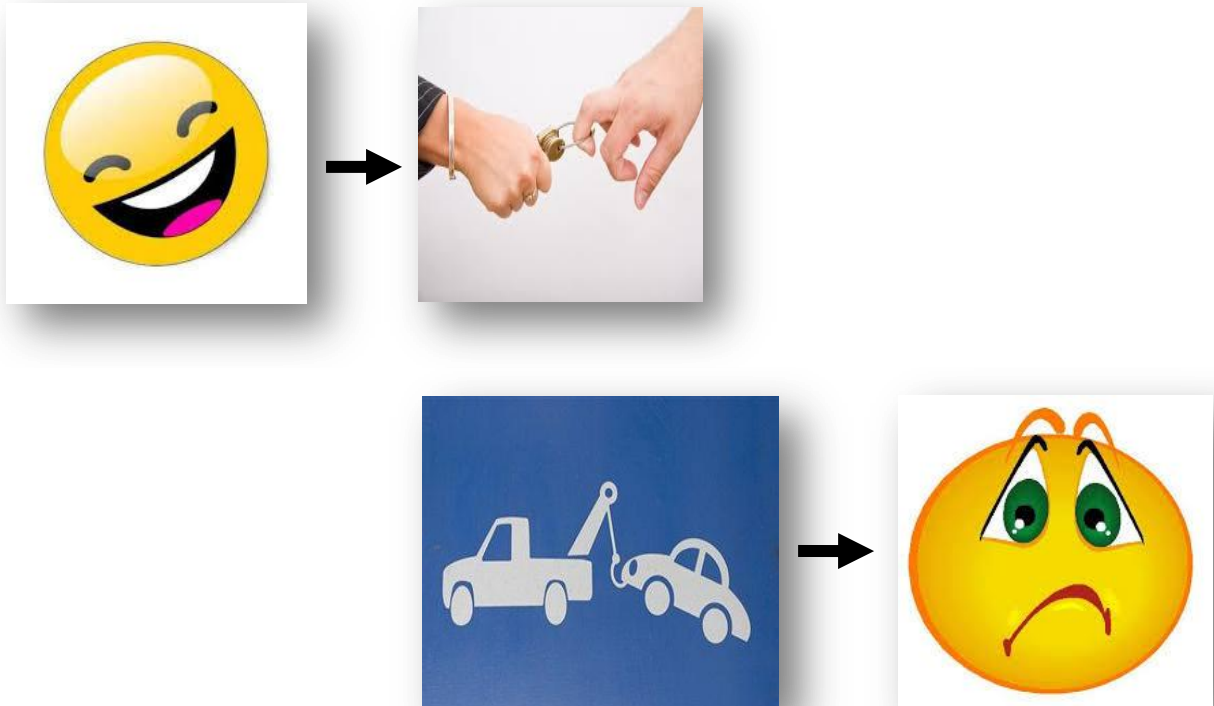


## REPOSSESSION AND PARTIAL REPOSSESSION (HIRE PURCHASE ACCOUNTING)



### Default and Repossession

If a hire purchaser fails to pay any instalment on the stipulated date, the hire purchaser is said to be at default. In case of default by the hire purchaser, the hire vendor may repossess the goods. Repossession means taking back the possession of goods by the hire vendor. Subject to agreement, the repossession may be either complete or partial.

### Meaning of Complete or Full Repossession

In case of complete or full repossession the hire vendor takes back the possession of all the goods.



**Journal Entries under Complete or Full Repossession**

All Entries till the date of default are passed in the usual manner. The additional Entries are as follows:

Books of Hire Purchaser	Books of Hire Vendor
<p><b>1. For Closing Hire Vendor's Account</b></p> <p style="text-align: right;">Hire Vendor's A/c                      Dr.     To Asset A/c</p> <p><b>Note:</b> This entry is passed with the amount due to the hire-vendor.</p>	<p><b>1. On Repossession of goods</b></p> <p style="text-align: right;">Goods Repossessed A/c                      Dr.     To Hire Purchaser's A/c</p> <p><b>Note:</b> This entry is passed with the revalued amount of goods repossessed.</p>
<p><b>2. For Closing Asset Account</b></p> <p><b>(i) If the Book Value of the Asset exceeds the amount due to Hire-Vendor</b></p> <p style="text-align: right;">Profit &amp; Loss A/c                      Dr.     To Asset A/c</p> <p><b>(ii) If the amount due to Hire-Vendor exceeds the Book Value of the Asset</b></p> <p style="text-align: right;">Asset A/c                      Dr.     To Profit &amp; Loss A/c</p>	<p><b>2. For amount spent on reconditioning of Goods Repossessed</b></p> <p style="text-align: right;">Goods Repossessed A/c                      Dr.     To Cash A/c/Bank A/c</p> <p><b>3. For sale of Goods Repossessed</b></p> <p style="text-align: right;">Cash A/c/Bank A/c /Debtors A/c                      Dr.     To Goods Repossessed A/c</p> <p><b>4. For loss on sale of Good Repossessed</b></p> <p style="text-align: right;">Profit &amp; Loss A/c                      Dr.     To Goods Repossessed A/c</p>

**Example:**

On 1.1.2011, A purchased 5 Machines from B. Payment was to be made—20% down and the balance in four annual instalments of ₹2,80,000, ₹ 2,60,000, ₹ 2,40,000 and ₹ 2,20,000 commencing from 31.12.2011. The vendor charged interest @ 10% p.a. A, writes off depreciation @ 20% p.a. on the original cost.

On A's failure to pay the instalment due on 31.12.2012, B repossessed all the machines on 01.01.2013 and valued them on the basis of 40% p.a. depreciation on W.D.V. basis. B after incurring ₹6,000 on repairs sold the machines for ₹2,66,000 on 30th June 2013. Prepare the relevant accounts in the books of A and B.

