



**THE**

**BHUBANESWAR BRANCH OF  
EASTERN INDIA REGIONAL COUNCIL OF**

**INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

**e-newsletter/05/2013-14**



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## Editorial



Dear Members,  
Warm greetings!

As planned this year's CA Day was a specialty!

Our treasurer CA Amit Agarwal strove hard to make this memorable and most other MC members chipped in. Like any other year we started with flag Hoisting at 9 AM which was immediately followed by a Blood Donation program which continued till 3 PM. A record number of people donated blood. Parallel to this ran the program of tree plantation and Food distribution at an Orphanage. In the evening – at 7 PM- a panel discussion on “The role of CAs towards the society” was organized. CCIT – Sri S Srivastava – graced the occasion as the chief guest. Before the panel discussion kicked off eight senior CAs were felicitate. After that there was be a Cultural program and that was followed by a memorable get-together and dinner.

Now the next big thing- All India CA Conference – is on our head! We are putting all our effort to make it equally memorable.

Howevr, I would use this communique for a different purpose: to seek articles from you!

Friends, the newsletter in your hands is a fledgling venture and needs your support. We are struggling to publish this on time – everytime- due to utter paucity of original articles. So, I appeal to you all to flex your muscles and just remember your days as an articled clerk and as a student. How much you had to write and because of your successfully writing those exams today you are a respectable member of the society. Please, revisit those days and for the sake of contributing back to this profession, which has given you so much of name and fame, please spare some time for our newsletter.

With this humble entreaty I beg your leave,

**CA. Ramesh Chandra Pradhan**  
Chairman

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**SA 700 (Revised) Forming an Opinion & Reporting on Financial Statements**

By CA Amarjit Chopra (Past president of ICAI)

**Overview of SA 700**

- **Introduction**
  - Scope of SA
  - Effective Date
- **Objectives**
- **Definitions**
- **Requirements**
  - Forming an opinion on FSs
  - Form of opinion
  - Auditor's report
  - Supplementary information presented with FS
- **Application**
  - Qualitative aspects of accounting practices
  - Disclosure of effect of material transactions & events on information conveyed in FS
  - Description of applicable FRF
  - Form of opinion
  - Auditor's report
  - Supplementary information presented with FS
- **Appendix**
  - Illustrative auditor's report

**Scope**

- Auditor's responsibility to form an opinion on the financial statements
- Form & content of auditor's report issued as a result of an audit of FS
- Modified opinion dealt with by SA 705 & 706
- SA 700 is in the context of general purpose FS
  - FS under special purpose framework are dealt by SA 800 & SA 805
- Promotes consistency in audit reports

**Auditor's Objectives**

- **Form an opinion** on FS based on evaluation of conclusions drawn from audit evidence

**AND**

- **Express** clearly that opinion through a written report that also describes the basis for opinion

**Definitions****I. General Purpose FS**

- FS prepared in accordance with a general purpose framework

**II. Unmodified Opinion**

- Opinion expressed by the auditor when auditor concludes that FS are prepared, in all material respects, in accordance with applicable FRF



III. General Purpose Framework

- A FRF designed to meet common financial info needs of a wide range of users.

