



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(SET UP BY AN ACT OF PARLIAMENT)



WICASA PIMPRI CHINCHWAD BRANCH OF WIRC OF ICAI

NEWSLETTER



JULY 2024



Table of CONTENTS

2

CHAIRMAN'S COMMUNIQUE

3

JOINT SECRETARY COMMUNIQUE

4

AS 7 CONSTRUCTION CONTRACT

7

ARTICLESHIP PLACEMENT PROGRAM
&
EDUCATIONAL VISIT TO "NSE"

9

CA FOUNDATION DAY
&
MEGA CONFERENCE



WICASA MANAGING COMMITTEE MEMBERS 2024-25



CA. SACHIN DHERANGE
WICASA CHAIRMAN



MR. VASU AGRAWAL
VICE CHAIRPERSON



MR. PRATHAM BHUJBAL
SECRETARY



MR. PRASHANT LAMTURE
TREASURER



MS. SHRADDHA KUTE
CO-OPTED VICE CHAIRPERSON



MR. OMKAR TENGALE
CO-OPTED VICE CHAIRPERSON



MS. SANYUKTA DHADVE
CO-OPTED SECRETARY



MR. RINKU AGRAWAL
CO-OPTED TREASURER



Chairman's Communique

CA. Sachin Dherange

Chairman

WICASA Pimpri Chinchwad Branch of
WIRC of ICAI



Dear CA Students,

Greetings!!

I hope this message finds you in good health and high spirits. I am delighted to address you through our esteemed CA Students Newsletter. You can achieve all your dreams through dedication, commitment, discipline and by believing yourself.

We have celebrating the International Yoga Day 21st June 2024. We organised "CA Run for Viksit Bharat" we are also organised "Palkhi Sohala 2024".

In the upcoming month, various events and seminars have been planned. We are planning to have conduct Mega conference of CA Student. We will be celebrating the CA Foundation Day 01st July. We will be organizing Educational visit to "National Stock Exchange" we are also organising "Articleship Placement Program" for students. We will be participating in Blood donation camp on the occasion of CA Foundation Day oragnised by Pimpri Chinchwad Branch of ICAI.

This Newsletter has always been a platform to share knowledge, insights, and experiences among our vibrant CA students. I encourage each one of you to actively participate and contribute.

It is my humble appeal to participate enthusiastically in the upcoming events. I wish all the students the success in studies and all their future endeavours.

Best Wishes,

CA. Sachin Dherange

Chairman,

WICASA Pimpri Chinchwad Branch of WIRC of ICAI

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Co-opted Secretary Communique

Ms. Sanyukta Dhadve

Co-Opted Secretary

WICASA Pimpri Chinchwad Branch of
WIRC of ICAI



Dear future CA,

I take this opportunity to congratulate all the newly elected members of Pimpri Chinchwad WICASA for the year 2024-25.

At WICASA Pimpri Chinchwad, our focus is entirely on you, the students. WICASA stands for "**of the students, by the students, for the students,**" and we are dedicated to supporting and uplifting CA students through a range of initiatives that extend far beyond academics.

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In the upcoming month, various events and seminars have been planned. We are planning to have conduct Mega conference of CA Student. We will be celebrating the CA Foundation Day 01st July. We will be organizing Educational visit to "National Stock Exchange" we are also organising "Articleship Placement Program" for students. We will be participating in Blood donation camp on the occasion of CA Foundation Day oragnised by Pimpri Chinchwad Branch of ICAI.

Please make the most of this opportunity to access valuable insights and connect with fellow students through our Pimpri Chinchwad WICASA.

Once again, thank you all for your continued support and enthusiasm. Let's embark on this exciting journey of learning and growth together.

Best Wishes,

Ms. Sanyukta Dhadve

Co-Opted Secretary

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IN THE LAND OF FINANCE, AS 7'S GUIDANCE SHINES BRIGHT, TRACKING CONSTRUCTION DEALS, ENSURING NUMBERS ARE RIGHT."