**Solution:**



**COMPUTATION OF CASH PRICE AND PERIODIC INTEREST**

A	B	C	D = B + C	E = $D \times R / (100 + R)$	F=D-E
Instalment Number	Closing Balance after the Payment of Instalment	Instalment Amount	Closing Balance before the payment of Instalment	Interest $D \times 10/110$	Opening Balance
IV	—	2,20,000	2,20,000	20,000	2,00,000
III	2,00,000	2,40,000	4,40,000	40,000	4,00,000
II	4,00,000	2,60,000	6,60,000	60,000	6,00,000
I	6,00,000	2,80,000	8,80,000	80,000	8,00,000

Let the cash price by 'X'

$$X = ₹ 8,00,000 + 20\% \text{ of } X \text{ (i.e. down payment)} \quad 0.8X = ₹ 8,00,000$$

$$X = ₹ 8,00,000 / 0.8 = ₹ 10,00,000$$

**Dr. LEDGER ACCOUNTS IN THE BOOK OF A MACHINERY ACCOUNT Cr.**

Date	Particulars	₹	Date	Particulars	₹
01.01.11	To B	10,00,000	31.12.11	By Depreciation A/c	2,00,000
				By Balance c/d	8,00,000
		10,00,000			10,00,000
01.01.12	To Balance b/d	8,00,000	31.12.12	By Depreciation A/c	2,00,000
				By Balance c/d	6,00,000
		8,00,000			8,00,000
01.01.13	To Balance b/d	6,00,000	01.01.13	By B's A/c	6,60,000
	To P&L A/c (Profit)	60,000			6,60,000
		6,60,000			

**Dr. B's Account Cr.**

Date	Particulars	₹	Date	Particulars	₹
01.01.11	To Bank A/c (Down payment)	2,00,000	01.01.11	By Machinery A/c	10,00,000
31.12.11	To Bank A/c	2,80,000	31.12.11	By Interest A/c [₹10,00,000	80,000



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	[₹2,00,000 + ₹80,000]			- ₹2,00,000) × 10/100]	
	To Balance c/d	6,00,000			
		<b>10,80,000</b>			<b>10,80,000</b>
31.12.12	To Balance c/d	6,60,000	01.01.11	By Balance b/d	6,00,000
				By Interest A/c [(₹6,00,000 × 10/100)]	60,000
01.01.13	To Machinery A/c	6,60,000	01.01.13	By Balance b/d	6,60,000

### Ledger Accounts in the books of B

Dr.		A's Account		Cr.	
Date	Particulars	₹	Date	Particulars	₹
01.01.11	To H.P. Sales A/c	10,00,000	01.01.11	By Bank A/c [Down Payment]	2,00,000
31.12.11	To Interest A/c [(₹10,00,000 - ₹2,00,000) × 10/100]	80,000	31.12.11	By Bank A/c (₹2,00,000 + ₹80,000)	2,80,000
				By Balance c/d	6,00,000
		<b>10,80,000</b>			<b>10,80,000</b>
01.01.12	To Balance b/d	6,00,000	31.12.12	By Balance c/d	6,60,000
31.12.12	To Interest A/c [₹6,00,000 × 10/100]	60,000			
		<b>6,60,000</b>			<b>6,60,000</b>
01.01.13	To Balance b/d	6,60,000	01.01.13	By H.P. Goods Repossessed A/c	3,60,000
			01.01.13	By Profit & Loss A/c	3,00,000
		<b>6,60,000</b>			<b>6,60,000</b>

Dr.		H.P. Goods repossessed Account		Cr.	
Date	Particulars	₹	Date	Particulars	₹
01.01.13	To A's A/c	3,60,000	30.06.13	By Bank A/c	2,66,000
	To Bank A/c	6,000		By P&L A/c	1,00,000
		<b>3,66,000</b>			<b>3,66,000</b>

### Partial Repossession

In case of partial repossession, the hire vendor takes back the possession of a part of the goods.

### Practical Steps under Partial Repossession

Step1: Calculate Book value of Goods Repossessed

A. Cost



- B. Less: Depreciation upto date of repossession
- C. Book value of Goods Repossessed

Step 2: Calculate Agreed Value of Goods Repossessed

Step 3: Loss on default = Book Value – Agreed Value

**Journal Entries under Partial Repossession**

Entries till the date of default are passed in the usual manner. The additional Entries are as follows:

Books of Hire Purchaser	Books of Hire Vendor
<p><b>1. For transfer of the agreed value of Goods Repossessed</b></p> <p style="padding-left: 40px;">Hire Vendor's A/c                      Dr. To Asset A/c</p>	<p><b>1. On Repossession of Goods at agreed value</b></p> <p style="padding-left: 40px;">H.P. Goods Repossessed A/c      Dr. To Hire Purchaser's A/c</p>
<p><b>2. For Transfer of Loss on default</b></p> <p style="padding-left: 40px;">Profit &amp; Loss A/c                      Dr. To Asset A/c</p> <p><b>Note:</b> In case of profit on default, the reverse entry will be passed</p>	<p>2,3,4—Same entries as in case of complete repossession.</p>

**Example:**

On 1.1.2011, A purchased 5 Machines from B. Payment was to be made—20% down and the balance in four annual instalments of ₹2,80,000, ₹ 2,60,000, ₹ 2,40,000 and ₹ 2,20,000 commencing from 31.12.2011. The vendor charged interest @ 10% p.a. A, writes off depreciation @ 20% p.a. on the original cost.

On A's failure to pay the instalment due on 31.12.2012, after negotiations on 01.01.2013 B agreed to leave two machines with A adjusting the value of the other three machines against the amount due. The machines being valued at cost less 40% p.a. depreciation on W.D.V basis, B after spending ₹6000 on repairs of each of such machines sold @ ₹70,000 on 30<sup>th</sup> June 2013. Prepare the relevant accounts in the books of A and B.

**Solution:**

A Instalment Number	B Closing Balance after the payment of Instalment	C Instalment Amount	D= B+C Closing Balance before the payment of Instalment	E = D*(R/(100 +R) Interest D* 10/110	F = D-E Opening Balance



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IV	-	2,20,000	2,20,000	20,000	2,00,000
III	2,00,000	2,40,000	4,40,000	40,000	4,00,000
II	4,00,000	2,60,000	6,60,000	60,000	6,00,000
I	6,00,000	2,80,000	8,80,000	80,000	8,00,000

Let the cash price be 'X'

$$X = ₹8,00,000 + 20\% \text{ of } X \text{ (i.e. down payment)}$$

$$0.8X = ₹8,00,000$$

$$X = ₹8,00,000 / 0.8 = ₹10,00,000$$

Dr.			Machinery Account			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
01.01.11	To B	10,00,000	31.12.11	By Depreciation A/c	2,00,000			
				By Balance c/d	8,00,000			
		<b>10,00,000</b>			<b>10,00,000</b>			
01.01.12	To Balance b/d	8,00,000	31.12.12	By Depreciation A/c	2,00,000			
				By Balance c/d	6,00,000			
		<b>8,00,000</b>			<b>8,00,000</b>			
01.01.13	To Balance b/d	6,00,000	01.01.13	By B	2,16,000			
				By P&L A/c [loss on default]	1,44,000			
				By Depreciation A/c	80,000			
				By Balance c/d	1,60,000			
		<b>6,00,000</b>			<b>6,00,000</b>			

