

# CAPTURE



**ERNAKULAM BRANCH OF SOUTHERN INDIA  
CHARTERED ACCOUNTANTS STUDENTS'  
ASSOCIATION (SICASA)**

**OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS  
OF INDIA**

**"A woman is a full circle. Within her is the power to  
create, nurture and transform."**

Newsletter – March 2018

SICASA Members at Kuzhupilly Beach on 10-03-2018

# Chairman's Message



Dear Young Friends ,

I am extremely delighted to launch the Women's day special edition of "Capture" the SICASA newsletter with special columns on empowerment of Women, who are the real architects of our society. Saluting the spirit of womanhood this edition is dedicated to them. As we are gearing up for the financial year end activities and looking forwards to the new financial year, we must treat these as opportune times, our quality of success will greatly depend upon our ability to remain disciplined in all matters while keeping our values intact. With radical changes lined up in virtually every sphere of our professional area, our intellect and mettle will be tested on a continuous basis, and we have to prove our professional performance by balancing our skills and values perfectly.

The month of March was a very busy one with many SICASA activities, we celebrated Women's Day in association with Ernakulam branch of ICAI of SIRC, Prof. (Dr.) Rose Varghese, Vice Chancellor of National University of Advanced Legal Studies (NUALS), Kalamassery, addressed the students and shared her words of wisdom with the students. Prof. Mary Matilda, former Principal of Maharajas College also addressed the students. The SICASA students also went for Industrial visits to Travancore Cochin Chemicals Limited, Udyogamandal and Milma, Edappally, the students also went for an academic tour during the month. SICASA also organized four day Seminar on Accounting Standards for IPCC Students which was highly appreciated by all the participants. SICASA also organized an one day Bank audit seminar to equip the students to gear up for the upcoming bank audit season, CA. Shalini Warriar, Chief Operating Officer, The Federal Bank Ltd was the chief guest for the program and addressed the students on the recent developments in the banking industry and give her insights to the students on how to approach the bank audit. SICASA as a part of its social commitment honored Mr. Judeson, who is actively involved in taking care of leprosy patients and providing free food to around 1500 needy people on a daily basis. The students were deeply humbled by his service to humanity and the society. SICASA also organized two Study Circle Meetings for the students.

Friends, as the hectic 31<sup>st</sup> March deadline for filling IT returns and challenging days of bank audit tests your true potential, I am sure you will all come out enriched. Many of you are facing the heat of coming CA exam and some of you are on study leave now, it is time for you all to prepare well and face the exam with confidence and come out with flying colors. Wish you all the success in life.

With Warm regards,

**CA. Paulose Paul**

**Chairman, SICASA Ernakulam Branch.**

# Secretary's Report



Dear Friends,

We, The Team SICASA is delighted to present the Second Edition of our E-Newsletter "CAPTURE". This edition is specially dedicated to all the women out there who has been the lighting lamps of the world from its inception. SICASA Women's Day celebrations this year was enlightened with the presence of the Chief Guest Dr. Rose Varghese, the Vice Chancellor of NUALS and Ms. Mary Matilda, former Principal of Maharajas College. Their powerful words embarked the quote that " Women are not equal, but they are better than equal".

The two Industrial Visits to Travancore Cochin Chemicals (TCC) and Products Dairy Milma was a new experience to the students and the Educational Tour conducted to Kuzhipilly beach opened new ways of team building among students. Despite March 20<sup>th</sup> being the due date for GST returns, students came in large numbers to attend the Bank Audit seminar conducted on March 19<sup>th</sup>. During the month we were also able to conduct two study circle meetings and I take this opportunity to congratulate the speakers for showcasing their skills.

This Edition of the E-Newsletter is focused on Women's Day and I hope you guys will be keen to read the articles presented. The next month is the Season of Bank Audit and I wish all of you a great bank audit season ahead.

Best Wishes,

**Sarath M R**  
**Secretary**

# Editor's Message



Dear Readers,

It is indeed a great honour to be a part the SICASA Editorial Board this year along with my fellow editors Harikrishnan and Namitha Joseph. This issue of 'CAPTURE' being the first issue I have worked on, has given me opportunities I never thought I could be part of. It was an amazing experience getting to interview the NUALS Vice Chancellor Dr. Rose Varghese who was the Chief Guest for the Women's Day Program conducted by SICASA.

