



Gurugram Branch of NIRC

The Institute of Chartered Accountants of India
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Happy

NEW YEAR

2021

e-Newsletter

January 2021

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Editorial Message

Happy New Year

“

निर्मानमोहा जितसङ्गदोषा अध्यात्मनित्या विनिवृत्तकामाः।
द्वन्द्वैर्विमुक्ताः सुखदुःखसंज्ञैर्गच्छन्त्यमूढाः पदमव्ययं तत्॥

(Shrimad Bhagwat Geeta | 15.5)



Respected Professional Colleagues,

Warm greetings.

I pray for your good health and safety. Today we have entered into the new decade 2021-2030. During the last year on one side we witnessed one of most disastrous global pandemic but on the other side we also visualised the value of Mother Nature, importance of Information Technology, need of love and support from our near and dears. Shri Rabindranath Tagore rightly stated that the real friendship is like fluorescence, it shines better when everything has darkened.

While we put in our best foot forward, it is also of extreme importance to cherish our family and friends and make time for them. This is the high time to ensure that the New Year energy sustain the upheavals of time and keep it continue to the end of the year.

Gurugram Branch of ICAI has always been a firm believer of the fact that independence, integrity and excellence are best accompanied with consistency and persistent eyes on the goals. It urges one and all to not let their New Year resolutions get lost in daily routines. Rather, with unbridled willpower and undying determination induced by this new beginning, we hope you materialise all your dreams and aspirations.

Don't be afraid to innovate be different. Have your own ideas. Following the crowd is a path to mediocrity. Innovation distinguishes between a leader and a follower. Don't worry about blame and don't waste time in complaining. Make your decisions and move on. People aren't always going to be there for you, that is why you need to learn to handle things on your own.

We always strive to make our newsletters more than just newsletters by keeping informative and using them to share knowledge among fraternity. We are always open to any ideas that will help us to improve our efforts to serve the members and students at large. I, along with my entire team express heartfelt gratitude for the love, support and guidance you have been pouring on us.

Have a wonderful Decade Ahead.

Stay safe, stay healthy. Jai Hind.

'Be Genuine and Win Hearts'

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Mark to Market concept under Income Tax aligning with Income Computation Disclosure Standard

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CA. Abhishek Jain

This article is an attempt to understand the MTM concept under Income Tax perspective and issues connected therewith.

In this regard, if we talk about The Income Tax Act, 1961, it provides detailed provisions to claim a deduction of an expense incurred for earning business income. Section 36(1)(xviii) deals with MTM concept (as inserted by Finance Act 2018), and prescribes certain conditions to avail of such deductions, Section 40A (13) provides for non-deduction of MTM loss with an exception and Section 145 (2) prescribes ten (10) ICDS to compute taxable income under the head 'Profits and gains from business or profession'.

Concept of Mark to Market Loss:

Mark to Market (in short 'MTM') also known as 'Fair Value Accounting' refers to accounting of the 'fair value' of an asset or liability to its current market value. Under the fair value approach, assets and liabilities are re-measured periodically, say on the last day of the financial year to reflect changes in their value.

Marked-to-market loss means that the asset value is re-measured and any decrease in value recognized in books. Para 4 (ii) of ICDS -1 provides that M2M Loss or an expected loss shall not be recognized unless the recognition is in accordance with the provisions of any other

ICDS. One important note in this regard is while answering FAQ's it was answered that same principle as contained in ICDS-1 relating to MTM losses or expected loss shall apply mutatis mutandis to "MTM gains or an expected incomes".

VARIOUS ICDS ON MARK TO MARKET:

I. ICDS II : Valuation of Inventories

According to ICDS II Inventories shall be valued at cost, or net realisable value, whichever is lower meaning there by if Net Realisable Value is lower than the cost then it is permissible to recognize that MTM loss as per ICDS.

Inventories shall be written down to net realisable value on an item-by-item basis. [Para 19 of ICDS II]. We can understand this by following example:

Item of Inventory	Cost	NRV	Valuation as per ICDS I
Pen	31	35	31
Book	20	15	15
Board	15	10	10
Total	66	60	56

Now as per ICDS II value adopted will be Rs. 56 for Computation of Income. This valuation is done on Item to Item basis.



Mark to Market concept under Income Tax aligning with Income Computation Disclosure Standard

II. ICDS VIII –Securities

Para 9 of ICDS –VIII on securities requires held as stock in trade shall be valued at actual cost initially recognized or Net Realisable Value at the end of that previous year, which ever is lower. This exercise should be carried out category wise.

