



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

# The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events



**Paper 4:**  
Direct Tax Laws and  
International Taxation (Final)

**Paper 6A:**  
Financial Management  
(Intermediate)

**Paper 1:**  
Accounting  
(Foundation)

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**SWACHH BHARAT - A STEP TOWARDS CLEANLINESS**

## PRESIDENT'S COMMUNICATION



Dear Students,

Happy New Year to all of you!

I extend my heartiest wishes to each one of you for a prosperous and rewarding 2024. May this year bring forth a myriad of opportunities and success in all your academic and professional pursuits, propelling you to much greater heights. The dawn of a new year marks a powerful moment for introspection and transformation. It inspires us to embark on new beginnings, make meaningful changes, and forge paths that lead to the realization of our dreams and aspirations. Let this be a year of purposeful actions, dedicated efforts, and the unwavering pursuit of your goals.

In the spirit of new year, I encourage you to reaffirm your commitment to the fundamental values that define the accountancy profession. As future professionals, your dedication to upholding the highest standards of ethics, sincerity, and dedication is pivotal. Addressing the GloPAC recently at Gandhinagar, Hon'ble Vice President of India Shri Jagdeep Dhankhar said *"CAs in Bharat have the highest ethical quotient and the signature of a Chartered Accountant is an unrivalled brand. You are the soldiers in incremental growth trajectory of the Country"* and we shouldn't forget it.

Additionally, I extend warm wishes on the occasion of the 75<sup>th</sup> Republic Day of India. This was the momentous day when the Constitution of India came into effect and so this day calls upon each of us to renew our pledge to protect and uphold the principles enshrined in our Constitution.

*"The Constitution is not a mere lawyer's document, it is a vehicle of Life, and its spirit is always the spirit of Age"*

-Dr. B.R. Ambedkar

### Transition to the New Scheme of Education & Training

I would like to apprise you that following the announcement of the January results, we will be transitioning from the Old Scheme to the New Scheme. This transition signifies a significant moment in your academic path, requiring proactive preparation and a keen understanding of the new curriculum.

To facilitate this transition, I encourage you to go through the new Prospectus, where every aspect of the updated curriculum is meticulously explained. The Study Material and the MCQ Paper Practice Portal will serve as your roadmap to success under the New Scheme. To aid in your preparation, recorded lectures aligned with the New Scheme are readily available. Additionally, monthly capsules are already being provided in the Students' Journal, offering valuable insights into the new syllabus and its nuances.

Remember, you are not alone in this journey. The Board of Studies (Academic) is dedicated to providing the support and guidance you need to comprehend the intricacies of the new curriculum. Do not hesitate to reach out for assistance and clarification. Embrace this change with enthusiasm and a commitment to excellence. Your adaptability and dedication will undoubtedly contribute to your success in the evolving landscape of the Chartered Accountancy course.

### Upcoming Saransh —Last Mile Referencers on Direct and Indirect Taxes

I am pleased to share an update that will surely enhance your preparation. The Board of Studies (Academic) is diligently working on the creation of Saransh—Last Mile Referencers focused on **Direct and Indirect Taxes**. I am confident that many of you have found tremendous value in the eight Saransh booklets published so far. Saransh is a meticulously crafted compilation of booklets, each dedicated to a specific subject within the Chartered Accountancy course. These succinct capsules serve as invaluable tools for efficient revision of concepts before examinations in each subject. The upcoming additions, specifically targeting Direct and Indirect Taxes, aim to further enrich your learning experience and aid you in mastering these dynamic subjects of the CA course. I encourage you to leverage these referencers as an integral part of your exam preparation strategy.

### National Education Summit on Commerce and Accountancy (NES-CA) 2024

I am happy to announce that following the resounding success of last year's summit, the Board of Studies is once again at the forefront of organising the **National Education Summit on Commerce and Accountancy (NES-CA)**. Scheduled to take place in January, this two-day summit is poised to be a landmark event in our academic calendar.

NES-CA 2024 aims to create a platform for the convergence of leading academicians, vice-chancellors, professors, researchers, and scholars from the fields of Accountancy and Commerce to delve into the numerous opportunities that lie ahead for Commerce graduates in the times to come.

### Participation in Students' Conferences - Widen Knowledge Horizon

It gives me immense pleasure to share that the Students Skills Enrichment Board (SSEB) in collaboration with our regional councils and branches, has been organising Mega, National, State-level students' conferences at cities Pan India and also CA Students International Conference at Ahmedabad in the month of December 2023. I am confident that many of you have been actively participating in these conferences. Further conferences are also being organised in January. I strongly encourage you to engage in these knowledge and personality enriching experiences. These conferences serve as vibrant platforms where subject experts, industry stalwarts, and thought leaders converge to share their invaluable insights and experiences with the budding professionals of tomorrow like yourselves.

### Successful Conduct of ICAI Commerce Olympiad-2023

I am pleased to share the success of the **ICAI Commerce Olympiad-2023**, organized by our **Committee on Career Counselling** on December 3, 2023. The event catered to the students from Class VIII to Graduation. There was an overwhelming participation from students across various schools and colleges in India and abroad with the total number of registered students for the Olympiad reaching an impressive **1,01,789**. The ICAI Commerce Olympiad stands as a unique initiative by the Institute, offering students a valuable opportunity to immerse themselves in a competitive environment while honing their skills. I extend my heartfelt gratitude to all the participants, organizers, and supporters for making the ICAI Commerce Olympiad-2023 a resounding success.

*"The best way to predict your future is to create it."*

- Abraham Lincoln

With Best Wishes,

CA. ANIKET S. TALATI  
PRESIDENT, ICAI

## VICE PRESIDENT'S COMMUNICATION



Dear Students,

As we step into the promising realms of January 2024, I am filled with a sense of optimism and anticipation for the unfolding chapters of this new year. Just as a book unveils its story, each passing day provides us with opportunities for personal and professional growth. My dear students, be prepared to embrace the challenges and triumphs that lie ahead.

This new year signifies not just the turning of a calendar's page but an entirely fresh chapter in the book of life. Take a moment to consider the successes and setbacks of the previous year, drawing ideas to help mould the events of the upcoming year. I hope it serves as a blank canvas for new goals, successes, and a revitalized dedication to your path. **I wish you a very Happy and Prosperous New Year.**

We would like to take you through some important points to ponder upon regarding the **Changing Dynamics of the New World Order:**

While addressing the fraternity on the occasion of 75<sup>th</sup> Chartered Accountants Day on 1<sup>st</sup> July, 2023, Hon'ble President of India, Smt. Droupadi Murmu had remarked that

*"Manual assessment of data is fast becoming outdated, as she called for the fast adoption of technology by auditors to easily detect wrongdoings by unscrupulous elements. As AI gains traction, the data mining, auditing, and accounting done by machines will herald drastic changes in the way these things are being done now."*

Further, according to the *World Economic Forum's Future of Jobs Report 2023*, "23 % of the Global Jobs predicted to change in the next Five Years due to industry transformation through influences such as artificial intelligence and other text, image and voice processing technologies".

As the adoption of artificial intelligence and automation accelerates, training, upskilling, and reskilling have become a strategic imperative.

### Newer Emerging Areas for Budding Chartered Accountants

As the business landscape and technology continue to evolve, there are several new and emerging areas where young Chartered Accountants (CAs) can venture and explore exciting opportunities. Some of these areas include:

1. **Data Analytics and Business Intelligence:** Young CAs can specialize in data analytics and business intelligence, leveraging data-driven insights to provide valuable financial and strategic advice to businesses.
2. **Sustainability and ESG Reporting:** With increasing emphasis on environmental, social, and governance (ESG) considerations, CAs can play a crucial role in sustainability reporting and helping organizations adopt responsible business practices.
3. **Forensic Accounting and Fraud Investigation:** Young CAs can specialize in forensic accounting, helping organizations

detect and prevent fraud, conduct investigations, and support legal proceedings.

4. **Risk Management and Cybersecurity:** Young CAs can assist companies in identifying and managing financial and operational risks, including cybersecurity risks that have become more prominent in the digital age.
5. **Mergers and Acquisitions:** Specializing in mergers and acquisitions (M&A) can be an attractive area for young CAs to assist companies in deal structuring, due diligence, and financial analysis.
6. **International Taxation and Transfer Pricing:** With the globalization of businesses, CAs can specialize in international taxation and transfer pricing to help companies navigate complex cross-border tax regulations.
7. **Virtual CFO Services:** Young CAs can provide virtual Chief Financial Officer (CFO) services to startups and small businesses, offering financial guidance and strategic planning on a flexible basis.
8. **Fintech and Financial Advisory:** With the growth of the fintech industry, young CAs can contribute their financial expertise to fintech startups and offer specialized financial advisory services.
9. **Outsourced Accounting Services:** Offering outsourced accounting and finance services to businesses can be a viable venture for young CAs, particularly for startups and SMEs.
10. **Entrepreneurship:** Many young CAs venture into entrepreneurship, starting their own accounting firms, financial consulting companies, or technology startups, showcasing their business acumen and leadership skills.

### A Motivational Story for Aspiring CA Students

There once was a determined CA student who faced numerous challenges on the path to success. Despite setbacks, this individual persisted with firm dedication, viewing each obstacle as an opportunity to learn and grow. The student embraced a positive mindset, understanding that failure is not the end but a crucial part of the journey.

Ultimately, the student succeeded, not only in becoming a Chartered Accountant but also in gaining a wealth of knowledge, resilience, and a strong character. The moral of the story is that your journey is unique, and every twist and turn contribute to your growth. Embrace challenges, learn from failures, and persevere with determination – success is not just an outcome but a journey of self-discovery.

### Remain Positive while awaiting Exam Results

The anxiety associated with awaiting exam results is a shared experience among students. It's essential to maintain a positive outlook during this time. Remember that preparation is the key, and your resilience and dedication will pave the way for personal and professional growth. Regardless of the exam results, set realistic goals for the upcoming months. Approach challenges with a positive mindset and unwavering determination. **Keep your dreams alive.** Always Remember that **"To achieve anything requires faith and belief in yourself, vision, hard work, determination, and dedication."** Remember that all things are possible for those who believe.

### 75<sup>th</sup> Republic Day of our Beloved Nation

As we approach the 75<sup>th</sup> Republic Day, let us unite in celebrating the values that define our nation – secularism, cultural diversity, communal harmony, and sovereignty. It is a time to reflect on our roles as responsible citizens, upholding the principles that make our country great.

With Best Wishes

**CA. RANJEET KUMAR AGARWAL**  
VICE PRESIDENT, ICAI





### My Dear Students

Through the first edition of Students' Journal in the year 2024, I alongwith Vice Chairman BoS(A) CA. Dayaniwas Sharma extend our warm greetings for "A very happy, prosperous and successful New Year – 2024" to our students, BoS(A) team members, and the entire member fraternity. Furthermore, I would like to offer my best wishes to all the Intermediate and Final level students who appeared in November 2023 examination, for a successful result.

*"Celebrate endings – for they precede new beginnings"*

– Jonathan Lockwood Huie

As the year 2023 is reaching an end, you should embark on the beginning of your journey in the new year 2024 with an optimistic attitude and put in your best efforts to accomplish your targets and evolve as a successful and happy human being.

### Saransh - Last Mile Referencer – Direct Tax & Indirect Tax

As you are aware, BoS(A) has progressively been releasing comprehensive booklets 'Saransh - Last Mile Referencer' for various subjects for the ease of our students enrolled at different levels of CA Course. So far, the said booklet for the subjects of Accounting Standards, Indian Accounting Standards, Auditing, Cost and Management Accounting and Strategic Cost Management and Performance Evaluation, Company Law, Financial Management, and Strategic Management have been published by BoS(A). These booklets serve not only as a useful and practical guide for students but also assists members in their professional pursuits and are readily available on the Centralized Distribution System (CDS) as well as on the Institute's website under the link [https://boslive.icai.org/education\\_content\\_saransh.php](https://boslive.icai.org/education_content_saransh.php).

In continuation, BoS(A) is now releasing the 'Saransh - Last Mile Referencer' for the subjects of **Direct Tax Laws & International Taxation and Indirect Tax Laws.**

- Saransh for the subject of Direct Tax laws & International Taxation enables the recapitulation of various provisions of direct tax laws as amended by the Finance Act, 2023. Additionally, the booklet also succinctly summarizes a majority of the topics forming part of International Taxation.
- Saransh for the subject of Indirect Tax laws encapsulates the significant concepts of the Customs & Foreign Trade Policy 2023 and the most historic indirect tax reform of the country - Goods and Services Tax (GST). The booklet incorporates diagrams, charts, pictorial representations, especially designed for last minute revision of the significant concepts before examination in minimal time.

### Revision Test Papers (RTPs)

RTP is one of the old publications of BoS(A) whose significance has been established as a vital educational tool for the better preparation of the students for their examination. The RTPs of all the subjects at Intermediate and Final levels for May 2024 examination would be web-hosted in January 2024. The questions contained in the RTPs would be a blend of case scenario based MCQs and descriptive questions for the better revision and practice of the students for the forthcoming examination.

### Statutory & Judicial Updates for May 2024 examination

- Statutory Update for Intermediate Paper 3A: Income-tax Law and Final Paper 4: Direct Tax Laws & International Taxation for the forthcoming examination contains the significant Notifications and Circulars issued upto 31<sup>st</sup> October 2023 relevant for May 2024 Examination and has to be read along with the Study Material.
- The Judicial update for May 2024 examination for Final Paper 4: Direct Tax Laws & International Taxation contains the significant select Supreme Court cases relevant for May 2024 examination.
- Statutory update for Intermediate Paper 3B: Goods and Services Tax and Final Paper 5: Indirect Tax Laws for May 2024 examination has to be referred to alongwith the study material of the respective papers under the New Scheme of Education and Training. Statutory update includes a compilation of the significant notifications and circulars issued between 1<sup>st</sup> May 2023 and 31<sup>st</sup> October 2023 in GST laws as well as the amendments made by the CGST Amendment Act, 2023 and IGST Amendment Act, 2023.

### Capsule Insights

- The capsule of **Final Course Paper 4: Direct Tax Laws and International Taxation** provides an "Overview of Taxation of Companies and Co-operative Societies". The provisions are based on the Income-tax Act, as amended by the Finance Act, 2023 and relevant for May 2024 and November 2024 Examinations.
- The capsule of **Intermediate Course Paper 6A: Financial Management** includes the entire "Chapter 9: Management of Working Capital" to facilitate the students in better understanding of different components of working capital like management of receivables, cash management etc.
- The crisp and concise capsule of **Foundation Course Paper 1: Accounting** covers the meaning and scope of Accounting from "Chapter 1: Theoretical Framework" to enable the students to comprehend the basic concepts, the sub-fields, the users, and the limitations of Accounting.

I also express my best wishes on 75<sup>th</sup> Republic Day of India – a special day that reminds us of our responsibility to be rightful and committed towards our profession throughout and contribute for the betterment of our society.

All the best for your future endeavors!!!

**CA. VISHAL DOSHI**  
CHAIRMAN, BOARD OF STUDIES (ACADEMIC)



Dear Esteemed CA Students,

As we stand on the threshold of a promising new year, I extend my heartfelt wishes to each one of you for a joyous, happy, and safe 2024. The past year has been a testament to our collective resilience and efforts, overcoming challenges and achieving triumphs. May this year bring you boundless joy, profound fulfilment, and unprecedented prosperity, fostering personal and professional growth.

As the results of the recent examination are awaited, I commend every student who dedicated their time and effort to this challenging endeavour. Your unwavering commitment to excellence and the pursuit of knowledge is truly commendable. I urge each student to embrace challenges as opportunities for growth. Confronting challenges not only cultivates resilience but also nurtures the skills and knowledge essential for leadership in your respective fields. Remember, every obstacle is a stepping stone to growth and learning.

### Reflection on Recent Conferences

In the upcoming month of January 2024, SSEB is organizing Mega and State Level CA Students Conferences across various cities, including Kanpur, Bhillwara, Ranchi, Bhopal, Puducherry, Jalgaon, Patna, and Bikaner. In December 2023 alone, SSEB successfully organized 24 conferences PAN India, including 1 International Conference, 3 National Conferences, 10 Mega Conferences, and 10 State Level Conferences. I strongly encourage all students to actively participate in these conferences, seizing the opportunity to benefit from these initiatives. Reflecting on the success of past State, Mega and National conferences, they have undeniably served as pivotal platforms for knowledge exchange, collaboration, and the advancement of our collective goals. Newly introduced State level conferences played a crucial role in strengthening regional ties, enabling local stakeholders to address specific challenges and opportunities unique to their areas. The exchange of ideas at this level has enriched our understanding of regional dynamics, paving the way for targeted initiatives that address localized needs.