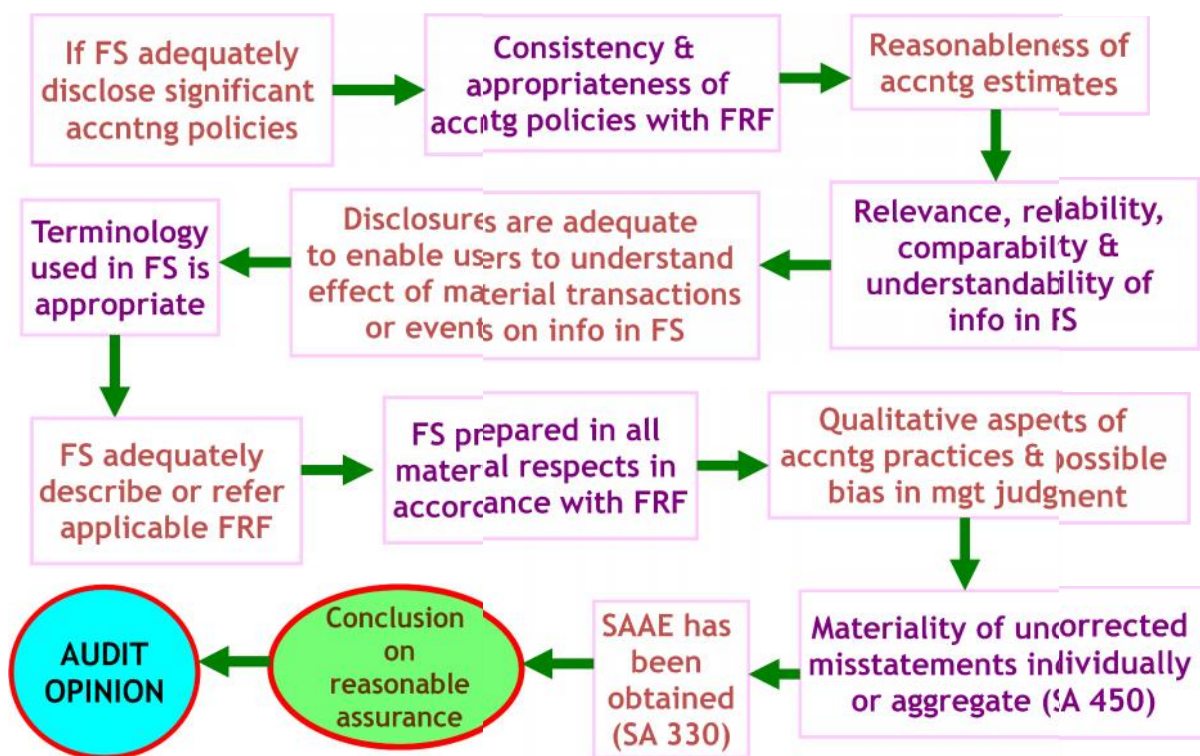
Fair Presentation Framework	Compliance Framework
Acknowledges explicitly/ implicitly that the following may be necessary for fair presentation of FS: <ul style="list-style-type: none"> <li>• mgt may need to provide disclosures beyond those specifically required by FRF</li> <li>• mgt to depart (in extremely rare situations) from a requirement of framework</li> </ul>	Refers to FRF that requires compliance with requirements of the framework but does not contain the acknowledgement as in Fair Presentation Framework

Requirements & Applications

Forming an Opinion on FS

- Whether FS are prepared in all material respects in accordance with applicable FRF
- To form this opinion, auditor needs to conclude whether he/ she has obtained reasonable assurance that FS as a whole are free of material misstatements (fraud/ error)

Evaluations to Conclude on Reasonable Assurance



Form of Opinion

- **UNMODIFIED OPINION:**
  - Auditor concludes FS are prepared in all material respects as per applicable FRF
- **MODIFIED OPINION:**
  - Based on audit evidence, auditor concludes FS as a whole are not free from material misstatements **OR**



- Auditor unable to obtain SAAE that FS as a whole are free from material misstatements

**Fair Presentation FRF** – FS do not achieve fair presentation

- Discuss matter with mgt
- Determine need to modify opinion depending upon
  - Requirements of FRF &
  - How matter is resolved

**Compliance FRF**

- No need to evaluate if FS achieve fair presentation
- If in rare circumstances, auditor concludes FS are misleading, determine whether & how to communicate in audit report after:
  - Discuss with mgt
  - How matter is resolved

**Auditor’s Report**

- Shall be in writing
- Written report encompasses reports issued:
  - in hard copy format AND
  - using electronic medium



**Audit Report Prescribed by L&R**

AR to refer to SA only if AR at minimum includes elements as described in previous slide.

**AR for Audits Conducted as per SAs & ISAs**

Refer to SAs & ISAs only if:

- No conflict between requirements of SAs & ISAs
  - Different opinion??
  - Emphasis of Matter Para??

