

# RAIPUR BRANCH

## OF CENTRAL INDIA REGIONAL COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

SEPTEMBER - OCTOBER 2013

FOR MEMBERS ONLY



Chairman  
Writes...



### EDITORIAL BOARD

Editor : CA Prafulla Pendse  
Member : CA Sanjay Jain

Dear Professional Colleagues,

It is a matter for great joy and pleasure that Raipur branch would be hosting the 34<sup>th</sup> Regional conference in the month of December 2013. Entire conference team is geared up for the forthcoming 34<sup>th</sup> Regional Conference to be held on 18<sup>th</sup> and 19<sup>th</sup> of this month. Both, the topics and the speakers have been carefully selected so that the members may get the maximum benefit out of this event. We expect participation of over 800 delegates in this two day conference. We request the members to get themselves registered well in advance for the conference. The detailed information would be sent to the members in due course.

Raipur Branch has developed a dedicated site for this conference [www.34rc.org](http://www.34rc.org). The site would be updated continuously. We request the members to visit the website regularly for updated information.

The deadline of meeting the minimum CPE requirements has also been announced by the Institute. The cut-off date has been kept at 31<sup>st</sup> December 2013. The minimum requirements for the CPE for the members under various category and the penal consequences of non compliance are reproduced as under :-

CPE credit Hours requirements for the block of 3 years started with effect from 01-01-2011 to 31-12-2013 to be complied with by different categories of members:

A. All the members (aged less than 60 years) who are holding Certificate of Practice (except all those members who are residing abroad) are required to:

- Complete at least 90 CPE credit hours in each rolling three-year period of which 60 CPE credit hours should be of structured learning.
- Complete minimum 20 CPE credit hours of structured learning in each year.

B. All the members (aged less than 60 years) who are not holding Certificate of Practice or all the members who are residing abroad (whether holding Certificate of Practice or not) are required to:

- Complete at least an aggregate of 45 CPE credit hours of either structured or unstructured learning (as per their choice) in each rolling three-year period (i.e. from 1/1/2011 to 31/12/2013)
- Complete minimum of 10 CPE credit hours being an aggregate of either structured or unstructured learning (as per their choice) in each calendar year.

C. All the members (aged 60 years & above) who are holding Certificate of Practice, are required to:

- Complete at least an aggregate of 70 CPE credit hours of either Structured or Unstructured Learning (as per their choice) in each rolling three-year period (i.e. from 1/1/2011 to 31/12/2013).
- Complete minimum of 10 CPE credit hours being an aggregate of either Structured or Unstructured Learning in the first calendar year i.e. 2011.
- Complete minimum of 20 CPE credit hours being an aggregate of either Structured or Unstructured Learning (as per their choice) in the second and third calendar years i.e. 2012 & 2013.

D. All the members (aged 60 years and above) who are not holding Certificate of Practice are required to:

- Complete at least an aggregate of 35 CPE credit hours of either Structured or Unstructured Learning (as per their choice) in each rolling three-year period (i.e. from 1/1/2011 to 31/12/2013).
- Complete minimum of 5 CPE credit hours being an aggregate of either Structured or Unstructured Learning in the first calendar year i.e. 2011
- Complete minimum of 10 CPE credit hours being an aggregate of either Structured or Unstructured Learning in the second and third calendar year i.e. 2012 & 2013.



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Penal provisions for the members of the Institute who had not complied with their CPE Hours requirements for the block period of 3 years (1-1-2011 to 31-12-2013)

In order to function the system of mandatory CPE effective, the Council of the Institute of Chartered Accountants of India has decided that the members who fail to comply with their CPE Hours requirement for the current block of 3 years (1-1-2011 to 31-12-2013) are appropriately sanctioned. Therefore, the Council of the Institute has decided as under :

- All the members are required to complete their CPE hours requirements for the block period of 3 years (1-1-2011 to 31-12-2013) by 31st December, 2013.
- Any shortfall in the CPE credit for the calendar years 2011, 2012 and 2013 should be met by the members by 31st December, 2013.
- The names of the members who fail to comply with their CPE hours Requirements for the block period of 3 years by 31st December, 2013 would be hosted on the website of the ICAI for information of public at large.
- Further, the ICAI will not be responsible in any way for any action taken by any of the regulatory authorities on the basis of the names hosted on the website for allotting the professional work to them as sole proprietor or to their partnership firm.
- To strike out the name/s from the list so hosted on the website, the member/s shall have to make up any shortfall in their CPE credit hours for the above block period of 3 years by obtaining twice of the amount of the shortfall. Such addition shall be in addition to the regular CPE hours requirement for the particular Calendar year in which they are making up the shortfall.

