

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



CAPTURE

Chairperson's message



Dear Budding Talents!

November 2019 was special to every Chartered Accountant in Ernakulam as well as the SICASA members. Organising a conference of the magnitude that we did was hectic but extremely energising and exciting. With the exams over and students back, SICASA Ernakulam is getting busy once again.

The most important endeavour of SICASA is to ensure that the students get best education possible and always remain updated. Career counselling for students continued during the month. Around 700 students across various colleges and schools were provided with counselling by the Managing committee with the help of other members.

We also conducted a one day seminar on "World Accounting Day" in association with The Department of Commerce, St Teresas's College, Ernakulam and a one-day seminar on Accounting Standards, GST and Investor awareness along with the PG & Research Department of Commerce, Sacred Heart College, Ernakulam. More of such programmes are being planned in the coming months. This month, we also conducted a one-day seminar on GST & Investor Awareness with Department of Commerce (Self Finance), St. Albert's College (Autonomous), Ernakulam. SICASA Ernakulam commenced the 32nd batch of ICITSS – Information Technology as well as the 24th and 25th batch of ICITSS – Orientation Programme at the branch in November. Ernakulam Branch of SIRC commenced the 14th batch of AICITSS – Advanced Information Technology and the AICITSS – MCS at Ernakulam Branch during the month

Two half day workshops were organised and was well attended by the students. While CA Amal Paul addressed the students on Accounting Standards, CA Ravinath Pai spoke about Input Tax credit under GST. Both the workshops were well appreciated by the students.

In December we have the biggest Gala event of SICASA, the EKAH being planned. We also have planned to conduct a football match, various workshops, industrial visits etc. for December. Let's continue to be active and energetic.

I wish all the students a very happy Christmas ! May the spirit of the season keep all of you bright and shining!

CA Deepa Varghese

Chairperson, Ernakulam Branch of SICASA of ICAI

Secretary's report



November has been done with, and we here at SICASA can't help but marvel at the speed time flies. 'Tis the season, when the falling weather and the glittering snow lifts spirits up and let us take time out to relish its beauty. SICASA too, is all set to spring back to life with a lot more activities.

This month was a rollercoaster ride, with a handful of enlightening events, workshops and seminars. Many of us were also seen working for the SIRC Regional Conference. It was an exciting and memorable experience to interact with Chartered Accountants from all over South India.

December will be a month to look forward to as we will be having around something sure to keep us on the edge of our seats—the all-Kerala football tournament, the much-awaited Industrial visits as well as our flagship event, Ekah 2K19. Hoping to see y'all there!

Once again, Greetings of the season!

Jinu Baby

Secretary, Ernakulam Branch of SICASA of ICAI.

Editor's message



November has sped past and as we stand looking upon the last month of the year, I can't help but think of the age-old saying 'time and tide waits for none'. This month was indeed one to cherish, as it brought along some much-needed rest after a very demanding tax audit season.

And yet, the month was not one with too much of rest. The Ernakulam Branch organised the SIRC Regional conference this time, and many of us put our efforts in making it a huge success. It was indeed an enthralling experience to see so many of the Chartered Accountant fraternity congregate under one roof, with one thought- to ascend new heights. We also had a bunch of seminars, study circles and workshops that helped us grow in terms of knowledge and its practical application.

Speaking of time, I would like to remind that we are on the onset of December- which means only one thing- Ekah! We here at SICASA are burning the midnight oil to make it worth all the hype surrounding it and hope you will join on in too. From the bottom of my heart, I wish of each of you the season's greetings.

From the Editor's desk,
Denita Mendez.

THE SICASA MONTHLY QUIZ- NOVEMBER

This month, we choose to pay tribute to the many Indian brands we all have grown up with. The October edition of the monthly quiz is dedicated to the origins of Indian enterprises, humble or not.. Mail us your answers to ekmsicasa@gmail.com before the 25th of December.

So, this month's questions:

1. Which Indian IT service provider was founded with a capital of mere Rs. 10000 after the founder's first venture, another IT consulting firm named 'Softronics', failed within a year and half of its incorporation?
2. Which Indian restaurant chain was started by a devotee of Lord Muruga in 1981 in Chennai, inspired by Fast food MNCs like McD on his visits to Singapore?
3. Name the sister concern of Bombay Dyeing and Britannia from the world of entertainment and Sport, closely associated with a military brat who debuted in a Maniratnam movie.
4. Incorporated by the GoI in 1953, this Indian brand's first product was released by the then-PM, Nehru. Identify the brand, whose most popular model to date is the 'Janata' (Hint: It has a factory in Kochi).
5. Which Indian daily was started as a weekly by the Triplicane Six, a group of four law students and 2 teachers in Chennai, with only 100 copies of its first issue, released on 20th September 1878??