Dr.			B's Account			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
01.01.11	To Bank A/c (Down payment)	2,00,000	01.01.11	By Machinery A/c	10,00,000			
31.12.11	To Bank A/c [₹2,00,000 + ₹80,000]	2,80,000	31.12.11	By Interest A/c [(₹10,00,000 - ₹2,00,000) × 10/100]	80,000			
	To Balance c/d	6,00,000						
		<b>10,80,000</b>			<b>10,80,000</b>			
31.12.12	To Balance c/d	6,60,000	01.01.12	By Balance b/d	6,00,000			
			31.12.12	By Interest A/c [(₹6,00,000 × 10/100)]	60,000			
01.01.13	To Machinery A/c	6,60,000	01.01.13	By Balance b/d	6,60,000			

### Working Notes:

#### 1. Calculation of Book value of Goods Repossessed



A. Cost [ $₹2,00,000 \times 3$ ]	₹6,00,000
B. Less: Depreciation for 2 years [ $₹6,00,000 \times 20\% \times 2$ ]	₹2,40,000
	<b>₹3,60,000</b>

**2. Calculation of Agreed value of Goods Repossessed**

A. Cost [ $₹2,00,000 \times 3$ ]	₹6,00,000
B. Less: Depreciation for 1 <sup>st</sup> Year [40% of ₹6,00,000]	₹2,40,000
C. Book Value in the beginning of 2 <sup>nd</sup> year	₹3,60,000
D. Less: Depreciation for 2 <sup>nd</sup> year [40% of ₹3,60,000]	₹1,44,000
E. Book Value at the end of 2 <sup>nd</sup> Year	<b>₹2,16,000</b>

**3. Loss on Default = Book Value – Agreed Value = ₹3,60,000 - ₹2,16,000 = ₹1,44,000**

Dr.		A's Account		Cr.	
Date	Particulars	₹	Date	Particulars	₹
01.01.11	To H.P. Sales A/c	10,00,000	01.01.11	By Bank A/c (Down payment)	2,00,000
31.12.11	To Interest A/c [(₹10,00,000 - ₹2,00,000) × 10/100]	80,000	31.12.11	By Bank A/c [₹2,00,000 + ₹80,000]	2,80,000
				By Balance c/d	6,00,000
		<b>10,80,000</b>			<b>10,80,000</b>
01.01.12	To Balance b/d	6,00,000	31.12.12	By Balance c/d	6,60,000
31.12.12	To Interest A/c [₹6,00,000 × 10/100]	60,000			
		<b>6,60,000</b>			<b>6,60,000</b>
01.01.13	To Balance b/d	6,60,000	01.01.13	By H.P. Goods Repossessed A/c	2,16,000
				By Balance c/d	4,44,000
		<b>6,60,000</b>			<b>6,60,000</b>

Dr.		H.P. Goods Repossessed Account		Cr.	
Date	Particulars	₹	Date	Particulars	₹
01.01.13	To A's A/c	2,16,000	30.06.13	By Bank A/c	2,10,000
	To Bank A/c (Repairs) [₹6,000 × 3]	18,000		By P&L A/c (Loss)	24,000
		<b>2,34,000</b>			<b>2,34,000</b>



## **CHAPTER III OF FACTORIES ACT, 1948 – HEALTH**

Chapter III (Sees. 11 to 20) of the Factories Act, 1948 deals with the provisions ensuring the health of the workers in the conditions under which work is carried on in factories. These provisions are as follows:

### **1. Cleanliness (Sec. 11).**

(1) Factory to be kept clean and free from effluvia and dirt. Every factory shall be kept clean and free from effluvia arising from any drain, privy, or other nuisance. Accumulation of dirt and refuse shall be removed daily by some effective method. The floor of every work-room shall be cleaned at least once in every week by washing, using disinfectants, where necessary, or by some effective method.

(2) Effective means of drainage. Where a floor is liable to become wet in the course of any manufacturing process to such an extent as is capable of being drained, effective means of drainage shall be provided.

(3) Use of disinfectants, etc., painting and varnishing. Use of disinfectants, detergents, painting, repainting and varnishing, re-varnishing, whitewashing or colour-washing shall be resorted to.

### **2. Disposal of wastes and effluents (Sec. 12).**

(1) Treatment of wastes and effluents and their disposal. Effective arrangements shall be made in every factory for the treatment of wastes and effluents due to the manufacturing process carried on therein, so as to render them innocuous, and for their disposal [Sec. 12 (1)].

(2) Rules by the State Government prescribing arrangements. The State Government may make rules prescribing the arrangements to be made in this regard. It may also require that such arrangements shall be approved by such authority as may be prescribed [Sec. 12 (2)].

### **3. Ventilation and temperature (Sec. 13).**

(1) Maintenance of adequate ventilation and temperature. Effective and suitable provision shall be made in every factory for securing and maintaining in every workroom—

(a) adequate ventilation by the circulation of fresh air, and

(b) such a temperature as will secure to workers therein reasonable conditions of comfort and prevent injury to health.

(2) Process producing high temperature to be separated. The walls and roofs shall be of such materials and so designed that the temperature shall not be exceeded but kept as low as practicable. The process which produces high temperatures shall be separated from the workroom, by insulating the hot parts or by other effective means [Sec. 13 (1)].

(3) Standard of adequate ventilation and temperature to be prescribed and provision of measuring instruments. The State Government may prescribe a standard of adequate ventilation and reasonable temperature for any factory and direct that proper measuring instruments shall be provided and such records as may be prescribed shall be maintained [Sec. 13 (2)].





(4) Prescription of measures by the State Government to reduce temperatures. Where excessively high temperatures can be reduced by such methods as whitewashing, spraying, or insulating and screening outside walls or roofs or windows, or by raising the level of the roof or by insulating the roof, the State Government may prescribe such of these or other methods as shall be adopted in the factory [Sec. 13 (3)1].

(5) Service of notice by the Chief Inspector on the occupier to adopt measures for reduction of temperatures. If it appears to the Chief Inspector that excessively high temperatures in any factory can be reduced by the adoption of suitable measures, he may serve on the occupier an order in writing specifying the measures which in his opinion should be adopted and requiring them to be carried out before a specified date [Sec. 13 (4)].

**4. Dust and fume (Sec. 14).**

(1) Measures for prevention of inhalation or accumulation of dust and fume. Where dust or fume or impurity of such a nature as is likely to be injurious or offensive to the workers is given off as a result of the manufacturing process being carried on in a factory, effective measures shall be taken in the factory for prevention of inhalation or accumulation of dust and fumes in workrooms. If for such a purpose any exhaust appliance is necessary, it shall be applied as near as possible to the point of origin of the dust, fume or other impurity and such point shall be enclosed so far as possible [Sec. 14 (1)].

(2) Exhaust for internal combustion engine. A stationary internal combustion engine shall not be operated unless the exhaust is conducted into the open air. Other internal combustion engines shall not be operated in any room unless effective measures have been taken to prevent accumulation of fumes therefrom which are injurious [Sec. 14 (2)].

