



E – NEWS LETTER



Tuticorin Branch of Southern India Regional Council of The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

April 2009

Thoughts of Chairman

Dear Colleagues,



Greetings,

During the month of March 2009, ICAI celebrated a mood of National Leadership and Yoga at Haridhwar with the central council, regional council and managing committee members of all the branches in India. Our branch managing committee members were present and the fruits yielded “NO RESULT” because of the language problem that existed in the camp.

When you choose to merely exist, you face lesser issues. When you choose to live worthy of your potential, then you have to face and solve larger issues. The issue of understanding the “medium of communication” is vital and ICAI must consider this as a “Large issue” and see that this kind of problem does not happen in future.

“What we GET by achieving our goal is insignificant compared to what we BECOME in achieving our goals.” When we say, “your success on the job with people depends on how much time you invest with them off the job.” We are talking about transactional opportunity being evolved into a transformational opportunity. After all, it is only through investment of time off the job, a customer becomes a friend, a colleague becomes a confident, the boss becomes a mentor, and a simple human resource becomes a torch bearer.

Add value to every moment

Add value to every relationship

Transform every transaction by adding value to it

Be an Alchemist

Let every thing transform in your presence

In turn you will be transformed

Help others to find themselves

You will find yourself

Reorganize and rearrange

Old into new

It is Re-formation

Be a reformer

Be the change agent

You help people to change

Things they look at will change

Look at the change

Pleasure, pleasure

It will lead the way

LEAD AND KINDLE THE LIGHT OF CHANGE

With warm regards,

CA B.Francis Amal George

IMPORTANCE OF SECTION 136

We all know that proceedings in Income Tax Department are not at par with proceedings of Civil Courts. But to some extent these proceedings contains feature of judicial proceedings. We have discussed this topic at length and at times, in our representations we pleaded Principle of Natural Justice. But we could not discuss to what extent our departmental authorities can be called Civil Court that is the importance of Section 136 for a practicing Chartered Accountant.

Section 193 of Indian Penal code (45 of 1860) says that if any person presents false evidence in front of court then he shall be punishable with imprisonment, which shall extend to 7 yrs. Now 271 (1) (c) and 277A penalties prescribed under Income Tax Act, 1961 should also be discussed here simultaneously to avoid any ambiguity, which may persist in this respect. Section 271 (1) (c) penalty is related with furnishing of inaccurate particulars of concealed income [prior to 1-4-2006 this was income], while 277A penalty is related with making or causing to be made any false entry or statement with an intent to evade any tax or interest or penalty chargeable under Income Tax Act, 1961. Now this is very clear that Section 193 of Indian Penal Code, 1860 is very wide in it's impact every evidence presented in front of income tax authorities come under it's purview, even penalty prescribed under 277A of Income Tax Act is also in it's ambit. This matter has been discussed at length later in this

article. While 271 (1) (c) is related with furnishing of inaccurate particulars of income and not related with production of evidence, this section needs no comparison with section 193 of Indian Penal Code, 1860.

Further one should note that section 195 of Cr.P.C, 1973 also apply on income tax authorities and due to this only that authority can apply to court under section 193 of IPC, 1860.

Vide Section 136 of Income Tax Act, 1961 section 228 of Indian Penal code also applies to Income Tax Authorities as it applies to civil court. This section speak that if any body intentionally interrupt or insult person sitting in judicial proceeding then he shall be punishable with simple imprisonment which may extend to 6 month or with fine.

After discussion it is not clear why 277 A has been made applicable. Even Imposition of this penalty on person inducing submission of false accounts and document is not justified. As section 136 is already in effect person who himself produce false account and document is with in it's ambit. Further due to already existing Chapter V of Indian Penal Code, 1860 any person abetting an offence punishable under IPC is also punishable with the punishment provided for the offence.

We can conclude that person-abetting production of false particulars of income is also punishable with imprisonment of a term, which may extend to 7 year.