The members are requested to note the above. The members are also requested to comply with the CPE Hours requirements for the current year by 31st December, 2013. For further information on above the members may visit [www.cpeicai.org](http://www.cpeicai.org)

As I conclude the message I am reminded of a Chinese proverb that " The best time to plant a tree was 20 years back and the second best time is now " so if we have missed out on the CPE requirements kindly avail this opportunity to interact, share, learn and earn knowledge. I am looking forward to welcome you at the conference.

**CA Sidharth Parakh**  
(Chairman)

### Understanding the Fiscal Responsibility and Budget Management Act, 2003 By CA. Anshuman Bardhan

FRBM Act is regarded as a landmark in the economic history our country. The act recognizes that in order to bring fiscal discipline persistent efforts would be needed on an annual basis. The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 which became effective from 5<sup>th</sup> July 2004 gives the responsibility to the Central Government to eliminate revenue deficit by March 2009 and reduce fiscal deficit to 3% of GDP by March 2008. Fiscal targets are indicated in the FRBM rules 2004.

### UNDERSTANDING THE LEGAL PROVISIONS

#### Background

FRBM act provides for the responsibility of the Central Government in five areas of fiscal and budget management.

1. To ensure inter-generational equity in fiscal management and long term macro-economic stability by achieving sufficient revenue surplus and
2. removing fiscal impediments in the effective conduct of monetary policy
3. prudential debt management consistent with fiscal sustainability thought the limits on the central government borrowings, debt and deficits
4. greater transparency in fiscal operations of the Central Government and
5. conducting fiscal policy in medium term framework

#### Applicability

The act is applicable to the whole of India

#### Definitions





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Section 2 of the FRBMA Act gives definition of some terms which are used in the Act.

1. Fiscal Deficit (Section 2(a)) – Fiscal deficit has been defined as the excess of total disbursements from the Consolidated Fund of India, excluding repayment of debt, over total receipts into the Fund (excluding the debt receipts), during a financial year.
2. Effective Revenue Deficit (Section 2(aa)) – Effective Revenue Deficit has been defined as the difference between the revenue deficit and grants for creation of capital assets. The Fiscal Policy Strategy Statement 2012-13 explains the concept of Effective Revenue Deficit. The Central Government transfers a large amount of resources to States, local bodies and other scheme implementing agencies. These transfers are shown as revenue expenditure in the books of the Central Government. A significant portion of these transfers is meant specifically for creation of capital assets which are public goods in nature. The Central plans to address the structural imbalance in the revenue account without sacrificing the development related expenditure.
3. Fiscal Indicators (Section 2(b)) – Measures such as numerical ceilings and proportions to gross domestic product for evaluation of the fiscal position of the Central Government.
4. Grants for Creation of Capital Assets (Section 2(bb)) – The grants in aid given by the Central Government to the State Governments, constitutional authorities or bodies, autonomous bodies, local bodies, and other scheme implementing agencies for creation of capital assets which are owned by the said entities.
5. Revenue Deficit (Section 2(e)) – Revenue Deficit means the difference between revenue expenditure and revenue receipts which indicates increase in liabilities of the Central Government without corresponding increase in assets of the Government.

### Fiscal Policy Statements to be laid before Parliament

The FRBM Act mandates that the Central Government shall lay in each financial year before both Houses of Parliament four statements. These four statements are to be laid along with annual Financial Statements and Demands for Grants except the Medium Term Expenditure Framework Statement. The four statements are

- a. Medium Term Fiscal Policy Statement
- b. Fiscal Policy Strategy statement
- c. Macro –Economic Framework Statement
- d. Medium Term Expenditure Framework Statement

### Medium Term Fiscal Policy Statement

FRBM act provides that the Medium Term Fiscal Policy Statement should include -

- a. Three year rolling targets of the fiscal indicators along with underlying assumptions shall be provided in the statement. Sec 2
- b. The fiscal indicators which should form part of the Medium Term Fiscal Policy Statement are given in the Rule 5 of the Fiscal Responsibility Budget Management Rules, 2004. The fiscal indicators are-
  1. Revenue deficit as a percentage of GDP
  2. Fiscal deficit as a percentage of GDP
  3. Tax revenue as a percentage of GDP
  4. Total outstanding liabilities of the Central Government as a percentage of GDP
- c. The Medium Term Fiscal Policy Statement is to be prepared in Form F 1.

