

authorisation which was still in operation, it can be said that the search concluded only on 16th April, 1999, when the restraint order was revoked and the contents of the drawer were examined and seized and a fresh Panchnama was prepared, and, therefore, the time - limit for framing the block assessment commenced on 16th April, 1999 and the assessment order framed on 30th April, 2001, was within limitation.

- **Smt. Krishna Verma vs. Asstt. CIT (Del 'D') (SB) 116 TTJ 565 (2008)**

6. Requisition under s. 132A - Silver seized by police - Silver having been seized by police under s. 102 Cr. PC from employee of assessee and CIT not being in possession of such information as to arrive at a conclusion that the silver represented undisclosed assets of the assessee, it was fallacious on the part of Chief Judicial Magistrate to entertain an application under s. 132A and direct handing over of silver to IT

Department.

- **Director of IT (Investigation) vs. Payal Selection & Company & Ors. (MP) 217 CTR 378 (2008).**

7. Common Search warrant-When competent authority has reason to believe that a number of persons are involved in interconnected transactions as reflected in prima facie material available with such authority, there is no prohibition against issuance of common search warrant to those persons -

- **Anjuga Chit Funds (P) Ltd. v. Dy. CIT (Chennai) 113 ITD 67 (2008).**

8. Protective assessment of income subject to block assessment - Income which was assessed as undisclosed income for the block period cannot be assessed even on protective basis in regular assessments under s. 143 for those years.

- **CIT vs. Wipro Finance Ltd. (Kar) 10 DTR 281 (2008).**

ACCOUNTANCY TRAVELOGUE : GALLERY OF AS-9

By CA Kameswara Rao Challa, FCA, DISA

The Gallery of Expenses has many areas, such as, Human Resource Cost, Borrowing Costs, Lease Charges, Depreciation, Intangible Expenses, Retirement benefits, Research & Development Costs etc. Some of them are specialized areas and will be dealt when we visit the respective land. Excluding the specialized areas, the gallery is routine by and large. Let us relish a few accounting and disclosure practices in this 'Gallery of Expenses', helpful in discharge of our professional responsibilities with suitable adaptations.

Recognition:

- Pending fresh agreement, provision for bonus has been made in the accounts on estimated basis, in respect of the employees governed by the Payment of Bonus Act, 1965.
- Compensation to employees who have opted for retirement under the voluntary retirement scheme of the company is debited to the Profit & Loss Account in the year of payment.
- Software systems and development expenses and user's licence fees are expended in the year in which it is incurred.
- Electricity charges debited to Profit & Loss Account (P & L A/c) is net of Rs ___ being the electricity generated through Wind Electric Generators.

- Power and Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account, the extent of which is not readily ascertainable.

Grouping (break up to be given in Notes on Accounts):

- Selling and distribution expenses include, packing charges, additional sales tax, freight outwards, advertisement.
- Workmen and Staff Welfare Expenses include 'Expenses on schools' of Rs___ which is net of Grants Rs _____. (**Cement Company**)
- During the year the company has considered the process of packing and labeling for its spare parts as manufacturing activity based on the Central Excise Notification No. ___, dated _____. Accordingly, spare parts purchases have been accounted for under consumption of raw material and components, which hitherto were accounted for as 'purchase of spare etc., for resale', and after packing and labeling (manufacturing process as per excise laws) these components have been sold as spare parts. (**Automobile Manufacturing**)
- The P & L A/c includes Expenditure on Public Relations and Publicity amounting to Rs ___ which

Article

is inclusive of Rs ____ on account of Staff and Establishment and Rs ____ for payment to others. The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.00018 : 1. **(Public Sector Company)**

- Social Welfare expenses Rs ____ are as under: Financial aid to individuals, Gram Shikshas, Charitable Dispensary. **(Religious Society)**

Allocation of Expenses:

- Allocation of indirect expenses as capital and revenue is done consistently on the basis of a technical evaluation, in the Electricity Business. **(Power Generation)**
- Under the EPC and contracts Activities, overheads are absorbed by various jobs in proportion to the prime cost of each job.
- Product warranty expenses are scientifically determined based on past experience and accrued in the year of sale. **(Automobile Manufacturing)**
- Expenses on travel and stay of Senior Saints and other inmates borne by devotees and branches in India and abroad are not incorporated in the accounts as these are settled and adjusted by them independent of Headquarters. **(Religious Society)**

Deferred Revenue Expenditure:

- Deferred Revenue Expenditure represents expenses incurred on voluntary retirement schemes and mines development expenses which are being written off over a period of 60 months commencing from the year following the year in which the expenditure was incurred. **(Cement)**
- Expenditure incurred on technical literature of new products is written off over a period of 5 years from the year the products are launched. **(Pharma)**

Research and Development (R & D):

- R & D expenditure of a revenue nature is expensed out under the respective heads of account in the year in which it is incurred.
- Revenue expenditure on R & D is charged to revenue through the natural heads of expenses in the year in which it is incurred. Expenditure of a capital nature is debited to fixed assets and depreciation is provided on such assets as are depreciable.

