



The Institute
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The Chartered Accountant STUDENT

Your monthly guide to CA news, information and events

Final
Financial
Reporting

Intermediate
Advanced
Accounting



Foundation

Business Mathematics
and Logical Reasoning
& Statistics



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INSIDE

03 President's Communication

04 Vice-President's Communication

05 Chairman's Communication

06 Chairman SSEB (Board of Studies-Operations) Communication

07 President and Vice President's Profiles

08 Chairman and Vice Chairman's Profiles

09 Chairman and Vice Chairman SSEB (Board of Studies-Operations) Profiles

10 Union Budget: 2023-24

15 CA Final: Financial Reporting

25 CA Intermediate: Advanced Accounting

32 CA Foundation: Business Mathematics and Logical Reasoning & Statistics

36 Crossword

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CA. Aniket Sunil Talati

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SWACHH BHARAT - A STEP TOWARDS CLEANLINESS



Dear Students,

Warmest Greetings to you all.

It gives me immense pleasure to communicate with you as the 71st President of this illustrious institution, The Institute of Chartered Accountants of India (ICAI). It is also a great honour for me to lead the premier accounting body of the country, which is also the second largest professional body of Chartered Accountants in the world. I am deeply grateful and thankful to the 25th Council of ICAI for placing their trust and confidence in me to assume this great responsibility. It is indeed an honour and privilege for me to accept this prestigious position in service of the profession.

We all at the Institute are geared up to contribute to build upon the successes of the past, and I am confident that we will be able to fulfil the Institute's vision to become the most respected and trusted professional accounting body in the world, and a regulator and developer of trusted and independent professionals with world-class competencies in accounting, taxation, finance, assurance and business advisory services.

Focus on Skill & Tech-based CA Education

Aligning with the Government of India's vision of revolutionising the Indian education system through the National Education Policy (NEP) 2020, the Board of Studies (Academic) of ICAI is in the process of updating the Chartered Accountancy curriculum from learning-based to skill-based model in line with the policy. Promoting Dual Mode of Learning, the Institute will emphasise majorly on skill-based education. Apart from focussing on multidisciplinary education and introducing new subjects, the updated curriculum will make optimum use of the latest technologies available. ICAI aims to arm its students with industry-relevant skills to make them future ready.

Rebuilding India & ICAI's Global Identity

Working towards achieving the objectives envisioned in Vision 2030, ICAI will go all out to increase the accounting profession's global outreach and footprint. Building on the success of World Congress of Accountants (WCOA) 2022, the Institute will strive to forge more collaborations with international organisations in the accounting and related fields, providing greater mobility and professional opportunities to the Indian professionals.

Sharing vision of 'Amrit Kaal' to ascend to new heights of prosperity for India and its citizens, the Institute will continue to contribute towards efficient functioning and affluence of the Indian economy by upholding societal goals, leading to inclusive growth. Participating actively in the G20 endeavours with the Government will be an important step in this direction.

The Institute will provide further impetus towards ensuring a robust, a transparent and an efficient regulatory mechanism to increase stakeholder's trust and confidence. To strengthen its Research and Development facilities, the Institute will exploit the

potential of newer technologies such as AI, Data Analytics, Block Chain, Cloud Computing, etc. to the fullest. As part of our efforts to strengthen the ecosystem, ICAI will further raise awareness on ESG concerns globally by benchmarking the global best practices in Sustainability Reporting and Assurance Standards.

Lastly, enhancing the image and rebuilding the identity of ICAI will be a key focus area, whereby the public perception of Chartered Accountants and the profession will be enhanced by projecting CAs as global professionals. I assure you that quality will continue to be at the heart of everything we do, be it in the academic or the professional services. With a wonderfully dynamic and expert group of people around me, I am confident of achieving the mentioned initiatives. Today, when India is doing commendable efforts to become *Vishwaguru* as manufacturing and knowledge hub of the world, the Indian Accountancy profession shall leave no stone unturned to emerge as global leader.

"Success can come to you by courageous devotion to the task lying in front of you." – CV Raman

Foundation Results – New Beginning, New Opportunities

My heartiest congratulations to all the students who have qualified the CA Foundation exams held in December 2022. But remember, this is just the beginning, and you have two more exams, Intermediate and Final, to clear before becoming a qualified Chartered Accountant. Therefore, you must continue your success path with focussed approach, determination, and dedication to achieve your life's dream. I must assure you that you have chosen the perfect career path for yourself, which is going to open several opportunities that will help you to rise to the peak of your professional life.

"One important key to success is self-confidence. An important key to self-confidence is preparation."
– Arthur Ashe

The candidates who could not be successful should keep their confidence and enthusiasm intact. It's time to review your strategies and methods of exam preparations. Always remember, success always comes to those who pursue it with sustained and single-minded devotion.

On the occasion of Holi, I convey my best wishes to you and your families. Wishing you the very best for your future endeavours.
Yours sincerely,

CA. Aniket S. Talati
President, ICAI

VICE PRESIDENT'S COMMUNICATION



My Dear Students,

Upgrading our capabilities in tune with the times is the key to achieve success.

I believe in what Franklin D. Roosevelt had once said that *"We cannot always build the future for our youth, but we can build our youth for the future."*

As the newly elected Vice President of the Institute of Chartered Accountants of India (ICAI) for 2023-24, I am extremely delighted to communicate with you for the first time through this mode. I am honoured to have been entrusted this responsibility and pledge my sincere commitment towards serving the profession and its members and students with utmost dedication and shall earnestly strive towards developing the excellence of highest order.

I visualise ICAI possessing a vibrant and thriving community of Chartered Accountants who are both technically adept and ethically upright. I believe that it is our responsibility as professionals to uphold the highest standards of ethics and integrity in all spheres. Only by maintaining such high standards, can we gain the trust and confidence of our clients and society at large. By the virtue of the above, we are regarded as Professionals as we place public interest over personal interest.

I would like to share some indicative vision points for your reference and urge you to take maximum benefit out of them.

Building an Institution of 'Tomorrow'

We endeavour to build a world class institution ICAI that shall focus on building the skills and knowledge of our members and students through world-class education and training programs. We will also work towards strengthening our relationships with other stakeholders, such as regulators and government bodies.

Positioning Our Students and Members Globally

The foremost focus shall be given towards streamlining the course curriculum in line with international educational standards and international practices. The same shall be instrumental towards positioning our Chartered Accountants at par with professionals qualified from reputed International Accounting Bodies.

Developing Accomplished and Empowered Professionals

ICAI has been quite mindful of the new age learning requirements. Therefore, under the Proposed Scheme of Education & Training, we plan to introduce Self-Paced online modules. They shall be

beneficial to students as it would provide them an opportunity to learn at their own pace and convenience and at the same time benefit from the continuous learning coinciding with articleship training.

ICAI BOS Mobile App: The Ultimate Learning Companion

The ICAI BOS Mobile App has established itself as the most popular online learning platform for students. All the learning content is available at the click of a single button. The app is an ideal substitute for classroom teaching with the added benefit of being able to view it anytime, anywhere.

Since its launch, there have been more than 2.78 lakhs downloads of the Android and more than 10k downloads of the iOS versions of the app. This app has a library of 1800+ video lectures, free to access anytime anywhere. I would advise all of you to take the maximum benefit of this app. We are in the process to make this App as a Single Point Signup to access all the resources for students.

Practical Training Modules

To aid and train the practical aspects of articleship training, Board of Studies, ICAI conducts series of Webinars every week on the topics of practical relevance like Auditing, Accounting, Taxation and Corporate laws. We have received an overwhelmingly positive response from the student fraternity w.r.t these training programmes. The recorded webinars are available on ICAI YouTube channel and Digital Learning Hub.

Students: The Brand Ambassadors of the Profession

As students, you are the future of our profession. You are the ones who will carry the mantle forward and ensure that our profession continues to thrive and evolve.

As future members of this noble profession, I encourage each one of you to pursue your academic goals with diligence and integrity. ICAI offers a wide range of opportunities to its students to acquire practical skills and knowledge to prepare themselves for the challenges of the real world and always strive for excellence.

In the coming months, our focus will be on enhancing the overall learning experience of our students. ICAI will be launching new initiatives to help our students learn and develop critical skills that are relevant to their future careers. We will work towards improving the quality of education and training that is provided to our students to ensure that they are equipped to take upon the global challenges.

I take this opportunity to wish you all a bright career ahead and may the upcoming colourful festival of Holi bring the colours of happiness and success to your lives.

Yours sincerely,

CA. RANJEET KUMAR AGARWAL
VICE PRESIDENT, ICAI

CHAIRMAN'S COMMUNICATION



Dear Students,

It is my proud privilege to continue my association with you as Chairman along with CA. Dayaniwas Sharma as Vice Chairman of the Board of Studies (Academic). Together we would like to express our sincere thanks and gratitude to our President, CA. Aniket Sunil Talati, and Vice President CA. Ranjeet Kumar Agarwal for posing their faith and confidence in us and entrusting us with the overall responsibility of the Board of Studies (Academic) in succession.

As you are aware that being an academic wing of the Institute, BoS(A) has been continually performing wide array of functions towards the comprehensive and inclusive development of our students. In the year 2023-24, we wish to take forward the numerous tasks undertaken last year and various new initiatives with utmost sincerity and commitment so as to foster the overall growth of our students.

BoS(A) Incessant Initiatives

- **MoUs with various universities**

After the successful conduct of two days' National Education Summit on Commerce and Accounting (NES-CA), we are humbled to receive overwhelming responses from various universities across India to enter MoUs with them. The objective of these MoUs is to strengthen the commerce education throughout the country and extend academic support at undergraduate, post graduate and diploma levels under the faculty of Commerce and Management. The MoUs shall stimulate and facilitate the development of collaborative and mutually beneficial programs.

- **Proposed Scheme of Education and Training**

BoS(A) is in the process of preparation of the study material of various subjects at all the levels under the Proposed Scheme wherein highlight would be on integration of ethics and technology in the core papers at the Final level. Emphasizing majorly on students' self-learning and self-assessment, the BoS(A) is under the process of content development of various subjects in self-paced modules. Once completed, we shall develop the methodology to present the online lectures so that students are able to learn from anywhere, anytime at their own pace.

- **Live Coaching Classes**

The 6th batch of LCC for Intermediate & Foundation levels and 5th Batch of LCC Final for the students appearing in May 2023 examinations will be successfully completed in the month of March 2023, respectively. We shall commence the 7th batch of LCC for Intermediate level students and 6th Batch of LCC for Final level students in this month for the students appearing in

November 2023 examinations. The students may attend these classes through the BoS Knowledge portal, <https://boslive.icaig.org/> or ICAI – BoS Mobile App and can also view at ICAI CA Tube/YouTube Channel.

- **Revision Test Papers (RTPs)**

The RTPs of all the subjects at Intermediate and Final level shall be made available to all the students through Institute's website. Questions for understanding the impact of amendments have been incorporated in the RTPs of different subjects. The purpose is to make students comprehend the manner of application of the amendments/provisions and well analyze their preparation level before the examinations. Students can refer to them for their revision purpose and assess their readiness for the examination.

- **Mock Test Papers (MTPs)**

In order to assist students in their preparation for the examination, the BoS(A) shall hold "Mock Test Paper Series I" in the month of March followed by another series of MTP in the month of April for all Intermediate and Final level of students. I firmly urge all the concerned students to appear for these tests as these papers will not only help in revising your entire syllabus but also to identify areas of improvement.

- **BoS for Your Success**

Taking another step towards students' better preparedness, BoS(A) proposes to organize series of webinars under "BoS for Your Success" in the month of March/April for the students at Intermediate and Final Level. The faculty from BoS will provide specific guidance to the students with respect to each paper at Intermediate and Final level examinations.

- **Capsule Insights**

The highlight of this issue are comprehensive Capsules based on Paper 1: Financial Reporting for CA Final, Paper 5: Advanced Accounting for CA Intermediate and Paper 3: Business Mathematics and Logical Reasoning & Statistics for CA Foundation. These capsules comprise major concepts which are concisely crafted and presented using illustrations, diagrams, and flowcharts, thus making it a perfect single reference point for revision.

BoS(A) Roadmap

With the determined support of my dynamic Vice Chairman, CA. Dayaniwas Sharma, BoS(A) envisions to propose the following to its students:

- To promote **Research activities amongst its students** by encouraging them to take up the research work in the contemporary areas during their articleship or post-articleship.
- To initiate the provisions of offering **Online Library for its students** to assist them in enhancing their knowledge and take up various research activities.

Before I conclude, I would advise you all to work with utmost dedication, put in your persistent efforts and have positive bent of mind to leverage your strengths and overcome your shortcomings.

"The future belongs to those who believe in the beauty of their dreams." -Eleanor Roosevelt

Wishing you all a Happy and colourful Holi!!

Stay safe, stay healthy.

CA. VISHAL DOSHI
CHAIRMAN, BOARD OF STUDIES (ACADEMIC)



“Great work requires great and persistent effort for a long time.... Character has to be established through a thousand stumbles.” – Swami Vivekananda

Dear CA Students,

As we approach the festival of Holi, I would like to wish you all a very happy and colourful celebration. May this festival of colours bring joy, happiness, and success in your lives.

It gives me great pleasure to address you all as the new Chairman of the Students Skills Enrichment Board for the year 2023-24. I am grateful to the President and Vice President of the Institute for entrusting me with this responsibility.

Chartered Accountancy is a course that equips you with competencies in various areas like accounting, finance, taxation, management, and more. However, to become a complete business solution provider, practical training and personality development are equally important.

At SSEB, we believe that the development of soft skills, communication skills, leadership abilities, and entrepreneurial skills is crucial for succeeding in the dynamic and ever-evolving business world. To further your overall development, the Board carries out a wide array of functions. These functions are designed to help you equip yourselves with the latest information and knowledge and broaden your horizons in various fields.

Soft skills and IT knowledge play an essential role in shaping the careers of successful CAs. Therefore, I advise you to participate actively in the Institute's ICTISS/AICTISS courses and don't wait till the last moment to avoid last moment inconvenience.

The Board also enables Practical Training Module to aid and standardize the practical training aspects of the students undergoing articleship. In all, 40 such sessions have been conducted by the Board which are available on the digital learning hub of ICAI for reference of the students.

The Board also organizes various student programs like seminars, conferences, workshops, national talent contests, etc. These common platforms help you to understand the initiatives of the ICAI and take advantage of the same. They also provide opportunities for you to attend and present your skills, which in turn help boost your motivation and shape your leadership skills.

To groom you as all-around professionals, we need to put in special efforts and vision to improve your communication

and presentation skills and conduct extra-curricular activities such as CA Students Talent Search Contests, which include Elocution, Quiz, Best Presentation, Drama by Students team, Debate, etc., to showcase your talents at a National level.

The ICAI also provides handholding to its students through the scholarship scheme. A 100-crore corpus has been created for the disbursement of Scholarship grants, and the number of Scholarships has been significantly increased. This initiative increases the belongingness to ICAI and provides a way for students pursuing Chartered Accountancy to receive a grant of Scholarship. Students can apply online for the Scholarship by logging in at the Self-Service Portal (SSP).

We have also established Additional Reading Rooms/Reading Rooms and Libraries within the jurisdiction of Regional Councils and Branches, serving needy students to achieve their goals.

The Four Weeks Residential Programme on Professional Skills Development is also being organized by the Board with the objective of offering a unique opportunity for CA students to imbibe the professional skills required for effective functioning in business organizations and the profession.

Dear students, the accountancy profession has undergone significant changes in the past few years. Technological advancements, globalization, and increased competition have impacted the way we work, learn, and grow. As future Chartered Accountants, it is imperative for you to keep abreast of the latest trends and developments in the profession. This will help you not only to succeed in your studies but also in your future professional career. With your active participation and unstinted support, we shall together add a new chapter in the growth story of our beloved Institute.

In conclusion, I wish you all the very best for your upcoming CA exams. Remember, success is not an accident, but the result of your hard work, dedication, and preparation. With the right mindset, skills, and support, you can achieve great heights in your career and make a difference in the world.

Once again, I wish you all a very happy Holi and a bright future ahead.

Best wishes,

(CA MANGESH PANDURANG KINARE)
CHAIRMAN SSEB

PROFILE || Our New President



CA. ANIKET S. TALATI
PRESIDENT,
ICAI (2023-24)

A man with strong professional ethics, refined thought process, technical expertise and vision to embrace technology to lead the profession. On 12th February 2023, CA. Aniket S. Talati was elected as 71st President of The Institute of Chartered Accountants of India (ICAI) for the term 2023-24.

While serving the ICAI Council as a member since 2016 and then as Vice-

President of the Institute in 2022-23, he earned respect for his formidable organizational skills and deep insight into the affairs of the profession. CA. Aniket S. Talati has contributed to the cause of the profession from various professional perspectives and is widely commended and credited for leading the Digital Transformation within ICAI. Numerous digital initiatives launched under him stand testimony to this fact. His penchant for inspiring new ideas and innovations is evident in conceptualizing and devising a new futuristic CA Curriculum.

As President of ICAI, CA. Aniket S. Talati is also the Chairman of all the Standing Committees, i.e., Executive, Finance, and Examination Committees, as well as ex-officio members of all Non-Standing Committees and Editor of ICAI Journal, The Chartered Accountant. During 2022, he was the Vice-Chairman of the Working Committee of the World Congress of Accountants, ICAI. He successfully hosted the most magnanimous and historic World Congress of Accountants in Mumbai in 2022.

He also Chairs the ICAI research wing Accounting Research Foundation (ICAI ARF), Extensible Business Reporting Language (XBRL) India. He is the Director on the Board of the Indian Institute of Insolvency Professionals of ICAI (IIPI). He also represents the Institute as a member of the Insolvency Law Committee and as a Standing Committee of MCA for review of the implementation of the Insolvency & Bankruptcy Code, 2016.

CA. Aniket has been passionately representing India and the profession on international forums at several global meetings and conferences, striving to position India as Global Accounting Hub. Currently, he is the Technical Advisor to the ICAI's Nominee on the IFAC Board, PAIB Advisory Group of IFAC, besides being a Board member of SAFA (South Asian Federation of Accountants). Also, he represents ICAI on the International Integrated Reporting Council (IIRC) and Board meetings of the Pan African Federation of Accountants (PAFA) and ASEAN Federation of Accountants (AFA). Moving ahead with ICAI's role as a partner in Nation building being President ICAI, CA. Aniket S. Talati is supporting the Government and Regulators as a member of the Government Accounting Standards Advisory Board (GASAB) & Audit Advisory Board formed by the C&AG of India, Insurance Advisory Committee and Board of Insurance Regulatory & Development Authority of India (IRDAI) and SEBI's Primary Market Advisory Committee.

With his exceptional understanding, skills to blend new age thinking with the traditional approach, and ability to connect with all, CA. Aniket has an outstanding capability to pursue the agenda of inclusive growth, dealing with issues of Small and Medium Practitioners and taking the Institute and Indian accountancy profession to much greater heights on a global pedestal. During his stints with the ICAI, he led the cause of the profession from the front through various Committees of the Ahmedabad Branch & Western India Regional Council of the ICAI.

