune	National Convention	31 st Jan & 1 st Feb, 15	Phone: (20) 2421 2251 / 52, Email: pune@icai.org,



TOPPERS SPEAK...

A set of questions were asked to the first three rank holders of CA Final Examinations May/June 2014. The questions and their responses are included in these pages for the benefit of future aspirants.

Q. How does it feel to be at the top?

Ans. Well, it feels great. A feeling that cannot be described in words. More important because I had missed AIR1 by 1 mark in IPCC. It feels like being a celebrity. Life has changed overnight but I know that though change is overnight but it is a result of years of hard work.



Sanjay Nawandhar
Jaipur
First Rank - CA Final
May/June 2014

Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.

Ans. Most important factor that helped me succeed was support of my parents and sisters. Then my teachers, who helped me throughout. My friends have also helped me a lot. Proper planning, discipline and hard work were the important ingredients put in by me to achieve this success.

Q. What strategy/study plan did you follow while preparing for the exam?

Ans. The strategy was completion of entire course. All the portions and topics of syllabus were completed. Generally students make the mistake of selective study based on trend analysis.

In CA Finals studies, time management is very important because one has to manage articleship training, tuitions as well as self-studies.

Students often ask me how many hours did I study? I would like to answer it here that I never set my target in hours but I used to set daily target of work or chapter or portion of syllabus that I have to do.

Three readings before the exams and complete reading during the exam was strategy adopted by me.

Q. How have been the inputs provided by the Institute contributed to your success in the examinations?

Ans. Inputs and materials provided by Institute were very helpful. I always used to go through the module to ensure I had completed the entire syllabus. Further the practice manuals are also required to practice the concept learned. The RTPs, Case Laws and supplementary provided for amendments are very important and should always be covered. Further I also practiced question papers of past 4-5 attempts

from the Knowledge portal of site of Institute and compared my answers to suggested provided therein to see areas I needed improvement.

Q. What are your aspirations for the future? Do you have any specific career choice?

Ans. I will start my career by taking up a job after evaluating the various options I have.

Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?

Ans. Yes definitely it is. The thorough conceptual understanding required to clear the exam combined with practical knowledge gained during training makes CA course a gateway to achieve professional excellence.

Q. How would you motivate the youngsters joining this course?

Ans. I would like to say to all youngsters that it is a course that will give you a strong conceptual base as well as practical knowledge in areas of accounts, finance, taxation, corporate law and auditing. CA is a very reputed profession in the society. It will require proper planning, discipline and hardwork to become a CA.

♦♦♦♦♦

Q. How does it feel to be at the top?

Ans. Wow.....it feels greatto be part of Chartered Accountancy profession. And when it came with AIR-2 it was just icing on the cake. President of ICAI, Director BOS and all other dignitaries congratulating me personally made my success all the more special and memorable.



Kunal Jethani
Jodhpur
Second Rank - CA Final
May/June 2014

Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam

Ans. There can not be an exhaustive list of such factors. But surely patience and firm determination are the key pillars to achieve heights in any sphere. Among external factors, on one hand getting well versed with topics, sincere articleship for practical experience and on other hand, keeping in line with amendments help. So, basically it requires mix of both smart and hard-work.

And not to forget, I believe along with my hard-work it is blessings of family, friends and all others that has added to it.

Q. What strategy/study plan did you follow while preparing for the exam

Ans. Strategy was to keep it simple. One or two subjects at a time and understanding basics before getting into technicalities of topic is crucial to be in touch of that subject for long-term. Keep in mind that Presentation skills and terminology are as important as theoretical knowledge of subject.

Q. How have been the inputs provided by the Institute contributed to your success in the examinations?

Ans. Definitely, most important factors in my CA final success are publications from Institute, be it practice manual, study material, RTP, book on case laws, journal and all other such informational articles. These go a long way in bridging gap between student's knowledge of subject and Institute's expectation regarding level of preparation and manner of presentation. And practical exposure to real business scenario's provided under articleship is key to refine our theoretical knowledge.

