BHUBANESWAR BRANCH OF
EASTERN INDIA REGIONAL COUNCIL OF

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

e-newsletter/06/2013-14

NEWSLETTER

AUGUST 2013

CA. RAMESH CHANDRA PRADHAN, CHAIRMAN, CA. SUBODH KUMAR AGRAWAL, PRESIDENT, ICAI, SRI ANSUMAN DAS, CMD, NALCO, HON'BLESJ. S.C.JAMIR, GOVERNOR OF ODISHA, SRIS.K. SRIVASTAVA, CCIT, BHUBANESWAR, CA.K. RAGHU, VICE PRESIDENT, ICAI, CA, PRASHANT PANDA, CHAIRMAN, ORGANIZING COMMITTEE

ICAI BHAWAN, PLOT NO-A/122/1, NAYAPALLI, BHUBANESWAR-751012
PH. NO-0674 2392391, E-MAIL:bhubaneswar@icai.org

Editorial

"Well done is better than well said."
Benjamin Franklin

Dear Members,
Warm greetings!

For the tenth time on the trot we did it! I am talking about the obvious, the recent successful hosting of the All India CA Conference. It was a historic event. 151 members participated in the two day annual ritual and like earlier years it raised some benchmarks.

Though I have already thanked the people but for whom an event of such scale and magnitude could not have been possible yet as we are on the topic I can't resist the temptation to do an encore.

Our elders: THE PAST CHAIRMEN stood like a rock throughout. True to their reputation they intervened little by giving us the utmost functional autonomy.

Our conference organizing committee chairman- CA Prashant Panda; a gem of a person and when it comes to taste, a connoisseur. The stamp of his authority, meticulous planning and execution was writ large on every facet of this event. He left no stone unturned in making this a most memorable occasion. When we repose our confidence in such able hands then there is little left to worry for; however, it being the very first time for me I was apprehensive and here came handy my colleagues and the branch staff.

We constituted many committees for smooth execution and the committee chairs and members were relatively more active this year.

In our scriptures it is rightly said "Dharmashyamulaartham" meaning, finance is the cornerstone of virtue. I wholeheartedly thank all our sponsors.

The management committee sang in one tune. Though degree of physical involvement widely varied but when it came to overall involvement we were one- throughout. I would fail in my duty if I do not mention the exemplary contributions of my vice chairman, secretary and the treasurer. Amit Agarwalla- our treasurer – worked hard to make the cultural event colorful. Courtesy his menagerie this year's cultural session was also had an assemblage of national icons and performers replete with a comedian worth his salt. Sanjay Agrawalla our tireless secretary and our conscience keeper was always ready for any task assigned. Partha Sarathi Mishra- my vice chairman- stood firm beside me like the rock of Gibraltar.

Among others I'd put in record the unflinching support and dedication shown by two members-Rashmi Ranjan Mishra & Jagabandhu Patra to make timely publication of our souvenir a reality. They spent sleepless nights with the printers to personally supervise printing and on the spot editing of the texts.

All the branch staff worked without any complains. Naresh spent many sleepless nights as he was the main executive on whose shoulder rested the onerous responsibility of giving final touches to many initiatives. It goes without saying that the branch in charge – Sri Sadhu Tripathy- admirably discharged his responsibilities during the whole exercise.

Last but equally important was the generous participation by the members. It's the participants who ultimately make an event like this either a success or a failure. Hats off to you friends!

CA. Ramesh Chandra Pradhan
Chairman

EDITORIAL BOARD

CONTENTS

Subject	*Page*
Editorial	2
Companies Law gets a historic, comprehensive makeover	3-4
On the Lighter side of Life	4
A Case Study on the Revenue Recognition	5-11
Events for the Month of September 2013	11
Glimpses of events	12-13
Relevant Updates:	14-16

Published by
Ramesh Chandra Pradhan
Chairman
Bhubaneswar Branch of EIRC of ICAI
at
A-122/1, Nayapalli, Bhubaneswar – 751012
Phone: 91-674-2392391, 2390773
E-Mail: bhubaneswar@icai.org
Visit us @ www.bbsricai.org

Newsletter can be downloaded from the **Branch website : www.bbsricai.org**

Printed at:

Companies Law gets a historic, comprehensive makeover

CA. Swati Kejriwal
E-Mail:swatikejriwal19@gmail.com
Mob: 9861141730

The President of India has given his assent to the new Companies Act 2013 on Friday the 30th of August 2013, completing the enactment process for the ambitious recast of the 56-year old law. Some of the important concepts of the Act are:-

- **Law thinner but stronger**

  New bill is highly consolidated with 470 clauses down from earlier 658.The bill prescribes 33 new definitions. 7 schedules against 16 in the old bill.