Bachelor of Commerce from Mumbai University and a Rank holder from Gujarat University, CA. Aniket S. Talati also holds a Master of Commerce. With strong expertise in technical matters, he has written numerous articles in various magazines and publications and addressed hundreds of seminars and conferences.

PROFILE || Our New Vice President



CA. RANJEET KUMAR AGARWAL
VICE-PRESIDENT,
ICAI (2023-24)

A thorough academican, with a consistent pursuit towards achieving excellence and a technically affluent professional who has been significantly contributing to the cause of the profession, CA. Ranjeet Kumar Agarwal has been elected as the Vice-President of the Institute of Chartered Accountants of India for the term 2023-24.

CA. Ranjeet Kumar Agarwal is a practicing Chartered

Accountant since last 24 years. He graduated from the prestigious Calcutta University. He is also a Company Secretary & DISA from ICAI. He was elected to the 23rd, 24th & 25th Central Council of the Institute of Chartered Accountants of India 3 times in a row. During his Chairmanship in 2013-14, the Eastern India Regional Council (EIRC) received the coveted award for the Best Regional Council.

During his distinguished stint, he has chaired many committees and has several accomplishments to his credit. As a visionary reformist, he had chaired the Professional Development Committee of ICAI, implemented Bank Branch Audit Software and conceptualised and implemented UDIN which was indeed a landmark initiative of ICAI. He was also the Convenor of Group constituted to implement UDIN concept in all SAARC Countries (Sri Lanka, Pakistan, Nepal, Bhutan, Bangladesh, Afghanistan & Maldives). He had also led the ICAI Group that presented the FRRB Bill before Joint Parliamentary Committee (JPC).

An expert in Professional Ethics, he as the Chairman of the Ethical Standard Board of ICAI was instrumental towards bringing the revised the Code of Ethics after a gap of 10 years and implemented the New Code of Ethics considered to be the guiding light for the accounting profession.

As the Vice Chairman, Board of Studies, he steered major refinements in the processes and their implementation. Out of the various groups formed for the dealing with the various aspects of CRET for the year 2021-22, he was the Convenor of the Group for Examination related matters. The ICAI Mobile App, which has become the most renowned online learning platform for students, was also launched under his tenure. In 2019 he was the Convenor of the Group Constituted for Review of the entitlement for engaging Articled Assistant(s).

Under his dynamic leadership as the Chairman of Committee for Members in Industry & Business (CMI & B) in 2022, both the Campus Placement Programmes for Newly Qualified Chartered Accountants and Experienced CAs secured an unprecedented success and witnessed the participation by highest number of recruiters and secured the largest number of offered vacancies. The committee had also organised first placement programme exclusively for women CAs. A new campaign titled CA Business Leaders 40 under 40 was also commenced wherein 40 CA achievers in Industry and Business under the age of 40 will be awarded. By the virtue of his able guidance, the committee had published two noteworthy publications namely the Coffee Table Book-'Milestones- A Chronicle of Activities' and 'Tales of Triumph- Stories of Successful Chartered Accountants' which were highly appreciated by the fraternity.

He has also chaired Tax Audit Quality Review Board (TAQRB) of ICAI wherein he led the steps towards improvising the quality of Tax Audit conducted by members and during the year 2022-23, 80 reports were reviewed by the Board.

His accomplishments at International Front also include his recent appointment as the Technical Advisor to the Board member of SAFA (South Asian Federation of Accountants).

CA. Agarwal is a passionate leader and firmly believes in the inclusive development of the society.

PROFILE || Our New Chairman



CA. VISHAL DOSHI
CHAIRMAN,
ICAI 2023-24

A man with outstanding academic records and professional excellence, CA. Vishal Doshi is a firm believer that knowledge is power which increases with sharing. His love for learning and contributing has helped him don many feathers in his 25 years of dynamic professional experience. Apart from leading an Audit & Assurance practice, he has the experience of serving

entities in diverse industries from manufacturing to service sectors. He also holds diplomas in Information System Audit (ICAI) and Insurance and Risk Management (ICAI).

He is a known subject-expert in Auditing & Assurance field with in-depth knowledge in Ind-AS, IFRS, Accounting Standards, Auditing & Assurance Standards, Corporate & Regulatory Laws, Enterprise Risk Management, and a host of technical as well as non-technical subjects.

CA. Vishal Doshi oversees the Assurance functions of listed companies, government companies, multinational companies as well as large corporates. Specialising in convergence from Indian GAAP to Ind-AS/IFRS, he has successfully led some prestigious Ind-AS implementation and convergence projects in oil & gas, power, infrastructure and manufacturing sectors.

For the year **2023-24**, CA. Vishal Doshi, as a Member of the Central Council, has been assigned the Chairmanship of **Board of Studies (Academic)**, Vice Chairmanship of Auditing & Assurance Standards Board (AASB), Convenor of Centre for Audit Quality Directorate and member of various Standing and Non-Standing Committees of ICAI.

CA. Vishal Doshi has been an integral part of the National outreach Programme conducted by Board of Studies, ICAI, to spread awareness on the Proposed Scheme of Education and Training amongst various stakeholders viz. Members, Academicians and Students.

He has been a Member of Western India Regional Council for 2019-22 and Vice Chairman of WIRC of ICAI for 2020-21, and the Chairman of Baroda Branch of WIRC of ICAI for 2005-06.

As a Regional Council Member, CA. Vishal Doshi has been the Chairman of Corporate & Allied Laws & Corporate Governance Committee, Branch Co-ordination Committee, Ind AS, Accounting Standard & IFRS Committee, Ethical Standards Board Committee and also Vice Chairman / member of several other committees. He has also been a Member of Regional Audit Committee of WIRC of ICAI for 2019-20 & 2021-22.

CA. Vishal Doshi has made presentations on Ind AS/IFRS, Accounting Standards, Standards on Auditing, ICAI Guidance Notes, Code of Ethics, Practice Management for SMPs, AS vs. ICDS, Companies Act, Schedule III, CARO and a host of technical and non-technical subjects at various seminars, workshops, Certificate & Intensive Courses of the ICAI, WIRC, its Branches and Study Circles and other academic institutions. He has been a visiting faculty to Post Graduate Course at M. S. University, Baroda.

CA. Vishal Doshi is a Peer Reviewer for Peer Review Board, ICAI. He has been a Technical Evaluator of financial statements for ICAI Awards for Excellence in Financial Reporting for Research Committee, ICAI and Member of Financial Reporting Review Group – Baroda for Financial Reporting Review Board, ICAI.

CA. Vishal Doshi has been awarded Rashtrapati Scout Award by Shri K. R. Narayanan, Hon'ble President of India. Presently, he is appointed as Expert member on the Board of Studies in Accounting & Financial Management (Faculty of Commerce) for the term 2020-23 by the Maharaja Sayajirao University of Baroda.

PROFILE || Our New Vice Chairman



CA. DAYANIWAS SHARMA
VICE CHAIRMAN,
ICAI 2023-24

A man of great professional and academic credentials, CA. Dayaniwas Sharma qualified as a CA in 2005. He is an Information System Auditor (ISA) and Certified Forensic Auditor, having completed Diploma & Certification Course conducted by ICAI, respectively.

Armed with 24 years of experience in the fields of auditing, accounting,

corporate re-structuring valuations, due-diligence and transaction advisory services and other related financial management services, CA. Dayaniwas Sharma has overseen and managed audit engagements of large corporate entities from international, private and public sector undertakings.

In his first term as a Central Council Member, he discharged his duties by representing multiple committees as Chairman, Vice-Chairman and Member. In the first year of his second term for the period 2022-25, CA. Dayaniwas Sharma was the Chairman of Board of Studies (Academic), Digital Re-engineering and Transformation Committee, Center of Excellence-Hyderabad, Vice Chairman of Digital Accounting and Assurance Board (DAAB), and a member of 11 Technical Committees and 10 Non-Technical Committees.

His contribution and involvement in the efficient functioning of ICAI in the last four years are -

- **Technology:** Self Service Portal (SSP), New ICAI website, Digital Learning Hub, UDIN, CA Connect Portal, Driving the Finance and Tax Literacy Drive of ICAI with 11 languages website, WE CARE portal for senior members and more.
- **Subjects:** Introducing Forensics Standards in accounting profession nationally and internationally, introducing specialised Certification courses on ABCD of technology, revamping Forensic Accounting and Information System Audit courses, revamping the entire Peer Review Process, working on New Networking Guidelines and more.

Currently for the year 2023-24, he is the Vice Chairman of Board of Studies (Academic), and Digital Accounting and Assurance Board (DAAB), and a Member of Executive Committee, Examination Committee and a host of other Non-Standing Committees. He is the Convenor of Estate Development Directorate (EDD), Deputy Convenor of UDIN Directorate and a Member of Digital Re-Engineering & Transformation Directorate and Members & Students (Grievances Handling and e-Sahayata) Directorate.

He is a member of Federation of Telangana Chamber of Commerce and Industry (FTCCI), Indo American Chamber of Commerce (IACC), TIE – Hyderabad and CEO/ CFO Forum – Hyderabad.

He is also a qualified member of **Association of Mutual Funds of India (AMFI)** since 2004. He has to his credit a plethora of other achievements:

- He has been instrumental in taking the firm into international arena and developed working relationship with different countries and 5 cities nationally. Their group is one of its kind to be called as **'Indian Multinational Firms'** or Make in India firm of Chartered Accountants.
- He has been covered by a coffee table book and recognised as **'Young India Visionary'** by IMG Innovative Media Group in whole of UAE.

CHAIRMAN SSEB (BOARD OF STUDIES-OPERATIONS) PROFILE



CA. Mangesh Pandurang Kinare is an eminent Chartered Accountant with over three decades of practice experience. He has garnered a distinguished reputation in the profession for his extensive knowledge in Audits, GST, and Business Consultancy. With a B.Com. degree and LL.B. (Gen) from the prestigious University of Mumbai, he is also a Fellow Member of The Institute of Chartered Accountants of India, highlighting his exceptional academic prowess. He has further honed his skills with a post-qualification course in Information System Audit by The Institute of Chartered Accountants of India - D.I.S.A. (ICAI).

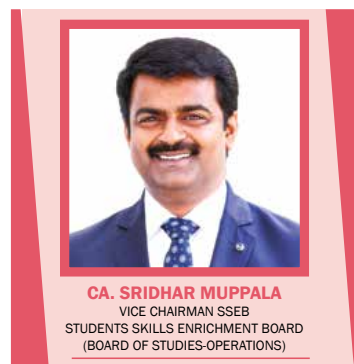
His accomplishments are not just limited to his practice, but he has also played a pivotal role in the growth and development of the Institute of Chartered Accountants of India (ICAI). As the Chairman of Western India Regional Council of ICAI, he was instrumental in implementing Mock Tests, which have been a significant boon for the students. He is well known for his knowledge, command, and passion for professional ethics. His contribution as chairman of Ethical Standards Board of ICAI in last year was revered by one and all. Similarly, his upright approach as member of Disciplinary Committee for three years has earned him great respect in fraternity. His current role as the Central Council Member of ICAI, and the Chairman of the Students Skill Enrichment Board (Board of Studies – Operations) is a testament to his unwavering commitment to the growth of the CA fraternity. He is also a member of various Non-Standing Committees of ICAI and the Vice Chairman of the Professional Development Committee and Committee on Commercial Laws, Economic Advisory, & NPO-Cooperatives, showcasing his exceptional leadership abilities. With academic flair, he has also worked as a member of Board of Studies of few autonomous colleges in Maharashtra. He is also known for his key role in formulating and implementing the CA Curriculum which was launched by Hon'ble Prime Minister Shri Narendra Modiji on 1st July 2017.

CA. Mangesh's involvement in government committees, such as the Committee for Scrutiny of Self-Finance Private Universities in Maharashtra and Fees Regulation Authority (FRA), further highlights his contribution to the betterment of society. He was appointed by the Government of India as an Independent Director on MOIL Ltd., where he served as the Chairman of the Audit Committee of the Company.

His achievements are not limited to the professional realm; he is an erudite speaker on ICAI and other forums on various subjects, ranging from ICAI Code of Ethics to Economy related subjects such as Atmanirbhar Bharat, Union Budget, etc. He has authored many articles in newspapers and has been a sought-after expert on television channels on Union Budget and GST. He is also an active Trustee of NGOs and other Educational/Social Institutions, further highlighting his commitment to social causes.

In conclusion, CA. Mangesh Pandurang Kinare's contributions to the Chartered Accountancy profession are enormous. His vast experience, exceptional leadership, and unwavering commitment to society have made him a role model and an inspiration to many in the fraternity.

VICE CHAIRMAN SSEB (BOARD OF STUDIES-OPERATIONS) PROFILE



CA. Sridhar Muppala is an outstanding leader and distinguished professional who has made an indelible impact on the profession, leaving an outstanding legacy in every role he has served. He currently serves as the Central Council Member of ICAI from the southern constituency. As Vice Chairman of the Students Skills Enrichment Board and Public Relations Committee, and Deputy Convenor of the Digital Re-Engineering and Transformation Directorate of ICAI, in addition to being a member of various Standing and Non-Standing Committees of ICAI, he exemplifies his unwavering commitment to progress and innovation in the profession. A true visionary, CA. Sridhar has captivated audiences with his eloquent oratory skills at several national and international forums and is a well-known name in the field of Commerce and Management education in India.

CA. Sridhar has extensive experience in audit, taxation, corporate finance, and related areas, and has worked with clients across various industries. In addition to his work in the accounting profession, CA. Sridhar Muppala has been a passionate educator and has contributed significantly to the growth and development of the education sector in India. His exceptional leadership qualities have earned him the "Leadership award" for excellence in education from the then Chief Minister of Andhra Pradesh in 2013, and the "Times Education Icon Award" in 2017, in recognition of his outstanding work.

CA. Sridhar's journey from a humble farming family to becoming a distinguished Chartered Accountant is a testament to his unyielding spirit and resilience. Recognizing the transformative power of education, he secured the 4th rank in the state in his Intermediate (class XII) and an all-India rank in CA Intermediate, setting a remarkable example for aspiring Chartered Accountants.

He is also actively involved in various social and community initiatives. He believes in giving back to society and has been associated with several organizations that work towards the betterment of society.

CA. Sridhar is a respected professional, educator, community leader, and a valuable member of the ICAI fraternity. He has made significant contributions to the growth and development of the accounting profession, the education sector, and society at large, and continues to inspire and motivate others to achieve excellence in their respective fields.

"A surplus of effort could overcome a deficit of confidence."

- Sonia Sotomayor

SIGNIFICANT DIRECT TAX PROPOSALS IN THE FINANCE BILL, 2023

The Finance Bill, 2023 contains significant direct tax proposals for providing tax incentives to start-ups, micro enterprises, co-operative society and the salaried taxpayers. Also, it contains proposals for removing difficulties faced by taxpayers and measures for augmenting tax revenue and deterring tax avoidance. The following are some of the significant direct tax proposals in the Finance Bill, 2023 -

Tax Incentives to Start-ups and Micro Enterprises

Extension of terminal date for setting up of eligible start-ups for claiming deduction under section 80-IAC

An eligible start-up is required to be incorporated on or before 31.3.2023 for availing benefit of deduction under section 80-IAC. The terminal date for incorporation is proposed to be extended from 31.3.2023 to 31.3.2024, to be eligible for deduction under section 80-IAC.

Losses incurred by eligible start ups for an extended period of ten years to qualify for carry forward and set-off

Section 79 provides for carry forward and set off of losses in case of certain companies. The condition of continuity of at least 51% shareholding is not applicable to an eligible start-up referred to in section 80-IAC, if all the shareholders of the company as on the last day of the year, in which the loss was incurred, continue to hold those shares on the last day of the previous year in which the loss is set off. The loss incurred during the period of 7 years beginning from the year in which such company is incorporated qualifies for carry forward and set-off under this provision. This section is being amended to provide that the loss incurred during the period of 10 years beginning from the year in which such company is incorporated would qualify for carry forward and set-off under this provision.

More Micro Enterprises to be eligible for presumptive income schemes

In order to ease compliance and promote electronic transactions, it is proposed to increase the threshold limit of gross receipts/turnover for presumptive scheme of taxation for eligible businesses under section 44AD from ₹2 crore to ₹3 crore and for specified professions under section 44ADA from ₹50 lakh to ₹75 lakh from A.Y.2024-25. The increased limit will apply only in case the amount or aggregate of the amounts received during the year, in cash, does not exceed 5% of the total gross receipts/turnover. This would enable more Micro enterprises to opt for presumptive income schemes, thereby reducing their compliance burden.

Encouraging timely payments to Micro and Small Enterprises

Section 43B provides for certain deductions to be allowed only on actual payment. Further, the proviso to section 43B allows deduction on accrual basis, if the amount is paid by due date of furnishing of the return of income.

In order to encourage timely payments to micro and small enterprises, it is proposed to include payments made to such enterprises within the scope of section 43B. Accordingly, any sum payable by an assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 would be allowed as deduction only on actual payment. Further, the proviso to section 43B permitting extended time limit upto the due date of filing of return would not apply to such payments.

Section 15 of the MSMED Act requires payments to micro and small enterprises to be made within the time as per the written agreement, which cannot be more than 45 days. If there is no such written agreement, the payment has to be made within 15 days. Thus, under section 43B, sum payable to micro or small enterprise will be allowed as deduction only on payment basis. It can be allowed on accrual basis only if the payment is made within the time stipulated under section 15 of the MSMED Act.

Tax Benefits to Co-operative Entities

Increase in threshold limit for cash withdrawal by co-operative society without attracting TDS

Under section 194N, a banking company or a co-operative society engaged in carrying on the business of banking or a post office, which is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash exceeding ₹1 crore during the previous year to any person, is required deduct tax at source of an amount equal to 2% of such sum at the time of payment.

Section 194N is being amended to provide that where the recipient is a co-operative society, tax deduction at source would be required only when the payment of amount or aggregate of amount in cash during the previous year exceeds ₹3 crore.

Higher threshold under section 269SS and 269T for primary agricultural credit society and primary co-operative agricultural and rural development bank

Section 269SS provides that no person shall take from any person any loan or deposit otherwise than by an account payee cheque or account payee bank draft or online transfer through a bank account, if the amount of such loan or deposit, or aggregate amount of such loans or deposits is ₹20,000 or more. Similarly, section 269T provides that no loan or deposit shall be repaid otherwise than by an account payee cheque or account payee bank draft or online transfer through a bank account, if the amount of such loan or deposit together with interest is ₹20,000 or more or the aggregate amount of loan or deposit held by such person on the date of repayment is ₹20,000 or more.

To facilitate provision of credit facilities at grassroot level for easy conduct of business in rural areas, section 269SS is being amended to provide that where a deposit is accepted by a Primary Agricultural Credit Society (PACS) or a Primary Co-operative Agricultural and Rural Development Bank (PCARD) from its member or a loan is taken from a PACS or a PCARD by its member in cash, no penal consequence would arise, if the amount of such loan or deposit in cash is less than ₹2 lakh. Further, section 269T is being amended to provide that where a deposit is paid by a PACS or PCARD to its member or such loan is repaid to a PACS or PCARD by its member in cash, no penal consequence will arise, if the amount of such loan or deposit in cash is less than ₹2 lakh.