We can understand this by following example:

Securities	Category	Cost	NRV	Lower of Cost or NRV	ICDS Value
Infosys	Share	90	80	80	
TCS	Share	100	120	100	
RIL	Share	120	100	100	
		310	300	280	300
Deben-ture A	Debt Se-curity	130	150	130	
Debt Securities	Debt Se-curity	100	80	80	
Debt Se-curity B	Debt Se-curity	220	250	220	
		450	480	330	450

In case of dissolution of a partnership firm or association of person or body of individuals, notwithstanding whether business is discontinued or not, the inventory on the date of dissolution shall be valued at the net realisable value. We can say if the net realizable value is more than the actual cost, the profit (though not

realized and fictional) it is chargeable to tax. [Para 24 of ICDS II]

III .ICDS III - Construction contracts

As per ICDS III “Retention” is the amount of progress billing which are not paid until the satisfaction of conditions specified in the contract for the payment of such amount or until defects have been rectified. Para 10 of ICDS III says that the contract revenue shall comprise of retention also.

While, Para 9 says that contract revenue shall be recognized when there is reasonable certainty of its ultimate collection. Where there is no certainty, such revenue need not be recognized.

IV. ICDS VI: The effects of change in foreign exchange rates

In case of monetary items – exchange differences arising on the last day of the previous year shall be recognized as income or as expense in that previous year.

In case of non-monetary items – exchange differences arising on the last day of the previous year shall not be recognized as income or as expense in that previous year.

However, initial recognition, conversion and recognition of exchange are subject to Section 43A of the Act and Rule 115 of the Income Tax Rules, 1962.



THE NEW DECADE OF TECHNOLOGY: 2021-2030

Ms. Palak Shah

Introduction

Technology, which means the “**Science of Craft**” in Greek, is the sum of techniques, skills, methods, and processes. It is the pursuit of life by means other than life. It is an organised inorganic matter. Simply put, it is the current state of humanity's knowledge of how to combine resources to produce desired products, to solve problems, fulfill needs, or satisfy wants. It is an activity that forms or changes culture. It is the entirety of human-made artefacts that extend and amplify our grasp of the world.

“Parivartan hi sansaar ka niyam hai. Change is the only constant in the World.”

From stone tools to guns and bullets, from wheel to conveyor belts, from telegraphs to the internet, from animal carts to spaceships, technology has and will always keep evolving. And with technology, humanity will **co-evolve**.

If 2020 has taught humanity anything, it is **change**. A change in the way we work, a change in the way we shop, a change in the way we celebrate, a change in the way we live. **Technology does not usually drive social change**. On the contrary, social change is typically driven by decisions we make about how to organize our world. Only later does technology swoop in, accelerating and consolidating those changes. When the World

was busy adjusting to the pandemic, technology stood by our side as our companion, helping us navigate our way from “**The New Normal**” to “**The New Future**”.

TECHNOLOGICAL TRENDS OF THE NEW DECADE

Amid the challenges of 2020, technology has given us reasons to be optimistic heading into the new decade. We may not be living on Mars or traveling to work using jet packs, but there's no doubt the coming decade will bring many exciting technological advances. Technology will steer human existence as we learn to live in a pandemic adjusting to the physical distancing norms and adapting to the quarantined life.

Following are the few technological trends that will shape the 2021-2030 decade.

1. Artificial Intelligence & Machine Learning

Artificial Intelligence is the concept of creating intelligent machines that can simulate human thinking capability and behavior, whereas, machine learning is an application or subset of Artificial Intelligence that allows machines to learn from data without being programmed explicitly.

From Google Assistant to e-commerce applications and websites, from Alexa to Digital Marketing, from driver-less cars to face



detection technology everything is running with Artificial Intelligence and Machine Learning. (Image: Sophia the robot).

Both these technologies together can absolutely transform the way we interact with and rely on machines, making them more closer to human intelligence. As predicted by technologist and futurist **Ray Kurzweil**, **artificial intelligence will reach human-level performance by 2030**. Moreover, they will become the source of other innovations, where **technology will create technology**.

2. Internet of Things (IoT)

The ever-growing number of “smart” devices and objects, embedded with sensors, software, and other technologies, connected to the internet are constantly gathering and transmitting data to other devices and systems. This is Internet of Things. In simpler words, it is **devices communicating with devices**.

This technology was central to most innovations made in the last decade. IoT devices have changed our daily lives tremendously, both at work and at home. Everything has been much better with wearable devices, smart refrigerators, digital assistants, internet-connected sensors and equipment, etc. The next decade is set to take things up a notch.

