



# WIRC BULLETIN

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**Vol. 37 No. 10**

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**For Members only**

**October 2009**

## *From the Desk of Chairman*



My Dear Professional colleagues,

All my practicing professional brothers and sisters would have been busy in completing their Cost Audit assignments during September 2009. Now that the hectic schedule must have subsided, it must be time to relax a bit.

The economy is changing very fast and there are dynamic developments which do not go unnoticed; The New Direct Tax Code and GST to name a few. Let me mention at this juncture that within two months of my assuming office as Chairman, I have been able to proceed with my MISSION 2009- 2010 with strong steps. Of course this would not have been possible but for the full support of my Management Committee Colleagues and the staff of WIRC. Let me share some of the events which are noteworthy in this regards:

- ❖ I had the privilege to visit Kalyan-Ambernath, Aurangabad, Vadodara, Bhopal and Jabalpur Chapters. The enthusiasm shown by members and students of these chapters ratified my views that future of ICWAI Profession is bright and in strong growing direction. I was more impressed by the commitment showed by students of these chapters especially Aurangabad Chapter, their approach towards profession needs to be appreciated.
- ❖ One of our goals in our MISSION was to build a bridge with the Corporate World for better opportunities to our students. In this direction I had an opportunity to visit:
  - Reliance Industries Ltd. Jamnagar on 4th August, 2009
  - Mahindra and Mahindra Ltd. Mumbai on 20th September, 2009

- Madhya Pradesh Power Generation Co. Ltd., Jabalpur, on 7th October, 2009.

At Reliance Industries Ltd. we have inaugurated the 2nd batch of "RELIANCE CERTIFIED ACCOUNTANTS COURSE" and at Mahindra and Mahindra Ltd. we are in the midst of the "MAHINDRA CERTIFIED ACCOUNTANTS COURSE".

MP Power Generation Co. Ltd. at Jabalpur, with the Co-operation of local chapter have shown their keen desire to start the Oral coaching Classes at the earliest for which they have assured full Infrastructural support from their end.

- ❖ As we all know chapters are the Super Structure on which ICWAI profession rests. Keeping this in view, WIRC had arranged "ORIENTATION PROGRAMME" and "CHAPTERS MEET" from 4th October, 2009 to 6th October, 2009 at beautiful hill station of Panchmarhi, which was attended by the representatives of majority of the Chapters. Detailed report of the same is published in this bulletin.

WIRC has decided to grant "WESTERN INDIA REGIONAL COST CONFERENCE" to Aurangabad chapter. Taking inspiration from the initiative taken by the Surat South Gujarat Chapter last year, Nashik Chapter has come forward to be the host the "STUDENTS CONFERENCE" in WIRC. Detailed programme of both the conferences would be announced in due course.

Three D's namely DETERMINATION, DECISION and DEDICATION play an important part in our Professional and Personal life. I wish all the Members, Students and Staff members of our ICWAI Parivar a Happy Deepawali, 'Tamaso Ma Jyotirgamaya', 'Oh God, lead us from darkness to light, from ignorance to knowledge'.

With Warm Regards,

**Manubhai K. Desai**



*WIRC Wishes all its Members & Students  
Happy Diwali & Prosperous New Year*



## Glimpses of Orientation Programme & Chapters' Meet held from 4th October 2009 to 6th October 2009 at Panchmarhi



Mr. Manubhai Desai, Chairman WIRC welcoming Mr. G. N. Venkataraman, President ICWAI



Mr. G. N. Venkataraman, President ICWAI lighting the lamp.



Mr. Sanjay Bhargave, CCM-ICWAI interacting with participants



Mr. G.R. Paliwal, Chairman, Students, Members & Chapter Co-ordination Committee, WIRC welcoming Mr. V.C. Kothari, CCM-ICWAI



Mr. P.V. Wandrekar, Hon. Secretary, WIRC welcoming Mr. Chandrashekhar Chitale, faculty for the topic - Direct Tax Code



Mr. D. K. Birla, Treasurer, WIRC welcoming Mr. Chitale and Mr. Datey, faculties for the Seminar



View of Audience



View of Audience

## **CONTINUING EDUCATION PROGRAMME**

### **Discussion on Exposure Draft of Cost Accounting Standard released by CASB on Administrative Overheads and Repairs & Maintenance Cost**

**Date:** Saturday the 31st October 2009 **Time:** 3.00 pm to 6.00 p.m.

**MR. M.B. ASHTAMKER**, PCA  
will be the facilitator for the said discussion

**Fees: Rs.250/-**

**Venue:**

**WIRC of ICWAI,**  
Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001

***For Registration***

E-Mail : seminar@icwai-wirc.org

(2 CEP Credit hours will be provided)

***Programme Co-ordinators***

Ms. Aruna Soman : 98692 07020

Mr. S.G. Narasimhan : 98199 95065

Mr. Ashish Thatte : 98209 73559

**Please Note :**

The **member in Practice** should undergo minimum **mandatory training of 10 hours** per year w.e.f. 2009-10

The **member in Service** should undergo minimum **mandatory training of 6 hours** per year w.e.f. 2009-10

### **Attention Members and Chapters**

**CEP Programs conducted by Chapters, at a location beyond the jurisdiction of the respective Chapter shall not be eligible for CEP credit hours.**

**Members and Chapters may please take note.**

## **VIEW POINT**

### **Presentation of Cost with respect to Consumable Stores, Repairs & Maintenance**

**Rajesh Kapadia, AICWA**

Whenever Product Cost is presented to the management in the form of marginal cost, fixed cost and total cost, it is always better to show cost with respect to consumable stores, repairs & maintenance as fixed cost of the product due to the following reasons:

- (1) Replacement of consumable stores and carrying out of repairs and maintenance work is often necessitated due to wear and tear caused to the plant & machinery due to its being in operation over a period of time.
- (2) So, though it is incurred in any given month or given period, it is difficult to relate it to the output of that month or that period as wear and tear might have been caused due to its being in operation over a period of time.



**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS,  
OFFICE OF REGISTRAR OF COMPANIES,**

No. ROC/TS/Master / 2407

Dated: 9th Sept. 2009

To  
Local Chapter,  
ICAI/ICSI/ICWAI,  
Mumbai.