As we embark on this journey into the future, I am confident that these conferences will continue to be instrumental in shaping the trajectory of our students, fostering innovation, and reinforcing our commitment to excellence. My sincere appreciation goes to everyone who played a role in the success of the National, Mega, and state level conferences during the past month. It is through such collective efforts that we continue to thrive and make a positive impact. Your hard work and passion have not gone unnoticed.

### Smart Classroom Initiatives

The implementation of smart classes marks a progressive step forward in our commitment to providing an innovative and effective learning environment. The phased implementation for

smart classes which is currently underway reflects our dedication to staying abreast of educational advancements, ensuring that our students are well-equipped with the skills and knowledge necessary for success in the digital age.

### Four Weeks Residential Program

SSEB successfully conducted the Four Weeks Residential Program at CoE, Jaipur, from 4<sup>th</sup> December to 30<sup>th</sup> December 2023. This immersive and transformative experience offered participants a comprehensive journey of personal and professional development. The program aimed to create a holistic learning environment by combining theoretical knowledge with practical applications.

Throughout the residential stay, participants engaged in a diverse range of activities, including interactive workshops, hands-on projects, and collaborative exercises. The content was designed to enhance not only technical skills but also soft skills such as communication, leadership, and teamwork. The residential setting fostered a sense of community and camaraderie among participants, creating an ideal space for networking and relationship building. The new batches are being conducted at COE Jaipur and Hyderabad from 1<sup>st</sup> January 2024. Overall, the Four Weeks Residential Program was a dynamic and enriching experience that left a lasting impact on the personal and professional lives of its participants.

### CA Students' National Talent Search

The CA Students' Talent Search, 2023, involving Dashboard Visualization and Sketching Competitions, witnessed branch-level contests organized by Regional Councils and Branches between 1<sup>st</sup> December to 10<sup>th</sup> December 2023. Regional-level contests were then conducted by Regional Councils from 16<sup>th</sup> December to 24<sup>th</sup> December 2023.

The National Level Grand Finale of the Dashboard Visualization, and Sketching Competition is scheduled to be held on 12<sup>th</sup> January 2024, at Indore. I appeal to all the students to take active participation in these events which are primarily focussed on building creative skills sets.

### Additional Reading Rooms

The establishment of Additional Reading Rooms aligns with our commitment to fostering a conducive learning environment. I am pleased to inform that very soon our students will be taking the benefits of the additional reading rooms facilities at the following locations- Pimpri Chinchwad, Davangere, Rohtak, Rourkela, Bargah, Beed, Bagalkot and Aizawl. These Additional Reading Rooms will undoubtedly contribute to a richer academic and learning experience for our students.

As we embrace the present and look forward to the future, I am confident that our collective efforts will lead to further advancements, collaborations, and the continued growth of our profession. On that note, as we gear up to meet each other in a new year with the next edition, I expect each one of my students to have their new year resolutions – and pursue them with grit and resilience.

I also encourage each one of you to embrace the spirit of Republic Day and take pride in being an integral part of this incredible journey that is our nation's progress.

Wishing you a fulfilling and successful academic year ahead.

Forever, yours in service

A handwritten signature in black ink, appearing to read 'M Kinare', with a horizontal line underneath.

(CA MANGESH PANDURANG KINARE)  
CHAIRMAN, SSEB

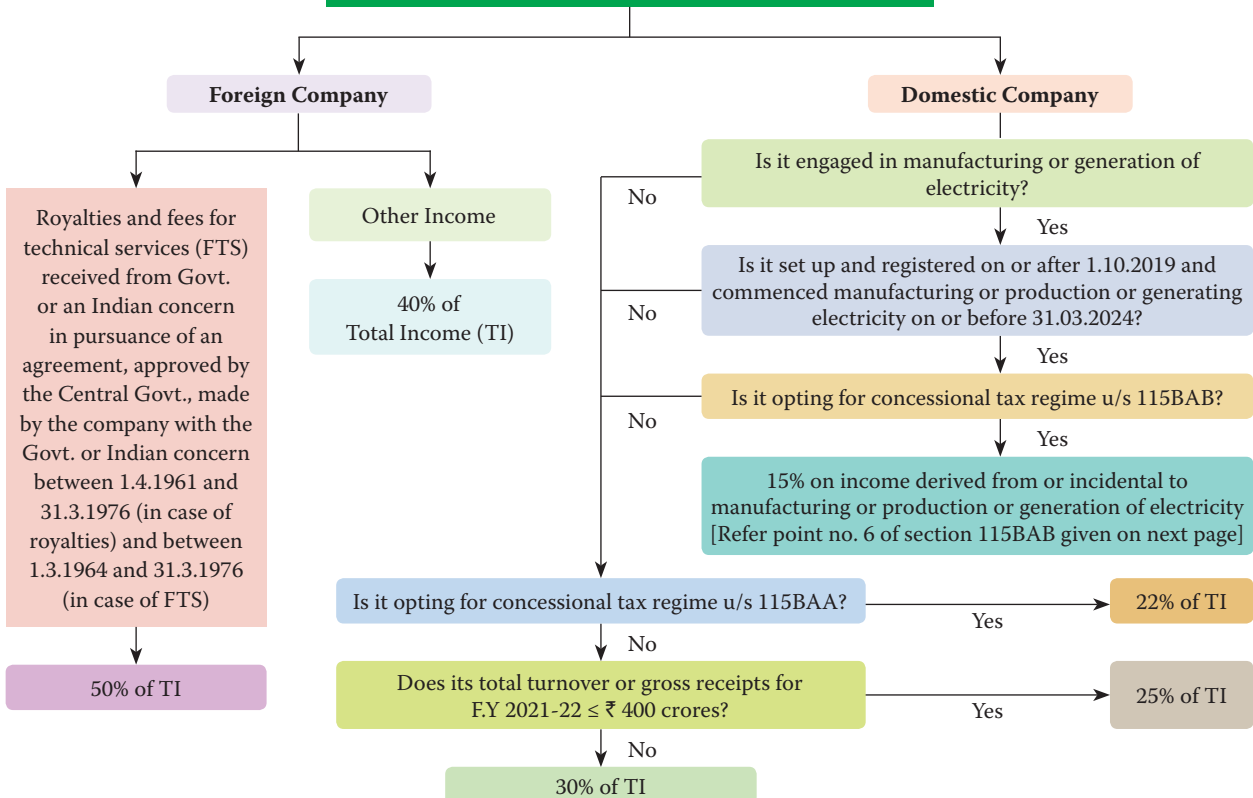
# DIRECT TAX LAWS & INTERNATIONAL TAXATION

## CA FINAL - PAPER-4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

The Board of Studies (Academic) of ICAI has consistently strived to deliver high-quality academic resources to Chartered Accountancy Course students. In alignment with this commitment, BoS(A) has come out with this Capsule on Final Paper 4: Direct Tax Laws & International Taxation covering the overview of Taxation of Companies and Co-operative Societies. The provisions of these topics are in accordance with the Income-tax Act, as amended by the Finance Act, 2023 and relevant for May 2024 and November 2024 Examinations. Students may note that this capsule serves as a tool for quick revision and should not be replaced for in-depth study of the subject. For a comprehensive study, students are advised to refer to the October 2023 Edition of the Final Course Study Material.

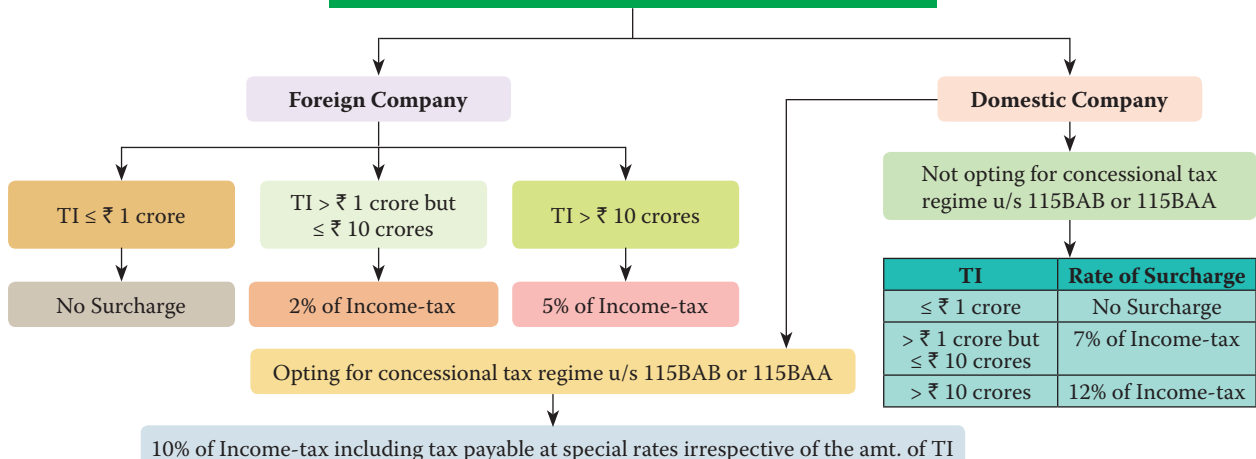
### TAXATION OF COMPANIES

#### RATES OF INCOME TAX FOR COMPANIES



**Note** – Income covered under Chapter XII would be subject to tax at the rates mentioned in the sections specified in the said Chapter.

#### SURCHARGE



# DIRECT TAX LAWS & INTERNATIONAL TAXATION

## SECTIONS 115BAB AND 115BAA PROVIDING FOR CONCESSIONAL RATES OF TAX IN RESPECT OF CERTAIN DOMESTIC COMPANIES

Sections 115BAB and 115BAA provides for concessional rates of tax and exemption from minimum alternate tax (MAT) in respect of certain domestic companies. The provisions of these two sections are tabulated hereunder –

(1)	(2)	(3)	(4)
	Particulars	Section 115BAB	Section 115BAA
1.	<b>Applicability</b>	Domestic manufacturing company/Electricity generation company	Any domestic company
2.	<b>Rate of tax</b>	15%	22%
3.	<b>Rate of surcharge</b>	10%	10%
4.	<b>Effective rate of tax (including surcharge &amp; HEC)</b>	<b>17.16%</b> [Tax@15% (+) Surcharge@10% (+) HEC@4%]	<b>25.168%</b> [Tax@22% (+) Surcharge@10% (+) HEC@4%]
5.	<b>Applicability of MAT</b>	Not applicable	Not applicable
6.	<b>Manner of computation of tax liability</b>		
	<b>Income on which concessional rate of tax is applicable</b>	The rate of tax (i.e., <b>17.16%</b> ) is applicable in respect of income derived from or incidental to manufacturing or production of an article or thing or generation of electricity. <b>[Read with point no. 11 below, wherein the rate of 34.32% (i.e., Tax@30% + surcharge@10% + HEC@4%) would be applicable in specified circumstance]</b>	The rate of tax (i.e., <b>25.168%</b> ) is notwithstanding anything contained in the Income-tax Act, 1961, but subject to the provisions of Chapter XII, other than section 115BA and 115BAB.
	<b>Rate of tax on income covered under Chapter XII</b> [For example, long-term capital gains chargeable to tax u/s 112 and 112A, short-term capital gains chargeable to tax u/s 111A]	Such income would be subject to tax at the rates mentioned in the said sections in Chapter XII. Surcharge@10% would be levied on tax computed on such income. HEC@4% would be levied on the income-tax <i>plus</i> surcharge.	Such income would be subject to tax at the rates mentioned in the said sections in Chapter XII. Surcharge@10% is leviable on tax computed on such income. HEC@4% would be levied on the income-tax <i>plus</i> surcharge.
	<b>Rate of tax on other income in respect of which no specific rate of tax is provided in Chapter XII</b>	The applicable tax rate is <b>25.168% (i.e., tax@22% + surcharge @10% + HEC@4%)</b> , if such income has neither been derived from nor is incidental to manufacturing or production of an article or thing or generating electricity (For example, income from house property and income from other sources). In respect of such income, <b>no deduction or allowance in respect of any expenditure or allowance</b> shall be allowed in computing such income.	The applicable tax rate is <b>25.168% (i.e., tax@22% + surcharge@10% + HEC@4%)</b> . There is, however, <b>no restriction regarding claiming of any deduction or allowance</b> permissible under the relevant provisions of the Act.
	<b>Rate of tax on STCG derived from transfer of a capital asset on which no depreciation is allowable under the Act</b>	The applicable rate of tax is <b>25.168% (i.e., tax@22% + surcharge@10% + HEC@4%)</b> . There is, however, no restriction regarding claiming of deduction or allowance in this regard.	The applicable rate of tax is <b>25.168% (i.e., tax @22% + surcharge @10% + cess@4%)</b> . There is no restriction regarding claiming of deduction or allowance in this regard.
7.	<b>Conditions to be fulfilled for availing concessional rate of tax and exemption from MAT</b>		
	<b>Conditions to be fulfilled for availing concessional rate of tax and exemption from MAT</b>	(i) The company should be <b>set-up and registered on or after 1.10.2019</b> .	No time limit specified. Both existing companies and new companies can avail benefit.



## DIRECT TAX LAWS & INTERNATIONAL TAXATION

(1)	(2)	(3)	(4)
	Particulars	Section 115BAB	Section 115BAA
	(ii)	It should <b>commence manufacturing or production of an article or thing or business of generating electricity on or before 31.3.2024.</b>	Need not be a manufacturing or a production company.
	(iii)	It should <b>not be formed by splitting up or the reconstruction of a business already in existence</b> (except in case of a company, business of which is formed as a result of the re-establishment, reconstruction or revival by the person of the business of any undertaking referred to in section 33B in the circumstances and within the period specified therein)	No similar condition has been prescribed.
	(iv)	It does <b>not</b> use any machinery or plant previously used for any purpose [ <b>Refer Note at the end of this table</b> ]	No similar condition has been prescribed.
	(v)	It does <b>not</b> use any building previously used as a hotel or a convention centre [meanings assigned in section 80-ID(6)] in respect of which deduction u/s 80-ID has been claimed and allowed.	No similar condition has been prescribed.
	(vi)	<p>It should <b>not</b> be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it.</p> <p><i>Note – Business of manufacture or production of any article or thing does <b>not</b> include business of –</i></p> <ol style="list-style-type: none"> <li>(1) <i>Development of computer software in any form or in any media</i></li> <li>(2) <i>Mining</i></li> <li>(3) <i>Conversion of marble blocks or similar items into slabs</i></li> <li>(4) <i>Bottling of gas into cylinder</i></li> <li>(5) <i>Printing of books or production of cinematograph films</i></li> <li>(6) <i>Any other business as may be notified by the Central Govt. in this behalf.</i></li> </ol>	No similar condition has been prescribed.
		<p><i>Note - If difficulty arises regarding fulfilment of conditions listed in (iv) to (vi) above, the CBDT may, with the approval of the Central Govt., issue guidelines for the purpose of removing difficulty and to promote manufacturing or production of article or thing using new plant and machinery.</i></p> <p><i>Every guideline issued by the CBDT has to be laid before each House of Parliament, and shall be binding on the person, and the income-tax authorities subordinate to it.</i></p>	

# DIRECT TAX LAWS & INTERNATIONAL TAXATION

(1)	(2)	(3)	(4)
	Particulars	Section 115BAB	Section 115BAA
8.	<b>Common conditions for both sections for availing the concessional rate of tax and exemption from MAT</b>	In case of a company opting for either section 115BAA or 115BAB, the total income should be computed -	
		(i)	without providing for deduction under any of the following sections:
		Section	Provision
		10AA	Exemption of profits and gains derived from export of articles or things or from services by an assessee, being an entrepreneur from his Unit in SEZ.
		32(1)(iia)	Additional depreciation @20% of actual cost of new plant and machinery acquired and installed by manufacturing undertakings.
		33AB	Deduction@40% of profits and gains of business of growing and manufacturing tea, coffee or rubber in India, to the extent deposited with NABARD in accordance with scheme approved by the Tea/Coffee/Rubber Board.
		33ABA	Deduction@20% of the profits of a business of prospecting for, or extraction or production of, petroleum or natural gas or both in India, to the extent deposited with SBI in an approved scheme or deposited in Site Restoration Account.
		35(1)(ii)/ (iia)/(iii)	Deduction for payment to any research association, company, university etc. for undertaking scientific research or social science or statistical research.
		35(2AA)	Deduction of payment to a National Laboratory or University or IIT or approved specified person for scientific research.
		35(2AB)	Deduction of in-house scientific research expenditure incurred by a company engaged in the business of bio-technology or in the business of manufacture or production of an article or thing.
		35AD	Investment-linked tax deduction for specified businesses.
		35CCC	Deduction of expenditure incurred on notified agricultural extension project.
		35CCD	Deduction of expenditure incurred by a company on notified skill development project.
		80C to 80U	Deductions from gross total income under Chapter VI-A other than the provisions of section 80JJAA or section 80M.
		(ii)	without set-off of any loss or allowance for unabsorbed depreciation deemed so u/s 72A, where such loss or depreciation is attributable to any of the deductions listed in (i) above [Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss shall be allowed for any subsequent year]
		(iii)	by claiming depreciation u/s 32 determined in the prescribed manner (i.e., in respect of depreciation of any block of assets entitled to more than 40% shall be restricted to 40% on the written down value of such block of assets). However, additional depreciation u/s 32(1)(iia) cannot be claimed.
		<b>Note – Additional points relevant in the context of section 115BAA:</b>	
		(1) In case of a company opting for section 115BAA, total income should be computed without set-off of any loss carried forward or depreciation from any earlier assessment year, where such loss or depreciation is attributable to any of the deductions listed in (i) above [Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year]	
		(2) In the case of a person having a Unit in the IFSC, referred to in section 80LA(1A), which has exercised option for section 115BAA, deduction u/s 80LA would be allowed subject to fulfilment of the conditions specified in that section.	

