M/s PRANJAL JOSHI & CO

CHARTERED ACCOUNTANTS

Audit Consulting Tax IFRS Valuation

Newsletter April 2013

Quarterly Newsletter on Finance

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Contents –

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Budget 2013 – Direct Tax Proposals

Individuals

- Slab Rates of Tax are same. But, Surcharge @ 10% shall be payable if Total Income exceeds Rs. 100 Lacs.
- Special Rebate of Rs. 2,000/- for Individuals having income up to Rs. 5 Lacs.
- First-home buyers (Loan amount up to Rs. 25 Lacs, Property Value up to Rs. 40 lacs) shall get additional Interest deduction of Rs. 1 lacs (over normal Rs. 1.50 Lacs) for AY 2014-15 and balance left, if any in AY 2015-16.
- Contribution to Health Schemes similar to CGHS is also now allowed u/s 80 D.
- Scope of Rajiv Gandhi Equity Saving Scheme increased. Now listed units of an equity oriented fund are also eligible, new retail investor whose GTI is upto Rs. 12 Lacs shall be covered under the scheme.

Non- residents

- TRC (Tax Residency Certificate) necessary to claim treaty benefit, but not sufficient.
- Royalty/ FTS shall be taxed @ 25% (or lower rate as prescribed by treaty).
- Gross Foreign Dividends (where shareholding is 26 percent or more) received by the Indian Company taxable at lower rate 15 percent for one more year i.e. FY 2013-14. Cascading effect reduced by excluding them for computing DDT base if such dividends received from foreign subsidiary (more than 50 percent) and used in the same year for declaring further dividends.

Unlisted Companies

- Co. to pay tax on Buy-back of shares – the consideration paid by the company for purchase of its own unlisted shares over the sum received by it at the time of issue of such shares will be charged to tax @ 20% of the distributed income paid to the shareholder. The income would be exempt in the hands of shareholder.

Corporate

- Domestic company having income over Rs. 100 Lacs shall pay surcharge @ 5% and if the income is over Rs. 1000 Lacs then @ 10%. Non-domestic company shall pay surcharge @ 2%. Such surcharge shall be applicable even in case of MAT.
- Investment allowance at 15 percent on investments made by a manufacturing company in new Plant and Machinery acquired and installed between 1 April 2013 and 31 March 2015 if the same exceeds Rs. 100 crores.
- Extension of the sunset date under section 80IA for the power sector by one additional year i.e. upto 31st March, 2014.
- Deduction for additional wages for manufacturing company @ 30% for 3 years.

Real Estate Transactions

- Tax to be deducted at 1 percent on sale of Land (other than Agricultural land) or building exceeding Rs. 50 Lacs.
- Consideration for transfer of land and building (being stock in trade) to be taken as per stamp duty value (if lesser than that) as on date of agreement for sale.
- Transaction of Immovable property by an individual or HUF for inadequate consideration to attract taxation as per stamp duty valuation.
- Distance and population criteria redefined for determining agricultural land and capital asset for the purpose of Income Tax and urban land for wealth tax.

Other Important Provisions

- Implementation of GAAR - General Anti Avoidance Rules postponed till FY 2015-16.
- STT rates reduced, New Commodities Transaction Tax levied on commodities derivatives, other than agricultural commodities, traded in recognised associations.
- Tax return to be regarded as defective, inter-alia, if the tax and applicable interest are not paid by the date of furnishing the tax return (with effect from 1 June 2013).
- The Tax Authorities can direct special third party audit in cases relating to the volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions or specialized nature of business activity of the taxpayer. This amendment to be applicable from 1 June 2013.

Do You Know ?

- **No disallowance even if there is failure to deduct TDS –**

  If the deductor has failed to deduct and paid the TDS on payments made to residents, but payee has considered the Income and has discharged his liability under the law, then no disallowance u/s 40(a)(ia) shall be attracted, if the Deductor obtains Certificate form Chartered Accountant in **Form No. 26 A**. Latest Notification in this regard is available on www.incometaxindia.gov.in

- **Refund of Extra TDS paid to Govt. is now possible –**

  If you have wrongly paid extra TDS to the Government, then as per latest amendments, you can digitally submit **Form No. 26 B** to claim back such refund.