Hence in my view there was no need of insertion of section 277 A in Income Tax Act, 1961 vide Finance (No 2) Act, 2004, w.e.f. 1-10-2004.

Section 136 has always been taken very lightly and we could not assign proper weight to it. This section should be understood and applied properly.

PERMANENT ACCOUNT NUMBER

Section 139A, Rule 114 and Section 272B needs to discussed simultaneously for proper understanding of law related with PAN. We all know that PAN has to be applied Firstly if assessable income of any person exceeds maximum amount which is not chargeable to tax, Secondly total sales, turnover or gross receipts likely to exceed Five Lakh in any previous year and Thirdly when a return is required under sub section (4A) of Section 139. Now question arise when 49A has to be filed? , Answer lies in rule 114 which says if application for allotment of PAN is being made under first situation then it has to be filed before 31st May of that year. In second and third cases it has to be filed before the end of the accounting year. However no such time limit is prescribed for persons who are applying PAN in terms of Section 139 (1A) and (3). We rarely observe these provisions as far as day-to-day practice is concerned. However these provisions are of practical relevance and their non-observance has been provided in terms of penalty under section 272 B. According to 272 B if provisions of 139 A are not being complied then a penalty of Rs. 10,000/- has to be levied. If any person required to quote PAN furnish knowingly wrong PAN then also a penalty of Rs.10, 000/- is leviable. Person to whom permanent account number under the new series has already been allotted shall not apply for such number again. All returns, challans, correspondences and documents prescribed by the board shall contain PAN.

Every person whose TDS is being deducted is required to intimate his PAN to the person responsible for deducting such tax under Chapter XVIIIB. After introduction of e TDS return we find that strict observance of this provision is needed, since under new procedure identification of person can be established only through PAN.

Only one PAN is required for all purposes by any person. Clarification in this respect has been brought by Finance Act, 2005 w.e.f 1-4-2006 in terms of Explanation, which says no

person is required to obtain another PAN for the purpose of FBT. Form prescribed for application of PAN is 49 A. Identity and address proof is required to be filed with PAN application. List of documents has been given under rule 114 that can be accepted as valid I.D. and address proof.

Aforementioned provisions require consideration before filing PAN application.

SUBSTANCE OVER FORM

Substance of transaction is to be taken into account and not its legal form, this has always been guiding rule in Income Tax and Accounting. Whenever in fact some transaction has occurred but some legal formality is pending in respect of that, then we should consider that transaction as completed. Although this concept of substance over form is an integral part of Tax Laws and accounting. At times words have been provided to it. An example in this respect is Section 68 where to avoid addition (In Income) in substance transaction should not be income. Apart from this various courts have also interpreted various sections following same concept. A sum should not be in substance Loan and deposit to avoid application of 269SS and T. This assumption holds good in respect of all the transaction, even when transaction is related with immovable properties. Section 27 (iii), (iiia) and (iiib) provide language to this concept [SUBSTANCE OVER FORM]. Section 27 (iii) is related with a case where membership of any society, company or other association is in substance an allotment of a building. Under clause (iiia) we find a reference of Section 53A of The Transfer of Property Act, 1882 (4 of 1882). This section 53A lay some conditions, which are required to be fulfilled to constitute a transaction Partly Performed Transaction. Firstly Contract of transfer should be in writing and from that terms necessary to constitute transfer should be ascertainable, Secondly transferee must have taken possession of that building in part performance of contract, Thirdly Transferee should be willing to perform his part of the contract. As a consequence besides non execution of instrument of transfer and non completion of transfer in prescribed manner, if all the above mentioned conditions are fulfilled then transaction shall be deemed to be completed and transferor shall have no enforceable right in respect of property unless that right is a term of written contract.

Lastly if we come across with section 27(iiib) then we find that this section is also related with concept of substance over form. Here if any person take lease of any property for more than one year and that lease is a result of membership of society, company or association then that person shall deemed to be an owner (Since in substance he is as such).