AR contains each of the elements of AR

**Supplementary Info Presented with FS**

- Supplementary info presented but not required by FRF



- Evaluate whether Supp Info clearly differentiated from audited FS
- If not, ask mgt to change presentation of unaudited Supp Info
- If mgt refuses, explain in AR that Supp Info is unaudited
- If such Supp Info is nevertheless integral part of FS due to its nature & how it is presented, auditor to cover it in his audit opinion

#### Description of/ reference to FRF in FS

- Mgt/ TCWG responsibility for FS in accordance with applicable FRF
  - Description of FRF necessary for users of FS
- Description wrt application of an FRF
  - Appropriate only if FS comply with all in force requirements of that FRF
  - If contains imprecise qualifying/ limiting language is not adequate description of that FRF and may mislead users of FRF

#### Reference to more than one FRF

- FS to comply with each FRF
  - Individually
  - Simultaneously
  - Without any need for reconciliation statements
- FS may be prepared as per one applicable FRF and, in addition, describe in the notes to FS the extent of compliance with another FRF.
  - This description is supplementary financial information and is considered an integral part of the FS and, accordingly, covered by the auditor's opinion.

#### FS prepared as per applicable FRF

- Qualitative aspects of accounting practices covered in SA 260
- Indicators of lack of neutrality:
  - Selective correction of misstatements brought to mgt attention by auditor
  - Mgt bias in making accounting estimates (SA 540)
    - Indicators of possible mgt bias do not constitute misstatements for evaluating reasonableness of individual accounting estimates.
    - May affect the auditor's evaluation of whether the FS as a whole are free from material misstatement.

#### Title

- AR to have a title clearly stating that it is a report of an independent auditor.
  - Affirms that auditor has met all ethical requirements re independence
  - Distinguishes AR from reports issued by others

#### Addressee

- AR to be addressed as required by circumstances of the engagement
  - Applicable L&R may specify "addressee"
  - AR normally addressed to those for whom AR is prepared – shareholders/ TCWG

#### Introductory Para

##### Should:

- Identify entity whose FS have been audited
- State that FS have been audited
- Identify title of each statement that comprises FS
- Refer to summary of significant accounting policies & other explanatory info
- Specify date of period covered by each FS comprising FS

#### Mgt Responsibility for FS

- Describe responsibility of Mgt (others) responsible for preparation of FS
  - Similarly as described in Terms of Engagement
- SA 200 – premise relating to audit – responsibilities of Mgt



- Describe additional responsibilities as per L&R
- **Further guidance in SA 210**
- **Include a heading “*Mgt Responsibility for FS*”**

#### **Auditor’s Responsibility**

- **Include a heading: “*Auditor’s Responsibility*”**
- **State: Auditor’s responsibility-**
  - Express opinion on FS based on audit evidence
- **State: Audit conducted in accordance with SAs**
  - Explain requirement of SAs re-
    - Compliance with ethical requirements

Planning & performing audit to obtain reasonable assurance whether FS are free of material misstatements

- **Describe audit:**
  - Involves performing procedures to obtain audit evidence
  - Selection of procedures depends upon auditor’s judgment
  - Includes evaluation of:
    - appropriateness of accounting policies used
    - reasonableness of mgt’s accounting estimates
    - Overall presentation of FS
- **State whether auditor believes that audit evidence is sufficient & appropriate to provide basis for auditor’s opinion**

#### **Auditor’s Opinion**

- Include heading: “*Auditor’s Opinion*”
- Unmodified opinion expressed as:

*Fair presentation framework:*

- FS present fairly in all material respects in accordance with {applicable FRF}

OR

- FS give a true & fair view of in accordance with {applicable FRF}

*Compliance Framework*

- FS are prepared in all material respects in accordance with [applicable FRF]

#### **Other Reporting Responsibilities**

- Include a sub heading: “*Report on Other Legal & Regulatory Requirements*”
- If audit report contains a separate section on other reporting responsibilities, then introductory para, mgt responsibility para and auditor’s responsibility para to be under main head “*Report on the FS*”