Service Tax Voluntary Compliance Encouragement Scheme, 2013

While delivering the Budget Speech, P. Chidambaram, Hon. Finance Minister has made following comments as regards Service tax matters *"While there are nearly 17,00,000 registered assessees under service tax, only about 7,00,000 file returns. Many have simply stopped filing returns. We cannot go after each of them. I have to motivate them to file returns and pay the tax dues. Hence, I propose to introduce a one-time scheme called 'Voluntary Compliance Encouragement Scheme'"*.

The scheme so announced has following salient features –

Sr. No.	Particulars	Provisions
01	Applicable for which Period and when ?	Service Tax Dues pertaining to 1st day of October, 2007 to 31st day of December, 2012 but not paid as on the 1st day of March, 2013 are covered under the scheme.
02	Who is ***not*** eligible	Any person to whom any notice or an order of determination under section 72 or section 73 or section 73A of the Chapter has been issued or made before the 1st day of March, 2013 Any person who has furnished return under section 70 of the Chapter and disclosed his true liability, but has not paid the disclosed amount of service tax or any part thereof. Where a notice or an order of determination has been issued to a person in respect of any period on any issue, no declaration shall be made of his tax dues on the same issue for any subsequent period.
03	Benefits granted	Basic benefit is immunity from payment of Interest and Penalty if the payment is made before prescribed due dates.
04	Features of the scheme	• Written Declaration disclosing unpaid tax amount is to be submitted to the designated authority on or before the 31st day of December, 2013. • First Instalment for not less than 50% of declared amount to be paid on or before the 31st day of December, 2013. • Balance to be paid on or before the 30th day of June, 2014. • If still pending, then it can be paid on or before the 31st day of December, 2014 but then along with interest.
05	Conclusiveness of Declaration	• A declaration shall become conclusive upon issuance of acknowledgement of discharge and no matter shall be reopened thereafter in any proceedings • But Where the declarant fails to pay the tax dues, either fully or in part, as declared by him, such dues along with interest thereon shall be recovered

06	Rejection of declaration by the Authority –	Where a declaration has been made by a person against whom,— (*a*) an inquiry or investigation in respect of a service tax not levied or not paid or short-levied or short-paid has been initiated by way of — (*i*) search of premises under section 82 of the Chapter; or (*ii*) issuance of summons under section 14 of the Central Excise Act, 1944, as made applicable to the Chapter under section 83 thereof; or (*iii*) requiring production of accounts, documents or other evidence under the Chapter or the rules made there under; or (*b*) an audit has been initiated, and such inquiry, investigation or audit is pending as on the 1st day of March, 2013, then, the designated authority shall, by an order, and for reasons to be recorded in writing, reject such declaration.
07	Future period Service Tax	Any service tax which becomes due or payable by the declarant for the month of January, 2013 and subsequent months shall be paid by him in accordance with the provisions of the Chapter and accordingly, interest for delay in payment thereof, shall also be payable

Latest Service Tax Notifications –

- **Service Tax Form for July to September –**

  ST-3 Form (Service Tax Return) for July to September has now been prescribed by CBEC. The new due date prescribed in this regard is 15th April, 2013. Details available on www.cbec.gov.in

- **Abatement on Construction of complex reduced –**

- Service Tax abatement available for construction of complex, building or civil structure or a part thereof is being reduced from the existing 75% to 70% except in case of residential unit having carpet area upto 2000 sq. ft. or where the amount charged is less than Rs. 1 Crore.

