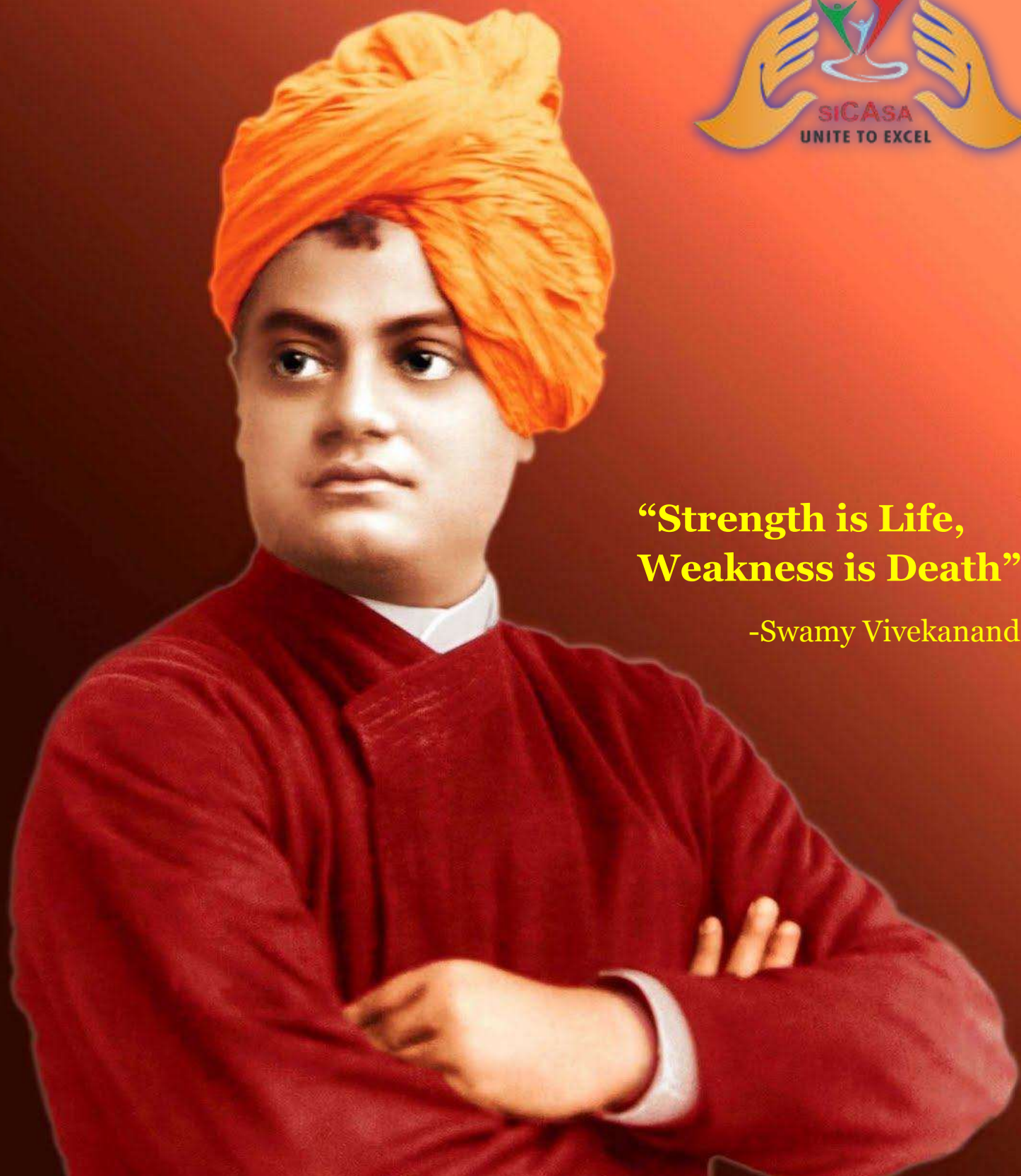




Bangalore Branch of SIRC of ICAI

SICASA e-Newsletter

February-2017



**“Strength is Life,
Weakness is Death”**

-Swamy Vivekananda

Recent Announcements from Institute

1. Undergoing of Orientation Course (15 days) in lieu of GMCS-I Course by the students registered for articleship training on or after 1st May, 2012 uptill 31st December, 2014.

It has been decided by the Council that the students who were registered for practical training on or after 1st May, 2012 uptill 31st December, 2014 after completing Orientation Programme (35 hours) but not completed the GMCS-I course, shall be required to undergo new Orientation Course (15 days) w.e.f. 1st January, 2017 in lieu of GMCS-I.

