



ICAI MANGALORE
INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA



e- Bulletin



Volume 7 | July 2017

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Thought for the Month:

A man without ethics
is a wild beast loosed
upon this world.

Albert Camus



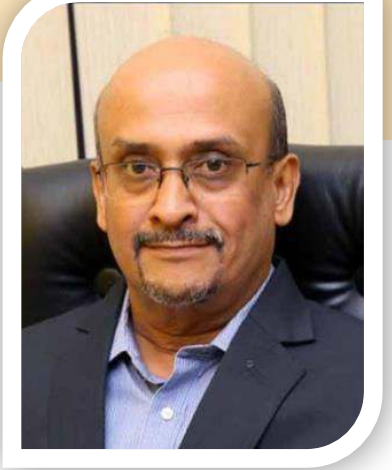
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Chairman's Message



CA Bhargava Tantri P
Chairman
Mangalore Branch of SIRC of ICAI



Dear Members,

Warm Wishes.

July is an exciting month. It starts with CA Day. In the same month Guru Poornima is also celebrated where everybody pays their respects to the teachers. In Sanskrit GURU is derived from two words- GU denotes darkness or ignorance and RU denotes remover of Darkness. Hence GURU is the one who takes us from ignorance/ darkness and shows us the path towards brightness or enlightenment.

This July is also significant because of the ushering of New Era in Taxation. GST- Goods and Services Tax (or Good and Simple Tax as our beloved Prime Minister said). This tax regime was launched on the Midnight of June 30th.

On the morning of July 1st, Mangalore Branch organised green Walkathon, which was followed by online Blood Donor Registration. Sharply at 9.30AM Institute Flag was hoisted by Past Chairman CA Jagannath Kamath. In the evening our beloved Prime Minister, Shri Narendra Modi addressed the Chartered Accountants in a colourful function organised at the Indira Gandhi Indoor Stadium, New Delhi, which was webcast live from all the Branches. Mangalore Branch also organised this programme where Capt. Ganesh Karnik, MLC, was the Chief Guest. Senior Chartered Accountant CA Rama Bhat was felicitated on this occasion. The programme was followed by a mesmerising Mandolin recital by Master Saakshit Varambally.

With the arrival of new tax regime, GST, our Branch organised seminars on GST.

On 12th July half day Seminar was conducted, where CA Nandagopal Shenoy deliberated upon Areas requiring caution and planning in GST and CA Coline Rodrigues spoke on Transitional issues and practical Compliance under GST.

On 22nd July a full day Seminar was conducted. CA Coline Rodrigues deliberated upon the issues in Place of Supply provisions. CA Rajesh Kumar deliberated upon Composition Levy, Reverse charge mechanism and Composite and Mixed Supply. CA Daniel Selvaraj spoke on Impact of GST on Sectors not profit. Both the programmes were well attended with lively interaction.

...Contd.

Chairman's Message



On 20th July Orientation programme for PU Commerce Students was conducted at VikasPU College, Mangalore. Your Chairman was the Chief Guest. CA Gautham Pai and CA Karthikeya Shenoy were the Resource persons who gave the information about the new CA Curriculum and the opportunities for the CAs to 150 Commerce students of the College.

On 25th July, Orientation programme for Inter/IPCC students was conducted in Alvas College, Moodbidri. Past Chairman CA Kiran Vasant was the resource person who gave an insight about the new Curriculum in his own inimitable style. Your Chairman and Vice Chairman CA Shivanada Pai were the Guest Speakers. More than 150 students took part in this programme.

Results of the Final and CPT exams conducted in May 2017 were announced on 18th July. From Mangalore 11 students cleared both the Groups and another 15 students cleared the exams Group Wise and became members of this noble profession.