Entering the next decade, we will witness the infusion of Internet of Things in our homes, businesses, offices and everywhere tracking every activity and adjusting to our every move better. It is one of the technological advancements set to make our lives more comfortable throughout the decade.

For example, when leaving your house is difficult, the refrigerator will keep a tab on the stock of vegetables and their freshness, and when it reaches below the stipulated levels, it will automatically place an order to the grocery store whose drones will deliver the fresh vegetables straight to your fridge. This reality can only be made possible by the Internet of Things.

3. Nanotechnology

Nanotechnology is a field of research and innovation concerned with building 'things' - generally, materials and devices - on the **scale of atoms and molecules**. A nanometre is one-billionth of a metre. At such scales, the ordinary rules of physics and chemistry no longer apply and the particles gain some special properties.

Nanotechnology improves existing industrial processes, materials and applications by scaling them down to the nanoscale in order to ultimately fully exploit the unique quantum and surface phenomena that matter exhibits at the



nanoscale. This trend is driven by companies' ongoing quest to improve existing products by creating smaller components and better performance materials, all at a lower cost.

A prime example of nanotechnology in use can be seen in the semiconductor industry. The smartphones, smartwatches or tablets are all containing billions of transistors on a computer chip the size of a fingernail. Bendable display screens are also a product of nanotechnology.

Nanotechnology has the potential to increase the efficiency of energy consumption, help clean the environment, and solve major health problems. It can massively increase manufacturing production at significantly reduced costs. Products of nanotechnology will be smaller, cheaper, lighter yet more functional and require less energy and fewer raw materials to manufacture.

4. Quantum Computing

Quantum computers – unimaginably fast computers capable of solving seemingly unsolvable problems – will make our current state-of-the-art technology look like something out of the Stone Age.

Complex data, like weather patterns or climate changes, will be crunched though in the fraction of the time. Dreams of exploiting the bizarre

realm of quantum mechanics to create super-powerful computers have been around since the 1980s. But in 2019, **Google's quantum computer, Sycamore** (as seen in the image), made people take quantum computing seriously, when it solved a problem that would take conventional computers much, much longer. In doing so, Sycamore had achieved 'quantum supremacy' for the first time – doing something beyond conventional capabilities.

The task Sycamore completed, verifying that a set of numbers were randomly distributed, took it **200 seconds**. Google claims it would have taken IBM's Summit, the most powerful conventional supercomputer, **10,000 years**. This landmark event has given the quantum computer research community a shot in the arm. A blog post by Sycamore's developers gives a sense of this. "We see a path clearly now, and we're eager to move ahead."

5. 5G

The fifth generation of cellular network technology will give faster, smarter, more stable wireless networking. Mobile internet will get a lot faster and a lot more evenly spread over the next decade.

The deployment of both licensed and unlicensed 5G, plus the launch of a multitude of global satellite networks (OneWeb, Starlink, etc.), allow for ubiquitous, low-cost



communications for everyone, everywhere, along with the connection of trillions of devices and an additional three billion individuals, driving tens of trillions of dollars into the global economy.

These new networks will empower entirely new fields of tech, from driverless cars, drone air traffic control to peer-to-peer virtual reality. The coming of 5G will mean an overall advancement in many other technology trends as most of the mentioned trends rely on the Internet and connectivity.

Voice Interfaces and Chatbots

With Alexa, Siri, and chatbots, humans now communicate with machines by speaking out or typing their requests. But, these voice interfaces can only handle simple commands or enquiries and their speech patterns sound robotic. The next step is getting them to understand and respond in natural language – the sort of conversational exchanges humans use.

Google seemed to have made progress when it unveiled its **Duplex** system in 2018. An add-on for its Assistant app, Duplex employs more sophisticated types of AI to understand and use **natural language** to book restaurant tables and hair appointments, or ask about a business's opening hours. If the booking couldn't be made online, Assistant would handover to Duplex, which would call the restaurant and speak to the

staff to book you in. According to reports, people that spoke to Duplex said they didn't realise they were talking to a machine.

Genomics

Genomics is an area within genetics that is concerned with the sequencing and analysis of an organism's genome. The genome is the entire DNA content that is present within one cell of an organism. Experts in genomics strive to determine complete **DNA sequences** and perform **genetic mapping** to help understand any disease. It also focuses on the structure, function, evolution, mapping, and editing of genomes while also being a crucial aspect of diagnostics and building vaccines.

A dozen game-changing biotech and pharmaceutical solutions (currently in Phase 1, 2, or 3 clinical trials) will reach consumers this decade, adding an additional decade to the human healthspan.

