

The Institute of Chartered Accountants of India
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THE C HARTERED A C C O U N T A N T

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Let us come together
to ring in the year
2010

& uphold the principles of
Excellence, Independence,
Integrity, Objectivity,
Transparency,
Accountability,
Responsiveness



CELEBRATING
60th Year of
Excellence

EMPOWERING WOMEN – THE ROAD AHEAD

We are a society on the march. No goal is beyond a person with a resolute will; and, for the person who strides ahead on a path that is righteous and noble.

As a nation we are fortunate to have had a number of women who have distinguished themselves by contributing to the task of nation building. Our mind goes to the Late Queen of Jhansi, Lakhshmi Bai. Through her deeds, she epitomised the finest traits in the Indian spirit.

Indomitable in battle she sallied out with her loyal soldiers to take the battle into the camps of a numerically and technologically superior foe. Not for a moment did she or any of her brave soldiers question the conventional military wisdom of joining battle if one has a fair chance of victory. She faced the battle with courage and fortitude and sacrificed her life battling for values and issues that are near to our hearts and minds. Today we bear in our collective consciousness the awareness that we are descendants of that stellar performance, arguably perhaps one of India's finest hours.

Nature created the female half in all of the vertebrate species we know of. The genetic and evolutionary basis for the necessity of a species being split into two sexes is still a topic of considerable scientific research and discussion. Society, however, has discriminated against women in a large way. In the twenty first century we must strive to ensure that equal opportunities of development and self actualisation are available to all sections of society.

The conceptualisation and bearing of children is the duty assigned by nature to the female half of the species. This chore by itself is rewarding enough and even if females were never to do anything else; emotionally, it would be rewarding enough. The mental and physical nourishing of future generation, the nurturing of memes, that will define the course of development that the human species will chart in future by itself are not small responsibilities. But to limit women to these efforts is to deny them the opportunity to employ the resources provided to them by nature to its fullest extent.

The primary responsibility devolves upon the Legislature to develop laws that do away with discrimination against women. The legal bias is wrought about by the enactments that ensure that women are identified by the vagaries of a patriarchal society. Women are identified by their fathers or husbands. This has to be done away with. The issues of domicile that prevent women and by law their offspring to chart separate courses from fathers and husbands belongs to the past not the future. A woman needs to be legally enabled to determine her domicile as per her wishes and not to comply with those of her father or husband. The vision of our Constitution that guarantees equality before the law to women has to be translated into reality by cutting asunder the chains that bind us to obscure customs and legal fictions.

Every profession must contribute its mite towards this cause of empowering the fairer half of the human species. Unceasing efforts are the order of the day in case we are to ensure that women - who constitute half the population - are empowered enough to participate meaningfully in the process of nation building.

It is a matter of immense pride, that in our noble profession women have participated from the nascent stages of development of our profession. The latest figures of students pursuing the coveted degree of chartered accountancy show that more than 32 per cent of the total of students pursuing the course at various levels are female candidates. This is gratifying and we are sure that as time progresses the number of female candidates vis-à-vis male candidates will mirror the population profile.

Amongst other steps, the Institute has constituted a Women Steering Group to chart a future course in order that we can ensure that more women can participate in the pursuit of qualifying as Chartered Accountants. This step has been initiated to ensure that the issues raised do not remain empty rhetoric but are translated into meaningful steps that are pre-requisites for women empowerment.

- Editorial Board

ICAI-Celebrating 60th Year of Excellence





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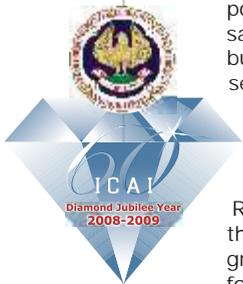
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Dear CA Parivar,

It's that time of the year when we are busy reflecting on our past and setting new goals for our future. It's that time of the year when fresh resolutions are being listed and plans for achieving greater prosperity are being inked. Welcome to 2010 – the last year of the first decade of the new millennium. The New Year is a fresh beginning, a beginning that is filled with positive prospects for all of us. It is frequently said that 'stronger the foundation, higher the building'. This is especially true for us who have seen our Institute go from strength to strength in the past year. In fact, each and every aspect of our Professional and Institutional life, be it Infrastructure, IT, Education, Environment Awareness or International Recognition has been raised to a level higher than ever before. We have taken our Institute to greater heights of glory only because we are focused and work together as one united family.

ICAI Honoured

The Institute and the Profession were recently honoured with "Recognition of Excellence" Award by H. E. Smt. Pratibha Devisingh Patil, Honourable President of India. On behalf of the entire CA Parivar, I humbly accepted this honour during the 'India Corporate Week-2009' organised by Ministry of Corporate Affairs in recognition of the excellence of ICAI's valuable contribution in upholding the Corporate Governance norms of India Inc. This was a historic moment for me as it was under my Presidency that we were bestowed this award. This is the first time in the 60 years history of the Institute that such an honour was conferred on the ICAI. This is truly a jewel in the crown of the Institute in its Diamond Jubilee year. Let us all be inspired and strive to earn more such awards for the profession and the Institute.

Negative Media Coverage

ICAI has taken great strides in the last two years. We are now internationally renowned and recognised. A lot of changes had to be made to reach where we are today, changes that were required to take the Institution and all members on a higher curve of progress. However, many of these changes were not taken positively as was evident from the recent CNBC coverage. Not only was the Institute kept in the dark as to the kind of interview that was to take place, even common considerations were not taken into account.

As President of our glorious Institution, I have to ensure that protocol towards our Alma Mater is followed at all times. This was totally ignored by the media channel, encouraged by certain vested interests. My only aim was to ensure that our Institution and our Profession were given the accord and respect they deserve. I had no intention of not answering the queries put forward by them, but their questions have been already answered by me through my messages in this Journal. I was

saddened by the attempt of the channel and people to cover up the great and good work done by the Institution.

I am especially saddened by the attempts made during the election time, when I repeatedly exhorted members not to use this as a personal platform to push themselves forward at the cost of denigrating our Institute. I hope that we take greater care in the future so as to prevent our Institute from being maligned in public by people with vested interests.

Synergy with C&AG

We recently made the landmark decision of combining the synergies of ICAI with the Office of the Comptroller and Auditor General (C&AG) of India. This coming together of ICAI and C&AG will create a unique powerhouse that would bring enormous gains nationally and globally. To that end, ICAI will now facilitate Indian Audit and Accounts Service (IA&AS) officers to acquire the Chartered Accountancy qualification. Through this decision, IA&AS officers desirous of becoming CAs would write all the papers prescribed for CPT, IPCC and CA Final course. The IA&AS officers can appear in the CA Final course during the last six months of their practical training as per the present scheme of Education & Training namely CPT, IPCC and Final.

For the practical training of three years, prescribed under Chartered Accountants Regulations, 1988, one year work experience of the IA&AS officers would be recognised as equivalent to one year practical training and the balance period of practical training has to be undergone under a practicing CA.

Now the IA&AS officers who are often deputed abroad for audit of internationally aided institutions would be able to synergise their experience as departmental auditors along with the high professional knowledge accruing to them through the Chartered Accountancy course. In fact, ICAI's coordination with C&AG will be able to contribute to the monitoring of the nation's financial affairs in a more systematic and comprehensive manner.

New Guidelines for Opening New Branches

India is a vast country. Many members and students currently do not have access to our branches and thus lose out on support and infrastructure provided by the ICAI through its branches. So far we only used to take into account the membership strength of a particular region before deciding whether to open a branch or not. We never took the strength of our future potential, i.e. the students. We have now decided to take into account the growing number of students as well for the formation of new branches. To accommodate all members and students and bring ICAI activities to your doorstep we have decided to amend the existing regulation which states that branches can only be set up when there are 150 members in a city or within a distance of 50 kms. from the city limits. The amended regulation now also includes the number of students and states that a branch

could be set up in a location where number of members are more than 100 but less than 150 as also the number of students are more than 250 at the said location or within radius of 50 kms. We have decided that a branch can also be formed if there is no existing branch in any of places falling under the jurisdiction of a district, but there are 100 members in a district taken as a whole. With this amendment, I am pleased to say, members & students, especially female students, will no longer have to travel long distances to avail of benefits provided by ICAI branch offices.



Membership Restoration

There are members whose names have been removed on account of non-payment of fees or who do not apply for membership restoration in the same financial year or in the next financial year. Their application after a lapse of few years and their demands for immediate issue of Certificate of Practice has been looked into very seriously. Such members, during the period their names stood removed, are not part of any of the programmes organised by CPE Committee or the Institute, Regional Councils or Branches and thus remain ignorant of the Institute's programmes. It is entirely possible that these members have not updated their knowledge with the Accounting Standards, Auditing and Assurance Standards, Quality Control Standards and other pronouncements impacting the audit and other attested functions.

To overcome these gaps in professional information, we have decided that members whose membership have remained off the list for a period of three consecutive years and more shall be required to undergo a refresher course of minimum three months or a special examination to be devised specifically for such members by Board of Studies. Only after the successful completion of the required course or examination, as the case may be, their membership will be restored and CoP issued. This, I believe, will help main-tain the high levels of quality and professionalism that is now expected from our members.

Student Initiatives

Students have alw-ays been my top priority. The successful initiatives of the past year have enabled us to provide better services to the students but there is still so much we can and should do. There are many brilliant and talented

students in our country who are unable to turn into reality their dreams of pursuing the CA course due to lack of finance. Benevolent fund schemes are not adequate in today's inflationary times. Livelihood expenses are increasing day by day and education takes a backseat in these situations. As part of our social responsibility, it falls upon us to uplift the financially weaker students and provide them the tools to stand on par with the rest of the world. To start this positive process, 'Education Sponsorship Boxes' will soon be placed at all offices of the Institute including regional offices and branches.

Members are requested to be more socially responsible by sponsoring the education of these economically weaker but highly talented young minds by depositing their cheques in these 'Education Sponsorship Boxes' which would be then channelised towards sponsoring the education of these students through the Benevolent Fund.

Training of Articled Assistants Abroad

ICAI members settled abroad will be pleased to know that they would now be eligible to train articled assistants which was not permitted earlier. Taking a holistic perspective of the matter as well as to increase the global footprint of the Institute, the Council has decided that our members holding Certificate of Practice with their principal place of practice abroad would now be eligible to train articled assistants there in terms of Regulation 43, in the same manner as in India, provided the member has also intimated an address in India.

Similar provisions for Secondment and Industrial Training would also be available to articled assistants abroad. Members working as Qualified/Paid Assistants in firms of Chartered



Accountants would be eligible to train one articulated assistant, on the same lines as in India.

This is a positive step forward in promoting the brand image of Indian CAs abroad while at the same time fulfilling the demands of our members in foreign lands.

Submission of Form 112

The breach of Regulation 65 by students who did not file Form 112 was seen as diluting the sanctity of the practical training and certain restrictive conditions were imposed on such students before enrolling them as members.

The Council has now decided to take a liberal view of the delay in submission of Form 112 by students. To help our students in this matter it has been decided that wherever additional course was pursued during articleship, without clash of class hours with office timings, membership be granted, as an amnesty measure for all such requests already received or to be received up to 31st March 2010.

However, for all other courses pursued during day time classes along with articleship, each case will be individually considered by the Executive Committee and delay may be condoned by imposing certain conditions like delaying grant of membership, completing a special course, etc. It has been further decided that if any statement made by a student or member is found to be false or varying with the facts at any stage, the student or member concerned will be liable to face disciplinary proceedings in accordance with the Chartered Accountants Act, 1949 and the Regulations framed thereunder. However, it has also been decided that no request for condonation of breach of Regulation 65 for delay in submission of Form 112 will be considered effective from 1st April 2010.

IFRS Convergence

The Accounting Standards Board recently made suggestions regarding the approach for applicability of Accounting Standards to Public Interest Entities (PIEs) and Small & Medium enterprises (SMEs). Taking these into consideration, it was decided that the Applicability of IFRS Converged Accounting Standards to various entities falling under Phase I would be from April 1, 2011 and those falling under Phase II to begin from April 1, 2014. The criteria for entities under Phase I will be decided and announced soon. In line with IFRS for SMEs, it was decided to form simplified standards for SMEs which the ASB will formulate soon. We have made good progress towards the implementation and will be completely ready in a few months time. The Institution has given its word and I reaffirm our commitment to the Government of India to implement converged standards from April 1, 2011.

International Initiatives

My top priority has been the international positioning of brand CA India. To that end I aimed to have recognition arrangements in place with the Canadian accounting profession as well after our arrangements with UK and Australia. I am pleased to tell you that we are in

the final phase of dialogue with the Canadian Institute of Chartered Accountants (CICA) and expect to capitalise a working arrangement with them soon. A similar arrangement is also under discussion with CGA-Canada. An arrangement with CPA Ireland will be unveiled soon while CPA Hong Kong has been approached for initiating the dialogue. As you can see, I am ensuring that we don't lose any time in making ICAI global.

In order to provide due impetus to ICAI plan to offer customised modules to Middle East region, ICAI office at UAE has been approved. It has also been decided that henceforth the Chapters of Sydney, New York and Toronto will be recognised as the national chapters with the city name being changed to the country name i.e. Australia chapter, USA chapter and Canada chapter respectively.

The Ministry of Corporate Affairs has requested ICAI to make the presentation in respect of its proposal for formation of International Federation of Accounting Technicians (IFAT). Subject to the concurrence of the Ministry of Corporate Affairs and subsequent steps to be initiated for its registration under the Society Registration Act, efforts are being made to have IFAT in place for formal launch during the ICAI Corporate Week Forum on 31st January 2010. We have invited the founder members of the proposed Federation for the round table conclave during this Corporate Week Forum.

ICAI will be hosting the CAPA Strategic Finance meeting and a workshop on IFRS for SMEs at Centre of Excellence, Hyderabad from 25th January to 28th January 2010. The Indian Accounting Profession is well respected worldwide and to better understand our dynamics, a delegation of Malaysian Institute of Accountants (MIA) is visiting India during this time period. I am sure they will be impressed with the Institute and its members.

By taking proactive steps we have also succeeded in opening up ICAI chapters in Switzerland, New Zealand, and South Africa. I am positive that we will soon have an ICAI chapter in every country of the world.

GCC Regional Conference 2010

Our International Chapters are doing an admirable job in promoting ICAI internationally. Along those lines, the ICAI Bahrain Chapter is organising a pan Gulf Cooperation Council (GCC) Conference in January 2010 on the theme 'Global Financial Markets: The Road Ahead'. I will be the Conference Chairperson while Chief Guest will be Mr. R. Bandyopadhyay, Secretary, Ministry of Corporate Affairs, Government of India who has played a prominent role in promoting Indian CAs and ICAI in Bahrain.