Election to the new committee of SICASA of Mangalore Branch was conducted on 15th July. Merceeta Berna D'Souza has been elected as the Vice Chairperson for the year 2017-18. Rodney Rolph Pinto will be the Secretary and Pavithra K will be the Treasurer. We wish the new team all the very best and under the able guidance of CA Subramanya Kamath, Chairman of SICASA, we are sure that this team will come out with very unique programmes for the betterment of student community. The past SICASA Committee headed by Venkatraman Kini did a wonderful job for the betterment of the Students organising a variety of programmes. Congratulations to team SICASA 2016-17 on your stupendous performance.

As we all have bid adieu to a host of old Indirect Taxes like Excise Duty, Service Tax, VAT and other taxes and are in the process of entering a new Tax Regime GST- popularly called as One Nation One Tax, we will be facing lot of challenges as the implementer of this new Tax System. Your Branch has also lined up a series of programmes in the ensuing months to enable the members to meet this Challenge. Also, not to be forgotten we have Seminars lined up for issues under Tax Audit and Companies Act.

As one of the Shubhashita says

*“Kshanashah Kanashchaiva Vidyaam Artha cha Saadhayeth I
Kshane Nashte Kuto Vidya Kane Nashte Kuto Dhanam II”*

*Every moment one should Learn, from every bit one should Earn.
If you waste a second (Kshan) you can't get knowledge (Vidya) and
If you waste a bit (Kan) you can't get money (Dhan).*

Jai ICAI, Jai Hind



CA BHARGAVA TANTRI P.

Branch Activities July 2017



Sl No	Date	Activities at Branch for Members	CPE Hours/ Number of Participants
1	01.07.2017	CA Day Celebration - Walkathon - Planting of Saplings - Flag Hoisting - Blood Donation Registration Evening Programme- Chief Guest- Capt. Ganesh Karnik Honouring of a Senior Member of the Profession Mandolin by Master Sakshit Varambally	Participants: 70
2	01.07.2017	Live Webcast on Panel Discussion of Impact of GST on Economy/ GST- Professional & Business Perspective by Sri Hasmukh Adhia Secretary (Revenue), Govt. Of India Address by Honorable Prime Minister of India Shri Narendra Modi	Members: 31 CPE Credit: 2 Hours
3	12.07.2017	Half day Seminar on Practical Issues under GST Topic: Transitional Issues and Practical Compliances under GST by CA Coline Oswald Rodrigues and Areas requiring caution and Planning under GST by CA Nandagopal Shenoy	Members: 57 Students: 29 Others: 9 CPE Credit: 3 Hours
4	22.07.2017	Full day Seminar on GST Topic of Place of Supply by CA Coline Oswald Rodrigues; Composite Levy/RCM/Composite and Mixed Supply by CA Rajesh Kumar T R, Bangalore and Impact of GST on Sectors not for profit by CA Daniel Selvaraj, Madurai.	Members: 68 Students: 30 Others: 9 CPE Credit: 6 Hours
5	20.07.2017	Career guidance Programme at Vikas PU College, Mangalore inaugurated by CA Bhargava Tantri, Chairman of Mangalore Branch. Resource Persons: CA Gautham Pai and CA Karthikeya Shenoy	Students: 150
6	25.07.2017	Orientation to IPCC Students at Alvas College, Moodbidri- Inaugurated by CA Bhargava Tantri, Chairman of Mangalore Branch; Guest: CA Shivananda Pai, Vice Chairman of Mangalore Branch; Resource Person: CA Kiran Vasant, Mangaloe	Students: 150



Branch Activities July 2017



SI No	Date	Activities at Branch for the Students	Number of Participants
1	10.07.2017	Commencement of ITT Batches	Students: 54
2	20.07.2017	Career guidance Programme at Vikas PU College, Mangalore inaugurated by CA Bhargava Tantri, Chairman of Mangalore Branch. Resource Persons: CA Gautham Pai and CA Karthikeya Shenoy	Students: 150
3	20.07.2017	1 st Batch of ICITSS (Orientation)	Students: 32
4	21.07.2017	1 st Batch of Advanced ICITSS- MCS	Students: 15
5	25.07.2017	Orientation to IPCC Students at Alvas College, Moodbidri- Inaugurated by CA Bhargava Tantri, Chairman of Mangalore Branch; Guest: CA Shivananda Pai, Vice Chairman of Mangalore Branch; Resource Person: CA Kiran Vasant, Mangaloe	Students: 150



