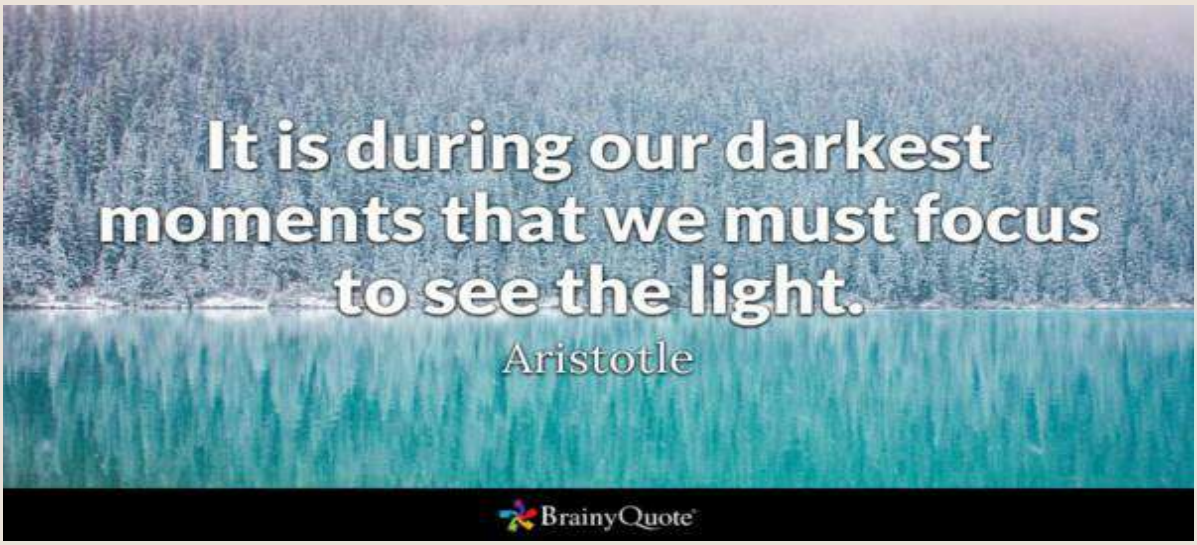
The Institute of Chartered Accountants of India

Set up By an Act of Parliament

WICASA Pimpri Chinchwad Branch of WIRC of ICAI



WICASA PIMPRI-CHINCHWAD

E-NEWSLETTER November 2017

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Chairperson Communication

CA. Prajakta Chincholkar

Dear Colleagues,

"If you fail never give up because fail means ***first attempt in learning***"

By APJ Abdul Kalam

Failure is a first step towards success and this is thoroughly experienced by a CA student. I wish all the CA students be brightening with the glorious success in this their CA exams. We are conducting various webcasts, Industrial and Educational tours, Indoor and outdoor sports activities for CA students. WICASA (Western India CA students' Association) is a platform for overall development of student. We are hosting a GST and IND AS refresher course launched by Board of Studies. Say in touch with Pimpri Chichwad WICASA for Exploring Unchartered Territories.

TAG LINE "EXPLORING THE UNCHARTERED TERRITORIES"

STUDYING CHARTERED ACCOUNTANCY IS INDEED LIKE WALKING OVER THE UNTRAVELED PATH

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2017-18

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WICASA COMMITTEE MEMBERS 2017-18

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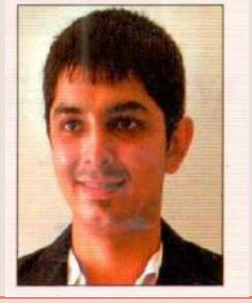

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Member

Forthcoming Events

DATE	EVENTS	SPEAKERS	VENUE
22.11.2017	**Live Webcast on Professional Ethics**	**CA. Dinesh Bahl**	**ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI**
26.11.2017	**How to Face CPT Exam?**	**CA. Siddharth Shah**	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
	Refresher Course on GST and Ind AS for CA Students Webcast from Head Office	**Webcast from Head Office**	**ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI**