### Fiscal Policy Strategy Statement

Section 4 of FRBM Act, 2003 provides information about the content of Fiscal Policy Strategy



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Statement. The section describes the matters which should be part of the statement. The Fiscal Policy Strategy Statement is to be prepared in Form F2.

The areas are –

- a. Central Government policies for next financial year relating to these areas -
  - i. Taxation
  - ii. Expenditure on market borrowings and other liabilities
  - iii. Lending and investment
  - iv. Pricing of administered goods and services.
  - v. Securities
  - vi. Description of other activities which have potential budgetary implications
- b. Strategic priorities of the Central Government for the ensuing financial year in the fiscal area.
- c. Key Fiscal Measures
- d. Rationale for major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings
- e. An evaluation about the conformity of the current market policies with the Fiscal management principles as given in the section 4 of the Act and the objectives set out in the Medium Term Fiscal Policy Statement

### Macro-Economic Framework Statement

Section 5 and 6 provide the details to be given in the Macro Economic Framework Statement. The Macro Economic Framework Statement shall contain an assessment of growth prospects of the economy along with the specification of underlying assumption. Section 6 further provides that the Macro Economic Framework Statement should also contain an assessment of the following –

- a. The growth in the gross domestic product
- b. Fiscal balance of the Union Government
- c. External Sector balance of the economy

### Medium Term Expenditure Framework Statement

The Medium Term Expenditure Framework Statement has to lay down three year rolling target for the expenditure indicators along with the underlying assumptions and risk involved.

The Medium Term Expenditure Framework Statement should also contain –

- a. The expenditure commitment of major policy changes involving new service, new instruments of service, new schemes and programmes
- b. The explicit contingent liabilities, which are in the form of stipulated annuity payments over a multi-year time frame
- c. The detailed breakup of the grants for creation of capital assets

The Fiscal Policy Strategy Statement (2012-13) explains that MTEF statement would help provide Section 1 (B) provides that the Central Government shall lay the Medium Term Expenditure Framework Statement before both Houses of Parliament, immediately following the session of Parliament in which the policy statements were laid.

### Fiscal Management Principles

Section 4 lays down the Fiscal management Principles. Section 4(1) has been amended in 2012. The act provides that the Central Government shall take appropriate measures to reduce the fiscal deficit, revenue deficit and effective revenue deficit so as to eliminate the effective revenue deficit by 31<sup>st</sup> March 2015. It further provides for building up of effective revenue surplus and reaching the revenue deficit of not more than 2% of GDP by 31<sup>st</sup> March 2005 and thereafter.





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Section 4(2) provides that the Central Government shall specify the annual targets for fiscal deficit, revenue deficit and effective revenue deficit. The central government also has to specify the annual targets for assuming the contingent liabilities in the form of guarantees and the total liabilities as a percentage of gross domestic products.

### Exception

The proviso to section 4(2) gives an exception that the revenue deficit and fiscal deficit may exceed targets due to grounds or grounds of national security or national calamity. The ground for such excess is to be placed before both the Houses of Parliament as soon as the deficit amount exceeds the target.

### Measures for Fiscal Transparency

Central Government shall take suitable measures to ensure greater transparency in its fiscal operations in the public interest and minimize as far as practicable the secrecy in preparation of financial statements and demand for grants (Sec 6). The disclosure requirements are provided in the Rule 6 of FRBM Rules, 2004. The disclosure to be made in the preparation of annual financial statements and demand for grants are –

- Any significant change in accounting standards, policies, and practices affecting or likely to affect the computation of prescribed fiscal indicators.
  - A statement of receivables and guarantees in Forms D1 to D3. Form D1 is for the disclosure of Tax Revenues raised but not realized. Form D1 requires the separate disclosure of Amount of Tax under Dispute and Amount of Tax not under Dispute. Form D2 is for the disclosure of Non-Tax Revenue. Form D3 is used to disclose the Guarantees given by the Government. These three forms are disclosed as a part of the Receipts Budget.
- Disclosures made in the Receipts Budget 2012-13