Branch Activities Gallery July 2017



AFTER THE CA DAY WALKATHON AT PADIL ICAI BHAWAN



ICAI FLAG HOISTING ON THE CA DAY



PLANTING OF SAPPLINGS ON THE CA DAY

Branch Activities Gallery
July 2017



ADDRESS BY CAPT. GANESH KARNIK, MLC AS THE CHIEF GUEST OF CA DAY CELEBRATION PROGRAM



FELICITATION OF CA RAM BHAT, SENIOR CHARTERED ACCOUNTANT ON THE OCCASION OF CA DAY



MANDOLIN RECITAL BY MASTER SAAKSHIT VARAMBALLY

Branch Activities Gallery
July 2017



CA NANDA GOPAL SHENOY AT THE HALF DAY SEMINAR ON GST



CA COLINE RODRIGUES AT THE HALF DAY SEMINAR ON GST



CA DANIEL SELVARAJ AT THE FULL DAY SEMINAR ON GST



CA RAJESH KUMAR T R AT THE FULL DAY SEMINAR ON GST

Branch Activities Gallery July 2017



CA COLINE RODRIGUES AT THE FULL DAY SEMINAR ON GST



ORIENTATION COURSE FO PU COMMERCE STUDENTS AT VIKAS P U COLLEGE



STUDENTS OF THE ORIENTATION COURSE

Branch Announcements



The new SICASA Committee has taken over on the completion of the term of the Old Committee

The new committee members are

Merceeta D'Souza (Vice Chairman), Rodney Pinto (Secretary), Pavithra K (Treasurer), Muhammed Ajmal, Nihal Rai, Gokul Pai and Praveen Kumar



THE NEW COMMITTEE OF SICASA WITH OFFICE BEARERS OF THE MANGALORE BRANCH



News and Updates

Direct Taxes

CBDT notifies transactions on which provision of Section 269ST shall not apply

Notification No. 57/2017/F.No. 370142/10/2017-TPL

Vide the above Notification Central Government hereby specifies the following to be outside the scope of Section 269ST:

- a) Receipt by a business correspondent on behalf of a banking company or co-operative bank, in accordance with the guidelines issued by the Reserve Bank of India
- b) Receipt by a white label ATM operator from retail outlet sources on behalf of a banking company or co-operative bank, in accordance with the authorization issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007
- c) Receipt from an agent by an issuer of pre-paid payment instrument, in accordance with the authorization issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007
- d) Receipt by a company or institution issuing credit cards against bills raised in respect of one or more credit cards
- e) Receipt which is not includible in the total income under clause (17A) of Section 10 of the Income Tax Act, 1961.

CBDT amends Form 3CD to revise reporting U/s. 269SS and 269T

Notification No. 58/2017 dated 03rd July, 2017

Vide the above Notification; CBDT has amended the Income Tax Rules 1962 by bringing in amendments to Serial Number 31 in Form 3CD. In addition to the loans accepted and repaid, details of specified sum under section 269SS and 269T received and paid shall also be reported. Further, repayment of loans or any specified sums in an amount exceeding the limit specified in Section 269T received by an assessee shall also be declared.

TDS not deductible on GST Component

F. No. 279/59/2012- IT (B)

CBDT has clarified that wherever in terms of the agreement or contract between the payer and the payee, the component of 'GST on services' comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source under chapter XVII-B of the Act on the amount paid or payable without including such 'GST on services' component.



News and Updates

Direct Taxes

Clarification in respect of Section 269ST of Income Tax Act, 1961

Circular No. 22 of 2017

Central Government vide the above Circular has clarified with regard to applicability of Section 269ST of the Income Tax Act, 1961 to Non Banking Financial Corporations and Housing Finance Corporations in case of loan installments received by such concerns. The above Circular states that one installment of loan repayment in respect of a loan shall constitute a single transaction as specified in clause (b) of section 269ST of the Act and all the installments paid for a loan shall not be aggregated for the purposes of determining applicability of the provisions of Section 269ST.

