

E-NEWSLETTER of SICASA  
Chengalpattu District Branch of SIRC of ICAI



JANUARY 2022

VOL IV/NO. 1

HAPPY NEW YEAR

2022

BRANCH OFFICE ADDRESS:

Flat No:401, 4<sup>th</sup> Floor, No.1A, Periyalwar Street,  
Sundaram Colony, East Tambaram, Chennai – 600059



## SICASA TEAM (2021-22)

### Chairman

CA Shivachandra Reddy K

### Vice Chairperson

Shrouthi S

### Secretary

Mahatha A

### Treasurer

Thilaga C

### Members:

Aiyswarrya M

Indhumathi N

Kaviya N

Priyadharshini S

### EDITORIAL BOARD

#### Editor :

CA Shivachandra Reddy K

#### Members:

CA Aanand P

CA Arumugaraj P

CA Bhuvaneshwari R V

CA Lakshminarayan T R

CA Madhumitha R

CA Naveen Kumar

CA Priya A

CA Ravichandran S

CA Thiruppathi P

### STUDENTS DEVELOPMENT

#### COMMITTEE:

CA Priya A

CA Shivachandra Reddy K

CA Deepa Rao

CA Janani V

CA Madhumitha R

CA NarashimmaRaghavan R

CA Ravikumar M

CA Sathiyarayanan K R

CA Sivagurunathan T

CA Sridhar Ganesh

CA Ravichandran S

CA Thiruppathi P

**Note:** The views expressed in the articles published are own view of authors and SICASA Chengalpattu District Branch does not endorse or take any responsibility for the views expressed in the articles.



*SICASA Chairman's Communication - 03*

*Branch Chairman's Communication - 04*

*High Sea Sales Under GST - 05*  
*- Priyadharshini S*

*IND AS 21 : The Effects of changes in  
foreign exchange rates - 08*  
*- Akash G*

*Trivia Corner - 12*





*FROM THE SICASA CHAIRMAN'S  
DESK*



My Dear Students,

Wishing you all a very happy and prosperous New Year 2022

Some of you would have written your Dec 21 exams and returned back to the office. Some of you would have gone on study leave for May 22 exams. Some of you who are appearing for the Nov 22 exams may be waiting your turn to go on study leave in the 2nd half of 2022. I am sure all of you will scale further new heights of success in all your endeavors in the new year 2022.

On this New Year's Day let us resolve that whatever work we do we will do it with 100 percent involvement and happiness. Work is the only way to progress. Nothing else develops a man as work does. Work must be the primary form of worship. whenever any work is done, be it office work or studies or any other work, do it with happiness. When work is done as a choice, you tend to enjoy what you do, and when it is finally completed you experience a sense of fulfillment. When work is undertaken as a compulsion you struggle to do what you do, and when it is finally completed, you experience a sense of relief.

Let us shift from the attitude of " I MUST DO IT " to " I WANT TO DO IT ". If we have to do something, then might as well let us enjoy doing it.

Hold the sanctity of work above everything and everything else will flow into your life.

**Shivachandra Reddy K**  
**SICASA Chairman**  
**Chennai, 25 th Dec 2021**



*FROM THE BRANCH CHAIRMAN'S  
DESK*



**My Dear students,**

The year 2021 is coming to end and let's thank the almighty for blessing us to survive the covid pandemic. Hope 2022 brings prosperity and safety in our lives.

Apart from keeping ourselves updated with the professional updates, we must also be updated on moral values which would lead us to a happy life. We should learn to give importance to people rather than objects. We should have relationship with people and use the objects, whereas in reality we have relationship with objects and use people.

We all know that health is wealth and we should not compromise on our health. Meditation and yoga should start from young age to defer the ageing process and lead a healthy life. But we are surrounded with a myth that meditation is only for old people. As for as my personal experience is concerned, more practice of meditation, yoga, prayers, chanting etc., will result in efficient performance of our studies and practice.

I wish all the students a happy, prosperous and healthy happy new year 2022.

Best Wishes.

**CA Kathiresan C**  
**Branch Chairman**  
**Chennai, 30<sup>th</sup> Dec 2021**



## HIGH SEA SALES UNDER GST

### **Meaning of High Sea Sales:**

High sea sale is **a sale carried out by the actual consignee** (i.e. the consignee shown in the Bill of Lading) to another buyer while the goods are on high seas or after their dispatch from the port of loading and before their arrival at the port of discharge. In other words High Sea Sales is a sale carried out between the original importer and another buyer, while the goods are in transit on high seas.



Priyadharshini  
SRO0594543

\*Consignee- Recipient of the goods being **shipped**.

\*Consignor- Supplier of the goods being **shipped**.

**Herein we shall see the taxability, time of levy of GST, value on which tax shall be levied, availment of Input Tax credit.**

### **Taxability:**

High Sea Sales transactions are covered under the definition of inter-state supply and hence the provisions of the IGST Act apply. Goods sold on high sea sale basis not having crossed Customs Frontiers of India, are in the nature of inter-State supply as per Section 7(2) of IGST Act, 2017. A Supply of goods imported into the territory of India, till they cross the customs frontiers of India, shall be treated to be a supply of goods in the course of inter-State supply. Liability to tax in respect of such goods would be levied at the time of import into India only after they clear the Customs Frontier.

