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TUTICORIN BRANCH OF SIRC

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

NEWS LETTER

AUGUST 2011

Chairman writes.....

Dearest Colleagues,

Blessed greetings. Stepping into August, our minds will flashback the independence our nation got 64 years back. Great leaders who sacrificed all their health, wealth and family for seeing an independent India are to be honoured and remembered all through our life. The freedom we enjoy is only because of their blood shed. It is only the foreign rule that we have been freed from, but there is no real independence in certain areas

- No liberalization from casteism
- No liberalization from religionism
- No liberalization from regionalism
- No liberalization from the self motives of the government leaders
- No liberalization from red tapism
- † No morality in any services rendered for the people

My dear members, CA fraternities and Indian citizens, we the honest and dedicated people in social life, can build up a true nation if we toil hard to get rid of these bondages / evil things, rooting it out from its roots. As Dr.B.R.Ambedkar feels:

"I feel that the constitution is workable, it is flexible and it is strong enough to hold the country together both in peacetime and in wartime. Indeed, if I may say so, if things go wrong under the new Constitution, the reason will not be that we had a bad Constitution. What we will have to say is that Man was vile."

Let's celebrate this Independence Day with a vision of building the noble mansion of free India where all her children may dwell. And now for our professional activities, just read below

Student activities.....

- | | |
|----------------|------------------------|
| Heated Gold | - becomes an ornament. |
| Beated copper | - becomes a wire |
| Depleted stone | - becomes a statue |
| and..... | |
| Toiled Student | - becomes a CA! |

More concentration on students will bear forth to more CA's and extend the territory of CA family. With a burning heart to give



birth to many CA's keen attention is paid on student activities. Study Circle meeting is conducted for CA Final Students every Sunday. The coaching class for CPT students has commenced wherein 52 students are attending and being benefited. The crash course for Final / IPCC students appearing for Nov'2011 examination is just to commence. Students enthusiastically participated in the elocution and quiz competition held in our institute. Ms.M.A.Mercy and Ms.A.Divya Ponnarasi the winner and runner of the elocution competition and Mr.A.Subramani Karthik and Mr.J.Jebamani Jeberson, the winner of the quiz competition will be representing SIRC.

Members' activities.....

The 43rd Regional Conference of SIRC is to be held on the 19th and 20th of August 2011 at Coimbatore. Very eminent speakers are to speak on notable topics. These topics will be very useful for us in our professional practice. Please block these dates in your appointments and make use of the opportunity to earn wisdom.

"To improve the golden moment of opportunity and catch the good that is within our reach is the great art of life."

More activities have been planned in the immediate future. Just make use of it and contribute your thoughts in lifting our branch to the topmost.

With love & care

CA.K.Fonpandi Inbarasu

IFRS and its Deferment

Over 100 countries mandate that companies operating on their soil conduct financial reporting in accordance with IFRS. India is to get on to the IFRS regime in a phased manner.

Prime minister Manmohan Singh had made a commitment towards the alignment of Indian accounting standards with IFRS at the G20 summit in 2009. Thereafter, the ministry of corporate affairs came up with a road map for the convergence, wherein companies part of BSE Sensex and NSE Nifty, those listed on overseas stock exchanges, companies with a net worth of Rs.1,000 crore or more and publicly traded companies were supposed to align their accounts with IFRS in the first phase, starting 1st April, 2011. The second phase was to comprise companies with a net worth of Rs.500-1,000 crore, which would move to IFRS starting April 2013. Listed companies having a net worth of Rs.500 crore or less were to become IFRS-compliant in April 2014.

The Corporate Affairs Ministry on 25.02.2011 announced that it has notified all the 35 accounting standards converged with IFRS. These converged standards will be called as IND-AS. But the Corporate Affairs Ministry has deferred the implementation of international financial reporting standards, acknowledging industry demand to extend the April 1 deadline to remove ambiguities on taxation issues. The decision has come as a relief for over 300 large companies, which were to submit their financials as per the global accounting standards, commonly called IFRS.

While addressing about the introduction of 35 accounting standards, the ICAI president CA. G. Ramaswamy said, "We welcome the Corporate Affairs Ministry's move. By doing this, it has brought some certainty that IFRS will be implemented in India. It is now definitely going to come.

The day is not far off although the implementation date is yet to be notified,"

The ostensible reason for the deferment of implementation of Ind-AS is that the Finance Ministry is yet to resolve income tax issues. Implementation will wait till the resolution of those issues. The issues are complex and the possibility of early solution is remote. It is likely that the revenue department will not use Ind-AS to compute taxable income. The logic is quite simple.

Subject to certain exceptions, the income tax law accepts GAAP (commercial accounting principles and methods) to calculate the taxable income. The GAAP, which is currently in use, is focused on transactions and uses historical cost, with some exceptions like valuation of inventories. Therefore, the figures in financial statements are easily verifiable.

The income tax authority is comfortable in using those principles and methods for computing the taxable income. Figures in the profit and loss account, which are estimates based on management's perspective on the economic implications of external and internal environments are usually excluded in computing the taxable income.