Event for the month Nov 2017

Date	Particulars	Speaker	Venue
22.11.2017	Live Webcast on Professional Ethics	CA. Dinesh Bahl	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
23.11.2017	Live Webcast on Strategic Thinking	CA. Ajay Bahl	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
24.11.2017	Live Webcast on Business Communication	CA. Amit Arora	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
26.11.2017	How to Face CPT Exam? Counseling for CA CPT EXAM	CA. Siddharth Shah	ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
10.11.2017-3.12.2017	CPT Coaching Classes		ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI
26.11.2017	Mock Test of CPT for December 2017 attempt		ICAI Bhawan Pimpri Chinchwad Branch of WIRC of ICAI

APPLICABILITY OF IND-AS

As the world economy has moved towards the globalization, businesses are able to carry out their business across the domestic boundaries. Due to this it has also faciliated a cross boundary amalgamation and mergers and create fusion, to make investment, conduct trade and co-operate over country borders. This has created a need among finance fraternity and professionals to come on common language of accounting.

International Financial Reporting Standards (IFRS) is becoming the global language of business with over 120 countries of the world having moved to IFRS in the past few years. The globalization creates an increased need for communication in the terms of language, awareness of culture differences and domestic customs. Moreover, the financial communication such as accounting and financial results is just as important for business leaders and employees to master. Hence Proponents of International Financial Reporting Standards (IFRS) claim that mandating a uniform set of accounting standards improves financial statement comparability that in turn attracts greater cross-border investment.

The International Financial Reporting Standards (IFRS) and their evolvement into one of the most common accounting standards used in the world. The International Accounting Standards Board (IASB) was established in 2001 to develop International Financial Reporting Standards (IFRS) and it is posed as the global language of accountancy which is aimed to make the comparison and interpretation of the financial statements across the world easier. It includes International Accounting Standards (IASs) until they are replaced by any IFRS and interpretations originated by the

IFRIC or its predecessor, the former Standing Interpretations Committee (SIC).IFRS is a set of international accounting and reporting standards that will help to harmonize company financial information, improve the transparency of accounting, and ensure that investors receive more accurate and consistent reports. IFRS were adopted legally first time in 2005 by European Union. Other countries with developed capital markets have adopted or in the process of adopting IFRS in for reporting purpose. However, is only possible if all the countries prefer the IFRS reporting.

India is a global and emerging market where in huge potential lies with growth more than 6-7% of GDP. In order to leap frog it is imperative that our Accounting Standards get aligned with the global Accounting Standard that is IFRS.

Ind-AS and IFRS in India

In India, Accounting standards are formulated by council of Institute of Chartered Accounts of India(ICAI).In July 2007, the Council of the Institute of Chartered Accountants of India set a target of adopting International Financial Reporting Standards (IFRS) for all listed, public interest and large-sized entities from accounting periods beginning on or after 1 April 2011.In 2007 ,India has decided to converge with IFRS in 2007.ICAI started the process of developing a complete set of accounting standard that are “converged with” IFRS - which will be known as Indian AS . There is a difference between adoption and convergence to IFRS. Adoption means using IFRS as issued by IASB. Convergence means that the Indian Accounting standard board and IASB would continue working together to develop high quality, compatible accounting standard over time. With an objective to ensure smooth transition, ICAI had taken up the matter of convergence with IFRS with National Advisory

Committee on Accounting Standards (NACAS) established by the Ministry of Corporate Affairs, Government of India and other regulators including Re- serve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA) and the Securities and Exchange Board of India (SEBI)

Why It is Important?

Ind AS had not just change the way companies present their numbers, but may also bump up or knock down the profits/losses of firms. Here are a few instances. Under the existing rules, incentives, discounts or rebates given to customers by a firm can be shown as part of advertising, sales promotion or marketing expenses, which figure in the costs. But under Ind AS, these will have to be deducted from sales (revenues). Excise duties which are currently netted off from revenues to show 'net sales', will have to be shunted under 'expenses' under Ind AS.

Intangible assets such as goodwill had to be amortised, or written off as expenses over a period of time until now. Ind AS treats such items as having an indefinite life and hence they need not be amortised. This can lift the profits of firms which carry sizeable goodwill on their books.