- **Mandatory spending on CSR**

  Companies have to spend at least 2% of its average net profit during three preceding years on Corporate Social Responsibility (CSR) activities. This amount has to be preferably spend near or around the areas the company operates.

- **Greater responsibility of auditors**

  - The mechanism of appointment of Auditors has not been substantially changed, except that it is no longer vested with the Board.
  - Auditors are to be appointed at the First Annual General Meeting (AGM) of the Company for a duration of five years, provided it is validated at every AGM, instead of being reappointed.
  - An Auditor may be removed only by way of a Special Resolution, but subject to Central Government's prior approval.
  - It restricts Auditors from providing other services, such as internal audit services, accounting, actuarial, investment banking and other financial and management services is fully justified on grounds of conflict of interest.
  - Auditors can face imprisonment up to one year for violating relevant provisions and pay damages for incorrect or misleading statements.
  - The Auditor is expected to be a whistle blower if he comes across any suspect fraud. Though specifically not provided for, this is envisaged under Section 245 of the Bill -the Class Action provision.
  - The Statutory Regulator, the Institute of Chartered Accountants (ICAI) is faced with marginalisation with the creation of the National Financing Reporting Authority (NFRA).

- **More power to independent directors**

  Listed companies must have at least one-third independent directors. An independent director cannot hold more than two consecutive terms of 3 yrs. One independent director canrespresent small shareholders in listed cos.

- **More teeth to SFIO**

  Statutory recognition to the Serious Fraud Investigation Office. It will have powers to arrest offenders. Once SFIO begins to investigate a case no other agency can be involved.

- **New ideas in the Companies Bill**

  One-Person Company: An individual can set up a 1-person company.

  Class Action Suits: Members or depositors can file class action suits. It lays down a stringent regime for those accepting deposits from public, protection for whistleblowers.

  Accountability: Small investors to get a leg up, while managements and promoters will become more accountable

- **Limits on subsidiaries**

  Investment cos cannot have more than 2 layers of subsidiaries. Govt can prescribe limits on layers of subsidiaries for other cos as well. No limits on lateral subsidiaries.

- **Mandatory women directors**

Certain class of companies should have at least one women director on board. This is an interesting move as it makes mandatory for company boards to have a woman representative, something that will give a greater representation to women in corporate decision-making.

ON THE LIGHTER SIDE OF LIFE

We know you *know* that *all* accountants are honest. But ...

An accountant applies for the position of Chief Financial Officer. There are a number of candidates and he is called in for an interview. They ask him a number of questions and one of the panel member suddenly says "What is nine multiplied by four?" He thinks quickly and says "Thirty five." When the interview is over he goes outside, takes out his calculator and finds the correct answer is not thirty five. He thinks "Well, I blew that" and goes home very disappointed. Next day he is rung up and told he has got the job. "Wonderful," he says, "but what about nine multiplied by four? My answer wasn't right" "We know, but of all the candidates you came the closest."

A Case Study on the Revenue Recognition Policy followed in the FMCG Sector in India while presenting their financial statements

CA. Vijaya Batth
E-Mail: vijayaiyer4@yahoo.com
Mob: 9437006081

Abstract

The Accounting policy on Revenue Recognition is by far one of the most important policies followed by any organization while preparing and presenting financial statements. However, it largely depends on the type of sector the enterprise belongs to, whether service oriented or manufacturing/trading of goods and the regular industry practice. In this regard, I-GAAP i.e (Indian Generally Accepted Accounting Principles) prescribes Indian companies to adopt guidelines given in Indian Accounting Standard, AS-9 on Revenue Recognition. The present case has been designed to analyze the policy followed by one of the largest company in India in the FMCG sector (Hindustan Unilever Limited) and critically understand the impact and significance of correct revenue recognition while presenting financial statements. At the same time, the case also discusses those companies who have been involved in accounting fraud by adopting incorrect revenue recognition policy. In this regard, the case of WorldCom has been viewed. The case concludes by provoking a number of related and relevant questions that crop up in the whole discussion

Background

Some time back, I was asked to review the financial statements of a company which was struggling and there were serious worries relating to its 'going concern'. The company reportedly was having several years of fantastic performance. But the present scenario showed that the company was out of cash and needed desperately to correct its financial position. On the contrary, the financial statements depicted a strong healthy company with plenty of liquidity to handle its obligations and demands. Yet the bank account was empty. Something was terribly wrong.

