

ERNAKULAM BRANCH OF SICASA
THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF INDIA
E-NEWSLETTER



WAVE

Aspire: Today, Tomorrow

JAN 2017 EDITION

CHAIRMAN'S MESSAGE



My dear students,

This is probably for the one last time that I am writing this to you as the SICASA Chairman of the branch. I take this moment to place on record my sincere gratitude to my branch committee members for holding hands with me for all my endeavours in the capacity. I whole heartedly thank our dear CCM. CA. Babu Abraham Kallivayalil and RCM. CA. Jomon K. George for being mentors to me during the year and placing a lot of confidence while entrusting me with this duty. The good memories that I shall carry from here is dedicated to my SICASA Committee members whom I have always called “my team”.

SICASA has tried to its fullest to keep up its objective of giving a platform for the aspiring Chartered Accountants to enhance their knowledge and skills and them to network and add values to their professional growth. These programs allow the chartered accountant students to inculcate team spirit and understand the global professional scenario. When I look back, I feel a sense of fulfillment that we together achieved what I dreamt of before my tenure started.

I also take this opportunity to extend my gratitude to the office staff at the Ernakulam branch for being very supportive. Students, I wish you all the very best and I eagerly wait to see you all as bright, smart Chartered Accountants. Irrespective of whatever portfolio I handle, I assure you all my support to the best of my capability for anything that you may call upon me in this regard. Assuring you my very best. Jai Hind!

“In the middle of every difficulty lies an opportunity.” – **Albert Einstein**

Kind regards

CA. Renjith R. Warriar



SECRETARY'S MESSAGE

Hello friends!

As we come to the end of an exciting and eventful year, I am extremely proud to announce that the Ernakulam branch of SICASA has been awarded the 'best branch' in the large branch category for the year 2016-17. This would not have been possible without the immense support of the entire SICASA team. Our e-newsletter 'WAVE', has made a long journey through these 12 editions and we are happy and I am thankful to all the students for their contribution in making this a success. It has been my honor to have held the post of SICASA Secretary of Ernakulam Branch over the past year and countless memories have been made during this journey, that I shall always cherish. All good things end and every ending is nothing but a new beginning. Do continue your participation and support. I wish the upcoming SICASA committee all the best in their endeavors!

Regards,

Abitha K A

EDITOR'S NOTE



Hi friends!

We are indeed happy to announce yet another edition of our newsletter 'WAVE', which has made a wonderful journey through these 12 editions. I am extremely thankful for the sincere support extended by the SICASA family. This journey has been one, filled with experiences, memories, lessons and lots of fun. The colors to this journey are now brighter as, the Ernakulam branch of SICASA has been awarded 'The Best Branch' in the large branch category for the year 2016-17. Congratulations to the entire team behind this achievement. Last but not the least; 'The Editor' post shall be surely missed. Best wishes to the new committee.

Regards,

Geethika Jayani

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We are inviting articles from students.
Interested students may contact us at:
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IND AS-CONVERGENCE WITH GLOBAL STANDARDS

This article has been prepared by Amal Paul, SRO0498148. He is currently doing his final year of articleship at Babu Kalliveyil & Associates.



The ICAI, being an active member of International Federation of Accountants (IFAC), is expected to actively promote the pronouncement of International Accounting Standards Board (IASB) with a view to facilitate global harmonization of accounting standards. Hence while formulating the standards, Accounting Standards Board (ASB) has given due consideration for the global standards and tried to integrate with them to the extent possible as per the economic conditions in India. Even though ICAI has initiated the process of adoption of IFRS in 2006, due to the practical constraints in the convergence, tax related issues and considering various other factors, India has postponed the adoption of these standards. In July 2014, Shri. Arun Jaitley, The Honorable Finance Minister of India, on his first budget speech, announced an urgency to converge the existing standards with the IFRS and proposed the adoption of the new Indian Accounting Standards by Indian Companies voluntarily from financial year beginning on or after April 1, 2015 and mandatory from April 1, 2016 for certain class of Companies.

What is International Financial Reporting Standards?