Since to avoid tax burden assessee could leave transaction incomplete while enjoying that building. To combat these irregularities these provisions were needed.

Similarly we find examples in accounting where this concept [substance over form] has been given words. When a transaction is in substance an asset or a liability or expenditure or an Income we are required to give that transaction that form. What are the terms of contract, what terminology has been used, how the contract is going to be executed etc. these will not be going to affect the substance of the transaction. Example in this respect is acquisition of 'valuable resource with limited useful life' will always constitute asset – hence lease contract having larger life and transferring all the risk and reward incident to ownership of an asset [called finance lease] will constitute an asset (Accounting Standard –19) though the term used for the payment in respect thereof is 'RENT'. Similarly payment of an expenditure in installment is not going to alter its nature, the expenditure will be charged in the year in which expenditure incurred and not in which installment paid for it.

Sale and lease Back transactions are also accounted for according to their substance and not according to the form in which they appear in front of us. Business realities of the transaction always take precedence over the terms of the contract and format of the transaction. It is related with royalty payments, payments for patent, payment for franchise agreement.

All these provisions ensure that substance of transaction is going to be reflected in accounting & Income Tax and not the mere form.

ACCOUNTING STANDARD INTERPRETATION 10; HOW FAR HOW GOOD

Para 4 (e) of AS – 16, borrowing costs, provides that these costs may include “ Exchange difference arising from foreign currency borrowing to the extent that they are regarded as an adjustment to interest cost.” View expressed by institute is that if exchange difference is result of difference between interest rate on foreign currency and interest rate on domestic currency then in that case that difference is part of interest cost and is not foreign exchange difference. The conclusion has been supported by the concept “substance over rule form”. But one thing needs consideration how this exchange is in substance a interest cost. The argument has been provided that interest rate off set the exchange rate fluctuation and thus they are in fact borrowing cost and not exchange difference. Further it says if the difference between the interest cost on local currency borrowing is equal to or more than the exchange difference on account of principal of the foreign currency the entire amount of exchange is covered under para 4 (e) of AS –16.

On analysis of this statement one can find it too far but not so good. Firstly considering these two alternative presentations there is immediate threats on “true and fair view” of accounts since though in most of the cases both are revenue items (Except in the case of loan for fixed assets). Secondly, Should be considered first that ‘substance’ of any transaction or event should be found not as per books but as per ‘commercial practices and sound business principles’. This has been decided in innumerable cases that substance can be drawn only from commercial practices and business conduct.

In commercial practices interest is interest and exchange rate fluctuation is exchange rate fluctuation. Since business consider them as such. If other wise practice is allowed then one day a person may think of applying capital concept in accounting. ASI also says this is ECONOMIC REALITY. How economic reality affect substance of a transaction is to be considered. In accounting ‘substance’ always take its colour from market practices. “ SUBSTANCE OVER FORM” starts with speaking that business reality can only define transactions and ends with saying the same. Then how definitions provided in books, technical meaning assigned to a term and interpretation of law can draw substance of transaction.

Concepts of economics [F.M. got separated from it only in 1910 A.D.] are most of the times not in accordance with accounting principle, since there foundation is different. One is related with optimum utilization of resources and other is related with proper recording, classification and summarization of transaction. Application of economic and F.M. theory not constitute substance, since only business reality of transaction constitutes substance.

FRAMEWORK FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

This framework has been issued by the institute in the year 2000.

A corresponding international framework is in existence i.e. "Framework on accounting". The term accounting includes (a). Recording, (b). Classification and (c). Summarization.

There is a categorical difference between these two terms; Indian framework seems to be restricted in scope in comparison to international framework.

As name suggest principles of recording and classification were never intended to be subject matter of our framework. While taking inspiration from the International framework we could copy definition of asset, liability, income and expenditure and their recognition principles.