## DIRECT TAX LAWS & INTERNATIONAL TAXATION

(1)	(2)	(3)	(4)
	Particulars	Section 115BAB	Section 115BAA
		(3) <i>Since there is no time line within which option under section 115BAA can be exercised, a domestic company having brought forward losses and depreciation on account of deductions listed in (i) above may, if it so desires, postpone exercise the option under section 115BAA to a later assessment year, after set off of the losses and depreciation so accumulated.</i>	
9.	<b>Failure to satisfy conditions</b>	<p>On failure to satisfy the conditions mentioned in point no. 7 and 8 above in any P.Y., the option exercised would be <b>invalid</b> in respect of the assessment year relevant to that previous year and subsequent assessment years;</p> <p>Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.</p> <p><i>Note – Where option exercised under section 115BAB is rendered invalid due to violation of conditions stipulated in point no.7 [(iv) to (vi)] above, such person may exercise option under section 115BAA.</i></p>	<p>On failure to satisfy the conditions mentioned in point no. 8 above in any P.Y., the option exercised would be <b>invalid</b> in respect of the assessment year relevant to that previous year and subsequent assessment years;</p> <p>Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.</p>
10.	<b>Availability of set-off of MAT credit brought forward from earlier years</b>	<p>Since it is a new company, there would be no brought forward MAT credit.</p>	<p>Brought forward MAT credit cannot be set-off against income u/s 115BAA.</p> <p><i>Note - If a company has b/f MAT credit, it can first exhaust the MAT credit, and thereafter opt for section 115BAA in a subsequent previous year.</i></p>
11.	<b>Adjustments for transactions with persons having close connection</b>	<p>If the Assessing Officer opines that the course of business between the company and any other person having close connection therewith is so arranged that the business transacted between them produces more than the ordinary profits to the company, he is empowered to take into account the amount of profits as may be reasonably deemed to have been derived therefrom, while computing profits and gains of such company.</p> <p>In case the arrangement referred above involves a specified domestic transaction referred to in section 92BA, then, the amount of profits from such transaction would be determined by considering the arm's length price (ALP).</p> <p><b>The amount, being profits in excess of the amount of the profits determined by the Assessing Officer, shall be deemed to be the income of the person.</b></p> <p><b>The income-tax on the income so deemed shall be subject to tax @ 34.32% (i.e., tax @ 30% + surcharge @10% +HEC @ 4%).</b></p> <p><i>Note – The scope of “specified domestic transaction” referred to in section 92BA has been expanded to include within its ambit, any business transacted between such persons with close connection, where one such person is a company claiming benefit under section 115BAB.</i></p>	<p>No such requirement to make any adjustment</p>

# DIRECT TAX LAWS & INTERNATIONAL TAXATION

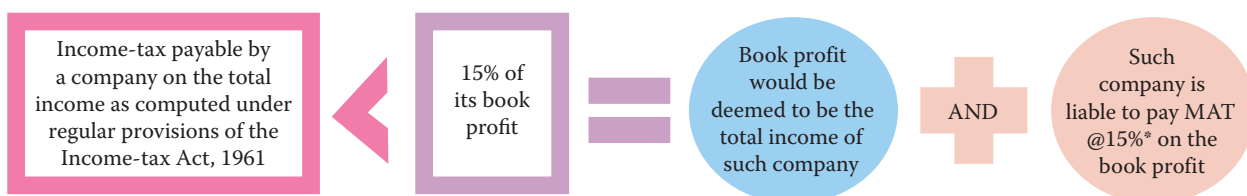
(1)	(2)	(3)	(4)
	Particulars	Section 115BAB	Section 115BAA
12.	<b>Exercise of option by the company within the prescribed time</b>	<p>The beneficial provisions of this section would apply only if option is exercised in the prescribed manner on or before the due date u/s 139(1) for furnishing <b>the first of the returns of income for any previous year</b> relevant to assessment year or any subsequent assessment year.</p> <p>Such option, once exercised, would apply to subsequent assessment years.</p> <p>Further, once the option has been exercised for any previous year, it <b>cannot be subsequently withdrawn</b> for the same or any other previous year.</p> <p><b>Notes –</b></p> <p>(1) <i>The option has to be exercised at the time of furnishing the <b>first of the returns of income</b> for any previous year. If a person fails to so exercise such option, it cannot be exercised thereafter for any subsequent previous year.</i></p> <p>(2) <i>In case of amalgamation, the option exercised u/s 115BAB shall remain valid in the case of the amalgamated company only and if the conditions mentioned in point no. (7) and (8) are continued to be satisfied by such company.</i></p>	<p>The beneficial provisions of this section would apply if option is exercised in the prescribed manner on or before the due date u/s 139(1) for furnishing the return of income for any previous year relevant to assessment year or any subsequent A.Y.</p> <p>Such option, once exercised, would apply to subsequent assessment years.</p> <p>Further, once the option has been exercised for any previous year, it <b>cannot be subsequently withdrawn</b> for the same or any other previous year.</p> <p><b>Note –</b> <i>The option can be exercised even in a later year, but once exercised, cannot be withdrawn subsequently.</i></p> <p><i>Further, where the person exercises option under section 115BAA, the option under section 115BA may be withdrawn.</i></p>

**Note -** For the purpose of point no.7(iv) in column (3) of the above table in relation to a company exercising option under section 115BAB, any machinery or plant which was used outside India by any other person shall not be regarded as machinery or plant previously used for any purpose, if all the following conditions are fulfilled, namely:—

- (a) such machinery or plant was not, at any time previous to the date of the installation, used in India;
- (b) such machinery or plant is imported into India from any country outside India;
- (c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of the Income-tax Act, 1961 in computing the total income of any person for any period prior to the date of installation of the machinery or plant by the person.

Further, where in the case of a person, any machinery or plant or any part thereof previously used for any purpose is put to use by the company and the total value of the machinery or plant or part so transferred does not exceed 20% of the total value of the machinery or plant used by the company, then, the condition specified that the company does not use any machinery or plant previously used for any purpose would be deemed to have been complied with.

## MINIMUM ALTERNATE TAX ON COMPANIES [SECTION 115JB]



\*In case of a company, being a unit located in IFSC and deriving its income solely in convertible foreign exchange, MAT rate would be 9%.

### Computation of book profit [Explanation 1 below section 115JB(2)]

Particulars	Amount in ₹
<b>Net Profits as per Statement of profit and loss</b>	xxx
<b>Add:</b> Net profit to be increased by the following amounts as per <i>Explanation 1</i> below section 115JB(2) if such amounts are debited to Statement of profit and loss	
– <b>Income-tax paid or payable</b> (including interest, surcharge and health and education cess) and the provision for income-tax	xxx
– <b>Amount carried to Reserves</b>	xxx
– <b>Amounts set aside to provisions for meeting liabilities</b> other than ascertained liabilities	xxx
– <b>Provision for losses of subsidiary companies</b>	xxx
– <b>Dividend or proposed dividend</b>	xxx
– <b>Expenditure relatable to any exempt income to which section 10 or sections 11 or 12 apply</b>	xxx

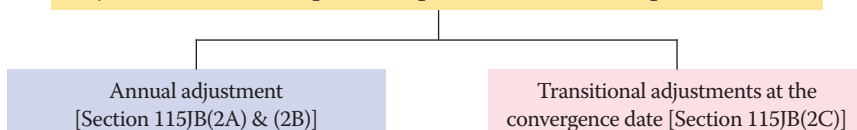


# DIRECT TAX LAWS & INTERNATIONAL TAXATION

Particulars	Amount in ₹
– <b>Expenditure relatable to share of an assessee in the income of an AoP or BoI</b> on which no income-tax is payable in accordance with the provisions of section 86	xxx
– <b>Expenditure relatable to income accruing or arising to a foreign company</b> from (A) the capital gains arising on transactions in securities or (B) the interest, dividend, royalty, or fees for technical services chargeable to tax at the rates specified in Chapter XII if income-tax payable thereon is at a rate less than 15%	xxx
– <b>Notional loss on the units of business trust</b>	xxx
– <b>Expenditure relatable to royalty income</b> in respect of patent chargeable to tax u/s 115BBF	xxx
– Depreciation	xxx
– Deferred tax and provision for deferred tax	xxx
– Amount set aside as provision for diminution in the value of any asset	xxx
– Amount standing in revaluation reserve relating to the revalued asset on the retirement or disposal of such asset, in case the same is not credited to statement of profit and loss	xxx
– Gain arises on transfer of units of business trust acquired in exchange of shares of SPV	xxx
	xxx
<b>Less:</b> Net profit to be decreased by the following amounts as per <i>Explanation 1</i> below section 115JB(2), if such amounts are credited to Statement of profit and loss:	
– <b>Amount withdrawn from any reserve or provision</b> [However, the amount withdrawn from reserves/provisions shall not be reduced from the book profit unless the book profit of that year has been increased by those reserves/ provisions]	xxx
– <b>Exempted income</b> u/s section 10 or sections 11 or 12	xxx
– <b>Depreciation</b> debited to the statement of profit and loss (excluding the claim of depreciation on account of revaluation of assets)	xxx
– <b>Amount withdrawn from the revaluation reserve</b> to the extent it does not exceed the amount of depreciation on revaluation of assets	xxx
– <b>Share in the income of an AoP or BoI</b> , on which no income-tax is payable in accordance with the provisions of section 86	xxx
– <b>Income accruing to foreign company</b> from (A) the capital gains arising on transactions in securities or (B) the interest, dividend, royalty, or fees for technical services chargeable to tax at the rates specified in Chapter XII if income-tax payable thereon is at a rate less than 15%	xxx
– <b>Notional gain on the units of business trust</b>	xxx
– <b>Loss on transfer</b> of units of business trust acquired in exchange of shares of SPV	xxx
– <b>Royalty income</b> in respect of patent chargeable to tax u/s 115BBF	xxx
– <b>Aggregate amount of unabsorbed depreciation and loss brought forward</b> in case of <ul style="list-style-type: none"> <li>• a company, its subsidiary and the subsidiary of such subsidiary whose Board of Directors has been suspended and new directors nominated by the Central Govt. has been appointed by the Tribunal, on an application moved by the Central Govt.</li> <li>• company against whom an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016</li> </ul>	xxx
– <b>Lower of brought forward loss or unabsorbed depreciation of other companies as per books of account</b> [No deduction will be allowed from the book profit of the relevant year if either the figure of brought forward loss or unabsorbed depreciation is “NIL”]	xxx
– <b>Profits of a sick industrial company (BIFR company)</b> commencing from the P.Y. in which the company became sick and ending with the A.Y. during which the entire net worth of such company becomes equal to or exceeds the accumulated losses	xxx
– <b>Deferred tax</b>	xxx
<b>Book Profit</b>	xxx

## COMPUTATION OF BOOK PROFIT FOR IND AS COMPLIANT COMPANIES

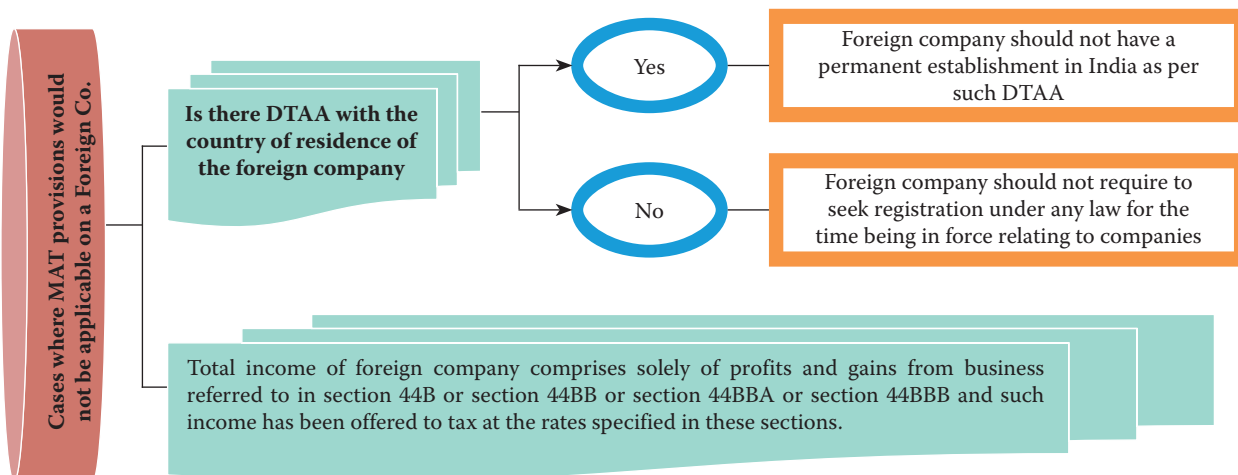
### Adjustment in the book profit computed above due to adoption of Ind AS



# DIRECT TAX LAWS & INTERNATIONAL TAXATION

## Non-applicability of MAT

- Life insurance business referred to in section 115B
- Company who has exercised the option u/s 115BAA or section 115BAB
- A foreign company in certain cases [Cases are given below]



## SET OFF OF CREDIT OF MAT PAID UNDER SECTION 115JB [SECTION 115JAA]

MAT credit = MAT as per section 115JB (-) Tax payable under the regular provisions of the Act.  
No interest would be payable on the tax credit allowed

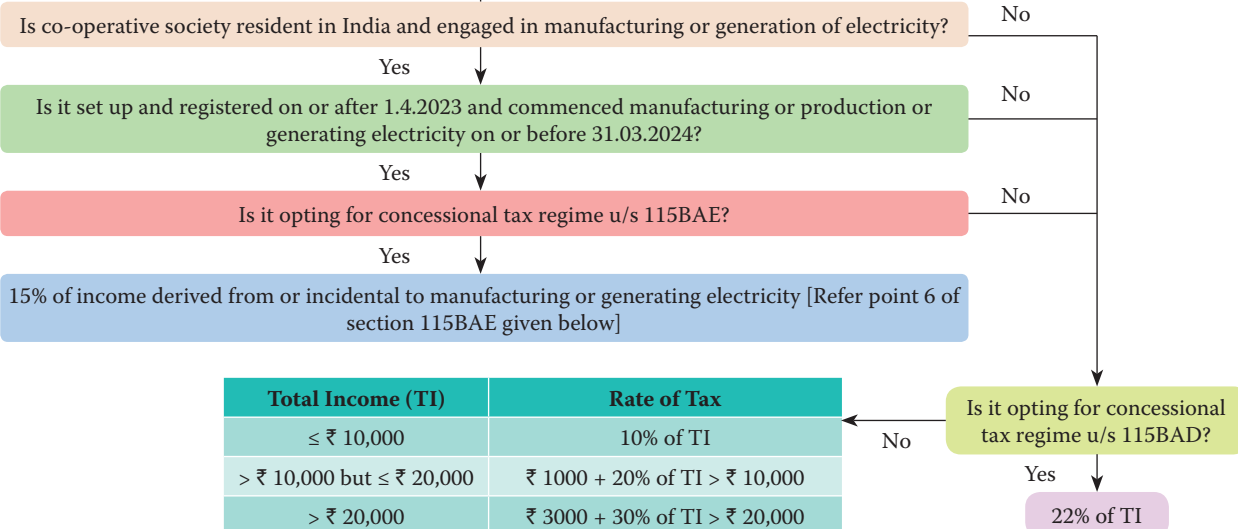
MAT credit is allowed to be carried forward for 15 AYS succeeding the AY in which the credit became allowable

MAT credit would be allowable to set off in a year when tax becomes payable on the TI computed under the regular provisions of Act

MAT credit adjustment = Tax on the total income under regular provisions of the Act (-) MAT as per section 115JB

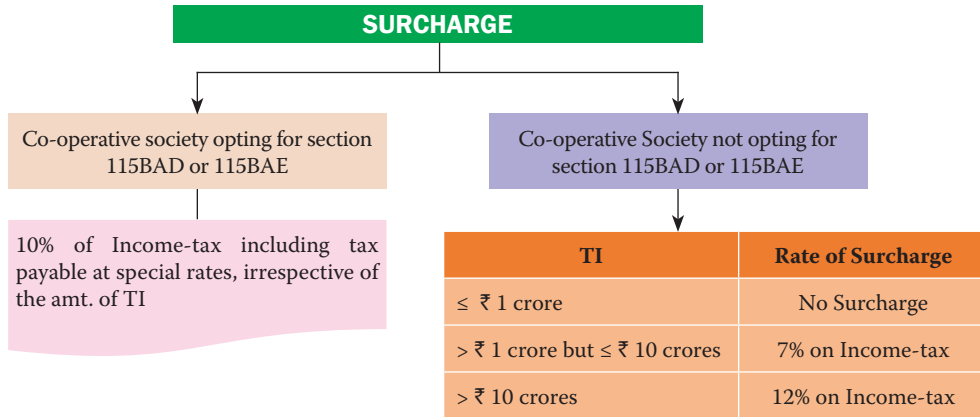
## TAXATION OF CO-OPERATIVE SOCIETIES

### RATES OF INCOME TAX FOR CO-OPERATIVE SOCIETIES



**Note** – Income covered under Chapter XII would be subject to tax at the rates mentioned in the sections specified in the said Chapter.