RAIPUR BRANCH OF CIRC OF ICAI			
Reports of Activities carried out by RAIPUR BRANCH			
IN THE MONTH OF SEPTEMBER, 2013			
SR.NO	DATE	PROGRAMME	TOPICS
1	03.09.2013	Teleconference Program	"FCRA", "Tax assessment of Charitable Trust" & "Tax exemption of NPOs/Registration u/s 12AA of 80G/withdrawal of Registration"
2	04.09.2013 To 07.10.2013	ITT Class	
3	13.09.2013	Study Circle Meeting Organised By Raipur Branch with IT Bar	ITR- Aug 13
4	14.09.2013	Seminar on Enhancing the Quality of Audit Organised By Auditing and Assurance Standards Board	Risk Assessments and Fraud Risk Considerations for Auditors – SA 315 & SA 240 New Audit Reporting Standards – SA 700, SA 705, SA 706 & SA 720 SA 230, Audit Documentation Revised Schedule VI – Considerations for Auditors
5	17.09.2013	Students (CICASA) Lecture Meeting	Issues on Tax Audit & Uploading of Audit Report
6	20.09.2013	Teleconference	Recent Judgments in Direct Taxes
7	20.09.2013 To 24.09.2013	OTC Class	
8	23.09.2013 To 01.10.2013	IPCC/Final Mock Test Paper	
9	25.09.2013	Teleconference	Recent Issues in Direct Taxes and Issues in Real Estate Transactions and Capital Gain



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Reports of Activities carried out by RAIPUR BRANCH			
IN THE MONTH OF OCTOBER, 2013			
SR.NO	DATE	PROGRAMME	TOPICS
1	04.10.2013	Teleconference	Understanding Domestic Transfer Pricing
2	05.10.2013	Studets (CICASA) Industrial Tour	Real Ispat & Power Ltd Urla Bendri road villege Bhorjhara
3	08.10.13	Studets (CICASA)	Motivational Carreer Conseling Step to success for school students in St.Xaviour Higher Secondary School
4	08.10.13 To 09.11.13	ITT Class	
5	12.10.2013	Students (CICASA) Lecture Meeting	Preparation for scrutiny assessment u/s 143(3)
6	18.10.2013 To 29.10.13	ISA CLASS	
7	18.10.2013	Teleconference	Concurrent Bank Audit Planning and Case studies & Stock and Receivables Audit
8	18.10.2013	Study Circle Meeing Organised By Raipur Branch with IT Bar	ITR-Sept 13
9	20.10.2013	Seminar on ICAI – MCA Investor Protection Awareness Programme Organised by : Committee on Financial Markets & Investors' Protection, ICAI	1.Hindu Succession, HUF, Will, Nomination, Family Arrangement - Documentation, Legal and Taxation 2.Data protection and Internet security aspects using latest technologies 3 Financial & Wealth Management in Capital Markt - Risk, Awareness and Professional Opportunities for Chartered Accountant 4 Regulations Governing NBFCs- Critical Issues and Important Aspects
10	25.10.2013	Studets (CICASA)	Motivational Carreer Conseling Step to success for school students in S S Sundrani Girls Higher Secondary Telibandha School.Raipur
11	25.10.2013	Lecture Meeing Organised By Raipur Branch with IT Bar	Important Issues relating to refund/rectification in the context of recent CBDT circulars
12	30.10.2013	Teleconference	Business process re-engineering - Reconstructing Processes Ab Initio" and "Computation of arm length price in specified domestic transactions

## . . . MEMORABLE INDIANS . . .

### BHAGAT SINGH 1907 - 1931

Bhagat Singh was a great patriot, revolutionary and a giant of an intellectual. He fully grasped the role of ideas and ideologies, especially those aimed at changing the society which is very well canvassed in his statement 'The Sword of revolution is sharpened at the whetstone of thought'.

He was extremely fond of books as made Dwarka Das Library, founded by Lala Lajpat Rai virtually his home and his kurta pockets were filled with books. He eventually became a Marxist but did not follow a readymade ideology. Unfortunately four books he wrote in jail and smuggled out of jail have been lost. Luckily the pamphlet "Why I am Atheist" was published in June 1931 in a weekly named The People.

He was a great promise, perhaps the greatest of all contemporaries, when his life was cruelly cut short. One of his incident which emphasizes his defiant courage against British imperialism is the way he reacted to his father's letter written to viceroy and the tribunal to save his son from gallows is when he wrote :

*" Father, I am quite perplexed. I fear I might overlook the ordinary principles of etiquette and my language may become a little bit harsh while criticizing or rather censoring this move on your part. Let me be candid. I feel as though I have been stabbed at the back. Had any other person done it, I would have considered it to be nothing short of treachery. But in your case, let me say it has been a weakness, a weakness of the worst type. "*