Strictly speaking definition of these terms and their recognition principal is part of recording. On every transaction and event we conclude the incidence by recognizing asset, liability, income and expenditure. Even at the time of financial statement preparation if any asset, liability, income or expenditure is recognized then also matter will be of recoding stage and not of summarization.

INTEREST RATE PARITY

At a moment in time, covered interest rate parity tends to prevail for the United States, the European Monetary Union, Britain, Switzerland, Japan and a few other advanced industrial countries. Although the currency of a high interest rate country may depreciate over time, it was not enough to offset the yield advantage over the low interest rate.

$$\frac{F \text{ [Pound/ \$]}}{S \text{ [Pound/\$]}} = \frac{1 + r_{\text{Pound}}}{1 + r_{\$}}$$

WHERE: -

F [Pound / \$] = forward exchange rate between pound and \$

S[Pound/ \$] = Spot exchange rate between pound and \$

pound = Rate of Interest on pound

\$ = Rate of Interest on \$

❖ Take an example where Interest rate in Britain = 8% p.a., in America it is 6% p.a.

Three month rate of Interest in Britain = 2%, in America it is 1.5%.

Current Spot Exchange Rate is : 1 \$ = .625 Pound

What is future rate F [Pound/ \$] = ?

$$\frac{F \text{ [Pound/ \$]}}{.625} = \frac{1.02}{1.015}$$

$$\text{or } F \text{ [Pound / \$] } = .6281$$

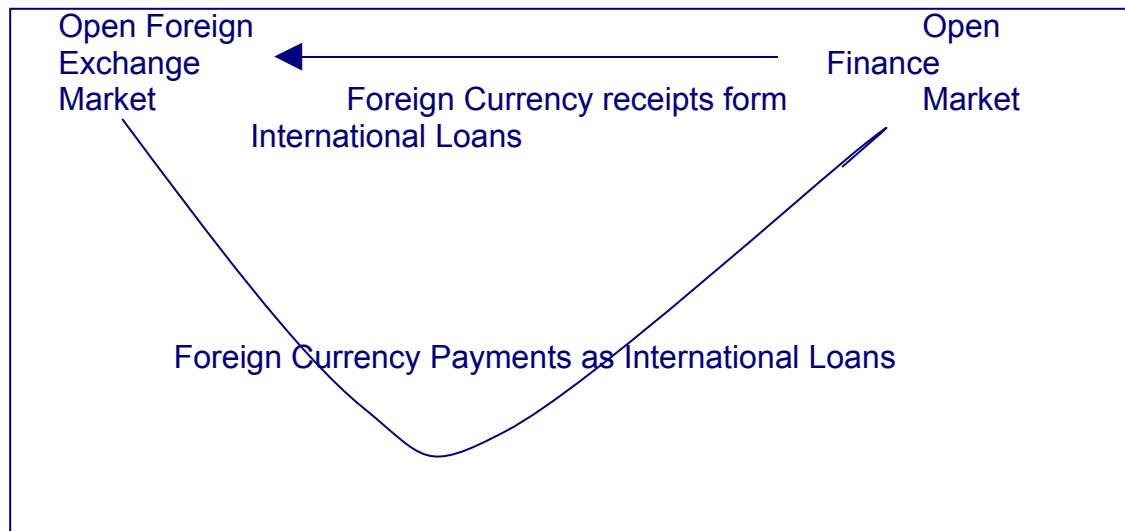
This relationship of exchange rate and interest rate is going to subsist in future as well and the price of future contract will be decided according to this relationship. If prices are not determined according to this relationship then arbitragers would be alert to the opportunity for profit. In our first example, had the forward contract (90 days) of British Pound is being sold at .634 instead of .6281. Then the arbitrageurs would have been making profit in following manner.

| | |
|------------------------------------------------------|--------------------|
| Borrow in British Pound | 1,00,000.00 |
| Add :- Interest for 3 months | <u>2,000.00</u> |
| Total | 1,02,000.00 |
| | |
| Total Amount Invested in \$ | 1,60,000.00 |
| Add :- Interest | <u>2,400.00</u> |
| Total | 1,62,400.00 |
| | |
| 1,02,000 Pound converted into \$ @ .634 \$ per pound | 1,60,883.28 |
| | |
| Profit that can be made by arbitrageur | 1,516.72 |

Considering fisher effect

$$\text{Interest Rate prevailing in } \text{country} = \text{Real rate of Interest} + \text{Inflation rate prevailing in that country}$$

Real rate of interest is same for all the countries. Difference in interest rate between two countries serve as proxy for difference in expected inflation.



