

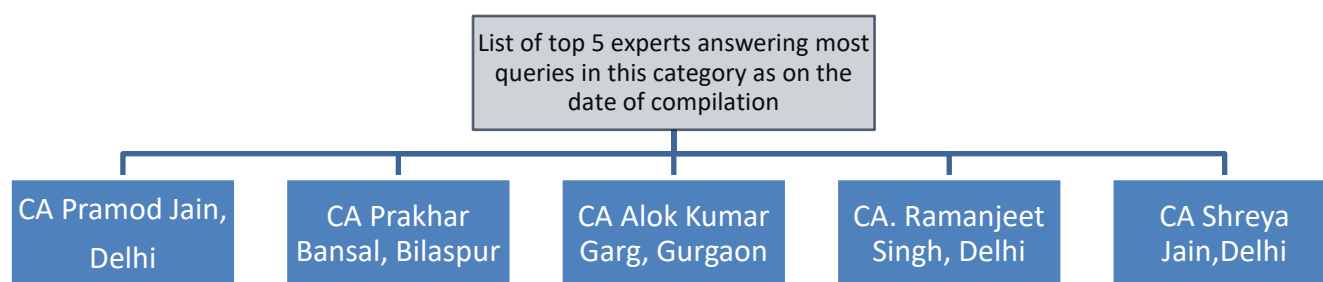


Concept by
CA. Pramod Jain

COMPILATION OF FAQ - AUDIT & ACCOUNTING STANDARDS – SERIES – 6

Below is a compilation of few selective questions asked by different persons on www.expertspanel.in and answered by various Experts empaneled thereon. The same is being shared as a knowledge sharing process for the benefit of all.

Compiled by
CA Tisha Aggarwal
14th October 2023



Query No. 6.1		Question	Answer
Date	01-03-2023	I had purchased a machinery from US and full payment made in advance when dollar was Rs. 80 dated 1.5.2022 on 31/12/2022. Received machinery when dollar was Rs. 83. At what will be the accounting treatment in Books?	In the present case, the payment has been in advance hence the machinery shall be capitalised considering the equivalent INR at the rate of USD 1= INR 80
Question asked by	Gaurav Kumar Mishra		
Responded by	CA Rahul Kumar Chowdhary		

Query No. 6.2		Question	Answer
Date	15-02-2023	Can a CA in practice issue investment certificate for the purpose of requirement by the pollution	Please comply with, guidance note on reports or certificates for
Question asked by	CA Gaurav Jain, Udaipur		

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Responded by	CA Pramod Jain, Delhi	department. If yes than what is the procedures and which SA to follow for reporting, format of report and and guidance kindly guide.	special purposes, which was revised the year 2016.
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Query No. 6.3		Question	Answer
Date	07-10-2022	<p>Company is executing construction work for metro etc. All the contracts are inclusive of taxes and company has to calculate GST as per applicable rates on the certified value of work done.</p> <p>Company is recognising the revenue inclusive of GST and charging GST on the debit side of Profit and loss account. Company is mentioning This fact in the accounting policy.</p> <p>Company do not want to exclude the GST from the turnover. Company is following this policy since last many years.</p> <p>Could you please advice, whether this policy is correct. As per AS-9 (revenue recognition), revenue need to be recognised excluding GST since there is no economic benefit to the company on account of GST collection. Company do not want to change this policy in this year.</p>	<p>This policy is in violation of the accounting standard, to auditor has to qualify the same while issuing his audit report.</p>
Question asked by	CA Vishal Agarwal, Gurgaon		
Responded by	CA Pramod Jain, Delhi		

Query No. 6.3 (Add - On Question)		Question	Answer
Date	11-02-2023	<p>Problem in these cases is Government Dept deduct TDS on total amount (i.e. amt inclusive of GST). Hence if we report taxable amount (excl GST), then defective notice is issued in income tax .</p>	<p>Accounting has to be done as per the applicable accounting principles and accounting standards. The revenue has to be disclosed net of taxes only. Whenever any authority seeks</p>
Question asked by	CA Sonal Goyal, Palanpur		
Responded by	CA Pramod Jain, Delhi		

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		<p>Example Taxable amount-100, GST-18, Total amt-118. Government department deduct TDS on 118, hence if we book income of Rs 100, then notice is issued in income tax. This creates a lot of problems in income tax as well as in GST. TDS in GST is also deducted on 118. In GST, we have to show income of Rs100 only. So notice from GST department is also issued.</p> <p>Kindly suggest any way in such case.</p>	clarification, kindly provide the clarification and reconciliation.
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Query No. 6.4		Question	Answer
Date	24-04-2023	Can we charge depreciation as per SLM Method under Schedule II of Companies Act? Or only WDV applicable to company.	Schedule II of Companies Act 2013 mentions depreciating the amount of an asset over its useful life.
Question asked by	Keshav, Ahmedabad		
Responded by	CA Shreya Jain, Delhi		

Query No. 6.5		Question	Answer
Date	11-02-2022	<p>Healthcare professional following cash basis of accounting. In this case can he claim depreciation? And what about closing inventory of medicine.</p> <p>Also whether tax auditor mention financials are not as per AS by ICAI.</p>	<p>Depreciation being a non cash adjustment, even if provided in accounts it will no alter the concept cash system of accounting. Gain or loss of depreciable asset may be booked following block concept and section 50.</p> <p>Yes disclosure require.</p>
Question asked by	Mayur		
Responded by	CA Praveen Sharma, Delhi		

Query No. 6.6		Question	Answer
Date	5-11-2022		

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Question asked by	CA Trimbak R. Bhawe, Belgaum	Who has to sign financial statements in case of a company when there is change in the chairmanship between 31 st March and the date of signing of financial statements. For eg. A was chairman on 31 st March and now B is chairman, who has to sign.	It is always the directors or Chairman who are there in office on the date of approval in the board of financial statements.
Responded by	CA Pramod Jain, Delhi		

Query No. 6.7		Question	Answer
Date	10-1-2022	Weather Bank guarantee given by contractor for execution of work be considered as contingent liability or need to be reported in notes to accounts in balance sheet?	Guarantee given for the work performance is not a contingent liability.
Question asked by	CA R.S. Goel, Delhi		
Responded by	CA Pramod Jain, Delhi		

Query No. 6.8		Question	Answer
Date	21-10-2021	We have taken a building on Rent for Business Purpose, Now if we want to do any major construction in that building (For ex making of new Room/Washroom) In that case in what would be treatment of that exp. i.e. should it be capitalized (if yes than under which Head as building is not owned by us) or it should be debited to Profit & Loss a/c directly.	If the amount spent is for creation of a new asset or a major renovation then the same could be a leasehold improvement to be capitalised.
Question asked by	CA Suryakant Ojha, Surat		
Responded by	CA Pramod Jain, Delhi		

Query No. 6.9		Question	Answer
Date	20-09-2021	If there is Deferred Tax Asset due to carry forward of losses in opening balance sheet then can we as a new auditor reverse the same as per our opinion there is no virtual certainty with convincing evidence that it will realize in future.	As per AS-22 DTA on carry forward losses can be recognized only when there is a virtual certainty that the company will be able to generate the sufficient taxable profit against which the carry forward of losses will be
Question asked by	CA Nitesh Patel, Mumbai		
Responded by	CA Rahul Kumar Chowdhary		

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			adjusted. The position shall be assessed each year, and hence there is a virtual certainty the same need to be reversed.
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