Answers in the next edition.

Answers to the previous edition: 1.Dhyan Chand 2. Zips 3. FC Barcelona 4. Adidas 5. Ping-pong (Table Tennis).

Accounting for E-commerce Companies

By Neeraj C (SRO 0606535)



From Amazon to Flipkart, Uber to Ola, Swiggy to Zomato, E-commerce has established its presence in almost every industry. Over the past decade, we have seen the growth of many e-commerce platforms. But with growth and expansion, follows complications in accounting. This article, based on the guidance note issued by the ICAI in 2001 on accounting for dot-com Companies.

REVENUE RECOGNITION

Talking about a boom, the first aspect that comes to our mind is the word 'Revenue'. As per the guidance note on accounting by dot-com companies issued by the ICAI, the basic principles of revenue recognition as per AS-9 have to be considered for recognition of revenue.

As per AS-9, Revenue is the gross inflow of cash, receivables and other consideration arising in the course of ordinary activities of an enterprise from the sale of goods, rendering of services and the use by others of enterprise resources earning interest, royalties and dividend. In the e-commerce context, revenue is measured by the charges and rewards arising from the use of resources by them.

E-commerce companies generally engage in selling of goods and rendering of services. In the case of goods revenue can be recognized when:

- The seller has transferred to the buyer the goods for a price or all significant risk and rewards of ownership has been transferred to the buyer.
- No significant uncertainty exist regarding the amount of consideration that will be derived

This principle of revenue recognition as suggested by the Guidance Note with reference to AS-9 has to be examined on a case to case basis considering the significant amount of return of goods inherent in e-commerce business.

Revenue from transactions involving rendering of services should be measured either under the completed service contract method/ proportionate completion method considering that no significant uncertainty exist regarding the amount of consideration.

E-commerce companies may charge a non-refundable upfront fee/initial fee with or without subsequent payments for products or services to be provided in future.

If the subsequent provision of goods/services are to be paid for separately, the initial fee would be in the nature of entrance fee and the Guidance note requires capitalisation of such fee and if the subsequent provision of goods/services are not paid for separately, the initial fee has to be deferred and recognized as and when the goods/services are delivered/rendered. If the initial fees are subject to fulfilment of conditions, the recognition would not be appropriate and to be recognized only when there is a reasonable certainty as to fulfilment of conditions.

One of the significant issues in accounting by e-commerce companies is whether to recognize gross amount and related costs of sales or to recognize revenue on net basis similar to commission. The significance of this issue is enhanced due to the importance often placed on revenue being used as basis of valuation of e-commerce companies. For determining the basis of recognition, the management would have to scrutinize each and every contract to understand whether the e-commerce entity acts as an agent or not. If the relationship is that of an agent and the remuneration received by the e-commerce company being commission or fee is clearly evident, it would be appropriate to recognize revenue on net basis and in other cases on gross basis.

Another complication in accounting is shipping and handling fee. As per the guidance note, in determining the accounting treatment, it should be examined whether the products sold on-line are invoiced to the customers at a composite rate- that is, including shipping and handling charges or whether it is recovered separately. If a clear distinction cannot be made, it may be appropriate to include such shipping and handling fee as a component of sales revenue. If the absolute amount of shipping and handling fees can be identified, it should not be included in turnover and the income should be disclosed separately in the statement of P&L along with corresponding Shipping and handling expense. However, where these charges are clearly a reimbursement by the buyer, it should be shown as a deduction from shipping and handling costs in the statement of P&L.

A challenge in e-commerce accounting is multiple element arrangements, where dot-com companies agrees to deliver more than one product/service concurrently and deliver certain additional products/services. These may sometimes be customarily bundled for a consolidated price. For accounting purposes, it is necessary to unbundle the separate elements. For this, company specific fair values in respect of which objective evidence is available should be used. For instance, the price at which each item would be sold separately to unrelated parties can be a good estimate of fair values of each specific product/service. If such a separation is not possible, it would be appropriate to defer the recognition until earlier of

- Sufficient company specific objective evidence comes into existence or
- All elements of the arrangement are delivered.

Another principal source of revenue for E-commerce companies is from advertisements. As per the GN, it is appropriate to recognize revenue on the basis of number of 'click-throughs' on a particular ad unless another systematic/rational basis of revenue recognition is more appropriate.