Maharashtra State Budget 2013 – Tax Proposals

Salient Features of Maharashtra State Budget 2013 are as follows –

Amendments to MVAT Act –

- Provision made to allow revision in the Vat returns for entire year rather than as per periodicity, in case of any discrepancy found in the Vat Audit or Business Audit.
- Proposal to simplify the procedure for cancellation of unilateral assessment order after the defaulter dealer has filed the returns.
- Amendments made not to recover sales tax dues up to Rs. 100/- in any financial year.
- Proposal to incorporate enabling provision for empowering govt. to grant waiver of penalty for the class of dealers in case of specific contingencies where such dealers could not file return due to specified circumstances.
- Direct Demand Notice shall be served to the dealers, for additional tax liability pointed out by CA or CWA in Vat Audit Report and which is accepted by the dealer.
- Provision made to allow the claims of refund up to Rs. 5 lacs to be adjusted in the subsequent year.
- Further, admissible part refund as per the application shall be granted within 3 months of the due date of filing Form 704 after preliminary verification.
- Amendment is proposed to Section 51 enabling early grant of refund to Mega Projects eligible for Industrial Promotion Subsidy and to dealers whose turnover of inter-state sales in previous year is in excess of 50% of total turnover.
- No set off on Passenger Vehicles shall be allowed to leasing companies.

Proposals for Vat Rate alterations -

Particulars	Products	Proposals for Changes in rates
Enhancement in Vat Rates	Cigarettes	from 20% to 25%
	Un-manufactured tobacco	from 0% to 12.5%
	Powder, Cubes and Tablets used in preparation of non-alcoholic beverages	from 5% to 12.5%
	Industrial Goods and Tools	from 1% to 5%
	Paver Blocks	from 5% to 12.5%
	All cosmetics and shampoos	from 5% to 12.5%
	Gold, Diamond, Silver and precious metal and their Jewellary	from 1% to 1.10%
Exemptions	Rice, wheat, pulses their flour, turmeric, chillies, papad, Solapuri Chaddars, towels etc.	Exmp. extended up to 31.03.2014
	Milk (incl. ingredients added to maintain the quality)	Exempted with retrospective effect
	Brail watches and vehicles for handicapped persons	Exempted (current rate 12.5%)

	Sale of rice bran Sale of water meters to local bodies, Hand pumps Inter state sale of furnishing fabrics	Exempted Exempted Exempted
Reduction of rates	AICD Heart Implants Excavators Tractors	From 12.5% to 5% From 12.5% to 5% Eligible for composition scheme

Amendments to Bombay Stamp Act

- If Financial Institutions and banks are party to an instrument on which stamp duty has not been paid / short paid, then primary responsibility shall be on such financial institution or bank. Period up to 30th September 2013 granted to make good cases of short payment / non-payment of stamp duties. After such date, financial institution or bank, as the case may be shall be liable to pay penalty equal to stamp duty payable on the instrument.
- Amount of stamp duty is to be rounded off to the nearest hundred.
- If proper stamp duty is paid on registered agreement to sale treating it as deemed conveyance, and subsequently deemed conveyance is executed without any modifications then such conveyance shall be treated as supplementary document and Stamp duty of Rs. 100/- only shall be applicable on the same.
- On all Leave and License Agreements executed throughout the State, uniform 0.25% stamp duty shall be charged on total of rent payable plus non-refundable deposit or total of rent payable plus interest @ 10% on refundable deposit.

Other taxes

- Sugarcane Purchase tax increased from 3% to 5% and Sugarcane Purchase Tax Collection increased from Rs. 0.50 per kg to Re. 1 per kg.
- Tax on weekly lottery increased to Rs. 60,000, Tax on Fortnightly lottery increased to Rs. 1.25 Lacs, Tax on Monthly lottery increased to Rs. 2.50 Lacs and Tax on Bumper Lottery increased to Rs. 12 lacs.
- Excise Duty on country liquor, foreign liquor and beer is increased. Further export fee on Indian Made Liquor is also increased.

Life

Agnihotra is a healing fire from the ancient science of Ayurveda.
It is a process of purifying the atmosphere through a specially prepared fire performed at sunrise and sunset daily.
Anyone in any walk of life can do Agnihotra and heal the atmosphere in his/her own home.