IFRS is a single set of high quality, easily understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. It is also known as “Principle based” set of standards, which are easy to understand and apply. The IFRS consists of 5 elements:-

The Conceptual Framework for Financial Reporting

International Accounting Standards (issued by IASC and adopted by IASB)

SIC (Standing Interpretation Committee) Interpretations

International Financial Reporting Standards (issued by IASB)

IFRIC (International Financial Reporting Interpretation Committee) Interpretations.

Adoption Vs Convergence

The Government of India in consultation with ICAI decided to converge and not to adopt IFRSs issued by the IASB. Although in common parlance, people are using these interchangeably, there exist a significant difference between adoption and convergence. Adoption of IFRS means that the country is implementing the IFRS verbatim as issued by IASB. However, convergence with IFRS means that the National accounting standards are made in line with IFRS. In case of convergence, the Accounting Standards Board of the country would work together with IASB to develop high quality accounting standards which are suitable for the economic conditions of the respective country and make such changes as deems fit after considering the views and suggestions from various stakeholders.

Indian Accounting Standards

Indian Accounting standards is a set of accounting standards which are converged with International Financial Reporting Standards to improve transparency in accounting and harmonize the accounting standards currently being used with the global standards. These accounting standards are formulated by Accounting Standards Board (ASB) of Institute of Chartered Accountants of India. The Ind AS are named and numbered in the same way as the corresponding IFRS. While framing the Ind AS, ASB has followed the same paragraph numbering of IFRS also to improve the comparability of these standards with IFRS.

*From
2016-17*

- Companies which are listed/ in the process of listing (other than in SME exchanges) in India or outside India having net worth more than or equal to ` 500 crores
- Unlisted companies having net worth more than or equal to ` 500 crores and
- Parent, Subsidiary, Associate and Joint venture of the above

*From
2017-18*

- All companies which are listed/ in the process of listing (other than in SME exchanges) in India or outside India
- Unlisted companies having net worth more than or equal to ` 250 crores and
- Parent, Subsidiary, Associate and Joint venture of the above

*From
2018-19*

- Scheduled Commercial Banks (excluding RRBs's) and insurers/ insurance Companies
- NBFCs (whether listed or unlisted) having net worth more than or equal to ` 500 crores and
- Holding, Subsidiary, Joint Venture and Associate Companies of the above

*From
2019-20*

- NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India
- Unlisted NBFCs having net worth more than or equal to ` 250 crores and
- Holding, Subsidiary, Joint Venture and Associate Companies of the above

IND AS Vs IFRS

IFRS/ IAS	Ind AS	Reason for Carve out/ carve in
IAS 1 requires that in case of a loan liability, if any condition of the loan agreement which was classified as non-current is breached on the reporting date, such loan should be classified as current even if the breach is rectified subsequently.	Ind AS 1 requires to classify loan as current only when There is a breach of material condition to the loan agreement and Breach is not rectified till the date of approval of financial statements to issue.	The conditions in loan agreement may be substantive or procedural conditions. Generally, in case of Substantive breaches only, banks may recall the loan.
As per IAS 10, Rectification of any breach after the reporting date is a non-adjusting event.	Ind AS 10 provides that rectification any breach of any material provision of the loan arrangement with the effect that liability becomes payable on demand, would become an adjusting event.	Help to know the true nature of the liability since generally if the breach is rectified subsequently, the loan will continue to be of non-current nature.
IAS 17 requires all lease rentals to be charged to statement of profit or loss on straight line basis in case of operating lease	Ind AS 17 states that in case of operating leases, lease rentals shall be charged to the statement of profit and loss in accordance with the lease agreements if the increase is to adjust with the inflationary situation.	Considering the Indian inflationary situation, lease agreements contain periodic rent escalation. Thus, rentals shall not be straight-lined.
IAS 28 requires that if the associate has different accounting policies from that of the investor, the investor should change the financial statements of the associates by using same accounting policies.	In Ind AS 28, A carve-in has been done. I.e. the phrase, 'unless practicable to do so' has been inserted.	Certain Associates may not be in a position to use Ind AS since it would be too advanced for them.
As per IFRS 1, on the date of transition the items of PPE shall be determined by applying IAS 16 'Property,	Ind AS 101 provides an option to the entities to use carrying values of all items of PPE on the date of	In case of old companies, the computation of fair value of asset and retrospective