This Women's Day issue is dedicated to all the women out there who inspire us to be successful in our lives. Wishing you all a hearty Women's day,

**Tess George**  
**Editor**

## ***An interview with Prof. Dr. Rose Varghese***



An eminent academicians, Prof. (Dr.) Rose Varghese did her schooling from Mt. Carmel Convent, Tangasseri, Quilon. She then did B.A. English Literature & Language from St. Teresa's College, Ernakulam and then graduated in Law from the Kerala Law Academy Law College, Thiruvananthapuram and did her PG in Law from the School of Legal Studies, Cochin University of Science and Technology. She did her M.Phil in Law from the National Law School of India University, Bangalore and Ph.D. from Faculty of Law, University of Delhi.

Prof. (Dr.) Rose Varghese began her professional career in 1976, practicing in the High Court of Kerala under the late Senior Advocate S. Easwara Iyer and started her academic career as Lecturer in Law at the A.C. College of Law, Nagarjuna University in 1985. She was then a member of the Faculty at the National Law School of India University, Bangalore from its inception in 1988. She joined the Faculty of Law, Jamia Millia Islamia Central University, New Delhi as an Associate Professor in 1994 and then became a Professor and subsequently, completed her tenure as Dean of the Faculty. She participated in and organized many National Seminars/Workshops in India and abroad and has several publications to her credit. She is the current Vice Chancellor of National University of Advanced Legal Studies (NUALS), Kalamassery.

**Your life has always been intertwined with law and legal studies. Tell us how you started your profession as a lawyer and how you managed to excel at it.**

When I joined LL.B., I wanted to practice as a lawyer. I always believed in going one step further. During the start of my career the famous criminal lawyer, Eashwara Iyer, it was a routine for the junior lawyers to go to Court just to adjourn the case to another day. From day one, I went a step ahead and read the case file thoroughly and as expected the judge would ask "What is it about? Can you present the case?" I would be waiting for that chance and I managed to get admissions for many writ petitions at the first instance. During those days there were very few lady lawyers and seeing my enthusiasm many lawyers and Judges used to compliment my presentation of the case to encourage me.

**The qualifications you acquired after your graduation are quite impressive. What motivated you to keep studying?**

After marriage, my husband was doing his Ph.D. and he urged me to take LLM. I was fascinated by Criminal Laws and had decided to specialize in Criminal Law and Maritime Law for my Post-Graduation.

## **From an Advocate practicing in Kerala High Court, how did you turn into the academics?**

After my LLM, my husband, who had then submitted his Ph.D. Thesis and I were offered a teaching position at A.C. College of Law, Nagarjuna University. My son was young and I believed that whatever a woman achieves she cannot run away from her duties as a mother in bringing up her children. So I decided to take a short break from practice and teach for a while. Moreover, I then had a second son. Criminal Law, Criminology and Criminal Justice Administration being my specialisation coupled with my passion for teaching made it extremely interesting for the students. I, no doubt, enjoyed practising in the prestigious High Court of Kerala, but with a great zeal and passion for teaching, I continued teaching until the National Law University in Bangalore started and I was invited to join this Institution from its inception in 1988. By then, my husband, Dr. Rajan Varghese, was awarded, Ph.D. in 1986 and has was also invited to join NLSIU. Teaching a group of vibrant students, motivating them, interacting with them and developing my research skills compelled me to remain in academics.

## **How was your journey to becoming the Vice-Chancellor in NUALS? Tell us your experience and how you achieved high standards in your Institution?**

While I was teaching in Bangalore, I did my M.Phil in Law and in January 1994, I got selected as an Associate Professor in Jamia Millia Islamia Central University. Besides teaching, I did my Ph.D. from Delhi University. Subsequently, I became a Professor and later the Dean of the Faculty. After I completed my tenure as the Dean, it was God's plan and I was appointed as the Vice-Chancellor of the National University of Advanced Legal Studies (NUALS), Kalamassery in October, 2014. According to the Statute, it is a four year term and this year October, 2018 I will complete my term as Vice-Chancellor. My experience as Vice-Chancellor was marvellous. It was a challenge for me to take the University to great heights. My students have been placed very well with the majority into practice/litigation. Further, our students represented India at Jessup, Washington DC, Jakarta, Singapore and Netherlands for various prestigious Moot Court Competitions. They went to Boston where they got the Best Respondent Memorial Prize and they have recently been selected to go to Australia for the Space Law Moot. Students representing India and competing at these prestigious Moots is a matter of pride to us. For any Vice-Chancellor it is a challenge to bring up a University to make it emerge as a much sought for Institution for legal studies and Research. Moreover, we have a one year LL.M. and a Ph.D. Programme. This year itself seven Research Scholars were awarded Ph.D. Again, by the Grace of God, I have had no major issues with students.

