

ERNAKULAM BRANCH OF SICASA
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF
INDIA
E-NEWSLETTER



IGNITE

-Aspired minds, Inspire.

CHAIRMAN'S MESSAGE



My Dear Young Friends,

It was refreshing to see you all come back to seminars and workshop activities in large numbers, after the exam heat is over. We had a number of programmes during the month. But the one day Seminar on Audit of Companies under Companies Act, 2013 and Half day seminar on How to face CA Exams & Motivational session was well attended and appreciated by all the participants. Thanks to the beautiful presentations by CA Shyam Mahadevan and CA Sherry Oomen on Audit of Companies under Companies Act 2013 and CA Jayaprakesh M C on How to face CA Exams and JC Harishkumar's motivational session. Our lecture meeting on Audit Charitable Trusts was again a hit among students with excellent presentation by Abdulla Ali ably supported by senior member and Past Central Council Member CA M C Joseph.

The two industrial visits to the units of Kitex group was really an eye opener to our student group on how best and efficiently our industries can be run and maintained in our state. However, study tour to more than 800 year old "Nagancheri Mana" at Iringole, Perumbavoor, which was the official residence of royal Nagancheri family and the walk through the lush, green, dense forest like age old sacred grove adjacent to Nakancheri Mana and the visit to 905AD built Morakkala Church (St Mary's Cathedral, Pallikara), was a very refreshing experience for all the students in the group. Still a lot more to be seen and experienced in the coming days.

Friends, as per the words of Sri Buddha, there are two fatal errors that keep great projects/initiatives/work from coming to life.

1. Not finishing.
2. Not starting.

We can think and talk about any new work/effort for a long time, but only action will manifest it. If you wait until you are ready to do it, you will never get anything done. Don't wait until all the conditions are perfect for us to begin. Beginning makes the condition perfect.

With Warm Regards,
CA Roy Varghese
Chairman, SICASA Ernakulam Branch

SECRETARY'S REPORT



Hello Friends!!!

We are very happy to present you with the May edition of Ignite. The month of May has been an eventful one for SICASA as we are all back after our exam break. The Industrial Visit to Kitex Industries, Half day seminar on Company Audit, Elocution Contest all were events that were very well received by everyone and it was wonderful to see the active participation of many students. We are planning many more activities and we expect all your involvement and contribution. This edition of Ignite is academic oriented and focuses on two newly introduced topics. Hope you enjoy reading this edition and wishing all of you happiness and peace during the holy month of Ramadan in advance.

Regards,
Farzeen Fazal



EDITOR'S NOTE

Hello everyone!!

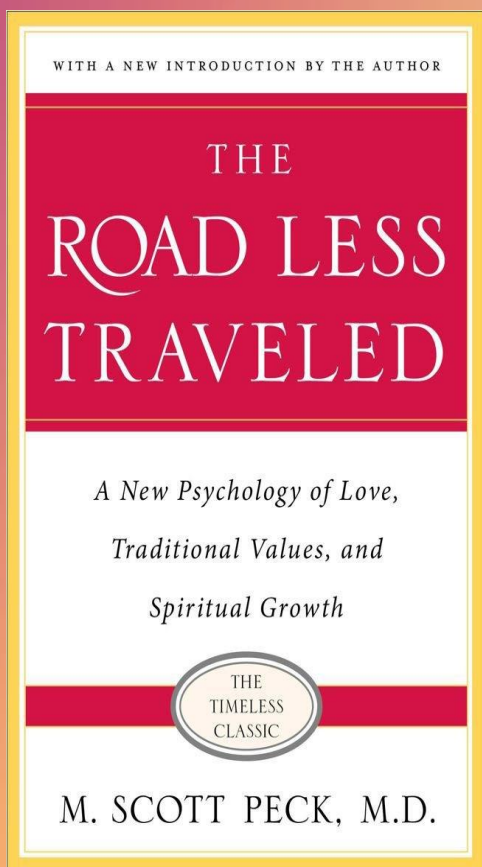
The exams are done and the break-time begins. It's my pleasure to present the May edition of our newsletter Ignite. This edition has a special focus on two topics which, as students are concerned is important, that is 'Insolvency and Bankruptcy Code' and 'Goods and Service Tax'. These game changing reforms have now been included in CA examination and is of great importance for CA professionals and students. SICASA conducted many events this month and it was nice to see such good participation. Hope you all enjoy reading this edition and do write to us your articles. Wishing all of you a happy, prosperous and joyful month of Ramadan in advance!!!

