



Western India Chartered Accountants Students Association (WICASA) of The Institute of Chartered Accountants of India.



NEWSLETTER MARCH, 2020.



The Institute of Chartered Accountants of India

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WIRC CHAIRMAN'S COMMUNICATION



“Before you act, listen. Before you react, think. Before you spend, earn. Before you criticize, wait. Before you quit, try.”

Dear Students,

Every single word in this quote is relevant in today's times not just personally but also professionally. You are bombarded with “information” from all sides across different media and especially social media. All these terabytes of data floating around on your smart devices and in your head do not help but hinder you from reaching your goal. It is easy to get lost in the data and get distracted from your true purpose which is to focus on your studies and become the best finance professional you can be by qualifying as a Chartered Accountant.

It is at these times that you must remember the quote and think before you act because your education will determine your future. Remember, some people dream of great accomplishments, while others stay awake and do them.

It gives me great pleasure to state that WICASA continues to inspire thousands of student to dream big and to try to achieve their goals by aspiring to become Chartered Accountants. In the last month, WICASA visited four different schools & colleges across the length of Mumbai such as D.P. Pandey Girls School, Lamington Road; St. Joseph Girls High School, Agripada; Chandrabhan Sharma Degree College, Powai and Abhinav College, Bhayandar East.

Taking it further, we have organized our regular crash courses such as Accounting, Cost & Management Accounting and Corporate & Other Laws for CA for CA Intermediate Gr I while for CA Final Gr I we conducted classes on Strategic Financial Management, Corporate & Economic Law and Financial Reporting.

For students who are moving ahead there was a Half-Day interactive session on Article ship guidance which gave students clarity as to what was expected from them and the mindset they needed to cultivate for the same.

I firmly believe that the Chartered Accountant course not only prepares students for a glorious profession but for life. Our students are ready to take on the world and the current time is such a period wherein they can prove themselves.

Students can focus on making the most of this time and get ahead in every sense of the word by using the time on hand to get ahead in their studies. In fact, you can use the time right now in a constructive manner so as to be more relaxed as your exam time comes closer allowing you to approach your exams in a more relaxed and better frame of mind. In fact, this time can make all the difference between qualifying as a Chartered Accountant this year itself or attempting again next year. You know the right choice, now step up and make things happen.



You may lack motivation sometimes, but don't focus on what you can't do, take a look at what you are capable of. Start off with what you can do and go forward from there. The trick is to keep at it and before you know it you'll have finished a lot of your portion. Successful and unsuccessful people do not vary greatly in their abilities. They vary in their desires to reach their potential.

While many of you will be studying during these days, I also exhort you to be a support to your family. Everyone is going through stressful times and you must try to do as much as you can to help your family, whether it is through helping out or by simply not making demands, you can be a great help.

Knowing and believing in your own potential can be part of your journey to being successful. If you start to believe in yourself and your potential more, you can become more motivated to prove yourself. Remember, your goal is not perfection but to constantly strive for progress. No one can be perfect all the time, and progress is the only way that you can improve. Try and progress with your work and keep going even if you make mistakes. Rather than spending time becoming perfect in one subject, making continuous progress every day will lead to far greater rewards.

I leave you with a quote by the great Thomas Edison, "Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time."

While all of us are working from home, we understand that there would be certain matters relating to WIRC and ICAI which you would like to get clarified/ resolved. WIRC of ICAI has created a helpdesk where the queries can be posted by members and students and we would channelize it to the concerned person for necessary action / response. It would be appreciated if the query contains all the details so that prompt action can be taken. You are requested to post your queries on <https://helpdesk.wirc-icai.org>

CA. Lalit Bajaj

Chairman, WIRC.



WICASA CHAIRMAN'S COMMUNICATION



My Dear students,

Generally, we touch upon varied subjects in the newsletter. But as it's my 1st communication with you all, my foremost concern is how every student's mind in the country and all over the world is concerned about catastrophic Corona Global Pandemic and Lockdown.

But first of all, I extend heartfelt condolences to all who are quarantined and infected. And I strongly feel this is the biggest night of our country we have to fight together till the dawn. The fight against Corona is one between life and death itself...we have to win. And that is why such strong measures had to be resorted to. And since certain decisions had to be taken, resulting in postponing the exams and all the students activities which needs physical presence. ICAI has taken all the necessary steps for the concerns of students and members for their well-being.