**If you compare the previous generation women with that of women today in India, have you noticed any change when it comes to women's rights and gender equality?**

It is not that today's women are more efficient so they become doctors, engineers, lawyers, pilots and chartered accountants. It is just that the women of the past did not get as many opportunities as the women of this generation. To me, being a woman is not a challenge and I see it more as an opportunity. That is how I encourage all my students to look at it. For instance, it is a challenge for any Vice-Chancellor to run a University maintaining high academic standards and upholding values besides inculcating values in students. This is a challenge before any Vice-Chancellor and this challenge does not increase if it is a woman Vice-Chancellor. When we are committed, straight forward and upright we do not have to face any hurdles or challenges in taking the University forward to reach global heights. Here at NUALS, this is possible because, I have a committed Faculty, a dedicated Registrar and Administrative Staff.

**To come this far one needs to have incredible determination and support. Who do you think supported you the most in coming this far?**

I have ensured that my professional life never clashes with family life. I have been fortunate to have a husband who took his Doctorate in Law, as early as in 1986 and who knew what it is to be in this noble profession and the challenges of the profession. Hence, he has been a source of moral support while I did my LL.M., my M.Phil. and my Ph.D. As a Vice-Chancellor or when I was the Dean, whenever I needed support he was there. The mutual love and respect we have for each other is something that has helped me reach this far. Not forgetting that my parents and siblings wanted me to study as far as possible and were always a constant support for me.

**What message would you like to leave for us students on the occasion of International Women's day?**

I believe that the Chartered Accountancy Course is rather tough. In my experience, I have found that Accountancy and Tax Laws are tough subjects, but very much in demand. So young boys and girls who are studying for C.A. should not give up, thinking it is too strenuous. With hard work, perseverance and dedication you can all come up in life as competent Chartered Accountants maintaining strong values, including a high level of honesty, integrity and professionalism. Wish you all the best. God bless each one of you in your career pursuits.

## ICDS vs. AS

An Accounting standard is a principle that guides and standardizes practices. Accounting standards are the written statements consisting of rules and guidelines, issued by the accounting institutions, for the preparation of uniform and consistent financial statements and also for other disclosures affecting the different users of accounting information.

The Central Government (CG) constituted a Committee in December 2010, to draft Income Computation and Disclosure Standards (ICDS). Section 145 of the Indian Income tax Act bestows the power to the CG to notify ICDS to be followed by specified class of taxpayers or in respect of specified class of income.

ICDS are meant for the normal tax computation. ICDS shall apply to all taxpayers whether corporate or otherwise. Further, there is no income or turnover criterion for applicability of ICDS. Noncompliance of ICDS gives power to the Tax Authority to assess income on “best judgement” basis and also levy penalty on additions to returned income.

Following is the list of 10 ICDS notified w.e.f. 1 April 2015:

### ICDS I (Accounting Policies)

The significant deviations from AS – 1 (Disclosure of Accounting Policies) are as under;

- Accounting policies shall not be changed without reasonable cause.

Basis of difference	AS- 1	ICDS- I
Concept of Prudence modified	Provision is made for all known liabilities and losses on best estimate basis	Marked to market (MTM) loss or an expected loss shall not be recognised unless permitted by any other ICDS
Change in accounting policy	Change permitted if (a) required by statute; (b) required for compliance of AS; (c) change results in more appropriate presentation of financial statements	Accounting policies shall not be changed without a “reasonable cause”

### ICDS II (Valuation of Inventories)

The significant deviations from AS-2 (Valuation of Inventories) are as under:-

- Method of valuation of inventory once adopted cannot be changed, unless there is reasonable cause for doing so;
- Details of inventories for which standard costing is used and confirmation that standard cost approximates actual cost needs to be provided as a part of disclosure requirements

Basis of difference	AS- 2	ICDS- II
Change in method of inventory valuation	Change permitted if (a) required by statute; (b) required for compliance of AS; (c) change results in more appropriate presentation of F/S.	Method of valuation once adopted shall not be changed without “reasonable cause”
Inventory valuation in case of certain dissolutions	No specific provision	In case of partnership firm, AOP or BOI inventory on the date of dissolution shall be valued at NRV, whether or not business is discontinued

### **ICDS III (Construction Contracts)**

The significant deviations from AS-7 (Construction Contracts) are as under:-

- Contract revenue is to be recognized when there is reasonable certainty of its ultimate collection;
- Contract costs shall not be reduced by any incidental income being in the nature of interest, dividend and capital gains (not included in contract revenue). The same shall be separately chargeable to tax;