**5. Artificial humidification (Sec. 15).**

(1) Prescription of standards of humidification—ventilation and cooling of air. In respect of all factories in which the humidity of the air is artificially increased, the State Government may make rules prescribing standards of humidification. It may also make rules regulating the methods used for artificially increasing the humidity of the air. It may further make rules prescribing methods to be adopted for securing adequate ventilation and cooling of the air in the workrooms [Sec. 15 (1)].

(2) Water used for artificial humidification to be clean. In any factory in which the humidity of the air is artificially increased, the water used for the purpose shall be taken from a public supply or other source of drinking water, or shall be effectively purified before it is so used [Sec. 15 (2)].

**6. Overcrowding (Sec. 16).**

(1) Overcrowding injurious to health of workers to be avoided. There shall not be overcrowding in any room of the factory so as to be injurious to the health of the workers employed therein [Sec. 16 (1)].

(2) 9.9/14.2 cubic metres of space per worker. There shall be at least 9.9 cubic metres (for the factories in existence at the time of the commencement of the Act) and 14.2 cubic metres (for the factories built after the commencement of the Act) of space for every worker. In calculating the space of 9.9 or 14.2 cubic metres, no account shall be taken of any space which is more than 4.2 metres above the level of



the floor of the room [Sec. 16 (2)].

- (3) Notice of maximum of workers to be employed in a workroom. If the Chief Inspector by order in writing so requires, there shall be posted in each workroom of the factory a notice specifying the maximum number of workers who may be employed in the workroom [Sec. 16 (3)].

#### **7. Lighting (Sec. 17).**

(1) Sufficient and suitable lighting in every part of factory. In every part of a factory where workers are working or passing there shall be provided and maintained sufficient and suitable lighting, natural or artificial, or both [Sec. 17 (1)].

(2) Glazed windows and skylights to be kept clean. All glazed windows and skylights used for the lighting of the workrooms shall be kept clean on both the inner and outer surfaces and free from obstruction [Sec. 17 (2)].

(3) Measures for prevention of glare and formation of shadows. Effective provision shall also be made for the prevention of (a) glare, either directly from a source of light or by reflection from a smooth or polished surface and (b) the formation of shadows to such an extent as to cause eye strain or the risk of accident to any worker [Sec. 17 (3)].

(4) Prescription of standards of sufficient and suitable lighting. The State Government may prescribe standards of sufficient and suitable lighting for factories or for any class or description of factories or for any manufacturing process [Sec. 17 (4)].

#### **8. Drinking water (Sec. 18).**

(1) Suitable points for wholesome drinking water. In every factory, effective arrangements shall be made to provide and maintain at suitable points conveniently situated for all workers employed therein a sufficient supply of wholesome drinking water [Sec. 18 (1)].

(2) Drinking points to be legibly marked and to be away from urinal, latrine, etc. All points for supply of drinking water shall be legibly marked 'Drinking Water' in a language understood by a majority of the workers employed in the factory. Such points shall be situated beyond 6 metres of any washing place, urinal, latrine, spittoon, open drain carrying sullage or effluent or any other source of contamination unless shorter distance is approved in writing by the Chief Inspector [Sec. 18 (2)].

(3) Cooling of drinking water where more than 250 workers employed. In every factory wherein more than 250 workers are ordinarily employed, provision shall be made for cooling drinking water during hot weather by effective means and for distribution thereof [Sec. 18(3)].

#### **9. Latrines and urinals (Sec. 19).**

(1) Separate latrines and urinals for male and female workers conveniently situated and adequately lighted and ventilated. In every factory, separate enclosed accommodation of latrines and urinals of prescribed types for male and female workers shall be provided for. Such accommodation shall be conveniently situated and accessible for workers at all times. It shall be adequately lighted and



ventilated and maintained in a clean and sanitary condition. Sweepers shall also be employed for keeping clean latrines, urinals and washing places [Sec. 19 (1)].

(2) Latrine and urinal accommodation to be of prescribed sanitary types—floors and walls to be glazed and their cleaning. In factories wherein more than 250 workers are ordinarily employed (a) all latrine and urinal accommodations shall be of prescribed sanitary types j (b) the floors and internal walls, up to a height of 90 centimetres, of the latrines and urinals and the sanitary blocks shall be laid in glazed tiles or otherwise finished to provide a smooth polished impervious surface ; (c) the sanitary pan of latrines and urinals shall be thoroughly washed and cleaned at least once in every 7 days with suitable detergents or disinfectants, or with both [Sec. 19 (2)].

#### **10. Spittoons (Sec. 20).**

- (1) Sufficient number of spittoons. In every factory, there shall be provided a sufficient number of spittoons in convenient places and they shall be maintained in a clean and hygienic condition [Sec. 20 (1)].
- (2) Display of notice of provision of spittoons. No person shall spit within the premises of a factory except in the spittoons provided for the purpose. A notice containing the provision of spittoons in the factory shall be prominently displayed at suitable places in the premises. The penalty for spitting anywhere except in the spittoons shall also be prominently displayed [Sec. 20 (3)].
- (3) Penalty. Whoever spits in contravention of Sec. 20 (3) shall be punishable with fine not exceeding ₹ 5 [Sec. 20 (4)].



## ASSESSMENT OF CO- OPERATIVE SOCIETIES

### SYSTEMATIC STUDY

**Section 2(19) of Income-tax Act, 1961 has defined a co-operative society as:** a society registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force in any state for the registration of Co-operative societies.

#### Computation of Total Income

The Total income of a co-operative society is also computed in the manner in which income of any other assessee is computed. The first and foremost step in this direction is to ascertain gross total income by calculating income under the four relevant heads and then deductions permissible under Chapter VIA i.e. sections 80G to 80P are deducted. The following deductions are available to co-operative societies under Chapter VIA:

Sl. No.	Section	Particulars
1.	80G	Donations to certain funds/charitable institutions, etc.
2.	80GGA	Certain donations for scientific research or rural development
3.	80GGC	Donation in respect of contributions given by any person to political Parties
4.	80-IA	Profits and gains of new industrial undertakings or enterprises engaged in infrastructure development
5.	80-IB	Profits and gains from certain industrial undertakings other than infrastructure development undertakings
6.	80-IC	Special provisions in respect of certain undertaking, or enterprises in certain special category States
7.	80-ID	Deduction in respect of profits and gains from business of hotels and convention centres in specified area
8.	80-IE	Special provisions in respect of certain undertakings in North-Eastern States
9.	80JJA	Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste
10.	80JJAA	Deduction in respect of employment of new workmen
11.	80P	Income of co-operative societies.