Companies Bill 2012

Companies Bill 2012 has been passed by the Lok Sabha in December 2012. Following are the salient features of the same –

Basic Provisions

- Bill has 470 clauses and divided into 29 chapters. New chapters viz. Registered Valuers, Govt companies, NCLT etc. have been introduced.
- Max. no. of members in Private Limited Company increased to 200 from current 50.
- Concept of One Person Company (OPC) and Small companies has been introduced which shall be subjected to lesser stringent regulatory framework.

Share Capital, Securities Premium

- A company having share capital shall commence business only after filing of prescribed declaration that subscription of agreed shares by every subscriber and ensuring paid up capital is not less than Rs. 5 Lacs / Rs. 1 Lacs.
- Term "private placement" defined to bring clarity in the law.
- Punishment prescribed for fraudulently inducing persons to invest money.
- Provision inserted to allow use of Securities premium account for purchase of own shares or securities of the company.
- A company can not issue shares at discount.
- A company can not issue Preference Shares redeemable beyond 20 years (except Infrastructure Projects)

Directors

- Minimum No. of Directors for public Co shall be 3, for private 2 ad for OPC 1, max. no. of directors increased to 15 from current 12. Concept of Resident Director introduced.
- Every company belonging to such class or classes of companies as may be prescribed shall have the whole-time key managerial personnel.
- Unless the articles of a company provide otherwise, an individual shall not be the chairperson of the company as well as the managing director or Chief Executive Officer of the company at the same time
- Company Secretary included as Key Managerial Personnel.
- Concept of independent directors has been introduced for the first time in Company Law. The independent director has been clearly defined in the Bill.
- A director may resign from his office by giving notice in writing. If all the directors of a company resign from their office or vacate their office, the promoter or in his absence the Central Government shall appoint the required number of directors to hold office till the directors are appointed by the company in General Meeting
- For the first time, duties of directors have been defined in the Bill.
- Besides the Audit Committee, the constitution of Nomination and Remuneration Committee has also been made mandatory in the case of listed companies and prescribed companies.
- Maximum managerial remuneration payment retained at current level of 11% of net profits. In the absence of profits it shall be payable at new schedule rates (Schedule V)
- Directors and the key managerial personnel of a company are prohibited from forward dealings in securities of the company.

Company Meetings

- Participation of directors at Board Meetings has been permitted through video-conferencing or other electronic means, provided such participation is capable of recording and recognizing.
- At least seven days' notice is required to be given for a Board meeting. The notice may be sent by electronic means. Shorter notice permissible provided at least one independent director, if any, shall be present at the meeting. In the absence of any independent director, the decisions shall be final only on ratification thereof by at least one independent director.
- To encourage wider participation of shareholders at General Meetings, the Central Government may prescribe the class or classes of companies in which a member may exercise their vote at meetings by electronic means. One person companies have been given the option to dispense with the requirement of holding an AGM.

Accounts, Audit and Returns

- Disclosure under Annual Return (mainly non-financial annual disclosures) has undergone significant transformation. Annual return (except for small & OPC companies) must be compulsorily signed by CS.
- A return to be filed with the Registrar with respect to change in the number of shares held by promoters and top ten shareholders by a listed company.
- Board's Report has been made more informative.
- Every contract or arrangement entered into with a related party shall be referred to in the Board's Report along with the justification for entering into such contract or arrangement.
- Secretarial Standards has been introduced and provided statutory recognition
- Report of AGM to be sent by listed company.
- Auditors appointment can be made for 5 years (subject to ratification every year), provisions for rotation of auditors, rotation of audit partner & his team are introduced.
- Statutory Auditor is prohibited from rendering certain services to the same company to ensure independence. Internal Audit can be made mandatory for certain companies.
- Term financial statements has been defined for the first time.

Other Provisions

- New Corporate Social Responsibility provisions prescribed.
- A public company having prescribed net worth or turnover may accept deposits from persons other than its members
- A company can make investment through not more than two layers of investment companies, unless otherwise prescribed.
- Provisions for NCLT prescribed. Provisions introduced for class action suits.
- Statutory status to SFIO - Serious Fraud Investigation Office has been proposed.
- The entire rehabilitation and liquidation process has been made time bound.
- The Bill has allowed cross border mergers with any foreign company;
- A new chapter has been inserted in relation to registered valuers. Valuation in respect of any property, stock, shares, debentures, securities, goodwill, networth or assets of a company shall be valued by a person registered as a valuer.
- E-Governance proposed for various company processes prescribed.