Fair value, even if estimated based on observable prices in an active market, is a perception. It is a general belief that the preparers of financial statements can manipulate the fair value. Companies are uncomfortable in including change in fair value for calculating MAT because, in a way, income or loss arising from the change in fair value is notional; and it has no impact on current cash flows to the company. Both the income tax authority and companies are uncomfortable with some other

accounting principles and methods stipulated in Ind-AS.

One view is that Ind-AS should be applied to prepare and present consolidated financial statements. The argument is that income tax is assessed for individual companies and not at the group level and therefore, income tax will be assessed based on separate financial statements prepared by individual companies using the current GAAP.

It might be true that the best solution at this point is to use current GAAP in computing taxable income. But that should not lead to another decision that Ind-AS should be used only to prepare and present consolidated financial statements.

If subsidiaries are permitted to use current GAAP, it will hurt the interest of non-controlling shareholders in those companies. Ind-AS requires companies to record transactions based on their economic implications and not on the basis of their form. It also requires disclosure of information, which companies do not disclose today. The suggested solution will not reduce the cost of preparing two sets of financial statements by subsidiaries.

This is so because in order to prepare consolidated financial statements using Ind-AS will require all group companies to prepare separate financial statements, which will be used for consolidation, using Ind-AS. All stakeholders will be benefited if Finance Ministry takes a view on use of Ind-AS early.

Compiled by CA. Sangeetha Pattukumar

MANAGING COMMITTEE MEMBERS



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IMPORTANCE OF FINANCIAL MANAGEMENT FOR NGO'S

What is Financial Management on the first hand - It may be defined as the planning, sourcing, allocating, controlling, utilizing and reporting of financial resources of an organization to achieve maximum efficiency and effective operational results. Is really Financial Management important for NGOs - Yes and for the following reasons:

- * It serves as a guide for the Board of Trustees to either reaffirm or reconstruct financial Policies, based on Standard accounting policies.
- * NGOs are mainly financed by Private Donations, International Organizations and by government or by a combination of these. The Funding institutions are very particular with how their money is being spent. Hence NGOs with good financial Standing are deemed to have the edge over those that are struggling "to get their acts together"
- * Establishes and Strengthens the CREDIBILITY of NGOs. What's the better way to score creditability points than to prove that financial resources are competently utilized as planned?
- * Guarantees Compliances with government laws and Standards.
- * Enables Management to make informed decisions. Based on timely financial reports, management will be able to realign budget or seek additional funding, if necessary.
- * Ensures implementation of Projects as planned.
- * Generates Positive Cash flow.
- * Smoother Workflow. When streamlined, Workflow shall be less stressful for finance people.
- * Safeguards assets.

- * Helps NGOs plan for gradual increase of self-generated funds which will lead to long term Sustainability.

Conclusion

Many NGOs give less importance to financial management as opposed to programs management. Managers are more concerned with the achievement of Project outputs rather than financial results. It is not uncommon to find NGOs with long term program goals coupled with short term financial plans. It is sad to note that for many NGOs, the gap between programs and finance, in terms of accomplishments, has become intolerable.

When Financial Management is given as much importance as programs management, an organization can itself be truly effective. And if considerably done, the profits will definitely far outweigh the cost.

Many organisations are receiving enormous funds from foreign countries for carrying on their objects. FCRA has a very good system for monitoring the accounting system. These organisations can utilize their funds for the development of our nation - help the poor to come out of poverty, employ the unemployed, civilize the uncivilized and so on.

By
Ms.P.Beula Mary
CA Final Student

LEGAL DECISION UPDATE Direct Taxes

Charitable Institution

The Commissioner could not under section 12 AA (3) cancel registration of the assessee institution running schools on the grounds that the activities of the assessee were not being carried out in accordance with its objects and the assessee was engaged in profit making merely because it was generating surplus income year after year in educational activity opined the Chandigarh 'A' Bench in *Baba Gandha Singh Educational Trust Vs CIT (2011) 138 TTJ (Chd) (UO)1.*

Income from other sources

In *Tushar Pravinchandra Shah & Ors. Vs DCIT (2011) 138 TTJ (Ahd)340*, the Ahmedabad 'A' Bench has opined that rental income derived by the assessee from subletting of property is assessable under the head 'Income from other sources'.

COMPANY LAW SETTLEMENT SCHEME, 2011

GENERAL CIRCULAR NO. 59/2011, DATED 5-8-2011

File pending documents with
25% Additional Fee.

No penalty & prosecution

Workshop on Taxation to the Officers in Tuticorin Port Trust 14.07.2011



Chief Guest



CA.R.Sriram



CA.G.Manoj Rodrigo



CA.A.C.G.Venantius



CA.J.Selvin Gnanaraj



CA.B.Francis Amal George



Participants

Honouring of Branch Staff by CA.G.Ramaswamy, President, ICAI on CA Day Celebration



Mrs.M.Radha



Mrs.J.Felcitta



Mr.A.Ayyanar



Mr.G.Jeyaraj



Mr.N.Somu

Branch Level Elocution Contest 23.07.2011



Branch Level Quiz Contest 24.07.2011



Students Seminar 30.07.2011



CA. Ama George

Mr. Vasanth

Mrs.S.Femina Azith

Students

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