FAQs on computation of book profit to levy MAT for IND AS companies

Circular No. 24 of 2017

Central Government notified the Indian Accounting Standards (Ind AS) which are converged with International Financial Reporting Standards (IFRS) vide Companies Rules, 2015. Finance Act 2017 has amended the provisions of Section 115JB of the Income-tax Act, 1961 for IND AS compliant companies w.e.f. 1st day of April, 2017 (AY 2017-2018) In this regard, in order to clarify the stakeholders from whom clarifications were sought, CBDT vide the above circular issued a set of FAQs.

Aadhar can be linked after Return filing but to be done on or before 31st August

F. No. 225/270/2017/ ITA.II dated 31st July 2017

The CBDT in exercise of powers conferred under Section 119 of the Income Tax Act, 1961 extended the due date as prescribed under Section 139(1) of the Act, for filing returns of income from 31st July, 2017 to 05th August, 2017 in case of all taxpayers who are liable to file their income tax returns by the said due date. Further, it was sufficient to quote Aadhar or Enrollment number without linking. The actual linking of PAN with Aadhar can be done subsequently but any time before 31st August, 2017 and these returns shall be processed only after such linking.



News and Updates

Companies Act

Applicability of exemption from Internal Financial Control Reporting

F. No. 1/V2014-CL-V

The MCA has clarified that the exemption from Internal Financial Control Reporting given to certain Private Limited Companies vide Notification dated 13th June, 2017 shall be applicable for those audits in respect of financial statements pertaining to financial years commencing on or after 1st April, 2016 which are made on or after the date of such exemption notification.

MCA constitutes two committee to review 10 year old and above cases

No. 16/37/2017

In order to reduce the arrears and backlog of cases in courts and in order to review all pending court cases, a Special Arrears Clearance drive is initiated in the Ministry of Corporate Affairs. It is decided to constitute two committees at Head Quarter which will review the cases under their jurisdiction.

The Committees would review and recommend the details of cases in which prosecutions are required to be withdrawn.

Goods and Service Tax

Furnishing of Bond/ Letter of Undertaking for Exports

Circular No. 2/2017- GST

The CBEC vide the above Circular has stated that, acceptance of the Bond/ Letter of Undertaking required to be furnished by the exporters under rule 96A for supply of goods or services for export without payment of Integrated Tax shall be done by the jurisdictional Deputy/ Assistant Commissioner since the Office of the Jurisdictional Commissioner would be located at a distance from the principal place of the registered exporter. Further, as per the circular, the Bond/ Letter of Undertaking required to be furnished under rule 96A may be furnished manually to the Jurisdictional DC/ AC in the format specified (Form RFD-11) till the module for furnishing the Form is available on the common portal.



News and Updates

Goods and Service Tax

IGST exemption to SEZs on import of Services by a unit/ developer in a SEZ

Notification No. 18/2017- Integrated Tax (Rate)

The Central Government, on the recommendations of the Council has exempted vide the above Notification, services imported by a unit or a developer in the Special Economic Zone for authorized operations, from the whole of the Integrated Tax leviable thereon under Section 5 of the IGST Act, 2017.

LOU in place of a Bond for export without payment of IGST- Conditions

Notification No. 16/2017- CT

Vide the above Notification, Central Government has laid down the conditions which will have to be fulfilled to supply goods or services for export without payment of IGST, by furnishing a Letter of Undertaking in place of a bond.

As per the Notification, following are the registered persons who are eligible to submit LOU

- a) a status holder as specified in paragraph 5 of the Foreign Trade Policy 2015-2020; or
- b) who has received the due foreign inward remittances amounting to a minimum of 10% of the export turnover, which should not be less than one crore rupees, in the preceding financial year and he has not been prosecuted for any offence under the Central Goods and Service Tax Act, 2017 or under any of the existing laws in case where the amount of tax evaded exceeds two hundred and fifty lakh rupees.