# DIRECT TAX LAWS & INTERNATIONAL TAXATION



## SECTIONS 115BAE AND 115BAD PROVIDING FOR CONCESSIONAL RATES OF TAX IN RESPECT OF CERTAIN CO-OPERATIVE SOCIETIES

Sections 115BAE and 115BAD provides for concessional rates of tax and exemption from Alternate Minimum Tax (AMT) in respect of certain resident co-operative societies. The provisions of these two sections are tabulated hereunder -

(1)	(2) Particulars	(3) Section 115BAE	(4) Section 115BAD
1.	<b>Applicability</b>	Co-operative society resident in India and engaged in manufacturing/generation of electricity	Co-operative society resident in India
2.	<b>Rate of tax</b>	15%	22%
3.	<b>Rate of surcharge</b>	10%	10%
4.	<b>Effective rate of tax (including surcharge &amp; HEC)</b>	<b>17.16%</b> [Tax@15% (+) Surcharge@10% (+) HEC@4%]	<b>25.168%</b> [Tax@22% (+) Surcharge@10% (+) HEC@4%]
5.	<b>Applicability of AMT</b>	Not applicable	Not applicable
6.	<b>Manner of computation of tax liability</b>		
	<b>Income on which concessional rate of tax is applicable</b>	The rate of tax (i.e., <b>17.16%</b> ) is applicable in respect of income derived from or incidental to manufacturing or production of an article or thing or generation of electricity. <b>[Read with point no.11 below, wherein the rate of 34.32% (i.e., Tax@30% + surcharge@10% + HEC@4%) would be applicable in specified circumstance]</b>	The rate of tax (i.e., <b>25.168%</b> ) is notwithstanding anything contained in the Income-tax Act, 1961, but subject to the provisions of Chapter XII, other than section 115BAE
	<b>Rate of tax on income covered under Chapter XII [For example, long-term capital gains chargeable to tax u/s 112 and 112A, short-term capital gains chargeable to tax u/s 111A]</b>	Such income would be subject to tax at the rates mentioned in the said sections in Chapter XII. Surcharge@10% would be levied on tax computed on such income. HEC@4% would be levied on the income-tax <i>plus</i> surcharge.	Such income would be subject to tax at the rates mentioned in the said sections in Chapter XII. Surcharge@10% is leviable on tax computed on such income. HEC@4% would be levied on the income-tax <i>plus</i> surcharge.

# DIRECT TAX LAWS & INTERNATIONAL TAXATION

(1)	(2)	(3)	(4)
	Particulars	Section 115BAE	Section 115BAD
	Rate of tax on other income in respect of which no specific rate of tax is provided in Chapter XII	The applicable tax rate is 25.168% (i.e., tax@22% + surcharge @10% + HEC@4%), if such income has neither been derived from nor is incidental to manufacturing or production of an article or thing or generating electricity (For example, income from house property and income from other sources). In respect of such income, <b>no deduction or allowance in respect of any expenditure or allowance</b> shall be allowed in computing such income.	The applicable tax rate is 25.168% (i.e., tax@22% + surcharge@10% + HEC@4%). There is, however, <b>no restriction regarding claiming of any deduction or allowance</b> permissible under the relevant provisions of the Act.
	Rate of tax on STCG derived from transfer of a capital asset on which no depreciation is allowable under the Act	The applicable rate of tax is 25.168% (i.e., tax@22% + surcharge@10% + HEC@4%). There is, however, no restriction regarding claiming of deduction or allowance in this regard.	The applicable rate of tax is 25.168% i.e., tax @22% + surcharge @10% + cess@4%. There is no restriction regarding claiming of deduction or allowance in this regard.
7.	<b>Conditions to be fulfilled for availing concessional rate of tax and exemption from AMT</b>		
	Conditions to be fulfilled for availing concessional rate of tax and exemption from AMT	(i) The co-operative society should be <b>set-up and registered on or after 1.4.2023.</b>	No time limit specified. Both existing co-operative society and new co-operative society can avail benefit.
		(ii) It should <b>commence manufacturing or production of an article or thing or business of generating electricity on or before 31.3.2024.</b>	Need not be engaged in a manufacturing or a production.
		(iii) It should <b>not be formed by splitting up or the reconstruction of a business already in existence</b>	No similar condition has been prescribed.
		(iv) It does <b>not</b> use any machinery or plant previously used for any purpose [ <b>Refer Note at the end of this table</b> ].	No similar condition has been prescribed.
		(v) It should <b>not</b> be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it.  <i>Note – Business of manufacture or production of any article or thing does <b>not</b> include business of –</i> <i>(1) Development of computer software in any form or in any media</i> <i>(2) Mining</i> <i>(3) Conversion of marble blocks or similar items into slabs</i> <i>(4) Bottling of gas into cylinder</i> <i>(5) Printing of books or production of cinematograph films</i> <i>(6) Any other business as may be notified by the Central Govt. in this behalf.</i>	No similar condition has been prescribed.
8.	<b>Common conditions for both sections for availing the concessional rate of tax and exemption from AMT</b>	In case of a co-operative society opting for either section 115BAE or 115BAD, the total income should be computed -	



# DIRECT TAX LAWS & INTERNATIONAL TAXATION

(1)	(2)	(3)	(4)																				
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		(i) without providing for deduction under any of the following sections: <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th style="text-align: center;">Section</th> <th style="text-align: center;">Provision</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10AA</td> <td>Exemption of profits and gains derived from export of articles or things or from services by an assessee from unit in SEZ.</td> </tr> <tr> <td style="text-align: center;">32(1)(ia)</td> <td>Additional depreciation @20% of actual cost of new plant and machinery acquired and installed by manufacturing undertakings.</td> </tr> <tr> <td style="text-align: center;">33AB</td> <td>Deduction@40% of profits and gains of business of growing and manufacturing tea, coffee or rubber in India, to the extent deposited with NABARD in accordance with scheme approved by the Tea/Coffee/ Rubber Board.</td> </tr> <tr> <td style="text-align: center;">33ABA</td> <td>Deduction@20% of the profits of a business of prospecting for, or extraction or production of, petroleum or natural gas or both in India, to the extent deposited with SBI in an approved scheme or deposited in Site Restoration Account.</td> </tr> <tr> <td style="text-align: center;">35(1)(ii)/ (ia)/(iii)</td> <td>Deduction for payment to any research association, company, university etc. for undertaking scientific research or social science or statistical research.</td> </tr> <tr> <td style="text-align: center;">35(2AA)</td> <td>Deduction of payment to a National Laboratory or University or IIT or approved specified person for scientific research.</td> </tr> <tr> <td style="text-align: center;">35AD</td> <td>Investment-linked tax deduction for specified businesses.</td> </tr> <tr> <td style="text-align: center;">35CCC</td> <td>Deduction of expenditure incurred on notified agricultural extension project.</td> </tr> <tr> <td style="text-align: center;">80C to 80U</td> <td>Deductions from gross total income under Chapter VI-A other than the provisions of section 80JJAA.</td> </tr> </tbody> </table>	Section	Provision	10AA	Exemption of profits and gains derived from export of articles or things or from services by an assessee from unit in SEZ.	32(1)(ia)	Additional depreciation @20% of actual cost of new plant and machinery acquired and installed by manufacturing undertakings.	33AB	Deduction@40% of profits and gains of business of growing and manufacturing tea, coffee or rubber in India, to the extent deposited with NABARD in accordance with scheme approved by the Tea/Coffee/ Rubber Board.	33ABA	Deduction@20% of the profits of a business of prospecting for, or extraction or production of, petroleum or natural gas or both in India, to the extent deposited with SBI in an approved scheme or deposited in Site Restoration Account.	35(1)(ii)/ (ia)/(iii)	Deduction for payment to any research association, company, university etc. for undertaking scientific research or social science or statistical research.	35(2AA)	Deduction of payment to a National Laboratory or University or IIT or approved specified person for scientific research.	35AD	Investment-linked tax deduction for specified businesses.	35CCC	Deduction of expenditure incurred on notified agricultural extension project.	80C to 80U	Deductions from gross total income under Chapter VI-A other than the provisions of section 80JJAA.	
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		(ii) without set-off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions listed in (i) above [Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss shall be allowed for any subsequent year]																					
		(iii) by claiming depreciation u/s 32 determined in the prescribed manner (i.e., in respect of depreciation of any block of assets entitled to more than 40% shall be restricted to 40% on the written down value of such block of assets). However, additional depreciation u/s 32(1)(ia) cannot be claimed.																					
		<b>Note – Additional points relevant in the context of section 115BAD:</b> (1) In the case of a person having a Unit in the IFSC, referred to in section 80LA(1A), which has exercised option for section 115BAD, deduction u/s 80LA would be allowed subject to fulfilment of the conditions specified in that section. (2) Since there is no time line within which option under section 115BAD can be exercised, a co-operative society having brought forward losses and depreciation on account of deductions listed in (i) above may, if it so desires, postpone exercise the option under section 115BAD to a later assessment year, after set off of the losses and depreciation so accumulated.																					
9.	<b>Failure to satisfy conditions</b>	On failure to satisfy the conditions mentioned in point no. 7 and 8 above in any P.Y., the option exercised would be <b>invalid</b> in respect of the assessment year relevant to that previous year and subsequent assessment years; Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.	On failure to satisfy the conditions mentioned in point no. 8 above in any P.Y., the option exercised would be <b>invalid</b> in respect of the assessment year relevant to that previous year and subsequent assessment years; Consequently, the other provisions of the Act would apply to the person as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.																				
10.	<b>Availability of set-off of AMT credit brought forward from earlier years</b>	Since it is a new co-operative society, there would be no brought forward AMT credit.	Brought forward AMT credit cannot be set-off against income u/s 115BAD. <b>Note - If a co-operative society has b/f AMT credit, it can first exhaust the AMT credit, and thereafter opt for section 115BAD in a subsequent previous year.</b>																				

## DIRECT TAX LAWS & INTERNATIONAL TAXATION

(1)	(2)	(3)	(4)
	Particulars	Section 115BAE	Section 115BAD
11.	<b>Adjustments for transactions with persons having close connection</b>	<p>If the Assessing Officer opines that the course of business between the co-operative society and any other person having close connection therewith is so arranged that the business transacted between them produces more than the ordinary profits to the co-operative society, he is empowered to take into account the amount of profits as may be reasonably deemed to have been derived therefrom, while computing profits and gains of such co-operative society.</p> <p>In case the arrangement referred above involves a specified domestic transaction referred to in section 92BA, then, the amount of profits from such transaction would be determined by considering the arm's length price (ALP). The amount, being profits in excess of the amount of the profits determined by the Assessing Officer, shall be deemed to be the income of the person.</p> <p><b>The income-tax on the income so deemed shall be subject to tax @ 34.32% (i.e., tax @ 30% + surcharge @10% +HEC @ 4%).</b></p> <p><i>Note – The scope of "specified domestic transaction" referred to in section 92BA has been expanded to include within its ambit, any business transacted between such persons with close connection, where one such person is a company claiming benefit under section 115BAE.</i></p>	No such requirement to make any adjustment
12.	<b>Exercise of option by the co-operative society with- in the prescribed time</b>	<p>The beneficial provisions of this section would apply only if option is exercised in the prescribed manner on or before the due date u/s 139(1) for furnishing <b>the first of the returns of income for any previous year</b> relevant to assessment year or any subsequent assessment year.</p> <p>Such option, once exercised, would apply to subsequent assessment years.</p> <p>Further, once the option has been exercised for any previous year, it <b>cannot be subsequently withdrawn</b> for the same or any other previous year.</p> <p><i>Note – The option has to be exercised at the time of furnishing the <b>first of the returns of income</b> for any previous year. If a person fails to so exercise such option, it cannot be exercised thereafter for any subsequent previous year.</i></p>	<p>The beneficial provisions of this section would apply if option is exercised in the prescribed manner on or before the due date u/s 139(1) for furnishing the return of income for any previous year relevant to assessment year or any subsequent A.Y.</p> <p>Such option, once exercised, would apply to subsequent assessment years.</p> <p>Further, once the option has been exercised for any previous year, it <b>cannot be subsequently withdrawn</b> for the same or any other previous year.</p> <p><i>Note – The option can be exercised even in a later year, but once exercised, cannot be withdrawn subsequently.</i></p>

**Note** - For the purpose of point no.7(iv) in column (3) of the above table in relation to a co-operative society exercising option under section 115BAE, any machinery or plant which was used outside India by any other person shall not be regarded as machinery or plant previously used for any purpose, if all the following conditions are fulfilled, namely:—

- (a) such machinery or plant was not, at any time previous to the date of the installation, used in India;
- (b) such machinery or plant is imported into India from any country outside India;
- (c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of the Income-tax Act, 1961 in computing the total income of any person for any period prior to the date of installation of the machinery or plant by the person.

Further, where in the case of a person, any machinery or plant or any part thereof previously used for any purpose is put to use by the co-operative society and the total value of the machinery or plant or part so transferred does not exceed 20% of the total value of the machinery or plant used by the co-operative society, then, the condition specified that the co-operative society does not use any machinery or plant previously used for any purpose would be deemed to have been complied with.