It is possible that many are annoyed for their confinement in their homes. I fully understand your situation; I can feel what you are going through. But trust me life has given the best opportunity for you (students) to study and give you're 110% for the upcoming exams. Rest of us(Members) life has pressed the restart button and giving us a break from the vicious circle to improve ourselves.

Students, we are familiar with our adage "Aarogyam Param Bhagyam, Swasthyam Sarwaarth Sadhanam" -which means good health is the greatest fortune. Health is the only way to happiness in the world. Students, in this war, there are many soldiers who are fighting the Corona virus you're one of them.

Meanwhile, WICASA has organised and is lining up various webinars upon nearly all the topics that concern a CA Student's life, I request you'll to attend them regularly and derive maximum benefit out of it.

Thanks & Regards,

CA Hitesh Pomal

Chairman, WICASA



UPCOMING EVENTS

One Day Seminars	Date	Venue	Fees
One day Seminar on Standards on Auditing for CA Students	16/03/2020	ICAI Tower, BKC, Mumbai	200

Crash Courses

CA Final (New Course) Crash Courses	Date	Venue	Fees
Strategic Cost Management & Performance Evaluation For CA Final Group II	12/03/2020 To 16/03/2020	ICAI Tower, BKC, Mumbai	3000
Direct Tax Laws & International Taxation For CA Final Group II	17/03/2020 To 20/03/2020	ICAI Tower, BKC, Mumbai	4000

CA Intermediate (New Course) Crash Courses	Date	Venue	Fees
Financial Management & Economics for Finance For Intermediate Group II	13/03/2020 To 16/03/2020	ICAI Tower, BKC, Mumbai	3000
Auditing & Assurance For CA Intermediate Group II	17/03/2020 To 18/03/2020	ICAI Tower, BKC, Mumbai	2000
Advanced Accounting For CA Intermediate Group II	19/03/2020 To 23/03/2020	ICAI Tower, BKC, Mumbai	3000
Strategic Management For CA Intermediate Group II	24/03/2020 To 25/03/2020	ICAI Tower, BKC, Mumbai	1500
Enterprise Information Systems For CA Intermediate Group II	26/03/2020 To 27/03/2020	ICAI Tower, BKC, Mumbai	2000



Shivam Sharma
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Options: Financial Weapon of mass destruction

All about options as a financial instrument and as a better tool of investment. So let's begin!

So basically an option is a type of derivative contract, which gives the buyer, the right to buy an underlying asset and not an obligation to buy and it gives the seller, the right to sell the underlying asset and not an obligation to sell. Unlike the futures the buyer or the seller isn't required to either buy or sell the underlying, if they choose not to.

Now, let me set the base properly by throwing light on the basic terminologies associated with options contract:

Call Option: A call option gives the buyer, the right and not an obligation, to buy a determined quantity of underlying asset at a specified price on or before a given future date.

Put Option: A put option gives the buyer, the right and not an obligation, to sell a determined quantity of underlying asset at a specified price on or before a given future date.

American Option: It is generally an option which can be exercised on or before the expiry date of the contract

European Option: It is an option which can be exercised only on the expiry date of the contract.

Strike Price: It refers to the price at which the contract is supposed to be executed or exercised

Expiry: it refers to the date on which the contract expires, which generally is the last Thursday of every month.

Exercise date: The date at which the option was actually exercised is called as the exercise date. FYI (For Your Information), exercise date and expiry date are same in case of a European option, where as in case of an American option these dates may differ.

Option premium: The price paid by an option buyer to the option seller for granting the option is called option price. It is a % of current market price.



Long story short, the only difference between options trading and futures trading is that in case of option trading, the losses are limited and in case of futures trading the losses are unlimited. So for those with a comparatively lower financial appetite, options' trading is the best alternative available.

Generally,

When a buyer exercises call option, it means that he is bullish.

And when a buyer exercises put option, it means that he is bearish.

Now that I've set the base, let's get a glimpse of option trading with the help of an example

Suppose, you are bullish in Interglobe Aviation Ltd. at say Rs.1500 and the expected target price in 15 days is suppose Rs.1650, then that person can buy an "At the money" call, that is he buys Interglobe @Rs.1500, by paying an option premium of Rs.70 for a lot of 300. Now, if Interglobe does rise to Rs. 1650 in 15 days, then his premium value can exceed 150, depending on when he has taken position in that month and how many days it takes. The formula of options is complex in nature because it takes time value and other factors into consideration to calculate the premium rise that comes along with the price rise.