Bond/ LOU for exports without payment of IGST

Circular No. 4/4/2017

Vide the above Circular, the Central Board of Excise and Customs has given following clarifications with regard to export without payment of IGST:

1. Exporters shall furnish a running bond, in case he is required to furnish a bond, in FORM GST RFD- 11. The bond would cover the amount of tax involved in the Export based on estimated tax liability as assessed by the exporter. The exporter shall ensure that the outstanding tax liability is within the bond amount. In case the bond amount is insufficient to cover the tax liability in yet to be completed export, the exporter shall furnish a fresh bond to cover such liability.



News and Updates

Goods and Service Tax

2. With respect to the amount of Bank Guarantee with bond, it is directed that the jurisdictional commissioner may decide about the amount of bank guarantee depending upon the track record of the exporter. If the commissioner is satisfied with the track record of an exporter then furnishing of bond without bank guarantee would suffice. In any case the bank guarantee should normally not exceed 15% of the Bond amount.
3. With regard to LUT, it is clarified that it shall be valid for twelve months. If the exporter fails to comply with the conditions of the LUT he may be asked to furnish a bond.

Clarification on Inter- State movement of various modes of conveyance, carrying goods or passengers or for repairs and maintenance.

Circular No. 1/1/2017- IGST

Vide the above Circular, it is clarified that the inter-state movement of goods like movement of various modes of conveyance like buses, trucks etc; between distinct persons as specified in section 25(4) of the Central Goods and Services Tax Act, 2017, may not be treated as supply and consequentially IGST will not be payable on such supply.

CBEC notifies increase in Compensation Cess on cigarettes

Notification No. 3/2017- Compensation Cess (Rate)

The Central Government, on the recommendation of the council has made amendments to Notification No. 1/2017- Compensation Cess (Rate) and has accordingly increased the compensation cess payable on cigarettes.

GST exemption on intra state supply of second hand goods

Notification No. 4/2017- Compensation Cess (Rate)

Vide the above Notification, the Central Government seeks to exempt intra-state supplies of second hand goods received by a registered person, dealing in buying and selling of second hand goods and who pays the goods and service tax compensation cess on the value of outward supply of such second hand goods as determined under sub rule (5) of rule 32 of the CGST Rules, 2017 from an unregistered supplier from the whole of GST Compensation Cess.



News and Updates

Goods and Service Tax

GST Composition application due date extended to 16th August 2017

Order No. 01/2017- GST

Vide the above order, the Board has extended the period for filing an intimation in Form GST CMP-01 under sub rule (1) of rule (3) of the Central Goods and Services Tax Rules, 2017 up to 16th of August 2017.

Exporter eligible for refund of Compensation Cess paid on Exports

Circular No. 1/1/2017- Compensation Cess

Sub section (2) of section 11 of the Goods and Services Tax (Compensation to States) Act, 2017 provides that the provisions of IGST Act, and the rules made there under, shall, mutatis mutandis, apply in relation to the levy and collection of the cess leviable under Section 8 of the Compensation to States Act for interstate supply of goods.

In view of the above, it is clarified that provisions of section 16 of the IGST Act, 2017 relating to zero rated supply will apply mutatis mutandis for the purpose of Compensation Cess wherever applicable.



Articles

Reporting for ICDS in Tax Audit

-Chintamani Kale-

Introduction

Income Computation and Disclosure Standards (ICDS) applicable from the assessment year 2017-2018 were notified vide Notification No. 87/2016 S.O. 3079(E) dated 29th September 2016. These are to be followed by all assesses following mercantile system of accounting (other than an Individual or a HUF who is not required to get the accounts audited under section 44AB).

Another Notification No. 88/2016 S.O. 3080(E) dated 29th September 2016, amended Form No. 3CD and inserted three new sub clauses (d), (e) and (f) in Clause 13 to provide the effect of ICDS on profit and disclosure requirements of ICDS.