Introduction

AS 7 Standard is to prescribe the accounting treatment of revenue and costs associated with construction contracts. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. Therefore, the primary issue in accounting for construction contracts is the allocation of contract revenue and contract costs to the accounting periods in which construction work is performed. This Standard uses the recognition criteria established in the Framework for the Preparation and Presentation of Financial Statements to determine when contract revenue and contract costs should be recognized as revenue and expenses in the statement of profit and loss. It also provides practical guidance on the application of these criteria.

Types of construction contracts:

Construction contracts are of two types.

- 1. fixed price contract:** A construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses
- 2. cost plus contract:** A construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus percentage of these costs or a fixed fee

What is construction contracts:

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

The construction contracts in AS 7 includes contracts for:

Contracts for Rendering of services.

Contracts for Destruction.

Contracts for restoration.

Q: An entity entered into a contract with a machinery manufacturer who sells standard machinery for supply of 20 machines. Will AS 7 apply?

A: No. It is simply a contract between a supplier and a purchaser for the production of goods. The contract is for the construction of a series of assets that are not interrelated as one machinery is not connected to or dependent on another machinery in any way.

Q: An entity entered into a contract with a manufacturer for manufacture, supply and installation of complete machineries for its thermal power unit. Will AS 7 apply?

A: Yes. It is a composite contract for construction of an asset and not an off the-shelf sale of goods. The machineries are interrelated as one machinery is connected to or dependent on another machinery for functioning of the power plant.

Recognition of revenue:

AS 7 lays down specific criteria for recognizing revenue from construction contracts. One key aspect is the emphasis on reliable estimation of both contract revenue and costs.

A. Contract revenue should comprises: The initial amount of revenue agreed in the contract; Variations in contract work, claims and incentive payments: a. It is probable that they will result in revenue; b. They are capable of being reliably measured. c. Example: early completion of contract or change in subsequent law or legislation or idling of resources due to lockdown on account of COVID-19 or customer caused delays LESS: a. Penalties arising from delays caused by the contractor in the completion of the contract. b. Liquidated damages for delay in completion of a contract

B. Contract costs should comprise: Costs that relate directly to the specific contract; 5 Costs that are attributable to contract activity in general and can be allocated to the contract; Such other costs as are specifically chargeable to the customer under the terms of the contract

Outcome of a construction contract:

A. In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a. Total contract revenue can be measured reliably.
- b. It is probable that the economic benefits associated with the contract will flow to the enterprise.
- c. Both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably.
- d. The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

B. In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a. It is probable that the economic benefits associated with the contract will flow to the enterprise.
- b. The contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

C. When the outcome of a construction contract cannot be estimated reliably:

- a. Revenue should be recognized only to the extent of contract costs incurred of which recovery is probable;
- b. Contract costs should be recognized as an expense in the period in which they are incurred.

D. When it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately irrespective of:

- a. Whether or not work has commenced on the contract.
- b. The stage of completion of contract activity

SAYEDA SANIYA
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Pune, Maharashtra

ARTICLES
SHIP
PLACEMENT

EDUCATIONAL
VISIT

NATIONAL
STOCK
EXCHANGE





**CA
FOUNDATION
DAY**

**MEGA
CONFERENCE**







The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

MEGA CONFERENCE OF CA STUDENTS 2024



Organised by

Board of Studies

CA. PROJAYANTA CHINCHOLKAR



CA. Ranjeet Kumar Agarwal
President, ICAI

CA. Charanjot Singh Nanda
Vice - President, ICAI

CA. SUHAS GARDI
ICAI, PIMPRI CHINCHWAD BRANCH



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Hosted by:

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Our Torch Bearers

CA. Charanjot Singh Nanda
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WICASA PIMPRI CHINCHWAD BRANCH OF WIRC OF ICAI



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Instructions

- Please share your Contact Number and e-mail Id with the branch.
- Please contribute to Students Newsletter in the forms of Articles, Compilations or any other useful information.

DISCLAIMER

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