Q. What are your aspirations for the future? Do you have any specific career choice?

Ans. The feeling of becoming member of this fraternity is overwhelming and its taking time to get used to be called "CHARTERED ACCOUNTANT". There isn't any specific choice at this moment, because there is much to learn from experts, but surely aspiring to serve industry for coming years and keeping pride and dignity of profession ever so high.

Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?

Ans. Surely yes, PM Mr. Narendra Modi, a great visionary while addressing members on CA day, highlighted the fact that, Chartered Accountants have a great role to play in economic progress of this country. Truly, diverse knowledge that a student acquires during his chartered accountancy course surely goes a long way in building up a strong base for a promising professional career ahead. After completing CA Course, several avenues open up for a Chartered Accountant- be it in finance sector, taxes, accounting and auditing and the list goes on.

Q. How would you motivate the youngsters joining this course?

Ans. Beginners need to firstly love and respect this profession. It is surely one of the toughest courses but they must understand and complement the fact that it is for the same reason, a Chartered Accountant commands the level of respect in society that he actually does. "what's worth having, is worth fighting

for." Enjoy 4-5 years of student life under Institute and at the same time, realize importance of this period in laying the foundation of your professional career. All the best to all upcoming members of profession!!!!

◆◆◆◆◆

Q. How does it feel to be at the top?

Ans. It feels as if all the efforts, hard work, patience have been worth it! One of the best moments in life was when I saw the happiness and proud feeling on my parents' sister's family and friends' faces.



Harsha C. Bhattad
Pune

Third Rank - CA Final
May/June 2014

Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.

Ans. Sister's guidance, parents' support, hard and smart work, professors' and colleagues' encouragement, dedication and determination in appropriate proportions!

Q. What strategy/study plan did you follow while preparing for the exam?

Ans. I studied for 10 to 12 hrs for 3 months and around 15 hrs during the last 2 months. However, I did not study at all before this! So, I believe in work hard, party harder!

Q. How have been the inputs provided by the Institute contributed to your success in the examinations?

Ans. ICAI Study material, practice manuals, test series, amendments, case laws helped a lot. They were fantastic!

Q. What are your aspirations for the future? Do you have any specific career choice?

Ans. I want to get corporate experience for some years then opt for further education and eventually carve out many great empires making all my CA fraternity, friends and family feel proud of me!

Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?

Ans. Yes definitely!

Q. How would you motivate the youngsters joining this course?

Ans. Mugging up will take you nowhere in CA. You have to take it logically and conceptually. You are not supposed to be bookworms and socially shy. If you know what you are doing, nothing can stop you from getting what you want! ■

Solution to the Case Study on Limitations of Standard Costing and Flexible Budgeting: May 2014

Ajinkya Bhatambrekar

1. Do you agree with the statement that variance analysis induces dysfunctional behavior?

The answer to this peculiar situation cannot be given in isolation. To a larger extent, variance analysis does induce a pattern of dysfunctional behavior. The traditional practice of appraisal of managers / personnels that is being followed in the companies, is to “rate” them on the basis of their performance scale.

Performance scale includes comparing actual results with the budgeted data. The managers are continuously on their heels to match the budgeted scale or over-perform the budget. This might induce the element of dysfunctionality, as regards to the pattern, quality, prices and such other variances, to the overall production.

As given in the case, managers can possibly resort to buying bulk materials, just to avail discounts of bulk buying, or even go for cheaper quality of raw materials to match the budget, not giving consideration to the danger of “Obsolescence”. Bulk buying might get them discounts, but implies another cost too, cost of storage. Also, if we follow the Finance rules, locking up such inventory for long time might result into loss of opportunity cost of investing that money somewhere else, thus losing valuable interest and locking up funds.

On the other hand, this dysfunctionality can be overcome, if variance analysis is implemented in an appropriately subtle manner. As mentioned in the case, performance should not be used as a stick to beat the managers. Managers should be given full freedom of conducting proper operations of their respective departments, followed by targets, instead of “typical standards”. Also, frequent revisions in standards, in tune with the market forces, might result in optimum utilization of the company’s funds to a larger extent, without abolishing the variance analysis.