Basis of difference	AS- 7	ICDS- III
Recognition of contract revenue	Contract revenue to be recognized if it is possible to reliably measure the outcome of a contract	– The criteria of ‘reliable measurement of outcome of contract’ omitted – recognized as per provision of ICDS – III
Allow ability of losses including probable / expected loss	Losses fully allowable irrespective of commencement, stage of completion and expected profits from other independent contracts	– Losses not allowable unless actually incurred and only on POCM basis – ICDS on accounting policies also does not permit recognition of foreseeable loss

### **ICDS IV (Revenue Recognition)**

The significant deviations from AS-9 (Revenue Recognition) are as under:-

- Revenue from service contract only to be recognized on percentage completion method as against AS-9 (Revenue Recognition) where both ‘completed service contract method’ and ‘percentage completion method’ is permitted for recognition of revenue from service contract;
- Revenue from service contracts with duration of not more than 90 days may be recognized under completed contract method;

Basis of difference	AS- 9	ICDS- IV
Method of revenue recognition for service contracts	– Proportionate completion method or – Completed service contract method	– Mandatory to recognize revenue based on Percentage completion method – ICDS requires application of ICDS III on Construction contracts for recognition of such revenue on mutatis mutandis basis
Disclosure requirement	Disclose circumstances in which revenue recognition has been postponed pending significant uncertainties.	Disclosures for amounts not recognized as revenue due to lack of reasonable certainty of its ultimate collection along with nature of uncertainty

### **ICDS V (Tangible Fixed assets)**

The significant deviations from AS-10 (Accounting for Fixed Assets) are as under:-

- In case of acquisition of a tangible fixed asset in exchange for another asset, shares or other securities, the fair value of the tangible fixed asset so acquired shall be its actual cost;
- There is no concept of revaluation of asset in the ICDS. The same is in conformity with the provision of the Act wherein also the concept of revaluation of assets is not recognized;

Basis of difference	AS- 10	ICDS- V
Stand-by equipment and servicing equipment	AS acknowledges capitalization of stand-by equipment and servicing equipment as a normal practice but does not mandate it.	ICDS ‘mandates’ capitalization of stand-by equipment and servicing equipment
Asset acquired against non-monetary consideration	Such assets should be recorded either at (a) fair market value of asset given up/shares or securities issued or (b) fair market value of asset acquired, whichever is more evident	Such assets shall be recorded at fair value of tangible fixed asset acquired

### **ICDS VI (Effects of changes in Foreign Exchange Rates)**

The significant deviations from AS- 11 (The Effects of change in Foreign Exchange Rate) are as under:-

- AS-11 grants an option to recognize exchange difference arising on reinstatement of long term foreign currency monetary items under "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)" and amortize the same over the balance period of such long term asset or liability whereas ICDS provides that profit/ (Loss) arising at the year end on reinstatement of monetary items shall be recognized as income or expense.

Basis of difference	AS- 11	ICDS- VI
Revenue monetary items (like trade receivables, payables)	<ul style="list-style-type: none"><li>– Converted into reporting currency by applying the closing rate</li><li>– Exchange difference recognized in P&amp;L a/c</li></ul>	<ul style="list-style-type: none"><li>– Converted into reporting currency by applying the closing rate</li><li>– Exchange difference recognized as income or expense subject to provisions of Rule 115</li></ul>
Capital monetary items – Relating to Imported assets and domestic assets	<ul style="list-style-type: none"><li>– Requires recognition in P&amp;L A/c</li><li>– Option of capitalization u/s. 211(3C) of Cos Act, 1956 as per which exchange differences arising in case of long-term foreign currency monetary items shall be either adjusted to capital asset or accumulated in FCMITDA</li></ul>	<ul style="list-style-type: none"><li>– Requires recognition as income or expense subject to provisions of s.43A</li><li>– No paras 46 and 46A exists</li><li>– No distinction recognized between capital and revenue items</li></ul>

### **ICDS VII (Government Grants)**

The significant deviations from AS-12 (Government Grants) are as under:-

- Grant in respect of depreciable fixed assets is to be reduced from actual cost of such assets. This treatment is similar to Explanation 10 to Sec 43(1). However, AS – 12 (Government Grants) prescribes that the same may either be adjusted with the value of assets or recognized as income on reasonable basis over a period of time.

