



NEWSLETTER

NAGPUR BRANCH OF WIRC
OF ICAI

JULY
2018

TAX

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Chairman's Message



Dear Colleagues,

All of us have our share of hopes and expectations –present & future. While certain part of those may appear logical and is likely to come true, the remaining may remain as mere hopes and wishful thinking. However as respected professionals of this society, the optimism our members have in their work and professionals lives is incomparable. As being the foundation of the Institute, the Nagpur Branch continues to work with great optimism and dedication to serve the members and students.

Let us all welcome the new entrants of the profession who have successfully qualified in the May 2018 examinations. The students from Nagpur have once again made the entire city proud with as many as Three All India Ranks being achieved by our students. With great enthusiasm and fresh ideas these 108 members are entering the profession with hopes & expectations.

70th CA DAY: The monsoon month started with a grand celebration of 70th Chartered Accountant Day on 1st July. The branch on this occasion felicitated various past chairmen who have contributed immensely for the branch and its recognition. We also undertook various medical check up camps for the members and students at large. The celebrations continued for over a week culminating through a Cyclothon wherein members cycled through the city roads to spread awareness of healthy lifestyle.

CA Student Conference: I am glad to share that CA Student conference was successfully hosted by the Nagpur Branch at IMA Hall. 680 students participated in this prestigious event which saw the presence of Shri Vijay Darda, Chairman, Lokmat Group & Dr. Ved Prakash Mishra, Vice Chancellor along with CA. Nihar Jambusaria, CA. S B Zaware, CA. Jay Chairra, CA. Mangesh Kinare & CA. Anil Bhandari, Central Council Members. We were also blessed to have motivational talks by Mr. Mukul Bafna & CA. Krishnadas Brajdevi. I acknowledge the efforts of CA. Jiten Saglani & entire managing committee who were duly supported by the past chairmen and staff of the branch for this mega event.

Seminars and Workshops: The branch organized seminar on Professional Enrichment wherein Ind As and Wealth Creation of CA's were deliberated by CA. SB Zaware & CA. Jay Chairra, Central Council Members. Further the branch continued its monthly Super CA Series & GST Forums regularly to update & equip members.

WICASA Activities: I glad that under the leadership of CA Jiten Saglani, Nagpur WICASA has been organizing events continuously. Semianrs, Study Circles, Educational Visits were organized throughout the month which is worth applauding for the efforts of the entire WICASA Team.

Further the Office Bearers of Branch were fortunate to have met CA. Piyush Goyal, Minister of Finance, Government of India. As a member of this Insitute we conveyed our pleasure on seeing him occupy the highest position in the financial aspects of the current government.

Further we continued our Super CA Series and various event of WICASA which has been duly appreciated by members and student fraternity at large. I am sure in the coming days the branch shall ensure that continuity is maintained in our activities.

Like, liberty, power too comes with a sense of responsibility. When we get power, our responsibility is to use that power to empower others around us. We create a huge impact as a professional community. Please remember, when we take an initiative in the interest of our society and environment, it is not only about our members or students, but of many more who are socially and professional associated with them. Pursing our profession with both heart and brains would surely ensure the hopes & expectations are met by all of us.

Yours friendly,
CA Umang V Agrawal
Chairman

INSIDE THIS ISSUE

Messages1

First time adoption in relation to
Financial Assets or Liabilities.....3

Glimpse of Past Events.....6

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Joint Editor's Message



Dear Professional Colleagues,

The month of July always remains a busy one and hectic one before the beginning of Audit Season for our profession. Even with the recently concluded exams of the schools and colleges, members will have quality time to spend with their families and to make the most of the summer vacations. We believe that "Quality of life is enriched if we have a happy balance between work and family" Hence, its always a time for rejuvenating oneself with the new knowledge and ideas.

In month of June, the branch successfully conducted the Intensive Study Course on GST, a seminar on Understanding Income Tax and GST Returns, a seminar exclusively for lady members on Practice Development, a Residential Refresher Course at Rupin Pass. This month was also dedicated towards exam-centric revisionary

classes and mock test exams for students, and our efforts were well appreciated.

At branch, our efforts remain to ensure every member is well supported, equipped and trained to face the colossal task of matching the expectations of the society and the law administrators. Nagpur branch is always open to new ideas and programs, members are requested to give their contribution by way of suggestions and articles in the newsletter.

Point to Ponder: "The snake which cannot cast its skin has to die. As well the minds which are prevented from changing their opinions; they cease to be mind"

Happy learning and keep sharing.

For any suggestions and comments, please note that I am just an email away.

CA. Prateek Rajesh Gupta

Joint Editor

Nagpur Branch of ICAI.



Dear professional College,

After relaxing summers and welcoming rains now it's time to fasten our seat belts and gear up as we are heading to our professional season. It's time for filing various returns as all the due dates of filing returns are approaching. Although the date of filing the return has been extended till 31st August, In this July month mainly the pressure would be for filing income tax returns.