The above students are advised to register at the online portal www.icaionlineregistration.org or contact the nearest POU (Programme Organising Unit) for registration in Orientation Course and complete the same at the earliest.

Director, Board of Studies

SCHEME OF EDUCATION AND TRAINING

The Revised Scheme of Education and Training for CA Course is all set to be launched soon. It benchmarks CA education with the best global standards. Elaborate discussions and deliberations were held to crystallize the syllabus of all the subjects at all the levels of CA Course.

ONLINE PAYMENT GATEWAY

The Institute has recently signed MoU with three banks to introduce the facility of online banking for various payments to BoS. The Online payment gateway facility is proposed to be started with three banks viz. ICICI Bank, Axis Bank and Federal Bank shortly.

SUNDAY TEST PAPER SCHEME

The detailed modalities for implementation of Eligibility Test Papers Scheme for Final Course students has been finalized and approved in the Board at its last meeting and is being implemented

For more details you can contact SICASA team

email to: blrsicasa@icai.org

Call on : 080- 3056 3511 (Mrs. Manjula)

For Event Registration visit: www.bangaloreicai.org



Chairperson's Message

My dear Student,

I deem it a pleasure and privilege to communicate to you as the 1st Chairperson of Bangalore Branch of SIRC of ICAI, the most dynamic branch in the country bubbling with activities for CA Students, Members and society at large to maintain the quality of our prestigious CA Profession.

We all know that Bangalore Branch of SICASA used to conduct many programmes on topics of professional interest and this year also with the dynamic leadership of CA B T Shetty, Chairman, SICASA and his team, Bangalore Branch of SICASA will be reaching newer heights. I earnestly request you to participate in the activities of SICASA which will be of immense value to all of you.

While we congratulate all of you for having registered for this prestigious course we would like to state the fact that you have to put in all your efforts to pass this examination, making use of the facilities given by BOS, ICAI and the Branch.

We have expert and experienced faculty Members especially to deliver the best for the students. We also conduct mock test before the main exams. Hence, we appeal you to participate and derive maximum benefit out of the same.

Before I conclude, this message, I would like to emphasize the fact that our CA profession is very dynamic, demanding and rewarding. We have to imbibe the good qualities from our senior professionals like honesty, integrity and transparency in your day to day working environment, paving way to keep you in good stead throughout your career.

Shri. Late A P Abdul Kalamji, Past President of our great nation aptly remarked that ICAI is the Partner in Nation Building and we are accountable for this remarkable statement, maintaining the quality of our Profession.

With warm regards,

CA Geetha A B
Chairperson

Chairman's Message

My Dear Students,

Hearty Greetings!



It is my utmost pleasure to have an opportunity to communicate with you all for the first time as the Chairman of SICASA of the Bangalore Branch of SIRC of ICAI. As the largest and the most vibrant branch of the ICAI, I am really looking forward to the opportunity to interact with the students of our great profession.

I would like to convey my heartiest congratulations to all those students who have successfully cleared their final examinations held in the month of November 2016. To all those who haven't succeeded this time, maybe it's the right time for some self-introspection because you learn more from failure than from success. Don't let it stop you. Failure builds character.

We are all a part of this dynamic world which is changing at a dizzying pace and as a result everyone is finding it rather difficult to cope with this change. Chartered Accountants and Chartered Accountant Students are not an exception to this change.

Artificial Intelligence is taking over almost all routine jobs like accounting, compliance and reporting tasks. Chartered Accountants need to be multifaceted professionals in real terms instead of number crunchers. Chartered Accountants need to come to the forefront in business advisory rather than doing back office work.

In this fast changing world, if one door closes, multiple new doors open for those who are prepared to change quickly and adapt themselves to the new requirements. So Chartered Accountant students need to regularly update themselves with changes in technology and adapt themselves for newer challenges. As the saying goes, "The best insurance for tomorrow is the job well done today", students who keep themselves aware of the changes in the environment around them will have the capability to face the challenges that tomorrow throws at them.

To face these new challenges, our new initiatives lined up for this year are:

- Good communication skills are important for any professional and it is most important for Chartered Accountants. In this regard we are starting a "SICASA Speakers Forum". In this forum we help and provide assistance to students to develop and hone their public speaking skills.
- To create future leaders of the profession we shall provide opportunities to student speakers to speak in upcoming seminars and conferences.
- To identify and encourage the hidden talent of CA Students, we are planning to organize and host "Talents Day" during the year.