Regards,
Sreelakshmy Menon

AT A GLANCE

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THE BOOKWORM!



Name of the book: The Road

less travelled

Author: M. Scott Peck

M.D

This book was written in 1978, and made it on to the New York Times bestseller list in 1983, staying on the list for so long that it entered the Guinness Book of Records. Famously beginning with the words 'Life is difficult', The Road Less Traveled covers such gloomy topics as the myth of romantic love, evil, mental illness and the author's psychological and spiritual crises. Its premise is that once we know the worst, we are free to see what is beyond it. It is inspirational but in an old-fashioned way, putting self-discipline at the top of the list of values for a good life.

INSOLVENCY AND BANKRUPTCY CODE

-S.AJAY GANESH
SRO0386912

This article seeks to give you an overview of the newly introduced Insolvency and Bankruptcy Code, 2016 (IBC). It's important to note that this, being a code, brings together laws that are already in existence, but while doing so, organises the same systematically. And by that definition, the IBC is a compendium of laws relating to insolvency, liquidation, debt recovery, securitisation and the like.

Naturally, the code assumes quite an importance in our economy (any economy), and our Institute, understanding the significance it holds, has rightly decided to incorporate the same into the CA Final syllabus, as a part of Paper IV, Corporate and Allied laws.

Conception:

Passed by the Parliament on 11.05.2016, IBC came into effect after receiving Presidential assent and notification in the Official Gazette on 28.05.2016.

Purpose:

As Extracted from the objectives section of the Act,

"To consolidate and amend the laws relating to reorganisation & insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner,

for maximisation of value of assets of such persons,

to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders..."

Laws dealt with previously by, inter alia, Presidency Towns Insolvency Act, 1909, RDDBFI Act 1993, SARFAESI Act 2002, select chapters of the Companies Act 2013 and LLP Act 2008, is brought under one roof with the introduction of the Act.

Arsenal:

The Act seeks to operate and achieve its purpose by bringing under it the following bodies and/or professionals:

• Insolvency and Bankruptcy Board of India- the Board

Apex body for promoting transparency & governance in the administration of the IBC; also to involve in setting up the infrastructure and accrediting IPs & IUs.

• Information Utilities- IUs

Centralised repository of financial and credit information of borrowers; accepts, stores, authenticates and provides access to financial data provided by creditors.

• Insolvency Professionals Agency- IPAs

Agency of Insolvency professionals; registered with the Board. Persons to be enrolled with an agency to act as Insolvency Professionals.

• Insolvency Professionals- IPs

Regulated by the Board and IPA; IPs conduct resolution process, act as Liquidator/ bankruptcy trustee, is appointed by creditors and override the powers of directors.

• Adjudicating Authority- AA

NCLT for corporate persons and LLPs and the Debt Recovery Tribunal for individuals and partnerships.

So how do these entities work together in the event of insolvency/liquidation?

1. Insolvency Resolution

Any creditor may make an application for insolvency in the default of any debt due (single default in any loan or interest repayment can trigger IBC).