Ind AS advocates the 'fair value' method of accounting. For example, currently, investments by a company in government securities or mutual funds, is shown at the lower of cost and fair value (market value). Under Ind AS, these will have to necessarily be captured at fair value. For firms, which have legacy or undervalued investments, this revaluation can expand the balance sheet size.

The new Ind AS also promises clearer disclosures to investors in certain cases. So far companies reported their segment-wise performance based on a broad product/service grouping or even geographical segments (within India, Outside India). But Ind AS requires that segments reported to investors are the same as the firm uses for the purpose of assessing performance and allocating resources.

Ind-AS were issued under the supervision and control of Accounting Standards Board (ASB), which was constituted as a body in the year 1977. ASB is a committee under Institute of Chartered Accountants of India (ICAI) which consists of representatives from government department, academicians, other professional bodies viz. ICSI, ICAI, representatives from, CII, FICCI, etc. The Ind AS are named and numbered in the same way as the corresponding International Financial Reporting Standards (IFRS). National Advisory Committee on Accounting Standards (NACAS) recommend these standards to the Ministry of Corporate Affairs (MCA). MCA has to spell out the accounting standards applicable for companies in India. As on date ICAI has issued 39 Ind AS and has also notified by MCA.

Road Map for IND-AS (Applicability's)

This shall be applied to the companies of financial year 2015-16 voluntarily and from 2016-17 on a mandatory basis.

Financial year	Mandatorily applicable to
01st April 2016	- Companies whose equity and/or debt securities are listed or in the process of listing on any stock

exchange in India or outside the India (listed companies) and having net worth of Rs.500 crores or more

-unlisted companies having net worth of Rs 500 crores or more.

-Comparative for these Financial statement will be periods ending 31st March 2016.

1st April 2017 - Companies whose equity and/or debt securities are listed or in the process of listing on any stock exchange in India or outside the India (listed companies) and having net worth of Rs.500 crores or more

-unlisted companies having net worth more than Rs 250 crores but less than Rs 250 Crores.

-Comparative for these Financial statements will be periods ending 31st March 2017. .

1st April 2018 -Scheduled commercial banks (excluding RRBs)

(for Banks, Insurance -All-India term-lending refinancing institutions (i.e. Exim Bank, NABARD, Companies and NBFC`s) NHB and SIDBI)

-Insurers/insurance companies

-NBFCs having a net worth of 500 crore INR or more

-Comparative information required for the period ending 31 March 2018 or thereafter

1st April 2019 -NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having a net worth less than 500 crore INR

-NBFCs that are unlisted companies, having a net worth of 250 crore INR or more but less than 500 crore INR

-Holding, subsidiary, joint venture or associate companies of companies covered above, other than those companies already covered under the corporate roadmap announced by MCA

-Comparative information required for the period ending 31 March 2019 or thereafter

2015-16 or later -Entities, not under the mandatory roadmap, may later voluntarily adopt Ind AS.

Whenever a company gets covered under the roadmap, Ind AS becomes mandatory, its holding, subsidiary, associate and joint venture companies will also have to adopt Ind AS (irrespective of their net worth). Ind AS pocket guide 2016

For the purpose of computing the net worth, reference should be made to the definition under the Companies Act, 2013. In accordance with section 2 (57) of the Companies Act, 2013, net worth is computed as follows: Net worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

Ind AS will apply to both consolidated as well as standalone financial statements of a company. While overseas subsidiary, associate or joint venture companies are not required to prepare standalone financial statements under Ind AS, they will need to

prepare Ind AS adjusted financial information to enable consolidation by the Indian parent.

Benefit of Adopting of Ind AS

1. If a business adopts Ind AS, the business will be able to present its financial statement on a single set of high quality and global standards.

2. Adoption of Ind AS will result in high quality, transparent and comparable financial statements that are based on modern accounting principles and concepts that are being applied in global markets.

3. If a company uses Ind AS, the company could enjoy the benefit of raising capital from abroad.

4. Comparison is made easier with a foreign competitor if a company presents its financial statement according to Ind AS.

5. The adoption of Ind AS will improve cross border investment by enhancing comparability of financial statements prepared anywhere in the world.

Benefits of IFRS for National Regulatory Bodies

1. Indian Accounting standard Board will be alert to the best international accounting practice (IFRS)to guide them in the establishment of highly improved reporting practices in India.