Concessional rate of tax for new manufacturing co-operatives

New section 115BAE is being inserted to provide that a new co-operative society set up or registered on or after 1.4.2023, which commences manufacturing or production on or before 31.03.2024 and does not avail the specified incentive or deduction in respect of additional depreciation, contribution for scientific research, investment linked tax deduction, deduction under section 10AA or Chapter VI-A (except section 80JAA) etc., would be allowed an option to pay tax at a concessional rate of 15%. This would provide a level playing field between new manufacturing co-operative societies and new manufacturing companies.

Personal Tax Proposals

Benefit of new regime under section 115BAC extended to AOPs or BOIs and artificial juridical persons

Section 115BAC provides for concessional rates of tax for individual or HUF. The benefit of these concessional rates is being extended to AOPs (other than co-operative society), BOIs and artificial juridical persons w.e.f. A.Y.2024-25.

Tax regime under section 115BAC being made more beneficial

The tax regime under section 115BAC is being made the default regime w.e.f. A.Y.2024-25. Any individual, HUF, AOP (other than co-operative society), BOI or AJP can however opt to be taxed under the old regime.

(1) Increased basic exemption limit and beneficial tax slabs

The basic exemption limit under section 115BAC is being increased to ₹3 lakh and the slab rates are being modified as follows with effect from A.Y.2024-25:

Total Income	Tax Rate
Upto ₹3,00,000	Nil
₹3,00,001 – ₹6,00,000	5%
₹6,00,001 – ₹9,00,000	10%
₹9,00,001 – ₹12,00,000	15%
₹12,00,001 – ₹15,00,000	20%
Above ₹15,00,000	30%

(2) Increased total income threshold for rebate under section 87A

Resident individuals with total income up to ₹5,00,000 are eligible for rebate under section 87A for A.Y.2023-24. It is proposed to increase the threshold limit for total income under the new regime (default regime) to ₹7,00,000 w.e.f. A.Y.2024-25 for availing rebate under section 87A. The maximum rebate under section 87A in the said regime would be ₹25,000.

(3) Benefit of standard deduction to be available in the new regime also

The benefit of standard deduction of ₹50,000 to salaried individual and deduction from family pension of lower of 33-1/3% of such family pension or ₹15,000, is currently allowed only under the old regime. It is proposed to allow these two deductions under the new regime (default regime) also w.e.f. A.Y.2024-25.

(4) Reduced surcharge rate for high income earning assessee's opting for section 115BAC

At present, the surcharge on income-tax under both the old regime and new regime is being levied as follows:

- 10% of income-tax, if total income is above ₹50 lakh and up to ₹1 crore,
- 15% of income-tax, if total income is above ₹1 crore and up to ₹2 crore,
- 25% of income-tax, if income is above ₹2 crore and up to ₹5 crore, and
- 37% of income-tax, if total income is above ₹5 crore.

It is proposed that w.e.f. A.Y.2024-25, under the new regime, the highest surcharge would be 25% of income-tax for total income above ₹2 crore. The cap of surcharge@15% on income-tax on long-term capital gains taxable u/s 112 and 112A, short-term capital gains taxable u/s 111A and dividend income will continue for A.Y.2024-25 also under both regimes.

Increase in threshold limit for exemption of Leave Encashment

At present, the maximum amount of encashment of earned leave which can be exempted under section 10(10AA) in case of a non-government employee is ₹3 lakh. It is proposed to issue notification to increase this limit to ₹25 lakh.

Taxation of income received from high premium life insurance policies

Section 10(10D) provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy, subject to the condition that the premium payable for any of the years during the term of the policy does not exceed 10% of the actual capital sum assured.

It is proposed to tax income from insurance policies (other than ULIP for which provisions already exists) issued on or after 1st April, 2023 having premium or aggregate of premium above ₹5 lakh in a year. Income from only those policies with aggregate premium up to ₹5 lakh shall be exempt. This income would be taxable under the head "Income from other sources". Deduction would be allowed for premium paid, if such premium has not been claimed as deduction earlier. Income is, however, proposed to be exempt if received on the death of the insured person. There will not be any change in taxation for policies issued upto 31st March, 2023.

Tax Deduction and Collection at Source

Removal of exemption from TDS on payment of interest on listed debentures to a resident

Section 193 provides for TDS on payment of any income to a resident

by way of interest on securities.

The proviso to section 193 provides exemption from TDS in respect of payment of interest on certain securities. Clause (ix) of the proviso to the aforesaid section provides that no tax is to be deducted in the case of any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder. Clause (ix) is proposed to be omitted consequent to which the exemption from TDS currently available on interest payment on listed debentures would be withdrawn.

TDS on net winnings from online games

New section 194BA is proposed to be inserted w.e.f. 1.7.2023 to provide for TDS on net winnings (to be computed in the prescribed manner) from online games at the time of withdrawal from user account during the financial year or at the end of the financial year, as the case may be.

Increase in scope of TDS under section 194B

Section 194B providing for TDS on winnings from lottery, crossword puzzles, card games and other games of any sort, has been amended to include within its scope, gambling or betting of any form or nature. Since winnings from online games would be subject to TDS u/s 194BA, the same would be excluded from the scope of section 194B with effect from 1.7.2023.

Further, the threshold limit of ₹10,000 for TDS under section 194B and 194BB (in respect of winnings from horse races) would continue but would apply to aggregate winnings during a financial year.

Relief from requirement of higher rate of TDS/TCS applicable for non-filers of income-tax returns in certain cases

Section 206AB and 206CCA provide for higher TDS and TCS rate, if the recipient is a non-filer i.e. who has not furnished his return of income of preceding previous year and has aggregate of TDS and TCS of ₹50,000 or more.

A person who is not required to furnish the return of income for such previous year and who is notified by the Central Government in the Official Gazette in this behalf would be excluded from the definition of "specified person" and hence, the provisions of section 206AB and 206CCA would not be attracted in his case.

TDS on payment of accumulated PF balance due to an employee

Section 192A provides for TDS on payment of accumulated balance due to an employee under the Employees' Provident Fund Scheme, 1952. It provides for deduction of tax at the rate of 10% of the taxable component of the lump sum payment due to an employee.

At present, any person entitled to receive any amount on which tax is deductible u/s 192A is required to furnish his PAN to the person responsible for deducting such tax, failing which tax would be deducted at the maximum marginal rate. This section is being amended to omit this requirement. Consequently, section 206AA providing for deduction of tax@20% in case of failure to furnish PAN will apply and tax under section 192A will be deducted at the rate of 20% for failure to furnish PAN.

Capital Gains Taxation

Cap on exemption under section 54 and section 54F

The existing provisions of section 54 and section 54F allow deduction from capital gains arising from the transfer of long-term capital asset if the assessee has, within a period of one year before or two years after the date on which the transfer took place purchased any residential property in India, or within a period of three years after that date, constructed any residential property in India. Accordingly, deduction under sections 54 and 54F is available if the capital gain or net consideration, as the case may be, is reinvested in a residential house in India.

These sections are being amended to restrict the maximum deduction to ₹10 crore, by providing that if the cost of the new residential house property purchased is more than ₹10 crore, the cost of new residential house property shall be deemed to be ₹10 crore.

Profit on transfer of Market Linked Debentures to be taxed as short-term capital gains

'Market Linked Debentures' are listed securities which are at present being taxed as long term capital gain at the rate of 10% without

indexation benefit. However, these securities are in the nature of derivatives which are normally taxed at applicable rates.

In order to tax the capital gains arising from the transfer or redemption or maturity of these securities as short-term capital gains at the applicable rates, new section 50AA is being inserted w.e.f. A.Y.2024-25. As per section 50AA, the full value of the consideration received or accruing as a result of the transfer or redemption or maturity of the "Market Linked Debentures" as reduced by the cost of acquisition of the debenture and the expenditure incurred wholly or exclusively in connection with transfer or redemption of such debenture, would be treated as capital gains arising from the transfer of a short-term capital asset.

Interest allowed as deduction while computing Income from house property not to form part of cost of acquisition or cost of improvement for computing capital gains

The amount of any interest payable on borrowed capital for acquiring, renewing or reconstructing a property is allowed as a deduction under the head "Income from house property" under section 24. Interest on loan borrowed for acquisition of house property is also allowable as deduction under section 80EE or 80EEA in Chapter VI-A, subject to fulfilment of certain conditions stipulated thereunder. Under section 48, the income chargeable under the head "Capital gains" is computed, by deducting the cost of acquisition of the asset and the cost of any improvement thereto from the full value of the consideration received or accruing as a result of the transfer of the capital asset.

In order to prevent double deduction, section 48 is being amended to provide that the cost of acquisition or the cost of improvement would **not** include the amount of interest claimed under section 24 or Chapter VI-A.

Taxation of Charitable Trusts and Institutions

The scheme of taxation of charitable trusts and institutions is being amended to provide clarity on tax treatment on replenishment of corpus and on repayment of loans/borrowings, modify the scope of specified violation, align the time for furnishing of certain forms and omit the redundant provisions related to rolling back of exemption.

- ♦ With effect from A.Y.2024-25, only 85% of donation made to another trust would be treated as application.
- ♦ "Specified violation" for which registration/approval can be cancelled by the Principal Commissioner of Income-tax/ Commissioner of Income-tax to include a case where the application is not complete, or the application contains false or incorrect information.
- ♦ If a trust does not apply for exemption after getting provisional exemption or does not apply for re-exemption after expiry of exemption, it would be deemed to have been converted into a form not eligible for registration under section 12AA/12AB or approval under section 10(23C)(iv)/(v)/(vi)/(via) and exit tax would be leviable on its accreted income.
- ♦ It is also clarified that the time provided for furnishing return of income for claiming exemption would not include the time provided for furnishing updated return.

Penalty for Furnishing Inaccurate Statement of Financial Transaction or Reportable Account

Section 285BA makes it mandatory for a person responsible for registering, or, maintaining books of account or other document containing a record of any specified financial transaction or any reportable account as may be prescribed, under any law for the time being in force, to furnish a statement in respect of such specified financial transaction or such reportable account to the prescribed income-tax authority. Section 271FAA provides for penalty for furnishing inaccurate statement of financial transaction or reportable account. Section 271FAA is being amended to provide that if there is any inaccuracy in the statement of financial transactions submitted by a prescribed reporting financial institution and such inaccuracy is **due to false or inaccurate information submitted by the account holder**, a penalty of ₹5,000 for every inaccurate reportable account shall be imposed on such institution, in addition to the penalty

already leviable on such financial institution in the said section.

The reporting financial institution may, however, recover the amount so paid on behalf of the account holder or retain out of any moneys that may be in its possession or may come to it from every such reportable account holder.

Assessment Procedure

Time limit for completion of assessment extended

Section 153(1) provides the time limit for completion of assessment under section 143 or section 144 as 9 months from the end of the assessment year in which the income was first assessable for A.Y. 2021-22 and later assessment years. Further, section 153(1A) provides that in a case where an updated return under section 139(8A) has been furnished by an assessee, an order of assessment or reassessment under section 143 or section 144 may be made at any time before the expiry of 9 months from the end of the financial year in which such return was furnished.

Section 153(1) is being amended to extend the time available for completion of assessment proceedings relating to the A.Y. 2022-23 or thereafter from 9 months to 12 months from the end of the assessment year in which the income is first assessable. Likewise, section 153(1A) is being amended to extend the time available for completion of assessment on the basis of updated return from 9 months to 12 months from the end of the financial year in which the updated return is furnished.

Time limit for completion of assessment/reassessment proceedings, which are pending at the time of initiation of search

The provisions of section 147 to 149 relating assessment or reassessment of income escaping assessment were amended by the Finance Act, 2021 providing that search assessments were to be carried out under the provisions of section 147. However, the current provisions of the Act relating to reassessment do not provide for abatement or revival of any assessment or reassessment proceedings pending on the date of search under section 132 or requisition under section 132A. As a result, the information available in a search, which has a bearing on the pending scrutiny proceedings may not be effectively used due to the limitation of such proceedings.

New sub-section (3A) is proposed to be inserted in section 153 to provide that where an assessment or reassessment is pending on the date of initiation of search under section 132 or making of requisition under section 132A, the period available for completion of assessment or reassessment, as the case may be, under sub-sections (1), (1A), (2) and (3) of section 153 would be extended by twelve months –

- (i) in a case where such search is initiated under section 132 or such requisition is made under section 132A;
- (ii) in the case of an assessee to whom any money, bullion, jewellery or other valuable article or thing seized or requisitioned belongs to;
- (iii) in the case of an assessee to whom any books of account or documents seized or requisitioned pertain or pertain to, or any information contained therein, relates to.

International Taxation

Extending deeming provision under section 9 to sum received without consideration by a not-ordinarily resident

Section 9(1)(viii) provides that any sum of money exceeding ₹50,000, received by a non-resident without consideration from a person resident in India, on or after 5.7.2019, would be deemed to accrue or arise in India.

This section is being amended to include sum of money received by a not ordinarily resident within its scope. Accordingly, the deeming provision under section 9(1)(viii) would also apply in respect of sum of money exceeding ₹50,000, received by a not ordinarily resident, without consideration, from a person resident in India on or after 1st April, 2023.

Restriction on set off of unabsorbed depreciation and brought forward loss while opting for presumptive income scheme under section 44BB and 44BBB

Section 44BB and 44BBB provide for a presumptive income scheme to non-resident assessee and foreign company, respectively, in

respect of eligible businesses referred to therein. Both sections provide an option to the eligible assessee to claim lower profits and gains as per books of account, if they keep and maintain such books of account as required under section 44AA and gets the same audited and furnishes a report of such audit under section 44AB.

In order to discourage eligible assessee from opting in and out of presumptive scheme in order to avail the benefit of both (i.e., the benefit of presumptive scheme in the year where the assessee earns higher profits and non-presumptive scheme in the year in which losses are incurred), it is proposed to debar setting off of losses computed as per books of account against income computed on presumptive basis under sections 44BB and 44BBB. Accordingly, where an assessee declares profits and gains of business for any previous year in accordance with the provisions of presumptive income scheme, no set off of unabsorbed depreciation and brought forward loss would be allowed to the assessee for such previous year.

Reducing time limit for furnishing information or document under section 92D

Section 92D requires every person who has entered into an international transaction or a specified domestic transaction to keep and maintain the information and documents as provided under Rule 10D of the Income-tax Rules, 1962.

Under section 92D(3), the Assessing Officer or the Commissioner (Appeals) may, during the course of any proceedings under the Act, require such person to furnish any information or document, as provided under Rule 10D of the Rules, within a period of 30 days from the date of receipt of a notice issued in this regard, which may be extended by an additional period of 30 days, on an application made by the assessee.

With effect from 1.4.2023, this time limit for providing information or document by the assessee is being reduced to 10 days from the date of receipt of a notice issued in this regard, which may be extended by an additional period not exceeding 30 days, on an application made by the assessee.

Extending the applicability of provisions of section 56(2)(viib) to amount received by a closed held company from a non-resident investor

Under section 56(2)(viib), where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares would be chargeable to income-tax under the head 'Income from other sources'.

With effect from A.Y.2024-25, the consideration received from a non-resident is also being included within the ambit of section 56(2)(viib), by removing the phrase 'being a resident' therefrom.

Extending the scope for deduction of tax at source at lower or nil rate to section 194LBA

Section 197 provides for grant of a certificate of tax deduction at lower or nil rate. The assessee may apply to the Assessing Officer for TDS at zero rate or lower rate, if the tax is required to be deducted under sections specified thereunder.

Section 197 is being amended w.e.f. 1.4.2023 to also include reference to section 194LBA i.e., TDS on income of non-resident unit holders from units of a business trust. This is in view of exemption under section 10(23FE) available to some unit-holders, namely, notified Sovereign Wealth Funds and Pension Funds. Accordingly, the sums on which tax is required to be deducted under section 194LBA would also be eligible for certificate for deduction at lower or nil rate.

Benefit of tax treaty at the time of TDS under section 196A

Section 196A provides for TDS@20% on payment of any income, in respect of units of a Mutual Fund or from the specified company, to a non-corporate non-resident or to a foreign company.

In order to provide relief to taxpayers covered under DTAA, this section is being amended w.e.f. 1.4.2023 to provide that the TDS would be at the rate which is lower of the rate of 20%

and the rate or rates provided in agreement referred to in section 90(1) or section 90A(1), in case of a payee to whom such agreement applies and such payee has furnished the Tax Residency Certificate.

Excluding certain NBFCs from limitation of interest deduction

Section 94B is applicable to an Indian company, or a permanent establishment of a foreign company in India, being the borrower which incurs expenditure by way of interest or similar nature exceeding Rs.1 crore (which is deductible in computing business income) in respect of any form of debt issued by a non-resident which is an 'associated enterprise' of the borrower. This section disallows "excess interest" payable to associate enterprises.

An Indian company or permanent establishment of a foreign company which is engaged in the business of banking and insurance is excluded from the scope of section 94B. Section 94B(3) is being amended with effect from A.Y.2024-25 to also exclude from its scope, such class of NBFCs as notified by the Central Government.

Increasing rate of TCS in respect of certain foreign remittances and sale of overseas tour packages

Section 206C(1G) provides for collection of tax by every person,

- being an authorized dealer, who receives amount, under the Liberalised Remittance Scheme of the RBI, for overseas remittance from a buyer, being a person remitting such amount out of India;
- being a seller of an overseas tour programme package, who receives any amount from the buyer who purchases the package.

The Finance Bill, 2023 proposes to increase the rate of TCS and remove the threshold limits in certain cases. The current and proposed TCS rates are tabulated as under:

S. No.	Amount and purpose of remittance	Existing Rate	Proposed Rate (w.e.f. 1.7.2023)
(i)	(a) Where the amount is remitted for the purposes of education or medical treatment; and (b) the amount or aggregate of the amounts being remitted by a buyer is less than ₹7 lakhs in a financial year	Nil (No tax to be collected at source)	Nil (No tax to be collected at source)
(ii)	(a) where the amount is remitted for the purposes of education [other than (iii) below] or medical treatment; and (b) the amount or aggregate of the amounts in excess of ₹7 lakhs is remitted by the buyer in a financial year	5% of the amount or aggregate of amounts in excess of ₹7 lakh	5% of the amount or aggregate of amounts in excess of ₹7 lakh
(iii)	(a) where the amount being remitted out is a loan obtained from any financial institution as referred under section 80E, for the purpose of pursuing any education; and (b) the amount or aggregate of the amounts in excess of ₹7 lakhs is remitted by the buyer in a financial year	0.5% of the amount or aggregate of amounts in excess of ₹7 lakh	0.5% of the amount or aggregate of amounts in excess of ₹7 lakh

UNION BUDGET 2023-24

(iv)	Overseas tour programme package	5% without any threshold limit	20% without any threshold limit
(v)	Any other case	5% of the amount or aggregate of amounts in excess of ₹7 lakh	20% without any threshold limit

Specifying time limit for bringing export proceeds into India and stipulating requirement to file return of income for claim of deduction under section 10AA

Section 10AA provides a 15-year tax benefit to a unit established in a SEZ which begins to manufacture or produce articles or things or provide any services on or after 1.4.2005. The deduction is available for units that begin operations before 1.4.2021.

