



Azadi Ka Amrit Mahotsav Activity

“Sky High- Symposium -35 Webinar” conducted by Women Members Empowerment Committee of ICAI on 4th January 2023

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

Women Members Empowerment Committee Organises

75 Azadi Ka Amrit Mahotsav

Sky High - Symposium-35

Live Webinar

for Women by Women Every Wednesday

4th Jan, 2023
5.00 PM to 7.00 PM

FEES NIL

2 CPE Hours Unstructured

Registration and participation link:
<https://live.icai.org/wmec/04012023/>

Questions related to the topic may be sent in advance at wmec@icai.in or LIVE at the time of Webinar itself at the same link

Audit of Real Estate Entities
CA. Meenakshi Gupta

Intelligence Automation
CA. Priyanka Tibrewala

Welcome Address
CA. Sripriya Kumar
Chairperson, WMEC & CL&CGG
Vice-Chairperson, IBC Committee

Introductory Remarks
CA. Priti Paras Savla
Vice-Chairperson, WMEC, CL&CGG,
Sustainability Reporting Standards Board

Co-ordinators
CA. Shital Thadeshwar
CA. Mansi Mishra
CA. Vardhini Kalyanaraman
CA. Chetna Saboo

As part of country wide Azadi ka Amrit Mahotsav initiatives, envisaged by Government of India, to commemorate and celebrate 75 years of India's Independence, the Women Members Empowerment Committee (WMEC) of ICAI organized “Sky High- Symposium -35 Webinar” on 4th January 2023.

CA. Meenakshi Gupta and CA. Priyanka Tibrewala were speakers of the said webinar. Coordinators for the day were CA. Shital Thadeshwar, CA. Mansi Mishra, CA. Vardhini Kalyanaraman and CA. Chetna Saboo.

The webinar was conducted by CA. Priti Savla- Vice-Chairperson, WMEC.



The webinar covered discussion on “Audit of Real Estate Entities”. Deliberations were made on Recent Developments, Guidance on Accounting & Audit for Real Estate, Types of Real Estate, Transactions covered in Guidance Notes, Important definitions & terms, Construction Costs, Revenue from Construction Projects, Revenue Recognition stages, Application of principles of AS 9 in respect of sale of goods to a Real Estate Project, Application of Percentage Completion Method, Sale of land or plots, Transferable Development Rights (TDR), Major Audit Issues, Audit Checklist, etc.

Guidance on accounting & audit for real estate

- 2012:** Guidance Note (GN) in the year 2012, namely 'Guidance Note on Accounting for Real Estate Transactions (GN on Real Estate)'
- 2016:** ICAI has issued a Note, namely 'Guidance Note on Accounting for Real Estate Transactions (for entities to whom Ind AS is applicable)' (GN on Real Estate (Ind AS))
- 2018:** Ind AS 115, Revenue from Contract with Customers

Types of Real Estate

- Residential:** This includes both new construction and resale
 - single-family homes, condominiums, co-ops, townhouses, triple-deckers, high-value homes, duplexes, quadplexes, vacation, and multi-generational homes.
- Commercial:**
 - strip malls, shopping centers, educational and medical buildings, hotels, and offices.
- Industrial:** This kind of real estate includes manufacturing buildings and property, including warehouses.
 - There can be various uses for industrial buildings such as research, production, distribution, and storage of goods. However, buildings where goods are cultivated, are considered as commercial real estate.
- Land:** vacant land, ranches, or working farms
 - undeveloped, early development or reuse, subdivisions, and the assembly.

Transactions covered in guidance notes

- Sale of plots of land (including long term lease type leases) without any development
- Sale of plots of land (including long term lease type leases) with development in the form of common facilities like laying of roads, drainage lines and water pipelines, electrical lines, sewage tanks, water storage tanks, sports facilities, gymnasium, club house, landscaping etc.
- Development and sale of residential and commercial units, row houses, independent houses, with or without an undivided share in land.
- Acquisition, utilization and transfer of development rights
- Redevelopment of existing buildings and structures
- Joint development agreements for any of the above activities.

Important definitions & terms

- ▶ **Project** - Project is the smallest group of units/plots/leaseable spaces which are linked with a common set of amenities in such a manner that unless the common amenities are made available and functional, these units/plots/leaseable spaces cannot be put to their intended effective use.
- ▶ **Project costs** -
 1. Cost of land and cost of development rights
 2. Borrowing costs (AS 14).
 3. Construction and development costs

Construction costs

▶ **Includes -**

- land conversion costs, betterment charges, municipal sanction fees, building permission costs,
- site labour costs,
- costs of materials used in construction or development of property,
- depreciation of plant & equipments used for the project,
- costs of moving plant, equipment and materials to and from the project site,
- costs of hiring plant and equipment;
- costs of design and technical assistance that is directly related to the project;
- estimated costs of rectification and guarantee work, including expected warranty costs, and
- claims from third parties.

Revenue from Construction projects

- ▶ **Project revenues** - Project revenues include revenue on sale of plots, undivided share in land, sale of finished and semi-finished structures, consideration for construction, consideration for amenities and interiors, consideration for parking spaces and sale of development rights.
- ▶ **Project revenues are measured as the consideration received or receivable.** The measurement of project revenues is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need revision as events occur and uncertainties are resolved. Therefore, the amount of project revenue may increase or decrease from one reporting period to the next.