The Bahrain summit will be an excellent forum for knowledge sharing and discussing real-time issues with experienced professionals from the industry as well as taking advantage of the collective expertise of the distinguished guests. I am sure that this conference will confirm ICAI's position as the premier accounting institution in the GCC region.

Brand CA Attracts More MoUs

The various initiatives taken to create Brand CA is having a rippling effect. Today the Institute and CAs are in demand on all fronts. We are now being approached by financial institutions, regulators and Government agencies to enter into MoUs with them. The main reason for this is the positive brand image of the Institute that has been carefully nurtured by us all. The Institute is working to enter into MoUs with a number of institutions for mutual benefit:

MoU with MCX-SX: The stock exchange subsidiary of Multi-Commodity Exchange of India Ltd, MCX-SX caters to financial participants while operating under the regulatory framework of SEBI and RBI. Our MoU will match synergies leading to better services offered to financial participants by CAs. The benefits to CAs would include seminars, training on financial markets and corporate governance, certification programmes on financial markets, conducting research on financial markets and impact of accounting standards on financial markets, courses on various asset classes, currency, commodity, etc. and collaborating for joint certification of ICAI professionals through MCX-SX online tests. This is an excellent opportunity to extend our range of services to the financial markets and also provide compliance services.

MoU with Doordarshan: This MoU has far-reaching implications for us. DD reaches a massive 90% of India's population and content made by ICAI will be aired every Friday for half an hour. The main objective would be to develop understanding and awareness among the middle and lower income households on various tax laws. We will also be increasing educational awareness and educate the people of India through these programmes. I sincerely believe that this MOU will prove an excellent brand building exercise for the ICAI amongst the public at large.

MoU with LNJNI National Institute of Criminology & Forensic Science (NICFS), Ministry of Home Affairs, Government of India: As you all may be aware that NICFS is a unique organisation involved in training, teaching, research and publication. It organises joint training programmes for officers from judiciary, police, prosecution and correctional departments on various aspects of criminology and forensic science. The MoU with NICFS will include training courses in forensic accounting. We are also considering a proposal of organising two such courses in the forensic accounting during the financial year 2010-11. This MoU will go a long way in educating people about the transparency and trustworthiness of the service we provide to individuals and institutions everywhere.

MoU with CBEC: Members are aware of the recently launched Automation of Central Excise & Service Tax (ACES) project by CBEC. They have approached ICAI to facilitate them in setting up of Certified Facilitation Centres (CFCs) by Chartered Accountants in practice or proprietary concerns and firms at locations across the country to facilitate transactions in

ACES like e-filing of returns and other documents by assessee of Central Excise and Service Tax. I am sure this MoU will be extremely beneficial for all our members, giving a vast opportunity to offer services in a totally innovative and efficient way.

MOU with Swami Ramanand Teerth Marathwada University, Nanded: This MoU is similar to the one already extant with Bhartiya University with the objective of offering an additional dimension to our members and students through various value added courses to equip them with the multi-faceted skills in various fields.

Companies Bill, 2009

In August 2009, the Minister for Corporate Affairs Shri Salman Khurshid introduced the Companies Bill, 2009 in the Lok Sabha. The Ministry saw it fit to give us the responsibility of formulating views and providing them constructive feedback. In this regard, a Study Group, was formed which had considered some of the provisions of the Bill related to accounts and audit. The draft suggestions of the members, which are under consideration of the Study Group, will be finalised soon and will be placed before the appropriate authority.

Tendering Process for Utilising Our Services

The Government initiated utilisation of the services of CAs to audit schemes like the massive Rs. 39,000 crore NREGA scheme is a mark of the trust and respect accorded to the Institute. The Government is aware that the provision of audit of such schemes by CAs will ensure proper utilisation of funds at the grass root level. Normally, such audits are allotted to CAs or firms on a consolidated basis through tenders. We have been raising our concern with appropriate authorities in respect of tenders including depositing earnest money specifying restrictive conditions in terms of turnover, size, etc. and the quotation of unrealistic low amounts by some members having no relationship with the scope of work and time involved in conducting the audit.

I have been personally keeping track of various issues relating to tendering process such as depositing earnest money, specifying criteria to suit particular set of firms, scope of work not mentioned clearly, etc. since the tender process has been made open in all respects. In my personal opinion, this has not only lowered the fees being paid to CAs but has made a severe impact on the quality of audits being conducted as well. Moreover, as all of you will also appreciate, CAs are offering their services and not selling any commodity, therefore, asking CAs to pay earnest or deposit money does not seem logical. Hence, I have requested for inclusion of an item "Requirement of earnest or deposit money while responding to tenders or enquiries issued by various users of professional services or organisation from time to time" for the consideration of the Council. Further, to address all issues relating to tenders in a comprehensive manner, the Ethical



Standards Board has been entrusted with the task of formulating Draft Guidelines proposed to be mandatory for CAs while responding to tenders, advertisements, circulars and various other enquiries for the consideration of Council. This will wipe out any unethical behaviour while at the same time bring out ethical professionalism to the fore.

ICAI Joins Forces with FATF

During the recent interaction of ICAI nominees with Financial Action Task Force (FATF) on Money Laundering as part of a mutual evaluation exercise of granting India the membership of FATF as undertaken by Financial Intelligent Unit of Ministry of Finance, various initiatives undertaken by ICAI in preventing the act of Money Laundering and combating terror financing including formulation of KYC norms for our clients were discussed in detail. I hope that India will soon gain FATF membership which would not only allow India to gain access to real-time exchange of information on money laundering and terror financing but also help the country raise its diplomatic pitch globally against the export of terror.

New Standards on Auditing

The ICAI has made excellent progress on the convergence of Indian Standards of Auditing (SA) with International Standards of Auditing (ISA). Over the last couple of years, 25 new and revised standards on auditing have been issued by the ICAI in line with the clarity project of IAASB. These standards are the ICAI's response to the changing economic & business environment at global and national level. This will also cater to the expectation of society, regulators & government in terms of continuously improving the quality of audit process of providing assurance to the financial statements.

It is with great pride that I inform all members that we have cleared three more Standards on Auditing in line with the international best practices. The three standards are Revised Standard on Auditing (SA) 700 - *Forming an Opinion and Reporting on Financial Statements*, Standard on Auditing (SA) 705 - *Modifications to the Opinion in the Independent Auditor's Report* and Standard on Auditing (SA) 706 - *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*. These crucial standards deal with the most critical part of an auditor's work, i.e., formation of his opinion on the financial statements and the audit report. With the clearing of these standards we have taken one more step on the road of convergence with the IAASB's International Standards.

Enrolment to ICAEW, CAPA and ICCA-Australia

To expedite the issue of letter of good standing to members for enrolment with ICAEW, CAPA-Australia and ICCA-Australia, we have decided that letter should mention that the member concerned has complied with the examination, training and other requirements

prescribed for admission as a member of our Institute and that the validity of certificate be raised to six months from the date of issue in place of the earlier validity of three months. Also, the letter of good standing will not have specific details such as Roll Number, Year of passing, dates of commencement and completion of articleship.

Disciplinary Cases

The Disciplinary Committee has achieved significant levels of results this year through the consideration of prima facie opinion in 163 "Complaint" cases and in 100 "Information" cases. In fact, hearing initiated in all 5 cases have been fully concluded by the Disciplinary Committee and Board of Discipline in the 1st meeting itself. Our earnest endeavour is to dispose off cases at the prima facie stage itself. Under the old mechanism, 12 meetings have been held wherein 49 cases have been heard and concluded. We are making additional efforts to have 4-5 hearings through which we would try to complete hearing in 15-20 cases. Out of 109 current reports, notices for consideration have already been issued to parties in 37 cases. Last but not the least, all complaint cases under the old mechanism have been considered by the Council at the prima facie stage excepting one which has a stay order from the High Court. The balance 13 Information cases have been considered in the Council meeting bringing to a conclusion all the Information cases under the old mechanism at the prima facie stage.

Elections 2009

The 2009 CA Elections saw a much higher voter turnout than previous years. With all the enthusiasm that was prevalent, there were still disturbing news of booth capturing and illegal activity. I strongly condemn these activities which are not the mark of our profession. We are here to uphold the laws of ethics and be guiding lights to professionals everywhere and not to bring bad name to our profession and the Institute.

Whilst distinctly saddened, rest assured I will ensure the offenders are brought to book and disciplined as per the Code of Conduct. The election votes are being counted and collated at present and results will be declared in a few weeks time. In fact, the next Journal will also announce the full election results.

I, again, take this opportunity to wish all our members and students a very happy New Year 2010 and remind ourselves of the wise words of Benjamin Franklin, "*Be at war with your vices; at peace with your neighbours, and let every New Year find you a better man.*"

My Pranaams to All,

A handwritten signature in blue ink, appearing to read 'Uttam Prakash Agarwal', written over a horizontal line.

- CA. Uttam Prakash Agarwal
New Delhi, December 27, 2009

A Recognition for Excellence

Commemorating ICAI's valuable contribution in upholding the Corporate Governance norms of India Inc.



CA. Uttam Prakash Agarwal

President ICAI
is receiving the

“Recognition of Excellence Award”

from

Her Excellency, Smt. Pratibha Devisingh Patil

Hon'ble President of India

on the occasion of celebration of

INDIA 
CORPORATE
WEEK

December 14 – 21, 2009

hosted by

The Ministry of Corporate Affairs

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Journal Has Become ‘Must Read’

First of all, congratulations to the ICAI team for coming out with such a very informative journal one after the other. CA Journal has no doubt improved both in looks and contents. It has become a must read, particularly for Indian chartered accountants and CA students, to keep one updated about the profession-related developments, economic & policy changes and new timely initiatives taken by the ICAI. Now-a-days information has become so fast that we usually get informative e-mails on daily basis from different sources and even SMSs in some cases. Rapid changes are taking place both locally and globally. Considering the timely flow of information to the readers, I urge the ICAI to look into the possibility of more frequent issue of the Journal which will be of more use to the readers and we can cover more articles of members' interest at large. Keep up the good work!

- CA. Hardeep Saini, Hoshiarpur



Thought Provoking and Informative Articles

I appreciate thought provoking and informative articles being published in the journal to the benefit of members at large. I particularly found the article titled ‘Corporate Governance: Points to Ponder’ authored by Mr. Rakesh Mohan as very thought provoking. It is highly desired that the Government takes urgent steps to strictly ensure good corporate governance so that Satyam like episodes are not repeated. All listed companies’ balance sheets may be reworked in this regard.

Further, I, like thousands of other members, pay rich tributes to visionary Past President of ICAI late CA. Rahul Roy. We are extremely saddened by his demise and pray that the departed soul rests in peace. His death is irreparable loss to Indian CA fraternity.

- CA. L Sankar, Perambalur

Kudos to ICAI for Launching Courses like ATC

I am a teacher and as a teacher I am proud of the Institute of Chartered Accountants of India and its members for exploring and opening up newer innovative job opportunities for students of commerce stream through course like Accounting Technician Course. The multifaceted growth of Indian economy has resulted in huge demand for second-tier accounting personnel for large as well as small and medium enterprises. For long, a need was being felt for persons with accounting and related skills commensurate with the requirements at the operational level. These accounting technicians will not only fill gaps at the operational levels as accountants but will also ensure that the value chain in accounting process does not suffer. In my opinion, this step will provide a much needed service and

further boost ICAI’s image as a premier accounting institute in the country. The course has already started paying dividends to the society at large. Our Institute should think of more such job-oriented courses for CA students.

- Mrityunjay Kumar Jha, Director, Mithila School of Commerce, Darbhanga

Journal in PDF Format Desired

It is my pleasure to inform you that our Journal is keeping high quality in contents as well as presentation. The continuous improvement in the journal over the past few years is very commendable. However, my advice and request to institute is to publish the PDF format of journal in the website of Institute. If it is in PDF format, we can save the copy in our lap-top and can read the same in free time like during travelling or for immediate reference. It is difficult to carry hard copy of journal during foreign travel and keep all the journals in our office or residence. In my view, this step will benefit a large number of members like me.

- CA. Jojo James, Dubai

I appreciate the efforts of our Institute for making the newsletter more and more informative. The quality of journal has indeed improved over past few years. It helps the members to constantly keep themselves updated with recent news and hot topics. However, I am bit disappointed by the format of e-Journal. Browsing individual pages and also being online to read journal is a pain. The newsletter should be available on website in PDF format so that members can download the whole journal at once and read it whenever they like. Further, in today’s world of specialisation, it will be great if the journal can also focus on specific industry knowledge. Each issue can have focus on specific industry like Banking, Insurance, Telecom, etc.

- CA. Vivek Kumar Jain, Pune

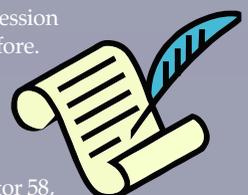
EDITOR

For the Attention of Readers

Readers' attention is specifically invited to the fact that the views and opinions expressed or implied in *The Chartered Accountant* journal are the views and opinions of the authors only, and not those of the ICAI. The ICAI bears no responsibility of any sort whatsoever in case of any action taken by any reader based on any article published in the journal.

Write to Editor

‘Information is Power’ and our ever-evolving profession needs more and more of that today than ever before. Do you have any relevant points to make, experiences to share, and views to spread among the CA fraternity? If yes, e-mail us at eboard@icai.org/nadeem@icai.org or write to: The Editor, The Journal Section, ICAI, A-94/4, Sector 58, Noida (UP)-201301



PHOTOGRAPHS



HONORARY MEMBERSHIP

CA. Uttam Prakash Agarwal, President, ICAI, receiving honorary membership of CPA Australia from Prof. Richard Petty, President, CPA Australia.



PATNA

CA. Uttam Prakash Agarwal, President, ICAI, along with Chairman Patna Branch of ICAI performing Bhoomi Poojan for the branch building on November 26, 2009.



RAJKOT

Release of book 'A guide of GVAT Audit' during Sub-Regional Conference on Empowering Abilities Venturing Opportunities held at Rajkot on November 29, 2009. Seen from the left to right are: CA. Jatin Jajal, Chairman Rajkot Branch; Mr. Dinesh Brahmabhatt, Municipal Commissioner, Rajkot; CA. Uttam Prakash Agarwal, President ICAI and CA. B.C.Jain, Chairman, WIRC.