When interest rate differential is not equal to exchange rate differential or inflation rate differential due to one or the other reason and arbitragers are restricted to take benefit of this

situation by the government who work for the socio economic object of the society as a whole then law of one price and law of Interest rate parity can not apply.

In India we have welfare of the people the prime consideration of the government and our primary guiding force i.e. Constitution of India is source of that, government will always be there to restrict arbitragers who want to take benefit out of the circumstance if these are not in accordance with interest of general public.

Either it be matter of Sugar to foreign country or matter of use of foreign debt for other than specified purposes.

Our source [i.e. Constitution] has been lamp post for all the other laws it be FEMA, 1999 or other law. Under such circumstances when there is no temporary restriction on use of Foreign Exchange, rather a permanent restriction has been placed by the government in the Form of Act, interest rate parity can not result out of it. It took around 25 years to covert FERA into FEMA, there seems no immediate possibility of elimination of FEMA and there is no immediate chance of applicability of Interest Rate Parity in India.

In fact interest rate parity will be here if each and every person resident of India is permitted to acquire or procure and sell or use foreign exchange according to his will.

By

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**ADVISORY ON NEWSLETTERS' PUBLISHED BY REGIONAL COUNCILS
AND THEIR BRANCHES**

ANNEXURE I

Preamble

Regulation 130 of the Chartered Accountants Regulations, 1988, provides for Duties and functions of Regional Councils. In terms of Regulation 130(2)(vi), it is the duty of the Regional Council to supply routine information to members or to the prospective candidates for articles or examinations.

With regard to the Branches of Regional Councils, the directions issued by the Council which are contained in Appendix No. 7(B) of the Chartered Accountants Regulations, 1988. These directions are on the same lines as are contained in the Regulations for Regional Councils, as aforesaid.

The directions as contained in the aforesaid Appendix No. 7(B) are mainly for the purpose of managing the affairs of the Branches. Besides the above, the Council specifically issues directions time to time on various matters such as finance and accounts, publication of newsletters, stock and sale of publications etc.

In the instant case, innumerable directions have been issued for compliance since 1992, based on the ground realities as obtained at the relevant time. However, the level of compliance was not on the expected line : at times violation of these guidelines were also

brought to the Institute's notice. The reasons advanced by the Regional Councils and Branches for their inability to comply with the guidelines- partly/wholly, when pointed out were that the same were unrealistic.

On perusal of overall directions/guidelines issued by the Council/ various Committees from time to time with regard to publishing of newsletters; in view of the time elapsed and; having regard to the ground realities of implementation of the same; also from point of view of image building of the Institute etc., the following guidelines have been envisaged:

General:

- All requirements under law such as publication of the Statutory Form, name of the Editor, publisher, printer, address of the Editor, publisher, printer etc., including Disclaimer clause should be complied with.
- All the Regional Councils and Branches should constitute the Editorial Board.
- The Editor shall be vested with the overall responsibility of the Newsletter.
- For the purpose of postage, the Regional Councils and Branches, should mandatorily avail the postal concession.
- In case of pronouncement(s)/notification(s) that of Council or of Government especially Judicial case laws, source should be clearly specified.
- Contents of articles including the source(s) are the responsibility of the author and the Editorial Board should maintain such record.
- The advertisement/s published should not in any way be derogatory affecting the image and the prestige of the profession viz., advertisements pertaining to tobacco products, alcoholic beverages etc.
- The Newsletter may contain either Chairman writes or Editorial. Photograph of the Chairman in his column is optional.
- The photographs pertaining to the programs organized by the Regional Councils should not exceed two-page equivalent space and in case of branches, the same should not exceed one-page equivalent space.
- The Newsletter of a Branch, to the extent possible, restrict the number of pages to 4 but in any case not exceeding 12 pages. In case of Regional Councils, 16 pages but in any case not exceeding 22 pages.
- The space for advertisement, in any case should not exceed 25% of the total space of the Newsletter.
- The periodicity of Newsletter should not be less than a month.
- No contents of the Newsletter should be contrary to the policy(ies), pronouncements and decisions taken by the Council of the Institute viz., no religious symbols should be used and should comply with the Code of Ethics.
- For the purpose of uniformity/standardization of the Newsletter, the title of the Newsletters in case of Regional Councils and their branches should be as under :

(a) *Regional Councils:*

REGIONAL COUNCIL NAME (in abbreviated form)
NEWSLETTER

(b) *Branches :*

_____ BRANCH (Region)
NEWSLETTER

- For the purpose of maintaining public relations, the distribution list should also include important Government Officials, Associations, Institutions and the like. To dispatch the Newsletter to the aforesaid categories, 5% additional copies be printed and circulated.
- The Regional Councils should circulate the Newsletter among all members of the Central Council. The Branches should circulate its Newsletter among all the members of the Regional Council and the members of the Central Council representing their region.

Financial:

- The Newsletter expenses should be separately shown.
- Annual Budget should be prepared and the same should be duly approved by the Regional Council and by Managing Committee in case of a Branch.
- A quarterly review of the actual expenditure incurred on publication of the newsletter should be undertaken. In case of the actual expenditure of a Regional Council exceeds 20% of budgetary allocation, then the matter be brought to the notice of the Regional Council. Thereafter, the Regional Council shall consider the matter for appropriate remedial measure(s), preventive mechanism for future etc. The decision so taken by the Regional Council should be communicated to the Central Office. In case of the actual expenditure on publication of newsletter of a Branch exceeds 20% of budgetary allocation, then the matter be brought to the notice of the Managing Committee of the Branch. Thereafter, the said matter, alongwith the reasons therefor as well as steps that would be taken for recurrence of the same should be forwarded to the Regional Council concerned. The Regional Council shall consider the matter for appropriate remedial measure(s), preventive mechanism for future etc., and advice the Branch accordingly, with a copy of the advice to the Central Office.
- While preparing the above-mentioned Budget, an attempt should be made by Regional Councils and their Branches, to the extent possible, that the Newsletter should be on self-sufficient basis. In other words, the expenses of Newsletter should not entail any financial burden on the Council.
- For publication of information about CPE Programs in the Newsletter, the direct cost of paper and printing, on prorata basis, based on the space occupied and number of insertion(s) made should be debited to the CPE Seminar Account while preparing the budget, and while evaluating the expenses of newsletter and CPE programs.
- The tariff for advertising in the Newsletter should be duly approved by the Regional Council/ Managing Committee of the Branch concerned.
- A quarterly report from the Regional Council to the effect that the expenditure on the newsletter of the Regional Council and its Branches did not exceed the income, be forwarded to the Central Office.

Any deviation from the above shall have bearing on the overall performance of Regional Councils and Branches, which may result in to non-release of grant/s payable to Regional Councils/Branches.

ACCOUNTING FOR FIXED ASSETS

AS – 10

- S.Sundari
(CA Student)

APPLICABILITY

This standard is mandatory to All entities (Viz., Level I,II and III) from 01.04.1993.