Revenue recognition stages

- ▶ For recognition of revenue in case of real estate sales, it is necessary that all the conditions specified in paragraphs 10 and 11 of Accounting Standard (AS) 9, Revenue Recognition, are satisfied.
- ▶ The point of time at which all significant risks and rewards of ownership can be considered as transferred, is required to be determined on the basis of the terms and conditions of the agreement for sale.
- ▶ In case of real estate sales, the seller usually enters into an agreement for sale with the buyer at initial stages of construction. This agreement for sale is also considered to have the effect of transferring all significant risks and rewards of ownership to the buyer provided the agreement is legally enforceable and subject to the satisfaction of conditions which signify transferring of significant risks and rewards even though the legal title is not transferred or the possession of the real estate is not given to the buyer.
- ▶ Once the seller has transferred all the significant risks and rewards to the buyer, any acts on the real estate performed by the seller are, in substance, performed on behalf of the buyer in the manner similar to a contractor. Revenue in such cases is recognised by applying the percentage of completion method on the basis of the methodology explained in AS 7, Construction Contracts

Application of principles of AS 9 in respect of sale of goods to a real estate project

- ▶ The application of principles of AS 9 in respect of sale of goods requires recognition of revenues on completion of the transaction/activity when the revenue recognition process in respect of a real estate project is completed (Eg. In case of sale of plots of land without any development)
- ▶ The completion of the revenue recognition process is usually identified when the following conditions are satisfied:
 - a) The seller has transferred to the buyer all significant risks and rewards of ownership and the seller retains no effective control of the real estate to a degree usually associated with ownership;
 - b) The seller has effectively handed over possession of the real estate unit to the buyer forming part of the transaction;
 - c) No significant uncertainty exists regarding the amount of consideration that will be derived from the real estate sales; and
 - d) It is not unreasonable to expect ultimate collection of revenue from buyers.

The webinar also covered Session on “Intelligence Automation”. Topics discussed were Metaverse, Continuum of evolving technologies, Robotic Process Automation (RPA), Will automation take your job, etc.

Metaverse
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The New Reality

Intelligent automation is usually seen as a continuum of evolving technologies

Missing a step would result in full benefits not achieved (scope of work for Chatbots and AI would remain limited)

Technology	Percentage of process activities
Robotic Process Automation (RPA)	15-20%
Cognitive RPA (including machine learning, natural language processing)	15-20%
Chatbots	10-35%
Artificial Intelligence (AI)	10-35%

60-70% of the enterprise's process activities

Chatbots and Artificial Intelligence to utilize the output produced by Robotic Process Automation

Robotic Process Automation (RPA) is usually the first step in any organization's Intelligent Automation journey

Robotic process automation (RPA) is a concept that leverages virtual software robots (bots) that emulate human interaction with systems to automate existing user activities.

- Enables faster execution of routine processes for existing user interfaces
- Acts as a virtual workforce working for the business operations teams
- Can integrate existing software systems, powered and controlled by IT

Robotics is 100% efficient at an average 11% & 12% of an all-robot RPA

Automated solution works 24/7 during non-business hours

Software robots work with existing IT architecture

Payback within a year

Enhanced processing speed compared to human beings

Increased capacity to handle significantly higher transaction volume

~60-70% of existing business process services are likely to be impacted by RPA.

RPA has vast applicability across voluminous, rule-based processes with low human judgement involved..

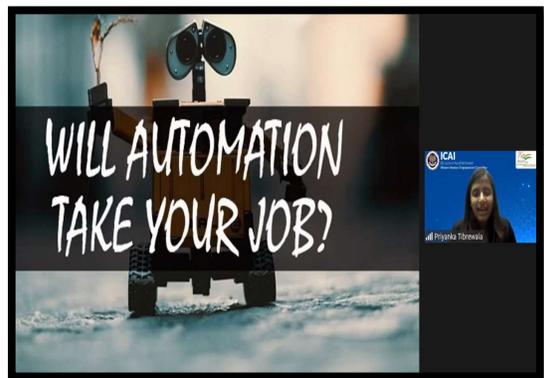
- Rule based**: Activities are governed by rules instead of human judgement and reasoning
- Standardized**: Activities that are standard in the way of execution (input/output) across transactions
- High Volume**: Activities that are frequent and use of high volume provide a better benefit case
- On-the-system**: Activities which are performed on a computer

Process automation enables organizations to automate existing high volume and/or complex, multi-step data handling actions and workflows to run autonomously without manpower. It captures and interprets existing applications, manipulates data, triggers responses and communicates with other digital systems

... and has potential to be implemented in multiple use cases across functions

~30% - 40% of existing business process services are likely to be impacted by Intelligent automation

Finance and Accounting	Tax	Treasury	Human Resources
<ul style="list-style-type: none"> Subsidiary Order receipt Collection Invoice prep Invoice claim Receipt payment Vendor set up Bank tracking 	<ul style="list-style-type: none"> E-File Prepare tax or provide files Security planning Identify and maintain tax payments Tax risk compliance Responding information Data transfer into tax returns 	<ul style="list-style-type: none"> Rx management Liability management Cost management Capital strategy Bank reconciliation Vendor statements 	<ul style="list-style-type: none"> Recruit Benefits administration Payroll management Time and attendance management Benefits planning process Onboarding Education and training Compliance reporting
IT	Supply chain	Customer services	
<ul style="list-style-type: none"> Installation ITP overhaul, upgrade and backup Monitor applications and workflow Supporting, debugging and upgrading servers IT management Email processing Batch processing 	<ul style="list-style-type: none"> Work order management Demand and supply planning Quality control and contract management Before processing Project management 	<ul style="list-style-type: none"> Query assignment and prioritization Order management query response Call center response Issuing customer information Validation checks Customer verification 	



The webinar concluded by giving Vote of Thanks to the Speakers and the participants.

Glimpses of the Webinar held on 4th January 2023