CUTTACK

President ICAI, CA. Uttam Prakash Agarwal presenting a memento to His Excellency Shri M. C. Bhandare, Governor of Orissa during National CA Conference held at Cuttack on November 28, 2009. Also present on the occasion are: CA. Prasant Mahapatra, Chairman Cuttack Branch, Shri Suriya Narayan Patro, Hon'ble Minister, Revenue & Disaster Management, Orissa and CA. Sachin Udaipuria, Secretary, Cuttack Branch of ICAI.



VAPI

CA. Uttam Prakash Agarwal, President, ICAI, inaugurating building of Vapi Branch on December 1, 2009 in the presence of CA. B. C. Jain, Chairman, WIRC, branch office bearers and other dignitaries.



TORONTO

CA. Uttam Prakash Agarwal, President ICAI, and CA. Ved Jain, Immediate Past President ICAI with office bearers of Toronto Chapter of ICAI and other dignitaries during 3rd Annual event of Toronto Chapter on November 14, 2009.



BARODA

CA. Uttam Prakash Agarwal, President ICAI, inaugurating the newly-constructed building of Baroda branch of ICAI in the presence of branch office bearers and other dignitaries on December 13, 2009.

PHOTOGRAPHS



SOLAPUR

CA. Uttam Prakash Agarwal, President, ICAI, laid the Foundation Stone of Solapur Branch of ICAI on December 3, 2009.



BIKANER

CA. Uttam Prakash Agarwal, President, ICAI, in the presence of branch committee members and other dignitaries laying the Foundation Stone of Bikaner branch of ICAI on December 8, 2009.



KOLKATA

CA. Uttam Prakash Agarwal, President, ICAI, performing Havan and Bhoomi Poojan for new ICAI Bhawan complex at Kolkata on December 12, 2009.



RANCHI

CA. Uttam Prakash Agarwal, President ICAI, inaugurated the newly-constructed building of Ranchi Branch of ICAI on December 15, 2009.

ITT LAB INAUGRATION



➤ CA. Uttam Prakash Agarwal, President ICAI, inaugurating IT Training lab at Gazipur, New Delhi on 23rd October, 2009.



➤ Inauguration of IT Training lab at Thakur House, Kandivali (East) Mumbai on November 30, 2009.



➤ CA. Uttam Prakash Agarwal, President ICAI, inaugurating IT Training lab at Nanded CPE Chapter on December 2, 2009.

The President and Members of the Council of
The Institute of Chartered Accountants of India

cordially invite you to the
Awards Presentation Ceremony of
ICAI Awards for Excellence in Financial Reporting



on Saturday, the 30th January, 2010 at 6.00 p.m. onwards
At Goregaon Sports Club, Mumbai
followed by a Cultural Night

To confirm your presence call: 011-30110450/491



Invitation

The President and Members of the Council of
The Institute of Chartered Accountants of India



cordially invite you to the
Grand Finale of ICAI Corporate Forum
ICAI Awards 2009 Corporate CA Achievers' Acclaim

At Goregaon Sports Club, Mumbai
on Sunday, 31st January 2010 at 06.00 p.m. onwards

followed by Cultural night

To confirm your presence call: 011-30110450/491

Invitation

Know Your Ethics

(Continued from December 2009 issue)

Ethical Issues in Question-Answer Form

Q. Whether a Chartered Accountant in practice can use expression like 'Income Tax Consultant', 'Cost Accountant', 'Company Secretary', 'Cost Consultant' or a 'Management Consultant'?

A. No, direction given by the Council under Clause (7) of Part I of the First Schedule to the CA Act prescribes that it is improper for a Chartered Accountant to state on his professional documents that he is an Income-tax Consultant, Cost Accountant, Company Secretary, Cost Consultant or a Management Consultant.

Q. Can a Chartered Accountant in practice also practice as an advocate?

A. Yes, direction given by the Council under Clause (7) of Part I of the First Schedule to the CA Act prescribes that a Chartered Accountant in practice who is otherwise eligible may practice as advocate, subject to the permission of the Bar Council. But in such cases, they should not use designation 'Chartered Accountant' in respect of the matters involving the practice as an advocate. In respect of other matters they should use the designation 'Chartered Accountant' but they should not use the designation 'Chartered Accountant' and 'advocate' simultaneously.

Q. Whether a Chartered Accountant in practice can use the designation 'Corporate Lawyer'?

A. No, a Chartered Accountant in practice is not permitted to use the designation 'Corporate Lawyer'.

Q. Can a Chartered Accountant in practice/firm give advertisement in press?

A. Yes, the members in practice may advertise through a write-up setting out the services provided by him or his firm and particulars of his firm subject to Advertisement Guidelines issued by the Council (published in December, 2009 issue of the journal).

Direction given by the Council under Clause (7) of Part I of the First Schedule to the CA Act provides that a Chartered Accountant in practice/firm cannot give advertisement in press. However, a special exemption has been made as regards publication of the name and address of a member or that of his firm, with the description chartered accountant(s), in an advertisement appearing in the press in the circumstances as listed below, provided that the advertisement is not displayed more prominently than is usual for such advertisements or the name of the member or that of his firm with the designation chartered accountant(s) appears in type not bolder than the substance of the advertisement:

- Advertisement for recruiting staff in the members own office.
- Advertisement inserted on behalf of clients requiring staff or wishing to acquire or dispose of business or property.
- Advertisement for the sale of a business or property by a member acting in a professional capacity as trustee, liquidator or receiver.

When advertising for staff, it is desirable that members should avoid the expression such as "a well-known firm", since this would savour of advertisement. Similar considerations apply to advertisements for articled

assistants. The advertisements should not contain any promotional element nor should there be any suggestion that the services offered by the Chartered Accountants or his firm are superior to those offered by other accountants.

Q. Whether a member can appear on television/radio or give lectures at forums?

A. Yes, direction given by the Council under Clause (7) of Part I of the First Schedule to the CA Act prescribes that a member may appear on television/radio or give lectures at forums and may give his name and describe himself as Chartered Accountant. Special qualifications or specialised knowledge directly relevant to the subject matter of the programme may also be given. But no reference should be made, in the case of practicing member, to the name and address or services of his firm. What he may say or write must not be promotional of him or his firm but must be an objective professional view of the topic under consideration.

Q. Whether companies in which chartered accountants have been appointed as directors on their Board can publish description about the Chartered Accountant's expertise, specialisation and knowledge in any particular field or add appellations or adjectives to their names in the prospectus or public announcements issued by these companies?

A. The Council's attention has been drawn to the fact that more and more companies are appointing chartered accountants as directors on their Boards. The prospectus or public announcements issued by these companies often publish descriptions about the chartered accountants' expertise, specialisation and knowledge in any particular field or add appellations or adjectives to their names. Attention of the members in this context is invited to the provisions of Clause (6) and (7) of Part I of the First Schedule to the CA Act.

In order that the inclusion of the name of a member of the Institute in the prospectus or public announcements or other public communications issued by the companies in which the member is a director does not contravene the above noted provisions, it is necessary that the members should take necessary steps to ensure that such prospectus or public announcements or public communications do not advertise his professional attainments and also that such prospectus or public announcements or public communications do not directly or indirectly amount to solicitation of clients for professional work by the member. While it may be difficult to lay down a rigid rule in this respect, the members must use their good judgement, depending upon the facts and circumstances of each case to ensure that the above noted provisions are complied with both in letter and spirit.

It is advisable for a member that as soon as he is appointed as a director on the Board of a company, he should specifically invite the attention of the management of the company to the aforesaid provisions and should request that before any such prospectus or public announcements or public communication mentioning the name of the member concerned, is issued, the material pertaining to the member concerned should, as far as practicable be got approved by him.

(...to be Continued)

LEGAL DECISIONS¹

DIRECT TAXES



Section 9 of the Income-tax Act, 1961 read with Indo-US DTAA

Where US Company granted Indian Company a perpetual irrevocable right to use know-how and transferred ownership in tread and sidewall designs/patterns (TSD) required for manufacturing radial tyres, consideration for know-how is taxable in India while that for TSD transfer is not taxable; further, consideration received for consultancy, assistance and training is also taxable

International Tire Engineering, In re, October 28, 2009 (AAR)

Being approached by Indian Company CEAT, the applicant-US company agreed (i) to grant CEAT a perpetual irrevocable right to use the know-how as well as to transfer the ownership in tread and side-wall designs (TSD) and patterns required for the manufacture of radial tyres for a lump sum consideration.

The applicant's case was that the sale and transfer of technology know-how took place in USA and the documents were executed in USA and, hence, tax liability in India does not arise.

The Authority for Advance Ruling held as follows:

Know-how

The transfer of technical documentation was only a step in aid for making the technical know-how available to the transferee CEAT. The essence and predominant nature of the transaction is the transfer of technical know-how to CEAT in the sense of granting the right to use the know-how which is basically

contained in the documents. What is more, the applicant has undertaken to extend all the technical assistance and advice, of course for a consideration, in order to ensure that the know-how is put to effective and proper use. The crux of the transaction is to disseminate and divert the technical know-how, knowledge and informations for the use of the Indian enterprise for the purpose of manufacture of radial tyres. It is worthy to note in this connection that 20 per cent of the consideration for technology transfer is payable only on "successful completion of the outdoor tests of selected products as per the agreed criteria referred in Annexure IIIA". Viewed from any angle, it is inappropriate to say that the consideration is only the price of technical documents allegedly sold in USA.

It must be remembered that the deeming provisions embodied in clauses (vi) & (vii) of section 9 of IT Act were introduced with a view to reach at the income arising to the non-resident by reason of making available to an Indian enterprise the technical know-how, knowledge and informations. With a similar object in view, Article 12 has been included in the Treaty. If in all cases of transfer of know-how documents from the State of residence of transferor, the taxing jurisdiction of the other State is to be ousted, there may hardly be any occasion to apply the royalty or FTS provisions. Those provisions would virtually become ineffective if not otiose.

Secondly, even the assumption or assertion of the applicant that the so-called transaction took place outside India is open to doubt. The Agreement dated 4-9-2008, was executed in India (in Mumbai). There is a declaration that "the transferee shall be entitled to and shall have the right to the know-how documenta-

tion immediately on receipt of the same". Obviously, the documents, which are sent through the Courier, are received in India. Moreover, the transferee, i.e., CEAT will derive the rights under the Agreement only on that date. The transfer is not complete till then. The mere entrustment to the Courier for delivery to the transferee is not decisive especially in view of the qualification that the delivery will be effected to the transferee "against invoices and related documents". One thing is clear, that the delivery is not automatic. The delivery seems to be conditional on the transferee/addressee presenting certain documents to the Courier at the time of delivery. Thus, no inference of constructive delivery in US can possibly be drawn. The delivery-schedule ranges between 1 month (from the effective date) and 9 months. It is not, therefore, a case of delivery of technical documentation once and for all, contemporaneous with the signing of Agreement. The delivery-schedule is staggered over a long period of time and none can presume that such deliveries would take place or have taken place in US from time to time. In the absence of any material placed in this behalf, the reasonable presumption to be drawn is that the delivery of various documents, which is an integral part of the Agreement signed in India, would take place in India. The transferee, as already noted, acquires rights only on receipt of the documents in India.

The nature and content of the right transferred is the right to use the technology or the technical know-how supplied by the applicant for setting up the plant for the manufacture of radial tyres and to adopt the know-how in relation to the products that may be developed or manufactured in future in any manufacturing

¹ These cases have been compiled and contributed by Mr. Susanta K. Sahu, Secretary, Committee on Economic and Commercial Laws. Readers are invited to send their comments on the selection of cases and their utility at eboard@icai.org. For the convenience of readers full text of these cases have been hosted on the website of the institute at the link: www.icai.org/post.html?post_id=967&c_id=59

unit of the transferee-CEAT. Not only that, the applicant will provide to CEAT technical service assistance and train CEAT's personnel for making use of the know-how supplied by it on proper lines. Otherwise, the know-how and underlying technology will only remain on paper. In fact, it has been expressly stated that the transferee will not be able to use the know-how unless the applicant trains CEAT's personnel at the plant. Thus, the crux and predominant feature of the transaction involving the transfer of know-how is to equip CEAT with all that is necessary to effectively put the know-how to use. The know-how and technology, which was within the exclusive domain of the applicant, is parted with in favour of CEAT by granting non-exclusive but perpetual right to use the know-how and by putting in place the requisite measures to enable the transferee to effectively utilise and absorb the same. It cannot be doubted that the technology/know-how transfer gets covered by more than one sub-clause of Explanation 2 to section 9(1)(vi), i.e., sub-clauses (i), (ii) and (iv). The services in the form of technical assistance and consultancy connected with those items fall under sub-clause (vi).

Therefore, the consideration received towards technology transfer/ technical know-how and the services connected therewith are clearly liable to be taxed as royalty under section 9(1)(vi) of the Income-tax Act, 1961. The power of taxation in this regard cannot be denied to the Indian Government from the standpoint of territorial nexus.

The technical know-how embodied in various documents is received by the applicant in India from time to time and is put to use in India with the assistance and advice offered by the technical personnel of the applicant deputed to India. The role played by the applicant is perceivable at every stage till the plant is set up and the goods are manufactured. No doubt can possibly arise from the stand point of territorial nexus.

Though there is substantial similarity between Article 12 and section 9(1)(vi) of the Act, the

definition of 'royalties' under the Treaty is more restrictive in scope than the definition contained in Explanation 2 to Section 9(1)(vi). In contrast with the wider expression used in Explanation 2 to Section 9(1)(vi), it is seen that para 3(a) of the Treaty uses the expression "consideration for the use of or the right to use". The use or right to use is related to the various items enumerated in clause (a) of para 3. The design, plan and secret formula or process is among the enumerated items. Moreover, the information concerning industrial, commercial or scientific experience is another item mentioned in para 3(a) of Article 12. Thus, the know-how transfer squarely falls within the definition of 'royalties' in para 3(a). The consideration, which the applicant receives for the right to use the know-how, amounts to 'royalties' within the meaning of clause (a) of para 3 of Article 12. It is not appropriate to describe the transaction as a pure and simple sale of technical documentation. Thus, the payment received by the applicant squarely falls within clause (a) of Article 12.3. The applicant has no better case under the Treaty. Transfer of know-how and the grant of right to use know-how can be subjected to tax in India under the Income-tax Act, 1961, treating the same as deemed income by way of royalty.