Maharashtra Co-operative Societies Act

On Feb 14th, 2013, Maharashtra Co-operative Societies Act 1960 was amended vide an ordinance. This change was mandated by the 97th Constitutional Amendment, which was at various stages of development since 2006.

Some of the important features of the amended law are as follows –

Active and Non-active members –

- Co-operative bodies would be required to prepare lists of active and non-active members annually. Active members would be eligible to vote in elections to these co-operative bodies.
- Every Member of the Society must attend at least one General Body Meeting (GBM) within a consecutive period of Five years.
- The Member must utilise minimum level of services at least once in a period of five consecutive years as specified in the Bye-laws of the Society. Failing this such member shall be classified asa non-active member and shall not be entitled to vote.
- If a non-active member who does not attend at least one meeting of the General Body and does to utilise minimum level of services as specified in the Bye-Laws, in the next five years from the date of classification as non-active member, shall be liable for expulsion.
- However, the non-active member can be re-classified as an active member on fulfilment of the eligibility criteria.

Board of Directors and Managing Committee Members –

- The term of Office of the elected members of the Management Committee and its Office Bearers shall be Five years from the date of election.
- Disqualification of errant MC members is now very easy, and much more long-lasting. Disqualified MC members will be debarred for contesting for 5 years.
- The strength of the board of directors will be fixed at 21, of which five seats will be reserved of which two seats would be for women, one for scheduled caste / scheduled tribe, one for other backward class, as well as one for 'Vimukta Jati' and notified tribes.
- Concept of Expert Director, Functional Director introduced.
- State Election Authority to monitor elections closely.
- Legal Provision incorporated for education & training to groom fresh leaders. Managing Committee must attend regular training at least once in five years.
- Provision for suspension or super-session of the committees of the co-operative societies, for the period not exceeding six months where the Government has held shares of such society or granted any loan or provided financial assistance or any guarantee, and for period not exceeding one year in case of co-operative banks.

Co-operative Housing Societies and Disputes

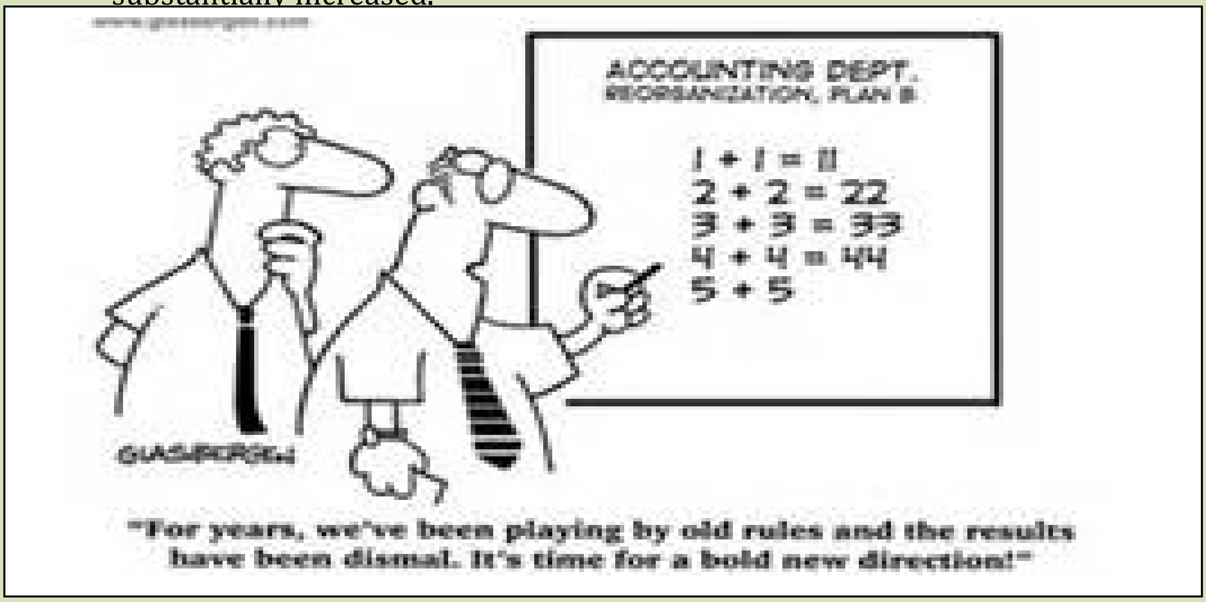
- Concept of "Grievance Redressal Committee" consisting of three senior and impartial members of the Society introduced for resolving internal differences.
- Co-operative housing societies would be able to initiate recovery of dues from defaulting members by instituting measures which could include seizure or disposal of flats of concerned members.