The gross total income, minus the above deductions, if available, is known as the Total Income.



**Deduction in respect of income of Co-operative Societies [Section 80P]**

**(A) Where 100% deduction is allowed**

In the case of the following co-operative societies, 100% deduction is allowable in respect of following incomes:

**(I) Profits attributable to certain specified activities [Section 80P(2)(a)]:** 100% of the profits, included in Gross Total Income, attributable to any one or more of the following activities are deductible:

**(i)** Carrying on the business of banking or providing credit facilities to its members; or

As per section 80P(4), the provisions of section 80P shall not be available to any co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

However, deduction shall still be available to a co-operative society which is engaged in the business of providing credit facilities to its members. Regional Rural Banks are not eligible to take deduction under section 80P. **[Circular No. 6/2010, dated 29-0-2010].**

1. "Co-operative bank" means a state co-operative bank, a central co-operative bank and a primary co-operative bank.
2. "Primary Co-operative Bank" means a co-operative society, other than a primary agricultural credit society—
  - (1)** the primary object or principal business of which is the transaction of banking business;
  - (2)** the paid-up shares capital and reserves of which are less than ₹1,00,000; and
  - (3)** the bye-laws of which do not permit admission of any other co-operative society as a member. However, this provision shall not apply to the admission of a Co-operative Bank as a member by reason of such co-operative Bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.
3. As per part V of the Banking Regulation Act, 1949, unless the context otherwise requires, "primary agricultural credit society" means a co-operative society,—
  - (i)** the primary object or principal business of which is to provide financial accommodation to its members for agricultural purposes or for purposes connected with agricultural activities (including the marketing of crops); and
  - (ii)** the bye-laws of which do not permit admission of any other co-operative society as member.

However, the above sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.

The term 'primary co-operative agricultural and rural development bank' has now been defined to mean a society whose area of operation is confined to a taluka and has as its principal object the provision of long-term credit for specified activities.



The assessee-society was providing credit mainly to its members and its transactions with non-members were insignificant. Moreover the bye laws of society did not allow any co-operative society to become its member. On appeal it was held that the assessee was not a co-operative bank rather it was a co-operative society and therefore its claim for deduction under section 80P(2)(a)(i) was to be allowed. **[Quepem Urban Co-operative Credit Society Ltd. v ACIT (2015) 58 taxmann.com 113 (Bom)]**

Where assessee was not a credit co-operative bank but a credit co-operative society and receipt of and lending money was confined to its members only it was held that deduction under section 80P could not be denied by applying exclusion clause of sub-section (4) of section 80P which is applicable only for a co-operative bank. **[Shree Laxmananda Multipurpose Co-operative Society Ltd. v ITO (2014) 52 taxmann.com 104 (Bangalore) (Trib): (2014) 34 ITR(T) 472 (Bangalore) (Trib)]**

- (ii) a cottage industry; or
- (iii) the marketing of the agricultural produce grown by its members; or
- (iv) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members; or
- (v) the processing, without the aid of power, of the agricultural produce of its members; or
- (vi) the collective disposal of the labour of its members; or
- (vii) fishing or allied activities, that is to say, the catching, curing, processing, preserving, storing or marketing of fish or the purchase of materials and equipment in connection therewith for the purpose of supplying them to its members.

However, in case of co-operative societies falling under clause (vi) and (vii) above, the deduction, is available subject to the condition that the rules and bye-laws of the society restrict the voting rights to the following classes of its members, namely:—

- (1) the individuals who contribute their labour or, as the case may be, carry on the fishing or allied activities;
- (2) the co-operative credit societies which provide financial assistance to the society;
- (3) the State Government.

(II) **Profits of certain primary co-operative societies [Section 80P(2)(b)]:** 100% of the profits, included in Gross Total Income are deductible in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to:

- (i) a federal co-operative society, being a society engaged in the business of supplying milk, oilseeds, fruits, or vegetables, as the case may be; or
- (ii) the Government or a local authority; or
- (iii) a Government company or a statutory corporation (being a company or corporation engaged in supplying milk, oilseeds, fruits or vegetables, as the case may be, to the public).



Where district societies like the assessee collected milk from primary societies at village or taluk level and thereafter processed the milk and supplied it to the affiliated federal societies, it was held that the assessee was one step above the primary co-operative societies. The assessee was a federal co-operative society not only collecting and supplying milk but also processing the milk. The processing activities carried on by the assessee did not match the expression "being a primary society engaged in supplying the milk" used under section 80P(2)(b) of the Act. Therefore, the assessee was not entitled to deduction under section 80P of the Act. **[Asst. CIT v Salem District Co-op. Milk Producers Union Ltd. (2009) 313 ITR (AT) 43 (Chennai)].**

- (III) Income from investment with other co-operative societies [Section 80P(2)(d)]:** 100% of the profits, included in Gross Total Income are deductible in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society.

Assessee, a co-operative society, rendered variety of services to its members against collection of annual subscription from them. It received interest from co-operative societies and co-operative banks. Assessing Officer held that deduction under section 80P(2)(d) would be available to assessee only on net income from interest received from co-operative societies/co-operative banks, which will have to be worked out after determining and deducting expenses debited to income and expenditure account relating to earning of such income. Court held that view of Assessing Officer was held to be justified. **[CIT v U.P. Co-operative Sugar Factories (2013) 219 Taxman 33 (All)].**

Where assessee, a co-operative society, having accepted deposits from its members, kept idle funds with bank, since there was no nexus between interest earned on said deposits and business of assessee providing credit facilities to its members, it could not claim deduction under section 80P(2)(d) in respect of interest income in question. **[State Bank of India Employees Co-Op. Credit & Supply Society Ltd. v CIT (2015) 57 taxmann.com 367 (And) (Trib)]**

- (IV) Income from letting of "godowns or warehouse" [Section 80P(2)(e)]:** 100% of the profits, included in Gross Total Income are deductible in respect of any income derived by the co-operative society from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities.

**(B) Where deduction is allowed to a limited extent**

In the following cases, the co-operative societies are entitled to deduction to a limited extent:—

- (1) Co-operative society engaged in other activities [Section 80P(2)(c)]:** In the case of a co-operative society engaged in activities, other than those specified in I and II of (A) above, either independently or in addition to, all or any of the activities so specified, the profits and gains attributable to such other activities upto the limits indicated below are deductible.

- (i)** where such co-operative society is a consumers' co-operative society ₹1,00,000



(ii) in any other case ₹50,000.