Upon further investigation it was found that the financial statements were not correct. The issue related to more than three years and the company had operated for a long time with an incorrect understanding of its performance and direction. In accounting parlance, the revenue i.e the turnover/sales was not properly recognized and hence the financial statements depicted an incorrect state of affairs.

Objective

Realizing the importance of correct recognition of revenue, the study has been documented on the revenue recognition policy of a well-known company in India. The case in point would be to make inter firm comparison and understand the concept of revenue recognition adopted in the industry engaged in FMCG Sector vis-à-vis the requirements of Accounting Standard (AS-9) on revenue recognition as a whole.

The study has been prepared as the basis for class discussion rather than to illustrate effective or ineffective reporting of an accounting standard requirement.

Topics Covered

Revenue Recognition concept, Indian Accounting Standard AS – 9, comparative policies adopted by various companies, different situations for revenue recognition.

The study is divided into four parts:

Part 1: Understanding the basics like what is revenue, revenue recognition and requirements of revenue recognition prescribed in Indian Accounting Standard, AS – 9

Part 2: Analysis of the revenue recognition adopted in the FMCG Sector. For this purpose policy followed by Hindustan Unilever Limited is put to study.

Part 3: World class example of incorrect revenue recognition – The case of WorldCom

Part 4: Conclusion and questions that needs to be answered with regard to the cited case.

PART - 1

What is Revenue?

Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends.

What is Revenue Recognition?

Revenue recognition is mainly concerned with the timing of recognition of revenue in the statement of profit and loss of an enterprise. The amount of revenue arising on a transaction is usually determined by agreement between the parties involved in the transaction. When uncertainties exist regarding the determination of the amount, or its associated costs, these uncertainties may influence the timing of revenue recognition. The recognition of inter-divisional transfers as sales is an inappropriate accounting treatment and is inconsistent with Accounting Standard.

What does AS 9 on Revenue Recognition prescribe?

AS 9 deals with the bases for recognition of revenue in the statement of profit and loss of an enterprise. The accounting standard is concerned with the recognition of revenue arising in the course of the ordinary activities of the enterprise from the

- sale of goods
- rendering of services, and
- use by others of enterprise resources yielding interest, royalties and dividends.

Three fundamental accounting assumptions i.e., going concern, consistency and accrual are followed in the preparation and presentation of financial statements.

Stages in the sale of goods (As per Sale of Goods Act, 1930)

1. Passing of risk
2. Transfer of possession
3. Transfer of ownership

Revenue Recognition for Sale of Goods
A key criterion for determining when to recognise revenue from a transaction involving the sale of goods is **the timing** as to when the seller has transferred the property in the goods to the buyer for a consideration.
The transfer of property in goods, in most cases, results in or coincides with the transfer of significant risks and rewards of ownership to the buyer. However, there may be situations where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership. Revenue in such situations is postponed to recognising at the time of transfer of significant risks and rewards of ownership to the buyer. Such cases may arise where delivery has been delayed through the fault of either the buyer or the seller and the goods

are at the risk of the party at fault as regards any loss which might not have occurred but for such fault. Further, sometimes the parties may agree that the risk will pass at a time different from the time when ownership passes.

At certain stages in specific industries, such as when agricultural crops have been harvested or mineral ores have been extracted, performance may be substantially complete prior to the execution of the transaction generating revenue. In such cases when sale is assured under a forward contract or a government guarantee or where market exists and there is a negligible risk of failure to sell, the goods involved are often valued at net realisable value.

Such amounts, while not revenue, are sometimes recognised in the statement of profit and loss and appropriately described.

Effect of Uncertainties on Revenue Recognition

Recognition of revenue requires that revenue is measurable and that at the time of sale or the rendering of the service it would not be unreasonable to expect ultimate collection.

An essential criterion for the recognition of revenue is that the consideration receivable is reasonably determinable. When such consideration is not determinable within reasonable limits, the recognition of revenue is postponed. In such a case , it is considered as revenue of the period in which it is properly recognised.