TSD Design/Pattern

Having regard to the fact that the ownership in TSD designs/patterns is transferred absolutely to CEAT Limited, the consideration related thereto cannot be brought within the fold of royalty under Article 12.3 of the Treaty for the reason that it is not a case of merely authorising the use of or granting the right to use a design, plan or secret formula or process nor does it amount to furnishing information concerning industrial, commercial or scientific experience. Moreover, this part of the transaction cannot be viewed to be merely incidental to the conferment of right to use the know-how granted under clause 2 of the Agreement. It is, therefore, not liable to be taxed as

royalty under the Treaty provisions. If at all, the transfer is deemed to have taken place within India, it amounts to business profits. It can be taxed only in the event of the profits resulting from the transfer of ownership being attributable to the permanent establishment (PE). But, in the present case, PE could possibly come into existence only after the event of transfer of ownership. The PE that may be set up for the purpose of rendering consultancy and technical services in connection with the transfer of know-how has no relation with the transfer contemplated by clause 3 of the Agreement. Hence, viewed from any angle, the amount of consideration related to the transfer of ownership in the tread and side wall designs/ patterns cannot be subjected to tax under the Income-tax Act, 1961. However, the consideration for product development stands on the same footing as transfer of know-how and is liable to be taxed under the Income-tax Act.

Consultancy and Assistance

The consultancy and assistance to be provided by the transferor relate to lay out and set up of the plant and manufacture of the products in the plant with the know-how provided by the transferor, guidance regarding the product quality tests and testing of raw materials, semi finished and finished products, conforming to and fulfilling the Project Master Schedule etc. The supervision services are to be provided at various stages of assembly, installation and commissioning of the machines as well as start up of the plant in conformity with the know-how. It also extends to products quality tests, supervision of the transferee's personnel in relation to the set up of the plant and know-how implementation. It is stated under the head 'Training Services' that the transferor shall provide to the transferee's designated personnel full, complete knowledge and training of the know-how relating to technology, production process, machines etc. as well as the design, fabrication, assembly, inspection, operation and maintenance etc. of the plant. Moreover, there was

obligation to train the transferee's personnel in the production, quality, technical and maintenance departments in the plant in relation to various specified aspects. The payments are to be made to the technical personnel deputed by the applicant according to the rates and mandays specified.

Undoubtedly, these services fall within 'included services' as defined in para 4 of Article 12 of the Treaty. There are two limbs in para 4 of Article 12: (a) the technical or consultancy services which are ancillary and subsidiary to the application or enjoyment of the right, property or information for which the payment described in paragraph 3 is received; and (b) make available technical knowledge, experience, skill, know-how, or processes, or consist of the development and transfer of a technical plan or technical design.

Whether or not the first limb applies, undoubtedly, the second limb is attracted in the instant case. The consultancy, assistance and training services make available to CEAT the technical knowledge, experience, know-how and processes so that the transferee-CEAT will be able to derive full advantage from the know-how supplied by the applicant and to equip itself with the requisite knowledge and expertise so that the transferee will be able to utilise the same even in the future ventures on its own and without reference to the transferor. The importance of consultancy and assistance services is highlighted by an express declaration in the agreement. The "transferor acknowledges that the transferee will not be able to use the know-how unless the transferor trains the transferee's personnel in the plant in order to be capable of designing, developing and manufacturing the products in accordance with the Know-how." In the MOU concerning fees for included services appended to US-India Treaty, it is clarified: "generally speaking, technology will be considered 'made available' when the person acquiring the service is unable to apply the technology. The fact that the provision of the service

does not *per se* mean that technical knowledge, skills etc. are made available to the person purchasing the service, within the meaning of paragraph 4(b)". This test is satisfied in the instant case. The fee received by the applicant, therefore, falls within the scope of fee for included services as defined in para 4 of the Article 12 of the Treaty. The position in regard to the liability under the Act is equally clear. The definition of fee for technical services in Explanation 2 to clause (vii) of Section 9(1) is even wider in its scope and amplitude than the corresponding provision in the Treaty. The restrictive phrase "make available" is not there in the Act. The fee received constitutes fee for technical services or included services as per the Act and the Treaty.

The essential nature of transaction is not sale of property. It is the conferment of right to use the technical know-how not merely for the plant that is being set up but also for similar plants in the future. Secondly, the plethora of technical services to be rendered by the applicant in the form of consultancy, assistance and training cannot be regarded as merely ancillary and subsidiary to the sale even assuming that the sale of technical documentation is involved. They extend over a long period of time and the consideration payable therefor constitutes the major component of the contractual amount.

The consideration received for consultancy, assistance and training is liable to be taxed as fee for included services under the Treaty and as fee for technical services under the Income-tax Act, 1961.

Section 10 (22) of the Income-tax Act, 1961 – Educational institutions

State text book corporations are constituted to implement education policy of States and, consequently, should be treated as educational institution

Assam State Text Book Production and Publication Corporation Limited vs. Commissioner of Income Tax, October 20, 2009 (SC)

The assessee state text book corporation was a Government Company. It was controlled by the State of Assam. The aim of the said Corporation was to implement the State's policy on Education. Since Memorandum and Articles of Association only provided a Return on Investment to the State of Assam, the revenue took stand that the assessee's income was not exempt under Section 10(22).

The Supreme Court held that in a similar situation, "CBDT" had granted exemption under Section 10(22) *vide* letter dated 19-8-1975. Further, in the letter of the Central Government dated 9-7-1973, stipulated that all State-controlled Educational Committee(s)/Board(s) have been constituted to implement the Educational policy of the State(s), and consequently, they should be treated as Educational Institution. Therefore, the assessee's income was exempted under section 10 (22).

Section 37 of the Income-tax Act, 1961 – Business expenditure

Claim for depreciation on account of enhanced cost due to fluctuation in foreign exchange rate is admissible for deduction under section 37.

Commissioner of Income Tax vs. Maruti Udyog Ltd., October 28, 2009 (SC)

Section 80-IB of the Income-tax Act, 1961 – Deduction – profits and gains from certain industrial undertakings other than infrastructure development undertakings

Integrated activities of processing, preservation and packaging of fruits or vegetables are embraced within scope of sub-section (11A) of Section 80-IB.

Mrs. Delna Rustum Boyee, In Re, October 28, 2009 (AAR)

The integrated activities of processing, preservation and packaging of fruits or vegetables are embraced within the scope of sub-section (11A) of Section 80-IB.

Notwithstanding the extent of processing and the changes that occur to the original commodity by

reason of series of operations, it could still amount to processing of that original commodity.

Processing and preservation are two distinct expressions used side by side. Processing may be for the limited purpose of preservation of fruits without bringing about much change in the form of the fruit. But, 'processing' in the context in which it occurs ought not to be confined only to the operations that would ensure the preservation of fruits as they are, or in the form of slices. In other words, the expression should not be confined to minimal processing that would not change the identity of the fruit. If processing and preservation is to be confined only to fruits as such and not to the derivatives from the fruits, the benefit intended to be given to agro-processing industries will operate in a very limited sphere, thereby defeating the very object of the provision. The extraction of juice and oil from the fruits or further converting the homogenized juice into fruit powder and adding the substances meant for preservation would legitimately fall within the sweep of the expression 'processing'. The fact that the fruit assumes a different form or that a series of operations are involved in preparing the mixed juices and concentrates which could be preserved for long does not take it out of bounds of processing. Processing in its wider sense would still be aptly applicable.

Such activity would be eligible for deduction.

Section 154 of the Income-tax Act, 1961 – Rectification of mistakes
Period of limitation provided under section 154 is to be reckoned from date of fresh order under section 143(3) giving effect to order of appellate authority

Commissioner of Income Tax vs. Tony Electronics Limited, October 9, 2009 (DEL)

Once an appeal against the order passed by an authority is preferred and is decided by the appellate authority, the order of the said authority merges into the order of the appellate authority. With this merger,

order of the original authority ceases to exist and the order of the appellate authority prevails, in which the order of the original authority is merged. For all intent and purposes, it is the order of the appellate authority that would be seen.

The original order of assessment ceases to operate on the decision given by the Commissioner (Appeals) and merges with the orders of the appellate authority. Acting upon order of the appellate authority the Assessing Officer passes assessment order, giving appeal effect thereto. Thus, it is the order passed by the Commissioner (Appeals) which remains on record for all intent and purposes as the original order of assessment merges.

When the order is passed during the re-assessment of proceedings, initial order of proceedings does not survive in any manner or to any extent. This principle would be applicable also when the assessment order is challenged in the appeal and appellate authority passes order at variance with the orders passed by the Assessing Officer, on the basis of which fresh order under section 143(3), read with Section 250 is required to be passed by the Assessing Officer giving effect to the order of the Appellate Authority.

No doubt, the rectification order passed under section 154 would mean the assessment order as rectified and the assessment order is not obliterated thereby. Once rectification order under section 154 of the Act is passed it would mean that the appeal effect order is rectified. Limitation under section 154(7) is not to be calculated with reference only to the date of original order of assessment, it is to be reckoned from date of fresh order giving effect to order of appellate authority.

Section 158B of the Income-tax Act, 1961 – Assessment of undisclosed income as a result of search

Where warrant was issued jointly, assessment had to be made collectively in name of all persons concerned in status of AOP/BOI;

assessment could not be framed in an individual capacity

Commissioner of Income Tax vs. Vandana Varma, October 9, 2009 (ALL)

Section 132 specifically lays down the conditions precedent for authorising any officer to enter and search the premises that he has information in his possession, in consequence of which he has reason to believe that the person concerned is in possession of money, bullion, etc., and only then, he will sign the warrant of authorisation.

The definition of person in relation to proceedings under the Income-tax Act, 1961 would be as per its own section 2(31) and not as per the General Clauses Act, 1897.

The warrant of authorisation must be issued individually by the Director/Commissioner at the time of issuing the same. If the same is not issued individually, then assessment cannot be made in an individual capacity. Where the warrant was issued jointly, the assessment had to be made collectively in the name of all the persons in the status of AOP/BOI; assessment could not be framed in an individual capacity. It is not open for the assessing authority to assess any of them individually on the basis of the assets and documents seized during the course of search in pursuance to the warrant of authorisation which was in the joint name and that too by invoking the provisions of Chapter XIV-B in an individual capacity.

Section 172 of the Income-tax Act, 1961 – Shipping business of non-residents

Shipping profits are not covered by DTAA between India and Switzerland and they have to be taxed under domestic Law; freight income received by Swiss ship operator on account of carrying cargo from Indian ports to foreign ports by deploying chartered vessels is liable to be taxed in India under provisions of the Income-tax Act, 1961

Gearbulk AG, In re, September 30, 2009 (AAR)

According to Article 7.1 of Indo Swiss DTAA, the profits arising from

the operation of ships in international traffic stands excluded from the Article dealing with business profits. Article 8 makes a special provision in respect of the profits derived from the operation of aircraft in international traffic. Such profits shall be taxable only in the State to which the enterprise belongs. That means the State of residence can alone tax such profits and the existence or otherwise of a permanent establishment which is an ingredient of Article 7 is not material under Article 8. Then, the Treaty proceeds to deal with various other items of income.

There are unmistakable indications in the Treaty provisions to show that shipping business income earned by a non-resident is not intended to be covered by the Treaty. The language and scheme of the provisions, the possible incongruities that would otherwise arise and a comparative study of other Treaties would lead to the inevitable conclusion that shipping income derived from international operations is outside the purview of the Treaty and it is left to be taxed under the domestic law.

The obvious implication of exclusion the operation of ships in international traffic by virtue of exclusion clause in Article 7 is that such income can be subjected to domestic law discipline. Therefore, such income was liable to be taxed in accordance with and in the manner laid down in Section 172 of the IT Act. Neither a separate article is devoted to it nor is there explicit language in Article 22 to bring shipping income within the coverage of that Article.

The shipping income has been dealt with under Article 7. Profits from the international operation of ships are only a species of business profits just as the profits from international air transport. The latter is dealt with separately in Article 8 for the reason that it does not fall in line with the scheme of taxation of business profits under Article 7. Exclusive right is given to the State in which the enterprise resides. Permanent Establishment test is irrelevant under Article 8. Hence, a separate Article. As

far as the profits from international operation of ships are concerned, it is an integral part of business profits; at the same time, they are excluded from the business profits-Article for the obvious reason that it is not intended to be covered by the Treaty. That income has been left to the care of domestic law under which the burden of taxation on such income has been minimized (*vide* Section 172 of IT Act). A particular species of income which is specifically referred to in Article 7 and deliberately left out of its genus, namely business profits, cannot be said to be an item of income not dealt with under Article 7.

The exclusion clause in Article 7 clearly reflects the conscious decision of the authors of the Treaty not to treat the shipping profits at par with the business profits for the purpose of allocating the taxing jurisdiction to the States concerned. In that way, the subject of shipping profits had been dealt with under Article 7. It is not an uncovered or untreated item. Therefore, for the purposes of Article 22, profits arising from the operation of ships in international traffic cannot be treated as a distinct item of income not dealt with in the preceding Articles of the Treaty.

No doubt, there appears to be a good reason for vesting the exclusive power of taxation on the country of residence of the business enterprise concerned in the case of both international shipping and air transport. However, in the absence of clear words in the Indo-Swiss Treaty, the shipping profits arising from international operations cannot be placed at par with the profits from the business of international air transport. Whether or not to accord the same treatment to the international shipping business is a matter of policy and it is left to the wisdom and volition of the sovereign representatives at the negotiating table.

Whenever it is intended to cover the shipping income under the provisions of any DTAA, a separate provision has been made therefor.

Under Indo-Swiss DTAA, shipping income would be taxed under section 172 of the Income-tax Act, 1961.

Section 195 of the Income-tax Act, 1961, read with Articles 7 and 12 of Indo-US DTAA

Where US company provides centralised assistance to its Indian subsidiary and most of services are managerial in nature and further, US company does not 'make available' to Indian subsidiary technical knowledge, etc., within the meaning of Article 12.4(b) of Treaty, payment to be made by Indian company towards cost allocated by US company will not be taxable in India
Invensys Systems Inc., In re, August 6, 2009 (AAR)

The applicant a US based company, is engaged in the business of manufacture of process control instruments, engineering and research and technology based services, co-operative or consortium services, etc. The applicant entered into an Agreement titled as Cost Allocation Agreement with its Indian subsidiary. The Centralised Assistance functions provided by the applicant are (i) Environmental Health & Safety (EHS), (ii) Overall operations assistance, Human Resource ('HR') support, learning & development initiatives, (iii) Assistance on key projects, (iv) Finance, internal audit, treasury and tax, and (v) Corporate secretarial and legal support.