**Sub : Panel for outsourcing of work of Technical Scrutiny of Balance Sheets.**

Sir,

This office is in process of preparing a panel of professionals for outsourcing the work of Technical scrutiny of Balance sheets filed with this office as per the provisions of the Companies Act, 1956 on the following terms and conditions:-

1. The fee payable per Balance Sheet for scrutiny of Balance Sheet and examining subsequent replies of the company will be as under:
 

Companies with Paid up Capital		
Rs. 5 Cr – 50 Crores	–	Rs. 2,500/-
Companies with Paid up Capital		
Rs. 50 Cr – 250 Crores	–	Rs. 5,000/-
Companies with Paid up Capital		
Rs. 250 Cr – 500 Crores	–	Rs. 7,500/-
Companies with Paid up Capital		
above Rs. 500 Crores	–	Rs. 10,000/-
2. Only the professionals in whole time practice for at least continuous period of one year experience of Corporate Laws, Accounts, Accounting standards , Statutory audit of companies /Secretarial compliances certificates, maintenance and/or examination of secretarial records, secretarial audit etc. as on the date of application are eligible to apply for his name in the panel He shall also disclose a list of major assignments handled by him
3. The professional shall sign an agreement with the Registrar of Companies on case to case basis whenever a case is assigned to him. A model agreement detailing the terms and conditions and task etc is enclosed as Annexure 1 to this letter.
4. The professional shall also sign a declaration to maintain absolute integrity and secrecy in respect of any assignment under the agreement.
5. The professional shall be required to take an oath of confidentiality and breach of this condition shall make the person concerned liable for penal action under IPC, Cr.PC or any other relevant provisions besides, action for breach of agreement.
6. Scrutiny of Balance Sheet of a company will be assigned to a professional who is neither related to the subject company or its competitors or any of its related companies, holding or subsidiary companies

or any of the companies, partnership concern or other sole proprietors in which any of the Directors or their relatives are interested as Directors, shareholders, partners or sole proprietors.

7. The professional will be supplied with a copy of the Balance Sheet and any other required document for scrutiny in the office of ROC and he will be required to carry out his work in the office of ROC during office hours. He will deliver his report and his working papers to the authorized officer before leaving the office of ROC.
8. The professional will also help in examining/analyzing replies submitted by the company in response to the letters, notices regarding irregularities/violations detected.
9. Work of only Technical scrutiny will be outsourced to the professionals. Subsequent sovereign functions like issue of notices, investigation and filing prosecutions will remain with the ROC and his staff.
10. The professional shall not sign or send any type of communication to the subject company. The letters or notices shall be sent only by the ROC or his authorized officer(s). The professional shall complete the scrutiny work and submit his report within the time prescribed by the ROC.
11. Not more than two cases at a time shall be assigned to any professional in the panel.
12. The ROC shall not be bound by the list of applicants sent by the NIRC and shall have full discretion to reject any of the application if not found suitable for the job.
13. Inclusion of the name in the Panel shall not be a guarantee for any assignment. The ROC shall have full discretion for assignment of cases keeping into consideration the experience and profile of the professional in the panel.
14. The panel shall be valid only for the financial year 2009-10.

You are requested to give a wider publicity to the said process and send the names applications of interested member professionals to this office at the earliest.

Yours faithfully,  
Registrar of Companies,

**MODEL AGREEMENT TO BE ENTERED BETWEEN THE REGISTRAR OF COMPANIES AND THE OUTSOURCING PROFESSIONALS ON CASE TO CASE BASIS.**

This agreement is made on this \_\_\_\_\_ day of \_\_\_\_\_ 2009/2010 between the Registrar of Companies (herein after called ROC) and Sh. \_\_\_\_\_ CA/CS/ICWAI, Membership No. \_\_\_\_\_ having his office at \_\_\_\_\_ (hereinafter called Professional) for outsourcing of the work of Technical Scrutiny of the Balance Sheet as at \_\_\_\_\_ (date) and documents annexed there to of M/s. \_\_\_\_\_ (Company) \_\_\_\_\_ having its Registered office at \_\_\_\_\_ .  
The Paid up capital of the company is Rs. \_\_\_\_\_ as on the date of Balance Sheet as at (Date) under on the following terms and conditions.

1. The professional undertakes to have received the subject Balance Sheet and documents annexed thereto and other relevant documents from the ROC.
2. The total fee payable is Rs. .... The said fee shall be paid on completion of the Technical Scrutiny i.e., after sending the report to the office of Regional Director/MCA.
3. The professionals shall submit his draft order under section 234(1) on behalf of ROC, pointing out the prima facie contraventions of the provisions of the Companies Act and irregularities, violations, secretarial non compliances, prima facie contraventions of the Companies Act, 1956 and further information to be called from the company and other observations on examination of the Balance Sheet and documents annexed there to and other documents being given to him by the ROC within \_\_\_\_\_ working days from the date of this agreement.
4. The professional shall be provided with a copy of the reply submitted by the company by the ROC and the professionals shall submit his observations, irregularities / violations detected on examination of the reply of the company within \_\_\_\_\_ working days from the date of receipt.
5. There shall be a penalty of 5% cut in fee for every one day of delay if the professional fails to submit his report within the time limit. If the professional fails to deliver within maximum of 10 days the work shall be assigned to the other professional without any claim of fee to the professional and he shall not be assigned any such assignment in future.
6. The ROC has sole discretion to withdraw the assignment if he is not satisfied with the quality of the service.
7. The professional shall not sign any communication directly to the company or any of its Directors or shareholders or creditors. All the letters or notices

shall be sent and signed by the ROC or any of its authorized officers.

- 1) The professional further declares that:-
  - (a) He shall maintain absolute integrity and secrecy in respect of the assignment under agreement.
  - (b) He takes an oath of confidentiality and breach of this condition will make him liable for penal action under IPC, Cr.PC or any other relevant provisions besides, action for breach of agreement.
  - (c) He is not related to the subject company, its holding or subsidiary company or any of its competitor or any other company, partnership concern or sole proprietor concern in which any of the Directors or their relatives is interested as Directors, partners or sole proprietors.
  - (d) He has not handled any assignments from the subject company in the last one year and he further undertakes to inform ROC before accepting any assignments from the subject company in the next one year on his own name or in the name of any of his partners.

Signed on this day of \_\_\_\_\_ 2009.