1. Consumer co-operative means a society for the benefit of consumers
2. Where the assessee co-operative society, supplied coal and diesel to its members for use in production of bricks and tiles, the society was not a 'consumer' co-operative society as the purchases by the members was not for , their own consumption, **[Tamil Nadu Brick and Tiles Manufacturers Industrial Service Co-operative Society Ltd vs CIT (2004) 265 ITR 332 (Mad)]**

(2) **Entire income by way of interest on securities or income from house property if gross total income of a co-operative society (other than specified co-operative society) does not exceed ₹20,000 [Section 80P(2)(f)]:** 100 % of the income from interest on securities or income from house property shall be allowed as deduction in case of a co-operative society not being—

- (i) a housing society or
- (ii) an urban consumer society, or
- (iii) a society carrying on transport business, or
- (iv) a society engaged in the performance of any manufacturing operation with the aid of power provided its gross total income does not exceed ₹20,000.

Urban Consumer Co-operative Society means a society for the benefit of the consumers within the limits of municipal corporation, municipality, municipal committee, notified area committee, town area or cantonment.

Where an assessee is also entitled to deduction u/s 80-IA, deduction u/s 80P shall be allowed with reference to such profits and gains as reduced by the deduction allowed under those Sections. [Section 80P(3)]

#### Rates of Tax

For the assessment years 2015-16 and 2016-17:

Net Income Range	Rate of Income Tax
Upto ₹ 10,000	10%
Next ₹ 10,000	20%
Balance Income	30%

Surcharge @ 10% (raised to 12% w.e.f. AY 2016-17) shall be applicable if the total income of the co-operative society exceeds ₹1 crore.

**Education cess:** Education cess @ 2% shall be levied on the total tax including surcharge if any payable by the assessee.





**SHEC:** SHEC @ 1% shall be levied on the total tax including surcharge if any (exclusive of education cess) payable by the assessee.

Besides, the above normal rates, certain incomes of the co-operative societies, like other assessees, are taxable at special rates.

**Alternate Minimum Tax (AMT) on all persons other than companies [Section 115JC to 115JF Chapter XII-BA]**

AMT, which was hitherto applicable to LLP only, has been made applicable to all assessees other than a company.

- (1) **All persons other than a company required to pay alternate minimum tax [Section 115JC(1)]:** Where the regular income-tax payable for a previous year by a person (other than a company) is less than the alternate minimum tax payable for such previous year, the adjusted total income shall be deemed to be the total income of such person and he shall be liable to pay income-tax on such total income at the rate of 18.5%.
- (2) **Meaning of adjusted total income [Section 115JC(2)]:** "Adjusted total income" shall be the total income before giving effect to provisions of this Chapter i.e. Chapter XII-BA as increased by the deductions, if any, claimed—
- (a) under sections 80-IA to 80RRB other than section 80P included in Chapter VI-A,
  - (b) under section 10AA, and
  - (c) under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed (inserted by the Finance (No. 2) Act, 2014, w.e.f. A.Y. 2015-16).

**Example:**

Total income	₹60
Deduction claimed under Chapter VI-A	₹ 40
Deduction claimed under section 35AD on a capital asset	₹100

**Computation of adjusted total income for the purposes of AMT**

Total income	₹ 60
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**Addition:**

(i) deduction under Chapter VI-A (on non-specified business)	₹ 40
(ii) deduction under section 35AD (on specified business)	₹ 100
Less: depreciation under section 32	<u>₹ 15</u> <u>₹85</u>

<b>Adjusted total income under section 115JC</b>	<b><u>₹ 185</u></b>
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- (i) "alternate minimum tax" shall be the amount of tax computed on adjusted total income at a rate of 18.5%; **[Section 115JF(b)]**
- (ii) "regular income-tax" shall be the income-tax payable for a previous year by a person other than a company on his total income in accordance with the provisions of the Act other than the provisions of Chapter XII-BA. **[Section 115JF(d)]**

**(3) Report from an accountant [Section 115JC(3)]:** Every person to whom this section applies shall obtain a report, in Form No. 29C, from an accountant, certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income under section 139(1).

**(4) To whom AMT shall be applicable [Section 115JEE(1)]**

The provisions of AMT shall apply to a person who has claimed any deduction under:

- (a) sections 80-IA to 80RRB other than section 80P;
- (b) section 10AA; or
- (c) section 35AD.

**(5) To whom AMT shall not be applicable [Section 115JEE(2)]**

The provisions of AMT under Chapter XII-BA shall not apply to—

- (a) an individual or
- (b) a Hindu undivided family or
- (c) an association of persons or a body of individuals (whether incorporated or not) or
- (d) an artificial juridical person referred to in section 2(31)(vii),

if the adjusted total income of such person does not exceed ₹20,00,000.

**(6) Tax credit for AMT Section 115JD:** The credit for tax (tax credit) paid by a person on account of AMT under Chapter XII-BA shall be allowed to the extent of the excess of the AMT paid over the regular income-tax. This tax credit shall be allowed to be carried forward up to the tenth assessment year immediately succeeding the assessment year for which such credit becomes allowable. It shall be allowed to be set off for an assessment year in which the regular income-tax exceeds the AMT to the extent of the excess of the regular income-tax over the AMT.

No interest shall be payable on tax credit allowed under section 115JD.

**(7) Benefit of tax credit will be available even if section 115JEE(1) & (2) not applicable [Section 115JEE(3)]**

Notwithstanding anything contained in section 115JEE(1) or section 115JEE(2), the credit for tax paid under section 115JC shall be allowed in accordance with the provisions of section 115JD.



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### Illustration:

Greenfield Society is a co-operative society, engaged in processing agricultural produce of its members. It carries on its activities without the aid of power. It furnishes the following particulars of its income for the previous year 2015-16. Determine the total income tax payable by the society for the assessment year 2016-17.

	₹	
1. Income from processing of agricultural produce	38,500	
2. Income from marketing of the agricultural produce		12,000
3. Dividends from other co-operative societies		41,400
4. Income from letting out of its godowns	24,000	
5. Income from commission		91,000

### Solution:

	₹	₹
Income from letting out of godowns		24,000
Business Income:		
(i) From processing of agricultural produce	38,500	
(ii) From marketing of agricultural produce	12,000	
(iii) Commission income	91,000	1,41,500
Income from other Sources		
- Dividend Income		41,400
Gross Total Income		2,06,900
Less: Deduction under section 80P		
(i) from processing of agricultural produce	38,500	
(ii) from marketing of agricultural produce	12,000	
(iii) commission income exempt upto ₹50,000	50,000	
(iv) letting out of godowns	24,000	
(v) dividend income	41,400	1,65,900
Total income		41,000
Tax on ₹41,000		
First ₹10,000 – 10%		1,000
Next ₹10,000 – 20%		2,000
Balance ₹21,000 – 30%		6,300
		9,300
Add: Education cess & SHEC - @ 3%		279
<b>Total tax payable (round off)</b>		<b>9,580</b>



## SERVICE EXPORTS FROM INDIA SCHEME (SEIS): AN ASPECT OF FOREIGN TRADE POLICY

The objective of reward/ incentive schemes is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs involved and to provide exporters a level playing field. There shall be following two schemes for exports of Merchandise and Services respectively:

- (i) Merchandise Exports from India Scheme (MEIS).
- (ii) Service Exports from India Scheme (SEIS).