The Authority for Advance Rulings (AAR) held that the term "technical" ought not to be confined only to technology relating to engineering, manufacturing or other applied sciences. Professional service imbued with expertise could be regarded as technical service. Consultancy services could also be regarded as 'technical' in nature and the two expressions "technical" and "consultancy" cannot be placed in water-tight compartments.

Further, many or most of the functions are managerial in nature. The services are not really technical or consultancy services. The expression "technical services" cannot be construed in a narrow sense. Though some of the services required to be performed under the agreement have the trappings of technical or consultancy services, looking at the

substance and the predominant nature of the services, they primarily fall under the category of 'managerial'.

Assuming that some of the services/functions can be brought within the definition of technical or consultancy services, yet the other ingredient in clause (b) of Article 12.4 of DTAA viz. "make available" is not satisfied in the instant case. The services even if they are technical, did not 'make available' the technical knowledge, etc. within the meaning of Article 12.4(b) of the treaty.

Some services are *prima facie* activities which either help the applicant as a corporate head (co-ordinator) with the necessary inputs or merely represent the normal activities undertaken by the parent company. It is not some remote or indirect benefit that accrues to the group companies. The alleged service must cater to the specific needs of the member of the group. The costs relating to reporting requirements of the parent company including the consolidation of reports will constitute shareholder activities.

Assuming that some of the activities are not really services but they are more in the nature of stewardship/shareholder activities, the amounts received by the applicant from IIPL in terms of the invoices raised by it cannot be taxed in India in the absence of permanent establishment of the applicant.

Section 273A of the Income-tax Act, 1961 – Power to reduce or waive penalty, etc.

Party applying for reduction/waiver of penalty/interest must make out a

case of genuine hardship

Shardadevi P. Jhunjhunwala vs. Commissioner Income Tax, September 14, 2009 (BOM)

In the absence of placing material, petitioners cannot be heard to complain that there was non compliance by the respondent commissioner in considering the case under section 273A(4), particularly where no material been placed before this Court to show hardship that would be occasioned to the assessee. Where the Commissioner has recorded a finding the assessee has not produced any evidence to show that he does not have adequate financial resources, that by itself must have met the test. However, in the absence of the assessee placing any other material on hardship, the findings recorded by the Commissioner cannot be faulted with.

Section 273 is an independent power notwithstanding anything contained in the Act. Therefore, even if interest and penalty has been levied in proceedings for adjudication, the respondents have power under section 273A to reduce the penalty or interest under section 273A as it then stood. The test for waiver or reduction for exercise of discretion are different. Under section 273(4) the party applying must make out a case of genuine hardship.

Section 273A of the Income-tax Act, 1961 – Power to reduce or waive penalty, etc. in certain cases

In so far as section 273A(1) is concerned, disclosure must be voluntary; where a diary found during search contained incriminating material based upon which

additional income was disclosed, merely because assessee co-operated in deciphering documents would not mean that revenue authorities could not have deciphered same and, thus, it was not a fit case for reduction/waiver of penalty/interest

Shardadevi P. Jhunjhunwala vs. Commissioner Income Tax, September 14, 2009 (BOM)

Search operations were carried out in the premises of the petitioners. Various incriminating documents including one diary was also seized. According to petitioners, the disclosure was made on the clear understanding from the concerned authorities that there would be no penal liability and penal interest, if any would be waived; to avoid litigation and to buy peace of mind, the offer was made at the much higher figure. The notings in a particular diary could not have been deciphered by anyone except one or two persons from petitioner group. Without their initiative, help and assistance nothing could have been found by the department authorities from the said diary. In these circumstances, no penalty and interest could have been levied.

The Bombay High Court held that the diary contained incriminating material based upon which the additional income was disclosed. Merely because petitioners co-operated in deciphering the documents would not mean that the respondent revenue authorities could not have deciphered the same. The test is whether any incriminating material was found. On the petitioner's own statement the diary contained incriminating



material. The application was made after that incriminating material was found. In these circumstances, the contention urged on behalf of the petitioners must be rejected.

In so far as section 273A(1) is concerned, the disclosure must be voluntary. The return was based on additional income contained in the incriminating material contained in a particular seized diary. It is obvious if the material had not been seized during search and seizure operations, the income in terms of the diary could never have been disclosed as in the case of the past years. In the circumstances, if the revenue has come to the conclusion that it was not voluntary, and if they had refused to grant relief, it would not be a fit case for the Court to exercise its extraordinary jurisdiction.

INDIRECT TAXES



Excise

Section 9 of the Central Sales Tax Act, 1956 – Levy and collective of tax and penalties

Where for assessment years prior to 12-5-2000 taxes with penalty had been paid after considerable delay, interest was to be paid under section 9(2B)

Indodan Industries Ltd. vs. State of UP, October 20, 2009 (SC)

Prior to 12-5-2000, there was no provision for levy of interest for delayed payment under Section 9 of the Central Sales Tax Act, 1956. On 12-5-2000, Finance Act 2000 came into force.

Vide section 120 of the Finance Act, 2000, which was the validating provision, the Legislature made it clear that the provisions of Section 9 of 1956 Act shall have effect, and shall be deemed always to have effect as if that section provided for

levy of interest for delayed payment for the period when the 1956 Act came into force.

Section 120 of the Finance Act, 2000 makes sub-Section (2B) effective right from the very first date of commencement of 1956 Act, i.e., January 5, 1957.

Under sub-section (2B) to Section 9, interest for delayed payment is given the status of "tax due". The said interest is compensatory in nature in the sense that when the assessee pays tax after it becomes due, the presumption is that the Department has lost the revenue during the interregnum period (the date when the tax became due and the date on which the tax is paid). An assessee enjoys that amount during the said period. It is in this sense that the interest is compensatory in nature and in order to recover the lost revenue, the levy of interest is contemplated by Section 120 of the Finance Act, 2000 retrospectively.

Therefore, where for assessment years prior to 12-5-2000, the taxes with penalty have been paid after considerable delay, interest was to be paid under section 9(2B)

OTHER ACTS



Arbitration

Section 8 of the Arbitration and Conciliation Act, 1996 – Power to refer agreement parties to arbitration where there is an arbitration

N. Radhakrishnan vs. Maestro Engineers, October 22, 2009 (SC)

Where the case relates to allegations of fraud and serious malpractices on the part of a party to agreement, such a situation can only be settled in court through furtherance of detailed evidence by either parties and such a situation cannot

be properly gone into by the Arbitrator.

Section 34 of Arbitration Act and Conciliation Act, 1996 – Application for setting aside arbitral award

Where a joint statement of account is signed, presumption would be that signatory had read it carefully and understood it; arbitrator cannot re-examine such document on ground that claimant signed it under a mistake

Grasim Industries Ltd. vs. Agarwal Steel, October 20, 2009 (SC)

Disputes and differences arose between the parties consignment agent and principal and the same were referred to an arbitrator. The joint statement of account were made by the parties. The arbitrator held that the signature on behalf of the claimant-respondent was made under a mistake and hence, the same was not binding. Accordingly, the arbitrator re-examined each head of account and ultimately held the appellant liable to pay to the respondent.

The Supreme Court held that when a person signs a document, there is a presumption, unless there is proof of force or fraud, that he has read the document properly and understood it and only then he has affixed his signatures thereon, otherwise no signature on a document can ever be accepted. In particular, businessmen, being careful people (since their money is involved), would have ordinarily read and understood a document before signing it. Hence, the presumption would be even stronger in their case. There was no allegation of force or fraud in this case. Hence, it was difficult to accept the contention of the respondent while admitting that the document bore his signatures that it was signed under some mistake. There was no mistake in the impugned document, which the parties had signed. Therefore, the order of the Arbitrator to that extent was wrong.

DISCIPLINARY CASE

Summary of a disciplinary case - Council of the Institute of Chartered Accountants of India vs. K.K. Gupta & Anr.¹ (Chartered Accountant Reference No. 9 of 2005) decided on 25.09.2007 by the High Court of Delhi, under Section 21(5) of the Chartered Accountants Act, 1949.

Facts of the case:

The Hon. General Secretary, Rohit House Occupants Welfare Association, New Delhi (hereinafter referred to as the "Complainant") filed a complaint against Shri K.K. Gupta, Chartered Accountant, New Delhi (hereinafter referred to as the "Respondent") under Section 21 of the Chartered Accountants Act, 1949 (hereinafter referred to as the 'Act') to the Institute of Chartered Accountants of India (hereinafter referred to as the 'Institute') alleging, *inter alia*, that (a) the Respondent being auditor of the Society for the financial years 1997-98 & 1998-1999 had written the books of accounts of the Complainant-Association for the same financial years. The Respondent-firm having worked as Accountants had compromised their independence and should not have carried out the audit for the said two years; (b) in spite of several verbal and written requests, the Respondent had not returned the books of account, vouchers, trial balance, reconciliation statements, details of groupings and working papers to the Complainant-Association; (c) while preparing and auditing the accounts for the year 1998-99, the Respondent had not given effect to the decisions taken in the Annual General Body Meeting of the Complainant-Association held on 22-12-98; (d) none of the figures in the Balance Sheet and Income & Expenditure Account of the Complainant-Association for the year 1998-99 certified by the Respondent tally with the balances in the unauthenticated Cash Book and Ledger for the financial year 1998-99 handed over by Shri K.K. Verma, Ex-Treasurer of the Complainant-Association to its present General

Secretary on 14-02-2000; (e) the Respondent had not come forward to prove the accuracy of the accounts prepared and audited by him particularly for the financial year 1998-99, nor furnished details of various items appearing in the statements certified by him, not returned back the vouchers for the same with the result that the Complainant Association was not able to take any action for recovery resulting in huge avoidable losses on this account; (f) the Respondent neither ensured nor qualified his report regarding non-provision of various liabilities in the accounts for the year 1998-99 such as salaries and wages, electricity charges, water charges, etc. and non-accounting of maintenance charges and parking charges due from the members of the Complainant-Association which shows that the Respondent was grossly negligent in discharging his duties as a Chartered Accountant and Auditor.

The Council of the Institute *prima facie* opined that the Respondent was guilty of professional and/or other misconduct and referred the case to the Disciplinary Committee for enquiry. The Disciplinary Committee after carefully examining the Complaint, documents and other papers on record came to the conclusion that the Respondent was guilty of professional misconduct within the meaning of Clauses (6), (7), (8) & (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 and also "other misconduct" under Section 22 read with Section 21 of the said Act.

The Council on consideration of the Report of the Disciplinary Committee, accepted the report of the Disciplinary Committee and found that the

Respondent was guilty of professional misconduct falling within the meaning of Clauses (6), (7), (8) & (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 and also guilty of "other misconduct" under Section 22 read with Section 21 of the said Act. The Council decided to recommend to the High Court that the name of the Respondent be removed from the Register of Members for a period of one year. As required under Section 21 (5) of the Act, the matter was forwarded to the Delhi High Court with the recommendations of the Council.

The Judgment of the Division Bench of the High Court of Delhi comprising of Hon'ble Mr. Justice Madan B. Lokur and Hon'ble Mr. Justice S. Murlidhar is summarised below:

Decision of the Hon'ble Court:

The Hon'ble Court, on perusal of the records, found that the Disciplinary Committee was justified in its conclusion that the Respondent was guilty of professional misconduct and other misconduct as indicated in its report. The Hon'ble Court observed that the averments made in the complaint having been supported by sufficient material, the Committee concluded that it was established that Respondent had violated the Code of Conduct governing the members of the ICAI. The Hon'ble Court further observed that it did not find any infirmity in the conclusion arrived at by the Disciplinary Committee which was accepted by the Council.

On overall consideration of the matter, the Hon'ble High Court accepted the finding and recommendation of the Council and ordered that the name of the Respondent be removed from the register of members for a period of one year.

¹ For full text of the Judgment please see Institute's publication viz. Disciplinary Case Vol IX, Part I, p. 309 or visit Editorial Board page at http://www.icaai.org/post.html?post_id=967&c_id=59

CIRCULARS / NOTIFICATIONS

DIRECT TAXES

I. CIRCULARS

1. Circular No. 8/2009, dated 24-11-2009

The CBDT has, through this circular, clarified that TPAs (Third Party Administrator's) who are making payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims, etc. under various schemes including Cashless schemes are liable to deduct tax at source under section 194J on all such payments to hospitals etc.

Further, the circular also mentions that considering the facts and circumstances of the class of cases of TPAs and insurance companies, the Board has decided that no proceedings u/s. 201 may be initiated after the expiry of six years from the end of the financial year in which payments have been made without deducting tax at source etc. by the TPA's. The Board is also of the view that tax demand arising out of section 201(1) in situations arising above, may not be enforced if the deductor (TPA) satisfies the officer in charge of TDS that the relevant taxes have been paid by the deductee assessee (hospitals etc.). A certificate from the auditor of the deductee assessee stating that the tax and interest due from deductee assessee has been paid for the assessment year concerned would be sufficient compliance for the above purpose. However, this will not alter the liability to charge interest under Section 201 (1A) of the Income Tax Act till payment of taxes by the deductee assessee or liability for penalty under Section 271C of the Income Tax Act, as the case may be.

2. Circular No. 9/2009, dated 30-11-2009

The Central Board of Direct Taxes has, through this circular made a reference to circular no. 4/2009 dated 29th June, 2009 prescribing the revised procedure for furnishing information regarding remittances being made to



non-residents w.e.f. 1st July, 2009.

The circular clarifies that while remitting consular receipts abroad, diplomatic missions in India will be required to submit only a self certified undertaking in Form No. 15CA to the remitter bank. They are not required to obtain a certificate from an accountant/certificate of Assessing officer (Form 15CB). The circular further mentions about the procedure for furnishing information regarding remittances of consular receipts by diplomatic missions in India.

II. NOTIFICATIONS

1. Notification No. 84/2009[S.O. 2958(E)/F.No.142/22/2009-TPL], dated 20-11-2009

In exercise of the powers conferred by section 144C(14) of the Income-tax Act, 1961, the Central Board of Direct Taxes has notified the rules to regulate the procedure of the Dispute Resolution Panel, namely, Income- tax (Dispute Resolution Panel) Rules, 2009.