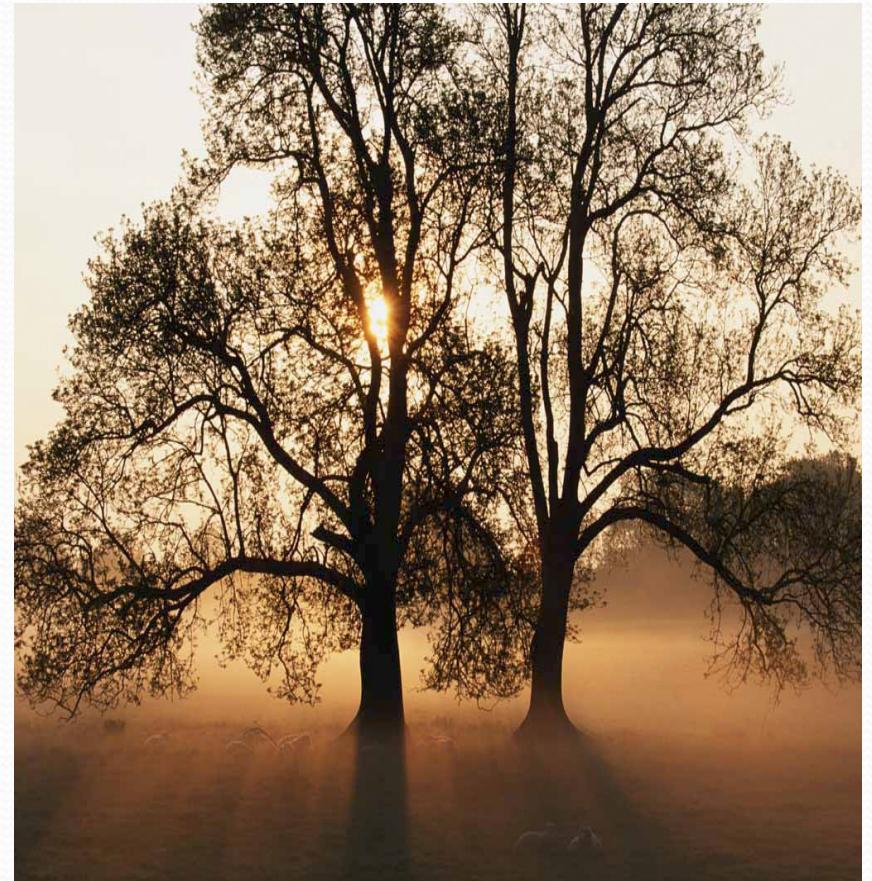
FIXED ASSET

- Held for the purpose of producing goods or providing services.*
- Not held for sale in the normal course of business.
- Expected to be used for more than one accounting period.



DOES NOT DEAL WITH THE ITEMS

- ❑ This standard does not apply to
 - ❑ Regenerative resources.
 - ❑ Wasting assets.
 - ❑ Expenditure on real estate development.
 - ❑ Livestock.



FIXED ASSETS IN FINANCIAL STATEMENT

- ▶ Fixed Assets shall be shown in financial statement in any one of the following
 - ▶ Historical cost
 - ▶ Revalued price

WHAT IS HISTORICAL COST?

- The historical cost includes
 - Purchase price
 - Import duties and other non-refundable taxes
 - The costs which are directly attributable to bringing the asset to its working condition.

HISTORICAL COST OF SELF CONSTRUCTED FIXED ASSET

- The cost of self constructed fixed asset includes
 - All costs which are directly attributable to the asset.
 - All costs that are attributable to the construction activity.
 - Any internal profit included in the cost should be eliminated.

NON-MONETARY CONSIDERATION

- ▶ When fixed assets is acquired in exchange for another asset, its cost should be recorded either at fair market value of –
 - ▶ the asset given up (or)
 - ▶ the asset acquired, whichever is more clearly evident.
- ▶ When fixed assets is acquired in exchange for shares or other securities, its cost should be recorded either at fair market value of –
 - ▶ these securities issued (or)
 - ▶ the asset acquired, whichever is more clearly evident

IMPROVEMENTS AND REPAIRS

- ▶ Any expenditure that increases the future benefits from the existing asset is included in the gross book value of the asset.
- ▶ The cost of an addition or extension of an existing asset
 - ▶ which has a separate identity is accounted for separately.
 - ▶ which is an integral part of the asset is added to the gross book value.