Ex: Time factor works against the premium. In case if the share of Interglobe doesn't rise from Rs.1500 to Rs.1650 in time span of 15 days, then the premium value starts eroding, even though the price of Interglobe has not dipped. In this case, one has to take calculated positions and must be a pro in options trading!

In case of an option, as described earlier, the loss is limited only up to the amount of premium paid, for example, if the price of Interglobe declines by Rs.200, then the maximum loss which you can make is only Rs.21,000. Whereas in case of futures, if the price of Interglobe dips by Rs.200, then the loss to be borne is Rs.60,000.

But people generally misunderstand the concept of limited loss in options trading and take various positions without making proper calculations and in 95% of the cases, end up losing their premium.

Just because there is limited loss, doesn't mean you park your funds blindly in options.

"Either you lose Rs.100 or you lose Rs.1,00,000, loss is after all loss"

So, your target as an options trader must be to take calculative, but profitable positions and not be in illusionary world, that because losses are limited, let's park some money in options. No, things don't work this way!



Before I end this wonderful blog, I would list a handful of benefits of options trading:

- Highly leveraged, as minimum capital is required
- The buyer knows the maximum amount of loss he can make out of a options contract
- Profit margin is higher and limited risk for an options trader
- Trader can protect his equity portfolio from a decline in the market.

Would Love to Thank CA Atharva Apte, my mentor and my elder brother, without whom I wouldn't be here writing this article and starting this marvellous blog site. Thanks a lot

And amid the COVID-19 outbreak, I would like to request everyone reading this blog to pray every single day for those people, who selflessly, out over there are serving the nation day in and day out, and please stay safe, stay at home for good god's sake!

Happy reading.



Vamshi Mergu
WRO0653964

AS 16 – BORROWING COSTS

1. Objective

This standard discusses about the accounting treatment for borrowing costs i.e. whether the borrowing costs should be capitalized along with the assets **OR** charged to profit and loss statement. [It does not consider the notional cost on owners' equity.]

2. Definitions

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and may include the following:

1. Interest and commitment charges on bank borrowings
2. Amortization of discounts and premiums. (Discount on issue of debentures or premium on redemption of debentures.)
3. Amortization of ancillary costs incurred for arrangement of funds. (**NOT** for closing a borrowing.)
4. Financial charges in respect of leased assets.
5. Exchange differences arising from foreign currency borrowings to the extent attributable.

3. Borrowing costs are directly related to **Acquisition, Construction or Production** of a **Qualifying Asset** should be capitalized alongwith the asset. If the asset is not a qualifying asset, then the same should be charged to profit and loss account.

4. Borrowing costs can be capitalized **only** when (Asset Recognition Criteria)
- a) There are probable future economic benefits inflow and
 - b) Borrowing costs can be measured reliably.

5. What is a Qualifying Asset?

An asset that necessarily takes a **substantial period** of time to get ready for it's intended **USE** or **SALE**.

What is substantial?

- *Primarily depends on the facts and circumstances of the case.*
- *Generally it is **12 months**.*
- *It can be shorter than 12 months – **if justifiable**.*



6. Period of Capitalization

The standard has given guidance on the most important aspect of the standard i.e.

1. When to **start** capitalization
2. When to **suspend**, and
3. When to **stop**

7. Commencement of Capitalization

Capitalization of borrowing costs should commence when **ALL** the following conditions are satisfied-

- (a) Expenditure on the qualifying asset is being incurred
- (b) Borrowing costs are being incurred and
- (c) Activities are in progress. (which are necessary to make the asset ready for its intended use or sale)

What activities should be in progress?

The activities necessary to make the asset ready for its intended use or sale which includes

- The physical construction of the asset.
- Technical and administrative work prior to commencement of physical construction i.e. obtaining permits for construction from local authorities, designing, etc.

When necessary activities are not in progress then the interest incurred during that period should be charged to P&L statement.

8. Suspension of Capitalization

Capitalization of borrowing costs should be suspended (pause or stop temporarily) when there is **NO** active development **or** active development is **interrupted**.

Provided further that (*Proviso to the above*)

- When substantial technical and administrative work is being carried out, capitalization should **NOT** be suspended.
- If there any temporary delay during construction or production **for making the asset ready** for its intended use or sale – interest incurred in that period should **NOT** be suspended.

9. Cessation of Capitalization

Capitalization of borrowing costs should be stopped when **substantially all necessary** activities are complete i.e. the asset is ready for its intended use or sale.

Even though routine administrative work might still exist it can be treated as substantially complete. If minor modifications, like the decoration etc. are pending it can be considered as substantially completed.