Certain clarifications were issued by the CBDT in respect of ICDS vide Circular No. 10/2017 dated 23rd March 2017. These are in the nature of Question and Answer.

The ICDS Notified on 29.09.2016 are as follows :-

Standard I	Accounting Policies	Standard VI	Effects of changes in foreign exchange rates
Standard II	Valuation of Inventories	Standard VII	Government Grants
Standard III	Construction Contracts	Standard VIII	Securities
Standard IV	Revenue Recognition	Standard IX	Borrowing Costs
Standard V	Tangible Fixed Assets	Standard X	Provisions, Contingent Liabilities and Contingent Assets

Preamble

All these standards have an identical Preamble. It states that the standard is applicable for computation of income chargeable under the head "Profits and Gains of Business or Profession" or "Income from Other Sources". It also makes it clear that the standard is not applicable for the purpose of maintenance of books of account. It further states that the provisions of the Income Tax Act, 1961 will prevail over ICDS in case of conflict between the two.

Applicability of ICDS

The ICDS are applicable to all assesses following mercantile system of accounting (except individual / HUF not subject to Audit u/s 44AB). Question 3 of the clarification states that provisions of ICDS will apply to persons computing income under presumptive basis such as u/s 44AD, 44AE etc (who are not liable for audit) for determining gross receipts or turnover.

ICDS require certain disclosures to be made. As per Question 25 of the clarification, the disclosures required under ICDS shall be made in Tax Audit Report in Form 3CD. For persons not liable to tax audit, there are no separate disclosure requirements. However, Net effect on the income due to application of ICDS is to be disclosed in the Return of Income for all persons.

In ITR-3, ITR-5 and ITR-7 the effect of profit due to deviation from ICDS is to be reported at line No. 3 in Part A of Schedule OI and there is separate Schedule ICDS for reporting effect of each ICDS separately. Only net amount of the adjustment required is to be reported in this schedule.



Articles

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Reporting Under Form 3 CD

There are three new sub clauses under Clause 13 of the Form 3 CD for Reporting under ICDS. Clause (d) is substituted whereas clause (e) and (f) are added.

Sub Clause (d)

This Clause requires to specify whether any adjustment is required to be made to the profits or loss for complying with the provisions of ICDS. If the answer is Yes, then the information is to be given in a detailed format in sub clause (e). The reporting under the this clause will be YES / NO.

Sub Clause (e)

If the answer to earlier question in clause (d) is yes, then the amount of adjustments required ICDS wise are to be given here in a tabular form as follows –

		Increase in Profit (Rs.)	Decrease in Profit (Rs.)	Net (Rs.)
ICDS I	Accounting Policies			
ICDS II	Valuation of Inventories			
ICDS III	Construction Contracts			
ICDS IV	Revenue Recognition			
ICDS IV	Tangible Fixed Assets			
ICDS VI	Changes in foreign exchange rates			
ICDS VII	Government Grants			
ICDS VIII	Securities			
ICDS IX	Borrowing Costs			
ICDS X	Provisions, Contingent Liabilities and Contingent Assets			
	Total			

Here only quantitative information is required and there is no column to provide the details of the adjustments required. Also the effect of adjustments is to be given in the form of increase and decrease separately and then net effect is to be given.

Sub Clause (f)

This clause requires disclosures as per ICDS. The table is reproduced below –

(i)	ICDS I – Accounting Policies
(ii)	ICDS II – Valuation of Inventories
(iii)	ICDS III – Construction Contracts
(iv)	ICDS IV – Revenue Recognition
(v)	ICDS V – Tangible Fixed Assets
(vi)	ICDS VII – Government Grants
(vii)	ICDS IX – Borrowing Costs
(viii)	ICDS X – Provisions, Contingent Liabilities and Contingent Assets

Note that there are no disclosure requirements ICDS VI and ICDS - VIII



Articles

Contd...

ICDS- I Accounting Policies

This standards states that Going Concern, Consistency and Accrual are fundamental accounting assumptions. It further states that accounting policies refer to specific accounting principles and the methods of applying those principles.