The complete text of the above-mentioned circulars and notifications can be downloaded from the website www.incometaxindia.gov.in

(Matter on Direct Taxes has been contributed by the Direct Taxes Committee of the ICAI)



INDIRECT TAXES

A. EXCISE

I. Notification:

1. Notification No. 26/2009 CE (NT) dated 18.11.2009: Central Government has exempted the assessee, from the submission of the Annual Installed Capacity Statement, who manufacture the following goods, namely,-

- (i) biris, manufactured without the aid of machines falling under tariff item 24031031
- (ii) matches manufactured without the aid of power falling under heading 3605
- (iii) reinforced cement concrete pipes falling under heading 6810

II. Circular:

1. Circular No. 907/27/2009-CX dated 07.12.2009 has been issued to clarify that if the value of finished goods is written off in the books of accounts, the manufacturer would be liable to pay excise duty or he would be required to reverse the credit on the inputs used, if duty has been remitted on finished goods.

As regards writing off work in progress (WIP), it has been clarified that if the WIP has reached the stage, when it can be considered as manufactured goods, the same treatment as applicable to finished goods, would apply. However, if the activity carried out on the WIP goods cannot be considered as amounting to manufacture, in that case, the said goods should be considered as input and the treatment for reversal of credit applicable to input would be applicable.

The complete text of the above notifications and circulars on can be referred/downloaded from the website www.cbec.gov.in

B. SERVICE TAX

I. Notifications:

1. Notification No. 43/2009 ST dated 02.12.2009

Central Government has directed that the service tax payable on 'business auxiliary services' provided by the service provider to the service receiver, during the course of manufacture or processing of alcoholic beverages by the service provider, for or on behalf of the service receiver, on which service tax was not being levied in accordance with the practice in this regard for the period 1st September, 2009 to 22nd September, 2009, shall not be required to be paid in respect of such business auxiliary service provided during the aforesaid period.

The complete text of the above Service Tax notifications and circulars can be referred/downloaded from the website www.servicetax.gov.in

(Matter on Indirect Taxes has been contributed by the Indirect Taxes Committee of the ICAI)



FEMA**Money Changing Activities – Suspicious Transaction Reporting Format****RBI/2009-10/227 A. P. (DIR Series) Circular No.15 dated November 19, 2009**

Government of India has amended Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005.

Accordingly, all authorized persons has to furnish Suspicious Transaction Report (STR) to FIU-IND in respect of their money changing activities within 7 days of arriving at a conclusion that a transaction, including attempted transaction.

The formats of STR, both manual and electronic, are made available by FIU-IND on their website <http://fiuindia.gov.in>

Liberalization of terms for Opening and Maintenance of Vostro Accounts**RBI/2009-10/234 A. P. (DIR Series) Circular No.16 dated November 27, 2009**

This Circular is in respect of revision to “Memorandum of Instructions” for Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-resident Exchange Houses. In view of difficulties expressed by AD-I Category banks, the revised instructions are as follows:

Requirement of registration of the Agreement between AD Category-I banks and Exchange Houses under Rupee Drawing Arrangement/ Foreign Currency Drawing Arrangement has been made optional.

The collateral requirement for Exchange Houses which have not completed three years of operation has been reduced from one month's projected drawings to 7 days projected drawings. Further, Exchange Houses which have completed three years of successful operations, no collateral is prescribed.

The Exchange House shall keep with the AD Category-I bank a cash deposit in any convertible foreign currency equivalent to 1 day's estimated drawings on which market related interest rate may be paid. The Exchange House can also keep the said collateral in the form of guarantees from a bank of international repute.

Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under PMLA, 2002**RBI/2009-10/235 A. P. (DIR Series) Circular No.17 & A. P. (FL Series) Circular No.05 dated November 27, 2009**

In terms of Prevention of Money Laundering Act (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009, all Authorized Persons, authorized under Section 10(1) of FEMA, 1999 have been brought under the purview of PMLA, 2002. Therefore, the existing Know Your Customer (KYC) norms/ Anti-Money Launderings (AML) standards/ Combating the Financing of Terrorism (CFT) for money changing activities have been revisited in the context of the Financial Action Task Force (FATF) Recommendations on Anti Money Laundering (AML) standards and on Combating the Financing of Terrorism (CFT).

Detailed instructions on Know Your Customer (KYC) norms/ Anti-Money Launderings (AML) standards/ Combating the Financing of Terrorism (CFT) for money changing activities to be followed by all authorized person is given as an annexure in Circulars.

The same can be seen on RBI website <http://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=5387&Mode=0>

Cross Border Inward Remittance under Money Transfer Service Scheme RBI/2009-10/236 A.P. (DIR Series) Circular No.18 & A. P. (FL Series) Circular No.05 dated November 27, 2009

In terms of Prevention of Money Laundering Act (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009, all Authorised Persons (APs), authorized under Section 10(1) of FEMA, 1999, have been brought under the purview of PMLA, 2002. Therefore, detailed instructions on Know Your Customer (KYC) norms/ Anti-Money Launderings (AML) standards/ Combating the Financing of Terrorism (CFT) in respect of cross border inward remittance activities, in the context of the Financial Action Task Force (FATF) recommendations on Anti Money Laundering (AML) standards and on Combating the Financing of Terrorism (CFT) have been prescribed.

Detailed instructions on Know Your Customer (KYC) norms/ Anti-Money Launderings (AML) standards/ Combating the Financing of Terrorism (CFT) for money changing activities to be followed by all authorized person is given as an annexure in Circulars.

The same can be seen on RBI website <http://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=5388&Mode=0>

External Commercial Borrowings (ECB) Policy RBI/2009-10/252 A.P. (DIR Series) Circular No. 19 dated December 9, 2009

This Circular is in respect of modification of extant ECB policy as under:

(Ref - A.P. (DIR Series) Circular No. 46 dated January 2, 2009, A.P. (DIR Series) Circular No. 64 dated April 28, 2009 and A.P. (DIR Series) Circular No. 71 dated June 30, 2009)

(i) All-in-cost ceilings

This circular withdraws the existing relaxation of dispensing with in the all-in-cost ceilings under the approval route with effect from January 1, 2010. Accordingly, the all-in-cost ceilings under the approval route for the ECBs, where Loan Agreements have been signed on or after January 1, 2010 will be as under:

Average Maturity Period	All -in-cost Ceilings over six month Libor
Three years and up to five years	300 basis points
More than five years	500 basis points

Eligible borrowers proposing to avail of ECB after December 31, 2009 and the Loan Agreement has been signed on or before December 31, 2009 and where the all-in-cost exceed the above ceilings, should furnish a copy of the Loan Agreement for approval.

(ii) Integrated township

Corporates engaged in the development of integrated township are permitted to avail of ECB, under the approval route, until December 31, 2009, the time limit has been extended until December 31, 2010, under the approval route.

(Ref - Press Note 3 (2002 Series) dated January 04, 2002)

(iii) Buyback of the Foreign Currency Convertible Bonds (FCCBs)

Presently, Indian companies have been allowed to buyback their Foreign Currency Convertible Bonds (FCCBs) both under the automatic route and approval route until December 31, 2009, this shall be discontinued with effect from January 1, 2010.

(Ref - A.P. (DIR Series) Circular No. 39 dated December 8, 2008, read with A.P. (DIR Series) Circular No. 58 dated March 13, 2009 and A.P. (DIR Series) Circular No. 65 dated April 28, 2009)

(iv) ECB for the NBFC Sector

As per the current ECB norms, Non-Banking Finance Companies (NBFCs), which are exclusively involved in the financing of the infrastructure sector, are permitted to avail of ECBs only from multilateral/regional financial institutions and Government owned development financial institutions for

on-lending to the borrowers in the infrastructure sector under the approval route. It has been now allowed with immediate effect to NBFCs exclusively involved in financing the infrastructure projects to avail of ECB from the recognised lender category including international banks under the approval route, subject to complying with the prudential standards prescribed by the Reserve Bank and the borrowing entities fully hedging their currency risk.

(v) ECB for Spectrum in the Telecommunication Sector

Payment for obtaining license/ permit for 3G Spectrum is considered an eligible end - use for the purpose of ECB under the automatic route. It has now permitted eligible borrowers in the telecommunication sector to avail of ECB for the purpose of payment for Spectrum allocation.

(Ref - A.P. (DIR Series) Circular No. 26 dated October 22, 2008)

All other aspects of ECB policy such as USD 500 million limit per company per financial year under the automatic route, eligible borrower, recognised lender, end-use, average maturity period, prepayment, refinancing of existing ECB, reporting arrangements and terms and conditions stipulated in the A.P. (DIR Series) Circulars shall remain unchanged.

(Matter on FEMA has been contributed by CA. Manoj Shah and CA. Hinesh Doshi)

CORPORATE LAWS
1. Obligations of NBFCs under PMLA
www.rbi.gov.in



The RBI has issued Circular No. DNBS (PD).CC164/03.10.042/2009-10 dated 13.11.2009 whereby the Prevention of Money Laundering (Amendment) Act, 2009 (No. 21 of 2009) has come into force with effect from June 01, 2009, pursuant to which all NBFCs (including RNBCs) are advised to maintain for at least for ten years from the date of transaction between the NBFC (including RNBC) and the client, all necessary records of transactions referred to in Rule 3 of the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of

Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (PMLA Rules), both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. It is also provided that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills, etc.) obtained while opening the account and during the course of business relationship would continue to be preserved for at least ten years after the business relationship is ended as required under Rule 10 of the PMLA Rules. One may refer to the above website for more details.

2. NBFCs – Know Your Customer and Prevention of Money Laundering Standards
www.rbi.gov.in

The RBI has issued Circular No.DNBS(PD).CC163/03.10.042/2009-10 dated 13.11.2009 whereby the NBFCs' (including RNBCs') existing customer or the beneficial owner of an existing account, subsequently becoming a Politically Exposed Person (PEP), NBFCs (including RNBCs) should obtain senior management approval to continue the business relationship and subject the account to the Customer Due Diligence (CDD) measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. It is also provided that NBFCs (including RNBCs) should appoint a senior management officer to be designated as principal officer and the role and responsibilities of the principal officer should be detailed. With a view to enable the principal officer to discharge his responsibilities, it is advised that the principal officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information. Further, NBFCs (including RNBCs) should ensure that the principal officer is able to act independently and report directly to the senior manage-

ment or to the Board of Directors. One may refer to the above website for further details.

3. SEZ Authority Rules, 2009
96 SEBI & Corporate Laws (SCL) (Statutes)(St.) 34

The Ministry of Commerce & Industry has issued Notification No. 811(E) dated 11.11.2009 issuing the Special Economic Zone (SEZ) Authority Rules, 2009 which details the term of office / vacancy of members, their powers and functions, regulations on meetings of the authority, accounts, returns, etc. One may refer to the above citation for further details.

4. Marketing / Distribution of Mutual Fund/ Insurance etc. Products by Banks/ Urban Coop Banks
www.rbi.gov.in

The RBI has issued Circular No. DBOD.No.FSD.BC. 60/24.01.001/2009-10 dated 03.12.2009 whereby banks have been advised that they can enter into agreements with mutual funds for marketing the mutual fund units subject to certain terms and conditions in terms of paragraph 12 of the master circular on para-banking activities issued by the RBI.

Banks have been also advised that they need not obtain prior approval of the RBI for engaging in insurance agency business or referral arrangement without any risk participation and have also been permitted to offer purely referral services on a non-risk participation basis to their customers, for financial products, and in addition, banks may also provide non-discretionary investment advisory services to their clients for which approvals are granted by RBI on a case-to-case basis. Further, in some cases, banks have also been permitted to offer discretionary Portfolio Management Services (PMS), through their subsidiaries, subject to certain conditions. The Circular also provides that in undertaking these activities, it is likely that banks may be marketing/ referring, several competing products of various mutual fund/ insurance/ financial companies to their customers and hence keeping in view the need for transparency in the interest of the customers to whom the products are being marketed/referred, it is provided that banks should disclose to the customers details of all the commissions/other fees (in any form) received, from the various mutual fund / insurance/other financial companies for marketing/referring their products. One may refer to the above website for more details.

5. Dealings between a Client and a Stock Broker

www.sebi.gov.in

The SEBI has issued Circular No. MIRSD/SE/Cir-19/2009 dated 03.12.2009 whereby with a view to instill greater transparency and discipline in the dealings between the clients and the stock brokers, it has been decided, in consultation with investor associations, secondary market advisory committee of SEBI (SMAC), market participants and major stock exchanges, that the stock brokers shall comply with the requirements as annexed to the circular in relation to client registration procedure, mandatory documentation requirements in relation to KYC norms/ member-client or tripartite agreement where sub-broker is involved/ risk disclosure document, non-mandatory documentation, running account authorisation, authorisation for ele-

ctronic contract notes, etc. One may refer to the above website for more details.

6. Limitation Period for Filing of Arbitration Reference

www.sebi.gov.in

The SEBI has issued Circular No. MRD/DSA/SE/CIR-18/2009 dated 02.12.2009 whereby it has reviewed the existing provisions in the exchange byelaws which specify a limitation period of six months for reference of a complaint/ claim/ difference/ dispute for arbitration and that while computing this limitation period, the time taken in amicable settlement of claims, complaints, differences, disputes through the investors grievances redressal committee mechanism of the exchange under its rules, bye-laws & regulations is excluded. It has now been decided that the limitation period of six months shall be computed from the end of the quarter during which the disputed transaction(s) were executed and along with the current exclusion as mentioned above and subject to sufficient documentary proof, the period of one month from the date of receipt of complaint/ claim/ difference/ dispute by the trading member or the actual time taken by the trading member from the date of receipt of complaint / claim / difference / dispute by the trading member to the date of receipt of the trading member's last communication by the investor, to resolve / counter the complaint / claim / difference/dispute, whichever ends earlier, shall also be excluded. The stock exchange has also been empowered to extend the limitation period by three months subject to certain conditions. One may refer to the above website for more details.

7. Preservation of Records by Stock Exchanges/Members

www.sebi.gov.in

The RBI has issued Circular No. MRD/DoP/SE/Cir-21/2009 dated 09.12.2009 directing that every recognised stock exchange and its members shall maintain and preserve the specified books of account and documents for a period ranging from two years to five years and that every stock broker shall preserve the specified

books of account and other records for a minimum period of five years. In case such documents are maintained in electronic form, provisions of Information Technology Act, 2000 in this regard shall be complied with. It is also clarified that enforcement agencies like CBI, Police, Crime Branch etc. have been collecting copies of the various records/ documents during the course of their investigation and originals of such documents maintained either in physical or in electronic form or in both would be required by such enforcement agencies during trial of the case and hence if a copy is taken by such enforcement agency either from physical or electronic record then the respective original is to be maintained till the trial or investigation proceedings have concluded. One may refer to the above website for more details.