As the newly nominated Chairman of SICASA, I shall work to the best of my abilities to ensure that students receive the best of opportunities and I look forward to your active support and participation in SICASA initiatives.

Wish you all the very best.

CA B T Shetty

Chairman, SICASA Bangalore

Editor Message



Dear Students

Greetings!!!

You don't require any reason, time or occasion to start a good work which is beneficial to the large number of students, It's my pleasure communicate through the first month E-News letter, the new Managing Committee has decided to come out with monthly students E-News letter starting from February 2017, hope you all welcome this move for your improvement, to show case your skill on subject expertise by contributing an article to the news letter, you want to see this as your communicator for the activity of SICASA Bangalore and BOS news, we too try to make this news letter as more informative and interesting going forward with all of your active participation and cooperation. You have to cultivate the habit of writing, by wring to news letter, blogs, Souvenir, new paper and where ever you get a chance to write. We look forward from you following things so that we can publish in our news letter.

- You can write subject related articles,
- You can write about admirable great CA Personality
- Achievements of a student with photo(Ex., Secured place in sports or any other events)

I request students make use of this opportunity by sending subject related articles. The articles received before 18th day of the next month will be considered for publication in next month E-News letter.

Never lag behind take a leadership role, take a responsibility, so that you can learn and your personality will improve. Develop never give-up attitude in you, you will succeed in your life.

All the best, happy reading

CA.Srinivas T

MC Member



Southern India Chartered Accountant Students Association Bangalore Branch of SIRC of ICAI

SICASA Events - March 2017

Date & Time	Topics	Speakers	Fee
11 th March 2017 6.00pm to 8.00pmm	Ind. AS	Confirmation awaited	No Fee
14 th March 2017 10.00am to 1.00pm	How to approach CA Exams	By CA. Madhukar N Hiregange, Central Council Member & CA. Vijay Raja	Rs. 100/-
14 th March 2017 2.00am to 5.00pm	How to prepare and pass the exams (Subject wise)	CA. Jatin Christopher, IDT, CA. Anand Jangid, ISCA & InfoTech (Confirmation by the speaker for other subjects awaited)	
27 th March 2017 10.00am to 1.00pm	How to approach CA Exams	By CA. Madhukar N Hiregange, Central Council Member & CA. Vijay Raja	Rs. 100/-
27 th March 2017 2.00am to 5.00pm	How to prepare and pass the exams (Subject wise)	Dr. V. Rajesh Kumar, SFM, FM (Confirmation by the speaker for other subjects awaited)	
Pre Exam crash course for May 2017 Exams:- 2nd march to 17th March 2017 for IPCC Students 8th March to 24th March 2017 for Final Students For further details pls. Visit www.bangaloreicai.org			
18 th March 2017 9.30am to 5.00pm	Seminar on Bank Branch Audit		Rs. 200/-
Mock Test for IPCC & Final Students for May 2017 Exam Last week of March or 1st week of April 2017 details will be informed later			

**BANGALORE BRANCH OF SIRC OF ICAI****Tel: 080 – 30563500/511/512/555, Website: www.bangaloreicai.org****FINAL PRE-EXAM CRASH COURSE FOR MAY 2017 EXAMS**

We are glad to know that you have registered for Final Course and would be appearing for May 2017 exams. Few of you might have taken coaching classes at our Institute. Many students have requested us for organizing special sessions. Hence, pre-exam crash course for the benefit of the students appearing for May 2017 examinations is being organized, apart from the regular coaching classes, as per the schedule given below:

Final Timings: 10.00 am to 06.00 pm

SL No	DATE	DAY	SUBJECT	FACULTY
1.	08-03-2017	Wednesday	STRATEGIC FINANCIAL MANAGEMENT	CA.CHINMAYA HEGDE - BANGALORE
	09-03-2017	Thursday	STRATEGIC FINANCIAL MANAGEMENT	CA.CHINMAYA HEGDE - BANGALORE
2.	10-03-2017	Friday	QUANTITATIVE TECHNIQUES	CA.CHINMAYA HEGDE - BANGALORE
	11-03-2017	Saturday	COSTING & FINANCIAL MANAGEMENT	CA. VENKATA SIVA KUMAR - CHENNAI
	12-03-2017	Sunday	COSTING & FINANCIAL MANAGEMENT	CA. VENKATA SIVA KUMAR - CHENNAI
3.	13-03-2017	Monday	STANDARDS ON AUDITING	CA.VIKAS OSWAL - BANGALORE
	14-03-2017	Tuesday	ADVANCED AUDITING & PROFESSIONAL ETHICS	CA.POOJA KHATRI – BANGALORE
4.	15-03-2017	Wednesday	DIRECT TAXES	CA.SUNIL SURANA - BANGALORE
	16-03-2017	Thursday	DIRECT TAXES	CA.DEEPAK CHOPRA – BANGALORE
5.	17-03-2017	Friday	FINANCIAL REPORTING	CA.SAI MUKUNDAN – CHENNAI
	18-03-2017	Saturday	FINANCIAL REPORTING	CA.SAI MUKUNDAN – CHENNAI
6.	19-03-2017	Sunday	INDIRECT TAX LAWS	Mr. A.S. HARIHARA KUMAR - CHENNAI
	20-03-2017	Monday	INDIRECT TAX LAWS	Mr. A.S. HARIHARA KUMAR - CHENNAI
7.	21-03-2017	Tuesday	INFORMATION SYSTEM CONTROL & AUDIT	CA. ANAND P JHANGID – BANGALORE
	22-03-2017	Wednesday	INFORMATION SYSTEM CONTROL & AUDIT	CA. ANAND P JHANGID – BANGALORE
8.	23-03-2017	Thursday	CORPORATE AND ALLIED LAWS	CS. J SUDARESAN – BANGALORE
	24-03-2017	Friday	CORPORATE AND ALLIED LAWS	CS ABHISHEK BHARADWAJ- BANGALORE

THE FEE FOR THE PRE EXAM CRASH COURSE IS AS FOLLOWS:

Final:		Mode of payment: CASH / DD in favour of "BANGALORE BRANCH OF SIRC OF ICAI" PAYABLE AT BANGALORE. To register please contact: 080, 30563500 / 510/ 511/ 512 / 555 blrscasa@icai.org
Both Groups	Rs.3600/-	
I Group Subjects	Rs.2000/-	
II Group Subjects	Rs.2300/-	
Single Subject	Rs.800/-	

CA. Geetha A B
 Chairperson

CA. Bhat Shivaram Shankar
 Secretary

CA. Bhojaraj T Shetty
 SICASA, Chairman
**BANGALORE BRANCH OF SIRC OF ICAI****Tel: 080 – 30563500/511/512/555****Email: blrstudentevents@icai.org****Website: www.bangaloreicai.org****IPCC PRE-EXAM CRASH COURSE FOR MAY 2017 EXAMS**

We are glad to know that you have registered for IPCC Course and would be appearing for May 2017 exams. Few of you might have taken coaching classes at our Institute. Many students have requested us for organizing special sessions. Hence, pre-exam crash course for the benefit of the students appearing for May 2017 examinations is being organized, apart from the regular coaching classes, as per the schedule given below:

IPCC Timings: 10.00 am to 06.00 pm

SL No	DATE	DAY	SUBJECT	FACULTY
1.	02-03-2017	Thursday	AUDITING & ASSURANCE	CA. PUNARVAS JAYAKUMAR
	03-03-2017			
2.	04-03-2017	Saturday	INFORMATION TECHNOLOGY	CA. VENKATESH PADYAR
	05-03-2017			
3.	06-03-2017	Monday	FINANCIAL MANAGEMENT	CA. MODASSAR IRFAT
	07-03-2017			
	08-03-2017	Wednesday	No Classes	
	09-03-2017			
	10-03-2017	Friday	ACCOUNTING (Gr- 2)	CA. GAVRAV RAJARAM
	11-03-2017			
	12-03-2017	Sunday	ETHICS & COMMUNICATION	CA. POOJA KHATRI
	13-03-2017			
	14-03-2017	Tuesday	ACCOUNTING (Gr 1)	CA. CHINMAYA HEGDE
	15-03-2017			
	16-03-2017	Thursday	TAXATION : DIRECT TAXES	CA. PRASHANT BHARADWAJ

THE FEE FOR THE PRE EXAM CRASH COURSE IS AS FOLLOWS:

IPCC:		Mode of payment: CASH / DD in favour of "BANGALORE BRANCH OF SIRC OF ICAI"
Both Groups	Rs.3000/-	
II Group Subjects	Rs.1500/-	

CA. Geetha A B
 Chairperson

CA. Bhat Shivaram
 Secretary

CA. B. T. Shetty
 Chairman SICASA

Preface

The E-newsletter of SICASA, Bangalore is one of the means to keep ourselves abreast about the recent developments especially in the context of our nation where regular amendments are made to the provisions of the laws through the issue of regular notifications, circulars and/or directives. Even otherwise, the challenge of attaining the vast depth of knowledge expected to be there with each Chartered Accountant, by various stakeholders, if taken up individually is very tiresome and cumbersome task.