The challenge in accounting for ads of e-commerce companies is the accounting for advertisement barter transactions, in which 2 or more companies may exchange rights to place ads on each others' websites. Revenue from advertisement barter transactions should be recognized only when the fair values [IND AS-113] of similar transactions are determinable. For this, price of similar transactions that have occurred not more than 6 months to unrelated buyers would be the best estimate of fair value of similar advertising and where such reliable estimate is not available, it may not be appropriate to recognize revenue and associated costs in barter transactions.

ACCOUNTING FOR COSTS

Any costs incurred for website development may be capitalized if it satisfies the recognition criteria as laid down in AS-26/Ind AS-38 as the case may be.

When an e-commerce company offers products/services at heavily reduced prices to stimulate sales, the value of such rebates/discounts should be considered as trade discounts and adjusted from turnover.

Coming into a key cost element of e-commerce companies namely – points and loyalty programmes– which may be structured in different ways. The E-commerce company may itself award the points or it may partner with other companies to issue reward points. If such loyalty points are in relation to specific customers, it should be deducted from the turnover in the statement of P&L and if such programmes are general in nature, a general provision should be made in the statement of P&L.

To sum up, E-commerce has grown rapidly over the years. Yet, the principles laid down in the guidance note on accounting for dot-com companies which was issued by the ICAI in 2001 has still not become outdated and covers a majority of transactions of E-commerce companies. The on-coming of IND-AS has taken these principles to a next level focusing on the core transactions and emphasising on increased disclosures. However, there are still challenges in accounting for e-commerce transaction which has to be dealt with on a case to case basis by focusing on the actual substance of the transaction.

A scene to remember...



How do you turn a rare, fatal virus outbreak that killed people and kept a state and its government on tenterhooks for weeks into a compelling script and film? *Virus* by Aashiq Abu and team is a minutely observant, unobtrusively educative and moving ode to unsung stars, the triumph of Kerala over the epidemic and the strength of the human spirit. Coming out exactly a year after the deadly Nipah virus hit the 'Koyikkoden' shores, this movie is not apocalyptic nor is it dystopian– it tells the tale of survival, of unity defeating an intruding pathogen.

The film progresses as a chronological depiction of the real-life experiences in Kozhikode and Malappuram which we are aware through the news reports. It, in a way, pays tribute to scientists, medical professionals and the people who came forward to support the team to solve the virus attack. From its opening shot, an aerial view of Kozhikode, the movie keeps the audience on the edges of their seats. It wastes no time to jump headfirst into action, as Dr. Abid Rehman and team are busy saving lives in the casualty ward of Kozhikode Medical college. Soon, the Nipah cases begin to arrive; It becomes an emergency situation, and medical practitioners and healthcare professionals, led by Health Minister C K Prameela and District Collector Paul V Abraham, camp in Kozhikode to investigate its origins and stem its spread. How they tackle the deadly epidemic forms the rest of the story.

The film brings together a handful of talented artists as well as crew, each blending flawlessly into the role–*Virus* is not one of those multi-starrers where each actor is competing for space. Big or small, everyone has a role to play, and all the actors carry out their respective duties with aplomb. In fact, it wouldn't be wrong to say that the leading role is played by none other than Nipah Virus itself. Rajeev Ravi's cinematography, Sushin Shyam's pulsating and occasionally eerie background score, Saiju Sreedharan's editing and above all, the carefully researched and constructed script – penned by Muhsin Parari, Suhas and Sharfu – all pay tribute to the real-life heroines and heroes including Nipah's victims, many of whom contracted the disease through an act of kindness.

One of the most emotional storylines in the film is that of Nurse Akhila–based on Lini Puthussery, the nurse who was infected while treating the Index patient and died. Akhila is delirious with fever as she is wheeled into the casualty of Medical College. She pleads the doctors-in-charge to intubate her. "I can't breathe anymore. My daughter, I breastfed her," she whines. In between stints of unconsciousness, she mouths to her attenders that she caught the disease from a patient who she'd looked after at the Hospital (thus leading to the index patient). In one of the flashbacks, the movie shows Akhila talking to her Husband abroad, 'How can I not treat the sick who come?' Rima Kallingal perfectly essays the role as she portrays the fear, confusion, pain and the reflection she has when she pens a letter to her beloved husband in the last few moments of her life. Akhila will be one of the most truthful portrayals of any real life person in Malayalam Cinema and this is one memorial Kerala can give to Lini Puthussery; She will live on in the hearts of every Malayali for her sacrifice, as well as her invaluable contribution in tackling Nipah.

Lens...

Chronicling the SICASA events of November 2019



▲ From the students' workshops held during the month ▼



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2K19

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