(Registrar of Companies)

(Professional)

*Congratulations !!!*



**Mr. R.N. Bhave**, Fellow Member of the Institute has completed IFRS Certification from ICAI. With this, Mr. Bhave has completed his 7th Qualification B.Com., LLB (G), FICWA, FCA, ACS, SIX SIGMA GREEN BELT and IFRS by ICAI.

Mr. Bhave has conducted a **“Mega Lecture”** on IFRS delivered on 22nd August 2009 with 1139 registered participants from 75 cities and 100+ Reliance VC locations. The lecture was conducted under the joint banner of WIRC - ICWAI and ICSI.

# What is IFRSs and IFRSs for SME

(c) **Rajkumar S. Adukia**

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## **Scope of IFRS**

All International Accounting Standards (IASs) and Interpretations issued by the former IASC (International Accounting Standard Committee) and SIC (Standard Interpretation Committee) continue to be applicable unless and until they are amended or withdrawn.

IFRS sets out recognition, measurement, presentation and disclosure requirements of transaction and events in general purpose financial statements.

IFRSs apply to the general-purpose financial statements and other financial reporting by profit-oriented entities i.e. those engaged in commercial, industrial, financial, and similar activities, regardless of their legal form.

Entities other than profit-oriented business entities may also use IFRSs with certain changes in terminologies.

General purpose financial statements are intended to meet the common needs of shareholders, creditors, employees, suppliers, government and the public at large for information about an entity's financial position, performance, and cash flows.

IFRS apply to consolidated as well as separate financial statements.

If an IFRS allows both a 'benchmark' and an 'allowed alternative' treatment none of them is preferred treatment. However, in developing Standards, IASB intends not to permit choices in accounting treatment. Further, IASB intends to reconsider the choices in existing IASs.

IFRS presents fundamental principles in bold face type and other guidance in non-bold type (the 'black-letter'/'grey-letter' distinction). Paragraphs of both types have equal authority.

IFRS does not prescribe as who should apply IFRS. It left upon the national standard setters to decide which entities would be bound to comply with IFRS.

The focus of international standard setting is on profit-oriented reporting entities, including non-corporate entities such as mutual funds. Despite concentrating on profit-type entities, the IASB envisages that non-profit entities in the private and public sectors may nevertheless find its Standards an appropriate basis for financial reporting. The specific needs of the public sector have been acknowledged by the International Federation of Accountants (IFAC), whose Public Sector Committee has on its agenda the preparation of standards based on IFRS, for use by public sector entities. However, a non-profit entity that states compliance with IFRS should comply with IFRS in full.

A profit-oriented reporting entity is one that reports to users, who rely on the financial statements as a major source of financial information about the entity. Financial Statements are directed to the information needs of users such as investors and potential investors, employees, lenders, suppliers, creditors, customers, governments and the public at large.

The term financial statements refer to statements that display different aspects of the entity's financial performance and position. Financial position is reflected in the statement of financial position and a statement of changes in shareholders' equity (excluding transactions with shareholders). Financial performance is reported in the income statement and liquidity position in the cash flow statement. These statements are supplemented by a series of detailed notes.

Some Standards permit different treatments for certain types of transactions or events. One treatment is designated as the benchmark treatment, and the other the allowed alternative. Neither is designated as the IASB's preferred approach. The Board intends to develop future Standards that require similar transactions and events to be accounted for in the same way. The IASB intends to reconsider the choices given in current IFRS with a view to reducing and potentially eliminating them.

## **Structure of IASB**

The IASB is organised under an independent Foundation named the International Accounting Standards Committee Foundation (IASCF). That Foundation is a not-for-profit corporation created under the laws of the State of **Delaware, United States of America, on 8 March 2001**. Components of the new structure of IASB are as follows:

- 1. International Accounting Standards Board (IASB)** – has sole responsibility for establishing International Financial Reporting Standards (IFRSs).
- 2. IASC Foundation** – oversees the work of the IASB, the structure, and strategy, and has fundraising responsibility.
- 3. International Financial Reporting Interpretations Committee (IFRIC)** – develops interpretations for approval by the IASB.
- 4. Standards Advisory Council (SAC)** – advises the IASB and the IASCF.
- 5. Working Groups** – expert task forces for individual agenda projects.
- 6. Monitoring Board of Public Authorities** - effective 01.02.2009

Accounting Standards in India are issued by Accounting Standard Board (ASB) of Institute of Chartered

Accountants of India and are largely based on IFRS. However, India has not been able to keep pace with the amendment and additions made in IFRS from time to time. This is largely because of its sensitivity to local conditions including the conflicting legal and economic environment. However, with the opening of Indian economy in near past, the convergence to IFRS has become unavoidable. Keeping this in view, ASB decided to form an IFRS task force in August 2006. Based on the recommendation of this task force, the Council of ICAI, in its 269th meeting decided to fully converge with IFRS from the accounting periods commencing on or after 1st April 2011. At initial stage, this convergence will be mandatory for listed and other public interest entities like banks, insurance companies, NBFCs, and large sized organizations with high turnover or annual income.

### **Why this convergence?**

Converging with IFRS will have multiple benefits for Indian entities especially those who aspire to go global. Some of the benefits of convergence with IFRS are explained below:

#### **a) Accessibility to foreign capital markets**

The force of globalization has enabled the concept of 'open economy' and increasing numbers of countries has opened doors for foreign investment and foreign capital. Many Indian entities expanding and making their presence felt in international arena. Huge amount of capital commitment are required in this process for which entities have to list their shares in various stock exchanges around the world. Majority of stock exchanged either require or permit IFRS compliant accounts. Adaptation of IFRS will enable Indian entities to have access to international capital markets.

#### **b) Reduced Cost**

At present when Indian entities list their securities abroad they have to make another set of accounts which are acceptable in that country. Convergence with IFRS will eliminate this need for preparation of dual financial statements and thereby reduce the cost of raising capital from foreign markets.

#### **c) Enhance Comparability**

If the Financial statements of Indian entities are made in lines of IFRS, they will have greater comparability and will enable foreign companies to have broader and deeper understanding of the entities relative standing. This will also facilitate mergers, amalgamation and acquisition decisions.