As such, SICASA, Bangalore has come up with this Monthly E-Newsletters for CA Students, which will act as a platform for information sharing and disseminating knowledge. We also have plans to include various other categories in the upcoming issues, which would include, *inter alia*, quizzes and/or brainteasers, motivational or inspiring stories as well as latest legal updates on various fronts. In this regard, we require strong support from CA Students community in terms of contributing materials to the newsletter as well as providing regular honest feedback on the newsletter.

We believe that, with your active participation, we will be able to regularly publish the newsletter on timely basis. Hope this newsletter will be useful to you all. Let us make this initiative a grand success and a continuing one.



The views expressed in this newsletter are of the respective authors and neither the Bangalore Branch of Institute of Chartered Accountants (ICAI) nor SICASA, Bangalore endorse such views. Though maximum effort is put to ensure correct and up-to-date information is published through the newsletter the SISCASA committee cannot guarantee the correctness or the authenticity of the articles submitted by CA Students.

For more details you can contact SICASA team

email to: blrsicasa@icai.org

Call on : 080- 3056 3511 (Mrs. Manjula)

For Event Registration visit: www.bangaloreicai.org

Section 54 and 54F – 'Residential House' Controversy



ABHAY JAIN
SRO0355944

There would hardly be any section that would not be a subject matter of litigation and with the changing circumstances around the world in the facets of housing industry, the question of what is the meaning of 'residential house' too gets further deep into controversies. In light of certain amendments and case laws, this topic has gained importance and we have thus chosen this topic for discussion.

Provisions of section 54 and section 54F of the Income Tax Act, 1961

Section 54 of the Income Tax Act, 1961 provides for exemption of capital gain arising from the transfer of a residential house being long term capital asset (i.e. held for greater than 3 years) if investment is made in one residential house in India.

Similarly Section 54F of the Income Tax Act, 1961 provides for exemption of capital gain arising from the transfer of a long term capital asset, other than residential house property, if investment is made in one residential house in India.

Concept of Residential House

This term 'Residential house' has led to litigations time and again with the Tax authorities taking one view and assessee's taking another in terms of what exactly constitutes 'Residential house'.

Interpretation is a subjective issue and only when the authorities or courts come out with their stands clearly, that the matter gets settled to some extent and same applies in the case of given scenario. Some of the prominent case laws in this regard are:

✓ **CIT v. Ananda Basappa (2009) 309 ITR 329 (Kar.)**

In this case, the assessee purchased two residential flats, adjacent to each other from a vendor. The assessee took two separate registered sale deeds in respect of the two flats situated side by side purchased on the same day and claimed exemption u/s 54 for both the flats. The vendor had certified that he had effected necessary modifications to the two flats to make it one residential apartment.

✓ **CIT v. Syed Ali Adil (2013) 352 ITR 0418 (A.P.)**

The facts of above Ananda Basappa were similar in this case as well, wherein the assessee purchased two adjacent residential flats out of the sale proceeds of house property, and made necessary arrangements so that the flats can be used

as single residence and then claimed exemption under section 54 in respect of investment in the residential flats.

In both the above cases, the courts ruled in the favor of assesseees and held that assesseees were entitled to deduction since the flats comprised in the same building, adjacent and necessary arrangements/modifications were made so that the flats can be used as single residence.

Further, in the case of **CIT v. Gita Duggal (2013) 357 ITR 153 (Delhi)**, the High Court made a stunning observation that sections 54 and 54F use the expression “residential house” and not “residential unit” and it is the Assessing Officer who had introduced a new concept of “residential unit” into these sections.

Thus the courts have clearly rolled the balls in the favor of assessee’s again and again and the concept of Residential house has been construed widely.

Analysis and conclusion

With the passage of time, new forms of residential house have emerged and flat system and multi-storeyed buildings have been construed as residential houses in general parlance. The concept of ‘unit’ has not been accepted by many courts as a tenable point of litigation, as discussed above.

An interesting part pertaining to amendment brought out by Finance (No.2) Act, 2014 in section 54 and section 54F is - before Finance (No.2) Act, 2014 was amended, the words “one residential house” were missing and there were litigations pertaining to investment in more than one residential house since the words “a residential house” could be interpreted using one of the laws of interpretation, i.e. ‘singular includes plural’. However the amendment has ended this confusion by adding the words “one residential house”

Though the above amendment has ended the ‘singular and plural’ confusion but the same has not addressed the issue of whether two or more flats in the same building would constitute ‘residential house’ or not and it so appears that even after the amendment the above rulings may continue to hold good, since the restriction is regarding investment in ‘one residential house’, and not in ‘one unit of a residential house’.