Basis of difference	AS- 12	ICDS- VII
Recognition of grant	<ul style="list-style-type: none"><li>– On reasonable assurance of compliance of attached conditions and reasonable certainty of ultimate collection</li><li>– Mere receipt of grant is not sufficient</li></ul>	<ul style="list-style-type: none"><li>– On reasonable assurance of compliance of attached conditions and reasonable certainty of ultimate collection</li><li>– Recognition cannot be postponed beyond date of actual receipt</li></ul>
Grants relatable to depreciable fixed assets	To be reduced from cost or recognized as deferred revenue by systematic credit to P&L A/c	To be reduced from cost of fixed asset [in line with Explanation 10 to S. 43(1)]
Relatable to non-depreciable fixed assets	<ul style="list-style-type: none"><li>– To be credited as capital reserve, if no conditions attached to the grant</li><li>– To be credited to P&amp;L A/c over period of incurring cost of meeting conditions of grant</li></ul>	<ul style="list-style-type: none"><li>– To be considered as income on an upfront basis, if there are no conditions attached to grant [Refer discussion at para II(a)]</li><li>– To be treated as income over period over which cost of meeting conditions is incurred</li></ul>

### **ICDS VIII (Securities, held as stock in trade)**

Salient feature of the ICDS:

- This ICDS deals with securities held as stock-in-trade and not for securities held as investment.
- Securities listed on a recognized stock exchange shall be valued at actual cost as initially recognized or net realizable value, whichever is lower.
- Securities not listed on a recognized stock exchange shall be valued at actual cost initially recognized.

Basis of difference	AS- 13	ICDS- VIII
Year-end valuation of securities	Current investments to be valued at lower of cost or fair value either on individual investment basis or by category of investment but not on global basis.	– Securities should be valued at lower of cost or NRV. Comparison of cost and NRV shall be done category-wise.
Ascertainment of cost	Cost formulae are the same as those specified in AS 2 (e.g. FIFO; average cost, etc.)	Cost which cannot be ascertained by specific identification shall be determined on the basis of FIFO method or weighted average formula.

### **ICDS IX (Borrowing Costs)**

The significant deviations from AS- 16 (Borrowing Costs) are as under:-

- This ICDS deals with borrowing cost other than relating to exchange differences arising from foreign currency borrowings.

Basis of difference	AS- 16	ICDS- IX
Borrowing cost	Borrowing cost includes exchange difference to the extent that they are regarded as an adjustment to interest costs	Borrowing cost does not include exchange differences arising from foreign currency borrowings
Methodology of capitalization	- In case of specific borrowing Directly attributable to borrowing cost	Directly attributable to borrowing cost
	- In case of general borrowing Weighted average cost of borrowing applied to capital expenditure	Prorate borrowing cost allocation as per normative formulae

### **ICDS X (Provisions, contingent liabilities and contingent assets)**

The significant deviations from AS-29 (Provisions, Contingent Liabilities & Contingent Assets) are as under:-

- AS-29 requires the recognition of a provision when it is 'probable' that there will be outflow of resource. However, in ICDS, provision is to be recognized when there is 'reasonable certainty' for outflow of resources.

Basis of difference	AS- 29	ICDS- X
Onerous executory contracts	– Includes onerous executory contracts within its scope – Upfront recognition of liabilities required under onerous contracts	Onerous executory contracts excluded from the scope of ICDS
Recognition of provision	– Provision shall be recognized when it is "probable" that an outflow of economic resources will be required to settle an obligation.	– Provision shall be recognized when it is "reasonably certain" that an outflow of economic resources will be required to settle an obligation

**Harsha V R**  
**SRO0547989**

# *Industrial Visit to TCC, Kochi*



The Travancore Cochin Chemicals Limited, Udyogamandal is a State public Sector Undertaking owned by the Government of Kerala. Of the two part Industrial visit we were fortunate enough to attend, TCC was our first destination. After meeting everyone at the Institute, we started for the company at around.



The company specializes in the manufacture of Caustic Soda Chlorine and allied chemicals. We were introduced to the process of converting Common Salt, into Caustic Soda, and saw first hand, application of techniques we had only textbook knowledge of, such as costing for joint products and by – products, and also got to gather technical details, that would help us in the taxation front.



# Industrial Visit to 'Milma' At Edappally



Ernakulam Regional Co-operative Milk Producer's Union Ltd (ERCMPU) – Milma was established in 1985. It operated under the three tier – 'Anand Pattern' covering about 980 village level dairy co-operative societies spread across the four central districts of Kerala. The second destination in our list was Milma, at Edappally, which specializes in the manufacture of Dairy products.

The employee who guided us was kind enough to explain to us the history of the dairy, how it functions, it's future prospects and marketing techniques being utilized in the dairy industry. We also saw how ice-creams, ghee, butter and pedas were made in the Company.

**-Harikrishnan R**