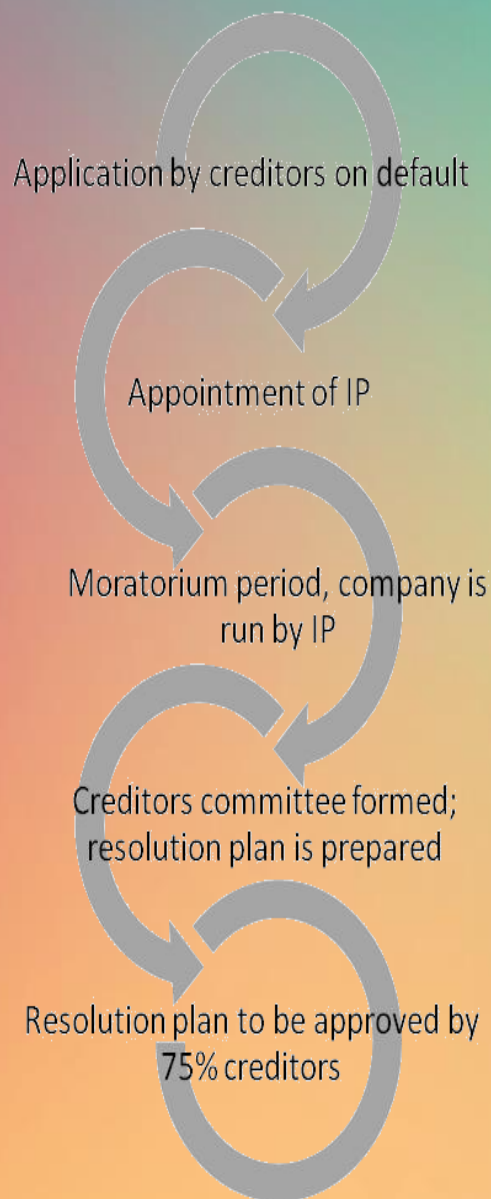
Following the application an IP is appointed by the Board and approved by the committee of the creditors. The IP shall take over the running of the company and all powers of the directors will stand suspended and vested with the IP.

The Adjudicating Authority will declare a time period(moratorium period) during which no action can be taken against the company or any claims be made on its assets. The focus will be on running the company on a going concern basis. In the meanwhile, a resolution plan is to be prepared and approved by at least 75 % of the creditors for the settlements due.

2. Liquidation

Failure to pass the insolvency resolution in a stipulated time will initiate liquidation proceedings.

IP may take over as the liquidator and take charge of the company's assets, assess their value and verify the worth of the creditors' claim and discharge them.



Order of distribution of assets at the time of liquidation

- Expenses relating to the process of liquidation
- Creditors and workmen dues up to 24 months
- Other dues and employees salary dues up to 12 months
- Dues towards unsecured creditors
- Government dues up to 2 years
- Other dues and debts
- Towards equity.

Wrapping Up: Major highlights at a glance

- 1 • Seeks to establish a 'Creditor in control' regime
- 2 • Apart from bringing together existing laws, also proposes to ammend similar legislations including Companies Act
- 3 • Overrides existing laws on insolvency, liquidation etc and therefore renders such laws ineffective to such extent
- 4 • To finalise Insolvency proceedings strictly time bound, mostly, in 180 days.
- 5 • Govt dues is rendered junior to most other dues in the priority for settlement
- 6 • IPs will be qualified intermediaries who will be overseeing the processes
- 7 • Insolvency and Bankruptcy Board and Information Utilities for administration and systematic implementation of the law.

For the kind attention of the readers...

This article, as already mentioned, is merely an overview and is supposed to give readers a bird's eye look at the legislature, the terms and its processes. A comprehensive coverage is not possible here due to the simply vast universe of this Act. However, given its academic importance in the CA syllabus, this article should come in handy before one takes a dive into its depths. Also, stay on the lookout for probable amendments headed your way that IBC has paved the way for.

GST – THE CONCEPT OF SUPPLY

-DEVIKA SOMAN

SRO0368776

The indirect tax structure in India is very complicated with numerous tax laws running across the national and state level. In an effort to streamline these into unified rate the Government has brought out the concept of GST.

The economy today speaks of the three letters G S T – The Goods and Services Tax.

Let's explore a small concept under GST – The concept of Supply.

The concept of supply under GST focuses on two major aspects

1. The presence of consideration
2. Used in the course of or for furtherance of business.



Supply under GST, includes

All forms of supply of goods or services or both such as

- Sale
- Transfer
- Barter
- Exchange
- License, rental, lease or disposal
- Made or agreed to be made for a consideration by a person in the course or furtherance of business;

- Import of services for a consideration whether or not in the course or furtherance of business;
- Activities : specified in Schedule I , made or agreed to be made without consideration;
- Activities: to be treated as supply of goods or supply of services as referred to in Schedule II.

The above definition is an inclusive one, which means even further limbs, could be added to the definition of supply.

However there are two major exceptions to supply. They are:-

Activities or transactions that are

- i) Specified in Schedule III
- ii) Undertaken by Central Government or State Government or Local Authority engaged as public authorities as notified by CG

The following are the activities mentioned in Schedule I i.e. those activities to be treated as supply even without consideration

- Permanent transfer or disposal of business assets on which input tax credit has been availed.
- Supply between related persons in the course or furtherance of business
 - However a gift of value < 50, 000, in a financial year made by employer to employee does not constitute supply.
- Supply of goods between principal & agent.
- Import of services by taxable person from related person, or his establishment outside India, in the course or furtherance of business.