Currently, the section does not stipulate the requirement to file return before due date u/s 139(1) for claiming such deduction. Section 143(1)(a), however, provides for disallowance of deduction u/s 10AA, if the return is furnished beyond the due date u/s 139(1). Accordingly, in order to align the requirement in both provisions, section 10AA is being amended to provide that no deduction thereunder would be allowed to an assessee who does not furnish a return of income on or before the due date specified u/s 139(1).

Further, currently, there is no time-limit prescribed for timely remittance of the export proceeds by SEZ Units for claiming deduction. Hence, section 10AA is being amended to provide that the deduction thereunder would be available for such unit, if the proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, within such further period as the competent authority (RBI or such authority authorised under law for regulating payments and dealings in foreign exchange) may allow in this behalf.

SIGNIFICANT INDIRECT TAX PROPOSALS IN THE FINANCE BILL, 2023

Goods and Services Tax

To be effective from a date to be notified after the enactment of the Finance Bill, 2023

- Clause (d) of sub-section (2) and clause (c) of sub-section (2A) in section 10 of the CGST Act, 2017 is proposed to be amended so as to remove the restriction imposed on registered persons engaged in supplying goods through Electronic Commerce Operators (ECOs) from opting to pay tax under the composition levy.
- Second and third provisos to section 16(2) of the CGST Act to be amended to align the same with the return filing system provided in the CGST Act.
- Explanation to sub-section (3) of section 17 of the CGST Act to be amended so as to restrict availment of input tax credit (ITC) in respect of certain transactions specified in para 8(a) of Schedule III of the said Act, as may be prescribed, by including the value of such transactions in the value of exempt supply.
Further, sub-section (5) of said section is also proposed to be amended so as to provide that ITC shall not be available in respect of goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013.
- Sub-section (1) and sub-section (2) of section 23 of the CGST Act are proposed to be amended, with retrospective effect from 01st July, 2017, so as to provide that persons for compulsory registration in terms of sub section (1) of section and section 22 of the Act need not register if exempt under sub section (1) of section 23.
- Section 37/39/52 of the CGST Act is proposed to be amended so as to provide a time limit upto which the details of outward supplies/ return/ statement for a tax period/month can be furnished by a registered person/ECO.
Further, it also seeks to provide an enabling provision for extension of the said time limit, subject to certain conditions and restrictions, for a registered person/ECO or a class of registered persons/class of ECOs.
- Sub-section (6) of section 54 of the CGST Act is proposed to be amended so as to remove the reference to the provisionally accepted ITC to align the same with the present scheme of availment of self-assessed ITC as per section 41(1) of the said Act.
- Section 56 of the CGST Act is proposed to be amended so as to provide for an enabling provision to prescribe manner of computation of period of delay for calculation of interest on delayed refunds.
- A new sub-section (1B) in section 122 of the CGST Act is proposed to be inserted so as to provide for penal provisions applicable to ECOs in case of contravention of provisions relating to supplies of goods made through them by unregistered persons or composition taxpayers.
- Sub-section (1) of section 132 of the CGST Act is proposed to be amended so as to decriminalize offences specified in clauses (g), (j) and (k) of the said sub-section and to increase the monetary threshold for launching prosecution for the offences under the said Act from

one hundred lakh rupees to two hundred lakh rupees, except for the offences related to issuance of invoices without supply of goods or services or both.

- First proviso to sub-section (1) of section 138 of the CGST Act is proposed to be amended so as to simplify the language of clause (a), to omit clause (b) and to substitute the clause (c) of said proviso so as to exclude the persons involved in offences relating to issuance of invoices without supply of goods or services or both from the option of compounding of the offences under the said Act. It further seeks to amend sub-section (2) so as to rationalize the amount for compounding of various offences by reducing the minimum as well as maximum amount for compounding.
- A new section 158A in the CGST Act is proposed to be inserted so as to provide for prescribing manner and conditions for sharing of the information furnished by the registered person in his return or in his application of registration or in his statement of outward supplies, or the details uploaded by him for generation of electronic invoice or E-way bill or any other details, as may be prescribed, on the common portal with such other systems, as may be notified.
- Clause (16) of section 2 of the IGST Act, 2017 is proposed to be amended so as to revise the definition of "non-taxable online recipient". Also, clause (17) of the said section is proposed to be amended to revise the definition of "online information and database access or retrieval services".
- Proviso to sub-section (8) of section 12 of the IGST Act is proposed to be omitted so as to specify the place of supply, irrespective of destination of the goods, in cases where the supplier of services and recipient of services are located in India.

Customs

Effective from the date of enactment of the Finance Bill, unless otherwise specified

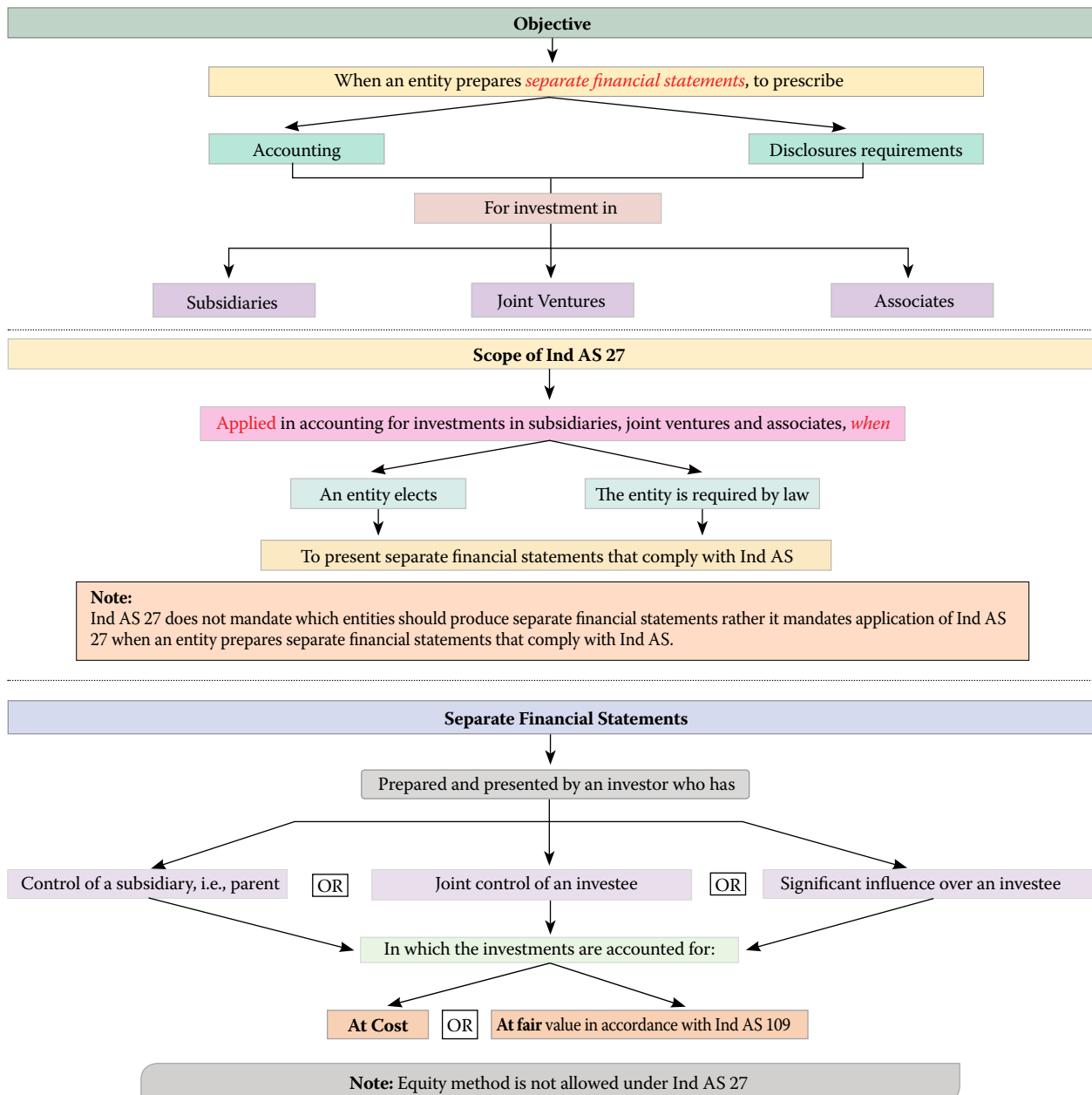
- Section 25(4A) of the Customs Act, 1962 is proposed to be amended to insert a Proviso to the effect that the validity period of 2 years shall not apply to exemption notifications issued in relation to multilateral or bilateral trade agreements; obligations under international agreements, treaties, conventions including with respect to UN agencies, diplomats, international organizations; privileges of constitutional authorities; schemes under Foreign Trade Policy; Central Government schemes having a validity of more than 2 years; re-imports, temporary imports, goods imported as gifts or personal baggage; any duty of customs under any law for the time being in force including integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975, other than duty of customs leviable under section 12.
- A new sub-section (8A) to section 127C of the Customs Act, 1962 is proposed to be inserted so as to specify a time limit of 9 months from the date of application, for disposal of the application filed before the Settlement Commission.

CA FINAL – PAPER 1 – FINANCIAL REPORTING

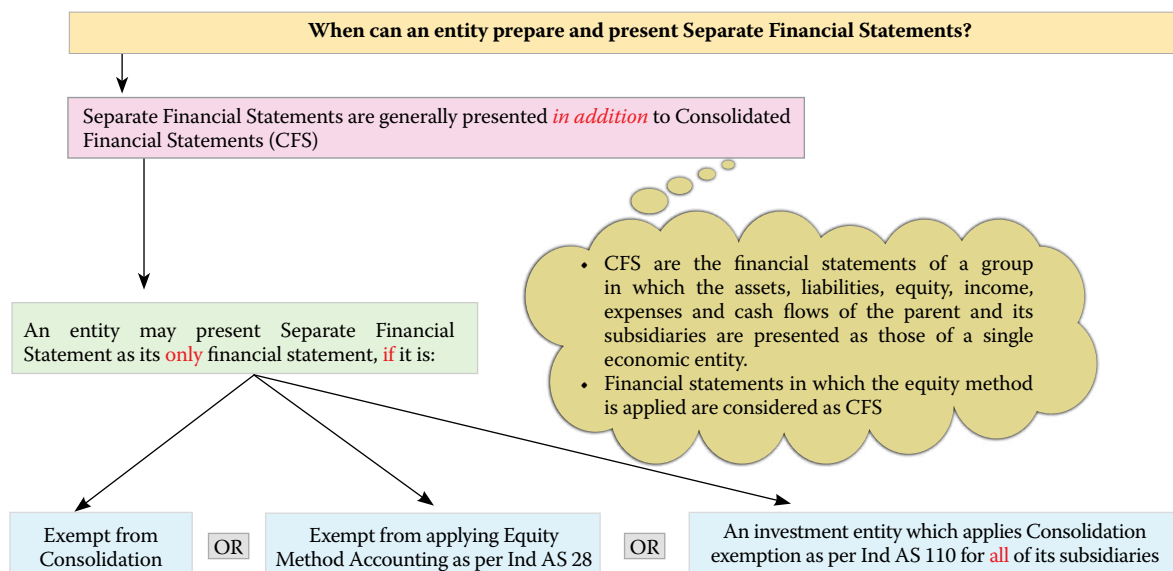
This capsule in Final Paper 1 - Financial Reporting is eleventh in the series. Many of the Ind AS have already been covered in the capsules on Financial Reporting published in July, 2018, May, 2019 and August, 2019, October, 2019, November, 2020, July/August, 2021, October, 2021, June, 2022, December, 2022 and February, 2023 issues of this Journal. For a comprehensive revision of Ind AS, students should also refer to these capsules along with the amendments notified after their release, if any. All the earlier published capsules are also available on the BoS knowledge portal at <https://resource.cdn.icai.org/59892bos48771finalp1.pdf>

This month's Journal covers capsule on significant provisions of Ind AS 27 and Ind AS 111. Students are advised to refer the study material and bare text of these standards for comprehensive study and revision. Under no circumstances, this capsule substitutes the detailed study of the material provided by the Board of Studies.

INDIAN ACCOUNTING STANDARD (IND AS) 27: SEPARATE FINANCIAL STATEMENTS



FINANCIAL REPORTING ||



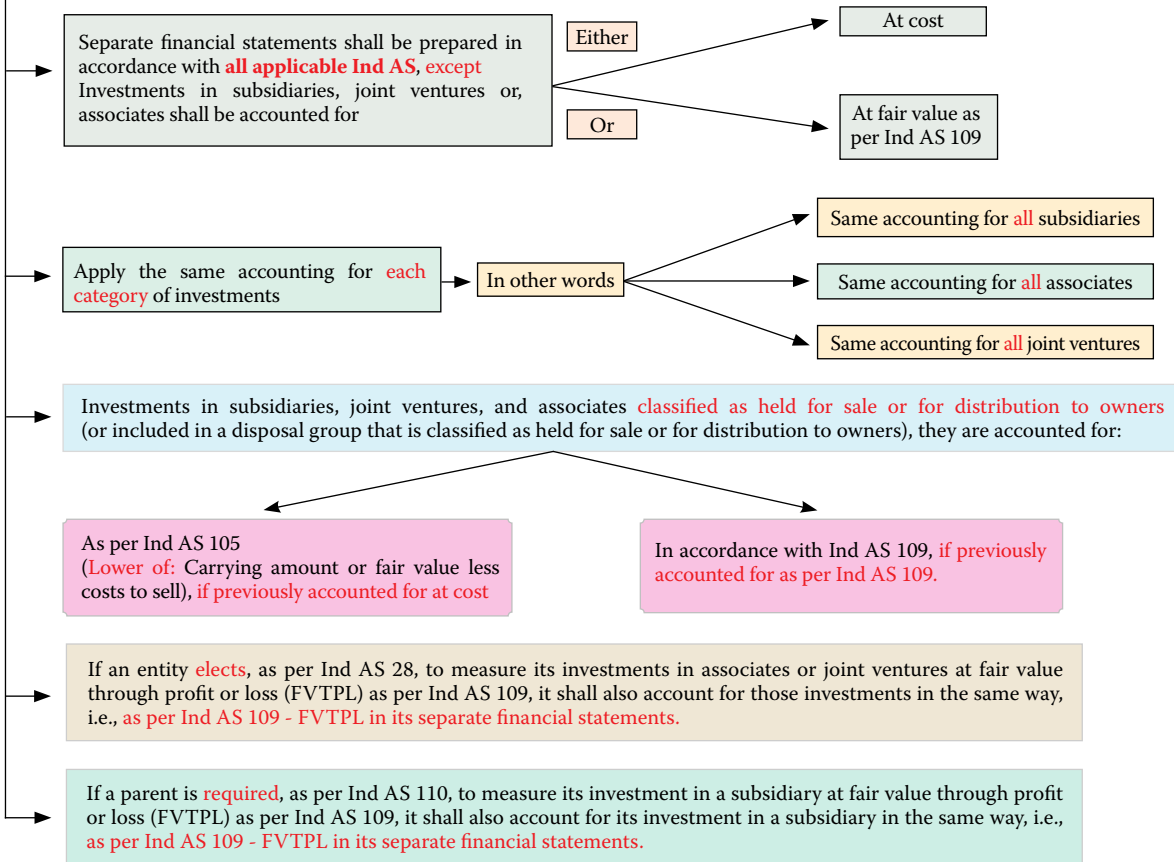
* Subsidiary B has availed the exemption from preparation of consolidated financial statements as per paragraph 4(a) of Ind AS 110

Entity S does not provide services that relate to the Investment entity D's investment activities

All the above entities are incorporated under the Companies Act, 2013.

Name of the entity	Whether entity prepares consolidated financial statements?	Status for separate financial statements
Parent Ltd.	Yes	Will be prepared as it is required by the Companies Act, 2013
Subsidiary A	Yes	Will be prepared as it is required by the Companies Act, 2013
Subsidiary B	No	Will be prepared as it is required by the Companies Act, 2013 (in this case, entity will present separate financial statements as its only financial statements)
Associate C	Yes	Will be prepared as it is required by the Companies Act, 2013
Investment entity D	No	Will be prepared as it is required by the Companies Act, 2013. Entity will present separate financial statements as its only financial statements
Entity P	No	These entities will prepare their financial statements as required by the Companies Act 2013. However, they will not be termed as separate financial statements since these entities do not have any subsidiary, associate or joint venture.
Entity Q	No	
Entity R	No	
Entity S	No	

Preparation of Separate Financial Statements (for accounting of investments in subsidiaries, associates, and joint ventures)



Investments Held by Investment Entities and Similar Entities

Investment entity shall account for the investments in *subsidiaries* **at fair value through profit or loss (FVTPL)** in the separate financial statements too.

When an entity has elected to measure investments in associates and joint ventures (held by, or is **held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds**) **at fair value through profit or loss (FVTPL)** as per Ind AS 109, then it shall also account for those investments **in the same way, i.e., at fair value through profit or loss (FVTPL)** in its separate financial statements.