General Meeting, Audit & Investments

- AGM to be held by 30th of September each year. Not holding AGM is an offence.
- Under new norms, it would be mandatory for an annual general meeting to appoint an auditor. Audits of co-operative bodies would be carried out by auditors from the panel prepared by Govt.
- Duty of auditors, Registrar etc. to pinpoint responsibility for fraud and register FIR. Also, mandate for auditor to present audit findings including irregularities in every AGM. If they don't, Auditors will be disqualified.
- Electronic Form of book keeping and record keeping recognised. Election also is made techno savvy.
- Return to be filed with the registrar within 6 months from the end of financial year incorporating financial and other details.
- Non submission of Audit Rectification Report shall be considered as an offence.
- Investment in only 'A' audit class DCB and SCB shall be permissible.

Other Imp Provisions

- There will be a provision for settlement of disputes by arbitration or conciliation and by mediation through Lok Adalats and for appointment of grievances settlement and redress committees for settlement of grievances.
- Provisions of Banking Regulation Act 1949 shall apply to co-operative societies doing banking business.
- No Administrators can be appointed for co-op housing societies where the Society has not taken any loan/ assistance from State Government.
- Co-op. courts to encourage compromise , and discourage litigation.
- Realistic penalties for offences prescribed. Fine and prison sentences have been substantially increased.



Important FEMA Circulars –

Sr. No.	Area	Particulars
01	FEMA - Export of Goods Notification No. 23/2000– RBI Circular No. 81 dt. 21st February, 2012	RBI has allowed exporter to receive advance payment where the export agreement itself duly provides for shipment of goods extending beyond the period of one year from date of receipt of advance payment.
02	Foreign Currency Accounts by a person resident in India	Resident individuals are permitted to include resident close relative(s) as a joint holder(s) in their - a. Exchange Earner's Foreign Currency (EEFC) b. Resident Foreign Currency (RFC) bank accounts *on 'former or survivor' basis*.
03	Lacunas in reporting under FEMA for FDI &/or ECB & RBI - alert to Authorised Dealer Banks	AD is cautioned to avoid following major non-compliances on its part – a. Draw down of ECB without obtaining Loan Registration Number (LRN). b. Allowing draw down of ECB under the automatic route from unrecognised lender, to ineligible borrower, for non-permitted end uses, etc. c. Delay in submission of the Advance Reporting Format in respect of FDI. d. Delay in filing of details after issue of eligible instruments under FDI within 30 days in form FC-GPR. e. Delay in filing of details pertaining to transfer of shares for FDI transactions in form FC-TRS by resident individual/companies etc.
04	Write-off" of unrealized export bills – Export of Goods and Services – Simplification of procedure	RBI has simplified the procedure for Write-off" of unrealized export bills – Export of Goods and Services up to certain limits (5% to 10% of export realisation during the year) and subject to fulfilment of certain conditions (viz. Obtaining of prescribed CA Certificate, surrender of incentive etc)

Financial Literacy Guide by RBI

As a part of financial literacy programme under "Financial Inclusion Initiative", RBI has published Financial Literacy Guide. However, on reading, we found several issues stated therein equally merit "recommended reading" even for urban Indian Gen-NEXT. For e.g. - Page 27 states that financial prudence requires that loan should be taken only for income generating activities. If we compare this, then many of our decisions (e.g. borrowing for Car, pleasure trips, credit cards etc.) may need rethinking. This guide is available on following link –
http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7844&Mode=0

What are Ind-AS ?