#### **d) Boon for multinational group entities**

Entities in India may have a holding, subsidiary or associate company in some other nation. Compliance with IFRS for all group entities will enable the company management to have all the financial statements of the group in one reporting platform and hence will facilitate the consolidation process.

#### **e) New Opportunities for the professionals**

Migration to IFRS will not only be beneficial for Indian corporate, it will also be a boon to Indian accounting and other associated fields. India is a country with immense human resource. With knowledge of IFRS Indian professional can immerge as leading accounting service provider around the globe. This convergence will also open the flood gate of opportunities for valuers and actuaries as IFRS is fair value based accounting standard.

### **What is IFRSs?**

International Financial Reporting Standards comprise:

- IFRSs - standards issued after 2001
- IASs- standards issued before 2001
- Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) - issued after 2001
- Interpretations of Standing Interpretations Committee (SIC) - issued before 2001

### **Effective IFRSs as on date**

- No of standards issued - effective 29 (total 41) IASs , 8 IFRSs
- No of interpretations - effective 15 (total 18) IFRIC Interpretations, effective 11 (total 33) SIC Interpretations
- No of Financial Reporting Standards in force as on date - 63

### **Grouping of IFRSs into eleven parts:**

#### **1. Preface and framework**

##### **Preface**

- a. Objectives of the IASB
- b. Scope and authority of IFRSs
- c. Due process
- d. Timing of application of IFRSs
- e. Language

##### **Framework**

- a. Introduction
- b. Qualitative characteristics of financial statements
- c. The elements of financial statements
- d. Recognition of the elements of financial statements
- e. Measurement of the elements of financial statements
- f. Concepts of capital and capital maintenance

#### **2. Other literature**

- a. IASC Foundation Constitution
- b. Due process Handbook of IASB
- c. Due process Handbook of IFRIC
- d. Glossary



**3. Presentation of Financial Statements**

Standard Number	Standard Name
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 33	Earnings Per Share
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting period
IAS 21	The effects of changes in foreign exchange rates
IAS 29	Financial Reporting in Hyperinflationary economies
SIC 7	Introduction of the EURO
IFRIC 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies

**4. IFRSs on Interim Financial Statements**

IAS 34 – Interim Financial Reporting

**5. IFRSs on Group Reporting**

Standard Number	Standard Name
IFRS 3	Business Combinations
IAS 27	Consolidated and separate financial statements
IAS 28	Investment in Associates
IAS 31	Interest in joint ventures

**6. IFRSs on Assets**

Standard Number	Standard Name
IAS 2	Inventories
IAS 16	Property, Plant & Equipment
IAS 40	Investment Property
IAS 38	Intangible Assets
IAS 32, IAS 39, IFRS 7	Financial Assets / Financial Instruments
IAS 41	Biological assets
IFRS 5	Non-Current Assets held for sale & Discontinued operations
IAS 17	Leases
IFRS 6	Exploration and Evaluation of Mineral Assets

**7. IFRSs on Expenses and Liabilities**

- i. IAS 19 – Employee Benefits
- ii. IFRIC 14- IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- iii. IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

- iv. IFRIC 1 -Changes in Existing Decommissioning, Restoration and Similar Liabilities
- v. IFRIC 5- Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- vi. IFRIC 6- Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- vii. IAS 12- Income Taxes
- viii. SIC 21 - Income Taxes – Recovery of Revalued Non-Depreciable Assets
- ix. SIC 25- Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
- x. IFRS 2- Share-based Payment
- xi. Financial liabilities / Financial Instruments
  - a. IAS 32 Financial Instruments: Presentation
  - b. IAS 39 Financial Instruments: Recognition and Measurement
  - c. IFRS 7 Financial Instruments: Disclosure

**8. IFRSs on Income**

- i. Construction contracts (IAS 11)
- ii. Revenue (IAS 18)
- iii. Agriculture income (IAS 41)
- iv. Service concession arrangements - IFRIC 12 & SIC 29
- v. Customer loyalty programmes – Customer reward credit or points IFRIC 13

**9. IFRs on Disclosure**

- i. IAS 24 Related Party Disclosures
- ii. IFRS 8 Operating Segments

**10. IFRSs on Industry**

- i. IFRS 4 Insurance Contracts
- ii. IAS 26 Accounting and Reporting by Retirement Benefit Plans

**11. IFRSs on First time adoption – IFRS 1****IFRSs for SME****History**

- Sept 2003: World Standard Setters survey
- June 2004: Discussion Paper (117 comments)
- April 2005: Questionnaire on recognition and measurement (94 responses)
- Oct 2005: Roundtables on recognition and measurement (43 groups)
- Feb 2007: Exposure Draft (162 comments)
- Nov 2007: Field tests (116 real SMEs)
- Mar - Apr 2008: Board education sessions
- May 2008 - Apr 2009: Redeliberations
- May 2009: Near-final draft posted on IASB website
- 1 June 2009: Ballot draft sent to the Board
- 9 July 2009: Final IFRS for SMEs issued



**Why IFRSs for SME**

- Topics not relevant to SMEs are omitted.
- Where full IFRSs allow accounting policy choices, the IFRS for SMEs allows only the easier option.
- Many of the principles for recognising and measuring assets, liabilities, income and expenses in full IFRSs are simplified.
- Significantly fewer disclosures are required.
- And the standard has been written in clear, easily translatable language.

**What is SME as per IFRSs for SME**

Small and medium-sized entities are entities that:

- **Do not have public accountability**, and
- **Publish general purpose financial statements for external users**. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. General purpose financial statements are those that present fairly financial position, operating results, and cash flows for external capital providers and others.