#### **Auditor’s Signature**

- **Audit report to be signed**
- **To be signed in auditor’s personal name**
- **Where firm appointed as auditor, report signed in personal name & in name of audit firm**
- **Also mention membership number of ICAI**

#### **Date of Audit Report**

- **Not earlier than date on which auditor has obtained SAAE on which to base auditor’s opinion:**
  - **All statements that comprise FS including related notes that have been prepared**
  - **Those with recognised authority have asserted that they have taken responsibility for those FS**

#### **Place of Signature**

- **Name specific location**
  - **Ordinarily the city where audit report is signed**

**EVENTS FOR THE MONTH OF JULY 2013**

<b>Day &amp; Date</b>	<b>Programme</b>	<b>Speaker/ Resource Person</b>	<b>Venue</b>	<b>Duration</b>	<b>CPE Hours</b>	<b>Fees Rs.</b>
Friday 2 <sup>nd</sup> August, 2013	Teleconference on Valuation of Investment by Banks vis a vis Income Tax and IRAC norms from Banks		ICAI Bhawan, Plot No-/122/1, Nayapalli, Bhubaneswar-751012	2Hrs	2 Hrs	100
Friday & Saturday 9-10 August, 2013	All India Conference Trust – Truth & Transparency		ICAI Bhawan, Plot No-A/122/1, Nayapalli, Bhubaneswar-751012	2 Days	12 Hrs	2200
Wednesday 14 <sup>th</sup> August, 2013	Teleconference on Recent Issues in Real Estate Transaction		ICAI Bhawan, Plot No-/122/1, Nayapalli, Bhubaneswar-751012	2Hrs	2 Hrs	100
Thursday 15 <sup>th</sup> August, 2013	Independence Day celebration		ICAI Bhawan, Plot No-/122/1, Nayapalli, Bhubaneswar-751012			
Saturday 17 <sup>th</sup> August, 2013	Study Circle Meeting on Deferred Taxation, MAT& AMT	<b>CA B R Pattnaik &amp; CA P R Parhi</b>	ICAI Bhawan, Plot No-/122/1, Nayapalli, Bhubaneswar-751012	2Hrs	2 Hrs	100
Friday 23 <sup>rd</sup> August, 2013	Teleconference on Overview of Corporate Social Responsibility		ICAI Bhawan, Plot No-/122/1, Nayapalli, Bhubaneswar-751012	2Hrs	2 Hrs	100
Monday 26 <sup>th</sup> August, 2013	General Management & Communication Skill I (GMCS I)		ICAI Bhawan, Plot No-/122/1, Nayapalli, Bhubaneswar-751012	15 Days		





**Glimpses of Events**



CA Day Flag Hoisting



Blood Donation Camp on CA Day



Food Distribution at an orphanage on CA Day



Plantation on CA Day



CA Day celebration

(L to R) CA. Sanjay Kumar Agrawalla, Secretary, CA. Sarat Chandra Bhadra, Past Council Member, CA. S.K.Srivastava, CCIT, Bhubaneswar, CA. Ramesh Chandra Pradhan, Chairman and CA. Arun Kumar Sabat, Past Chairman, Bhubaneswar Branch



Felicitation to Senior Member on CA Day



Cultural Programme on CA Day



Participants including senior members on CA Day at Branch Premises



Elocution & Quiz Contest



Winners of Elocution & Quiz contest with CA. Ramesh Chandra Pradhan, Chairman and CA. Vijaya Bath, Chairperson, EICASA