Ind-AS is Indian version of IFRS (International Financial Reporting Standards). Since India has stated that it will not adopt IFRS as it is, but will converge with the fundamental principles of IFRS, suitably modified to the Indian conditions, Ind-AS is the step towards this.

What is the date of implementation of Ind-AS ?

This is difficult question to answer. In February, 2011 MCA has notified 35 Ind-AS (Indian Accounting standards equivalent to IFRS) without announcing the applicability date. Although MCA has not notified implementation date yet, it is just one notification away ! and so it can be issued at any time.

But question is, "A*re we ready"* to adopt and implement the changes required for preparation of financial statements based on Ind-AS.

Why we need to prepare for proposed implementation ?

Any Accounting Standard basically deals with the three issues relating to the topic addressed by the respective accounting standard. These are –

- Recognition – When to recognize an element in the financial statements
- Measurement – At what amount it is to be disclosed in the financial statement and
- Presentation or Disclosure requirements relating to the element.
- While it also provides for guidance for accounting in certain cases (e.g. Consolidation of accounts etc)

With Schedule VI changes, last year, we have already witnessed the significant efforts required for the preparation of the financial statement, and that was only targeted to achieve the last aspect i.e. Disclosure or Presentation requirements in line with the IFRS, keeping although the first two aspects as the same. So efforts were targeted towards "preparation of financial statements" and not "basic accounting itself".

Thus, preparation of financial statements as per Revised Schedule VI have not changed the financial results, but, when the first two aspects – recognition and measurement itself changes, the problem is multifold as the reference would be required, probably each time, when we will pass accounting entry itself !!

The transition to Ind AS is likely to have an impact on the revenues, profi ts, earnings per share and net worth of most Indian companies. Further, the transition may impact systems (including IT systems) and processes, and also the manner in which certain transactions are structured.

TDS Payments – 7th April, 7th May and 7th June

TDS Quarterly Return – 15th May (for Q4 Fy12-13)

Advance Income Tax – 15th Jun, 2013

Major Differences Ind-AS and Existing Indian GAAP

Following is the illustrative list of major differences between Ind-AS and Existing Indian GAPP –

Sr. No.	Area	Comparison of Ind-AS and Indian GAAP
01	Fixed Assets	Capitalisation of administrative and general overheads (e.g. expenses in the nature of start-up costs or pre-operative expenditure) attributable to the construction of a project, as currently done is not permitted, under Ind AS. In case of deferred payment arrangements, capitalization is to be done at "cash price equivalent" Cost of dismantling and removal of asset also to be capitalized at Present Value, with implicit interest to be recognized in Profit & Loss A/c. Component Accounting is must.
02	Intangible Assets	Under Ind AS, intangible assets arising due to a business combination are initially recorded at fair values. Amortization of Intangible assets shall not be done uniformly over 10 years, it has indefinite life then it should be tested only for impairment.
03	Financial Instruments	Under current principles, fi nancial assets and liabilities are initially recognised at cost, including transaction costs. Under Ind AS, all financial instruments are recognised initially at their fair value plus directly attributable transaction costs (except those classified as fair value through profi t or loss, where transaction costs are expensed as incurred). Accordingly, all financial assets including assets such as interest free lease deposits, low interest or interest free loans between group companies and loans to employees will have to be fair valued at inception. Guidance also provided for recognition and classification of Debt Instrument vs. Equity Instrument (e.g. – Redeemable Preference shares shall get classified as Debt)
04	Revenue recognition	The terms of the sale arrangement need to be carefully evaluated to determine the appropriate time for revenue recognition under Ind AS. In practice, companies may be currently recognising revenue from domestic sales on dispatch from the factory, and on export sales on the bill of lading date. However, application of the Ind-AS criteria may result in deferral of revenues, as compared to current practice.