# DIRECT TAX LAWS & INTERNATIONAL TAXATION

## ALTERNATE MINIMUM TAX (AMT) [CHAPTER XII-BA-SECTIONS 115JC TO 115JF]

Applicability of AMT  
[Section 115JEE(1)]

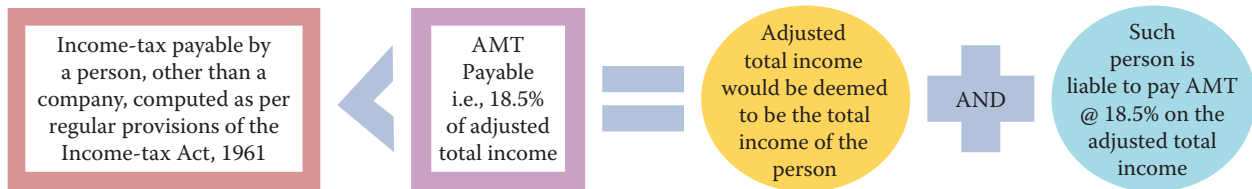
Any person other than a company who has claimed deduction

- under any section (other than section 80P) included in Chapter VI-A under the heading “C – Deductions in respect of certain incomes” or
- u/s 10AA or
- u/s 35AD

Non-applicability  
[Section 115JEE(2)]

The provisions of AMT would, however, not be applicable to

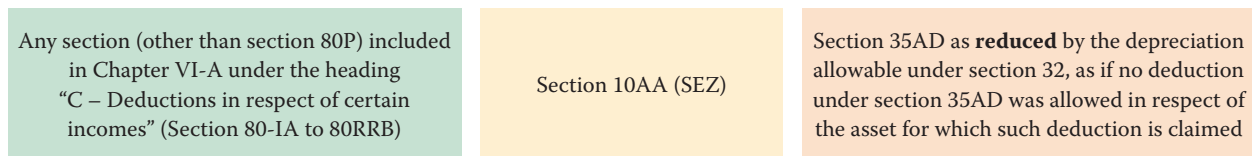
- an individual, HUF, AoP, BoI, whether incorporated or not, or artificial juridical person, if the adjusted total income of such person does not exceed ₹ 20 lakh
- a resident co-operative society opting for section 115BAD or 115BAE
- an individual, HUF, AoP, BoI or artificial juridical person who is paying tax under default tax regime u/s 115BAC
- a specified fund referred in clause(c) of *Explanation* to section 10(4D)



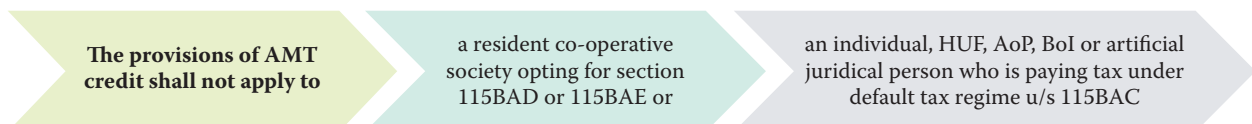
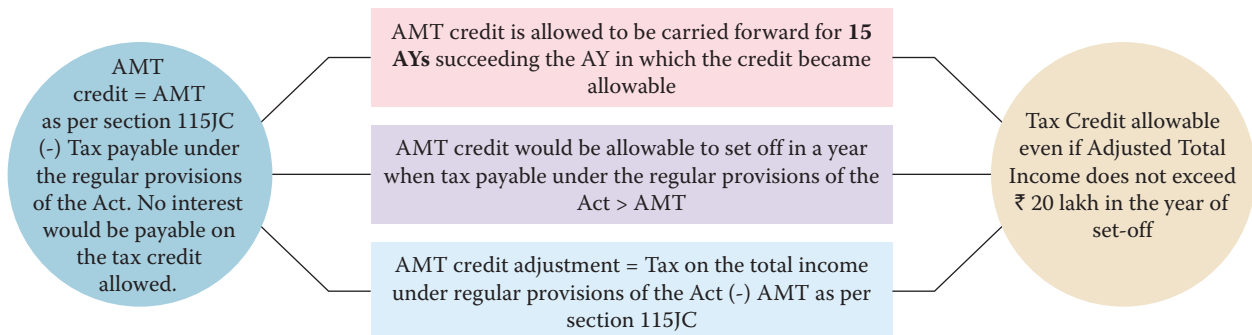
Where the person subject to AMT	Rate of AMT on adjusted total income
- is a unit located in an International Financial Services Centre (IFSC) deriving its income solely in convertible foreign exchange	9%
- a co-operative society	15%

### COMPUTATION OF ADJUSTED TOTAL INCOME

Total income before giving effect to AMT provisions as increased by the deductions claimed, if any, under –



### SET OFF OF AMT CREDIT U/S 115JD



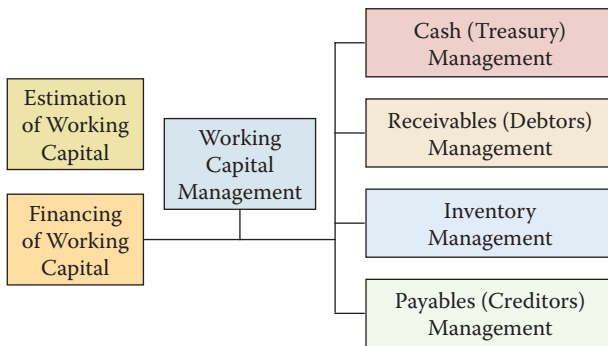
# FINANCIAL MANAGEMENT

## CA INTERMEDIATE - PAPER 6A: FINANCIAL MANAGEMENT MANAGEMENT OF WORKING CAPITAL

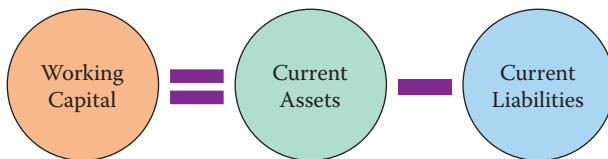
Working Capital is as important as blood in human body, it is necessary to run day to day business in a smooth way. The significance of the working capital for a business, places it at the centre stage of managerial attention and care. Management of working capital includes estimation of adequate capital, financing of the estimated capital and management of different components of the working capital. The different managerial techniques that have been learnt in the financial management, are applied here in this topic.

This capsule is not a substitute of the holistic study and concept learning about this important topic on working capital management rather a quick recap map to help the students to recapitulate the learning at a glance.

### OVERVIEW OF THE TOPIC

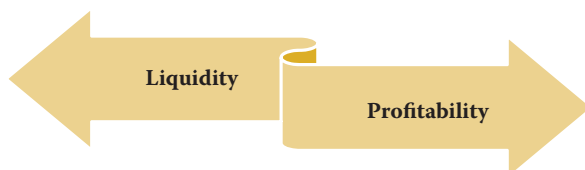


### ACCOUNTING EQUATION OF WORKING CAPITAL



Managing of working capital is about the managing of current assets and current liabilities in a business. In a broad classification current assets that needs management attention are Receivables (Debtors), Inventories (Stocks), Cash and advances like prepaid expenses etc. In the liabilities side current liabilities are like Payables (Creditors) and other outstanding dues.

Each components of working capital as classified above are managed separately, but the managerial approach and policies like Liquidity vs Profitability, Conservative to Aggressive investment in working capital are at the core of every decision taken by the management.



For smooth functioning of the day to day business, maintaining of liquidity of funds evenly during the operating cycle is important but unnecessary tying up of funds in idle assets not only reduces the liquidity but also reduces the opportunity to earn better return from a productive asset. Trade-off between the liquidity and profitability can be attained following the techniques tabulated below:

Component of Working Capital	Advantages of higher side (Profitability)	Advantages of lower side (Liquidity)	Trade-off (between Profitability and Liquidity)
<b>Inventory</b>	Fewer stock-outs increase the profitability.	Lower inventory requires less capital but endangered stock-out and loss of goodwill.	Use techniques like EOQ, JIT etc. to carry optimum level of inventory.
<b>Receivables</b>	Higher Credit period attracts customers and increases revenue.	Cash sales provide liquidity but fails to boost sales and revenue.	Evaluate the credit policy; use the services of debtor management (factoring) agencies.
<b>Pre-payment of expenses</b>	Reduces uncertainty and profitable in inflationary environment.	Improves or maintains liquidity.	Cost-benefit analysis Required.
<b>Cash and Cash equivalents</b>	Payables are honoured in time, improves the goodwill and helpful in getting additional discounts.	Cash can be invested in some other investment avenues.	Cash budgets and other cash management techniques can be used.
<b>Payables and Expenses</b>	Capital can be used in some other investment avenues.	Payables are honoured in time, improves the goodwill and helpful in getting future discounts.	Evaluate the credit policy and related cost.

### INVESTMENT AND FINANCING OF WORKING CAPITAL

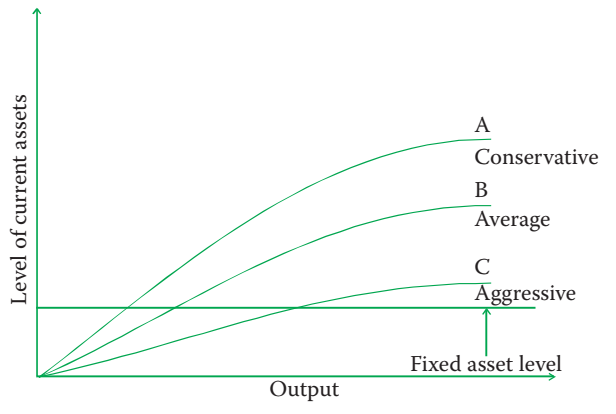
Investment in working capital is concerned with the level of investment in the current assets.	Financing decision concerned with the arrangement of funds to finance the working capital.
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## Approaches of Working Capital Investment

Approach	Description
<b>Aggressive</b>	Investment in working capital (current assets) is kept at minimum. Entity holds lower level of inventory, follow strict credit policy, keeps less cash balance etc.
<b>Conservative</b>	Investment in working capital (current assets) is increased. Entity uses to maintain higher level of inventories, follows liberal credit policies and keeps cash balance as high as to settle any current liability immediately.
<b>Moderate</b>	Under this approach a balance between the risk (cost) and return is maintained to gain more by using the funds in a very efficient manner.

A graphical representation of the above approaches towards investment in working capital is depicted as below:

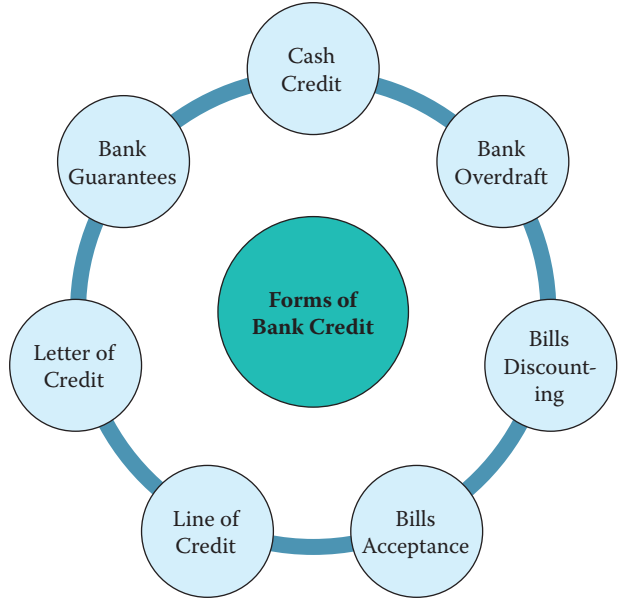


## FINANCING OF WORKING CAPITAL

When management of an entity decides the quantum of investment to be kept in the form of working capital, the next question arises to be answered is how the decided quantum of investment will be arranged. Management explores the avenues (sources) to get the working capital financed. The sources can be internal to the entity known as spontaneous sources and external sources which is arranged by negotiating with financial institutions, banks and other specialised entities (debt factors).

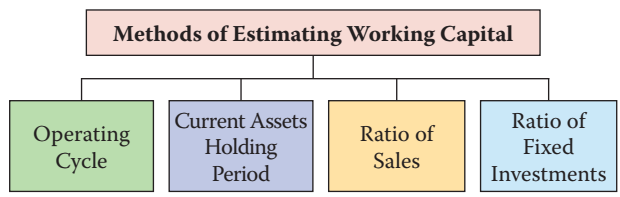
## SOURCES OF WORKING CAPITAL

Spontaneous Sources	Negotiated Sources
Trade Credit	Inter-corporate Loans and Deposits
Bills Payable	Credit from Financial Institutions/ Banks
Accrued Expenses	Commercial Papers & Public deposits
	Bills Discounting & Rediscounting and Factoring

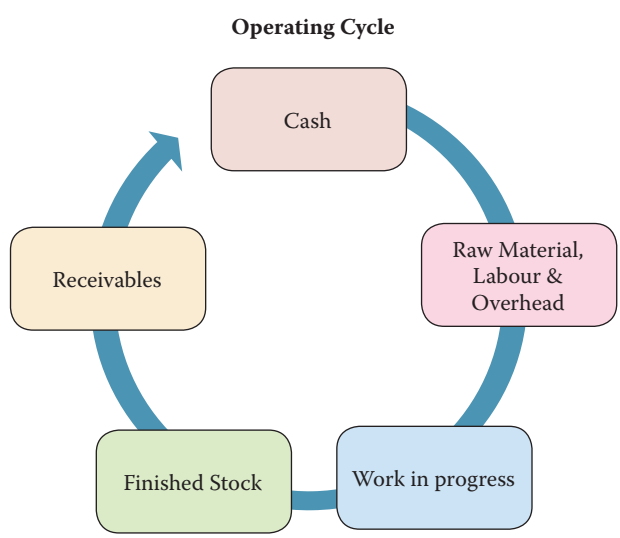


## ESTIMATION OF WORKING CAPITAL

Amount of working capital required to keep the normal business operating without any interruption is made before the operating cycle begins. There are various methods which are used by the management to assess the amount of working capital required to keep operation on.

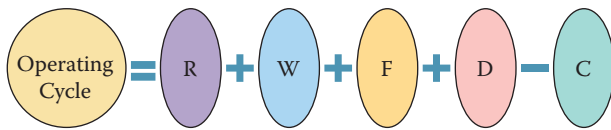


**Operating Cycle:** Also known as working capital cycle indicates the length of time between paying for materials entering into the stock to realisation from sales of finished goods.



# FINANCIAL MANAGEMENT

In the form of an equation, the operating cycle can be expressed as follows:



Where,

R = Raw material storage period

W = Work-in-progress holding period

F = Finished goods storage period

D = Receivables (Debtors) collection period.

C = Credit period allowed by suppliers (Creditors)

The various components of Operating Cycle may be calculated as shown below:

(1)	Raw Material Storage Period	=	$\frac{\text{Average stock of raw material}}{\text{Average Cost of Raw Material Consumption per day}}$
(2)	Work-in-Progress holding period	=	$\frac{\text{Average Work-in-progress inventory}}{\text{Average Cost of Production per day}}$
(3)	Finished Goods storage period	=	$\frac{\text{Average stock of finished goods}}{\text{Average Cost of Goods Sold per day}}$
(4)	Receivables (Debtors) collection period	=	$\frac{\text{Average Receivables}}{\text{Average Credit Sales per day}}$
(5)	Credit period allowed by suppliers (Creditors)	=	$\frac{\text{Average Payables}}{\text{Average Credit Purchases per day}}$

## ESTIMATION OF AMOUNT OF DIFFERENT COMPONENTS OF CURRENT ASSETS AND CURRENT LIABILITIES

### (i) Raw Materials Inventory:

$$\frac{\text{Estimated production (units)}}{12 \text{ months / 365 days}^*} \times \text{Estimated cost per unit} \times \text{Average raw material storage period}$$

### (ii) Work-in-Progress Inventory:

$$\frac{\text{Estimated production (units)}}{12 \text{ months / 365 days}^*} \times \text{Estimated WIP cost per unit} \times \text{Average WIP holding period}$$

### (iii) Finished Goods:

$$\frac{\text{Estimated production (units)}}{12 \text{ months / 365 days}^*} \times \text{Estimated cost of production per unit} \times \text{Average storage period}$$

### (iv) Receivables (Debtors):

$$\frac{\text{Estimated credit sales unit}}{12 \text{ months / 365 days}^*} \times \text{Cost of sales (excluding depreciation) per unit} \times \text{Average collection period}$$

### (v) Cash and Cash equivalents:

Minimum desired Cash and Bank balance to be maintained

### (vi) Trade Payables (Creditors):

$$\frac{\text{Estimated credit purchase}}{12 \text{ months / 365 days}^*} \times \text{Credit period allowed by suppliers}$$

### (vii) Direct Wages:

$$\frac{\text{Estimated labour hours} \times \text{wages rate per hour}}{12 \text{ months / 365 days}^*} \times \text{Average time lag in payment of wages}$$

### (viii) Overheads (other than depreciation and amortization):

$$\frac{\text{Estimated overheads}}{12 \text{ months / 365 days}^*} \times \text{Average time lag in payment of overheads}$$

\*Number of days in a year may be taken as 365 or 360 days.