When a qualifying asset is completed in parts i.e. the asset can be divided into parts – Capitalization of borrowing costs should be stopped when any completed part is capable of being used while construction continues for the other parts.

10. If funds are specially borrowed for obtaining a qualified asset

In this case an entity should capitalize the following amount :

Actual borrowing costs incurred on borrowing during the period	XX
Less: Any income on the temporary investment on the borrowed amount	XX
Amount to be capitalized	<u>XX</u>

When funds are borrowed and not useful for immediate purposes, entities often invest the funds temporarily. The income from such investments should be deducted from the borrowing costs incurred and the balance amount should be capitalized.

11. If the funds are borrowed generally and used for obtaining a qualifying asset

To determine the total amount to be capitalized,

- Entity should be able determine the capitalization rate.
- Capitalization rate is weighted average borrowing rate of only general borrowings outstanding during the period i.e. specific borrowings should not be considered for calculation of capitalization rate.
- Capitalization rate = $\frac{\text{Average borrowing costs incurred the year}}{\text{Aggregate outstanding borrowings}} \times 100$
- Aggregate of outstanding borrowings = Amount of borrowing x Number of months outstanding /12 months.
- Interest to be capitalized = Expenditure incurred on the asset x capitalization rate x period of construction / 12.

[Total amount capitalized should not exceed the actual borrowing costs incurred during the period.]

12. Excess of the carrying amount of the Qualifying Asset over Recoverable Amount.

When the carrying amount of qualifying asset after capitalization of interest exceed its recoverable or net realizable value(NRV), the carrying amount is written off as per other accounting standards.

If the qualifying asset is a fixed asset or investment – AS 28 is applicable to write off excess carrying amount.

If the qualifying asset is inventory – AS 2 is applicable to write off the excess carrying amount.

13. Disclosures

The entity should disclose he following in the financial statements :

- (a) The accounting policy adopted for borrowing costs and
- (b) The amount of borrowing costs capitalized during the period.



ARTICLES

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DREAM BIG

The future belongs to those, who believe in the beauty of their dreams." You should never be afraid to dream big, no matter how ridiculous the dream may seem to you or to others around you. Others are not in control of your dreams, you are. And if you sit around and let their negativity get to you, your dreams will suffer. Dreams are something that you should hold close to your heart and never be afraid to express. Your dreams should be something that is constantly burning within you, eager to come alive. Dreams are recurring; meaning they don't easily just go away. If you try to dismiss their actuality, they'll just keep coming back, burning within, telling you to keep going. No one should ever be afraid to try for their dreams, no matter how tough things may get. The harder you try, the greater the outcome will be.

Some people will always be telling you it's impossible or how silly it sounds. But, you should know that they're going to be the ones that won't get to experience the sensation of realizing their dreams. The more you tell yourself that you can't accomplish your dreams, the longer your dreams are put on hold. Soon, those dreams will just become dormant inside of you because you never tried to make them come alive. Dreams are like plants; you have to feed them and water them in order to grow. Without water, it will shrivel and eventually die. Your hope is the water. The more you water the plant, the prettier the flower; the better the end result.

All you need is faith to fulfil your dreams and in order to have faith, you need self-confidence. If you often find yourself down in the dumps, or feeling inferior in any way; your dreams are going to suffer and so will you. As an individual, you have to learn to identify your value. You are one of a kind; there is no other you in this world. That makes you special, whether you like to think so or not. There will not be someone out in this world like you, so don't find yourself inferior in anyway. Of course, it's hard to think otherwise, with the way people treat each other in this world. People are quick to tell you that "you're not good enough". Honestly, if they're going around telling other people they're inferior, doesn't that make them even Lower? I pity those people. They are the people who have TRUE self-worth issues. I can only hope that one day they will stop judging others and learn to judge themselves. But take their criticisms in stride. Their words will only hurt you, if you allow them to. Don't listen and believe what they tell you; prove them wrong. Let their criticism be what ignites something in you to make a change.

Dreams are not something that should be tucked away and hidden. Be proud of your dreams and do everything within your power to make them come true, no matter the circumstances. You have those dreams for a reason; don't let them go to waste.

DO WHAT YOU LOVE AND LOVE WHAT YOU DO.

AMBITION IS EVERYTHING BUT ONLY WITH THE WILL TO ASPIRE."

Thank you.



FEBRUARY 2020 SNAPSHOTS



Articleship guidance programme for students



Accountancy for CA Intermediate



WICASA receiving the best students association award for 2019-20.

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