2. Do you think variances should be used for performance appraisal?

Change is the rule of the game. Considering today’s highly competitive industry and dynamic nature of operations carried out all over, it is quite difficult to say that just the Variances can be of a use for performance appraisal.

There is a change in the way of management outlook now, as compared to that, which was few years back.

The top level management now understands the real time problems faced by various managers and personnels in matching the standards. It doesn’t mean that the Standards set are useless, but they tend to become unreal with the constantly changing market conditions.

The top Management now acts as an adviser, instead of a “Regulator” or a “Watchdog”. “Match the standards!” is not the only benchmark now, to determine the efficiency or optimality of any department. The approach is now wider, and in the interest of the Company as a whole.

This might give variance a way out.

3. Should Pele Tube Electronics abandon its existing costing and budgeting systems?

The answer to this question again, cannot be the only isolated solution. In the given case the questions being raised on the Existing Costing and budgeting systems of Pele Tube Electronics, do assume a heavier weight.

The existing cost system of the company, has yielded fruitful results in the past years since the inception. Though the base of costing remains the same, there are tremendous changes in the cost measurement and recognition techniques. To such changes, the management is expected to be proactive, instead of reactive, in totality.

The ever fluctuating demand has to be catered to by the company and this is not possible with a rigid standard setting approach. Proper and appropriately relevant importance is required to be given to the production pattern, which will in turn decide the costing approach. Also, entry of other players in the market should be given a due consideration as Price Parity can be decided considering the former.

Thus, taking the existing situation of Pele Tube Electronics, it might turn out better for the company to abandon its existing costing and budgeting systems due to intense competition and development of changes in the costing pattern is the need of the day. Rigidity in the costing system, for instance, unutilized fixed expenses, will land the company nowhere. The preciseness and transparency in the costing system will be the turnaround for Pele Tube Electronics, if implemented.

The Contributor is a student of ICAI (Reg. No. WRO0313425)

4. How is activity based costing different from traditional based costing?

Traditional costing, no doubt, forms the foundation of today's newly designed costing techniques, but finds no place in the pace of ever changing and dynamic world. Rigidity and set rules, pull the traditional costing on its back foot. The rigidity does not allow it to adapt to the newly reformed changes and the set rules act detrimental for the internal organization.

Activity Based Costing is a key elementary introduction in the field of cost measurement and control. It implies assignment of values to the various aspects of cost giving regards to their importance. It

divides the cost items into 2 parts viz according to their relative importance and their weights. Activity based costing removes the rigidity element, thus apportioning costs on the nearest accurate basis as compared to traditional costing. This results in removal of problems such as unutilized fixed costs, over-absorption and under-absorption and the like.

Even though most of the companies are yet to undertake Activity Based Costing, it is expected to soon flow into all the departments and wipe out the traditional means and methods of costing. Activity based costing is the need of the day and will surely enable the personnel and the managers to make their way through, without facing the beating! ■

Toppers of Chartered Accountants Examinations

Final Examination – May / June - 2014



Sanjay Nawandhar
First Rank
Jaipur



Kunal Jethani
Second Rank
Jodhpur



Harsha Chandrakant Bhattad
Third Rank
Pune

Intermediate (IPC) Examination – May / June - 2014



Geethika Haridas
First Rank
Bangalore



Gaurav Anand
Second Rank
Secunderabad



Agathiswaran. S
Third Rank
Vellore

(Our Hearty Congratulations)

ANNOUNCEMENT

Scholarships for CA Students

The Board of Studies awards following Scholarships to students twice a year i.e. in the month of April and October:

Sr. No.	Scholarship Category	No. of Scholarships	Amount (p.m.)	Eligibility Criteria
1.	Merit	As per eligibility criteria	Rs. 1500/- in case of Inter (IPC). Rs. 2000/- in case of Final.	Awarded to students whose names appear at Sl. No. 1-10 of Merit lists of CPT/ Intermediate (IPC) of June/ May 2014 Exam. In case the Rank at Sl. No.10 continues to Sl. No. 11 or 12 or so on, then all such rank holders securing the same marks in a particular rank shall be covered.
2.	Merit-cum-Need	30	Rs. 1500/-	Rank holders (other than covered under Merit category at Sr. No.1) of CPT/Intermediate (IPC) June/May 2014 Exam provided their parents/guardians total annual income does not exceed Rs. 1,50,000/-
3.	Need Based and Weaker Sections	100	Rs. 1250/-	Students of Intermediate (IPC) Course provided their parents/guardians total annual income does not exceed Rs. 1,00,000/-
		150	Rs. 1250/-	Students of Final Course provided their parents/guardians total annual income does not exceed Rs. 1,00,000/-
		As per eligibility criteria	Rs. 1250/-	The children undergoing Intermediate (IPC) or Final Course of the deceased members of ICAI where financial assistance is provided to spouses of the deceased members from the Chartered Accountants Benevolent Fund (CABF) shall also be eligible for scholarship.
4.	Sri Dhanraj Kanhaiyalal Dudheria Scholarships	6	Rs. 1250/-	Students of Intermediate (IPC)/Final from Karnataka State under Need Based & Weaker Sections criteria
5.	R.K. Khanna Memorial Scholarships	3	Rs.1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
6.	J.S. Lodha Memorial Scholarships	3	Rs.1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
7.	Out of Joint Corpus formed by Donors	6	Rs.1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria

Merit Scholarships under Serial No. 1 are automatically awarded to the eligible students hence they are not required to apply.

With regard to Scholarship from Sl. No. 2 to 7, applications are invited for grant of scholarship to be paid from October 1, 2014 onwards to the selected candidates.

The detailed guidelines along with the requisite application forms are available on the Institute's Website (www.icai.org) (link: http://icai.org/post.html?post_id=6486).

Notes:

- Applicants shall be the registered students of Intermediate (IPC) or Final Course.
- In the case of Intermediate (IPC) Students, Scholarship shall be paid for a maximum period of 18 months.
- In the case of Final students, Scholarship shall be paid for a maximum period of 30 months or balance period of their articleship, whichever is less.
- An additional amount of Rs. 100/- p.m. shall be paid to SC/ST/OBC students, under Need-based and Weaker Sections Category. They shall have to enclose a certificate/documentary proof duly attested by a gazetted officer or a member of the Institute.
- One scholarship under the Need-Based and Weaker Section Category is reserved for a Physically Challenged student.

Duly completed and signed Application Forms in the prescribed formats (Form No. 3 & Form No. 4) should reach the Director, Board of Studies, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, NOIDA-201309 **latest by 30th September, 2014.**

In case of any clarification, please contact the Board of Studies, Telephone Nos. 0120-3045930/931; email: gagandeepsingh@icai.in, bosnoida@icai.in

Director, Board of Studies

ANNOUNCEMENT

Online Mentoring on ICAI Cloud Campus - <http://cloudcampus.icaai.org>

The ICAI Cloud Campus launched by Hon'ble Finance Minister on CA Day – July 1, 2014, enables Students can learn anytime and from anywhere using e-Learning, Audio Lectures, Video Lectures and Online Mentoring. Students can even learn through Mobile Enabled e-Learning facility on the Students Learning Management System (LMS) on their Mobile Phones/Smart Phones/Tablets. Online Mentoring is one of the major value added features on the Cloud Campus. The schedule of online mentoring sessions from 3.00 p.m. to 4.00 p.m. is as follows:

