

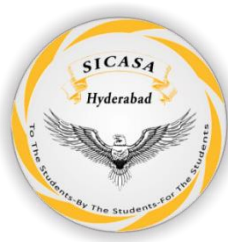


THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

CA STUDENTS PULSE

To the students- By the students- For the students

Students E Newsletter *For* **May 2020**



SOUTHERN INDIA CHARTERED ACCOUNTANTS STUDENTS ASSOCIATION

HYDERABAD

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SICASA HYDERABAD OFFICE BEARERS

The Managing Committee members of SICASA Hyderabad for 2019-20



CA RAJAMBAL MS
CHAIRPERSON



CA SATISH KUMAR MYLAVARAM
CO- CHAIRMAN



KUMAR SAVARA
(CULTURAL HEAD)



MANVITHA KATLA
(FINANCE HEAD)



MADHU YANAMALA
(ACADEMIC HEAD)



REKHA ESALU
(TECHNICAL HEAD)



SAI MANOJ KATLA
(STUDY CIRCLE HEAD)

JOINT MESSAGE FROM THE CHAIRPERSON AND CO- CHAIRMAN



From the Editorial Desk



Dear Learners,

Welcome to the newsletter for the Month of May. This Quarter has been a thoroughly new experience to the entire mankind because of Lockdown. I am glad that we all took that in the right spirit. It looks like a hectic for governments across the worlds fighting the pandemic. I would request all the students in the wake of lock down to take a deep breath and play it along with the rules. Exams being constantly postponing frustration might be mounting in each one of your hearts, regarding your futures, but remember that you are not alone in this. I would urge each one of you who would be facing exams this year to take the postponement in the right spirit and keep yourself cool study harder than ever since the time you now will never happen again. I m glad that we have kept pace with the changing world and organized few online classes and online seminars for students which had tremendous response, we would continue to bring the more resources your way in the coming future.

We are also trying to bring more interactive competitions and fun zones for student in wake of lockdown, which would be online of course. I would like to take this opportunity to invite newer and fresher ideas from students.

In wake of lock down, we were able to help few students stranded in Hyderabad without help, I would thank the entire student representative who helped and supported this initiative. Thank you Student committee of SICASA, Hyderabad and we look forward to assist anyone if in Need still.

I request students to participate and engage with the newsletter by way on contributions of articles for the newsletter. Finally I thank my editorial team, technical team, authors and well wishers, who are promoting this journal. With these words, I conclude and promise that the professional standards will be maintained and promoted for the betterment of each one of us.

Best wishes,
At your services always,

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ARTICLES OVERVIEW

Topics

1. Significant differences between IFRS & US GAAP
2. Impact of Digitalisation on article students

You can send your articles to sicasahyderabad@outlook.com in upcoming months newsletters.

SIGNIFICANT DIFFERENCES BETWEEN IFRS & US GAAP



INTRODUCTION TO IFRS AND US GAAP

- We all know that the Accounting Standards govern the financial accounting and reporting and they vary from country to country. These Standards are set up by Accounting Standards Board (ASB) in every country.
- In India Accounting Standards and Indian Accounting Standards are given by The Institute of Chartered Accountants of India (ICAI).
- Generally Accepted Accounting Principles (GAAP) refers to a common set of accepted accounting principles, standards and procedures that business reporting entity should follow when it prepares and presents Financial Statements.
- It is important for the accounting professionals to be aware of prominent accounting methods which are used across the world.

Let us now understand two prominent Accounting Methods which are IFRS and US GAAP.

IFRS

- IFRS refers to International Financial Reporting Standards which is a set of International standards developed by International Accounting Standard Board (IASB) and managed by IFRS foundation. As of now IFRS is used in more than 110 countries. Even in India ASB has considered IFRS while framing IND AS.

- IFRS was established in order to have common accounting language so that business and accounts can be understood and compared from company to company and country to country.

US GAAP

- It is used only in US. GAAP is established by FASB which is controlled by Securities & Exchange Commission (SEC). SEC is a part of US Government which regulates financial markets in US.

Before knowing about the differences between IFRS and US GAAP, let us first understand the **similarities between them**.

- Both the standards allow FIFO, Weighted average method for valuation of Inventory.
- Under Long-term contracts, where outcome can be reliably measured –Percentage Completion Method is used and when foreseeable losses are expected in such case loss should be recognised immediately under both methods.

DIFFERENCES BETWEEN IFRS AND US GAAP

BASIS OF DISTINCTION	IFRS	US GAAP
Principle Vs Rules	It is considered more of a Principle-based accounting standard.	It is considered more of Rule-based accounting standard
The Balance Sheet	Non-Current Assets are shown first. The items of Balance Sheet are arranged in ascending order i.e; least liquid items first and most liquid items last.	Current Assets are shown first. It calls for accounts to be listed in order of liquidity i.e; most liquid items first and least liquid items last.
Fixed Assets	Fixed assets such as Building, Furniture and Equipment initially to be valued at cost. But can be later re-valued up or down.	Fixed assets such as Building, Furniture and Equipment to be valued at Historic cost. Re-valuation is prohibited
Inventory Valuation	It does not allow LIFO method in inventory valuation since it results in overstatement of profit.	It allows LIFO method in inventory valuation.