Accounting when a parent ceases to be an investment entity

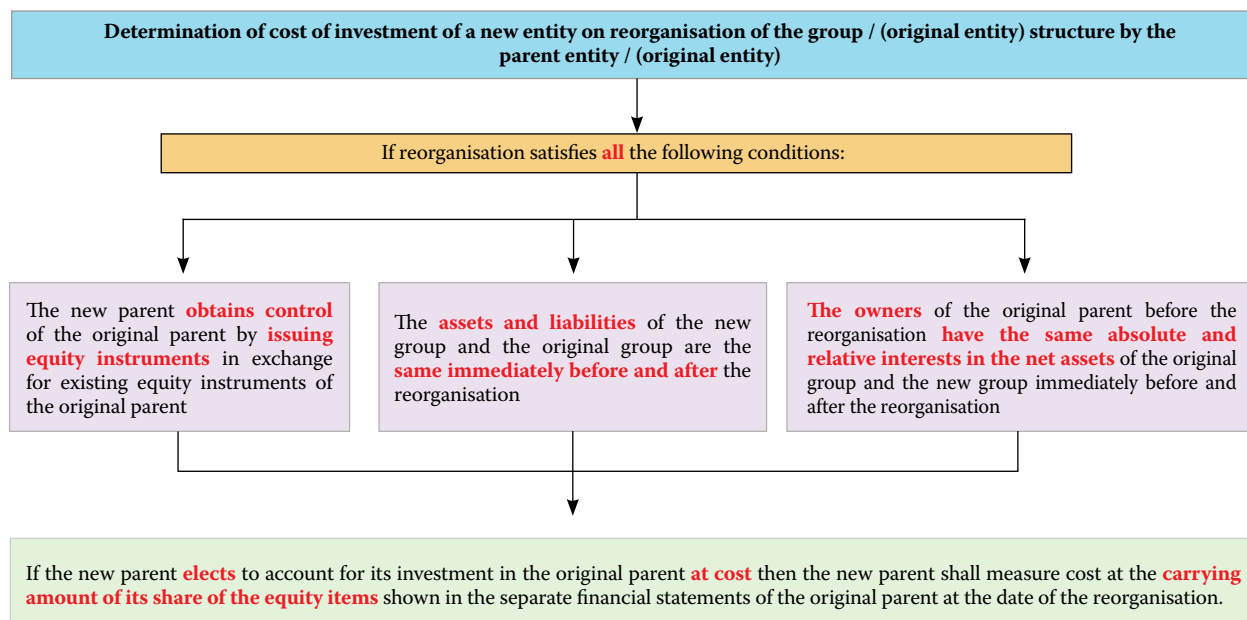
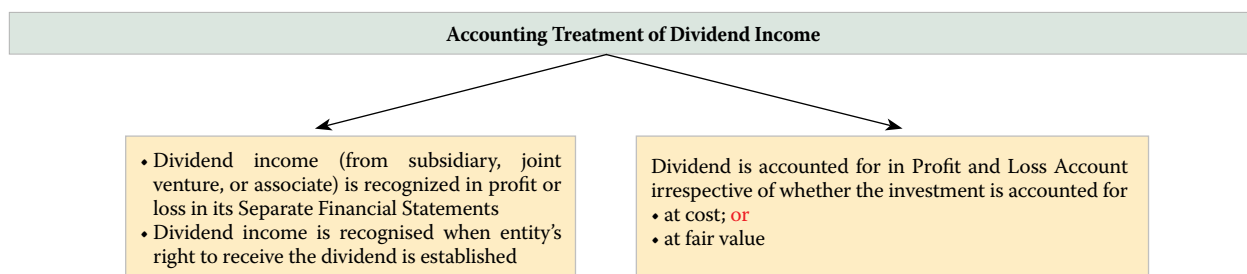
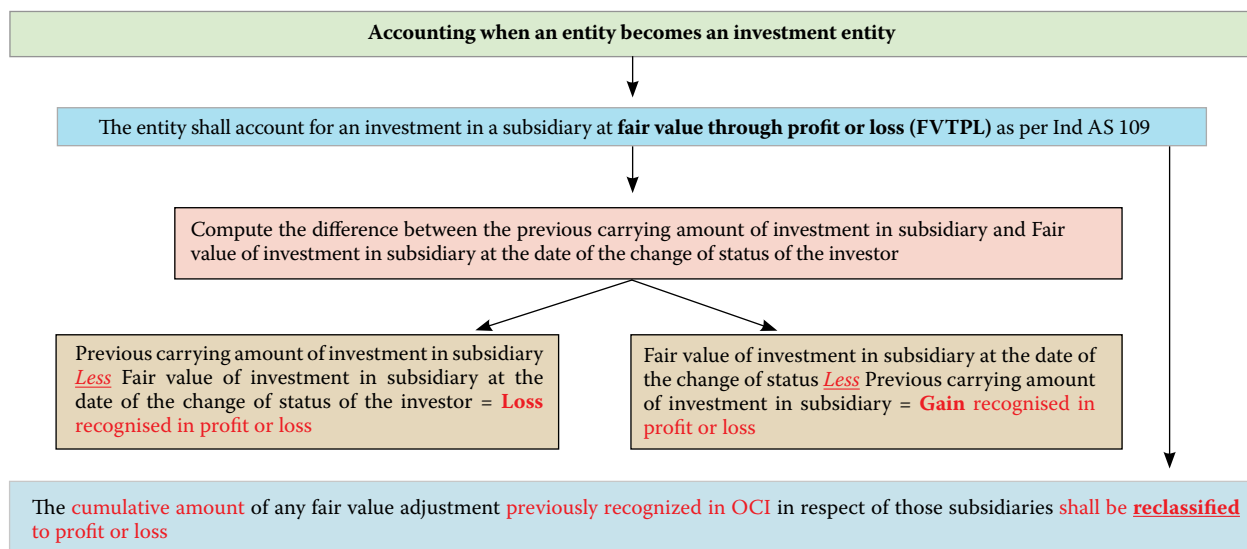
Then entity shall account for an investment in a subsidiary in either of the following ways:

EITHER

OR

Account at cost.
The fair value of the subsidiary **at the date of change of status** shall be used as **deemed cost at that date**

Continue to account for in accordance with **Ind AS 109**



Note:

The requirements of measuring cost of investment by a new parent as discussed above will equally apply in case where an entity that is not a parent (i.e. it does not have a subsidiary) establishes a new parent between itself and its owners.

Significant Disclosure

- An entity is required to apply all applicable Ind AS when providing disclosures in its separate financial statements.
- When a parent qualifies and elects not to prepare consolidated financial statements [Ind AS 110.4(a)] and instead prepares separate financial statements, it is required to disclose:

Disclosures in separate financial statements

The fact that:

- the financial statements are separate financial statements;
- the exemption from consolidation has been used;
- the name and principal place of business (and country of incorporation, if different) of the entity whose consolidated financial statements that comply with Ind AS have been produced for public use; and
- the address where those consolidated financial statements are obtainable.

A list of significant investments in subsidiaries, joint ventures and associates, including:

- the name of those investees.
- the principal place of business (and country of incorporation, if different) of those investees.
- its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.

A description of the method used to account for those investments

- When an investment entity that is a parent prepares separate financial statements as its only financial statements, it shall disclose that fact.
- When a Parent (other than a parent using the consolidation exemption) or an Investor with (a) joint control of, or (b) significant influence over, an investee prepares separate financial statements, it is required to disclose:

That the financial statements are separate financial statements

A list of significant investments in subsidiaries, joint ventures and associates, including:

- ☐ The name of those investees
- ☐ The investees principal place of business and country of incorporation
- ☐ The proportion of the ownership interest and its proportion of the voting rights held in those investees
- ☐ A description of the method used to account for the investments

The financial statements prepared in accordance with Ind AS 110, Ind AS 111, or Ind AS 28 to which they relate

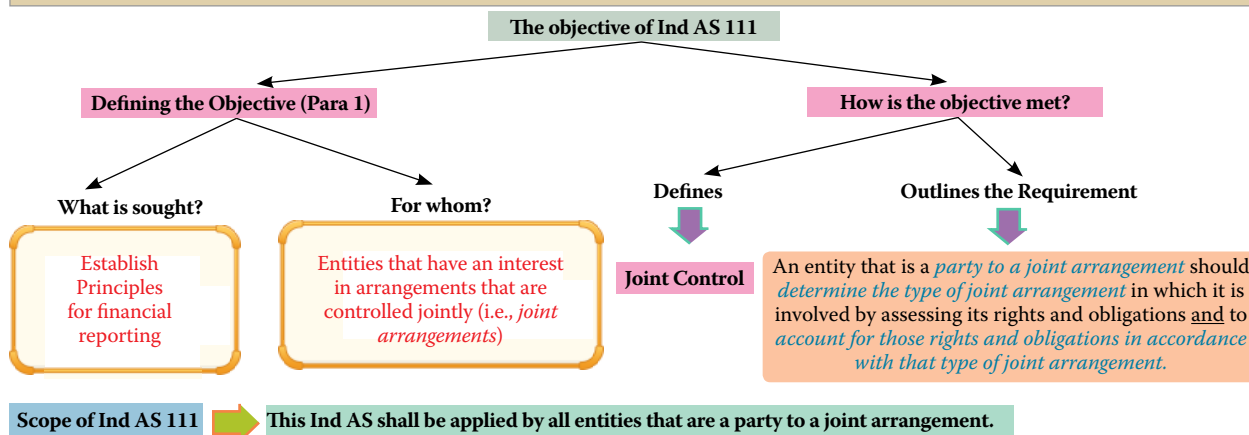
Significant Change in Ind AS 27 vis-à-vis IAS 27

- IAS 27 allows the entities to use **equity method** to account for investment in subsidiaries, joint ventures, and associates in their Separate Financial Statements (SFS).
- Since equity method is not a measurement basis like cost and fair value but is a manner of consolidation and would lead to inconsistent accounting conceptually, Ind AS 27 does not allow the entities to use **equity method** to account for investment in subsidiaries, joint ventures, and associates in their SFS.

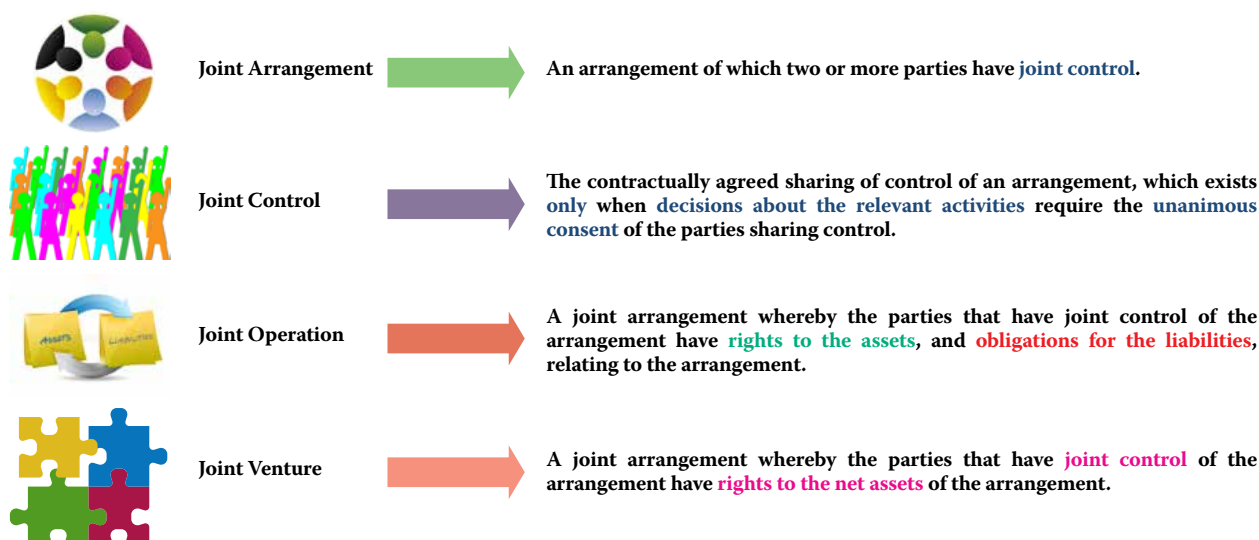
"The best way to predict your future is to create it."
—Abraham Lincoln

INDIAN ACCOUNTING STANDARD (IND AS) 111: JOINT ARRANGEMENTS

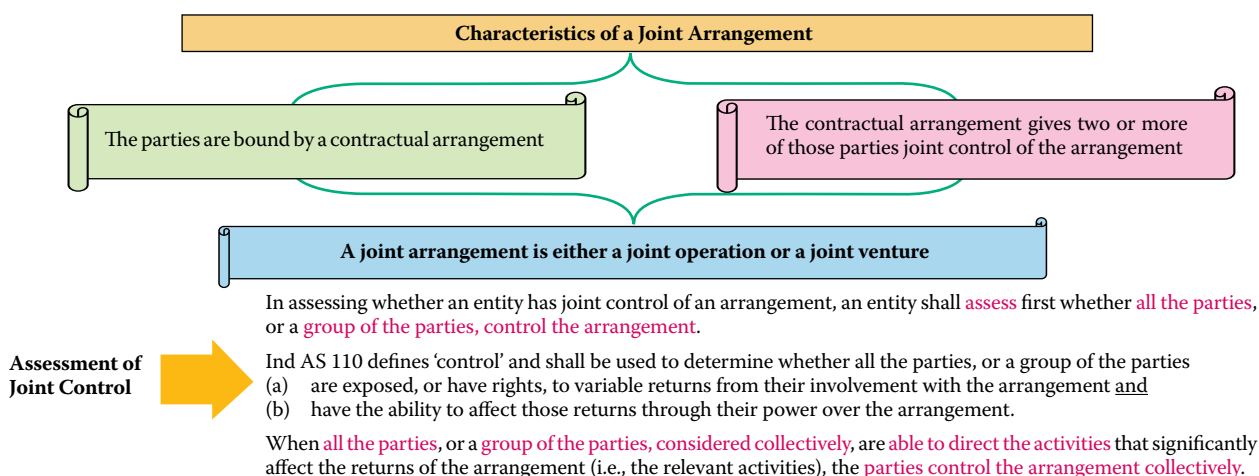
Objective and Scope



Appendix A: Defined Terms



The Concept of Joint Arrangements



The Concept of Joint Arrangements

Does the contractual arrangement give **all** the parties, or a **group** of the parties, **control** of the arrangements **collectively**? (**Control** as defined in Ind AS 110)

YES

Do decisions about the relevant activities require the **unanimous consent** of **all** the parties, or of a **group** of the parties, that collectively control the arrangement?

NO

YES

Joint control exists.
Hence, the arrangement is a Joint Arrangement.

NO

No Joint Control. Outside the scope of Ind AS 111.

Interest in such arrangement is accounted in accordance with relevant Ind AS, such as Ind AS 110, Ind AS 28 or Ind AS 109.

Key Points:

1. In a joint arrangement, **no single party controls the arrangement** on its own. A party with joint control of an arrangement can prevent any of the other parties, or a group of the parties, from controlling the arrangement.
2. An arrangement can be a joint arrangement **even though not all of its parties have joint control** of the arrangement. Ind AS 111 distinguishes between parties that have joint control of a joint arrangement (joint operators or joint venturers) and parties that participate in, but do not have joint control of, a joint arrangement.
3. An entity will **need to apply judgement** when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. An entity shall make this assessment by considering all facts and circumstances.
4. If **facts and circumstances change**, an entity shall **reassess** whether it still has joint control of the arrangement.

Types / Forms of Joint Arrangements

Forms of Joint Arrangements

Joint Operation

Joint Venture

Nature of Rights / Obligations

(a) **Rights** to the **Assets**, and
(b) **Obligations** for the **Liabilities**
relating to the arrangement

Rights to the **Net Assets** of
the Arrangement

Joint Arrangement is called as

Joint Operation

Joint Venture

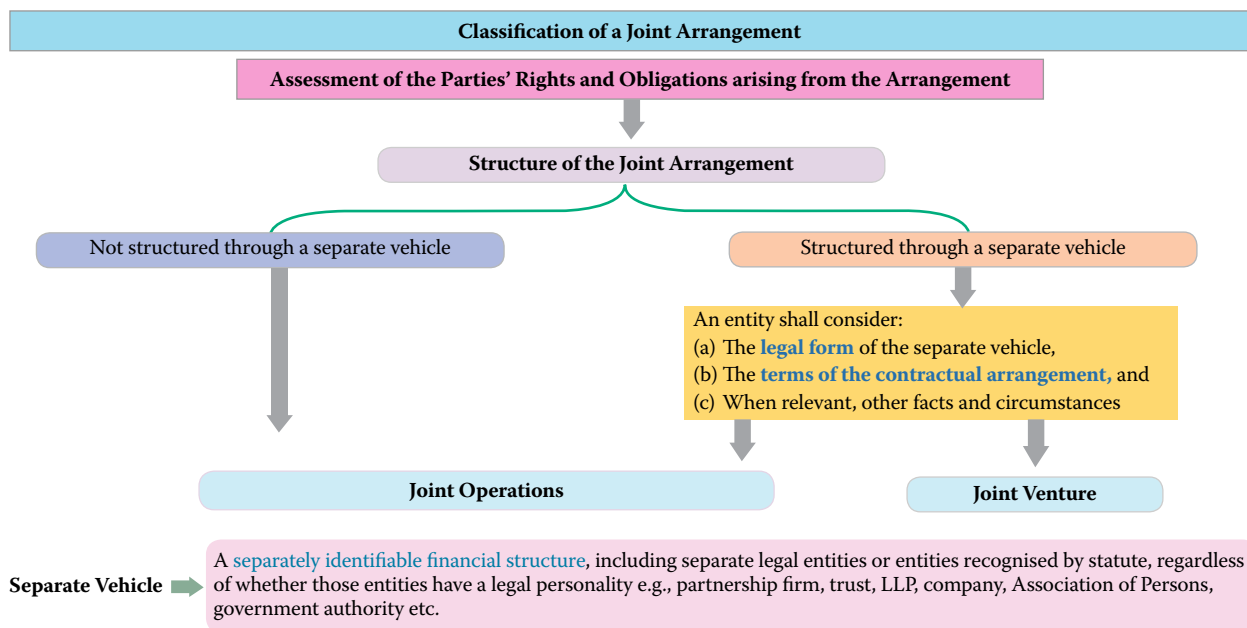
Parties to the Arrangement
are called as

Joint Operators

Joint Venturers

*"Take the attitude of a student, never be too big to ask questions,
never know too much to learn something new."*

—Augustine "Og" Mandino



Assessing the terms of the Contractual Arrangement: An illustrative (and not exhaustive) list

	Joint Operation	Joint Venture
The terms of the contractual arrangement	The contractual arrangement provides the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement.	The contractual arrangement provides the parties to the joint arrangement with rights to the net assets of the arrangement (i.e., it is the separate vehicle, not the parties, that has rights to the assets, and obligations for the liabilities, relating to the arrangement).
Rights to assets	The parties to the joint arrangement share all interests (e.g. rights, title or ownership) in the assets relating to the arrangement in a specified proportion (e.g. in proportion to the parties' ownership interest in the arrangement or in proportion to the activity carried out through the arrangement that is directly attributed to them).	The assets brought into the arrangement or subsequently acquired by the joint arrangement are the arrangement's assets. The parties have no interests (i.e., no rights, title or ownership) in the assets of the arrangement.
Obligations for liabilities	The parties to the joint arrangement share all liabilities, obligations, costs and expenses in a specified proportion (e.g., in proportion to the parties' ownership interest in the arrangement or in proportion to the activity carried out through the arrangement that is directly attributed to them). The parties to the joint arrangement are liable for claims raised by third parties.	The joint arrangement is liable for the debts and obligations of the arrangement. The parties to the joint arrangement are liable to the arrangement only to the extent of their respective investments in the arrangement or to their respective obligations to contribute any unpaid or additional capital to the arrangement, or both. The creditors of the joint arrangement do not have rights of recourse against any party with respect to debts or obligations of the arrangement.
Revenues, expenses, profit or loss	Revenues and expenses are allocated on the basis of the relative performance of each party to the joint arrangement. However, the parties might have agreed to share the profit or loss relating to the arrangement on the basis of a specified proportion such as the parties' ownership interest in the arrangement. This would not prevent the arrangement from being a joint operation if the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.	Each party has share in the profit or loss relating to the activities of the arrangement.
Guarantees	The parties to joint arrangements might provide guarantees to third parties that, for example, receive a service from, or provide financing to, the joint arrangement. The provision of such guarantees, or the commitment by the parties to provide them, does not, by itself, determine that the joint arrangement is a joint operation. The feature that determines whether the joint arrangement is a joint operation or a joint venture is whether the parties have obligations for the liabilities relating to the arrangement (whether they are guaranteed by the parties or not is irrelevant).	

Classification of a Joint Arrangement

Assessing Other Facts and Circumstances

When to assess?

A joint arrangement might be structured in a separate vehicle whose **legal form confers separation** between the parties and the separate vehicle. The **contractual terms agreed among the parties might not specify the parties' rights** to the assets **and obligations** for the liabilities, **yet consideration of other facts and circumstances can lead to such an arrangement being classified as a joint operation**. This will be the case when other facts and circumstances give the parties rights to the assets, and obligations for the liabilities, relating to the arrangement.