Nagpur branch is always enthusiastic for arranging different programs, which includes professional as well as social programs. In July month the branch has lined up various seminar on Understanding GST And Income Tax Returns. Its nearly a year that GST has been implemented, so what were the outcomes of GST round the year shall be discussed. CA student conference is organized by Nagpur Branch of ICAI on 9th & 10th july, 2018. Branch also

organized a flagship event " Ek Shyam CA ke Nam " for celebrating our foundation day.

On the professional note, we have tried to cover certain topics which are not regularly encountered by members and such articles will be handy ready reckoner for all of us. IT Management for a smart CA office is one such topic covered in this issue. I sincerely request for suggestions from members so that in future we can add required contents and deliver better.

Happy Reading

CA Aayush Sanjay Agrawal

Joint Editor

Nagpur Branch of ICAI



First time adoption in relation to Financial Assets or Liabilities

CA. Sumit Sarda

With the applicability of Ind AS to all listed companies and unlisted with net worth more than 250 Crores w.e.f. 1.4.2018, there has been a lot of confusion with regard to measurement criteria specifically with respect to assets and liabilities which meets the definition of financial instruments as per Ind AS 32 and 109 being assets like loans and advances, debtors, bills receivable etc. and liabilities like creditors, unsecured loan or secured loan.

Firstly, let's understand what we mean by financial assets and financial liabilities

If we have a contractual right to receive cash or cash equivalent or another financial asset, such assets are termed as financial asset which may be accounted in either of three categories being Amortized Cost (ACM), Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through P or L (FVTPL). E.g. Debtors, Bills Receivable, shares of a company, purchase of debentures and bonds etc.

Conversely if there is a contractual obligation to pay cash or cash equivalent or another financial asset, such liabilities are termed as financial liabilities which may be accounted in either of two categories being ACM or FVTPL. E.g. Creditors, bills payable, debentures, redeemable preference shares, secured or unsecured loans etc.

An asset or liability may be classified under ACM if it satisfies four conditions being firstly intention to hold the instrument till its maturity, secondly maturity date is determinable, thirdly interest being calculated on principal amount and lastly principal amount to be received on maturity is known and fixed.

An asset may be classified as FVTOCI if the instrument has no maturity date or intention is to hold the instrument as well seek better investment opportunities

An asset or liability may be classified as FVTPL if it does not satisfy any of above mentioned criteria or it is held for trading or is a derivative instrument.

Now the biggest confusion is whether the same is to be applied w.e.f. date on which Ind AS became applicable or from the date the instrument was first recorded in books which maybe a date prior to Ind AS becoming applicable. As per Ind AS 101 'First time adoption of Ind AS' which is to be followed for transition for the first time from Indian GAAP (Companies AS Rules 2006) to Ind AS (Companies Indian AS Rules 2015), we need to first prepare opening balance sheet for the comparative period as per Ind AS 101 and then apply other Ind AS from following balance sheet onwards. E.g. if Ind AS becomes applicable from 1.4.2018, the opening balance sheet for the period will be for the date 1.4.2017, i.e. period ending 31.3.2017. All accounting policies to be applied under this opening balance sheet shall be in compliance with policies permitted under Ind AS and to be applied in all periods presented in first Ind AS financial statements as per Para 7

Para 11 also clearly specifies that the policy as per previous GAAP maybe different and not in concurrence with Ind AS, such adjustments need to be made to asset/ liability value and resultant difference to be adjusted to retained earnings which clearly means retrospective adjustments



First time adoption in relation to Financial Assets or Liabilities

Let's look at an example

Suppose company paid an interest free security deposit to its land lord for office space of Rs.100 lakhs receivable after 9yrs as on 1.4.2010. The same appears under Loans and Advances at Rs.100 lakhs under previous GAAP. Suppose Ind AS became applicable to the company dated 1.4.2018, so transition date balance sheet will be drawn on 1.4.2017. As per Ind AS 109, such deposit need to be measured at its discounted value being ACM. Now the remaining maturity of such liability as on date of transition will be 2yrs. (maturing on 31.3.2019) and discounting rate existing as on 1.4.2010 was 10%. Then such liability need to be discounted as under

$$100 \text{ lakhs} * \left(\frac{1}{1.10} \right)^2 = 82.64 \text{ lakhs}$$

Now we need to pass the following journal entry to make the adjustment

| | |
|----------------------------------|--------------|
| <i>Security Deposit a/c. dr.</i> | <i>17.36</i> |
| <i>To Retained Earnings</i> | <i>17.36</i> |

(Being reduction in security deposit being made for retrospective adjustment of the interest factor)