Above is just illustrative list to highlight the changes.

Vat Payment - for monthly filers 21^{st} April, 21^{st} May, 21^{st} Jun, **for quarterly filers** - 21^{st} April

Service Tax Payment – 5^{th} July (for Individuals & Partnership Firms), Others monthly before 5^{th}

Service Tax Return – For July to September 2012 to be filed on or before 15^{th} April

Forensic Auditing

Corporate

Introduction

Forensic accounting is the specialty practice area of accountancy that describes engagements that result from actual or anticipated disputes or litigation. Forensic Audit is an audit whose purpose is to use accounting procedures to collect evidence for the prosecution or investigation of financial crimes such as theft or fraud. Forensic audits may be conducted to determine if wrongdoing occurred, or to gather materials for the case against an alleged criminal.

Distinction between Forensic Auditing and Financial Auditing

Sr. No.	Particulars	Points of Differentiation
01	Timing	Unlike financial audit, which is conducted on periodic basis, Forensic Audit is non-recurring nature activity, which is conducted only with sufficient prediction
02	Scope & Objective of Audit	Scope of Financial Audit is determined by the Statute under which it is conducted & the objective is to express opinion on the financial statements. But the Forensic Audit is targeted towards specific financial data & the objectives (in many cases) is to affix the blame by determining whether the fraud occurred and if yes, person responsible for the same.
03	Presumption	Unlike financial audit, forensic audit assumes existence of fraud.
04	Methodology	Under financial audit, test checking of transactions is undertaken. While under Forensic audit, detailed examination of documents along with the conduct of interviews is done. Further, third party information is also requested , analyzed, and even non-financial information and evidences are also examined.
05	Findings	Findings under financial audit ends with the expression of opinion on financial statements. But under forensic audit findings are reported to establish the existence of fraud. In few cases, it may extend to report quantum of fraud, methodology used, persons involved etc. to establish the fraud with certainty.

Frauds and their types –

Common types of frauds are classified into following 3 main categories –

- Assets misappropriations e.g. fraudulent disbursements, ghost employees, overstated or bogus expenses, personal purchases etc.

- Financial statements fraud e.g. – Understatement / overstatement of assets / revenues, concealment of liabilities & expenses, and improper disclosures etc.

- Corruption e.g. bribery, illegal gratitude, invoice kickbacks etc.

Forensic Auditing – Fundamentals –

Forensic Auditing is comprised of three key ingredients -

- Forensic Audit Thinking - in other words "thinking forensically" i.e. understanding the basic motive and accordingly thinking so as to get the direction or area to be examined
- Forensic Audit Procedures- both proactive and reactive
- Use of technology and data analysis

Commonly adopted Forensic Audit Procedures are as follows –

- Public document reviews and background investigations
- Interviews of knowledgeable persons
- Confidential sources
- Laboratory analysis of physical and electronic evidence
- Physical and electronic surveillance
- Undercover operations
- Analysis of financial transactions

Commonly used technologies in Forensic Audit –

- Use of Benford Analysis
- Predictive modeling
- Luhn's algorhithem
- Computer and Digital tools

Frauds in India –

Following are the major indicators of Fraud in India, as per the recent research published by various agencies –

- **Cyber crimes** is the highest emerging fraud area
- Incidence of fraud mostly occur in **Banking & Financial Services Industry**
- **Bribery and corruption** is the highest type of fraud India witnesses
- Percentage of **sophisticated fraud** has doubled in last 5 years.
- **Procurement function** is the most vulnerable function for the fraud
- In more than ¼ th cases, **no recovery** was possible in spite of detection of fraud

Conclusion

Forensic auditing combines legalities along-side the techniques of propriety (Value For Money audit), investigative, and financial audits. The main aim is to find out any fraud has taken place. It differs, altogether, in form and content from the statutory audits of financial statements. It may be beneficially applied in other areas where due diligence exercise is required to be carried out. To make better use, even proactive forensic audit can be conducted.