**An entity has public accountability if:**

- Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

**Contents of IFRSs for SME – divided into 35 sections**

1. Small and Medium-sized Entities
2. Concepts and Pervasive Principles
3. Financial Statement Presentation
4. Statement of Financial Position
5. Statement of Comprehensive Income and Income Statement
6. Statement of Changes in Equity and Statement of Comprehensive Income and Retained Earnings
7. Statement of Cash Flows
8. Notes to the Financial Statements
9. Consolidated and Separate Financial Statements
10. Accounting Policies, Estimates and Errors
11. Basic Financial Instruments
12. Additional Financial Instruments Issues
13. Inventories
14. Investments in Associates
15. Investments in Joint Ventures

16. Investment Property
17. Property, Plant and Equipment
18. Intangible Assets other than Goodwill
19. Business Combinations and Goodwill
20. Leases
21. Provisions and Contingencies
22. Liabilities and Equity
23. Revenue
24. Government Grants
25. Borrowing Costs
26. Share-based Payment
27. Impairment of Assets
28. Employee Benefits
29. Income Tax
30. Foreign Currency Translation
31. Hyperinflation
32. Events after the End of the Reporting Period
33. Related Party Disclosures
34. Specialised Activities
35. Transition to the IFRS for SMEs

Glossary

Derivation Table

Basis for Conclusions – published in a separate booklet  
 Illustrative Financial Statements and Presentation and Disclosure Checklist – published in a separate booklet

**Omitted topics in IFRSs for SME**

The IFRS for SMEs does not address the following topics that are covered in full IFRSs:

- Earnings per share
- Interim financial reporting
- Segment reporting
- Special accounting for assets held for sale

**Examples of options in full IFRSs NOT included in the IFRS for SMEs**

- Financial instrument options, including available-for-sale, held-to-maturity and fair value options
- The revaluation model for property, plant and equipment, and for intangible assets
- Proportionate consolidation for investments in jointly-controlled entities
- For investment property, measurement is driven by circumstances rather than allowing an accounting policy choice between the cost and fair value models
- Various options for government grants.

**Conclusion**

To conclude IASB put lot of efforts in coming out IFRSs for SME. IASB has received 162 comments on Exposure Draft for IFRSs for SME. IASB follows transparent approach for formulation of standards. ■

## IFRS CORNER

This column is specially started by WIRC from Sept 2009 for

1. Sharing and imparting IFRS Knowledge
2. Responding to IFRS queries
3. Creating general awareness about IFRS
4. They will be explained in Layman's language for common man's understanding, more in simple words than in strict legal words.

*Pl. Email your queries to [mohanbhave@gmail.com](mailto:mohanbhave@gmail.com). They will be replied by Rammohan Bhave, CMA, CA, CS and Dr Mrs Anjali Rammohan Bhave, CMA, Ph.D.*

This month we are focusing on Fair value concept in IFRS

### **FAIR VALUE**

#### **What is fair value in IFRS ?**

Fair value is defined in IFRS as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

#### **Why is it important in IFRS?**

Existing GAAPs mainly rely on historical cost while fair value is extensively used in IFRS. It means for many assets and liabilities as well as equity a reporting entity is required to find and report their fair values. The entity is also required to record the fair value change in comprehensive income or other comprehensive income as per the requirements of the applicable IAS or IFRS.

#### **Is it the same as Mark to Market (MTM)?**

Fair value is determined with reference to the market price. But if market price is not available estimates are used in its determination.

#### **Why use of fair values is advocated?**

The use of fair values in accounting statements is advocated to disclose to the users of the statement the economic reality which may not be reflected by the historical accounting.

#### **Is fair valuation to be done only at the reporting date?**

The various standards prescribe the use of fair value at the time of recognition and measurement. For example IAS 39 Financial Instruments - Recognition and Measurement requires determination of fair value of financial instruments at the time of initial recognition. Standards like **IAS 16 PROPERTY, PLANT AND EQUIPMENT** give the reporting entity an accounting policy choice to use either cost or revaluation model.

#### **Who are 'knowledgeable, willing parties'?**

The terms are defined explained in **IAS 16 PROPERTY, PLANT AND EQUIPMENT** as

'Knowledgeable' means that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the investment property, its actual and potential uses, and market conditions at the end of the reporting period.

A willing buyer is motivated, but not compelled, to buy. This buyer is neither over-eager nor determined to buy at any price. The assumed buyer would not pay a higher price than a market comprising knowledgeable willing buyers and sellers would require.

A willing seller is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in current market conditions. The willing seller is motivated to sell the investment property at market terms for the best price obtainable.

#### **What does 'arm's length transaction' mean?**

An arm's length transaction is one between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions.

#### **How is fair value determined?**

The standards which prescribe the use of fair value also lay down the mechanism of determination of fair value.

For example fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. If current prices in an active market are not available fair value is determined with reference to information from a variety of sources like

- (a) current prices in an active market for properties of different nature, condition or location adjusted to reflect those differences
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions
- (c) discounted cash flow projections based on reliable estimates of future cash flows

Fair value of a financial instrument in IAS 39 is defined in terms of a price agreed by a willing buyer and a willing seller in an arm's length transaction. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held the asking price. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using

- recent arm's length market transactions between knowledgeable, willing parties
- current fair value of another instrument that is substantially the same,
- discounted cash flow analysis and option pricing models.
- valuation technique commonly used by market participants to price the instrument demonstrated to provide reliable estimates of prices obtained in actual market transactions

The valuation technique should make maximum use of market inputs and rely as little as possible on entity-specific inputs. Estimate of the fair value using a valuation technique should be based on reasonable representation of market expectations the risk-return factors inherent in the financial instrument. It should reflect how the market could be expected to price the instrument. It should be consistent with accepted economic methodologies for pricing financial instruments.

The fair value of a financial instrument will be based on one or more of the following factors (and perhaps others).

- (a) The time value of money
- (b) Credit risk
- (c) Foreign currency exchange prices
- (d) Commodity prices
- (e) Equity prices
- (f) Volatility
- (g) Prepayment risk and surrender risk

#### **What are the perceived advantages of using fair value?**

- Better transparency by providing current values
- Reporting of numbers as they are on the reporting date
- Statement of profit / loss after considering fair value changes

#### **What are the apprehensions in using fair value?**

- Subjectivity of fair values especially where estimates are used
- Difficulty in determination of fair values especially when markets are not active and liquid
- Reliability of fair value
- The volatility that fair value can introduce in reported income
- The value of assets in use for a business may be different from the value the market attaches to it
- In the fair value hierarchy market based values rank first, but market prices may not be the true barometers of value in all the cases
- Use of fair values may shift the focus of reporting to short term while continuity of business is an important assumption of accounting

The IASB has published an Exposure Draft on FAIR

VALUE MEASUREMENT which is available on its website. The draft states that guidance on measuring fair value is dispersed across many IFRSs and it is not always consistent. The current guidance is incomplete, in that it provides neither a clear measurement objective nor a robust measurement framework. The Board believes that this adds unnecessary complexity to IFRSs and contributes to diversity in practice.