### **Time of levy of GST:**

Due to multiple transactions with the same goods, a question arose whether such transactions are taxable or not and if taxable, what should be value and whether IGST is to be levied at every time the HSS takes place.

In response to the same, the department issued a Circular No. 33 /2017-Cus dated 1st August 2017 and clarified that IGST on HSS transactions shall not be levied as the supply takes place before filing of Bill of Entry and such transactions are exempted from the whole of GST Act. Such transactions shall be treated as no supply. However, IGST in case of import of goods shall be levied at the time of filing of Bill of Entry. The original importer will not charge IGST on his sale to the HSS buyer but later, the HSS buyer who files Bill of entry will pay IGST at the time of clearing goods. The original importer will not charge IGST on his sale to the HSS buyer but later, the HSS buyer who files Bill of entry will pay IGST at the time of clearing goods.



And there are no restrictions on the same goods being sold more than once on high seas. The same consignment of goods in transit can be sold multiple times before they cross customs frontier and enter into the territory of India. But when the Sale is to be concluded GST has to be Paid.

### **Value on which tax shall be levied**

The High sea sales transfer takes place at import invoice value only; the custom would add 2% of CIF value. There have been cases where HSS sellers have sold at less than two percent import CIF but the Custom department has added 2% of CIF as HSS value addition. Such practice of the department has been challenged because the customs duty is chargeable only on the value actual transaction.

### **Example**

Mr. X imports goods, whose CIF value is \$500 and he decides to sell to Mr.Y at \$505. However, while clearing the goods from the Customs department, the department will consider  $\$500 \times 102\% = \$510$ .

Further, if Mr. Y decides to sell these goods at \$525, the department here will not consider \$525 because it adds notional value @2% IGST shall be levied at a value \$525 and that price shall be considered as the final price. Hence, IGST is levied at the time of the final transaction and at the time of filing of the bill of entry only, not every time the transaction takes places.

### **Documents need to be submitted for Import Clearance under High Sea Sale**

The following documents are required to be submitted:

1. A high Seas Sales contract signed by both the buyer and seller, duly notarized. The date of contract and notarization should be before the filing of the IGM\*;
2. Non-negotiable copy of Bill of Lading in original, if same is not available, then photocopy of such Bill of Lading duly authenticated by Shipping Line/Steamer Agent;
3. High Seas Sale Invoice and Commercial Invoice in original or duly attested copy;
4. Authority letter for CB\* from High Seas Sales buyer in original (if CB is appointed) or application from High Seas Sales buyer, addressed to Deputy/Assistant Commissioner of Customs, Import Noting, JNCH
5. IEC copy of both the buyer and the seller;
6. Certificate of Origin

\*IGM- Import General Manifest,\* CB- Custom Broker, \*JNCH- Jawaharlal Nehru Customs House,\* IEC- Import Export Code.

**No reversal of Input Tax Credit (ITC)**

High sea sale is not exempt supply rather; the transaction is covered in Schedule III and is considered as NO SUPPLY. As there is no supply, GST cannot be charged on such sales, and hence there is no question of ITC relating to such transaction. In simple words, the tax has not been charged while purchasing High Sea sale goods and therefore the tax will not be levied in High sea sales and there is no need to reverse the common credit of ITC to the proportionate of Non-GST Supply,

Thanks & Regards,  
Priyadharshini.S







## IND AS 21 :The Effects of changes in foreign exchange rates

Objective: IND AS 21 deals with the accounting foreign activities and to mandate how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency.



Akash G  
SRO0627822

### Applicability:

IND AS 21 deals with accounting of effects of changes in foreign exchange rates arising out of

- (a) Translating the results and financial operations that are included in the financial statements of the entity by consolidation or equity method; and
- (b) In translating an entity's results and financial position into a presentation currency
- (c) In accounting for transactions and balances in foreign currencies, subject to certain exceptions given below:
  - a. Derivative Instruments and balances that are within the scope of IND AS 109
  - b. Hedge accounting for foreign currency items, including net investments in foreign operation (Under IND AS 109)
  - c. Presentation of cash flows in a foreign currency or to translation of cash flows of a foreign operation in the statement of cash flows (Under IND AS 7).

### Functional Currency and its Indicators/Factors:

**Functional Currency** is the currency of the primary economic environment in which the entity operates. An Entity measures its assets, liabilities, income and expenses in its functional currency. Any transaction in currencies other than functional currency is foreign currency.

The following are the factors that are considered in determining an entity's functional currency :

1. Currency that mainly influences Sale price of goods and services and Currency of country whose competitive forces and regulations determine the sale prices of goods and services.
2. Currency that influences labour, Material Cost.