Methods	in low net income and may not reflect actual flow of inventory items in comparison			
Inventory Write-down Reversals	Allows Inventories to be written-down to Market Value. If market value later increases it allows the earlier written down to be reversed.		Allows Inventories to be written-down to Market Value. Reversal of earlier written down is prohibited.	
Impairment Losses	It allows recognition of impairment losses on long lived assets when the market value decreases. It also allows impairment losses to be reversed for all assets except for goodwill when the condition changes.		It allows recognition of impairment losses on long lived assets when the market value decreases. It prohibits reversal of impairment losses for all types of assets.	
Intangibles	Internal costs such as development costs incurred to create intangible assets are capitalised if they have future economic benefits. IFRS has no specific guidance for software.		Development costs are treated as expense when they are incurred with the exception of internally developed software. If software is used externally costs can be capitalised once technical feasibility has been demonstrated. If the software is used internally capitalisation is allowed only during development stage.	
Classification of liabilities	There is no distinction between liabilities		Liabilities are classified into current and non-current liabilities depending upon the repayment period.	
Cash Flow Statement	Interest paid	Operating or financing section	Interest paid	Operating section
	Dividends paid	Financing section	Dividends paid	Financing section
	Interest received	Operating or financing section	Interest received	Operating section
	Dividends received	Operating or financing section	Dividends received	Operating section
Long-Term Contracts	Revenue is recognised to the extent of costs incurred		Completed Contract Method is used	

here outcost incurred. cannot be reli measured		venue, expenditure and profits recognised when contract is completed.
amples	Infosys Technologies, Mahindra Mahindra are some of the companies w se IFRS.	JP Morgan & Chase, Coco-cola Com are some of the companies which use AAP.

- Besides these differences IASB & FASB are hard at work in developing standards that will eliminate major differences in Account of Transactions and reporting of Financial Statements as lot of companies are being listed even in International markets .These standards helps to read and compare the Financial Statements at the time of Merger & Acquisition of companies.

By
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IMPACT OF DIGITALISATION ON ARTICLE STUDENTS

As an introduction, let's know what does digitalisation mean?

Digitalisation is a process whereby the things are done in a faster & easier way. It's an era whereby most of our routine works are getting digitalized. Digitalisation in the industry of trade and commerce has taken boom for the growth of the enterprise. Many business houses from small scale to large scale have shifted their process from manual process to automated digital system including the books keeping also.

Digitalisation of accounts has both positive and negative impact on the article students. Gone those days where the article student used to sit with all books such as ledgers, cash books etc and verify each and everything in a detailed manner. In today's world, most of the organisations and companies have adopted digital form of accounting with the use of various accounting software's available out there.

Firstly, let's discuss the aspects which would provide positive impact of digitalisation on the article students.

As you all know, digitalisation has brought many changes in the accounting which would help the article student to complete the audit within short duration and in an effective manner compared with manual accounts. To make it more clear, in the manual accounting in order to search for a specific voucher, the article student has to bring all the books, search that voucher accordingly and it would be taking a lot of time to do all these; and because of digitalisation this work is an matter of minutes.

With the digitalisation, the work can be done more efficiently and the same can be reviewed properly. Before doing an audit in any organization, one should have the knowledge of the client's business and also the accounting software used there. This would give the article students to gain the knowledge on many accounting software's used there.

With the development of technologies, a huge amount of information from physical media has been translated into digital format (electronic registers) stored on a server to which network access is provided. After authorization on a server user of electronic registries access the complex functionality of various applications. The usage of cloud technologies for the company's IT infrastructure allows users to access it from any mobile device, regardless of geo-localization and time of day, providing timely accounting, monitoring and response to what is happening. Implication of such a trend as block chain

relieves the need for inter-company verifications, because all the necessary information is kept unchanged in blocks. As like this, digitalisation has made the work of an article student easier, quicker and more effective.

Apart from the above, digitalisation would also impact the article student in a negative manner some of those aspects have been mentioned below

With the digitalisation, the work of an article has become more mechanical and robust. Most of the digital techniques used are beyond the knowledge of the student and even the student wouldn't be aware of that, this is mainly due to the lack of appropriate training on the software used. This would result in many mistakes in the work.

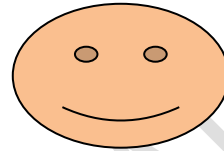
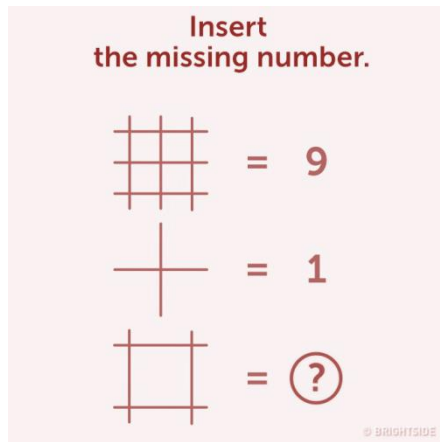
With the digitalisation, dependency has been increased. For everything, article student would be depending on the software. There are also some areas where there is no digitalisation, due to this dependency article student fails to perform his duties.

As a conclusion, I would say that, as digital innovation is spreading ahead, the audit profession is forced to follow. This profession also includes article students. It is not a question of "whether" the auditor needs to change or update accordingly, but rather "when" and "how fast" In order to minimize the negative impact, article students has to be provided with appropriate knowledge before assigning any work or an audit, it doesn't stop there everyone should update everyday accordingly.

By
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SOLVE THE PUZZLE



Answer: 4

For Answer turn your device upside down

Thank You