8. Preservation of Records by Depositories and Depository Participants

www.sebi.gov.in

The RBI has issued Circular No. MRD/DoP/DEP/Cir-20/2009 dated 09.12.2009 directing that depositories and depository participants are required to preserve the records and documents for a minimum period of 5 years and in case such documents are maintained in electronic form, provisions of Information Technology Act, 2000 in this regard shall be complied with. It is also clarified that enforcement agencies like CBI, Police, Crime Branch etc. have been collecting copies of the various records / documents during the course of their investigation and originals of such documents maintained either in physical or in electronic form or in both would be required by such enforcement agencies during trial of the case and hence if a copy is taken by such enforcement agency either from physical or electronic record then the respective original is to be maintained till the trial or investigation proceedings have concluded. One may refer to the above website for more details.

(Matter on Corporate Laws has been contributed by CA. Jayesh Thakur)

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Whether a company registered under section 25 of the Companies Act, 1956, should prepare Income and Expenditure Account or Profit and Loss Account.

The following is the opinion given by the Expert Advisory Committee of the Institute in response to a query sent by a member. This is being published for the information of readers.

A. Facts of the Case

1. A company is a non-profit organisation registered under section 25 of the Companies Act, 1956, with the Central Government holding its 100 per cent shares. It is presently working under the Department of Scientific and Industrial Research, Ministry of Science & Technology, with the objective to develop, promote and transfer technologies emanating from various national research and development (R&D) institutions. It has been offering the services in improving the manufacturing base in India with innovative technologies and, as per the querist, is acting as an effective catalyst translating innovative research into marketable industrial products. The querist has stated that the company is being used by the Government of India in spreading technical knowledge and providing financial aids to new entrepreneurs. It is also conducting different educational and promotional programmes on behalf of the Government of India. In doing so, the company has been receiving government grants/aids.

2. The company has been licensing indigenous technologies. It has occasionally sold compact disks containing blue print of technologies. But, as per the querist, the sale has not been substantial and did not result in profits.

3. The company had also been entering into transactions of the nature of 'sale'. It was purchasing 'Unani' products from another company, which is using the licensed technology of the company. The product was further sold in market. The querist has stated that the main motto of such trade is to promote its technology and the product produced from the said technology, but it may result into some profit element. The company has, however, stopped these purchase and sale activities in the current year.

4. Since its incorporation, the company has been preparing Income and Expenditure Account. As per the querist, the auditors have stated that they cannot express their opinion in the statutory audit report on the Income and Expenditure Account. The auditors have stated that as per section 227(2) of the Companies Act, 1956, the auditor of the company has to express his opinion on the Balance Sheet and the Profit and Loss Account and any other document declared by the Companies Act to be part of or annexed to the Balance Sheet and the Profit and Loss Account.

5. The querist has further stated that as per clause 117 of the Articles of Association of the company, "at every annual general meeting of the Company held in pursuance of article 58, the Board of Directors of the Company shall lay before the Company a Balance Sheet and Income and Expenditure Account and Profit and Loss Account", and

clause 119 of the Articles of Association prescribes the contents of the Income and Expenditure Account and Profit and Loss Account. Thus, according to the querist, as per the Articles of Association, the company is also required to prepare Income and Expenditure Account.

B. Query

6. The querist has sought the opinion of the Expert Advisory Committee on the following issues:

- Which financial statement should now be prepared by the company – whether the company should prepare 'Profit and Loss Account' or whether it should continue to prepare 'Income and Expenditure Account'.
- Whether there is any violation of or deviation from the Companies Act, 1956 or any Accounting Standard.

C. Points considered by the Committee

7. The Committee, while answering the query, has considered only the issues raised in paragraph 6 above and has not examined any other issue that may arise from the Facts of the Case. From paragraph 5 above, it appears to the Committee that as per its Articles of Association, the company is required to prepare both Income and Expenditure Account and Profit and Loss Account. However, the company is preparing only Income and Expenditure Account.

8. The Committee notes from the Facts of the Case that the company is registered under section 25 of the Companies Act, 1956. The Committee also notes clause 113 of the Articles of Association of the company (separately provided by the querist for the perusal of the Committee) which states as below:

"113. No dividends in any form or shape shall be paid to members so long as the licence granted by the Government of India under section 25 of the Act remains in force and is not rescinded or withdrawn."

From the above, the Committee is of the view that the objective of the company is not to earn profits for distribution among its members. The profits earned, if any, will be used for the furtherance of the objectives of the company. The Committee is also of the view that even a not-for-profit organisation may earn profits for its sustenance. Accordingly, even if the company in the present case earns profits, in the view of the Committee, the company is not carrying on business 'for profit'.

9. The Committee notes section 210(2) of the Companies Act, 1956, which states as

below:

"(2) In the case of a company not carrying on business for profit, an income and expenditure account shall be laid before the company at its annual general meeting instead of a profit and loss account, and all references to "profit and loss account", "profit" and "loss" in this section and elsewhere in this Act, shall be construed, in relation to such a company, as references respectively to the "income and expenditure account", "the excess of income over expenditure", and "the excess of expenditure over income"."

From the above, the Committee is of the view that reference to 'Profit and Loss Account' in section 227(2) of the Companies Act, 1956, shall be construed, in the case of the present company, as reference to 'Income and Expenditure Account'. Accordingly, the company should prepare only the Income and Expenditure Account instead of the Profit and Loss Account even though the Articles of Association of the company require preparation of the both.

D. Opinion

10. On the basis of the above, the Committee is of the following opinion on the issues raised by the querist in paragraph 6 above:

- The company should prepare Income and Expenditure Account in place of Profit and Loss Account.
- Preparation of Income and Expenditure Account in place of Profit and Loss Account by the company, will not tantamount to violation of or deviation from the Companies Act, 1956, or any Accounting Standard.

1. The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute.

2. The Opinion is based on the facts supplied and in the specific circumstances of the querist.

3. The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in twenty six volumes. A CD of Compendium of Opinions containing twenty five volumes has also been released by the Committee. These are available for sale at the Institute's office at New Delhi and its regional council offices at Mumbai, Chennai, Kolkata and Kanpur.

4. Recent opinions of the Committee are available on the website of the Institute at URL:

http://www.icaai.org/category.html?c_id=146

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Women Steering Group— ICAI's Futuristic Initiative for Women Empowerment

Women today are making a mark for themselves in all fields and the profession of accountancy is not far behind. There are 25264 women Chartered Accountants in India, who form 15.62 per cent of the total membership of the Institute of Chartered Accountants of India. In terms of student enrolment, female applicants are 32.34 per cent of the total. This rise in female enrolments will lead to a quick narrowing of the gap between male and female membership. It was with this background that the Council of ICAI in its collective wisdom has taken the initiative in constituting a Women Steering Group (WSG) for the first time ever on International Women's Day on 8th March 2009 basically for development and empowerment of Women Chartered Accountants and encourage the Women CA students. This article focuses on the concept.



CA. Priya Bhansali

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Convenor of Women Steering Group of ICAI.
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Initiatives for Women's Empowerment are being taken at various levels, be it the Government, Corporates, Institutions and the like in India and around the world. Women today are making a mark for themselves in all fields and the profession of accountancy is not far behind.

The National Policy for the Empowerment of Women of 2001 talks about the principle of gender equality which is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favour of women.

The goal of this policy is to bring about the advancement, development and empowerment of women. The Policy is being widely disseminated so as to encourage active participation of all stakeholders for achieving its goals. Specifically, the objectives of this Policy include:

- (i) Creating an environment through positive economic and social policies for full development of women to enable them to realise their full potential.
- (ii) The *de-jure* and *de-facto* enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres – political, economic, social, cultural and civil.
- (iii) Equal access to participation and decision making of women in social, political and economic life of the nation.
- (iv) Equal access to women to health care, quality education at all levels, career and vocational guidance, employment, equal remuneration, occupational health and safety, social security and public office, etc.
- (v) Strengthening legal systems aimed at elimination of all forms of discrimination against women.
- (vi) Changing societal attitudes and community practices by active participation and involvement of both men and women.
- (vii) Mainstreaming a gender perspective in the development process.
- (viii) Elimination of discrimination and all forms of violence against women and the girl child; and
- (ix) Building and strengthening partnerships with civil society, particularly women's organisations.

As on 23rd December 2009, we have 25264 women CAs, forming 15.62% of the total membership (161730) of the Institute. In terms of student enrolment, female applicants are 32.34% of the total 617565. Course-wise, 115699 female students are doing CPT, 37085 are doing PCC, 25881 are enrolled for IPCC and 21022 are doing CA final. This rise in female enrolments will lead to a quick narrowing of the gap between male and female membership. It was with this background that the Council of ICAI in its collective wisdom has taken the initiative in constituting a Women Steering Group (WSG) for the first time ever on International Women Day on 8th March 2009 with 19 able women who would like to contribute to the development and empowerment of Women

Chartered Accountants and encourage the Women CA Students. The terms of the Group as spelt out hereunder, are in line with the National Policy:

1. To educate women CAs on having successful integration of personal and professional lives in order to perform better towards the enhancement of profession and also moving on the path of leadership position in society.
2. To establish strategies, priorities, policies and programmes and their implementation for the welfare, development and empowerment of women, both within the women-specific and women-related Sectors and suggest rationalisation/minimisation of the on-going programmes and effective inter-sectoral convergence in specific context of CAs to lead to the *de-jure* and *de-facto* enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres – political, economic, social, cultural and civil.
3. To work towards removal of any gender bias by profiling lady CA as an equally versatile and competent professional to the corporate world and other stake holders.
4. To provide a roadmap for navigating different corporate culture(s) and career development of women CAs within diversified work areas.
5. To explore new professional avenues for utilising competencies of female CAs who, by any reason are not able to work full time, for enabling their positive contribution to the profession and society.

I am privileged and proud to be the first Convenor of the Women's Steering Group. Not that I believe that women CAs are discriminated against or that women CAs are less capable; it's that there is a great and urgent need to capitalise on the hidden potential amongst women CAs and empower those who are on the periphery of professional work.

UN defines women empowerment as under, stating that it has five components:

- a) Women's sense of self-worth;
- b) Their right to have and to determine choices;
- c) Their right to have access to opportunities and resources;
- d) Their right to have the power to control their own lives, both within and outside the home; and
- e) Their ability to influence the direction of social

change to create a more just social and economic order, nationally and internationally.

While the above are applicable to women in general, to my mind what is critical to women professionals is their sense of self-worth, their right to have and determine choices and their ability to influence the direction of social change and create a more just social and economic order. A professional education by itself gives women a more than level playing field. She just needs a leg up; a wedge in the door to swing it wide open and voila! you have a large number of women making the transition from participants to active contributors. We have seen this happen in small numbers over the past few months; as organisers of conferences, paper presenters, contributors of articles, enthusiastic volunteers for professional events. I believe that this is just the beginning of a tide that will take along with it a large number of women CAs and students to play an active and important role in the Institute and society.

The WSG has embarked upon certain initiatives keeping the following objectives in mind:

- **Awareness:** To create an awareness of the profession and provide support to aspiring and qualified Women Chartered Accountants.
- **Enabling Environment:** To achieve the outputs related to raising community demand for quality professional services through women empowerment.
- **Capacity Building and Mobilisation:** To mobilise women's groups and build their capacity to act as a change agent in the community by creating and maintaining a database with profiles of women CAs.
- **Sustainability:** To ensure sustainability of the process of woman empowerment.
- **Woman Development [Knowledge, Aptitude and Skill – Role Strengthening]:** To enhance level of understanding and maturity of woman in respect of their role in social system and to recognise the achievements of Women Chartered Accountants.
- **Facilitate:** To facilitate the advancement of Women CAs involvement in broad aspects of business at all levels and to facilitate the appointment of suitable Women CAs to key positions as strategic decision makers.
- **Support:** To align with and support organisations with similar objectives in advancing aspiring women Chartered Accountants and to

conduct support programmes for qualified Women CAs through mentoring, information sharing and workshops.

The other countries that have taken the initiative for the Women CA's are New Zealand, Scotland, Nigeria, Australia and UK among others.

Starting with the broad framework of the WSG objectives in mind, the WSG charted out a five point agenda for enabling the vision of the Council. I am pleased to state that in about nine months that the WSG has been in existence, the following have been achieved:

- a) Three regional conferences on the theme 'Women- Taking the Lead' have been conducted with great success at New Delhi, Indore and Chennai.
- b) The 4th regional conference is slated for Kolkata on 9th January 2009 and the year will close with a Mega All India Conference for Women CAs on 30th January 2009 at Mumbai.
- c) WSG Sub-groups have been formed across 20 branches across the country with the aim of propagating the objectives of the WSG at the branch level.
- d) The process of identification of hostels for women CAs and students to alleviate their need for quality and safe accommodation has commenced in co-operation with local branches
- e) A questionnaire specifically targeted at women CAs, seeking details of their current professional status and aspirations is being uploaded on the ICAI website. This will enable women CAs to indicate their professional experience, ability to work full-time or part-time and preferred areas of work. We at the WSG believe that this questionnaire will aid in creating a strong data base for prospective employers/professionals to draw upon a hidden and as yet untouched resource base.

The proposal of an entire issue of this journal dedicated to the theme Women Empowerment has met with a stupendous response. The idea was to publish an entire issue with inputs only from Women CAs. The result is in your hands. The articles on varied subject, of professional interest written by women should satiate your intellectual appetite. The issue only proves the diversity of talent available with women CAs and the enormous possibilities of positive empowerment such talent can unleash.

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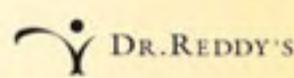
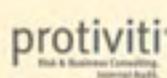
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Women Empowerment- Envision a Future



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Even today men and women are not equal. As such, those who are unequal, in fact, cannot be treated by identical standards. Existence of equality of opportunity depends not merely on the absence of disabilities but on the presence of abilities.



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Women Empowerment

Women Empowerment refers to increasing the spiritual, political, social or economic strength of women. It often involves empowering and developing the women's confidence in their capabilities.

Specifically, the objectives of women empowerment are:

- (I) Creating an environment through positive economic and social policies for full development of women to enable them to realise their full potential.
- (ii) The *de-jure* and *de-facto* enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres – political, economic, social, cultural and civil.

- (iii) Equality in participation and decision making in social, political and economic life of the nation.
- (iv) Equality in access to health care, quality education, career and vocational guidance, employment, remuneration, social security and public office, etc.
- (v) Strengthening legal systems aimed at elimination of all forms of discrimination against women.
- (vi) To bring change in societal attitude and community practices by involving both men and women.
- (vii) Mainstreaming a gender perspective in the development process.
- (viii) Elimination of discrimination and all forms of violence against women and the girl child; and
- (ix) Building and strengthening partnerships with civil society, particularly women's organisations.

