

AS 10	Fixed Assets	<ul style="list-style-type: none"> • The accounting Standard says that the cost of the asset will not include refundable taxes and duties. An auditor needs to verify whether any Cenvat credit is availed in case of capital goods purchases and if such credit has been availed, then the cost of the asset should not include the cenvat credit amount. • As per AS 10, only those spares are required to be capitalised which can be only in connection with a fixed asset and use of which is expected to be irregular. Fixed asset as per AS-10 need not be Capital goods as per Cenvat credit Rules. There could be a situation where a spare part is recognised as Capital Goods/inputs under Indirect tax law but the same is considered as fixed asset as per AS-10. Suitable classification of such parts in auditor report to be provided in both respects. • In case of revaluation of fixed assets, which results in decrease in the book value of the asset, Rule – 3 (5B) of Cenvat credit Rules needs to be followed i.e. capital goods on which Cenvat credit has been taken is written off fully or partially or where any provision to write off fully or partially has been made in the books of account then the manufacturer or service provider, as the case may be, shall pay an amount equivalent to the Cenvat credit taken in respect of the said input or capital goods. However, when the capital goods subsequently used in the manufacture of final products or the provision of services, assessee shall be entitled to re-credit the Cenvat to the extent reversed earlier.
Example		<p>M/s. Bennet India Pvt Ltd purchased a machinery for Rs. 56.25 Lakh inclusive of excise duty at 12.5% of Rs. 6.25 Lakh. To avail the credit of duty paid, company shall capitalise only cost of machinery i.e. Rs. 50 lakh and remaining shall be taken as credit.</p> <p>As per Rule 4(4) of Cenvat Credit Rules 2004, CENVAT credit in respect of capital goods shall not be allowed if depreciation is claimed total value including excise duty (56.25L) under section 32 of the Income-tax Act.</p>

Links	A. Auditing Std	<ul style="list-style-type: none"> • SA 200 –It is the duty of the auditor to check if all the Accounting Standards have been complied with. • SA 250 – Non-compliance of any AS should be highlighted and brought to the notice of the management/board • SA 260 – The financial impact on account of non-compliance with any AS should be communicated to those charged with governance • SA 580 – The auditor can obtain written representations from the management regarding the procedure followed for physical verification of the fixed assets.
	B. Accounting Std.	<p>Accounting Standard 10 linked to Accounting Standard 29</p> <p>Example: A company purchased a plant from a foreign contractor on a lump sum turnkey agreement. The lump sum price is inclusive of customs duty regarding which arbitration is pending. In such cases, the company can capitalize the plant at the total lump sum price inclusive of taxes and duties, if the provision for liability towards balance customs duty which is pending arbitration is made as per Accounting Standard 29.</p>
AS 11	Effect of change in Foreign Exchange rates	<ul style="list-style-type: none"> • Accounting for transactions in foreign currencies and in translating the financial statements of foreign branches for inclusion in the financial statements of the reporting enterprise • ST is liable to be paid on Foreign exchange conversion which is treated as mere transaction in money. • In case of initial recognition of forex transaction, as per AS-11, it should be recorded at exchange rate applicable on transaction date. As per Indirect tax provisions, in case of import of goods, for discharging Customs duty the forex rate should be the rate specified by the CBEC on the date of submission of Bill of entry. With respect of import of services, the rate accounted as per AS-11 (i.e. Generally Accepted Accounting Principles) would be taken for discharging service tax for import of services from 1st October, 2014. <p>In case of subsequent recognition on the Balance Sheet date,</p>

		there is no impact under Indirect tax provisions.
Example		ABC Ltd. imported goods worth \$ 1 Lakh. As on the date of transaction the exchange rate is Rs. 68.5/\$. Transaction value accounted in the books of account as per AS-11 is Rs. 68.5 Lakhs. However for discharge of Customs duty, the value need not be same. It depends on the exchange rate specified CBEC on the date of filing of Bill of Entry by ABC Ltd.
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	B. Accounting Std	<p>Accounting Standard 11 linked to Accounting Standard 16</p> <p>Capitalization/De-capitalization of exchange loss or gain</p> <p>Foreign exchange loss/gain on a foreign currency loan can be capitalized/adjusted against the cost only to the extent specified under AS 16 (Para 4e). Any excess exchange loss/gain should be expensed / treated as income/expense in the Profit and Loss Account.</p>