Hopefully this controversy shall be brought to an end either by the Honorable Supreme Court or the tax authorities themselves and provide a clear picture.

AS- 12

ACCOUNTING FOR GOVERNMENT GRANTS

Mounika E
SROo470902

INTRODUCTION:

Basic function of any government is promoting economic and industrial development of the country. Government discharges its duty either by undertaking promotional activities or giving incentives for selected items.

Incentives in shape of

- Tax Breaks (8oHHC)
- Grants

NEED OF AS-12

Receipt of grants is significant for the preparation of financial statements for two reasons.

- Appropriate method of accounting of grant is essential.
- Users of financials must know the extent to which the entity has been benefited from such assistance.

SCOPE

This Standard deals with accounting for government grants, both capital and revenue from the government agencies

Grants in the form of

- Monetary – Subsidies , cash incentives , duty drawbacks
- Non-Monetary – Land or other assets / resources

EXCLUSIONS

This Standard does not deal with the following.

Accounting for government grants in financial statements reflecting the effect of change in prices Government Assistance other than in the form of Government Grants (e.g. Tax holidays and Tax exemptions) Government participation in the ownership of the enterprise.

DEFINITION:

- Government grants are assistance by government in cash or kind for past or future compliance with certain conditions.
- Does not include grants which cannot be reasonably measured.
- Does not include transactions with government which cannot be distinguished from normal trading transactions of an enterprise
- Government includes – Union, State, Government agencies and similar bodies viz., local , national international.

Accounting Treatment of Government Grants:

There are two approaches for government grant.

1. **Capital Approach :** (Grant treated as a part of Shareholders fund)
2. **Income or Revenue Approach :** (Grant is taken to income over one or more periods)

Method of accounting should be based on the nature of relevant grant.

CAPITAL APPROACH:

Many government grants are in the nature of promoters contribution i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in the case of such grants . These should be directly credited to shareholders funds.

The grants are treated as capital reserve which can be neither distributed as dividend nor considered as deferred income.

- Proportion of total investment in the business
- Related to specific Fixed Assets

Grants related to specific fixed assets are government grants whose primary condition is that an enterprise qualifying for them should purchase or acquire or construct such assets.

They are two methods of showing fixed assets in books in case of government grant.

In first method , the grant is shown as a deduction from the gross value of asset .The grant is thus recognized in the profit and loss statement over useful life of a depreciable asset in the form of reduced depreciation charge. If the grant is equal to the total value of cost of fixed asset , the asset should shown in the balance sheet at nominal value.

In the second method, Grants related to the depreciable assets are treated as deferred income which is recognized in the profit and loss statement over the useful life of asset ,in the proportion in which depreciation is charged .

Grants related to the non-depreciable assets are credited to capital reserve , as there is no charge to income in respect of such assets. However grant related to non depreciable assets are requires the fulfillment of certain obligations, the grant is credited to income over the same period over which the cost of meeting of such obligation is charged to income.

The deferred income is suitably disclosed in the balance sheet pending apportionment to profit and loss account.

INCOME APPROACH:

Any other grant they should be taken to income and matched with the associated costs which the grant is intended to compensate.

Grants related to revenue are sometimes shown as a credit in the profit and loss statement either separately or under the head 'Other Income'.

Alternatively, they are deducted in reporting the relating expense .

REFUND OF GOVERNMENT GRANTS

- Government grants sometimes become refundable because certain conditions are not fulfilled.
- They are treated as an extraordinary item (AS 5, Prior Period and Extraordinary items and changes in accounting policies 5)
- The amount refundable in respect of a government grant related to revenue is applied first against unamortized deferred credit remaining in respect of the grant.
- To the extent that the amount refundable exceeds any such deferred tax credit , or Where no deferred tax exists , the amount is charged immediately to profit and loss statement.
- The amount refundable in respect of a government grant related to specific fixed asset is recorded by increasing the block value of fixed assets or by reducing the capital reserve or the deferred income balance, as appropriate , by the amount refundable.

- In the first alternative i.e., where the book value of the asset is increased, depreciation on the revised book value is provided prospectively over the residual useful life of the asset.
- Where the government grant in the nature of promoters contribution is refundable in part or full to the government for non fulfillment of some conditions, relevant amount recoverable by the government is reduced from the capital reserve.