Managerial Remuneration:

- Notes on accounts disclose separately

Directors' Remuneration as: Salaries, Perquisites, Commission, Leave Salary/ Encashment, Contribution to PF and Superannuation fund, Performance Bonus, Commission, Other benefits, Directors' fee. It shall disclose whether contributions to pension, gratuity, etc., are included in the above components. It shall also disclose computation of Net profit for the purpose of determining Director' Remuneration as under:

- a) Profit Before tax and exceptional items
- b) Add: Directors' Remuneration debited to P & L A/c, Wealth tax, Depreciation, Loss on sale of assets, Investments written off, Provision for doubtful debts and exceptional items, etc.
- c) Less: Depreciation u/s 350 of the Act, Profit on sale of fixed assets or investments, etc.

- The Shareholders at the Annual General Meeting of the company held on ____ approved payment of commission of Rs ____ to non-executive directors provided that such amount does not exceed 1% of the Net Profit of the company, computed in the manner referred to u/s 198(1) of the Act. Accordingly, salaries and wages include Rs ____ towards commission paid to non-executive directors.
- Consequent to inadequacy of profit for the year computed in accordance with section 349 and 350 of the Act, the remuneration paid to Whole time Directors has been restricted as per Schedule XIII to the Act to Rs ____ which is lower than the remuneration approved by the shareholders by a sum of Rs ____ for which provision has been made in accounts.
- General Expenses include Rs ____ towards sitting fee paid to non-executive directors.

Material Consumption:

- Consumption of raw materials and components has been computed by adding purchases to the opening stock and deducting closing stock verified physically by the management. **(Automobile Manufacturing)**
- Consumption of raw material and components includes a provision of Rs ____, on account of estimated reversal of tax benefit on quantity differences on inputs.
- Additives are not considered as Raw Materials in Refineries.

- Consumption excludes value adjustments, if any, shown under items pertaining to the prior period.
 - Indigenous base oil includes Rs ____ which is internally produced.
 - Chemicals, Consumables and workshop consumables are treated as expenditure in the year of purchase. **(Educational Institution)**
 - Purchase of glassware, chemicals and other consumables for laboratory are recognised as revenue expenditure, in view of the nature of material and amount not being material, and are written off in the year of purchase. **(Bulk Drug Industry)**
 - It is not practicable to give quantitative information in the absence of common expressible units. **(in respect of Lighting Products & Communication Systems of a multi-product company)**
- Expenditure in Foreign Currency (Disclosure practices under various components/ heads):**
- Expenditure incurred during the year (on payment basis): Professional Fees, advertisement, Sales promotion, Export promotion expenses, Training, Hotel Reservation, Marketing Expenses, Licence Fee, Misc. expenditure.
 - Travel expenses, sub-contract expenses, Expenditure incurred at overseas branches, other expenses.
 - Royalty, Technical guidance fee, Model fee, Export commission, Travel and other accounts, advertisement and publicity.
 - Interest on foreign currency loans, technical know-how and engineering fee, Oil and gas activity, Production Royalty, Professional fee, Freight and forwarding and other matters.
 - CIF value of imports: Crude Oil, Base Oil, additives, capital goods, revenue stores, components, spare and chemicals. It includes FOB value of Imports made by the Corporation on behalf of other oil companies Rs _____. It excludes Rs _____ representing the imports under agency agreement. **(Oil Company)**
 - Dividend paid to non-resident shareholders in foreign currency: Final Dividend: Amount of dividend (Net of Tax), No. of non-resident shareholders, No. of shares held, the year to which the dividend relate.

PUBLICATIONS ON HAND

S.No.	Book Name	Price
1.	Guidance note on audit of public charitable institutions under the Income Tax Act, 1961	Rs. 150/-
2.	Technical Guide on E-Commerce Considerations for Audit of Financial Stnts	Rs. 125/-
3.	Technical Guide on Internal Audit in Tele Communications Industry	Rs. 125/-
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