Duty Credit Scrips shall be granted as rewards under MEIS and SEIS. The Duty Credit Scrips and goods imported / domestically procured against them shall be freely transferable. Objective of Merchandise Exports from India Scheme (MEIS) is to offset infrastructural inefficiencies and associated costs involved in export of goods/products, which are produced/ manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India's export competitiveness.

In this newsletter, we will discuss Service Exports from India Scheme (SEIS) in detail.

**SERVICE EXPORTS FROM INDIA SCHEME (SEIS):** Objective of Service Exports from India Scheme (SEIS) is to encourage export of notified Services from India.

### (1) Eligibility:

**(A) Manner of rendering services:** Service Providers of notified services, located in India, shall be rewarded under SEIS, subject to conditions as may be notified. Only Services rendered on or after 1-04-2015 in the manner given below shall be eligible:

- (i) Supply of a 'service' from India to any other country; (Mode 1 - Cross border trade)
- (ii) Supply of a 'service' from India to service consumer(s) of any other country in India; (Mode2- Consumption abroad). [words 'in India' inserted w.e.f. 01-04-2015]

In other words, services rendered in the following manners, shall not be eligible:

- (I) Supply of a 'service' from India through commercial presence in any other country. (Mode 3- Commercial Presence.)
- (II) Supply of a 'service' from India through the presence of natural persons in any other country (Mode 4- Presence of natural persons.)

**(B) Minimum NFE (Net free Foreign Exchange) of preceding Financial Year:** To be eligible for Duty Credit Scrip, such service provider should have minimum Net free Foreign Exchange (NFE) earnings of the following amount in preceding financial year —

- (i) For individual service providers and sole proprietorship : US \$10,000;
- (ii) Any other case : US\$15,000,

**(C) Deemed NFE:** Payment in Indian Rupees for service charges earned on specified services, shall be treated as receipt in deemed foreign exchange as per guidelines of Reserve Bank of India.

**(D) Computation of NFE for service sector only:** Net Foreign exchange earnings for the scheme = Gross Earnings of Foreign Exchange - Total expenses/payment/remittances of Foreign Exchange by the IEC (Importer-Exporter Code) holder, relating to service sector in the Financial year.



**Computation for service sector only:** If the IEC holder is a manufacturer of goods as well as service provider, then the foreign exchange earnings and Total expenses/ payment/ remittances shall be taken into account for service sector only.

**(E) Service provider must have active IEC:** In order to claim reward under the scheme, Service provider shall have to have an active IEC at the time of rendering such services for which rewards are claimed.

The notified services and rates of rewards are listed as follows:

SI No	SECTORS	Admissible Rate
(1)	<p><b>Business Services —</b></p> <p><b>(A) Professional services :</b> Legal services, Accounting, auditing and bookkeeping services, Taxation services, Architectural services, Engineering services, Integrated engineering services, Urban planning and landscape architectural services, Medical and dental services, Veterinary services, Services provided by midwives, nurses, physiotherapists and paramedical personnel</p> <p><b>(B) Research and development services:</b> R&amp;D services on natural sciences, R&amp;D services on social sciences and humanities, Interdisciplinary R&amp;D services</p> <p><b>(C) Rental/Leasing services without operators:</b> Relating to ships, Relating to aircraft, Relating to other transport equipment, Relating to other machinery and equipment</p> <p><b>(D) Other business services:</b> Advertising services, Market research and public opinion polling services Management consulting service, Services related to management consulting, Technical testing and analysis services, Services incidental to agricultural, hunting and forestry, Services incidental to fishing, Services incidental to mining, Services incidental to manufacturing, Services incidental to energy distribution, Placement and supply services of personnel, Investigation and security, Related scientific and technical consulting services, Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment), Building- cleaning services, Photographic services, Packaging services, Printing, publishing and Convention services</p>	<p>5%</p> <p>5%</p> <p>5%</p> <p>3%</p>
(2)	<p><b>Communication Services —</b></p> <p><b>Audiovisual services:</b> Motion picture and video tape production and distribution service, Motion picture projection service, Radio and television services, Radio and television transmission services, Sound recording.</p>	5%
(3)	<p><b>Construction And Related Engineering Services —</b></p> <p>General Construction work for building, General Construction work for Civil Engineering, Installation and assembly work, Building completion and finishing work</p>	5%
(4)	<b>Educational Services (Note 1) —</b>	



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	Primary education services, Secondary education services, Higher education services, Adult education	5%
(5)	<b>Environmental Services —</b> Sewage services, Refuse disposal services, Sanitation and similar services	5%
(6)	<b>Health-Related And Social Services —</b> Hospital services	5%
(7)	<b>Tourism And Travel-Related Services —</b> (A) Hotels and Restaurants (including catering)  (i) Hotel (ii) Restaurants (including catering)  (B) Travel agencies and tour operators services (C) Tourist guides services	   3% 3%  5% 5%
(8)	<b>Recreational, Cultural And Sporting Services (other than audiovisual services) —</b> Entertainment services (including theatre, live bands and circus services), News agency services, Libraries, archives, museums and other cultural services, Sporting and other recreational services	5%
(9)	<b>Transport Services (Note 2) —</b> <b>(A) Maritime Transport Services:</b> Passenger transportation*, Freight transportation*, Rental of vessels with crew*, Maintenance and repair of vessels, Pushing and towing services, Supporting services for maritime transport <b>(B) Air transport services:</b> Rental of aircraft with crew, Maintenance and repair of aircraft, Airport Operations and ground handling <b>(C) Road Transport Services:</b> Passenger transportation, Freight transportation, Rental of Commercial vehicles with operator, Maintenance and repair of road transport equipment, Supporting services for road transport services <b>(D) Services Auxiliary To All Modes of Transport :</b> Cargo-handling services, Storage and warehouse services, Freight transport agency services	   5% 5% 5% 5%

**Notes:**

- (i) Under education services, SEIS shall not be available on Capitation fee.
- (ii) \*Operations from India by Indian Flag Carriers only are allowed under Maritime transport services.