The Board's objectives for publishing the proposed IFRS are:

- (a) to establish a single source of guidance for all fair value measurements required or permitted by IFRSs to reduce complexity and improve consistency in their application
- (b) to clarify the definition of fair value and related guidance in order to communicate the measurement objective more clearly; and
- (c) to enhance disclosures about fair value to enable users of financial statements to assess the extent to which fair value is used and to inform them about the inputs used to derive those fair.

## **RECENT PUBLICATION**

### **by our Member, Mr. S.K. Soni**

- **ENERGY CONSERVATION AND MANAGEMENT**
- **ENERGY CONSERVATION AND AUDIT**

by

**Mr. Sureshkumar Soni & Mr. Manoj Nair**

Mr. S.K. Soni is the Vice Chairman of the Bhopal Chapter of Cost Accountants.

*Anyone interested to have a copy of the book*

***Please Contact :***

**Mr. S. K. Soni, Cell No. 98262 83893  
or E-mail: sureshsoni70@rediffmail.com**

## **OBITUARY**



**Mr. Shashikant K. Damania** (M/622), senior member of the Institute passed away on 9th September 2009. May his soul rest in eternal peace.



## CHAPTER NEWS

### AURANGABAD

#### **Discussion on Companies Bill-2009**

The discussion was held on 30th August 2009 at Chapter premises. Mr. A.R. Joshi, Senior Cost Accountant and Practising Company Secretary Mr. Mahesh Singhi were discussion leaders.

Mr. M.R. Pandit briefly enumerated importance of the subject and how the provisions affect the profession. The fraternity of Cost and Management Accountants should be vigilant and should represent to authorities the changes and amendments needed in the Companies Bill-2009 so that aspirations of the members are properly addressed.

Mr. A.R. Joshi briefly described the concept of Companies Bill – 2009 and important provisions relating to Incorporation of Companies, Prospectus, Management and Administration, Accounts and Audit etc. Mr. Mahesh Singhi dealt in provisions of qualification of Directors, KMP, Board meetings etc.

There was lively discussion on provisions relating to Accounts and Audit, in which Mr. Sanjay Mundade, Mr. R.D. Khandalkar, Mr. Gore, Mr. Pimple and Mr. Bhangale actively participated. Members were of the opinion that provisions relating to maintenance of Cost Records, Audit of Cost Records and Qualification of Cost Auditor are not clear and confusing. It was decided that on behalf of Chapter, the suggestions for amendment in provisions should be sent to WIRC and Head Quarters with request to include these points in our representation to Ministry of Corporate Affairs, Government of India.

#### **Seminar on Roadmap to Goods and Services Tax (GST) in India**

Chamber of Maratwada Industries and Agriculture (CMIA) in association with Aurangabad Chapter of Cost Accountants (ICWAI) had organized a seminar on the “Goods and Services Tax (GST) in India with special focus on Incentives” at CIMA Hall.

Mr. Gadre, Secretary CMIA welcomed the guests and invitees. Captain Sinha, Vice President of CMIA made introduction of CMIA activities to the guests.

Mr Sanjay Mundade, Chairman of the Chapter briefly narrated the activities of the Aurangabad Chapter. He also explained the GST theme and raised some questions in the minds of the gathering.

Dr.Waman Parkhi, Director KPMG, Renowned Tax Advisor /Consultant and Mr.Dilip Dixit Ex-official of Government of Maharashtra made the presentation. All the questions were answered with detailing of the new tax structure by Mr. Dixit. The seminar addressed the

need to understand the new tax structure and new business environment arising out of the same.

It was grand success with major participation from industries. The Seminar was attended by professionals of Cost Accountancy, Tax Practitioners, Chartered Accountants and Managers of the companies.

Mr. S.R Pimple, co-ordinated the programme and Mr. M.R. Pandit, Chairman of the Professional Development Committee of the Chapter proposed a vote of thanks.

#### **Felicitation functions for successful students organized by Aurangabad Chapter**

The results of June 2009 examination of ICWAI Course were very encouraging for Aurangabad Chapter. Total 123 Students passed in this examination.

To celebrate this achievement and to boost moral of the students, a function was organized by Aurangabad Chapter of Cost Accountants. Mr. B. M. Sharma, Vice President of ICWAI, was the Chief Guest and Mr. Manubhai Desai, Chairman, WIRC – ICWAI was the Guest of Honor present on the occasion.

Mr. R.D Khandlkar, Vice Chairman of the Chapter welcomed the Chief Guest and Mr. Sanjay Mundade, Chairman of the Chapter briefly narrated the activities, future plans and step planned to increase result of Aurangabad Chapter. Mr. S.R. Pimple introduced the Guests to audience and Mr. A.R. Joshi chairman, Training Committee briefed about the achievements of the training committee.

Mr. Manubhai Desai appealed to students to plan their studies and work hard to achieve successes. He advised Aurangabad Chapter to arrange short term programme for upcoming changes in laws like IFRS, Direct Tax code and Company law Bill 2009. He provided information about the various steps taken by WIRC for Cost Accounting professional.

Mr. Rajesh Shukla, Mr. Bhushan Dhule, Mr. M.R. Pandit, Mr. H. B. Shah, Mr. Akash Chaudhari, Mr. Laximinnarayana Toshniwal, Mr. Pimpale, Mr. Gore, Mr. Hemant Ghiya and Mr. Mahesh Avhad, Mr. Sunil Maniyar attended the program. Miss.Aditi Mandalik and Ms. Deepika Singi co-ordinated the programme and Mr. H. B. Shah proposed a vote of thanks. The programme was attended by large number of students and their parents.

### BHOPAL

#### **Bhopal Chapter organized a one day programme on 3rd October 2009 at Hotal Nisarga, M.P.Nagar Bhopal.**

First session was from 12 Noon to 6 p.m., GDPI for Inter Students conducted in the presence of WIRC Chairman Mr. Manubhai Desai.

Second session started from 7 p.m. with Members meet. Mr. Manubhai Desai, Chairman WIRC was the Chief Guest of the function. Mr. S M Ramanathan, Chairman of Bhopal Chapter welcomed Mr. Manubhai Desai, Chairman WIRC and Mr. Dinesh Birla, Treasurer WIRC. A memento of Bhopal Chapter was given to Mr. Manubhai Desai and Mr. Dinesh Birla.