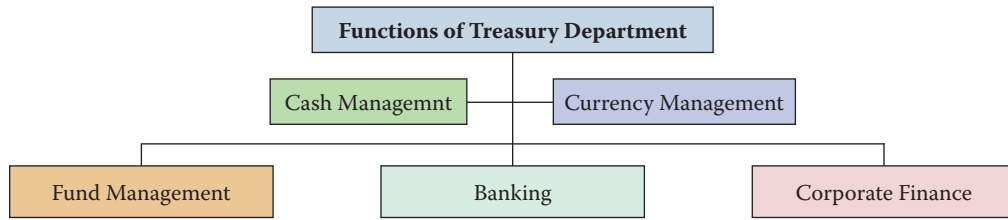
## ESTIMATION OF WORKING CAPITAL REQUIREMENTS

	Amount	Amount	Amount
<b>I. Current Assets:</b>			
Inventories:			
– Raw Materials	---		
– Work-in-progress	---		
– Finished Goods	---	---	
Receivables:			
– Trade Debtors	---		
– Bills	---	---	
Minimum Cash Balance		---	
<b>Gross Working Capital</b>		---	---
<b>II. Current Liabilities:</b>			
Trade Payables		---	
Bills Payables		---	
Wages Payables		---	
Payables for Overheads		---	---
<b>III. Excess of Current Assets over Current Liabilities [I – II]</b>			---
<b>IV. Add: Safety Margin</b>			---
<b>V. Net Working Capital [III + IV]</b>			---

## TREASURY AND CASH MANAGEMENT

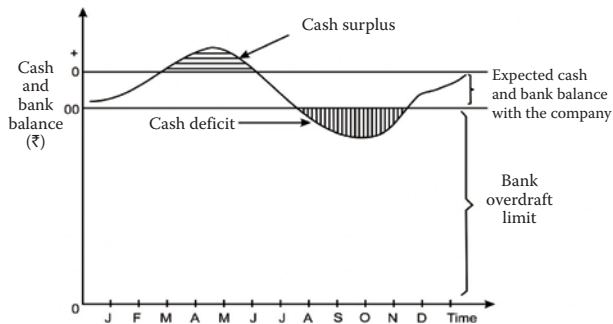
### TREASURY MANAGEMENT

Treasury management encompasses planning, organising & controlling the funds & working capital of an entity in order to ensure best use of funds, maintain liquidity, reduce overall cost of funds and mitigating operational & financial risk.

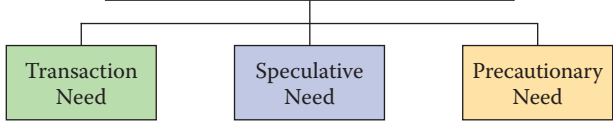


### MANAGEMENT OF CASH

The following figure highlights the cash surplus and cash shortage position over the period of cash budget for preplanning to take corrective and necessary steps.



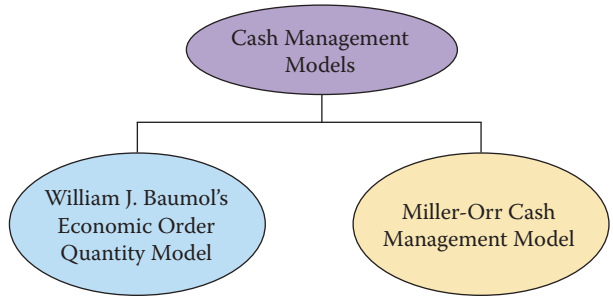
### Consideration in the Need for Cash



### METHODS OF CASH FLOW BUDGETING

<b>Receipts and Payments Method</b>	Expected receipts and payments are considered. Cash inflow and outflow of all functional budgets including capital expenditure budgets are also considered.
<b>Adjusted Income Method</b>	Annual cash flows are calculated by adjusting the sales revenue and cost figures for delays in receipts and payments (change in debtors and creditors) and eliminating non-cash items such as depreciation.
<b>Adjusted Balance Sheet Method</b>	Items of Balance sheet are predicted by expressing each type of asset (except cash & bank) and short-term liabilities as percentage of the expected sales. The profit is also calculated as a percentage of sales Adjustments to long-term liabilities is also made.

### CASH MANAGEMENT MODELS



### WILLIAM J. BAUMOL'S ECONOMIC ORDER QUANTITY MODEL

According to this model, optimum cash level is that level of cash where the carrying costs and transactions costs are the minimum.

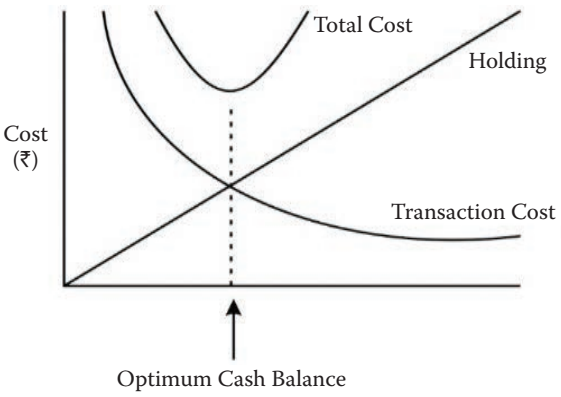
The formula for determining optimum cash balance is:

$$C = \sqrt{\frac{2U \times P}{S}}$$

Where,

- C = Optimum cash balance
- U = Annual (or monthly) cash disbursement
- P = Fixed cost per transaction.
- S = Opportunity cost of one rupee p.a. (or p.m.)

This can be explained with the following diagram:



# FINANCIAL MANAGEMENT

## ASSUMPTIONS OF WILLIAM J. BAUMOL'S EOQ MODEL

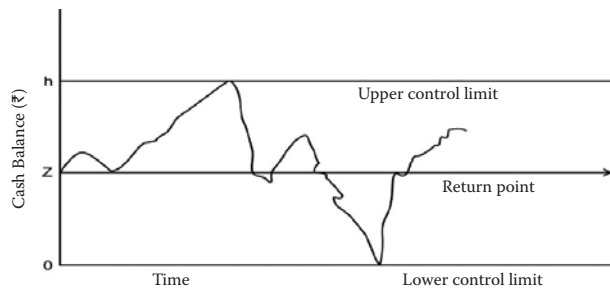
- Cash needs of the firm are known with certainty.
- The cash is used uniformly over a period of time and it is also known with certainty.
- The holding cost is known and it is constant.
- The transaction cost also remains constant.

## MILLER-ORR CASH MANAGEMENT MODEL

According to this model the net cash flow is completely stochastic.

This model is designed to determine the time and size of transfers between an investment account and cash account. In this model control limits are set for cash balances. These limits may consist of 'h' as upper limit, 'z' as the return point; and zero as the lower limit.

The following diagram illustrates the Miller-Orr model;



- When the cash balance reaches the upper limit, the transfer of cash equal to  $h - z$  is invested in marketable securities account.
- When it touches the lower limit, a transfer from marketable securities account to cash account is made.
- During the period when cash balance stays between  $(h, z)$  and  $(z, 0)$  i.e. high and low limits no transactions between cash and marketable securities account is made.

## RECENT DEVELOPMENT IN CASH MANAGEMENT

Electronic Fund Transfer

Zero Balance Account

Money Market Operations

Petty Cash Imprest System

Management of Temporary Cash Surplus

Electronic Cash Management System

Virtual Banking

## MANAGEMENT OF RECEIVABLES

### APPROACHES OF EVALUATION OF CREDIT POLICIES

There are basically two methods of evaluating the credit policies to be adopted by a Company – Total Approach and Incremental Approach. The formats for the two approaches are given as under:

Statement showing the Evaluation of Credit Policies (based on Total Approach)

Particulars	Present Policy	Proposed Policy I	Proposed Policy II	Proposed Policy III
	₹	₹	₹	₹
<b>A. Expected Profit</b>				
(a) Credit Sales	.....	.....	.....	.....
(b) Total Cost other than Bad Debts and Cash Discount	.....	.....	.....	.....
(i) Variable Costs	.....	.....	.....	.....
(ii) Fixed Costs	.....	.....	.....	.....
(c) Bad Debts	.....	.....	.....	.....
(d) Cash Discount	.....	.....	.....	.....
(e) Expected Net Profit before Tax (a-b-c-d)	.....	.....	.....	.....
(f) Less: Tax	.....	.....	.....	.....
(g) Expected Profit after Tax	.....	.....	.....	.....
<b>B. Opportunity Cost of Investments in Receivables locked up in Collection Period</b>	.....	.....	.....	.....
<b>Net Benefits (A – B)</b>	.....	.....	.....	.....

## Statement showing the Evaluation of Credit Policies (based on Incremental Approach)

Particulars	Present Policy days	Proposed Policy I days	Proposed Policy II days	Proposed Policy III days
	₹	₹	₹	₹
<b>A. Incremental Expected Profit:</b>				
Credit Sales	.....	.....	.....	.....
(a) Incremental Credit Sales	.....	.....	.....	.....
(b) Less: Incremental Costs of Credit Sales	.....	.....	.....	.....
(i) Variable Costs	.....	.....	.....	.....
(ii) Fixed Costs	.....	.....	.....	.....
(c) Incremental Bad Debt Losses	.....	.....	.....	.....
(d) Incremental Cash Discount	.....	.....	.....	.....
(e) Incremental Expected Profit (a-b-c-d)	.....	.....	.....	.....
(f) Less: Tax	.....	.....	.....	.....
(g) Incremental Expected Profit after Tax	.....	.....	.....	.....
<b>B. Required Return on Incremental Investments:</b>	.....	.....	.....	.....
(a) Cost of Credit Sales	.....	.....	.....	.....
(b) Collection Period (in days)	.....	.....	.....	.....
(c) Investment in Receivable (a x b/365 or 360)	.....	.....	.....	.....
(d) Incremental Investment in Receivables	.....	.....	.....	.....
(e) Required Rate of Return (in %)	.....	.....	.....	.....
(f) Required Return on Incremental Investments (d x e)	.....	.....	.....	.....
<b>Incremental Net Benefits (A – B)</b>	.....	.....	.....	.....

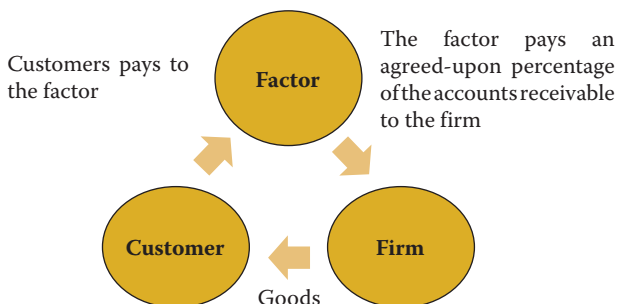
## FINANCING OF RECEIVABLES

### (i) Pledging

This refers to the use of a firm's receivable to secure a short-term loan.

### (ii) Factoring

This refers to outright sale of accounts receivables to a factor or a financial agency.



The basic format of evaluating factoring proposal is given as under:

### Statement showing the Evaluation of Factoring Proposal

	Particulars	Amount
<b>A. Annual Savings (Benefit) on taking Factoring Service</b>	Cost of Credit Administration saved	.....
	Bad Debts avoided	.....
	Interest saved due to reduction in Average collection period (Wherever applicable) [Cost of Annual Credit Sales × Rate of Interest × (Present Collection Period – New Collection Period)/360* days]	.....
	<b>Total</b>	.....
	<b>B. Annual Cost of Factoring to the Firm:</b>	Factoring Commission [Annual credit Sales × % of Commission (or calculated annually)]
Interest Charged by Factor on advance (or calculated annually) [Amount available for advance or (Annual Credit Sales – Factoring Commission – Factoring Reserve)] × [Collection Period (days) / 360* × Rate of Interest]		.....
<b>Total</b>		.....



# FINANCIAL MANAGEMENT

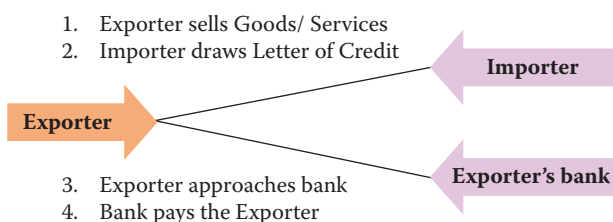
	Particulars	Amount
C.	<b>Net Annual Benefits/Cost of Factoring to the Firm:</b>	A-B
	Rate of Effective Cost of Factoring to the Firm	
	= $\frac{\text{Net Annual cost of Factoring}}{\text{Amount available for advance}} \times 100$ or	
	$\frac{\text{Net annual Cost of Factoring}}{\text{Advances to be paid}} \times 100$	
	Advances to be paid = (Amount available for advance – Interest deducted by factor)	

\*Number of days in a year may be taken as 365 or 360 days.

### (iii) Forfaiting

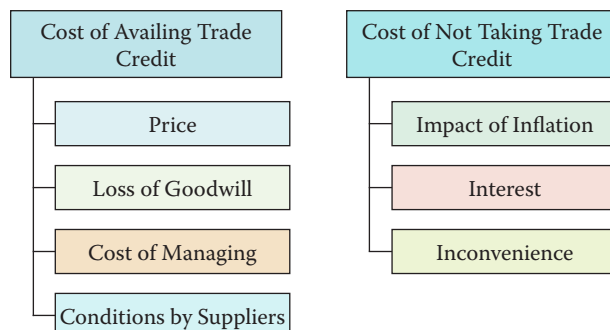
Forfaiting is an arrangement of bill discounting in which a financial institution or bank buys the trade bills (invoices) or trade receivables from exporters of goods or services, where the exporter relinquish his right to receive payment from importer.

The functionality can be understood in the following manner:



## MANAGEMENT OF PAYABLES

### COST AND BENEFITS OF TRADE CREDIT



### COMPUTATION OF COST OF PAYABLES

Formula for calculating the cost of not taking the discount:  
Without Compounding Effect:

$$\frac{d}{100-d} \times \frac{365 \text{ days}}{t}$$

With Compounding Effect:

$$\left( \frac{100}{100-d} \right)^{\frac{365 \text{ days}}{t}} - 1$$

Where,

d = Size of discount i.e. for 6% discount, d = 6

t = The reduction in the payment period in days, necessary to obtain the early discount or Days Credit Outstanding – Discount Period.

## List of Upcoming Conferences organised by the Students Skills Enrichment Board (SSEB), Board of Studies-Operations of ICAI during January, 2024

Date	Conference	Theme	Hosted by
3-4 January, 2024	Kanpur (CIRC) - Mega Conference	“स्वर्णिम : Reflection of Limitless Potential & Endless Possibilities”	CIRC of ICAI & CICASA of ICAI
5-6 January, 2024	Pondicherry - State level Conference	“Adopt to the changing world”	Pondicherry Branch of SIRC of ICAI & Pondicherry Branch of SICASA of ICAI
5-6 January, 2024	Bhilwara - Mega Conference	“RAM (Rise, Aspire and Master) - The Significance of Self-Control and Discipline”	Bhilwara Branch of CIRC of ICAI & Bhilwara Branch of CICASA of ICAI
6-7 January, 2024	Ranchi - Mega Conference	“अभ्यास - Purpose, Practice, Perfection”	Ranchi Branch of CIRC of ICAI & Ranchi Branch of CICASA of ICAI
12-13 January, 2024	Jalgaon - State level Conference	“UTTARAYAN”	Jalgaon Branch of WIRC of ICAI & Jalgaon Branch of WICASA of ICAI
12-13 January, 2024	Patna - State level Conference	“प्रयास - Empowering Through Digitization”	Patna Branch of CIRC of ICAI & Patna Branch of CICASA of ICAI
13-14 January, 2024	Bhopal - Mega Conference	NEEV: - Crafting Foundation, Inspiring Horizons	Bhopal Branch of CIRC of ICAI & Bhopal Branch of CICASA of ICAI
14-15 January, 2024	Bikaner - State level Conference	मंथन “अध्ययन, विचार, विकास”	Bikaner Branch of CIRC of ICAI & Bikaner Branch of CICASA of ICAI

