

INCOME COMPUTATION & DISCLOSURE STANDARDS

Section 145 of the Income Tax bestows the power to the Central Government to notify the ICDS to be followed by specified class of taxpayers or in respect of specified class of income. The Central Government has now notified 10 ICDS effective from Assessment Year 2016-17 for the compliance by all tax payers following mercantile system of accounting for the purpose of computation of income chargeable to income tax under the head "Profits & Gains from Business or Profession" & "Income from Other Sources".

ICDS are meant for normal tax computation. Thus, as things stand now, ICDS has no impact on Minimum Alternate Tax (MAT) under Section 115JB for corporate tax payers which will continue to be based on "book profit" determined under Current AS or Ind AS, as the case may be.

ICDS shall apply to all taxpayers whether corporate or otherwise. Further, there is no income or turnover or other criterion for applicability of ICDS as in case of current AS. It is also pertinent to note that an entity need not maintain books of accounts to compute its taxable income under ICDS.

LIST OF ICDS

Following is the list of 10 ICDS notified with effect from 1st April 2015:

ICDS I-	Accounting Policies.
ICDS II-	Valuation of Inventories.
ICDS III -	Construction Contracts.
ICDS IV-	Revenue Recognition.
ICDS V -	Tangible Fixed Assets.
ICDS VI-	the effects of changes in Foreign Exchange Rates.
ICDS VII -	Government Grants.
ICDS VIII-	Securities.
ICDS IX -	Borrowing Costs.
ICDS X -	Provisions, Contingent Liabilities and Contingent Assets.

-Ankit R Momaya



Echo

Quarterly Newsletter -15

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EDITORS ONLINE.

As we proudly publish the 15th edition of 'Echo', let us reflect on the dramatic changes that the economy and more importantly, our profession has been witnessing.

Unlearning and re-learning can be quite a tedious process. And hence, we bring to you the highlights of CARO 2015, Auditors Report and ICDS, as a small step in our quest for expert knowledge.

Keeping all the serious talks aside, unwind yourself and feast your eyes upon the pictures of our trip to Vagamon earlier this year.

Our heartiest congratulations to our partner, Mr. Augustine Jose on becoming a Fellow Member of the Institute and a very warm welcome to all the new joiners. We are now 60+....

"A journey of a thousand miles begins with a single step"

We live in an era where it's all about change. Growth happens only once we understand that success isn't permanent and complacency is the fastest way to become irrelevant. So how about we take a resolution to focus all our energies toward constantly bettering ourselves?

Because we, the JVRites, have the ultimate renewable energy source: Passion.

Annual Tour 2015

The office trip of JVR & Associates this year was a fun-filled package. We all set off to Kumarakom on the 24th of January and the bus journey till there was filled with songs, dances and selfies. There wasn't any delay in getting onto the houseboat which was waiting for us. After freshening up, all of us had a great time enjoying the calm lake and the fresh breeze. We had an on-boat lunch, half way through the boat trip. The lunch was splendid with Kumarakom fresh 'Karimeen' after which almost everyone enjoyed a good nap on the return trip.

On the way to Vagamon, we had short stops in between to catch the glimpses of nature's beauty. It was nightfall by the time we reached 'Vagamon Heights' the resort in which our stay had been arranged. After freshening up, we all gathered back for the campfire session. The juniors were given a small ice breaking session. The whole place was lit up by the cheers and screams of JVRites. We all danced and sang till our legs could no longer hold us. It was truly a memorable night and we all dispersed by midnight, eagerly waiting for the next morning.

The next morning after a light breakfast all of us went for 'safari' in different jeeps and it was a signal for the cameras to start clicking. The jeep ride through the rocky mountains was breath taking. Our next stop was by the lake where we enjoyed a lazy swim and played some football. Pack up from the resort was done by around 4 p.m. On our way back, we stopped at 'Komban Nirappu', Jomon Sir's beautiful property at Vagamon, where we had 'chenda kappa' with light snacks. The bus trip back to Ernakulam saw JVRites come up with a new picnic game and the whole bus was vibrant with laughter. The pit stop for dinner at a 'Thattukada' was a different experience altogether. Soon we were all back where we started but with a lot of sweet memories in our minds that we will cherish for years to come.