Following are the Disclosure Requirements

1. All significant accounting policies adopted by a person shall be disclosed.
2. Any change in an accounting policy which has a material effect shall be disclosed. The amount by which any item is affected by such change shall also be disclosed. If the amount is not ascertainable, then the fact shall be indicated.
3. If fundamental accounting assumption is not followed, the fact shall be disclosed. Specific disclosure is not required where the fundamental accounting assumptions are followed.

The standard also states that the disclosure of accounting policies or of changes therein can not remedy a wrong or inappropriate treatment of an item.

ICDS- II Valuation of Inventories

This standard is not applicable in respect of certain inventories such as WIP in construction contract, shares/debentures held as stock in trade etc. The Standard also defines certain terms like **Inventories** and **Net Realisable Value**.

This standards states that Inventories shall be valued at cost or net realisable value whichever is lower.

Cost of inventories shall be assigned by

- a) Specific identification costs or
- b) FIFO or Weighted Average Method or
- c) Standard Cost or Retail method may be used for convenience if it approximates the actual cost. Under Retail Method, average percentage for each retail department is to be used.

Following are the Disclosure Requirements

1. The Accounting Policies adopted in measuring inventories including the cost formulae used.
2. When standard costing is used as a measurement of cost, details of such inventories and a confirmation of the fact that the standard cost approximates the actual cost
3. The Total carrying amount of inventories and its classification appropriate to a person.

ICDS- III Construction Contracts

This standard should be applied to determination of income for a construction contract. Certain Terms like "**Construction Contract**", "**Fixed Price Contract**" and "**Cost Plus Contract**" are defined in the standard.

This standard classifies contracts in "Fixed Price Contract" and "Cost Plus Contract". The standard further states that it is to be applied for each construction contract separately.

Following are the Disclosure Requirements

1. Amount of contract revenue recognized as revenue
2. Methods used to determine the stage of completion of contracts in progress.
3. For contracts in progress at the reporting date, following information shall be disclosed
 - a) amount of costs incurred and recognized profits
 - b) amount of advances received
 - c) the amount of retentions.

Note : ICDS IV relating to revenue recognition has a reference to this ICDS and states that the provisions of this ICDS shall apply to the recognition of revenue and expenses for a service transaction and revenue from service transaction shall be recognized by the percentage completion method.



Articles

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ICDS- IV Revenue Recognition

This standard deals with the basis for recognition of revenue arising in the ordinary activities of a person from i) the sale of goods, ii) the rendering of services and iii) the use by others of the person's resources yielding interest, royalties or dividends. The term "**Revenue**" is defined as the gross inflow of cash, receivables or other consideration arising in the course of ordinary activities of a person from the sale of goods, rendering of services or use of resources yielding interest, royalties or dividends.

Revenue from service contracts with duration of not more than ninety days may be recognized when the rendering of services is substantially completed.

Transitional provisions similar to ICDS III relating to construction contracts are provided.

Following are the Disclosure Requirements

1. For a transaction involving sale of goods, amount not recognized as revenue during the previous year due to uncertainty about ultimate collection and the nature of such uncertainty.
2. Amount of revenue from service transactions recognized as revenue.
3. Method used to determine the stage of completion of service transactions in progress
4. For service transactions in progress at the end of the previous year, following information shall be disclosed
 - a) amount of costs incurred and recognized profits
 - b) amount of advances received
 - c) the amount of retentions.

ICDS- V Tangible Fixed Assets

The terms "**Tangible Fixed Assets**" and "**Fair Value**" are defined in the standard.

Following are the Disclosure Requirements

- a) Description of asset or block of assets,
- b) Rate of depreciation
- c) Actual Cost or Written Down Value, as the case may be
- d) Additions or deductions during the year with dates; in case of any addition of any asset, date put to use; including adjustments on account of –
 - i) cenvat credit
 - ii) change in rate of exchange of currency
 - iii) subsidy or grant or reimbursement
- e) Depreciation Allowable
- f) Written Down Value at the end of year

Author's Note : The Disclosure Requirements are the same as those required under Clause 18 of Form 3 CD – Particulars of Depreciation Allowable

ICDS VI – Effects of Changes in Foreign Exchange Rates

This standard deals with a) treatment of transactions in foreign currencies, b) translating the financial statements of foreign operations and c) treatment of foreign currency transactions in the nature of forward exchange contracts.