Online Mentoring Schedule			
Date	Course	Webcast Topic	Faculty
Sept 2	IIPC	Paper 2: Business Laws, Ethics And Communication: Companies Act, 2013-Relevant for Nov 14 exams	Ms. Nisha Gupta Board of Studies
Sept 9	Final	Paper 4: Corporate and Allied Laws, Companies Act, 2013-Relevant for Nov 14 exams	Ms. Megha Goel Faculty, Board of Studies
Sept 16	IIPC	Paper 6: Auditing and Assurance, Chapter-X of Companies Act, 2013-Company Audit	CA. Karuna Bansali Board of Studies
Oct 7	Final	Paper 6: Information System Control and Audit Chapter-5 Acquisition, Development and Implementation of Information Systems	Ms Sukriti Arora Board of Studies
Oct 14	IIPC	Paper1: Accounting Chapter -14 Issues in Partnership Accounts	CA. Seema Gupta Board of Studies
Oct 28	Final	Paper1: Financial Reporting Chapter-5 Consolidated Financial Statement	CA. Shilpa Agrawal Board of Studies
Nov 5	CPT	Section A: Fundamentals of Accounting Chapter-8 Partnership Accounts	CA. Seema Gupta Board of Studies
Nov 11	CPT	Section C: General Economics Section-I Micro Economics Price Determination in Different Markets	Ms. Prem J Bhutani Board of Studies
Nov 18	CPT	Section D: Quantitative Aptitude Part-2 Statistics Chapter-12 Correlation and Regression	Dr. N V Ravi Board of Studies
Nov 25	CPT	Section B: Mercantile Laws Chapter-1: Indian Contract Act, 1872-An Overview	Ms. Nisha Gupta Board of Studies

Students are advised to make register on the ICAI Cloud Campus for the Online Mentoring Sessions and provide specific questions/queries that they need to be discussed, and benefit from this online facility. Links to access the aforementioned webcasts are also available on the <http://cloudcampus.icaai.org> under Online Mentoring.

Director, Board of Studies

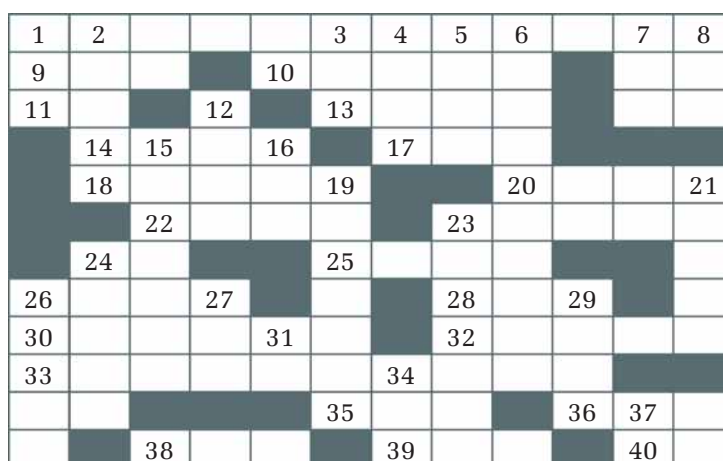
Important Announcement

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 31st December, 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 31st December, 2014.

Director, Board of Studies

CROSSWORD



ACROSS

1. As per the proposed amendment by the Finance (No.2) Act, 2014, income arising on sale of any security held by foreign institutional investor which has invested in such security in accordance with the regulations made under the SEBI Act, 1992 would be taxable as _____.
9. One of the keys on Personal Computer.
10. An informer especially one who is a spy for the police: _____ Pigeon.
11. One of the ways of financing infrastructure projects now a days. _____ Partnership.
13. One of the recent scams in India: _____ Gate.
14. A method of buying goods through making instalment payments over time: _____ Purchase.
17. Yasser Arafat : Founder of _____.
18. Modify or revise.
20. The largest of India's Central Armed Police Forces.
22. A combining form meaning "foot," used in the formation of compound words.
23. A spicy Indian dish stewed until most of the liquid has evaporated.
24. Internet second-level domain used to denote commercial organizations in many countries.
25. An analysis done to find out feasibility of a project.
26. A person who solicits business, employment, support, or the like, importunately.
28. Petroleum, _____ and Gas form about one third of our import bill.
30. Leader
32. Eccentric or crazy.
33. Prospectus which does not include complete particulars of the quantum or price of the securities included therein.
35. Free baggage allowance under Baggage Rules, 1998 has been increased by Rs. _____ thousand.
36. A poem of appreciation.
38. The benefit of investment linked incentive provided under section 35AD proposed to be extended to _____ new businesses.
39. A global logistics company that specialises in the transportation of hazardous goods worldwide.
40. Position of switch.