-Remin Martin

Vagamon Wonders



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Companies (Auditor's Report) Order, 2015

The Companies (Auditor's Report) Order, 2015 (CARO, 2015) was notified by the Ministry of Corporate Affairs, on 10th April, 2015. It shall apply to every company including a foreign company, except

- (1) a banking company as defined in the Banking Regulations Act, 1949;
- (2) an insurance company as defined under the Insurance Act, 1938;
- (3) a company licensed to operate under section 8 of the Companies Act;
- (4) a One Person Company as defined under section 2(62) of the Companies Act;
- (5) a small company as defined under section 2(85) of the Companies Act;
- (6) a private limited company with a paid up capital and reserves not more than rupees fifty lakh and which does not have loan outstanding exceeding rupees twenty five lakh from any bank or financial institution and does not have a turnover exceeding rupees five crore at any point of time during the financial year.

Every report made by the auditor under section 143 of the Act for financial year commencing on or after 1st April, 2014 should include CARO, 2015.

CARO 2015 contains twelve clauses, which are verbatim versions of CARO 2003. Nine clauses from CARO 2003 has been removed.

Reporting requirements as per CARO 2015 are:

- (i) **Fixed Assets:**
 - a) Whether proper records are maintained.
 - b) Whether fixed assets have been physically verified.
- (ii) **Inventories:**
 - a) whether physical verification of inventory has been conducted at reasonable intervals by the management.
 - b) are the procedures of physical verification of inventory followed by the management reasonable and adequate.
- (iii) **Loans Granted:**
 - a) whether the company has granted any loans to parties covered in the register maintained u/s 189 of the Companies Act.
 - b) whether receipt of the principal/interest are also regular; and
 - c) whether reasonable steps have been taken for overdue > Rs.1/- lakh.
- (iv) **Internal Control System**
 - a) is there an adequate internal control system. Whether there is a continuing failure to correct major weaknesses in internal control system.

- (v) **Deposits**
 - a) in case the company has accepted deposits, whether the directives issued by the Reserve Bank of India and provisions of the Companies Act and the rules framed there under have been complied with?
- (vi) **Cost Records**
 - a) Whether cost records are maintained, if applicable.
- (vii) **Statutory Dues**
 - a) Is the company regular in depositing undisputed statutory dues. Arrears of outstanding statutory dues for a period of > 6m shall be indicated by the auditor.
 - b) in case statutory dues have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned.
 - c) whether the amount required to be transferred to Investor Education and Protection Fund has been transferred to such fund within time.
- (viii) **Accumulated Losses and Cash Losses**
 - a) whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty percent of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year;
- (ix) **Default in repayment of dues**
 - a) whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported;
- (x) **Guarantees**
 - a) Details of guarantee given for loans taken by others from bank or financial institutions. Whether terms and conditions are prejudicial to the interest of the company;
- (xi) **Term Loans**
 - a) whether term loans were applied for the purpose for which the loans were obtained;
- (xii) **Fraud Reporting**
 - a) whether any fraud on or by the company has been noticed or reported during the year; If yes, the nature and the amount

Reporting Requirements u/s 143 (3)

As required by Section 143 (3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from the branches not visited by us].
- c) The reports on the accounts of the branch offices of the Company audited under Section 143(8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report.
- d) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report are in agreement with the books of account [and with the returns received from the branches not visited by us].
- e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- f) On the basis of the written representations received from the directors as on 31st March, 20XX taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 20XX from being appointed as a director in terms of Section 164 (2) of the Act.

With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i) the Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note XX to the financial statements; [or the Company does not have any pending litigations which would impact its financial position]
- ii) the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note XX to the financial statements
- iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company

JVR Team - Kochi & Tvm