The following are the activities mentioned in Schedule II i.e. those activities to be treated as supply of goods or supply of services

Transfer of :

- Any title in goods is a supply of goods
- Right in goods without transfer of title is a supply of services
- Title in goods under an agreement ,whereby property passes at a future date upon payment of full consideration is a supply of goods

Land & building

- Any lease, tenancy ,easement, license to occupy land is a supply of services
- Any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services.

Any treatment or process applied to another person's goods is a supply of services

Transfer of business assets :

- Goods forming part of business assets when transferred or disposed off is a supply of goods;
- Goods held for purpose of business are made available for any use other than business purpose is a supply of services;

Supply of services : The following shall be treated as supply of services:

- Renting of immovable property;
- Construction of complex, structure except where entire consideration has been received after issuance of completion certificate;
- Temporary transfer or permitting use of any Intellectual Property Right;
- Development, design, programming of information technology software;
- Agreeing to refrain, tolerate or do an act;
- Transfer of right to use any goods, for any purpose for a consideration;

Composite supply treated as supply of services in the following cases:

- Works contract; and
- Supply of goods, being food or drink or any other article for human consumption as part of supply of services for a consideration.

Supply of goods by any unincorporated association or body of persons to a member for consideration.

The following are the activities mentioned in Schedule III i.e. those activities or transactions which shall be treated neither as a supply of goods nor a supply of services

- Services by employee to employer in relation to employment.
- Services by court or tribunal.
- Functions by MP, MLA etc and duties performed by any person in constitutional capacity
- Services of funeral, burial or mortuary including transportation of the deceased
- Sale of land and building duly certified.
- Actionable claims other than betting, lottery and gambling

The need of the hour is a transparent, just, equitable and fair taxation system that is easy to administer. GST calls for an amalgamation – of numerous indirect tax laws into a single tax thereby moving to a common national market. Considering the important role India is expected to play in the world economy in the years to come, the expectations are high. Let's wish the nation all success for this legendary move in its financial history.

"DON'T CRY BECAUSE IT'S OVER, SMILE BECAUSE IT HAPPENED".

-Mahima Esther

Every happening of our lives can simply be described as a creative artwork. Our destiny may or may not be predesigned. But we have control only over the present being. So it is in our choice to walk the way of happiness or to drown in the pool of sorrows. Our happiness should not depend on any person but oneself only. What makes happy people do things differently? The key to satisfaction is doing things that feels risky and uncomfortable. We need to break the chain and get out of that comfort zone and do the extraordinary. That sense of satisfaction that we get on doing sporadic things can make you overwhelmingly happy.

Our choice decides everything. Despite all the wonderful things we have, we have the urge to satisfy our never ending needs. Happiness is not the result of bouncing from one joy to the next; achieving happiness typically involves times of considerable discomfort. Many of us have a feeling that money can buy everything, but that is not true. There is definitely one thing that money cannot buy, and that is nothing but happiness. Money is important to happiness, but only to a certain point. Money buys freedom from worry about the necessities in life, but it cannot buy emotions. Caring about others, running the risk of feeling, and leaving an impact on people, brings happiness. It is understandable to be afraid of opening up if you've been hurt in the past, but authentic connection cannot be established if you're not willing to be vulnerable. Life is not meant to be a choreographed routine, but rather an exciting adventure. The exciting adventure of highs and lows, and unimaginable circumstances, but truly the end of such an emotional rollercoaster would be hilarious indeed.

We cannot assure success as per our well-crafted plans, formulas and procedures. The result of your work will never reflect your expectations, so it is better to focus on enjoying the process than achieving a specific result.

As people say, the best way to be happy is to brighten another person's day, as it would make you feel infinitely better than wallowing in your own misery. A loving spirit and positive attitude will make you more attractive than any amount of weight-loss ever could. A truly happy person is one who can enjoy the scenery while on a detour. Don't be afraid of the unexpected, because life comes equipped with twists and turns you will never be able to predict.

So be happy and make others happy!!!!

Photo Gallery