2. It brings about a higher and improved standard of financial disclosure.

3. It also brings about better ability to attract and monitor listings by foreign companies.

CHALLENGES IN ADOPTING

Accounting Professionals across the world have listed various benefits of adopting IFRS. In spite of these benefits, adoption of IFRS is a difficult task and has many challenges.

Difference in GAAP and IFRS

Adoption of IFRS means that the entire set of financial statements will be required to undergo a drastic change. The differences are wide and very deep routed. It would be a challenge to bring about awareness of IFRS and its impact among the users of financial statements. While Indian GAAP has been converging with IFRS as much as possible in recent years, differences still remain, and some of these were viewed as significant challenge to overcome. Participants noted concerns in the following areas.

a. IFRS is more principles based, and therefore more 'liberal' than Indian GAAP. More choice under IFRS will mean the increased need to use professional judgement, and this will require a fundamental change in mind set for Indian accountants.

b. Initial transition will be a challenge given differing recognition and measurement criteria for assets and liabilities. These will not only impact earnings, but it is important to be able to capture those differences through appropriate information systems.

c. Specific accounting areas that will be more complex included business combinations and financial instruments. Many of the problems associated with them arise from the greater use of fair value accounting under IFRS.

Interaction between Legislation and Accounting

There are concerns about the compatibility of Indian laws with IFRS in certain matters pertaining to accounting, such as formats and presentation requirements. Similarly, there is uncertainty over tax treatments of items arising from convergence such as unrealized gains and losses and the move from a tax basis for depreciation (IGAAP) to one of useful economic life (IFRS).

Efficient Financial Reporting Processes

Although many Indian companies have still not thought about the impact on their information systems. These will require a fundamental review and initial costs could be significant. At the same time, it is important to have in place sound systems in order to ensure that subsequent generation of reporting information is efficient.

Legal and Regulatory Considerations

Currently, the reporting requirements are governed by various regulators in India and their pro- visions override other laws. IFRS does not recognize such overriding laws. The regulatory and legal requirements in India will pose a challenge unless the same is been addressed by respective regulatory. IFRS convergence would affect most of the items in the financial statements and consequently the tax liabilities would also undergo a change. Thus the taxation laws should address the treatment of tax liabilities arising on convergence from Indian GAAP to IFRS.

Fair Value Measurement

IFRS uses fair value as a measurement base for valuing most of the items of financial statements. The use of fair value accounting can bring a lot of volatility and subjectivity to the financial statements. It also involves a lot of hard work in arriving at the fair value and valuation experts have to be used.

Re-negotiation of Contract

The contracts would have to be re-negotiated which is also a big challenge. This is because the financial results under IFRS are likely to be very different from those under the Indian GAAP.

Reporting Systems

Companies would have to ensure that the existing business reporting model is amended to suit the reporting requirements of IFRS. The information systems should be designed to capture new requirements related to fixed assets, segment disclosures, related party transactions, etc.

First time Reporting of Financial Statements

As per IFRS will be a critical factor. IND-AS 101 has been issued by ICAI in this regard that requires preparation of opening Balance Sheet which requires recognition and reclassification of certain items of assets and liabilities. First time adoption has its own challenges. Quite a few new policies need to adopted and previous policies may need a change. The entity is required to evaluate the impact of all these on its financial in the long term.

Regrouping / Reclassification:

Current items shall have to be regrouped or reclassified to conform to the new method of preparation. Under IND-AS if any reclassification needs to be done the same shall have to be disclosed separately.

Planning for Effective Transition Audit:

The changeover to IFRS poses a fundamental shift in financial reporting. Changes in the application of new policies, the configuration of systems and maintenance of internal controls will all have an effect on audit risk, significantly increasing the risk of misstatements and fraud. In turn, this will have a considerable impact on how audits are conducted. That's why it's important to properly plan the engagement — a step that everyone agrees is the key to a successful transition .Planning should focus on two major areas: assessing and updating the knowledge of professionals; and participating in the company's conversion process.