A vast range of infectious diseases, ranging from AIDS to Ebola, are now curable. In addition, gene-editing technologies continue to advance in precision and ease of use, allowing families to treat and ultimately cure hundreds of inheritable genetic diseases.

The birth of the world's first **gene-edited babies** caused uproar in 2018. The twin girls whose genomes were tinkered with during IVF



procedures had their DNA altered using the gene-editing technology **CRISPR**, to protect them from HIV. CRISPR uses a bacterial enzyme to target and cut specific DNA sequences.

CRISPR is poised to treat life-threatening conditions. Chinese scientists injected CRISPR-edited immune cells into a patient to help them fight lung cancer.

By 2018, two US trials using similar techniques in different kinds of cancer patients were up and running, with three patients reported to have received their edited immune cells back. Gene-editing is also being tested as a treatment for inherited blood disease sickle cell anaemia, an ongoing trial will collect and edit stem cells from patients' own blood.

CONCLUSION

It took the Earth 4.7 billion years to produce a human population of one billion; another 120 years to produce two billion; then less than a century to reach the seven-and-a-half billion humans currently alive, contemplating their future with all the tools of reason, wishfulness, knowledge and delusion that evolution and innovation have bequeathed.

And, just like humanity, **technology also grows exponentially**. Just like humanity, technology too is minute in individual terms but of vast consequence collectively. Just like humanity, technology too had to adapt to the 2020 pandemic. Just like humanity, technology too will have to acclimatize to the new decade.

Technology is born out of purpose. Humans have to figure out ways to overcome the new challenges that the new post pandemic decade throws at them. And, technology will always be there to stand in solidarity with humanity, hand in hand, accelerating and strengthening our efforts as we continue to **evolve and grow together**.

Sources

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<https://www.forbes.com/sites/bernardmarr/2020/04/20/these-25-technology-trends-will-define-the-next-decade/?sh=7de24a8629e3>

<https://www.sciencefocus.com/future-technology/new-technology-trends-2020s/>



Program hosted by Gurugram Branch in December 2020

Date: 11 December 2020 | **Topic:** VCM on Input Tax Credit under GST and Other Recent Change | **Speaker:** CA. Ashish Chaudhary

Date: 12 December 2020 | **Topic:** VCM on Path to successful career in IT Audit and Information Security

Guest of Honour : CA Manu Agrawal, Chairman Digital Accounting and Assurance Board, ICAI
Speaker: CA. Ganesh Sharma, Chairman, British Columbia Chapter of ICAI

Date: 20 December 2020 | **Topic:** VCM on Technology and CA's

Guest of Honour : CA. Pramod Jain, Central Council Member, ICAI

Speaker: CA. Arun Aggarwal, Past Chairman, Gurugram Branch of ICAI

Date: 21 December 2020 | **Topic:** VCM on Code of Ethics

Special Guest : Prof. Dr. G Soral, President, Indian Accounting Association Past President

Speaker: CA. Amarjit Chopra, Past President of ICAI

Date: 22 December 2020 | **Topic:** VCM on GST Audit | **Speakers:** CA. Archana Yadav

Date: 23 December 2020 | **Topic:** VCM on Code of Ethics-Schedules & FAQ

Speakers: CA. A Jagjeet Singh & CA Ankit Maheshwari

Date: 30 December 2020 | **Topic:** VCM on CSR & POSH Compliances

Speakers: CA. Divya Abhishek & CA Shweta Pathak

Date: 31 December 2020 | **Topic:** VCM on Lessons from Shrimad Bhagwat Geeta

Speakers: Shri Vishnu Pareek, Poet & Inspirational Speaker

CA Students Conference

2nd & 3rd January, 2021
2 PM to 6 PM (IST)

उत्कृष्ट : Aptitude, Attitude, Altitude!!
Organized by Board of Studies, ICAI
Hosted by Gurugram Branch of NICASA of ICAI



Detailed Brochure: <https://bit.ly/3aSYU1X>
Registration: <https://bosactivities.icaai.org/>

Highlights

- + Special session on Roadmap to Civil Services with CA turned Civil Servants
- + Address by leaders of the profession
- + Address by distinguished dignitaries like:
 - Addl. Deputy C&AG of India
 - Secretary, Dept. Science and Technology, GOI
 - Director, Ministry of Communication, GOI
 - Director, ERNET, Ministry of Elect. & Info Tech., GOI
 - Collector & DM, W. Champaran
- + Sessions on diversified topics
- + e-Certificates to all the participants



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