Link to Register in all the Conferences : <https://bosactivities.icai.org/>

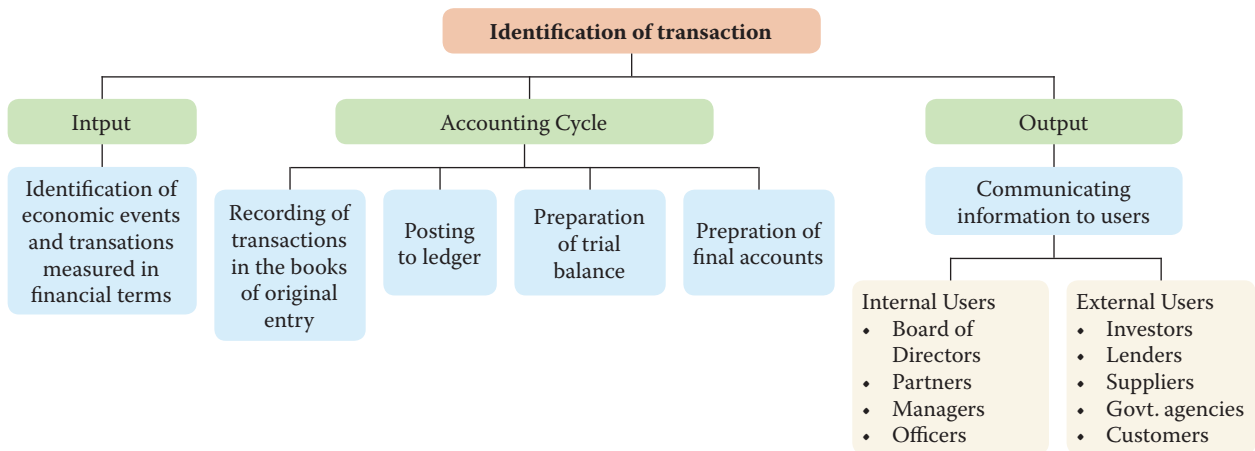
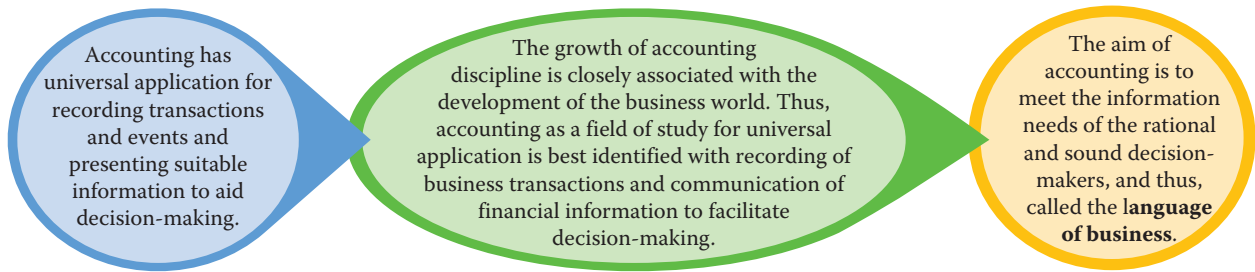
CA FOUNDATION - PAPER 1: ACCOUNTING

The paper of Accounting at Foundation Level concentrates on conceptual understanding of basic aspect of accounting and acquaint the students with techniques to be followed for accounting of different entities. This edition covers crisp and concise capsule on Meaning and Scope of Accounting under Chapter 1: Theoretical Framework to enable the students to comprehend the basic concept, sub field, users, and limitations of accounting. The significant areas of these topics have been presented through pictorial presentation in the capsule to help the students in grasping the intricate portion of each concept. Under no circumstances, such revision can substitute the detailed study of the material provided by the Board of Studies. Students are advised to refer the Study Material for thorough study.

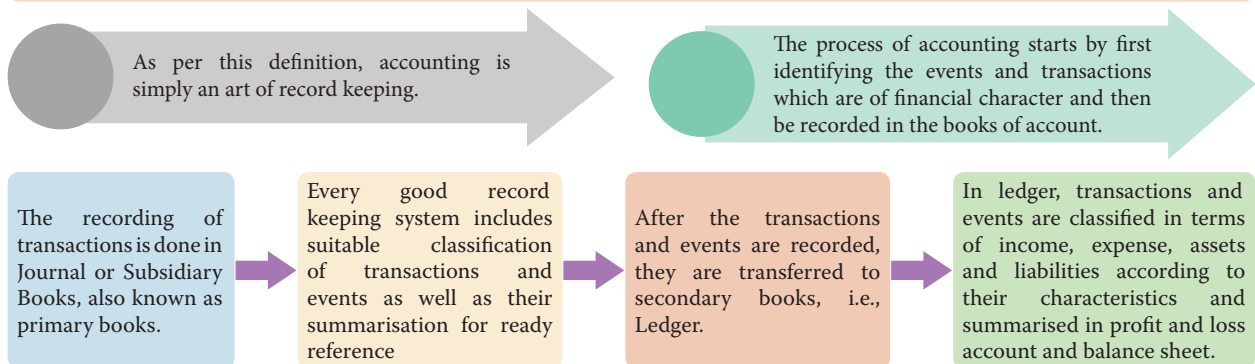
CHAPTER-1 THEORETICAL FRAMEWORK  
UNIT - 1 MEANING AND SCOPE OF ACCOUNTING

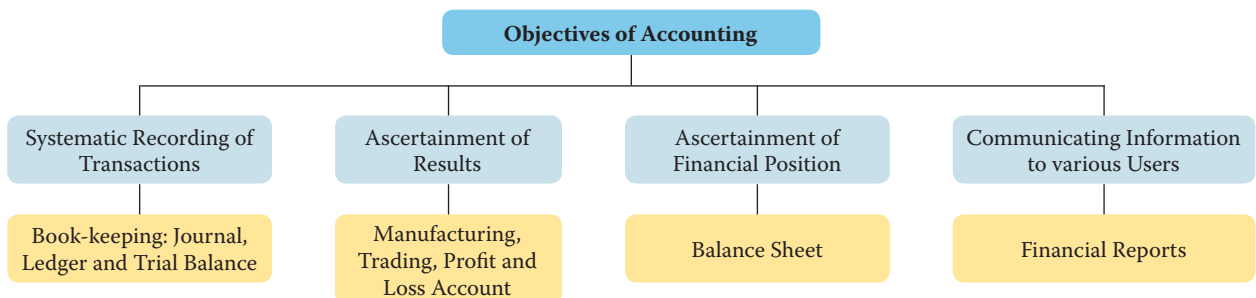
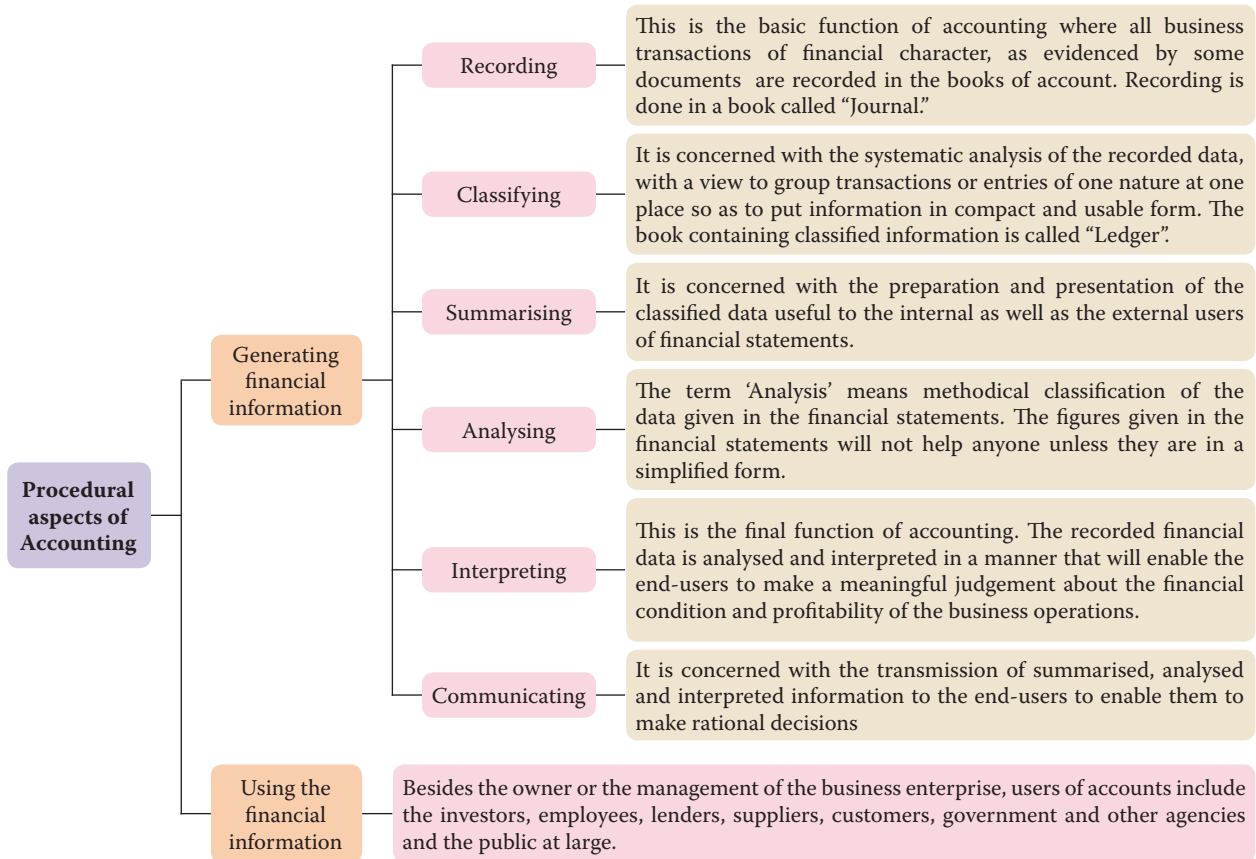
Every individual performs some kind of economic activity . A salaried person gets salary and spends to buy provisions and clothing, for children's education, construction of house, etc. such economic activities are performed through 'transactions and events.'

Transaction	Event
is used to mean 'a business, performance of an act, an agreement'	is used to mean 'a happening, as a consequence of transaction(s), a result.'



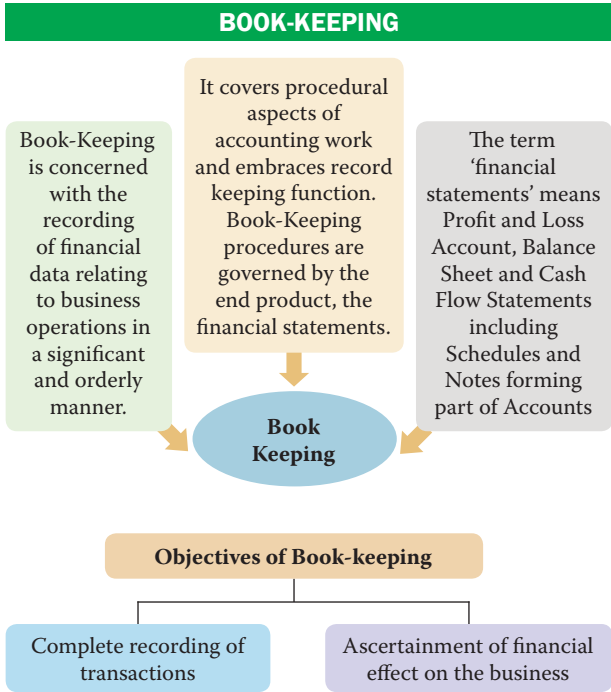
**“Accounting is the art of recording, classifying, and summarising in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the result thereof.”**





## FUNCTIONS OF ACCOUNTING

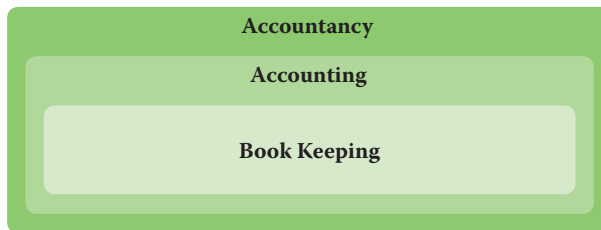
- Measurement:** Accounting measures past performance of the business entity and depicts its current financial position.
- Forecasting:** It helps in forecasting future performance and financial position of the enterprise using past data and analysing trends.
- Decision-making:** It provides relevant information to the users of accounts to aid rational decision-making.
- Comparison & Evaluation:** Accounting assesses performance achieved in relation to targets and discloses information regarding accounting policies and contingent liabilities which play an important role in predicting, comparing and evaluating the financial results.
- Control:** It also identifies weaknesses of the operational system and provides feedbacks regarding effectiveness of measures adopted to check such weaknesses.
- Government Regulation and Taxation:** Accounting provides necessary information to the government to exercise control on the entity as well as in collection of tax revenues.



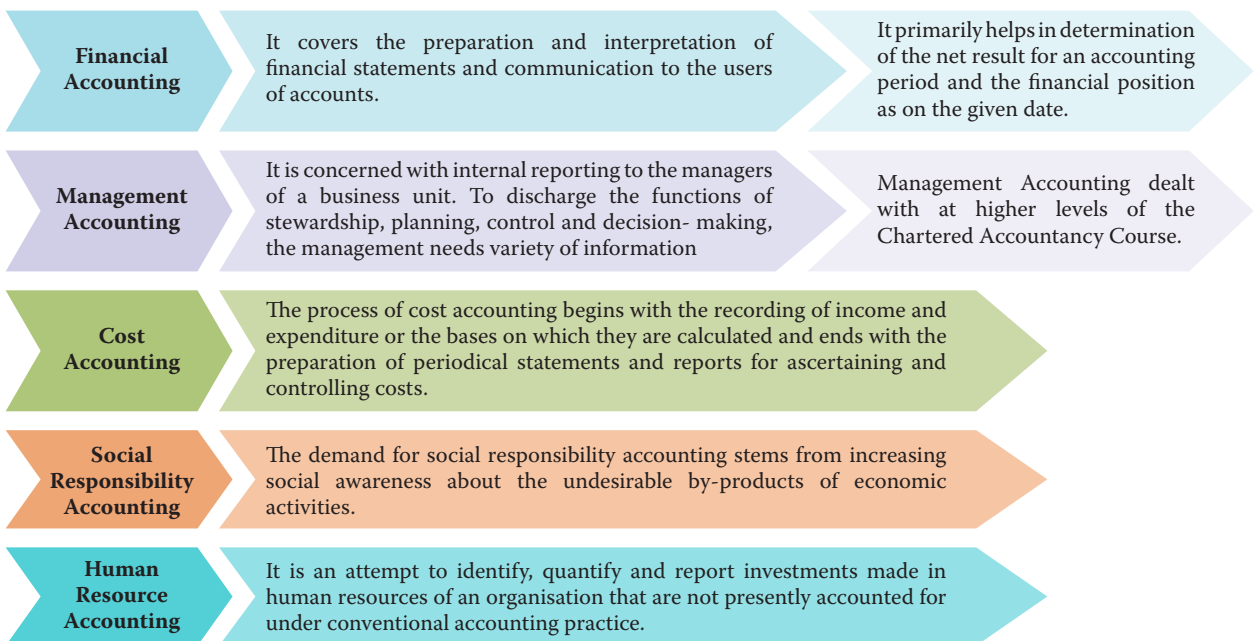
### DISTINCTION BETWEEN BOOK-KEEPING AND ACCOUNTING

Book-keeping	Accounting
It is a process concerned with recording of transactions.	It is a process concerned with summarising of the recorded transactions.
It constitutes as a base for accounting.	It is considered as a language of the business.
Financial statements do not form part of this process.	Financial statements are prepared in this process on the basis of book-keeping records.
Managerial decisions cannot be taken with the help of these records.	Management takes decisions on the basis of these records.
There is no sub-field of book-keeping.	It has several sub-fields like financial accounting, management accounting etc.
Financial position of the business cannot be ascertained through book-keeping records.	Financial position of the business is ascertained on the basis of the accounting reports.

Relationship of Accounting and Book-keeping can be depicted in the following chart as



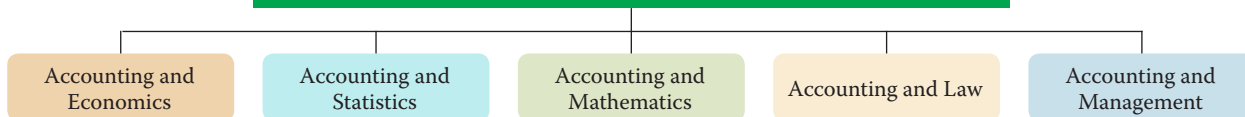
### SUB-FIELDS OF ACCOUNTING



## USERS OF ACCOUNTING INFORMATION

<b>Investors</b>	<ul style="list-style-type: none"> <li>They provide risk capital to the business. They need information to assess whether to buy, hold or sell their investment.</li> <li>In non-corporate sector, where ownership and management are not essentially separated, the owners need information about performance of the business and its financial position to decide whether to continue or shut down.</li> </ul>
<b>Employees</b>	They are interested to know the stability, continuity and growth of the enterprise and its ability to provide remuneration, retirement and other benefits and to enhance employment opportunities.
<b>Lenders</b>	They are interested to know whether their loan-principal and interest will be paid back when due.
<b>Suppliers and Creditors</b>	They are also interested to know the ability of the enterprise to pay their dues, that helps them to decide the credit policy for the relevant concern, rates to be charged and so on.
<b>Customers</b>	Customers are also concerned with the stability and profitability of the enterprise because their functioning is more or less dependent on the supply of goods.
<b>Government and their agencies</b>	They regulate the functioning of business enterprises for public good, allocate scarce resources among competing enterprises, control prices, charge excise duties and taxes, and so they have continued interest in the business enterprise.
<b>Public</b>	The public at large is interested in the functioning of the enterprise because it may make a substantial contribution to the local economy in many ways.
<b>Management</b>	Management as whole is also interested in the accounts for various managerial decisions. On the basis of the accounts, management determines the effects of their decisions on the functioning of the organisation.