A bird's eye view of the revenue recognition guidelines modelled in AS-9 (only in connection with sale of goods)

Situation	Revenue Recognition
Delivery is delayed at buyer's request and buyer takes title and accepts billing	Recognise Revenue even if physical delivery has not been completed. However goods should be ready and identified.
Goods are sold subject to installation, inspection etc	As installation is an integral part of sale Recognise revenue only when customer accepts delivery and installation is complete
Installation is very simple e.g installation of a factory tested television which requires unpacking and connecting power.	Recognise revenue at time of sales regardless of delivery and installation
Where there is no uncertainty as to ultimate collection. Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, e.g., for escalation of price, export incentives, interest etc.,	Revenue recognition is postponed to the extent of uncertainty involved.
When the uncertainty relating to collectability arises subsequent to the time of sale or the rendering of the service.	It is more appropriate to make a separate provision to reflect the uncertainty rather than to adjust the amount of revenue originally recorded. Concept of prudence Revenue should not be recognised until the goods have been formally accepted by the buyer or the buyer has done an act adopting the transaction or the time period/reasonable time for rejection has elapsed.
In case of guaranteed sales i.e. delivery is made giving the buyer an unlimited right of return	Recognition of revenue in such circumstances will depend on the substance of the agreement. In the case of retail sales offering a guarantee of "money back if not completely satisfied" it may be appropriate to recognise the sale and also make a suitable provision

	for returns based on previous experience.
In case of consignment sales i.e. a delivery is made whereby the recipient undertakes to sell the goods on behalf of the consignor. Example Cash on delivery sales	Revenue should not be recognised until cash is received by the seller or his agent.
Sales where the purchaser makes a series of instalment payments to the seller, and the seller delivers the goods only when the final payment is received.	Revenue from such sales should not be recognised until goods are delivered. However, when experience indicates that most such sales have been consummated, revenue may be recognised when a significant deposit is received.
In case of special order and shipments i.e. where payment (or partial payment) is received for goods not presently held in stock e.g. the stock is still to be manufactured or is to be delivered directly to the customer from a third party	Revenue from such sales should not be recognised until goods are manufactured, identified and ready for delivery to the buyer by the third party.
In case of sale/repurchase agreements i.e. where seller concurrently agrees to repurchase the same goods at a later date	For such transactions that are in substance a financing agreement, the resulting cash inflow is not revenue as defined and should not be recognised as revenue.
Sales to intermediate parties i.e. where goods are sold to distributors, dealers or others for resale	Revenue from such sales can generally be recognised if significant risks of ownership have passed; however in some situations the buyer may in substance be an agent and in such cases the sale should be treated as a consignment sale.
In case of subscriptions for publications	Revenue received or billed should be deferred and recognised either on a straight line basis over time or, where the items delivered vary in value from period to period, revenue should be based on the sales value of the item delivered in relation to the total sales value of all items covered by the subscription.
Instalment sales	When the consideration is receivable in instalments, revenue attributable to the sales price exclusive of interest should be recognised at the date of sale. The interest element should be recognised as revenue, proportionate to the unpaid balance due to the seller.
Trade discounts and volume rebates	Trade discounts and volume rebates received are not encompassed within the definition of revenue, since they represent a reduction of cost. Trade discounts and volume rebates given should be deducted in determining revenue.

PART - II

Hindustan Unilever Ltd

Company Background

Hindustan Lever Ltd was originally incorporated as Lever Brothers India Ltd in 1922 and was rechristened after the merger of two subsidiaries, Hindustan Vanaspati Manufacturing Company and United Traders with Lever Brothers India in 1956. In June 2007, the company changed its name to Hindustan Unilever Ltd to reflect its global identity. HUL owns popular brands like Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Sunsilk, Clinic, Pepsodent, Close-up, Lakme, Brooke Bond, Kissan, and Kwality Wall's.

FMCG Industry in India

The Indian FMCG sector is the fourth largest sector in the economy with a market size of Rs 600 b. The sector is dominated by well established companies with intense competition between the organized and unorganized segments.