For the comparative year 2017-18, interest expense shall be shown in P&L for comparative year as under

| | |
|----------------------------|-------------|
| <i>Interest a/c. dr.</i> | <i>8.26</i> |
| <i>To Security Deposit</i> | <i>8.26</i> |

(Being interest @ 10% on 82.64)

For the current year 2018-19, interest expense will be shown same as above being as under

| | |
|----------------------------|------------|
| <i>Interest a/c. dr.</i> | <i>9.1</i> |
| <i>To Security Deposit</i> | <i>9.1</i> |

(Being interest @ 10% on 90.9)

However sometime it is not practicable to determine effective rate retrospectively. In such cases Ind AS 101 provides certain exemptions from retrospective application. One such exemption covered in Appendix B Para 8C relates to financial instruments which explains that fair value of such instrument on the date of transition shall be considered to be the new carrying amount of such instrument (for ACM, new amortized cost shall be determined based on effective rate existing on the date of transition)



First time adoption in relation to Financial Assets or Liabilities

Now let's assume that in above example, such discount rate as on 1.4.2017 is 12%, then the fair value of such security deposit shall be determined as under

$$100 \text{ lakhs} * \frac{(1)^2}{1.12} = 79.72 \text{ lakhs}$$

We need to pass the following journal entry to make the adjustment

| | |
|---------------------------|-------|
| Security Deposit a/c. dr. | 20.28 |
| To Retained Earnings | 20.28 |

(Being reduction in security deposit being made for retrospective adjustment of the interest factor)

For the comparative year 2017-18, interest expense shall be shown in P&L for comparative year as under

| | |
|---------------------|------|
| Interest a/c. dr. | 9.56 |
| To Security Deposit | 9.56 |

(Being interest @ 12% on 79.72)

For the current year 2018-19, interest expense will be shown same as above being as under

| | |
|---------------------|-------|
| Interest a/c. dr. | 10.72 |
| To Security Deposit | 10.72 |

(Being interest @ 12% on 89.28)

The list of such exemptions is huge and we have tried to cover a small aspect of the same related to financial instruments like security deposit.

Glimpse of Past Events

Annual General Meeting



Felicitation of Piyush Goyal



Members felicitating Honble Minister



*CA Piyush Goyal,
Honble Minister of Finance, Government of India*



Glimpse of Past Events

CA Day Celebration



Flag Hoisting on Occasion of CA Day



CA. Sanjay Narke addressing on occasion of CA Day



All Past Chairmen during the felicitation program



Past President of ICAI CA Jaydeep Shah & CA B K Agrawal and entire managing committee



CA. B K Agrawal



CA Jaydeep Shah, Past President ICAI



Members donating blood



Members donating blood



Body Check Up Camp



Dental Check Up camp



Organ Donation Camp



Glimpse of Past Events

CA Student Conference



Shri Vijay Darda, Chairman Lokmat Group, inaugurating the Conference



Shri Vijay Darda interacting during the conference



Dr. Ved Prakash Mishra



CA. Mangesh Kinare



Mr. Mukul Bafna



CA. Anil Bhandari



CA Krishnadas Brajdevi



CA. Julfesh Shah



CA. S B Zaware



CA Nihar Jambusaria



Winners along with Branch Committee and WICASA Committee



Glimpse of Past Events

Cyclothon



Mr. Aniruddha Raicha

Seminar on professional Enrichment



CA. S B Zaware



CA Jay Chairra

Congratulations!



*In the recently concluded elections, **CA. Girish Deodhar**, a practising Chartered Accountant from Nagpur has been elected as the Treasurer of the Vidarbha Industries Association for the year 2018-19*

CA Connect

Nagpur Branch of WIRC of ICAI acknowledges the contribution being extended by the members of the city for continuous activities for the benefit of members. However we are also aware that it is the responsibility of the Branch to mediate the gap amongst the members and create a platform for networking amongst the members so that sharing of work can be done effectively. Hence we are starting with a dedicated section in the monthly newsletter wherein members who are in need of any professional assignment may put in their request whereas the members who are in need of professionals for various assignment may also give details of their requirements so that members at large can be benefited. Requesting the members to be a part of 'CA Connect' networking platform and take maximum benefit of the same.

Those who wish to outsource assignments on part time basis may kindly mail the details of their Firm and a brief of the Work they wish to outsource to Nagpur Branch [nagpur@icai.org] in the below mentioned format :

| Firm Name | Description of Assignment | Name of Contact person | Contact Details | |
|-----------|---------------------------|------------------------|-----------------|--------|
| | | | Email | Mobile |
| | | | | |

Those who seek assignments on part time basis may kindly mail the details of their details to Nagpur Branch [nagpur@icai.org] in the below mentioned format :

| Name | Contact Details | | Type of Assignment Sought |
|------|-----------------|--------|---------------------------|
| | Email | Mobile | |
| | | | |

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