### Useful Information

- No addition during reassessment under Income Tax Act of a particular expense which has been duly examined by the assessing officer during original assessment proceedings.
- No penalty under section 76 was leviable if service tax was paid belatedly with interest prior to issue of show cause notice – [professional couriers vs commissioner of customs, central excise & service tax[2013] 34 [taxmann.com](http://taxmann.com) 120 (Bangalore - CESTAT)].
- New TDS FVU 3.8 w.e.f 01-07-2013, quarterly TDS/TCS statement (regular and correction) can be filed for financial year 2007-08 onwards. Correction statement "Y" stopped.
- ICAI clarified regarding deferment of SCA norms (Regarding DISA Requirement) of PSB's by one year i.e. the norms will be effective from the year 2014-15 and bank audit fees increase clarification.
- RBI issued a Master Circular dated 01-07-2013 regarding miscellaneous instructions to all non-banking financial companies.
- Books of account pre-requisites to tax unexplained cash credit, no additions for deposit in bank account in absence of books.[ CIT(A) – ITO vskamal kumar mishra [2013] 33 [taxmann.com](http://taxmann.com) 610 (Lucknow - Tribunal)].
- Service tax department has issued notification no. 12/2013-ST dated 01-07-2013 along with forms A-1, A-2, A-3 and A-4 regarding exemption on services provided to SEZ authorised operations.
- Central board of direct tax withdraws circular no.2 dated 26-03-2013 on profit split method (PSM) for transfer pricing, circular no. 05/2013 of 29-06-2013.
  
- Service tax exemption (by refund), to services received by a unit in an SEZ or developer of SEZ and used for authorised operation, notification 12 of 01-07-2013.
- Conditions relevant to identify development centres engaged in contract research and development services within significant risk, circular 6/2013 of 29-06-2013 (amends circular 3/2013)
- Where stays order passed by tribunal had been challenged before high court, such order stood merged with order of high court; thereafter, tribunal had no power to modify such merged stay order. [Choice precitech India (pvt) limited v/s commissioner of central excise [2013] 34 [taxmann.com](http://taxmann.com) 194 (Bangalore - CESTAT)]
  
- RBI issues master circulars on NRO account, liaison offices, remittance facilities for NRIs etc, ECBs, import/export, compounding of contraventions under FEMA.
- High court of Kerala declares the levy of service tax on AC bar restaurants and on hotels, providing short term accommodation as unconstitutional and beyond the legislative competence of the parliament.
- Delhi High Court denies quashing settlement order, Setcom could verify true and full disclosure made by assessee till its final order. Setcom to decide whether the assessee had made full and true disclosure and indicated the manner in which income was derived, till it passed its final order under section 245D(4) [Cit V/S Income tax settlement commission [2013] 35 [taxmann.com](http://taxmann.com) 56 (Delhi)].
- ICAI cannot be deemed to be pursuing commercial activities by taking coaching classes or campus placements for a fee exemption under 10(23C)(iv) cannot be denied to ICAI on account of fees received by it for providing coaching classes and campus placement for its



students.[ICAI v/s Director General of Income-tax (exemptions)[2013] 35 [taxmann.com](http://taxmann.com) 140 (Delhi)].

- For exemption under sec 54F, deposit in capital gains A/c scheme by due date of filing ITR under sec 139(4) [CIT, Rohtak v/s Shri J S Chawla, HC, Punjab and Haryana].
- CBDT – Not to enforce demand if intimation u/s 143(1) undelivered for returns processed prior to 31-03-2010 instruction no.4/2013 dated 05-07-2013 [honorable delhi high court vide judgment in case of court on its own motion v/s UOI].
- SA-700 on tax audit report u/s 44AB of the Income Tax Act, not applicable for reports filed up to 31st March, 2014.
- Conditions to be fulfilled to be notified as a recognised association u/s 43(5)(e) of the Income Tax Act, for derivative transactions [notification no. 51/2013, dated july 4, 2013 S.O. 2017(E)].
- CBDT instructions no.3 dated 05-07-2013 issued regarding procedure to be followed in receipt and disposal of rectification application u/s 154 of the Income Tax Act.
  
- Income tax department has released Income Tax Return (ITR ) 7 as applicable for persons including companies required to furnish return under section 139(4A) or section 139(4B) or section 139(4C) or section 139(4D) for e-filing of returns for assessment year 2013-14 of financial year 2012-13.
- ICAI – Activity of providing coaching classes or undertaking campus placement interviews for a fee cannot be held to be trade, business or commerce.
- Compensation for termination of MOU which enables assessee to carry on business of mining is a capital receipt on account of loss of source of income.
- Requirements of revised audit report in SA-700 not applicable for tax audit reports filed up to 31-03-2014. ITD format of form 3CA or 3CB to be used till then.
  