Exhibit 1: Income Statement of Hindustan Unilever Limited
Figures in brackets represent deductions .(Rs in Crores)

	2011	**2010**
INCOME :		
Sales	20,305.54	18,220.27
Excise Duty	(904.43)	(696.47)
Net Sales	19,401.11	17,523.80
Other Income	586.04	349.64
Total Income (A)	19,987.15	17,873.44
EXPENDITURE :		
Operating Expenses	(17,035.90)	(14,975.36)
Depreciation	(220.83)	(184.03)
Interest	(0.24)	(6.98)
Total Expenses (B)	(17,256.97)	(15,166.37)
Profit before taxation & exceptional/extra ordinary items **(C = A – B)**		
Taxation for the year - Current Tax - Deferred Tax Taxation adjustments of Previous years (net) (D)	(545.78) (28.09) (3.06)	(626.23 (22.13) 43.98
Profit after taxation and before exceptional/extra ordinary items**(E = C – D)**	2153.25	2102.68
Exceptional/Extra Ordinary items (net of tax) (F)	152.72	99.35
Net Profit (G = E + F)	**2305.97**	**2202.03**
Balance Brought forward	802.19	531.66
Other Adjustments	-	(55.33)
Available for distributions	3108.16	2678.36
Dividend Equity Shares – Interim - Final	 (654.78) (755.82)	 (654.78) (763.59)
Tax on distributed profits	(231.36)	(238.03)
Transfer to General Reserve	(230.60)	(220.20)
Balance Carried Forward	1235.60	802.19
EPS (Face Value Rs. 1) - Basic - Diluted	 10.58 10.56	 10.10 10.08

Comparison of Revenue Recognition Policies (Sales Only) of Companies in the same sector ranking in top 5 in Indian Market

	HUL	Dabur India Limited	ITC	Nestle India Limited
1	Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes and excise duties (on goods manufactured and outsourced) but include, where applicable, export incentives such as duty drawbacks and premiums on sale of import licences. It does not include inter-divisional transfers. Income from Property development Activity is recognised in terms of arrangements with developers, where applicable. Income from Property development Activity is recognised in terms of arrangements with developers, where applicable.	Recognition for sales discounts, damaged product returns, exchange for expired product are established as a reduction of product sales revenues at the time such revenues are considered. Certain charge backs and rebate programmes extended to customers pursuant to industry standards are recognized as a reduction from product sales revenues. Besides taxes/duties incidental to sale are recognized as a reduction from product sale revenue.	Gross Sales is recognised at the time of delivery of goods and rendering of services net of trade discounts to customers and Sales Tax/Value Added Tax recovered from customers but including excise duty on goods and taxes relating to services, payable by the Company. Net sales are stated after deducting such excise duty and taxes.	Sale of goods is recognised at the point of despatch to the customer. Sales include excise duty but exclude value added tax/sales tax. In order to comply with Accounting Standards on Revenue Recognition (AS- 9), gross sales (including excise duty) and net sales (excluding excise duty) is disclosed in the Profit and Loss account.

<u>PART – III</u>

<u>WORLD CLASS EXAMPLE OF INCORRECT REVENUE RECOGNITION – THE CASE OF WORLDCOM</u>

WorldCom, a classic example of the term "Oxymoron" - a company that poised to become the largest telecom corporation in the World became the largest bankruptcy filing in the US history (twice as large as ENRON's record setting filing). The economy history of WorldCom is a unique saga of explosive growth and abrupt burst within a brief period of a decade and a half (1985-2002).

WorldCom was able to build itself up through a series of acquisitions. During 1990s, analysts anticipated that a massive growth in capacity would be necessary to serve the growing needs for bandwidth. In this endeavour, while World Com was marching forward with endless takeover and merger sprees, the market conditions for the services slowly started to deteriorate. Besides, the rise of mobile phone culture during the end of 1990s also led to the fall of WorldCom's revenues. It was now in a situation which could be called, being between the Devil and the Dead Sea, a problem of excess capacity as compared to anticipated demand.

The company adopted one of the simplest strategies for incorrect revenue recognition to reflect a healthy Income Statement. Since no manipulation could be made in the income side , the company decided to apply creative accounting to reduce expenditure i.e by treating revenue expenditure (line costs) as capital expenditure. Line costs are the amount paid to a third party service provider whose telecom network will be used by WorldCom for getting a right to use the network for their activity. These payments are purely revenue and not capital in nature. Every year, the company's major expense was the line costs which accounted for 40-45% from the revenue earned. Instead of reporting them as operating costs, the line costs were shown as assets. Therefore the company, though in actual had a loss running in millions, was able to report profit by applying its own devised principle of revenue recognition.