RECOGNITION:

Government grants available to the enterprise are considered for inclusion in accounts:

Where there is a reasonable assurance that the enterprise will comply with the conditions attached to them and

Where such benefits have been earned by the enterprise and it is reasonably certain that ultimate collection will be made.

Mere receipt of a grant is not necessarily a conclusive evidence that conditions attaching to the grant have been or will be fulfilled.

DISCLOSURE REQUIREMENTS:

- Approach followed (Capital and revenue)
- Method of accounting followed – reduced from cost or capital reserve
- Nature and extent to which recognized
- Separate disclosure of non monetary at concessional rate or at free of cost

TREATMENT OF GOVERNMENT GRANTS IN TAXATION:

- Where the Government grant relates to a depreciable fixed asset or assets of a person, the grant shall be deducted from the actual cost of the asset or assets concerned or from the written down value of block of assets to which concerned asset or assets belonged to.
- Where the Government grant relates to a non-depreciable asset or assets of a person requiring fulfillment of certain obligations, the grant shall be recognized as income over the same period over which the cost of meeting such obligations is charged to income.
- Where the Government grant is of such a nature that it cannot be directly relatable to the asset acquired, so much of the amount which bears to the total Government grant, the same proportion as such asset bears to all the assets in respect of or with reference to which the Government grant is so received, shall be deducted from the actual cost of the asset or shall be reduced from the written down value of block of assets to which the asset or assets belonged to.
- The Government grant that is receivable as compensation for expenses or losses incurred in a previous financial year or for the purpose of giving immediate financial support to the person with no further related costs, shall be recognized as income of the period in which it is receivable.
- The Government grants in the form of non-monetary assets, given at a concessional rate, shall be accounted for on the basis of their acquisition cost.

DIFFERENCE BETWEEN AS 12 AND IND AS 20:

Accounting Standard -12	Indian Accounting Standard -20
1.AS 12 does not deal with the other forms of government assistance which do not fall within the definition of government grants.	1. Ind AS 20 deals with the other forms of government assistance which do not fall within the definition of government grants. It requires that an indication of other forms of government assistance from which the entity has directly benefited should be disclosed in the financial statements.
2. AS 12 requires that in case the grant is in respect of non depreciable assets, the amount of the grant should be shown as capital reserve which is a part of shareholders' funds. It further requires that if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income. AS 12 also gives an alternative to treat such grants as a deduction from the cost of such asset.	2. Ind AS 20, is based on the principle that all government grants would normally have certain obligations attached to them and these grants should be recognized as income over the periods which bear the cost of meeting the obligation. It, therefore, specifically prohibits recognition of grants directly in the shareholders' funds.
3.AS 12 recognizes that some government grants have the characteristics similar to those of promoters' contribution. It requires that such grants should be credited directly to capital reserve and treated as a part of shareholders' funds.	3. Ind AS 20 is based on the principle that all government grants would normally have certain obligations attached to them and it, accordingly, requires all grants to be recognized as income over the periods which bear the cost of meeting the obligation.
4.AS 12 requires that government grants in the form of nonmonetary assets, given at a concessional rate, should be accounted for on the basis of their acquisition cost. In case a non-monetary asset is given free of cost, it should be recorded at a nominal value	4. Ind AS 20 requires to value non-monetary grants at their fair value, since it results into presentation of more relevant information and is conceptually superior as compared to valuation at a nominal amount.
5. Existing AS 12 gives an option to present the grants related to assets, including non-monetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant from the gross value of asset concerned in arriving at its book value.	5.Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at its book value is not available under Ind AS 20
6.AS 12 does not require that loans received from a government that have a below-market rate of interest should be recognized.	6.Ind AS 20 requires that loans received from a government that have a below-market rate of interest should be recognized and measured in accordance with Ind AS 39 (which requires all loans to be recognized at fair value, thus requiring interest to be imputed to loans with a below-market rate of interest)

Sales Returns, Removal of Goods from Job
Work and Issue of supplementary invoices
and documents for Price Revision Post-GST
w.r.t. Pre-GST supply of goods

Anil Ghimire
FRO0005985

While the whole nation is going through the largest change in the indirect tax regime in the history of Independent India, one of the most important facets of the change is how the indirect tax regime (i.e. GST) will be conversed with the existing tax systems.