DOWN

1. A feather in one's _____ means something to be proud of, an honor.
2. First letter of the Greek alphabet.
3. A course by ICAI for providing middle level accountants to the corporate world.
4. In Mathematics, a quasi group with an identity element is called a _____.
5. Aim
6. Cost _____ is the allotment of whole item of cost to a cost centre or cost unit.
7. An organization that uses surplus revenues to achieve its goals rather than distributing them as profit or dividends.
8. Distress signal.
12. WTO promotes _____ trade between countries.
15. To keep in the custody of law.
16. To be all and _____ all' means that a something is the final, or ultimate outcome.
19. To _____ the facts means to give a false, perverted, or disproportionate meaning.
21. Life insurance service provided by life micro-insurance product as approved by the IRDA are exempt from service tax, having maximum amount of cover of Rs. _____ thousand.
23. Time _____ is basically recording the details of work done and the time spent by workers on each job or process.
24. Murmured softly.
26. The sunset date under section 80IA proposed to be extended for a period of _____ years for power sector undertakings.
27. Internet slang.
29. A graphic representation or symbol of a company's name.
31. The male person being discussed.
34. To be shown the _____ card means to be dismissed from the job.
37. _____ unto others as you would have them _____ to you. (Same words)



ICAI President CA. K. Raghu hands over certificate to a newly-qualified member at the Convocation ceremony at Kanpur while ICAI Vice-President, CA. Manoj Fadnis along with Central Council members CA. Anuj Goyal, CA. Shyam Lal Agarwal and CA. Mukesh Singh Kushwah, among others, share the dais.



ICAI President CA. K. Raghu interacting with the Chairman, Board of Studies, CA. M. Devaraja Reddy on the occasion of National Convention for CA students at Guntur. ICAI Vice-President, CA. Manoj Fadnis also seen in picture.



ICAI President CA. K. Raghu addressing the National Convention for CA Students at Indore.



ICAI President CA. K. Raghu hands over certificate to a newly-qualified member at the Convocation ceremony at Bangalore while ICAI Vice-President, CA. Manoj Fadnis and Chairman, Board of Studies, CA. M. Devaraja Reddy along with Central Council members CA.V. Murali and CA. Babu Abraham Kallivayalil among others, share the dais.



ICAI President CA. K. Raghu hands over certificate to a newly-qualified member at the Convocation ceremony at Kolkata while ICAI Vice-President, CA. Manoj Fadnis and Chairman, Board of Studies, CA. M. Devaraja Reddy along with Central Council members CA. Sumantra Guha and CA. Abhijit Bandyopadhyay among others, share the dais.



ICAI President CA. K. Raghu along with ICAI Vice-President, CA. Manoj Fadnis and Central Council Member CA. Mukesh Singh Kushwah during an interaction meeting with the students at Ujjain.



ICAI President CA. K. Raghu flying a white pigeon, the symbol of peace, on the occasion of the National Convention for CA students at Kolkata while the Chairman, Board of Studies, CA. M. Devaraja Reddy and Dr. Kiran Bedi share the moment.



ICAI President CA. K. Raghu inaugurating the Information Technology Lab at Siliguri Branch of EIRC of ICAI.



ICAI President CA. K. Raghu hands over certificate to a newly-qualified member at the Convocation ceremony at Chennai while ICAI Vice-President, CA. Manoj Fadnis and Chairman, Board of Studies, CA. M. Devaraja Reddy along with Central Council members CA.V. Murali, CA. Santhanakrishnan.S, CA.G.Sekar and CA.Babu Abraham Kallivayalil among others, share the dais.



ICAI President CA. K. Raghu hands over certificate to a newly-qualified member at the Convocation ceremony at Jaipur while ICAI Vice-President, CA. Manoj Fadnis along with Central Council members CA. Shyam Lal Agarwal and CA. Mukesh Singh Kushwah, among others, share the dais.