Users Concerns and Professional Risks:

One thing is certain; the first IFRS financial statements will be closely scrutinized by the various stakeholders, including financial backers, investors, market analysts and regulators. All the stakeholders will be concerned about the impact, the changes will have and how it will affect them. This issue and its impact on audit engagements will naturally need to be addressed.

High Risks:

In their risk assessment, auditors should also consider the possibility of figures being manipulated by management. The changeover is a convenient opportunity to embellish the results and financial position or to conceal previously undetected errors in the opening balance adjustment. Early in the planning process, auditors should identify the files that present the greatest risk, either because of their complexity, major differences between GAAP and IFRS. This will enable them to take the necessary precautions to ensure the audit is properly performed. Obviously, vigilance and professional skepticism should be the key objectives of the auditor.

Management's Transition Plans:

The active involvement of auditors in all stages of the planning, development and implementation of the company's conversion process is critical to the engagement and essential to their work and conclusions, given the extent of the change, the high level of professional risk and the potential adverse effects inherent in the process.

Remaining Independent:

Auditor should be free from any bias and prejudice as a matter of his moral code of conduct. To enforce the rules of professional conduct respecting independence and to avoid placing the auditor in a real or perceived conflict of interest situation, both the company and the audit committee will need to put processes in place to

define the extent of the auditor's involvement and collaboration with the management team.

Opportunities from IFRS's convergence

International Opportunity:

Indian CAs can take their professional abilities and deep knowledge anywhere around the world.

Potential Demand of Valuation Experts:

As per the IFRSs assets and liabilities are to be recognized at fair values. This fair valuation will require vaulers. This is one new area that can be explored by CAs.

Appointment in Companies as IFRS specialist:

Companies would be working along the teams of experts and consultants. CAs would be required for interpreting the various complex issues and preparing financial statements according to the standards. The banking industry in India which is most affected by the implementation of IFRSs will also require these professionals as this industry will have to prepare its financial statements as per the new standards. The persons with expertise in international accounting standards will also have an edge over others in educational institutes which are running certificate diplomas and training programmes in this area.

Continuing Professional Education:

Intensive IFRS training needs to be imparted to key management personnel of companies. ICAI has taken steps in this regard.

Conclusion

As time progresses it is felt that many companies has to mandatorily follow Ind AS. The switching over to IFRS is a major challenge. Hence, it is also an opportunity for Various finance professionals and consultancies including auditors to review their programs, procedures and practices to make them more effective and efficient. Like any major shift, the changeover will not be easy and will require considerable resources and time. Good planning will be crucial to cope with the obvious increase in workload and to maintain the quality of services offered. It is job of all Concerned persons to be acquire all the necessary knowledge and skills and be prepared for the change and its implementations. One of the key features of this implementation is the focus on substance rather than form. This 'substance' focus will substantially change the way in which entities financial statements will be interpreted.

Events Snapshot

How to face CPT exam session on 26.11.2017 conducted by CA Siddharth Shah

Important Announcements

Specialized Webcasts for Students - (11-10-2017)

Specialized Webcasts for Students

The Board of Studies in its endeavour to facilitate students in learning anytime and from anywhere by leveraging technology, is organizing specialized webcasts for CA students. The schedule of webcasts in the months of November and December, 2017 is as below:

Sr.	Date	Timings	Topic	Link
1.	Friday, November 24, 2017	10.00 a.m. - 1.00 p.m.	Professional Ethics	**http://estv.in/icai/24112017/**
2.	Friday, December 1, 2017	10.00 a.m. - 12.00 noon	Compliance for MCA	**http://estv.in/icai/01122017/**
3.	Thursday, December 7, 2017	10.00 a.m. - 12.00 noon	How to Register a Company/ LLP/ Partnership Firm	**http://estv.in/icai/07122017/**

The Regional Councils and Branches have also been requested to organize a One-Day Seminar on the slated topics after the conclusion of these webcasts on the scheduled dates.

Students are advised to contact the concerned Regional Council/ Branch to view the webcasts and also attend the One-Day Seminars being organized by the Regional Councils and Branches after these webcasts on the slated topics. Students may take a note of the schedule to reap maximum benefits.

With Best Wishes,

Chairman,

Board of Studies & Vice Chairman, Board of Studies