To avoid GST to become a burden for taxpayers the model GST legislation, the model GSST law contains several provisions to ensure that the proposed tax system takes care of sales return transactions, which are made before appointed date (date on which GST will come into force) but returned on or after the appointed date without prejudice to the interest of the taxpayers. Transition provisions (Chapter XXVII) of the model GST law (revised in November 2016) deals with the sales returns of goods, goods removed from job order and price revision by issue of various documents on or after the appointed date which was supplied before the appointed date, which are briefly discussed below:

Sales return of goods exempted under any previous law (Sec. 173)

If the sale was made not before six months and goods are returned within six months of the appointed date then no tax shall be levied on the returned goods.

However if the goods are returned after six months from the appointed date, tax shall be payable by the person returning the goods if the said goods are liable to tax.

Sales return of goods taxable under any previous law (Sec. 174)

If the sale was made not before six months and goods are returned within six months of the appointed date then the seller, provided he is a registered taxable person shall get a refund of the tax paid under any previous law on the returned goods on sale. However, for getting the refund, the person who is returning the goods shall not be a registered taxable person.

However, if the goods are being returned after six months from the appointed date, tax paid by the seller on returning the goods at the time of sale of the goods under previous law shall not be refunded and it would amount to cost in case the person is not registered under GST.

If the person who is returning the goods is a registered taxable person, tax shall be payable by the person returning the goods if the said goods are liable to tax.

If the goods are returned after six months from the appointed date, tax shall be payable by the person returning the goods if the returning person is a taxable person, provided that the said goods are liable to tax.

Inputs removed for job work and returned on or after the appointed day (Sec. 175)

In case Inputs as such or removed for Job work after partially processing under the provisions of previous tax laws (Excise/VAT etc.) for further processing, testing, repair etc. and are returned after processing within a period of 6 months from the date on which GST Act comes into force, then NO Tax shall be payable.

Tax shall be payable by manufacturer if the inputs are not received back within a period of 6 months or extended period from the date when GST comes into force OR Tax is to be paid by Job Worker if the goods after processing are returned back after a period of 6 months after the GST enactment date.

If registered person shows sufficient cause, then the period of 6 months may be extended by another 2 months by the competent authority.

Semi-finished Goods for job work and returned on or after the appointed day (Sec. 176)

In case goods as such or removed for Job work after partially processing under the provisions of previous tax laws (Excise/VAT etc.) for further processing, testing, repair etc. and are returned after processing within a period of 6 months from the date on which GST Act comes into force, then NO Tax shall be payable.

Tax shall be payable by manufacturer if the inputs are not received back within a period of 6 months or extended period from the date when GST comes into force OR Tax is to be paid by Job Worker if the goods after processing are returned back after a period of 6 months after the GST enactment date.

If registered person shows sufficient cause, then the period of 6 months may be extended by another 2 months by the competent authority.

Further, a declaration has to be filed by the job worker as well as principal to the department to avail the benefit of section 176.

Finished Goods removed for job work and returned on or after the appointed day (Section 177)

In case finished goods are removed for carrying out certain processes not amounting to manufacture under the provisions of present tax law and are returned after processing within a period of 6 months from the date on which GST Act comes into force, then NO Tax shall be payable.

Tax shall be payable by manufacturer if the inputs are not received back within a period of 6 months from the date when GST comes into force OR Tax is to be paid by person returning the goods if the goods after processing are returned back after a period of 6 months after the GST enactment date.

If registered person shows sufficient cause, then the period of 6 months may be extended by another months by the competent authority.

Further, a declaration has to be filed by the job worker as well as principal to the department to avail the benefit of section 177.

Issue of supplementary invoices, debit or credit notes where price is revised in pursuance of a contract (Sec. 178)

In case the price of goods are revised upwards after their clearance from the supplier premises, the taxable person issuing the goods has to issue supplementary Invoice or Debit Note containing such particulars as may be prescribed under the GST Rules within a period of THIRTY DAYS of such price revision.

In case the price of goods are revised downwards after their clearance from the supplier premises, the taxable person issuing the goods has to issue supplementary Invoice or Credit Note containing such particulars as may be prescribed under the GST Rules within a period of THIRTY DAYS of such price revision.

Such Debit Note / Supplementary Invoice shall be deemed to have been issued as document in respect of Outward supply under GST Act.

Such Credit Note / Supplementary Invoice shall be deemed to have been issued as document in respect of Inward supply under GST Act.

Provided that the taxable person shall be allowed to reduce his tax liability on account of issue of the said invoice or credit note only if the recipient of the invoice or credit note has reduced his input tax credit corresponding to such reduction of tax liability.

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