Disclosure Requirements have not been specified for this standard.

Articles



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ICDS VII – Government Grants

This standard deals with the treatment of Government Grants (also called as subsidies, cash incentives, duty drawbacks, waiver, concessions, reimbursements etc.) It does not deal with any other Govt. assistance and Govt. participation in ownership.

Certain terms like "Government" and "Government Grants" are defined in the standard.

Transitional provisions are made in this standard.

Following are the Disclosure Requirements of this standard

- a) Nature and extent of Government grants recognized by way of deduction from the cost / written down value of asset / block of assets.
- b) Nature and extent of Government grants recognized as income.
- c) Nature and extent of Government grants **not** recognized by way of deduction from the cost / written down value of asset / block of assets, and **reasons thereof**
- d) Nature and extent of Government grants **not** recognized as income and **reasons thereof**.

ICDS VIII – Securities

This standard is in two parts -

PART A of the Standard – it deals with securities held as stock-in-trade. Question 19 of the Clarifications issued by CBDT, provides an example of how the valuation will be made category-wise.

Part B of the Standard – it deals with securities held by a scheduled bank or a public financial institution. dia in this regard.

Disclosure Requirements have not been specified for this standard.

ICDS IX – Borrowing Costs

This standard deals with treatment of borrowing costs. **Borrowing costs** are interest and other costs in connection with the borrowing of funds and include commitment charges, discount/premium on borrowings, finance charges for finance leases etc.

Qualifying Asset includes tangible assets, intangible assets and inventories that require a period of twelve months or more to bring them to a saleable condition)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset shall be capitalized. In the context of inventories, capitalization means addition of borrowing cost to the cost of inventory.

Following are the Disclosure Requirements of this standard

- a) The accounting policy adopted for borrowing costs.
- b) the amount of borrowing costs capitalized during the previous year.

Clarifications

Question 20 provides that capitalization of borrowing cost shall apply for that portion of borrowing cost which is otherwise allowable as deduction under the Income Tax Act.

Question 21 provides that bill discounting charges are covered as borrowing costs.

Question 22 of the Clarifications issued states that capitalization of general borrowings shall be done on asset-by-asset basis.

ICDS X – Provisions, Contingent Liabilities and Contingent Assets

This standard deals with provisions, contingent liabilities and contingent assets except those resulting from financial instruments, executory contracts, insurance business contracts and those covered by other ICDS.

Following are the Disclosure Requirements of this standard

1. For each class of provision, following disclosures are required –
 - a) brief description of the nature of the obligation
 - b) the carrying amount at the beginning and end of the previous year
 - c) additional provisions made during the previous year, including increases to existing provisions
 - d) amounts used, i.e. incurred and charged against the provision, during the previous year.
 - e) unused amounts reversed during the previous year
 - f) the amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement
2. For each class of asset and related income, following disclosures are required –
 - a) a brief description of the nature of the asset and related income
 - b) the carrying amount of asset at the beginning and end of the previous year
 - c) additional amount of asset and related income recognized during the year including increases to assets and related income already recognized.
 - d) amount of asset and related income reversed during the previous year.



Managing Committee 2017-18



Managing Committee

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The Managing Committee of Mangalore Branch of SIRC of ICAI invites articles, write-ups and other similar materials in the areas of Accounting, taxation or any other subject of professional interest for publishing in its e-bulletin. The articles submitted for consideration of publication should be of 2,000- 4,000 words typed double space on A4 size paper with 1 inch margin all around. Soft copy of the article may be sent to icaiebulletin@gmail.com.

Feed back on this e-bulletin can be sent to the editorial team @

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