How to determine whether joint operation or joint venture?

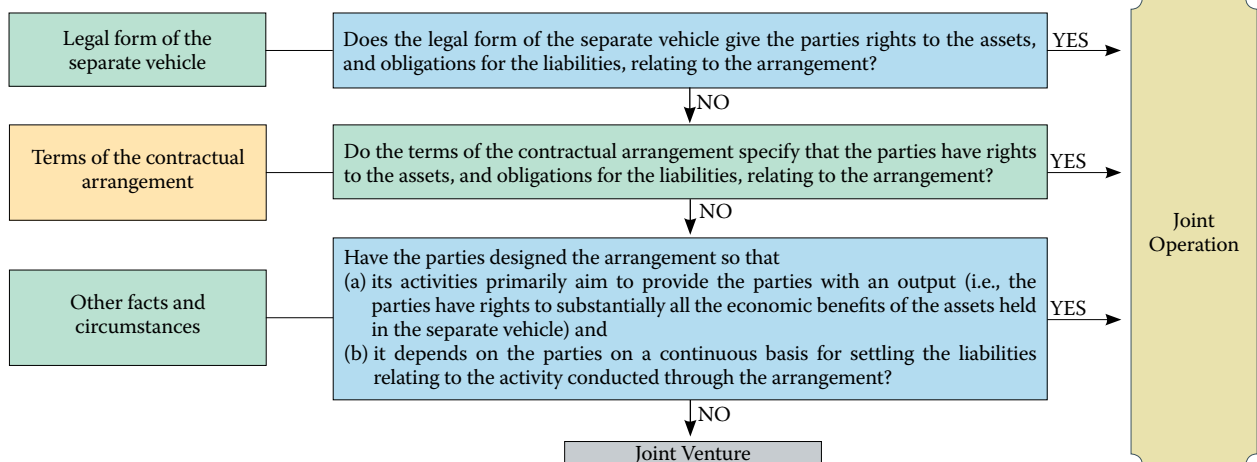
The **activities** of the arrangement are **primarily designed for the provision of output to the parties**, (i.e., the parties have rights to substantially all the economic benefits of the assets held in the separate vehicle).

The **parties** are substantially the **only source of cash flows** contributing to the continuity of the operations of the arrangement. Hence, the arrangement depends on the parties on a continuous basis for settling the liabilities relating to the activity conducted through the arrangement.

If both these conditions are satisfied, the arrangement is a joint operation

Classification of a Joint Arrangement

Classification of a Joint Arrangement structured through a Separate Vehicle

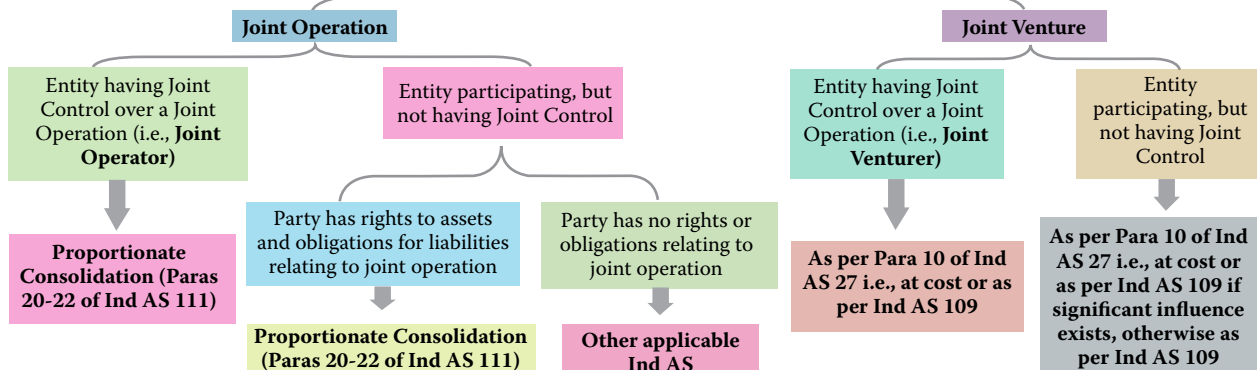


Classification of a Joint Arrangement

Why is it essential to classify a Joint Arrangement as a Joint Operation or a Joint Venture

It is because the **accounting treatment followed is different** for a Joint Operation as compared to a Joint Venture

Accounting for Interests in Joint Arrangements in Separate Financial Statements



Accounting of Joint Arrangements

Paras 20-21 of Ind AS 111: Accounting for Joint Operations in Separate Financial Statements

Para 20: A joint operator shall recognise in relation to its interest in a joint operation:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly

Para 21: The above assets, liabilities, revenue and expenses shall be accounted as per respective Ind ASs for those assets, liabilities, revenue and expenses.

Para 22 of Ind AS 111: Accounting for transactions between Entity and Joint Operation

Sale or Contribution of Assets to a Joint Operation:

- (a) The entity (i.e., joint operator) is conducting the transaction with the other parties to the joint operation and, as such, the joint operator shall **recognise gains and losses** resulting from such a transaction **only to the extent of the other parties' interests** in the joint operation.
- (b) When above transactions provide evidence of a **reduction in the net realisable value** of the assets to be sold or contributed to the joint operation, or of an **impairment loss** of those assets, those losses shall be **recognised fully** by the joint operator.

Purchase of Assets from a Joint Operation

- (a) The entity (joint operator) shall not recognise its share of the gains and losses until it resells those assets to a third party.
- (b) When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, a joint operator shall **recognise its share of those losses**.

Paras 21A of Ind AS 111: Acquisition of Interest in Joint Operations

Acquisition of interest in Joint Operation which is a business as defined in Ind AS 103:

- Apply, to the extent of its share / interest, all of the principles on business combinations accounting in Ind AS 103, and other Ind AS, that do not conflict with the guidance in Ind AS 111 (measuring identifiable assets and liabilities at fair value, recognizing acquisition related costs as expenses, deferred tax implications on initial recognition of assets or liabilities, recognition of goodwill and impairment testing thereof), and
- **Increase in interest** in a joint operation by acquiring additional stake: Do **NOT** remeasure previously held interests.
- If acquisition of interest is a common control transaction, apply the guidance specified in Appendix C of Ind AS 103.

CROSSWORD SOLUTION – FEBRUARY 2023

¹ A	T	² T	³ A	⁴ C	H	⁵ M	E	N	⁶ T		⁷ A
D		⁸ F	I	R		O			⁹ E	I	P
V		¹⁰ A	R	M		¹¹ G	¹² C	¹³ I	N		P
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A		²³ A	O		²⁴ A	D					C
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³⁰ E	³¹ L	A	S	T	³² I	C	I	T	Y		T
	H			³³ E	O		³⁴ P	R	O		I
³⁵ G	S	³⁶ T		³⁷ T	C	³⁸ M				³⁹ P	O
R		C				⁴⁰ K	⁴¹ L	⁴² M		⁴³ O	N
⁴⁴ E	Q	U	I	T	Y		⁴⁵ R	I	S	K	

CA INTERMEDIATE - PAPER 5 - ADVANCED ACCOUNTING

It has always been the endeavour of Board of Studies to provide quality academic inputs to the students. Considering this objective in mind, it has been decided to bring forth a crisp and concise capsule for Paper 5 'Advanced Accounting' at Intermediate level. The topic "Accounting for Employee Stock Option Plans" has been covered in this Capsule. The significant points of this topic have been presented through pictorial presentations in this capsule which will help the students in grasping the intricate practical aspects of each topic. This will facilitate the students to recapitulate the whole concepts within minimum time and efforts in the later stages of preparation. This capsule, though, facilitates the students in undergoing quick revision, under no circumstances, such revisions can substitute the detailed study of the material provided by the Board of Studies.

ACCOUNTING FOR EMPLOYEE STOCK OPTION PLANS

Employee Stock Option Plans (ESOP)

ESOP is a plan under which the Company grants employees stock options

- for a specified period of time to purchase or subscribe to the shares of the company, at a fixed determinable price.

The Guidance Note on Accounting for Share Based Payments (2020) is applicable for accounting of ESOPs for all enterprises that are not required to follow Indian Accounting Standards.

ESOP

ESOPs: Grant of options Vesting of options Exercise of options Allotment of shares

Under the Companies Act 2013, where at any time a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares may be offered to employees under a scheme of employees' stock option, subject to a special resolution passed by the company and subject to such conditions as may be prescribed.

The SEBI (Share Based Employee Benefits) Regulations, 2014 (applicable for listed companies) cover the provisions regarding accounting policies, pricing, disclosures, administration and implementation process of various schemes and other issues relating to Employee Stock Option Scheme (ESOS), Employee Stock Purchase Scheme (ESPS), Stock Appreciation Rights Scheme (SAR), General Employee Benefits Scheme (GEBS) and Retirement Benefit Scheme (RBS). The Regulations stipulate to follow the requirements of the Guidance Note on Accounting for Share Based Payments or Accounting Standards as may be prescribed by the ICAI from time to time including the disclosure requirements prescribed therein.

A *Share-based payment arrangement* is 'an agreement between the enterprise (or another group enterprise or any shareholder of any group enterprise) and another party (including an employee) that entitles the other party to receive

Cash or other assets of the enterprise for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the enterprise or another group enterprise, or

Equity instruments (including shares or share options) of the enterprise or another group enterprise, provided the specified vesting conditions, if any, are met.

A share-based payment transaction is a transaction in which the enterprise.

(a) receives goods or services from the supplier of those goods or services (including an employee) in a share-based payment arrangement, or

(b) incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group enterprise receives those goods or services.

Important Terms to Be Remembered

Exercise

It means making of an application

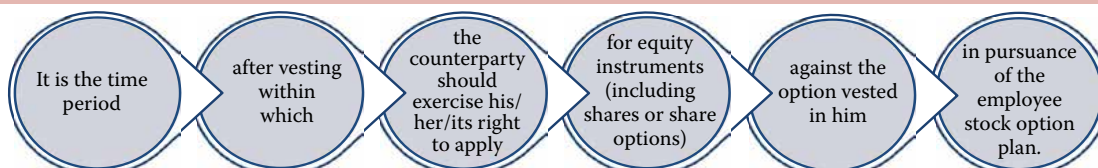
by the counterparty for issue of equity instruments (including shares or share options) against

the option vested in pursuance of employee stock option plan.

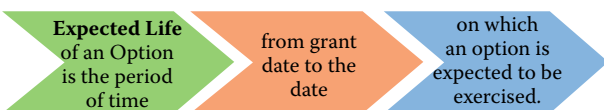
Share option

Share option is a contract that gives the holder the right but not the obligation to subscribe to the enterprise's shares at a fixed or determinable price for a specified period of time.

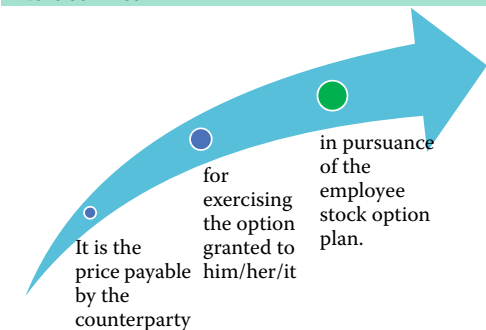
Exercise Period



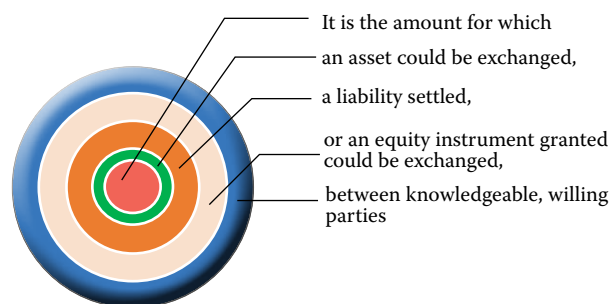
Expected Life



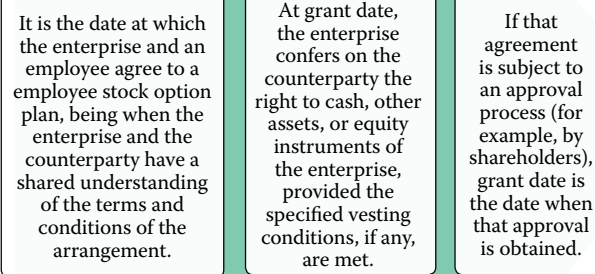
Exercise Price



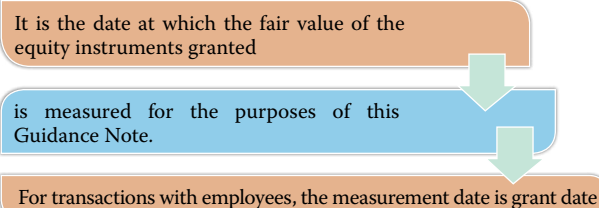
Fair Value



Grant Date



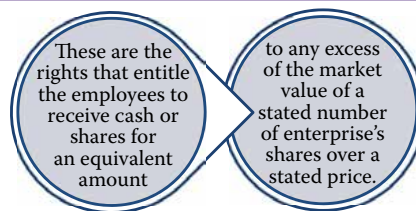
Measurement Date



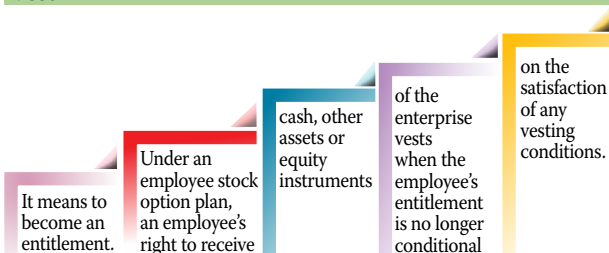
Intrinsic Value

It is the difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares.

Stock Appreciation Rights



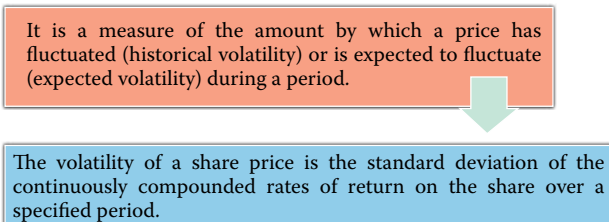
Vest



Vesting Period



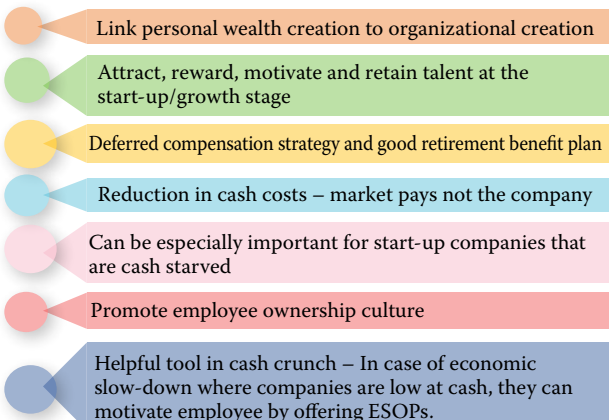
Volatility



Equity



Why ESOPs?



Unlisted companies, in particular, start-up companies, often give share-based compensation since they cannot afford to pay high salaries to their employees but are willing to share the future prosperity of the company. It is hence important that cost relating to these stock option plans get recognised in the financial statements.

What Company Sees While Granting ESOPs to Employees?

Loyalty, Performance and Designation

Present and Potential Contribution

Opportunity Cost

The importance of Employee Stock Option Plan lies in the following advantages which accrue to both the company and the employees

Stock options provide an opportunity to employees to participate and contribute in the growth of the company.

Stock options create long term wealth in the hands of the employees.

They are important means to attract, retain and motivate the best available talent for the company.

It creates a common sense of ownership between the company and its employees.

Provisions of Guidance Note on Accounting for Share-Based Payments

Scope of the Guidance Note establishes financial accounting and reporting principles for ESOPs. For the purposes of this Guidance Note, the term 'employee' includes a director of the enterprise, whether whole time or not.

The Guidance Note must be applied to all employee share based plans, including

(a) equity-settled share-based payment transactions;

(b) cash-settled share-based payment transactions; and

(c) transactions where either the enterprise or the supplier of goods or services can choose whether the transaction is to be equity-settled or cash-settled.

The Scope of this Guidance Note extends to employee stock option plans between group enterprises. Within a group of companies, it is common for one member of the group (typically the parent) to have the obligation to settle an employee stock option plan in which services are provided to another member of the group (typically a subsidiary). This transaction is within the scope of this Guidance Note for the enterprise receiving the services (even though it is not a direct party to the arrangement between its parent and its employee), the enterprise settling the transaction and the group as a whole.

Accordingly, this Guidance Note requires an enterprise to account for a transaction in which it either:

receives goods or services when another enterprise in the same group (or a shareholder of any group enterprise) has the obligation to settle the employee stock option plan, or

has an obligation to settle an employee stock option plan when another enterprise in the same group receives the services unless the purpose of the transaction is other than payment for services supplied to the enterprise receiving them.

For the purposes of this Guidance Note, a transaction with an employee in his/her capacity as a holder of shares of the enterprise is not an employee stock option plan.

Types of Employee Share-Based Payments Plan

Employee Stock Option Plan (ESOP)

Employee Stock Purchase Plan (ESPP)

Stock Appreciation Right (SAR)

Classification of ESOPs for Accounting Purpose

For accounting purposes, ESOPs are classified into the following categories

Equity-settled

employee stock option plan is an employee stock option plan in which the enterprise receives services as consideration for its own equity instruments (including shares or share options), or receives services but has no obligation to settle the transaction with the employee.

Cash-settled

employee stock option plan is an employee stock option plan in which the enterprise acquires services by incurring a liability to transfer cash or other assets to the employee for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the enterprise or another group enterprise.

Employee share-based payment plans with cash alternatives

Under these plans, either the enterprise or the employee has a choice of whether the enterprise settles the payment in cash or by issue of shares.

Accounting Procedure

An employee stock option plan within the scope for this Guidance Note can be accounted for by adopting the fair value method or the intrinsic value method. The accounting treatment recommended is based on the fair value method as the Guidance Note recommends that accounting for share-based payment plans should be based on the fair value approach.

An enterprise shall recognise the services received in an employee stock option plan when the services are received. The enterprise shall recognise a corresponding increase in equity if the services were received in an equity-settled employee stock option plan, or a liability if the services were received in a cash-settled employee stock option plan. This account resulting from equity increase in an equity-settled employee stock option plan is transitional in nature as it gets ultimately transferred to another equity account such as share capital, securities premium account and/or general reserve as per this Guidance Note.

When the services received in an employee stock option plan do not qualify for recognition as assets, they shall be recognised as expenses.

Equity-Settled Employee Stock Option Plan

For equity-settled employee stock option plan, the enterprise shall measure the services received, and the corresponding increase in equity, directly, at the fair value of the services received, unless that fair value cannot be estimated reliably. If the enterprise cannot estimate reliably the fair value of the services received, the enterprise shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Because of the difficulty of measuring directly the fair value of the services received, the enterprise shall measure the fair value of the employee services received by reference to the fair value of the equity instruments granted.