Other Indicators that provide supporting evidence to determine an entity's functional currency are

1. The currency in which funds from financing activities are generated
2. The currency in which the receipts from operating activities are retained.



When the above indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

### **Initial Recognition of Foreign currency transaction:**

- a) A foreign currency transaction is initially recorded in the entity's functional currency at the exchange rate on the transaction date (Spot Rate).
- b) At times/Practical reasons, Average rate is used and average rate is not reliable if the exchange rate fluctuates significantly. For example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period.

However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate.

### **Subsequent Recognition at the end of each reporting period:**

At the reporting date, Assets and liabilities denominated in a foreign currency are translated as follows:

- a) Monetary Items are translated at the exchange rate at the reporting date i.e., closing rate.
- b) Non-Monetary Items measured at historical cost are not translated /restated, instead they remain at the exchange rate at the date of transaction (Spot Rate).
- c) Non-Monetary Items measured at fairvalue in a foreign currency are translated at the exchange rate on the date the fair value was determined

Examples of Monetary items are pensions and other employee benefits to be paid in cash; provisions that are to be settled in cash; and cash dividends that are recognised as a liability

Examples of Non Monetary items are amounts prepaid for goods and services (eg prepaid rent), goodwill, intangible assets, inventories, property, plant and equipment; and provisions that are to be settled by the delivery of a nonmonetary asset.

### **Recognition of Foreign exchange gains and losses:**

When the transaction occurs and settles within the same accounting period, all the exchange difference are recognised during that period. However, when the transaction is settled in a subsequent period, the exchange difference is recognised in each period till settlement date based on exchange rates during each period.



Exchange differences arising on the settlement of monetary items are recognized in profit or loss except

- a) for accounting of exchange difference as required by application of hedge accounting
- b) for monetary items that form part of reporting entity's net investment in a foreign operation.
- c) for Long term foreign currency monetary items in case the entity has exercised the option for recognizing exchanging difference on such items in equity.

### **Change in Functional currency**

The functional currency cannot be changed unless there is a change in the relevant transactions, events and conditions. Translation procedures should be applied to the new functional currency prospectively ;

- a) All items are translated into the new functional currency using the exchange rate at the date of change
- b) Exchange difference earlier recognized as equity shall continue as such and not reclassified into profit/loss.

### **Transalation into a presentation currency:**

If the entity's functional currency differs from the entity's functional currency , it translates its results and financial results into presentation currency The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency as follows:

- a) Assets and liabilities are translated at the closing rate at the date of balance sheet.
- b) Income and expenses are translated at the transaction date.
- c) All resulting exchange differences should be classified as other comprehensive income and are presented in a seperate component of equity until disposal of foreign operation.

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy are translated into a different presentation currency as follows:

- a) All assets, liabilities, incomes and expenses are translated at the closing rate at the date of most recent balance sheet.

### **Disposal or partial disposal of foreign operation:**

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognised. In the case of partial disposal of foreign operation, transfer proportionate share of cumulative amount of exchange difference from equity to profit and loss.



In case of partial disposal of subsidiary that includes a foreign operation , the entity re-attributes the proportionate share of cumulative amount of the exchange differences recognized in other comprehensive income to Non controlling interests in that foreign operation.

### **Key Disclosures in IND AS 21:**


- a) Exchange differences included/recognized in Profit/Loss except for those arising on financial instruments measured at fair value. Other comprehensive income and accumulated in a separate component of equity
- b) Fact of presentation currency being different from functional currency and reason for using different presentation currency.
- c) Fact of change in functional currency of reporting entity and reason for change in functional currency.

Thanks & Regards ,  
Akash G





# TRIVIA Corner

- 
- i. In India GST came effective from July 1<sup>st</sup> 2017, India has chosen which countries model of dual – GST?
  - ii. Which is the first phase of accounting cycle ?
  - iii. The cost which is to be incurred even when a business unit is closed is called as ?
  - iv. Which type of tax is not subsumed in GST ?
  - v. What is the primary goal of the financial management ?

## Previous Month Answer:

- 1) Interim Audit
- 2) VAT
- 3) Statutory Audit
- 4) Stamp Duty
- 5) Money Measurement Concept



## SICASA of Chengalpattu District Branch of SIRC of ICAI

### Contribution From Our CA ASPIRANTS:

*Articles are invited from students for publishing in e-newsletter. The articles shall be either on the specific subject or a general article.*

*For all the artistic minds, you may highlight your artistic skills by sending your art to us. It could be drawing, poem, photographs and all the art work which is unusual in your way!*

*Students can mail their work with Name, SRO Number, Mobile Number, Residential Address, Office Address & Photo to our E-Mail mentioned below*

#### Follow Us on



[chengai\\_icaei.org](http://chengai_icaei.org)



SICASA Chengalpattu  
District Branch Of SIRC



Chengalpattu District  
Branch Of SIRC



[kpmsicasa@gmail.com](mailto:kpmsicasa@gmail.com)



[chengai\\_sicasa](https://www.instagram.com/chengai_sicasa)



7550009811