Plant and Equipment' retrospectively or the same should be recorded at fair value.	transition in accordance with the previous GAAP as an acceptable starting point under Ind AS.	application of Ind AS 16 may not be possible.
IFRS 1 does not provide an option to continue with the capitalized foreign exchange differences as per previous GAAP.	Ind AS 101 allows the first-time adopters to continue the policy adopted for exchange differences arising from the translation of long-term monetary items recognized in the financial statements for the period ending immediately before the beginning of the Ind AS financial reporting as per the previous GAAP.	To provide transition relief to entities, who have availed option as per Para 46A of AS11, to continue the same.
As per IFRS 3, bargain purchase gain arising from Business combination to be recognized in profit or loss as income.	As per Ind AS 103, bargain purchase gain to be recognized in other comprehensive income and accumulated in equity as Capital reserve.	Since the bargain purchase gain is an unrealised gain, inclusion into the free reserves of the company may affect the companies.
As per IFRS 15, all types of penalties which may be levied in the performance of contract should be considered in the nature of variable consideration for recognizing revenue.	Ind AS 115 states that it should be accounted for as per the substance of the contract.	Applying the prudence concept.

In case of changes not resulting in carve-outs, the change made in Ind AS will not make the same in contradiction with corresponding IFRS. For example, IAS 7 gives an option to classify the dividend paid as an item of operating activity. However, Ind AS 7 requires it is to be classified as financing activity only. Such a change will not result in a non-compliance of method prescribed by IFRS.

CONCLUSION

In this modern era of global market, it is imperative to have a single set of accounting standards across the globe to increase the confidence of the investors, improve the transparency and make the financial results more comparable and understandable. Thus, the need for convergence of our standards with these global standards were necessary and we are now on the right path. Ind AS implementation is providing various opportunities for us like assistance for Ind AS conversion. It also opens a door for us to render our services globally and let's hope for the best and reap the benefits out of this.

'CARPE DIEM'

FARZEEN FAZAL



Life is a ticket to the greatest show on earth !!

It is seldom noticed that every human child is born with clenched fists. When a child is presented with any object you can be sure that he or she will grab hold of it. Alas! We are born with a desire to seize each and every opportunity that is available. As we become more mature many of us tend to lose this inborn quality. At times even when opportunities present themselves to us, we abstain from taking advantage of such situations. We never pause to think what we are letting go. After all, it is not every day in life that we are presented with such exciting and adventurous prospects.

Life, as I truly believe is a show while we are all mere actors here to play our role. It is when we have played our role that our turn will come to 'exit the stage'. Let me remind you that our time in all this is a short one. It generally comes down to how effectively we've played our role. No matter how short it is, whether we've used every opportunity to our advantage? Life will always be uncertain. It is we, who have to be certain of what we wish to achieve in this short period we call life. We must adapt ourselves so that every obstacle can be used to our advantage.

It has been rightly said that "YESTERDAY is HISTORY, TOMORROW is a MYSTERY, but TODAY is a GIFT and that's why it is called PRESENT". What has happened yesterday can always be remembered, what is going to happen tomorrow will surely happen, but what you chose to do today will remain as your legacy. History is never predetermined, rather it is written by those who have the courage to do things, which others cannot even contemplate. Never fear the impossible, for if you believe, everything is possible.

Compared to what we ought to be, we are only half-awake. We are making use of only a small part of our physical and mental resources. The individual thus lives far within his limits. We possess abilities of various sorts, which we habitually fail to use. Remember "It is not who you are underneath, it is what you do that defines you".

Always be willing to act, for "opportunities seldom knock twice".

(To make the title a little less sophisticated, Carpe Diem means 'To urge someone to make the most of the present time and give little thought to the future.')

THE YEARLY RECAP