If the equity instruments granted vest immediately, the counterparty is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. In the absence of evidence to the contrary, the enterprise shall presume that services rendered by the counterparty as consideration for the equity instruments have been received. In this case, on grant date the enterprise shall recognise the services received in full, with a corresponding increase in equity.

If the equity instruments granted do not vest until the counterparty completes a specified period of service, the enterprise should presume that the services to be rendered by the counterparty as consideration for those instruments will be received in the future, during the vesting period.

The enterprise should account for those services as they are rendered by the employee during the vesting period, on a time proportion basis, with a corresponding credit to the equity account.

If an employee is granted share options conditional upon completing three years' service, then the enterprise shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over that three-year vesting period.

If an employee is granted share options conditional upon the achievement of a performance condition and remaining in the enterprise's employment until that performance condition is satisfied, and the length of the vesting period varies depending on when that performance condition is satisfied, the enterprise shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over the expected vesting period. The enterprise shall estimate the length of the expected vesting period at grant date, based on the most likely outcome of the performance condition. If the performance condition is a market condition, the estimate of the length of the expected vesting period shall be consistent with the assumptions used in estimating the fair value of the options granted and shall not be subsequently revised. If the performance condition is not a market condition, the enterprise shall revise its estimate of the length of the vesting period, if necessary, if subsequent information indicates that the length of the vesting period differs from previous estimates.

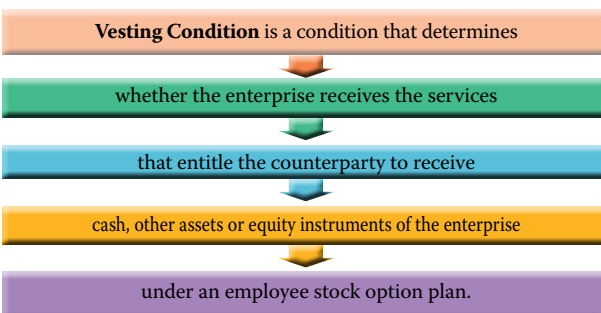
To apply the requirements of the Guidance Note for the purpose of employee stock option plans, the enterprise should recognize an amount for the employee services received during the vesting period based on the best available estimate of the number of shares or stock options expected to vest and should revise that estimate, if subsequent information indicates that the number of shares or stock options expected to vest differs from previous estimates.

On vesting date, the enterprise should revise the estimate to equal the number of shares or stock options that ultimately vest. Market conditions, such as a target share price upon which vesting (or right to exercise) is conditioned, should be considered when estimating the fair value of the shares or stock options granted.

On exercise of the right to obtain shares or stock options, the enterprise issues share on receipt of the exercise price. The shares so issued should be considered to have been issued at the consideration comprising the exercise price and the corresponding amount standing to the credit of the relevant equity account (e.g., Stock Options Outstanding Account).

In a situation where the right to obtain shares or stock option expires unexercised, the balance standing to the credit of the relevant equity account should be transferred to general reserve.

Vesting Conditions and Non-Vesting Conditions



Market Condition

It is a performance condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price (or value) of the enterprise's equity instruments (or the equity instruments of another enterprise in the same group), such as

- (a) attaining a specified share price or a specified amount of intrinsic value of a share option; or
- (b) achieving a specified target that is based on the market price (or value) of the enterprise's equity instruments (or the equity instruments of another enterprise in the same group) relative to an index of market prices of equity instruments of other enterprises.

A market condition requires the counterparty to complete a specified period of service (i.e., a service condition); the service requirement can be explicit or implicit.

Performance condition

It is a vesting condition that requires

(a) the counterparty to complete a specified period of service (i.e. a service condition); the service requirement can be explicit or implicit; and

(b) specified performance target(s) to be met while the counterparty is rendering the service required in (a).

A performance target

It is defined by reference to

(a) the enterprise's own operations (or activities) or the operations or activities of another enterprise in the same group (i.e. a non-market condition); or

(b) the price (or value) of the enterprise's equity instruments or the equity instruments of another enterprise in the same group (including shares and share options) (i.e. a market condition).

A **performance target** might relate either to the performance of the enterprise as a whole or to some part of the enterprise (or part of the group), such as a division or an individual employee.

Treatment of vesting conditions

A grant of equity instruments might be conditional upon satisfying specified vesting conditions.

Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date.

Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Hence, on a cumulative basis, no amount is recognised for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition.

To apply the above mentioned requirements, the enterprise shall recognise an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

Market conditions, such as a target share price upon which vesting (or exercisability) is conditioned, shall be taken into account when estimating the fair value of the equity instruments granted. Therefore, for grants of equity instruments with market conditions, the enterprise shall recognise the services received from a counterparty who satisfies all other vesting conditions (e.g., services received from an employee who remains in service for the specified period of service), irrespective of whether that market condition is satisfied.

Treatment of non-vesting conditions

Similarly, an enterprise shall take into account all non-vesting conditions when estimating the fair value of the equity instruments granted.

Therefore, for grants of equity instruments with non-vesting conditions, the enterprise shall recognise the services received from a counterparty that satisfies all vesting conditions that are not market conditions, irrespective of whether those non-vesting conditions are satisfied.

Treatment after the vesting date

Having recognized the services received in accordance with the provisions of the Guidance Note, and a corresponding increase in equity, the enterprise shall make no subsequent adjustment to total equity after vesting date.

Graded Vesting

In case the options/shares granted under a share-based payment arrangement do not vest on one date but have graded vesting schedule, total plan should be segregated into different groups, depending upon the vesting dates.

Accounting Treatment: Each of such groups would be having different vesting period and expected life and, therefore, each vesting date should be considered as a separate option grant and accounted for accordingly.

If the Fair Value of the Equity Instruments Cannot Be Estimated Reliably

In rare cases when the enterprise may be unable to estimate reliably the fair value of the equity instruments granted at the measurement date, the enterprise shall instead

- measure the equity instruments at their intrinsic value, initially at the date the counterparty renders service and subsequently at the end of each reporting period and at the date of final settlement, with any change in intrinsic value recognised in profit or loss. For a grant of share options, the employee stock option plan is finally settled when the options are exercised, are forfeited (e.g. upon cessation of employment) or lapse (e.g. at the end of the option's life).
- recognise the services received based on the number of equity instruments that ultimately vest or (where applicable) are ultimately exercised.

The enterprise shall revise that estimate, if necessary, if subsequent information indicates that the number of share options expected to vest differs from previous estimates. On vesting date, the enterprise shall revise the estimate to equal the number of equity instruments that ultimately vested. After vesting date, the enterprise shall reverse the amount recognised for services received if the share options are later forfeited or lapse at the end of the share option's life.

Modifications to the Terms and Conditions on Which Equity Instruments Were Granted, Including Cancellations and Settlements

An enterprise might modify the terms and conditions on which the shares or stock options were granted.

The enterprise shall recognise, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date.

This applies irrespective of any modifications to the terms and conditions on which the equity instruments were granted, or a cancellation or settlement of that grant of equity instruments. In addition, the enterprise shall recognise the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee.

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied)

- (a) the enterprise shall account for the cancellation or settlement as an acceleration of vesting and shall therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.
- (b) any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense. However, if the employee stock option plan included liability components, the enterprise shall premeasure the fair value of the liability at the date of cancellation or settlement. Any payment made to settle the liability component shall be accounted for as an extinguishment of the liability.
- (c) if new equity instruments are granted to the employee and, on the date when those new equity instruments are granted, the enterprise identifies the new equity instruments granted as replacement equity instruments for the cancelled equity instruments, the enterprise shall account for the granting of replacement equity instruments in the same way as a modification of the original grant of equity instruments. The incremental fair value granted is the difference between the fair value of the replacement equity instruments and the net fair value of the cancelled equity instruments, at the date the replacement equity instruments are granted. The net fair value of the cancelled equity instruments is their fair value, immediately before the cancellation, less the amount of any payment made to the employee on cancellation of the equity instruments that is accounted for as a deduction from equity in accordance with (b) above. If the enterprise does not identify new equity instruments granted as replacement equity instruments for the cancelled equity instruments, the enterprise shall account for those new equity instruments as a new grant of equity instruments.

Cash-Settled Employee Stock Option Plans

For cash-settled employee stock option plans, the enterprise shall measure the services received and the liability incurred at the fair value of the liability. Until the liability is settled, the enterprise shall premeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Employee Stock Option Plans with Cash Alternatives

For employee stock option plans in which the terms of the arrangement provide either the enterprise or the counterparty with the choice of whether the enterprise settles the transaction in cash (or other assets) or

by issuing equity instruments, the enterprise shall account for that transaction,

or the components of that transaction, as a cash settled share-based payment transaction if,

and to the extent that, the enterprise has incurred a liability to settle in cash or

other assets, or as an equity-settled share-based payment transaction if,

and to the extent that, no such liability has been incurred.

Employee Stock Option Plans in Which the Terms of the Arrangement Provide the Counterparty with a Choice of Settlement

If an enterprise has granted the counterparty the right to choose whether a stock option plan is settled in cash or by issuing equity instruments, the plan has two components which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash).

The enterprise shall measure the fair value of the employee stock option plan at the measurement date, taking into account the terms and conditions on which the rights to cash or equity instruments were granted.

The enterprise shall first measure the fair value of the debt component, and then measure the fair value of the equity component—taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the employee stock option plan is the sum of the fair values of the two components. However, employee stock option plans in which the counterparty has the choice of settlement are often structured so that the fair value of one settlement alternative is the same as the other

Employee Stock Option Plans in Which the Terms of the Arrangement Provide the Enterprise with a Choice of Settlement

For an employee stock option plan in which the terms of the arrangement provide an enterprise with the choice of whether to settle in cash or by issuing equity instruments, the enterprise shall determine whether it has a present obligation to settle in cash and account for the employee stock option plan accordingly.

The enterprise has a present obligation to settle in cash if the choice of settlement in equity instruments has no commercial substance (e.g. because the enterprise is legally prohibited from issuing shares), or the enterprise has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement.

If the enterprise has a present obligation to settle in cash, it shall account for the transaction in accordance with the requirements applying to cash-settled employee stock option plans.

If no such obligation exists, the enterprise shall account for the transaction in accordance with the requirements applying to equity-settled employee stock option plans.

Employee Stock Option Plans among Group Enterprises

For ESOP among group enterprises, in its separate or individual financial statements, the enterprise receiving the services shall measure the services received as either an equity-settled or a cash-settled employee stock option plan by assessing

(a) the nature of the awards granted, and

(b) its own rights and obligations.

The amount recognised by the enterprise receiving the services may differ from the amount recognised by the consolidated group or by another group enterprise settling the employee stock option plan.

The enterprise receiving the services shall measure the services received as an equity-settled employee stock option plan when

(a) the awards granted are its own equity instruments, or

(b) the enterprise has no obligation to settle the employee stock option plan.

The enterprise shall subsequently remeasure such an equity-settled employee stock option plan only for changes in non-market vesting conditions. In all other circumstances, the enterprise receiving the services shall measure the services received as a cash-settled employee stock option plan.

The enterprise settling a employee stock option plan when another enterprise in the group receives the services shall recognise the transaction as an equity-settled employee stock option plan only if it is settled in the enterprise's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled employee stock option plan.

Valuation Methods – ESOPs

Valuation Methods

Intrinsic Value Method

Fair Value Method

It is recommended by the Guidance Note that accounting for employee stock option plans should be based on the fair value approach. However, intrinsic value method is also permitted.

Employee Stock Option Plans Administered through a Trust

An enterprise may administer an employee stock option plan through a trust constituted for this purpose. The trust may have different kinds of arrangements, for example, the following

(a) The enterprise allots shares to the trust as and when the employees exercise stock options

(b) The enterprise provides finance to the trust for subscription to the shares issued by the enterprise at the beginning of the plan.

(c) The enterprise provides finance to the trust to purchase shares from the market at the beginning of the plan.

Since the trust administers the plan on behalf of the enterprise, it is recommended that irrespective of the arrangement for issuance of the shares under the employee stock option plan, the enterprise should recognise in its separate financial statements the expense on account of services received from the employees in accordance with the recommendations contained in this Guidance Note.

Disclosures

An enterprise should describe the method used to account for the employee stock option plans.

An enterprise should disclose at least the following in its financial statements

(a) A description of each type of employee stock option plan that existed at any time during the period, including the general terms and conditions of each plan, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g., whether in cash or equity). An enterprise with substantially similar types of plans may aggregate this information.

(b) the number and weighted average exercise prices of stock options for each of the following groups of options

- outstanding at the beginning of the period;
- granted during the period;
- forfeited during the period;
- exercised during the period;
- expired during the period;
- outstanding at the end of the period; and
- exercisable at the end of the period.

(c) for stock options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the enterprise may instead disclose the weighted average share price during the period.

(d) for stock options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life (comprising the vesting period and the exercise period). If the range of exercise prices is wide, the outstanding options should be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

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I, CA. Vandana D Nagpal, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Sd/-
Dated: February 26, 2023 Signature of Publisher

CA FOUNDATION - PAPER 3 - BUSINESS MATHEMATICS AND LOGICAL REASONING & STATISTICS

Often, we encounter news of price rise, GDP growth, production growth, etc. It is important for students of Chartered Accountancy to learn techniques of measuring growth/rise or decline of various economic and business data and how to report them objectively. After reading this capsule, students will be able to understand Purpose of constructing index number and its important applications in understanding rise or decline of production, prices, etc. different methods of computing index number.

CHAPTER 18: INDEX NUMBERS

INTRODUCTION

Index numbers are convenient devices for measuring relative changes of differences from time to time or from place to place. Just as the arithmetic mean is used to represent a set of values, an index number is used to represent a set of values over two or more different periods or localities.

The basic device used in all methods of index number construction is to average the relative change in either quantities or prices since relatives are comparable and can be added even though the data from which they were derived cannot themselves be added. For example, if wheat production has gone up to 110% of the previous year's production and cotton production has gone up to 105%, it is possible to average the two percentages as they have gone up by 107.5%. This assumes that both have equal weight; but if wheat production is twice as important as cotton, percentage should be weighted 2 and 1. The average relatives obtained through this process are called the index numbers.

- **Relatives:** One of the simplest examples of an index number is a price relative, which is the ratio of the price of single commodity in a given period to its price in another period called the base period or the reference period. It can be indicated as follows:

$$\text{Price relative} = \frac{P_n}{P_o} \times 100$$

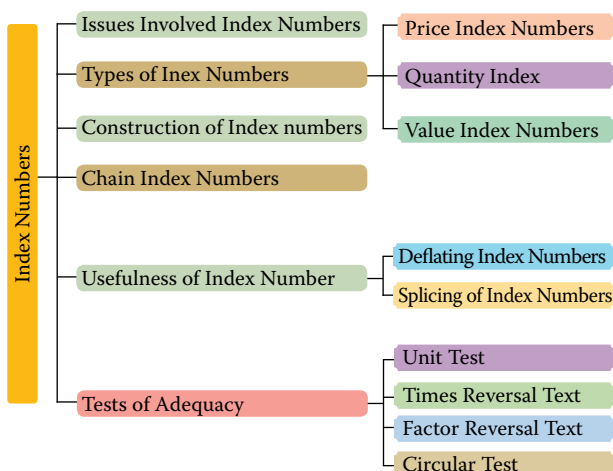
There can be other relatives such as of quantities, volume of consumption, exports, etc. The relatives in that case will be:

$$\text{Quantity relative} = \frac{Q_n}{Q_o} \times 100$$

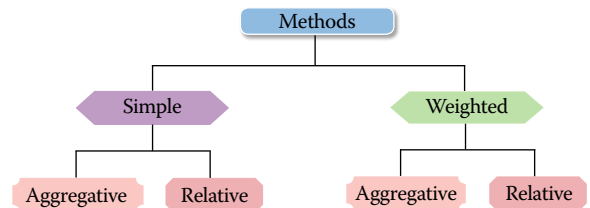
Similarly, there are value relatives:

$$\text{Value relative} = \frac{V_n}{V_o} = \frac{P_n Q_n}{P_o Q_o} = \left(\frac{P_n}{P_o} \times \frac{Q_n}{Q_o} \right) \times 100$$

Index number Overview



Methods of Index numbers:



Price Index numbers

- Simple aggregative price index = $\frac{\sum P_n}{\sum P_o} \times 100$
- Laspeyres' Index: In this Index base year quantities are used as weights:
Laspeyres Index = $\frac{\sum P_n Q_o}{\sum P_o Q_o} \times 100$
- Paasche's Index: In this Index current year quantities are used as weights:
Paasche's Index = $\frac{\sum P_n Q_n}{\sum P_o Q_n} \times 100$
- The Marshall-Edgeworth index uses this method by taking the average of the base year and the current year
Marshall-Edgeworth Index = $\frac{\sum P_n (Q_o + Q_n)}{\sum P_o (Q_o + Q_n)} \times 100$
- Fisher's ideal Price Index: This index is the geometric mean of Laspeyres' and Paasche's.
Fisher's Index = $\sqrt{\frac{\sum P_n Q_o}{\sum P_o Q_o} \times \frac{\sum P_n Q_n}{\sum P_o Q_n}} \times 100$
- Weighted Average of Relative Method: $\frac{\sum \left(\frac{P_n}{P_o} \right) \times (P_o Q_o)}{\sum P_o Q_o} \times 100 = \frac{\sum P_n Q_o}{\sum P_o Q_o} \times 100$
- Chain Index = $\frac{\text{Link relative of current year} \times \text{Chain Index of the previous year}}{100}$

Quantity Index Numbers

- Simple aggregate of quantities: $\frac{\sum Q_n}{\sum Q_o} \times 100$
- The simple average of quantity relatives: $\frac{\sum \frac{Q_n}{Q_o}}{N} \times 100$
- Weighted aggregate quantity indices:
 - With base year price as weight: $\frac{\sum Q_n P_o}{\sum Q_o P_o} \times 100$ (Laspeyres' index)
 - With current year price as weight: $\frac{\sum Q_n P_n}{\sum Q_o P_n} \times 100$ (Paasche's index)
 - Geometric mean of (i) and (ii): $\sqrt{\frac{\sum Q_n P_o}{\sum Q_o P_o} \times \frac{\sum Q_n P_n}{\sum Q_o P_n}} \times 100$ (Fisher's Ideal)
- Base-year weighted average of prices as relatives in Marshall-Edgeworth quantity index number.
Weighted Relative method formula: $\frac{\sum \left(\frac{Q_n}{Q_o} \times \frac{P_n}{P_o} \right)}{\sum \frac{P_n}{P_o}} \times 100$
- Value Indices: $\frac{V_n}{V_o} = \frac{\sum P_n Q_n}{\sum P_o Q_o} \times 100$

BUSINESS MATHEMATICS AND LOGICAL REASONING & STATISTICS

THE CHAIN INDEX NUMBERS

So far we concentrated on a fixed base but it does not suit when conditions change quite fast. In such a case the changing base for example, 2018 for 2019, and 2019 for 2020, and so on, may be more suitable. If, however, it is desired to associate these relatives to a common base the results may be chained. Thus, under this method the relatives of each year are first related to the preceding year called the link relatives and then they are chained together by successive multiplication to form a chain index.