PART – IV CONCLUSION AND QUESTIONS TO BE ANSWERED

Correct Recognition of revenue is "***the***" essential requirement while presenting financial statements, the cornerstone of accrual accounting.
The acronym for GAAP (Generally Accepted Accounting Principles) has a synonym, CRAP (Cleverly Rigged Accounting Ploys). When revenue is correctly recognized it is said to be complying with GAAP maybe Indian GAAP or US GAAP (thereby creating **no gap** in actual and reported values). And when revenue is incorrectly recognized, the financial statements are nothing but CRAP.
In this context, the following issues/questions relating to revenue recognition needs to be answered.

1. **Has the revenue been correctly recognised in case of HUL? Connect the dots with regard to the standard prescribed in AS-9 and the policy adopted by the company.**

2. **Is the policy followed by other companies in the same sector/industry (FMCG in our case) as far as revenue recognition for sales is concerned comparable?**

3. **How would an investor be able to identify segment results from the income statement? For example, total turnover is reported, but what about segment wise results as far as soaps and detergents, cosmetics, home products etc., are concerned. How to identify these? Whether revenue recognition deals with this information?**

4. **Give another example of a Company which was involved in accounting fraud (global scenario) due to incorrect recognition of revenue like the case of WorldCom.**

(Answers will be published in the next issue of the newsletter .... till then , keep guessing or go ahead , put on your thinking cap and answer)

EVENTS FOR THE MONTH OF SEPTEMBER 2013

Day & Date	Programme	Speaker/ Resource Person	Venue	Duration	CPE Hours	Fees Rs.
Tuesday, 3 September 2013	E-Filing of Tax Audit Report	***CA. Deepak Bholusaria,*** *New Delhi*	ICAI Bhawan, Plot No-/122/1, Nayapalli, Bhubaneswar-751012	3Hrs	3 Hrs	300
Saturday, 14 September 2013	A Awareness Programme on Financial Reporting Practice		ICAI Bhawan, Plot No-A/122/1, Nayapalli, Bhubaneswar-751012	3Hrs	3 Hrs	300
Saturday, 21September 2013	National Level Debate Competition for Class XI & XII Students		ICAI Bhawan, Plot No-A/122/1, Nayapalli, Bhubaneswar-751012	-	-	-
Saturday, 21September 2013	Study Circle meeting	***CA P K Bal & CA Prithvi R Parhi***	ICAI Bhawan, Plot No-A/122/1, Nayapalli, Bhubaneswar-751012	2Hrs	2 Hrs	100

Glimpses of Events

CA. Ramesh Chandra Pradhan, Chairman addressing the participants of Newly Qualified CAs in the Orientation programme for Newly Qualified CAs.

CA. Siddharth Ranjan, MC Member, CA. VijayaBatth, Chairperson, EICASA, CA. Sanjay Kumar Agrawalla, Secretary among the participants of Orientation Programme for Newly Qualified CAs

All India Conference 2013

(L to R): CA. R.C.Pradhan, Chairman, CA. Subodh Kumar Agrawal, President, ICAI, Sri AnsumanDas, CMD, NALCO, Hon'bleSj. S.C.JamirGovernor of Odisha, Sri, S.K.Srivastave, CCIT, Bhubaneswar, CA. K. Raghu, Vice President, ICAI, CA. Prashant Panda, Chairman, Organising Committee

All India Conference 2013

Inauguration of Souvenir: (L to R) CA. R.C.Pradhan, Chairman, CA. Subodh Kumar Agrawal, President, ICAI, Sri AnsumanDas, CMD, NALCO, Hon'bleSj. S.C.JamirGovernor of Odisha, Sri, S.K.Srivastave, CCIT, Bhubaneswar, CA. K. Raghu, Vice President, ICAI, CA. Prashant Panda, Chairman, Organising Committee

All India Conference 2013

Campus Placement Programme for Newly Qualified CAs

Campus Placement Programme for Newly Qualified CAs

Independence Day Celebration

Independence Day Celebration

Relevant Updates:

1. RBI examining companies registered with ROC as NBFC but not registered with it.

2. ICAI request for suggestions on revision of the guidance note on audit of banks.
3. No deduction of tax from medical allowances paid to employees along with salary before incurring of such expenses. [Sap Labs India (P.) Limited, (2013) 36 taxmann.com 200 (Bangalore – Tribunal).
4. The online version of the Service Tax Return (ST-3) for the period October 2012 to March 2013 is now available for e-filing in ACES. Assessees can also use the offline utility by downloading the latest version from http://acesdownload.nic.in or from 'DOWNLOADS' Section of ACES website. the due date for filing the return is 31-08-2013.
5. The Rajasthan High Court, in the case of Rajasthan Urban Infrastructure Development Project, ruled that no tax need be withheld under Section 194J on the service tax payable on professional/ technical fees.
6. Interest received by assessee for delay in completion of the process of buy-back of shares under open offer to be deemed as capital gain and not interest income. [Genesis Indian Investment Company Limited vs. CIT (A) (2013) 36 taxmann.com 300 (Mumbai Tribunal)].
7. Today 31-08-2013 is last date to file AIR return Form 61A by banks, credit card companies, mutual funds, property registrars to report high value deals for the Financial Year 2012-13.
8. HUF or its kartacan not become designated partner in LLP as only an individual or body corporate may be partner in LLP [General Circular 13/2013 of 29-07-2013].
9. Extension of last date for e-filing Service Tax Return Form ST-3 for October 2012- March 2013 from 31-08-2013 to 10-09-2013.Order 4/2013-ST.
10. Due to fire in the Lok Nayak Bhawan, New Delhi all cases fixed for hearing in ITAT Delhi in the coming week beginning September 2,2013 of ITAT, Delhi have been adjourned, however stay granted matters have been refixed.
11. Companies Act, 2013 (Act no.18 of 2013) has been assented by president of India on August 29, 2013.
12. HUF and its Karta are not allowed to become partner/ Designated partner (DP) in LLPs, MCA clarifies.
13. ICAI not to change date of birth as per educational records. Get change made in PAN card. Submit necessary documents to ICAI to register as Tax Professional.
14. Delhi VAT (Amendment) Bill 2013.No carry forward of excess tax credit to next year. That of earlier years to be claimed by 31-03-2014.
15. CAs with different name in PAN and ICAI records to submit affidavit attested by first class magistrate/notary public, to register as tax professional on IT site.
16. Honorable Supreme Court on 26-08-2013 holding that CENVAT credit is to be allowed even if the supplier of inputs has not paid duty to the department [Case Commissioner of Central Excise Vs Kay Kay Industries, Jalandhar].
17. Last date for online submission of MEF extended upto 02-09-2013 and receipt of duly signed declaration upto 12-09-2013.
18. Where due to ignorance wrong section had been mentioned by assessee in return, AO is required to advise assessee about correct claim and assess tax legitimately.[Paramjeet Singh Chhabra vs. ITO (2013) 35 taxmann.com 612 (Indore Tribunal)].
19. ICAI issues Guidance Note on report on Alternate Minimum Tax (AMT) under section 115JC of the Income-tax Act, 1961[Download from www.icai.org].
20. No penalty on deductor of TDS for non-mention of payee's PAN in Form 16A if payee did not intimate his PAN to deductor [CIT vs. GAIL (INDIA) LTD. (2013) 36 taxmann.com 336 (Allahabad High Court)].
21. Four weeks residential programmed on Professional skills development at the centre of excellence, (COE), Hyderabad- Batch exclusively for female participants from 11th September, 2013 to 8th October, 2013 Female students who have passed Chartered Accountancy IPCC/ PCC/ PE- II Recently qualified.www.icai.org or follow the link http://www.icai.org/new_category.html?c_id=345
22. Historical judgment on refund, directions to income tax department by court, consequential CBDT circulars on speedy refund without harassment to assesses all over India.
23. Inadvertent mistake by assessee in filing of Return of Income Tax will not lead to disallowance.
24. Income Tax Appellate Tribunal Mumbai: M/s. Hemlata Investment Pvt. Ltd.
25. Draft safe Harbour Rules (cases where IT Department to accept Transfer Price of assessee) posted on www.incometaxindia.gov.in for comments by 26-08-2013.
26. Attention CA Firms - Last date for Online filing of Multipurpose Empanelment form for 2013-14 on www.meficai.org is Wed, 28-08-2013. Physical documents by 5-09-2013.