## RELATIONSHIP OF ACCOUNTING WITH OTHER DISCIPLINES



## LIMITATIONS OF ACCOUNTING

There are certain misconceptions regarding financial statements. A common man presumes that an income statement shows the correct income or loss of the enterprise and that a balance sheet depicts a perfectly true and fair picture of financial standing of that enterprise. It must be recognised that the accounting as a language has its own limitations.

The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.

Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users are interested in knowing the position of the business in the near future and not for the past date.

Accounting ignores changes in some money factors like inflation etc.

There are occasions when accounting principles conflict with each other.

Certain accounting estimates depend on the sheer personal judgement of the accountant.

Financial statements consider those assets which can be expressed in monetary terms.

Different accounting policies for the treatment of same item adds to the probability of manipulations.

## ROLE OF ACCOUNTANT IN THE SOCIETY

An accountant with his education, training, analytical mind and experience is best qualified to provide multiple need-based services to the ever growing society. The accountants of today can do full justice not only to matters relating to taxation, costing, management accounting, financial lay-out, company legislation and procedures but they can go into the fields relating to financial policies, budgetary policies and even economic principles. The area of activities which can be undertaken by the accountants is not limited but it can also cover many additional facets.



**AREAS OF SERVICE**

Some of the services rendered by accountants to the society are briefly mentioned hereunder:

**(i) Maintenance of Books of Accounts**

An accountant is able to maintain a systematic record of financial transactions in order to establish net result and to state the financial position of the concern as at a particular date.

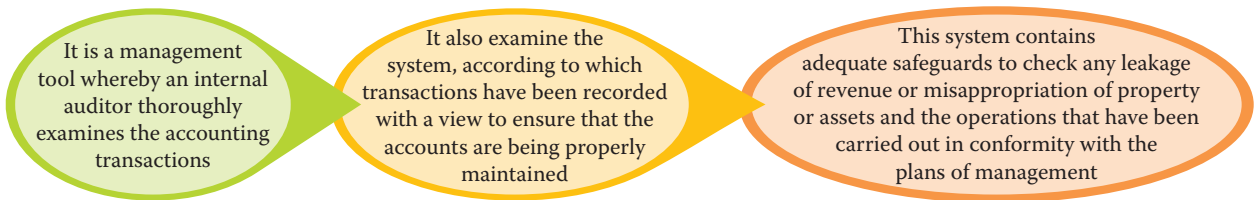


Proper maintenance of books of accounts assists management in planning, decision-making, controlling functions.

**(ii) Statutory Audit**

Every limited company is required to appoint a chartered accountant or a firm of chartered accountants as their auditor who are statutorily required to report each year whether in their opinion the balance sheet shows a true and fair view of the state of affairs on the balance sheet date, and the profit and loss account shows a true and fair view of the profit or loss for the year.

**(iii) Internal Audit**



**(iv) Taxation**

An accountant can handle taxation matters of a business or a person and he can represent that business or person before the tax authorities and settle the tax liability under the statute prevailing.

He can also assist in avoiding or reducing tax burden by proper planning of tax affairs.

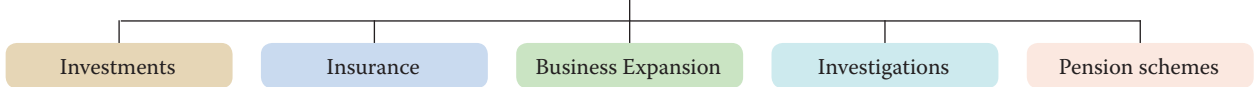
**(v) Management Accounting and Consultancy Services**

Management accountant performs an advisory function. He is largely responsible for internal reporting to the management for planning and controlling current operations, decision-making on special matters and for formulating long-range plans.

**(vi) Financial Advice**

Many people need help and guidance in planning their personal financial affairs. An accountant who knows about finances, taxation and family problems is well placed to give such advice.

**Some of the areas in which an accountant can render financial advice are:**



**(vii) Other Services**

<b>Other Services</b>	Secretarial Work	Companies, clubs, and associations indeed, virtually all organisations involve secretarial work.
	Share Registration Work	Accountants are often used by many companies to undertake the work involved in registering share transfers and new issues.
	Company Formation	In conjunction with legal advisers, accountants help in the formation of a company or advise against doing so.
	Receiverships, Liquidations, etc	An accountant has to sometimes take on the onerous duties of liquidator when a company is being wound up or receiver when a debenture holder exercises a right to recover a loan on which the borrower has defaulted.
	Arbitrations	Accountants are invited by parties to act as arbitrators in a dispute or settle disputes of various kinds.
	As regards the Cost Accounts	A cost accountant's job is to continuously report cost data and related information at frequent intervals to the management.
	Accountant and Information Services	An accountant should develop a system by which there is a regular flow of information both horizontally and vertically.

# NEWS UPDATES

## FINANCE UPDATE

- SEBI board gives nod to small & medium REITs**  
 The Securities and Exchange Board of India (SEBI) approved a proposal to provide greater flexibility to Social Stock Exchanges (SSEs) and introduce a framework for Small & Medium (SM) REITs (Real Estate Investment Trusts).  
<https://www.thehindubusinessline.com/markets/sebi-board-gives-nod-to-small-medium-reits-defers-decision-on-delisting-norms/article67574047.ece>
- Market regulator SEBI proposes easing trading plans for company insiders**  
 The SEBI has proposed a significant revamp of the “trading plan” framework, which would allow insiders to trade their company shares with greater flexibility. The proposed changes include the elimination of the “black-out” period, a reduction in the cool-off period, and relatively lenient price limits.  
[https://www.business-standard.com/markets/news/market-regulator-sebi-plans-overhaul-of-insider-trading-plan-framework-123112400982\\_1.html](https://www.business-standard.com/markets/news/market-regulator-sebi-plans-overhaul-of-insider-trading-plan-framework-123112400982_1.html)
- SEBI looks to introduce new ‘high-risk’ investment vehicle**  
 Recently SEBI Chairperson Madhabi Puri Buch said the regulator is looking to introduce a new investment vehicle

that would stack up between Mutual Funds (MFs) and Portfolio Management Services (PMS) and cater to investors inclined to make riskier bets.

[https://www.business-standard.com/markets/news/market-regulator-sebi-looks-to-introduce-new-high-risk-investment-vehicle-123120801119\\_1.html](https://www.business-standard.com/markets/news/market-regulator-sebi-looks-to-introduce-new-high-risk-investment-vehicle-123120801119_1.html)

- SEBI allows brokers to invest clients’ fund in overnight MF schemes**  
 Capital market regulator SEBI has allowed stock brokers and clearing members to park client funds in mutual fund overnight schemes as they invest only in risk-free government securities.  
<https://www.thehindubusinessline.com/markets/sebi-allows-brokers-to-invest-clients-fund-in-overnight-mf-schemes/article67630888.ece>
- Unnati becomes the first entity to list on the social stock exchange**  
 SGBS Unnati Foundation became the first entity to list on the Social Stock Exchanges (SSE).  
<https://www.thehindubusinessline.com/markets/unnati-is-the-first-entity-to-list-on-the-social-stock-exchange/article67635224.ece>

## ECONOMIC UPDATE

- India will become the world’s third largest economy by 2030, S&P Global Ratings, as it forecast the nation’s GDP growth reaching 7 per cent in 2026-27 fiscal year. In its Global Credit Outlook 2024, S&P saw a 6.4 per cent GDP growth in the fiscal year through March 2024 (2023-24) as compared to 7.2 per cent in the previous financial year.  
 Source: <https://news.rediff.com/commentary/2023/dec/05/india-is-set-to-become-3rd-largest-economy-by.../1ea70f2679eaacc3ee8e94ccd85c5853>
- The Monetary Policy Committee decided unanimously to keep the policy repo rate unchanged at 6.5%. Consequently, the Standing Deposit Facility rate remains at 6.25% and the Marginal Standing Facility rate and the Bank Rate at 6.75%.  
 Sources: [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=56888](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56888)

- The Asian Development Bank (ADB) raised its FY24 growth forecast for India to 6.7% from 6.3% announced three months ago, joining a host of agencies to revise up projections citing the country’s stronger-than-anticipated growth of 7.6% in the September quarter.  
 Sources: <https://economictimes.indiatimes.com/news/economy/indicators/adb-raises-indias-fy24-growth-forecast-to-6-7/articleshow/105970321.cms>

- Growing at a robust rate due to economic reforms in key sectors like digitisation and infrastructure, India has emerged as a star performer and is projected to contribute more than 16 per cent of the global growth, the International Monetary Fund said.  
 Source: <https://news.rediff.com/commentary/2023/dec/19/india-star-performer-to-contribute-over-16-to-global-growth-imf/7128ee7e170ecabbf40ca7fd6b85096b>

## CROSSWORD SOLUTION – DECEMBER 2023

<sup>1</sup> C	<sup>2</sup> R	<sup>3</sup> A	S	<sup>4</sup> H		<sup>5</sup> G	L	<sup>6</sup> O	<sup>7</sup> B	<sup>8</sup> A	<sup>9</sup> L
<sup>10</sup> A	R	C		<sup>11</sup> D	<sup>12</sup> C	M		<sup>13</sup> M	A	D	A
<sup>14</sup> R	T	K		<sup>15</sup> I	I	P					G
T		O	<sup>16</sup> M		P			<sup>17</sup> F	<sup>18</sup> U	N	<sup>19</sup> D
<sup>20</sup> E	<sup>21</sup> C		C					<sup>22</sup> M	I		U
<sup>23</sup> L	I	<sup>24</sup> B	E	<sup>25</sup> R	<sup>26</sup> A	<sup>27</sup> L		<sup>28</sup> B	<sup>29</sup> O	O	<sup>30</sup> M
	<sup>31</sup> I	P		<sup>32</sup> P	L	I			<sup>33</sup> P	P	C
<sup>34</sup> S		L		<sup>35</sup> I	P	N			<sup>36</sup> E	O	I
<sup>37</sup> L	<sup>38</sup> G		<sup>39</sup> A		<sup>40</sup> H	K	<sup>41</sup> C		<sup>42</sup> C	L	
<sup>43</sup> U	A		<sup>44</sup> C	<sup>45</sup> F	A		<sup>46</sup> A	<sup>47</sup> T		<sup>48</sup> Y	<sup>49</sup> G
<sup>50</sup> M	A	<sup>51</sup> T		D			<sup>52</sup> C	A	A	<sup>53</sup> D	R
<sup>54</sup> P	R	O	F	I	T			<sup>55</sup> B	A	S	E

BOARD OF STUDIES (ACADEMIC)

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1<sup>st</sup>  
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**The Institute of Chartered Accountants of India**  
(Setup by an Act of Parliament)

**Students Skills Enrichment Board, Board of Studies (Operations)**

# GRAND FINALE

## CA STUDENT'S NATIONAL TALENT SEARCH 2023-24 DASHBOARD VISUALIZATION & SKETCHING COMPETITION



**INDORE**

**12<sup>th</sup> JANUARY 2024**

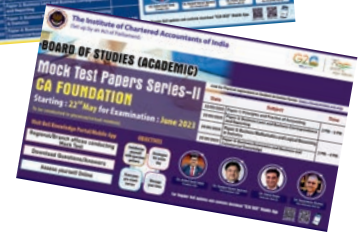
HOSTED BY - INDORE BRANCH OF CIRC OF ICAI

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We bring you the most recent initiative and updates from the BoS (A) on Study Material, Live Learning Classes, release of RTP, MTP, etc.

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# CROSSWORD - JANUARY 2024

1D	2E	3F	L	A	4T	5I	6O	N		7F	8D
9I	S	S			10A	D	B		11C	R	R
12V	O	G	13E		14X	B	R	L		15B	D
16I	P		P		17H	I				18M	O
D			19C	20E	E		21M	22B	O		
23E	24N		25G	V	A		26A	R			
27N	A	28V			29V	30A	T		31G	32S	33T
34D	T	C		35G	A	P			36F	D	I
	37O	M			38N	S	39I		40C	R	M
41E			42T	43C			44M	45E	F		E
46P	47M		48C	I	49F		F	D		50D	
51S	U	B	S	I	D	Y		52R	I	S	K

**ACROSS**

- Reduction of the general level of prices in an economy.
- An investment that allows depositors to park their money and earn interest on it.
- The largest modular space station in low Earth orbit.
- A multilateral development bank, which seeks to help its developing member countries to reduce poverty.
- The share of a bank's total deposit to be maintained with the latter in the form liquid cash.
- The premium brand of Loncin, a Chinese industrial giant.
- A freely available and global framework for exchanging business information.
- A person or firm in the business of buying and selling securities for its own account or on behalf of its customers.
- A unique address that identifies a device on the internet.
- Used especially as a greeting.
- The total amount of paper money and coins in circulation, plus the current amount of central bank reserves.
- An organization in the United States that focuses on the economic and financial education of students.
- A process in which a manager and an employee agree on specific performance goals and then develop a plan to reach them.
- A language code which refers to the English language.
- The measure of the value of goods and services produced in an area, industry or sector of an economy.
- An interactive experience that combines the real world and computer-generated content.
- The market value of the securities held by the scheme.
- \_\_\_\_\_ is levied on the price of a product or service at each stage of production, distribution, or sale to the end consumer.
- An indirect tax that applies to the cost of certain goods and services sold domestically.
- \_\_\_\_\_ is used by a designated collection bank to deposit the daily receipts of a corporation from multiple locations.
- An area on a technical chart where an asset's price jumps higher or lower from the previous day's close.
- Investment involves creation of physical assets.

- A symbol representing a sacred sound.
- \_\_\_\_\_ is entrusted with the task of mobilization of savings in National Savings Schemes of Government of India, operated through Post Offices and designated Banks throughout the country.
- A business strategy that optimizes revenue and profitability while promoting customer satisfaction and loyalty.
- The total cost of producing a given amount of output.
- Abbre : Multipurpose Empanelment Form.
- Abbre; of post meridiem.
- A method of exporting goods where the seller pays expenses until the product is completely loaded on a ship.
- A benefit given by the government to groups or individuals.
- \_\_\_implies future uncertainty about deviation from expected earnings.

**DOWNWARD**

- A distribution of profits by a corporation to its shareholders.
- An employee benefit plan that enables employees to own part or all of the company they work for.
- An "industry group" for firms that raise capital from outside investors.
- A jurisdiction that has very low rates of taxation for investors of foreign.
- A development finance institution under the ownership of Life Insurance Corporation of India and Government of India.
- The UK's official independent economic and fiscal forecaster.
- \_\_\_Act was enacted in 2003 which set targets for the government to reduce fiscal deficits.
- Charged with the military's research and development,
- To facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness.
- A vehicle that uses one or more electric motors for propulsion.
- The minimum tax amount that corporate companies pay to the government.
- The rate at which the RBI rediscounts the first class bills of exchange.

- Its independent member states agree to defend each other against attacks by third parties.
- A strategic business analysis tool used for the seamless integration and collaboration of value chain components and resources.
- A macroeconomic term that refers to the proportion of income that is saved rather than spent on current goods and services.
- \_\_\_\_\_ indicates how much of the new value added in an economy is invested rather than consumed.
- \_\_\_\_\_ are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund.
- A period of minutes, hours, days, etc.
- \_\_\_\_\_ is mandated to oversee the international monetary and financial system and monitor the economic and financial policies of its member countries.
- The monetary value of earnings per outstanding share of common stock for a company.
- Trade association representing the interests of Indian businesses in various sectors.
- An open source technology for endpoint security providing real-time continuous monitoring and endpoint visibility.
- The enjoyment a consumer gets from each additional unit of consumption.
- An instrument through which one can grow a lumpsum over a fixed tenure at a fixed interest rate.
- A specialized means of organizing and storing data in computers.

If undelivered, please return to: The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi-110002