Mr. Sanjeev Gawande, Secretary, Mr. B. L. Malganya, Treasurer and Mr. Suresh Soni, Vice Chairman of Bhopal Chapter were also honoured on this occasion.

Mr. Manubhai Desai, Chairman WIRC, showered his worthy blessings on students and motivated them to work hard and strive for success; he gave useful wise words to students and members.

Mr. Sanjeev Gawande, Secretary of Bhopal Chapter gave the details of the activities of Bhopal Chapter and also shared recent achievement of Bhopal Chapter winning the Best Chapter award of WIRC.

On this occasion 18 students who passed the examination were awarded the prize. Meritorious student from the Chapter also shared their views and about ICWAI Course.

Mr. R. Bhattacharya, Past Vice Chairman informed about the recent development of profession and the importance of name change of the Institute.

Mr. Suresh Soni, Vice Chairman of the Chapter felicitated on publication of his book on energy audit and Mr. Anand Shrivastava for his publication of books on organization and management also felicitated. Mr. D Sanyal anchored the programme.

The programme was well attended by many students and members including Mr. Vijay Joshi, Chairman of Indore Chapter, Shamim Akhater, Senior Cost Accountant and Mr. Kedar Gosh, Mr. D. Sanyal Cost Accountant.

The session concluded with vote of thanks being proposed by Sanjeev Gawande, Secretary, Bhopal Chapter.

## NAVI MUMBAI

### Office Bearers for 2009-10

Mr. K.R. Jethani	: <i>Chairman</i>
Mr. V. Narayanan	: <i>Vice Chairman</i>
Mr. Deabasish Mitra	: <i>Secretary</i>
Mr. Dinesh Jain	: <i>Treasurer</i>

## PUNE

### Business Communication Seminar

Business Communication seminars were held on 6th Sept. and 13th Sept. 2009 for Intermediate Students for both Oral and Postal Students.

Dr. M B Sonawane, Professor of Wadia College of Commerce was invited to speak on the subject of "Business Letter; Report Writing and Leadership Skills" on 6th Sept.2009. Mr. Harshad Deshpande - Treasurer PCCA welcomed the speaker and felicitated him by

offering a bouquet.

Captain Sharma was invited to speak on the subject of Directors' Report, Leadership Skills and Project Presentation on 13th Sept. 2009. Mr. Pramod Dube Chairman of the Chapter welcomed the speaker and felicitated him by offering a bouquet.

Both seminars were interactive and aroused lot of interest among the students which was exhibited from Question-Answer session.

### Seminar on Direct Taxes Code 2009

Half-Day seminar (CEP) was organized by Pune Chapter of Cost Accountants on 23rd September 2009 in Auto Cluster Auditorium – in Pimpri Chinchwad area for the benefit of members. As a part of the Modular Training programme the Final Year Students were also invited to attend the seminar.

Mr. S.K.Jha, IRS, Chief Commissioner of Income Tax Pune, was the Chief Guest on this occasion.

Mr. Dhananjay Joshi, Past President of ICWAI, Mr. S.R Bhargave CCM, Mr. Neeraj Joshi, Chairman, P.D.Committee, Mr. C.M. Chitale (Speaker) Practicing Chartered Accountant and Mr. SM Sane, (Speaker) Practicing Chartered Accountant were on the dais.

Mr. Neeraj Joshi, Chairman, P.D.Committee introduced the Chief Guest.

Mr. Pramod Dube, Chairman of the Chapter, welcomed the Chief Guest and other dignitaries and felicitated the Chief Guest by offering him a bouquet and a memento.

The Chapter Chairman felicitated Mr. Dhananjay Joshi, Past President of ICWAI, Mr. S.R Bhargave CCM, and both the speakers by offering them bouquets.

There was traditional lighting of the lamp by all dignitaries.

Mr. Dhananjay. V. Joshi, Former President of ICWAI delivered Keynote Address. He complimented the Finance Minister for fulfilling his commitment while presenting Union Budget 2009-10 to release Tax Code Bill within 45 Days. He explained the objectives of the Code such as improve efficiency, quality of tax system, simplifying language, remove ambiguity, stability and adoption of best international practices leading to single unified tax payer reporting systems. He also explained the strategies and salient features of the Direct Tax Code – 2009 in simple and lucid language, which was appreciated by the audience.

Mr. Sanjay Bhargave gave the Inaugural Address on Modular Training. He explained the importance of the subject and its impact on various sections of society. He informed the gathering about the developments in our institute in relation to tie-ups with International Institutes and the mutual recognition arrangements with them. This was greeted by students with great excitement.

Mr. S.K Jha, Chief Commissioner of Income Tax Pune, in his address expressed that 'he is a teacher at heart' and was very delighted by the response of the students. At the outset Mr. Jha mentioned that the **Theme of Direct Tax Code -2009 is to make the Tax Law Simple** and thus all the provisions and changes are directed towards this goal. He further pointed out that the Income Tax Department and the Law in general is perceived as a 'Bad Neighbour' and the Direct Tax Code – 2009 is a genuine effort to improve this image by Simplification of The Act and introduce transparency and efficiency in the system. Mr. Jha told that the Release of Direct Tax Code – 2009 is an honest effort by the Government to get analytical and critical views from the Tax Payers and Professionals on the proposed changes so that the law should be such made that the two major objectives, High Revenue Collection and Simplicity of Tax Law, can go hand in hand. He appealed to all the members and students of ICWAI to contribute towards this effort of the Government and Income Tax Department. He expressly appreciated the importance of our institute and profession in accessing and auditing the "Cost" for any enterprise/business. He felt that any successful enterprise has to focus its efforts on control of Cost so that they can earn higher returns. Mr. Jha explained that Tax Evasion is the biggest crises in Indian Direct Tax System. He appealed to the professionals that they should try and help Income Tax Department to curtail Tax Evasion within the boundaries of Professional Ethics. At the end he extended an invitation to all the students of ICWAI to his office. He ended his address by once again stating the importance of the participation of professionals like ICWAI in the development of Direct Tax Code 2009.

Mr. C. Chitale and Mr. Sane explained the various aspects of proposed DTC vis a vis present provisions in a very lucid way thru Power Point Presentation.