**(2) Ineligible categories under SEIS:**

- (a) Foreign exchange remittances other than those earned for rendering of notified services would not be counted for entitlement. Thus, other sources of foreign exchange earnings such as equity or debt participation, donations, receipts of repayment of loans etc. and any other inflow of foreign exchange, unrelated to rendering of service, would be ineligible.
- (b) Following shall not be taken into account for calculation of entitlement under the scheme:



- (i) Foreign Exchange remittances :
  - (A) Related to Financial Services Sector;
  - (B) Raising of all types of foreign currency Loans;
  - (C) Export proceeds realization of clients;
  - (D) Issuance of Foreign Equity through ADRs / GDRs or other similar instruments;
  - (E) Issuance of foreign currency Bonds;
  - (F) Sale of securities and other financial instruments;
  - (G) Other receivables not connected with services rendered by financial institutions; and
  - (H) Earned through contract/regular employment abroad (e.g. labour remittances);
- (ii) Payments for services received from EEFC Account;
- (iii) Foreign exchange turnover by Healthcare Institutions like equity participation, donations etc.
- (iv) Export turnover relating to services of units operating under SEZ / EOU / EHTP / STPI / BTP Schemes or supplies of services made to such units; [Amended by Notification No: 8/2015-2020 dated 04-06-2015]
- (v) Clubbing of turnover of services rendered by SEZ / EOU /EHTP / STPI / BTP units with turnover of DTA Service Providers;
- (vi) Exports of Goods.
- (vii) Foreign Exchange earnings for services provided by Airlines, Shipping lines service providers plying from any foreign country X to any foreign country Y routes not touching India at all.
- (viii) Service providers in Telecom Sector.

**(3) Remittances through Credit Card and other instruments for MEIS and SEIS:** Free Foreign Exchange earned through international credit cards and other instruments, as permitted by RBI shall also be taken into account for computation of value of exports.

**Policy Circular No. 1/2015 – 20 dated 11.06.2015: SEZ is 'Indian Territory' and supply of a service to SEZs is not eligible for rewards under SEIS:** Only Services rendered in the specified manner of this policy shall be eligible for rewards.

\*Specified manner is supply of a 'service' from India to any other country; (Mode 1- Cross border trade) and supply of a 'service' from India to service consumer(s) of any other country in India; (Mode 2-Consumption abroad).

Thus, this policy makes it abundantly clear that 'supply' of a service to any other country only is eligible for SEIS benefits under Mode 1. Since SEZ is 'Indian Territory' supply of a service to SEZs is not eligible for rewards under SEIS.

Therefore it is clarified that regardless of the amendment notified vide Notification No. 08/2015-2020 dated 04-06-2015 (through which export turnover relating to services of units operating under SEZ Scheme or supplies of services made to such units has been deleted from the list of ineligible categories under SEIS thereby making



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supply of a 'service' from SEZ to other countries eligible for SEIS benefits), supply of a 'service' by units located in DTA to SEZ units was and shall continue to remain ineligible for rewards under SEIS as explained above.

**Illustration 1:** ABC Ltd., a service exporter of specified service, having net free foreign exchange earnings or US \$ 26,000 during preceding financial year, requires you to compute its duty credit scrip entitlement for the current financial year under the Service Exports from India Scheme (SEIS) from the following information -

- (1) Supply from India to US : \$ 32,000 (Expenses incurred US \$ 1,500)
- (2) Amount of \$ 4,000 (net of expenses) realised on behalf of client who is also an exporter of specified services. Notified rate for SEIS is 5%.

**Solution:**

Service providers of notified services who have earned minimum net free foreign exchange earnings of US \$ 15,000 in preceding financial year are eligible for Duty Credit Scrip. Since ABC Ltd. is eligible for SEIS benefit, as its NFE (net free foreign exchange earning) during preceding financial year was US \$ 26,000 it is eligible for SEIS benefit.

The SEIS benefit is computed below:

	Gross (\$)	Expenses in foreign exchange (\$)	NFE of current year (\$)
Supply from India to US - Eligible	32,000	1,500	30,500
Realization on behalf of client	Ineligible	Ineligible	Ineligible
<b>Total</b>	<b>32,000</b>	<b>1,500</b>	<b>30,500</b>
<b>Credit scrip entitled @ 5 % of \$ 30,500</b>			<b>1,525</b>

## REPORTABLE SEGMENTS



An enterprise deals in multiple products / services and operates in different geographical areas. Multiple products / services and their operations in different geographical areas are exposed to different risks and returns.





Information about multiple products / services and their operation in different geographical areas are called segment information. Such information is used to assess the risk and return of multiple products / services and their operation in different geographical areas.

**Disclosure of such information is called segment reporting.**

**Reportable segment is a business segment or a geographical segment identified on the basis of their definitions for which segment information is required to be disclosed by the statement.**

Business segment or geographical segment which has been identified as reportable segment shall be further divided to include sub-segments based on the following conditions:

- Segment Revenue from sales to external customers and internal transfer is 10% or more than total external and internal revenue of all segments.

Or
- 10% or more of segment result  
(Segment result means: If some segments are in loss then total of loss of all loss-making segments or if some segments are in profit, total profit of all profit-making segments. Whichever is higher i.e., total profit or total loss figure in absolute term.)

Or
- Segment asset is 10% or more than total assets of all segments.
- All the above three criteria must be applied first and –
  - Further, Management may at its discretion choose any segment as reportable segment even if such segment does not fulfill the criteria stated above.
  - Ensure whether at least 75% of total external revenue should be in the reportable segments.
  - If 75% of total external revenue is not in the reportable segments, then additional reportable segments should be identified ignoring 10% threshold limits until at least 75% of total external revenue is included in reportable segments.



**Note:** Any segment, which was reportable segment in the previous year on the fulfillment of 10% threshold limit, should be reportable segment during current year even if 10% threshold limit in current year is not fulfilled.

**Example: 1**

The Chief Accountant of BHD Ltd. gives the following data regarding its six segments:

							₹ in Lakhs
Particulars	M	N	O	P	Q	R	Total
Segment Assets	50	25	10	5	5	5	100
Segment Results	(50)	(140)	80	10	(10)	10	(100)
Segment Revenue	200	320	200	90	90	100	1000

Determine the reportable segments as per AS – 17.

**Solution:**

As per AS -17 a business segment or a geographical segment should be identified as a reportable segment if:

Its revenue from sales to external customers and from other transactions with other segments is 10% or more of the total revenue — external and internal of all segments. Hence, M,N,O and R reportable segments as the revenue is 10% or more of the total revenue.

Or,

Its segment result whether profit or loss is 10% or more of

- The combined result of all segments in profit; or
- The combined result of all segments in loss, in absolute terms.

Hence M,N and O have at least 10% of Total Segment Result i.e. ₹200 lakhs.

Or,

Its segment assets are 10% or more of the total assets of all segments. M,N and O have at least 10% of Total Segment Assets.