27. Empanelment for Co-Operative Audits in Maharashtra date for updation of Information's extended to 31-08-2013.
28. NICASA of NIRC of the ICAI invites CA students on 25th August, 2013 (Sunday) From 4.00 p.m. to 6.00 p.m. in seminar on "E-filling of Tax Audit Reports" Speaker CA. Deepak Bholusaria at "ICAI Bhawan", Vishwas Nagar, Shahdara, Delhi. [NO PARTICIPATION FEE].
29. W.e.f 21-08-2013 file RTI Application online on www.rtionline.gov in for all Central Ministries. Pay fee through internet banking or Debit/Credit cards.
30. Amendment in agreement for avoidance of double taxation and prevention of fiscal evasion with Sweden.
31. Service Tax on restaurants and hotel accommodations is unconstitutional. High Court sets aside levy of Service Tax. [Kerala Classified Hotels & Resorts Association Vs Union of India (2013) 35 taxmann.com 568 (Kerala)].
32. Application for advance ruling was rejected as question on which advance ruling was sought was already reported in the return filed by the tax payer. [Hyosung Corporation, Korea, In re 36 taxmann.com 150 (AAR - New Delhi)].
33. Reassessment order under Section 148 of the Income Tax Act cannot be challenged in writ – Supreme Court.
34. Those CA whose date of birth as per ICAI and PAN is not matching, will not be able to register at income tax site. It is request to file form 49 amendment with proof of date of birth and get their date of birth rectified in PAN immediately.
35. SSI exemption to be granted individually to individual co-owner of property Honorable CESTAT in the matter of [PankajbhaiChampaklal Parekh Vs Commissioner of Service tax Ahemdabad,2013(31) S.T.R. 325 (Tribunal-Ahemdabad)].
36. Notification dated 16.08.2013 date extended to 16.09.2013 for filing online stock statement in Form Stock – 1 for the stock available on 31.03.2013 for dealers having gross turnover uptoRs one crore during the year 2012-13.
37. Setting, printing and binding of pages can be considered as production of book as a new article or thing for the purpose of deduction u/s 10B of the Income Tax Act[Replika Press Private Limited Vs. DCIT, W.P.(C) 7452/2010, date of decision 05.08.2013, Delhi High Court].
38. Real Estate developer not mandatory to work out their profits by following percentage completion method as prescribed by AS-7 (ICAI) [Krish Infrastructure (P) Limited vs ACIT].
39. Exemption u/s 35(1) (ii) Approved Scientific Research Associations/ Institutions, centre for development of telematics (C-DOT) New Delhi [Notification No. 62/2013, dated 13-08-2013].
40. Maharashtra Cooperative societies and Bank empanelment last date to update information extended.The link for uploading the information is as follows https://mahasahakar.maharashtra.gov.in
41. ICAI revised guidance note on transfer pricing report u/s 92E of Income Tax Act. Applies to specified domestic transactions also last date for E-filing 30-09-2013.
42. DVAT Dealers with GTO in 2012-2013 upto one crores extension of last date to submit online taxwise breakup of stock on 31-03-2013 to 16-09-2013 [Notification of 16-08-2013].
43. Work carried out on lump sum basis as a contractor, does not, prima facie, amount to manpower supply services and is not chargeable to service tax under that service. [ShriBileshwarKhandUdyogSahakariMandali Limited vs Commissioner of Central Excise (2013) 36 taxmann.com8(Ahmedabad - CESTAT)].
44. DGFT – Export of finished leather, wet blue and EI tanned leather to be permitted through the notified port.
45. The Union Cabinet approved the proposal for exemption of prior approval of Cabinet for disposal/auction of immovable properties acquired by the Central Government under the provisions of Chapter XX-C of the Income Tax Act 1961.
46. Contents of a pen drive become admissible evidence in Income Tax proceedings and form basis for investigations and additions[Chetan Gupta vs ACIT, ITAT Delhi].

EMPANELMENT:

1. Empanelment of appointment of Chartered Accountant firm for the year 2012-13 and 2013-14 to double entry system, valuation of the property of the NPP till 31-03-2013 to 31-03-2014 and update accountant keeping on Tally 7.2 software and preparing bank reconciliation from 01-04-2012 to 30-04-2013 on monthly basis. Last date 09/09/2013. Address: Nagar PalikaParishad, Rishikesh, Uttaranchal.