The Question and answer session was very interactive. The practicing members and final year students – both Oral and Postal Coaching attended the seminar in large number.

Mr. Harshad Deshpande, Treasurer, Pune Chapter acted as compere for the seminar and ensured that the event proceeded smoothly and timely. Mr. A.B. Dhavale Chairman, Students Co-ordination Committee gave a vote of thanks.

### **SURAT SOUTH GUJARAT**

Career Counseling at J.H.Ambani School, Vesu, Surat. A Career Counselling programme was organized at J.H. Ambani School, Vesu, Surat on 11th September and 14th September 2009. Mr. Kenish Mehta gave lucid presentation to students about the prospects available for Cost Accountants and the course curriculum about the ICWA profession. More than 100 students and their Parents, Principle of the School and Faculty members attended the programme.

## **Report on Chapters' Meet & Residential Programme at Panchmarhi, M.P.**

WIRC had organized the chapters meet and a Two Day residential Program at Pachmari from 4.10.2009 to 6.10.2009.

The program was attended by the President and Vice President of the Institute and around 40 participants from various chapters of WIRC.

On the first day the President and the Vice President addressed the chapter delegates and gave them the detailed information about the various measures taken by the Institute for the professional development of the Institute and opening of the various new avenues for the members. They also informed the members of the need of their active participation and support to the Central Council.

On the second day there were three technical sessions. The first technical session was on IFRS and was conducted by CA Chandrashekhar Chitale. In his lecture he elaborated various professional opportunities opening up for the cost accountants with the introduction of IFRS.

Second technical session was on GST and was taken by Mr. Datye the senior member of our institute. He informed the members that GST will be introduced effective 1.4.2010 and also gave the bird's eye view to the members of the said act.

The third technical session was on Direct Tax Code and was again taken by CA Chitale giving the members an over all view of the implications of various sections under the Direct Tax Code.

In the evening the Chairman of WIRC Manubhai Desai addressed the members informing them the expectations of WIRC from the chapters and what WIRC can do for the chapters.

On the third and the last day, our member from Kolhapur, Dr. Anikhindi conducted a session on Pranayam giving the demonstration to do the pranayam.

The program and meet was very well appreciated by the members.





Mr. Sanjay Mundade, Chairman, Aurangabad Chapter; Mr. B.M. Sharma, Vice President – ICWAI, Mr. M.K. Desai, Chairman WIRC of ICWAI, Mr. A.R. Joshi, Chairman – Training Committee & Mr. R.D. Khandalkar, Vice Chairman, Aurangabad Chapter during Felicitation function held at Aurangabad Chapter on 24th September 2009.



Mr. S.M. Ramanathan, Chairman of Bhopal Chapter welcoming Mr. Manubhai Desai, Chairman, WIRC and Mr. Dinesh Birla, Treasurer - WIRC during felicitation function organized by Bhopal Chapter on 3rd October 2009.



**Business Communication Seminar held on 6th September 2009:** Seen in the picture (from L to R): Mr. Harshad Deshpande, Treasurer of Pune Chapter felicitating Prof. Dr. M B Sonawane, Professor of Ness Wadia College of Commerce, Pune.



**Business Communication Seminar held on 13th Sept. 2009:** Captain Sharma delivering lecture on Business Communication Seminar for ICWA Intermediate Students. Mr. Pramod Dube, Chairman of Pune Chapter seen in the picture.



Mr. Sanjay Bhargave, CCM of ICWAI addressing the audience on Half Day Seminar on Direct Taxes Code – 2009. Seen in the picture (from L to R): Mr. Shekhar Sane, Mr. Chandrashekhar Chitale, Mr. S K Jha, Chief Commissioner of Income Tax Pune, Mr. Dhananjay Joshi, Past President, Mr. Pramod Dube, Chairman of Pune Chapter and Mr. Neeraj Joshi, P D Committee Chairman of Pune Chapter.



Mr. S K Jha, Chief Commissioner of Income Tax Pune addressing the audience on Half Day Seminar on Direct Taxes Code - 2009. Seen in the picture (from L to R): Mr. Shekhar Sane, Mr. Chandrashekhar Chitale, Mr. Sanjay Bhargave, CCM of ICWAI, Mr. Dhananjay Joshi, Past President, Mr. Pramod Dube, Chairman of Pune Chapter and Mr. Neeraj Joshi, P D Committee Chairman of Pune Chapter.



Audience seen in the picture on Half Day Seminar on Direct Taxes Code - 2009 arranged by PCCA on 23rd September 2009.

### **On the lighter side How to ensure that the BOM is Accurate?**



#### **QUOTE:**

“Slowing down doesn’t mean accomplishing less; it means cutting out counterproductive distractions and the perception of being rushed.” - **Tim Ferriss.**

**Reproducing below the Circular received from Mr. Vivek Bhimanwar, Dy. Commissioner of Sales Tax, Staff Officer to the Commissioner, Maharashtra State, Mumbai**

**No. DC(SO) / Works Contract / B-338  
Mumbai, dated: 1st October 2009**

**Subject: FAQ on Works Contract under  
MVAT Act/CST Act**

It has been observed that many works contract dealers are not clear about the related provisions of works contract under MVAT. Also, the officers and practitioners very often holds the different views of these provisions.

In view of the above, it is felt that the department should publish a FAQ on “Taxation of Works Contracts”, such publication would be useful to all the dealers and practitioners as well.

You are therefore, requested to send a list of the questions, which normally arise in the case of works contractors. It may please be noted that the nature of questions, should be general in nature and commonly faced by Dealers/ Practitioners. You are expected to send the list of the question within a span of 15 days.

**Kindly forward your suggestions directly to the Dy. Commissioner of Sales Tax by e-mail [staff.officer@mahavat.gov.in](mailto:staff.officer@mahavat.gov.in), with copy to [admin@icwai-wirc.org](mailto:admin@icwai-wirc.org) within stipulated time.**



If undelivered please return to:

THE INSTITUTE OF  
COST AND WORKS ACCOUNTANTS OF INDIA  
WESTERN INDIA REGIONAL COUNCIL,  
Rohit Chambers, Janmabhoomi Marg,  
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E-mail : [bulletin@icwai-wirc.org](mailto:bulletin@icwai-wirc.org)

Website : [www.icwai-wirc.org](http://www.icwai-wirc.org)

To