The formula is:

$$\text{Chain Index} = \frac{\text{Link relative of current year} \times \text{Chain Index of the previous year}}{100}$$

Illustrations

Commodities	2018	2019	2020
Cheese (per 100 gms)			
Egg (per piece)	120	150	160
Potato (per kg)	30	36	40
	50	60	60
Aggregate	200	246	260
Index	100	123	130

$$\text{Simple Aggregate Index for 2019 over 2018} = \frac{\sum P_n}{\sum P_o} \times 100 = \frac{246}{200} \times 100 = 123$$

$$\text{and for 2020 over 2018} = \frac{\sum P_n}{\sum P_o} \times 100 = \frac{260}{200} \times 100 = 130$$

The above method is easy to understand but it has a serious defect. It shows that the first commodity exerts greater influence than the other two because the price of the first commodity is higher than that of the other two. Further, if units are changed then the Index numbers will also change. Students should independently calculate the Index number taking the price of eggs per dozen i.e., ` 36, ` 43.20, ` 39.60 for the three years respectively. This is the major flaw in using absolute quantities and not the relatives. Such price quotations become the concealed weights which have no logical significance.

Limitations of Index Numbers

So far we have studied various types of index numbers. However, they have certain limitations. They are:

1. As the indices are constructed mostly from deliberate samples, chances of errors creeping in cannot be always avoided.
2. Since index numbers are based on some selected items, they simply depict the broad trend and not the real picture.
3. Since many methods are employed for constructing index numbers, the result gives different values and this at times create confusion.

Usefulness of Index Numbers

In spite of its limitations, index numbers are useful in the following areas:

1. Framing suitable policies in economics and business. They provide guidelines to make decisions in measuring intelligence quotients, research etc.
2. They reveal trends and tendencies in making important conclusions in cyclical forces, irregular forces, etc.
3. They are important in forecasting future economic activity. They are used in time series analysis to study long-term trend, seasonal variations and cyclical developments.
4. Index numbers are very useful in deflating, i.e., they are used to adjust the original data for price changes and thus transform nominal wages into real wages.
5. Cost of living index numbers measure changes in the cost of living over a given period.

DEFLATING TIME SERIES USING INDEX NUMBERS

Sometimes a price index is used to measure the real values in economic time series data expressed in monetary units. For example, GNP initially is calculated in current price so that the effect of price

changes over a period of time gets reflected in the data collected. Thereafter, to determine how much the physical goods and services have grown over time, the effect of changes in price over different values of GNP is excluded. The real economic growth in terms of constant prices of the base year therefore is determined by deflating GNP values using price index.

Year	Wholesale Price Index	GNP at Current Prices	Real GNP
2019	113.1	7499	6630
2020	116.3	7935	6823
2021	121.2	8657	7143
2022	127.7	9323	7301

The formula for conversion can be stated as

$$\text{Deflated Value} = \frac{\text{Current Value}}{\text{Price Index of the current year}} \times 100$$

$$\text{Or Current Value} \times \frac{\text{Base Price (P}_0\text{)}}{\text{Current Price (P}_n\text{)}}$$

Shifting and Splicing of Index Numbers

These refer to two technical points: (i) how the base period of the index may be shifted, (ii) how two index covering different bases may be combined into single series by splicing.

Shifted Price Index

Year	Original Price Index	Shifted Price Index to base 2021
2011	100	71.4
2012	104	74.3
2013	106	75.7
2014	107	76.4
2015	110	78.6
2016	112	80.0
2017	115	82.1
2018	117	83.6
2019	125	89.3
2020	131	93.6
2021	140	100.0
2022	147	105.0

$$\text{The formula used is, Shifted Price Index} = \frac{\text{Original Price Index}}{\text{Price Index of the year on which it has to be shifted}} \times 100$$

Splicing two sets of price index numbers covering different periods of time is usually required when there is a major change in quantity weights. It may also be necessary on account of a new method of calculation or the inclusion of new commodity in the index.

Splicing Two Index Number Series

Year	Old Price Index [2010 = 100]	Revised Price Index [2015=100]	Spliced Price Index [2015 = 100]
2010	100.0		87.6
2011	102.3		89.6
2012	105.3		92.2
2013	107.6		94.2
2014	111.9		98.0
2015	114.2	100.0	100.0
2016		102.5	102.5
2017		106.4	106.4
2018		108.3	108.3
2019		111.7	111.7
2020		117.8	117.8

BUSINESS MATHEMATICS AND LOGICAL REASONING & STATISTICS

You will notice that the old series 2010 has to be converted shifting to the base. 2015 i.e., 114.2 to have a continuous series, even when the two parts have different weights

TEST OF ADEQUACY

There are four tests:

1. Unit Test: This test requires that the formula should be independent of the unit in which or for which prices and quantities are quoted. Except for the simple (unweighted) aggregative index all other formulae satisfy this test.

(ii) Time Reversal Test: It is a test to determine whether a given method will work both ways in time, forward and backward. The test provides that the formula for calculating the index number should be such that two ratios, the current on the base and the base on the current should multiply into unity. In other words, the two indices should be reciprocals of each other. Symbolically,

$$P_{01} \times P_{10} = 1$$

where P_{01} is the index for time 1 on 0 and P_{10} is the index for time 0 on 1.

You will notice that Laspeyres' method and Paasche's method do not satisfy this test, but Fisher's Ideal Formula does.

While selecting an appropriate index formula, the Time Reversal Test and the Factor Reversal test are considered necessary in testing the consistency.

$$\text{Laspeyres: } P_{01} = \frac{\sum P_1 Q_0}{\sum P_0 Q_0} \quad P_{10} = \frac{\sum P_0 Q_1}{\sum P_1 Q_1}$$

$$P_{01} \times P_{10} = \frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1} \neq 1$$

$$\text{Paasche's: } P_{01} = \frac{\sum P_0 Q_1}{\sum P_0 Q_0} \quad P_{10} = \frac{\sum P_1 Q_0}{\sum P_1 Q_1}$$

$$P_{01} \times P_{10} = \frac{\sum P_0 Q_1}{\sum P_0 Q_0} \times \frac{\sum P_1 Q_0}{\sum P_1 Q_1} \neq 1$$

$$\text{Fisher's: } P_{01} = \sqrt{\frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1}} \quad P_{10} = \sqrt{\frac{\sum P_0 Q_1}{\sum P_1 Q_1} \times \frac{\sum P_1 Q_0}{\sum P_0 Q_0}}$$

$$P_{01} \times P_{10} = \sqrt{\frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1} \times \frac{\sum P_1 Q_0}{\sum P_0 Q_0}} = 1$$

(iii) Factor Reversal Test: This holds when the product of price index and the quantity index should be equal to the corresponding value index, i.e.,

Symbolically: $P_{01} \times Q_{01} = V_{01}$

$$\text{Fisher's } P_{01} = \sqrt{\frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1}} \quad Q_{01} = \sqrt{\frac{\sum Q_1 P_0}{\sum Q_0 P_1} \times \frac{\sum Q_0 P_1}{\sum Q_1 P_0}}$$

$$P_{01} \times Q_{01} = \sqrt{\frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1} \times \frac{\sum Q_1 P_0}{\sum Q_0 P_1} \times \frac{\sum Q_0 P_1}{\sum Q_1 P_0}} = \sqrt{\frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1} \times \frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1}} = \frac{\sum P_1 Q_0}{\sum P_0 Q_0} = V_{01}$$

Thus Fisher's Index satisfies Factor Reversal test. Because Fisher's Index number satisfies both the tests in (ii) and (iii), it is called an Ideal Index Number.

(iv) Circular Test: It is concerned with the measurement of price changes over a period of years, when it is desirable to shift the base. For example, if the 1970 index with base 1965 is 200 and 1965 index with base 1960 is 150, the index 1970 on base 1960 will be 300. This property therefore enables us to adjust the index values from period to period without referring each time to the original base. The test of this shiftability of base is called the circular test.

• This test is not met by Laspeyres, or Paasche's or the Fisher's ideal index. **The simple geometric mean of price relatives and the weighted aggregative with fixed weights meet this test.**

Example 1: Compute Fisher's Ideal Index from the following data:

Commodities	Base Year		Current Year	
	Price	Quantity	Price	Quantity
A	4	3	6	2
B	5	4	6	4
C	7	2	9	2
D	2	3	1	5

Show how it satisfies the time and factor reversal tests.

Solution:

Commodities	P_0	Q_0	P_1	Q_1	$P_0 Q_0$	$P_1 Q_0$	$P_0 Q_1$	$P_1 Q_1$
A	4	3	6	2	12	18	8	12
B	5	4	6	4	20	24	20	24
C	7	2	9	2	14	18	14	18
D	2	3	1	5	6	3	10	5
					52	63	52	59

$$\text{Fisher's Ideal Index: } P_{01} = \sqrt{\frac{\sum P_1 Q_0}{\sum P_0 Q_0} \times \frac{\sum P_0 Q_1}{\sum P_1 Q_1}} \times 100 = \sqrt{\frac{63}{52} \times \frac{59}{52}} \times 100 = \sqrt{1.375} \times 100 = 1.172 \times 100 = 117$$

Time Reversal Test:

$$P_{01} \times P_{10} = \sqrt{\frac{63}{52} \times \frac{59}{52} \times \frac{52}{59} \times \frac{52}{63}} = \sqrt{1} = 1$$

∴ Time Reversal Test is satisfied.

Factor Reversal Test:

$$P_{01} \times Q_{01} = \sqrt{\frac{63}{52} \times \frac{59}{52} \times \frac{52}{59} \times \frac{52}{63}} = \sqrt{\frac{59}{52} \times \frac{59}{52}} = \frac{59}{52}$$

Since, $\frac{\sum P_1 Q_0}{\sum P_0 Q_0}$ is also equal to $\frac{59}{52}$, the Factor Reversal Test is satisfied.

Example 2: If the ratio between Laspeyres' index number and Paasche's Index number is 28 : 27. Then the missing figure in the following table P is :

Commodity	Base Year		Current Year	
	Price	Quantity	Price	Quantity
X	L	10	2	5
Y	L	5	P	2

"Every great dream begins with a dreamer. Always remember, you have within you the strength, the patience, and the passion to reach for the stars to change the world." —Harriet Tubman

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Solution: So Laspeyre's index number = $\frac{\sum P_x Q_0}{\sum P_0 Q_0}$
 $= \frac{2 \times 10 + P \times 5}{L \times 10 + L \times 5}$
 $= \frac{20 + 5P}{15L}$
 $= \frac{5(4 + P)}{15L}$
 $= \frac{4 + P}{3L}$

Now for the Paasche's index number we have, $\frac{\sum P_x Q_x}{\sum P_0 Q_x}$
 $= \frac{2 \times 5 + P \times 2}{L \times 5 + L \times 2}$
 $= \frac{2P + 10}{7L}$
 $= \frac{2(P + 5)}{7L}$

Given Ratio = $L : P = 28:27$

So $4 + \frac{P}{3L} = \frac{2(P + 5)}{7L} = \frac{28}{27}$

or $7(4 + P) = 6(P + 5) = 28/27$

or $9(4 + P) = 8(P + 5)$

$36 + 9P = 8P + 40$

or $P = 40 - 36$

or $P = 4$

Example 3: The consumer price index for 2006 on the basis for 2006 on the basis of 2005 from the following data is:

Commodities in 2005	Quantities consumed in 2005	Prices in 2005	Prices in 2006
A	6	5.75	6.00
B	6	5.00	8.00
C	1	6.00	9.00
D	6	8.00	10.00
E	4	2.00	1.50
F	1	20.00	15.00

Solution:

Commodities in 2005	Quantities consumed in 2005(q_0)	Price in 2005 (P_0)	Prices in 2006 (P_1)	$P_1 q_0$	$P_0 q_0$
A	6	5.75	6.00	36	34.50
B	6	5.00	8.00	48	30.00
C	1	6.00	9.00	9	6.00
D	6	8.00	10.00	60	48.00
E	4	2.00	1.50	6	8.00
F	1	20.00	15.00	15	20.00
				$\sum P_1 q_0 = 174$	$\sum P_0 q_0 = 146.5$

Consumer Price Index = $\frac{\sum P_1 q_0}{\sum P_0 q_0} \times 100 = \frac{174}{146.5} \times 100 = 118.77$

Example 4: Net monthly salary of an employee was ₹30,000 in 2000. The consumer price index 2015 is 250 with 2000 as base year, if he has to rightly compensated, then dearness allowance to be paid to the employee is:

Solution: The consumer price index number in 2015 is 250 with 2000 as base year.

if in 2000 = 100 then in 2015 = 250

if in 2000 = 1 then in 2015 = $250/100 = 2.5$

if in 2000 = 30000 then $250/100 \times 30000 = 75,000$

additional dearness allowance to be paid to the employee is = $75000 - 30000 = ₹45000$

additional dearness allowance to be paid to the employee = ₹45,000

Example 5: Consumer price index number goes up from 110 to 200 and the Salary of a worker is also raised from ₹330 to ₹500. Therefore, in real terms, to maintain his previous standard of living, he should get an additional amount of:

Solution: Cost of Living Index in base year = 110,

Cost of Index in current year = 200

Salary of worker in base year = 330

Salary of worker in current year = 500

Real wages (for base year) = $\frac{\text{Money wages in base year}}{\text{Cost of living index in base year}} \times 100$

$$= \frac{330}{110} \times 100 = 300$$

Real wages (for current year) = $\frac{\text{Money wages in current year}}{\text{Cost of living index number in current year}} \times 100$

$$= \frac{300}{200} \times 100 = 250$$

Thus, we can say that even though money wage of the worker had increased from ₹330 to ₹500, his real wage has fallen from ₹300 to ₹250. This implies a loss of ₹50 in real terms.

Example 6: If the price of a commodity in a place have decreased by 30% over the base period prices, then the index number of that place is:

Solution: Base price of any commodity = 10 decreased price = 30% of 100 = 30

Index number of that place now = $100 - 30 = 70$

Example 7: If with an increase of 10% in prices, the rise in wages is 20% then the real wages has increased by

Solution : Real wages = $\frac{\text{Real wage of current year}}{\text{Real wage of base year}} \times 100$

$$= \frac{120}{100} \times 100 = 120$$

$$= 120 - 100 = 20\%$$

Example 8: In the year 2010, the monthly salary of clerk was ₹24,000. The consumer price index was 140 in the year 2010, which rises to 224 in 2016. If he has to be rightly compensated, what additional monthly salary to be paid to him?

Solution

Year	CPI	Salary
2010	140	24000
2016	224	X

$$= 140/224 = 24000/x$$

$$x = \frac{24000 \times 224}{140} = 38,400$$

$$DA = 38,400 - 24,000$$

$$= 14,400$$

Important Points:

1. Circular Test is an extension of time reversal test.
2. Time Reversal Test and Factor Reversal Test is satisfied by: Fisher's Ideal Index.
3. The ratio of price of single commodity in a given period to its price in the preceding year price is called the relative price.
4. Fisher's Ideal Formula does not satisfy Circular test.
5. The best average for constructing an index number is: Geometric Mean.
6. The time reversal test is satisfied by Fisher's index number.
7. The factor reversal test is satisfied by: Fisher's index.
6. The circular test is satisfied by Simple GM price relative.
7. Fisher's index number is based on Geometric mean of Laspeyre's and Paasche's index numbers.
8. Paasche index is based on: Current year quantities.
9. Fisher's Ideal Formula does not satisfy Circular test.
10. Purchasing Power of Money is the Reciprocal of price index number and inverse relationship between Purchasing power of money and price index number.

CROSSWORD - MARCH 2023

1	2	3	4	5	6	7	8	9	10	11	12	13
7				8		9						
10									11	12	13	
14		15	16		17		18	19				
20					21					22		
		23					24			25		
	26									27		
28			29	30	31	32		33				
34			35						36	37		
38		39			40			41				42
		43	44	45			46			47		
48										49		

ACROSS

- A ___ expresses intended expenditures along with proposals for how to meet them with resources.
- A limited quantity of a particular product which under official controls can be produced, exported, or imported.
- A standards-based telecommunications inventory management application.
- A public transportation provider in New Delhi which operates Metro lines.
- A leading global medical technology company.
- An international shipping agreement used when freight is shipped via sea or waterway.
- A system of exchange in which participants in a transaction directly exchange goods or services for other goods.
- The lowest unemployment rate that can be sustained without causing wages growth and inflation to rise.
- The largest international academic institute dedicated to understanding and controlling cancer.
- An agreement between two counterparties to exchange financial instruments, cashflows, or payments for a certain time.
- ___ scan is a useful diagnostic tool for detecting diseases and injuries.
- ___ is defined as the value that has a higher frequency in a given set of values.
- An American technology company, that designs and manufactures semiconductors and various integrated circuits.
- ___ increases with an increase in the consumption of a commodity.
- When customer service agents properly address a customer's needs the first time they call.
- The Internet country code top-level domain (ccTLD) for Montenegro.
- Fixed-interest loan securities issued by the UK government.
- An American multinational conglomerate.
- An international accounting designation granted to accounting professionals in many countries around the world.
- An investment position intended to offset

- potential losses or gains that may be incurred by a companion investment.
- ___ is important in analysing trends, helping in forecast the future and solve problems.
- A diploma course that focuses on the study of various healthcare services.
- A ratio that indicates the size of firms in relation to their industry as a whole.
- A paragraph-formatting feature used to align text.
- When a company takes controlling ownership in a business entity in another country.
- Referred to as the revenue that is earned from the sale of an additional product or unit.
- A law enforcement agency.
- A market situation in which there is only one buyer.
- Abbreviation: Financial Responsibility.

DOWNWARD

- A visual programming language.
- The regulatory body of Aadhaar cards.
- A private mode of communication between social media users.
- The outside limit of an object, area.
- A symbol to indicate that the preceding mark is a trademark, specifically an unregistered trademark.
- A process through which a business seeks to ensure that product quality is maintained or improved.
- A document that proves vehicle is registered with the Regional Transport Office authorities.
- The practice of automating the integration of code changes from multiple contributors into a single software project.
- An Indian public sector undertaking that provides ticketing, catering, and tourism services for the Indian Railways.
- A period of time following the moment of speaking or writing.
- A budgeting model under which

revenue-generating units are wholly responsible for managing their own revenues and expenditures.

- Means finished or done.
- ___ is equal to the standard error of a survey estimate divided by the survey estimate and then multiplied by 100.
- A security alliance of 30 countries from North America and Europe.
- A set of definitions and protocols for building and integrating application software.
- The ___ is the mathematical average of a set of two or more numbers.
- An important law that regulates trade-related payments.
- Abbreviation: Master of Computer Application.
- A World Wide Web browser made by Microsoft for use on its Windows operating system.
- ___ are low-income countries confronting severe structural impediments to sustainable development.
- An Italian news television series.
- A Trust established by the Department of Commerce.
- Treating other people equally under the WTO agreements.
- Make an attempt or effort to do something.
- The ___ is an international reserve asset.
- Achieve or complete.
- An ___ address is a unique set of numbers assigned to each Internet or network device.
- Abbreviation: millions.

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