- Issuing C form under sales tax act is statutory obligation of buyer, can be enforced by a writ petition in high court.
- For taking benefit under section 54EC, it is not necessary that one should first apply section 70(3) and thereafter, the assessee could invest the capital gain arising from the long-term capital asset to any specified bond under Income Tax Act.
- The result of ICAI final exam held in May, 2013 and (CPT) held in June, 2013 are likely to be declared on 16-07-2013 around 2.00 P.M.
- The result of [ISA] assessment test held on 22-06-2013 is likely to be declared on 16-07-2013 around 2.00 P.M.
  
- In case of mismatch, assessment officer to check deposit of TDS and give credit as per Form 16,16A. May ask deductor to file correction statement. [Instruction 5 of 08-07-2013].
- ICAI issues revised guidance note on tax audit under section 44AB of the Income-tax Act, 1961. The same can be downloaded from [www.icaai.org](http://www.icaai.org).
- Where an assessee having limited operations had co-operated in proceedings and paid service tax along with interest, penalty was liable to be waived off under section 80 of the Service Tax Act. [Royal travels v/s commissioner of central excise [2013] 35 [taxmann.com](http://taxmann.com) 19 (Ahmedabad – CESTAT)].
- TDS update- section 194I now bifurcated - 194IA (2 p.c.) and 194IB (10 p.c.) use new sections for filing E-TDS return.



## ON THE LIGHTER SIDE OF LIFE

The company owner is dying and calls in his lawyer and his accountant. The owner says: "I am dying and I want to take my money with me. At my funeral put these envelopes in my coffin". So at the funeral, the lawyer and the accountant put the envelopes in the coffin. But, on the way home the lawyer felt bad and told the accountant that he had opened the envelope, found one hundred thousand in cash and had taken fifty thousand out. The lawyer had justified that as his fee, but now he felt bad. The accountant responded: "How could you have disregarded a dying man's last request? How could you charge a fee of fifty percent? You should be ashamed of yourself. Then, the lawyer reacted: "What did you do? You gave him all his money?" The accountant replied: "Yes, I gave him all his money, but I left a personal check for the full amount".

An accountant was crossing a road one day when a frog called out to him and said, "If you kiss me, I'll turn into a beautiful princess". He bent over, picked up the frog and put it in his pocket. The frog spoke up again and said, "If you kiss me and turn me back into a beautiful princess, I will stay with you for one week". The accountant took the frog out of his pocket, smiled at it and returned it to the pocket. The frog then cried out, "If you kiss me and turn me back into a princess, I'll stay with you and do ANYTHING you want." Again the accountant took the frog out, smiled at it and put it back into his pocket. Finally, the frog asked, "What is the matter? I've told you I'm a beautiful princess, that I'll stay with you and do anything you want. Why won't you kiss me?" The accountant said, "Look I'm an accountant. I don't have time for a girlfriend, but a talking frog, now that's cool."

A businessman was interviewing applicants for the position of Divisional Manager. He devised a simple test to select the most suitable person for the job. He asked each applicant the question, "What is two and two"? The first interviewee was a journalist. His answer was "twenty-two." The second applicant was an engineer. He pulled out a calculator and showed the answer to be between 3.999999 and 4.000001. The next person was a lawyer. He stated that in the case of *Jenkins v. Commr of Stamp Duties (Qld)*, two and two was proven to be four. The last applicant was an accountant. The business man asked him, "How much is two and two?" The accountant got up from his chair, went over to the door, closed it then came back and sat down. He leaned across the desk and said in a low voice, "How much do you want it to be?" He got the job.

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CA. ParthaSarathi Mishra, Vice Chairman  
CA. Sanjay Kumar Agrawalla, Secretary  
CA. Amit Kumar Agarwalla, Treasurer  
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