REVALUED PRICE

- ▶ When the fixed assets are revalued, these assets are shown at revalued price in the financial statements.
- ▶ The evaluation should be restricted to the net recoverable amount of the asset.
- ▶ The revalued amounts are presented either
 - ▶ By stating the gross book value and the accumulated depreciation. (or)
 - ▶ By stating the net book value by adding the reinnet increase on account of revaluation.

ACCOUNTING TREATMENT

□ First time Revaluation: (Upward)

- Assets/ c (dr)
- To Revaluation Reserve/ c

□ First time revaluation: (downward)

- Profit & Loss/ c (dr) To
- Assets/ c

ACCOUNTING TREATMENT

- ▶ First revaluation (downward) subsequent revaluation (upward) :
- ▶ Example:
- ▶ The value of the asset on 01. 04. 2007 is Rs. 10,000/-.
- ▶ It has been revalued on 31. 03. 2008 as Rs. 8000/-.
- ▶ On 31. 03. 2009 the asset has been revalued as Rs. 12,000/-.

□ On 31. 03. 2008 the entry should be:

| | | |
|---------------------------|-------|-------|
| □ Profit & loss a/c (dr) | 2,000 | |
| To Asset a/c | | 2,000 |

□ On 31. 03. 2009 the entry should be:

| | | |
|----------------------------|-------|-------|
| □ Asset a/c (dr) | 4,000 | |
| To Profit & loss a/c | | 2,000 |
| To Revaluation Reserve a/c | | 2,000 |

ACCOUNTING TREATMENT

□ First revaluation (upward) subsequent revaluation (downward) :

□ Example:

□ The value of the asset on 01. 04. 2007 is Rs. 10,000/ -.

□ It has been revalued on 31. 03. 2008 as Rs. 12,000/ -.

□ On 31. 03. 2009 the asset has been revalued as Rs. 8,000/ -.

□ On 31. 03. 2008 the entry should be:

| | | | |
|----------------------------|-------|-------|-------|
| □ Asset a/c | (dr) | 2,000 | |
| To Revaluation Reserve a/c | | | 2,000 |

□ On 31. 03. 2009 the entry should be:

| | | | |
|---------------------------|-------|--|-------|
| □ Revaluation Reserve a/c | (dr) | | 2,000 |
|---------------------------|-------|--|-------|

| | | | |
|---------------------|--|-------|-------|
| □ Profit & Loss a/c | | 2,000 | |
| To Asset a/c | | | 4,000 |

VALUATION IN SPECIAL CASES

□ Hire purchase:

The assets acquired on hire purchase system are recorded at their cash price.

□ Joint ownership:

□ In the proportion the entity has the right to utilize the asset.

□ Goodwill

□ Patents

RETIREMENT OR DISPOSAL

- ▶ Fixed assets are deleted from the financial statement either on disposal or when expected economic benefits over.
- ▶ Gains or losses on disposal are recognized in profit & loss a/c.

RETIREMENT OR DISPOSAL

- ▶ Fixed assets are retired from active use and held for disposal -
 - ▶ Lower of net book value and net realizable value.
- ▶ Disposal of previously revalued fixed asset -
 - ▶ If there is profit - credited to profit & loss a/c
 - ▶ If there is loss - Adjusted against revaluation reserve.

DISCLOSURE

- 1) Gross and net book value at the beginning and at the end of the year.
- 2) Expenditure incurred.
- 3) Revalued amount and the method adopted.

**“POSTIVE AND KIND
THOUGHTS”
ARE THE FIXED
ASSETS IN LIFE TO CREATE
“SUCCESS AND DIVINITY”
AS A PROFIT**

THANK YOU