Indian Women of Past

When we reminisce the visions of the Indian women of past, specially the women who fought against the foreign rule for freedom, there do exist some points of success. Step by step, under the Gandhian freedom struggle, women participating in it did succeed in obtaining adult franchise. They also participated in the Home Rule Movement, the Salt Satyagraha and the Quit India Movement shoulder to shoulder with men. Many a woman courted arrests and suffered torture in the British prisons, where their *mangal sutras* were forcibly pulled out by the prison authorities. They were ill-treated and badly fed. Many of them were subjected to hard labour. This was the beginning of a conscious woman's movement with the beginning of Women's India Association in Madras. Indian National Congress, in the Calcutta session in 1917, passed resolutions recommending removal of sex disqualification in voting.

Another stream of women joined the INA of Subhash Chandra Bose, the prominent name amongst them is of Dr. Capt. Lakshmi Saigal. On the social front, the women leaders of South India fought against child marriages, for widows' education and for the abolition of the Devadasi system. Some women took up the cause of the suppression of immoral traffic of women and children. A landmark event in Indian history was when Sarojini Naidu led a 14-women member delegation to England and thundered before the British Government against the Montagu-Chelmsford report and demanded that women should be recognised as people when the British were to draw the franchise rules and conditions.

Women of Yesterday & Today

However, the struggle of the empowerment of women, in the past was limited to just better education for girls, better health facilities and protection for all. In the public life they demanded the right to vote as well as a right to participate in elections. The women of the past looked more towards the social reforms than towards seeking justice from the courts. Ills like child marriage, taboos on women, gender discrimination were considered only social ill that could be tackled through social upsurge and reform. Citadels of power, including judiciary, were not in their realm of thought as a mechanism to achieve their ends. This stands in contrast to the post-independence era. During this period, women's struggle got focused more on the legal rights, codifying of the personal laws, seeking access to justice through the criminal justice system of the Republic of India.

Early Legislations: During the British colonial rule certain laws were enacted in an attempt to ameliorate the conditions of women in our country. To name a few, the Hindu Widows Remarriage Act, 1856 and the Child Marriage Restraint Act, 1929. These Acts were made to put an end to the inhuman living conditions to which a



In 1990s, grants from foreign donor agencies enabled the formation of new women-oriented NGOs. Self-help groups and NGOs such as Self Employed Women's Association (SEWA) have played a major role in women's rights movement in India. Many women have emerged as leaders of local movements for example, Medha Patkar of the Narmada Bachao Andolan. The National Commission for Women was set up by an Act of Parliament in 1990 to safeguard the rights and legal entitlements of women. India has also ratified various international conventions and human rights instruments committing to secure equal rights of women.

Hindu widow was condemned and to put an end to the cruel practice of getting innocent and immature girls married during their infancy or early childhood.

Post Independence Legislations: The Constitution of India guarantees to all Indian women equality (Article 14), no discrimination by the State (Article 15(1)), equality of opportunity (Article 16), and equal pay for equal work (Article 39(d)). In addition, it allows special provisions to be made by the State in favour of women and children (Article 15(3)), renounces practices derogatory to the dignity of women (Article 51(A)(e)), and also allows for provisions to be made by the State for securing just and humane conditions of work and for maternity relief (Article 42). The 73rd and 74th Amendments to the Indian Constitution provide for reservation of seats for women in elections to panchayats and municipalities. Under Clause (3) of Article 243-D, not less than one-third of the total number of seats to be filled by direct election in every Panchayat shall be reserved for women. Similar reservation in municipalities is prescribed by Clause (3) of Article 243-T of the Constitution.

The Feminist Activism

The feminist activism in India picked up momentum during late 1970s. One of the first national level issues that brought the women's groups together was the Mathura rape case. The acquittal of policemen accused of raping a young girl of Mathura in a police station, led to a wide-scale protests in 1979–1980. The protests were widely covered in the national media, and forced the government to amend the Evidence Act, the Criminal Procedure Code and the Indian Penal Code and introduce the category of custodial rape. Female activists united over issues such as female infanticide, gender bias, women health, and female literacy.

Since alcoholism is often associated with violence against women in India, many women groups launched anti-liquor campaigns in Andhra Pradesh, Himachal Pradesh, Haryana, Orissa, Madhya Pradesh and other states. Many Indian Muslim women have questioned the fundamentalist leaders' interpretation of women's rights under the Shariat law and have criticised the triple talaq system.

In 1990s, grants from foreign donor agencies enabled the formation of new women-oriented



Employment of women in non-agriculture sectors though has increased from 12.7 to 18.1 per cent but much has to be done to increase their share not only at national level but also at international level. The percentage of women participation in Parliament is also very low. In India political participation of women has grown from 5 to 9 per cent in a period of 18 years (1990-2008) but is very less, if compared internationally with 18.5 per cent.

NGOs. Self-help groups and NGOs such as Self Employed Women's Association (SEWA) have played a major role in women's rights movement in India. Many women have emerged as leaders of local movements for example, Medha Patkar of the Narmada Bachao Andolan. The National Commission for Women was set up by an Act of Parliament in 1990 to safeguard the rights and legal entitlements of women. India has also ratified various international conventions and human rights instruments committing to secure equal rights of women. Key among them is the ratification of the Convention on Elimination of All Forms of Discrimination Against Women (CEDAW) in 1993. The women's movement and a wide-spread network of Non-Government Organisations which have strong grass-roots presence and deep insight into women's concerns have contributed in inspiring initiatives for the empowerment of women. The Government of India declared 2001 as the Year of Women's Empowerment (Swashakti). The National Policy for the Empowerment of Women came was passed in 2001.

Gender Disparity

Gender disparity manifests itself in various forms, the most obvious being the trend of continuously declining female ratio in the population in the last few decades. Social stereotyping and violence at the domestic and societal levels are some of the other manifestations. Discrimination against girl children, adolescent girls and women persists in parts of the country.

The underlying causes of gender inequality are related to social and economic structure, which is based on informal and formal norms and practices. However, there still exists a wide gap between the goals enunciated in the Constitution, legislation, policies, plans, programmes, and related mechanisms on the one hand and the situational reality of the status of women in India, on the other. This has been analysed extensively in the Report of the Committee on the Status of Women in India, "Towards Equality", 1974 and highlighted in the National Perspective Plan for Women, 1988-2000, the Shramshakti Report, 1988 and the "Platform for Action, Five Years After- An assessment"

International Level

Despite much progress in recent decades, gender inequalities remain pervasive in many dimensions of life worldwide. But while disparities exist throughout the world, they are most prevalent in poor developing countries. Gender inequalities in the allocation of such resources as education, health care, nutrition, and political voice matter because of the strong association with well-being, productivity, and economic growth. This pattern of inequality begins at an early age, with boys routinely receiving a larger share of education and health spending than do girls, for example. Because of biological differences, girls are expected to experience lower

infant and child mortality rates and to have a longer life expectancy than boys. This biological advantage, however, may be overshadowed by gender inequalities in nutrition and medical interventions and by inadequate care during pregnancy and delivery, so that female rates of illness and death sometimes exceed male rates, particularly during early childhood and the reproductive years. In high-income countries women tend to outlive men by four to eight years on an average, while in low-income countries the difference is narrower— about two to three years.

As per World Bank data there is inequality of women to men at different levels like primary education, secondary education, political and employment. Globally, more girls than ever before are in school, but in India the numbers are still low. The differences between boys' and girls' schooling are greatest in regions with the lowest primary school completion rates and the lowest average incomes. Employment of women in non-agriculture sectors though has increased from 12.7 to 18.1 per cent but much has to be done to increase their share not only at national level but also at international level. The percentage of Women Participation in Parliament is also very low. In India political participation of women has grown from 5-9 per cent in a period of 18 years (1990-2008) but is very less, if compared internationally with 18.5 per cent.

India: Promote Gender Equality and Empower Women

	1990	1995	2000	2005	2008
Ratio of female to male primary enrollment	74.4	81.7	84.6	96.3	95.7
Ratio of female to male secondary enrollment	59.7	..	71.3	82.3	83.3
Ratio of female to male enrollments in tertiary education	54.0	..	66.1	70.9	72.4
Ratio of girls to boys in primary and secondary education (%)	70.3	..	79.2	90.5	90.6
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	12.7	14.4	16.6	18.1	..
Proportion of seats held by women in national parliaments (%)	5.0	7.0	9.0	8.3	9.1

Source: World Development Indicators database

India: Promote Gender Equality and Empower Women					
	1990	1995	2000	2005	2008
Ratio of female to male primary enrollment	91.2	..	92.4	95.0	95.5
Ratio of female to male secondary enrollment	78.5	..	92.6	94.8	95.1
Ratio of female to male enrollments in tertiary education	95.2	105.2	108.3
Ratio of girls to boys in primary and secondary education (%)	86.4	..	92.5	94.9	95.3
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	34.6	37.0	36.3
Proportion of seats held by women in national parliaments (%)	12.5	12.1	13.6	16.3	18.5

Source: World Development Indicators database

Need for Women Empowerment

There is an urgent necessity to improve the status of women by well-conceived, planned development programmes which would have active community participation based on the women's needs in order to emancipate and empower them. The physical strength and alleged dominance of men has been an important instrument of controlling women's freedom of action. It is necessary to take into account defacto inequalities which exist in society, while taking affirmative action by way of giving preference and reservation in order to bring about real equality.

Such affirmative action is likely to produce equality on a broader basis by eliminating defacto inequalities and placing the women of society on a footing of equality with the strong and more powerful so that each member of the community, whatever his or her birth, occupation or social position may enjoy opportunity of using, to the full, his or her natural endowments, character or intelligence.

Social Empowerment of Women:

One of the recommendations of the National Policy on Education (1986) is to promote "Empowerment" of women through the agency of education and it is considered as a landmark in the approach to women's education. The National Literacy Mission is another step towards eradication of illiteracy in the age group of 15-35 years by the year 1988. The universalisation of elementary education, enrolment and retention of girls in the schools, promotion of balwadis and crèches, increasing the number of girls' hostels, women's polytechnics and multi-purpose institutions and non-formal and adult education, open and distance education programmes were some of the other steps taken to boost women's education.

Economic Empowerment of Women:

Economic independence or access to an inherited or self-generated income is considered to be the major means of empowerment of women. The Equal Remuneration Act, 1976 (India) was a



Economic independence or access to an inherited or self-generated income is considered to be the major means of empowerment of women. The Equal Remuneration Act, 1976 (India) was a major step towards protective legislation and establishing the principles of equality, as it provides for equal remuneration to men and women workers and prevention of discrimination against women in the matter of employment.

major step towards protective legislation and establishing the principles of equality, as it provides for equal remuneration to men and women workers and prevention of discrimination against women in the matter of employment. According to the New Policy Initiative known as "Vision 2000: Policy for the Advancement of Women in Tamil Nadu," each and every project and programme in Tamil Nadu was decided to be designed in a manner that will re-define the roles of women and men, such that it will enable them to work as equal partners. The Tamil Nadu Corporation for Development of Women was established to act as a nodal point for bringing women into the mainstream in all programmes and projects. This policy has been disseminated through all avenues to all organisations, governmental and non-governmental, which work for the cause of women. Self-Help-Group's main activity is the establishment of savings and credit. Savings encourages people to plan for future needs. The group members have open discussions and think about various options. Such discussions help in strengthening the analytical and problem solving skills of the members. Enterprising attributes are initiative, creativity, flexibility, leadership, independence, problem solving, persuasive, calculated risk taking, need for achievement, hard work and learning from mistakes.

Political Empowerment of Women:

Mahatma Gandhiji insisted upon women's equal participation and delegation of power to the institutions of local Self-Governance and the Village Panchayat. The Panchayat Raj Act provides for people's active participation in the local administration by granting them power to question and by requesting their participation in planning for development of their villages. The Self-Help Group women are mentally ready now

and have moral courage to contest the local and legislative election. There is every possibility that the growth of Self-Help Groups in the future will provide large number of women leaders in India. The Government of India, the State Governments and many international agencies like the International Labour Organisation (ILO) and UNICEF have been involved in developing programmes to deal with child labour. Using the Self-Help Groups to empower the mother and the child for the eradication of child labour is being given serious thought. The processes have been going on for the last few years and as of now 384 Self Help Groups have been formed for eradication of child labour.

Women Empowerment – Reality at a Glance

Notwithstanding the remarkable changes in the position of women in free India, there is still a great divergence between the constitutional position and stark reality of deprivation and degradation. Whatever whiff of emancipation has blown in Indian society, has been inhaled and enjoyed by the urban women, their population belonging to the rural areas are still totally untouched by the winds of change. They still have been living in miserable conditions, steeped in poverty, ignorance, superstition and slavery. There still exists a wide gulf between the goals enunciated in the Constitution, legislations, policies, plans, programmes and related mechanisms on the one hand and the situational reality on the status of women in India, on the other. The human rights scenario in the country continues to be dismal and depressing. Women are being brutalised, commodified, materialised and subjected to inhuman exploitation and discrimination.

Although, gender discrimination has been banned by the Constitution and women have been



Even after half a century of independence, barring a few exceptions, women have mostly remained outside the domain of power and political authority. Although they constitute about half of the citizen and over the years their participation by way of voting has increased, yet their participation and representation in law making and law implementing bodies are not very satisfactory. No doubt the 73rd and 74th constitutional amendment acts have provided access to women in the decision making process at the grass-root level but their representation in the Parliament and state legislatures is woefully poor.



Today, against the above backdrop of the non-violent spirit of the past women's movement, they have given importance to a militant and uncompromising fight for women's rights. Today, women are more aware of their legal rights. Judiciary, now and then, also involve the activists and committed NGOs to monitor any violation of law such as in the case of child labour, bonded labour, assault on women as well as to assist the courts and prepare broad guidelines. This is indeed a positive step.

guaranteed political equality with men, yet there is a difference between the constitutional rights and the rights enjoyed in reality by women. Even after half a century of independence, barring a few exceptions, women have mostly remained outside the domain of power and political authority. Although they constitute about half of the citizen and over the years their participation by way of voting has increased, yet their participation and representation in law making and law implementing bodies are not very satisfactory. No doubt the 73rd and 74th constitutional amendment acts have provided access to women in the decision making process at the grass-root level but their representation in the Parliament and state legislatures is woefully poor. Insecurity does not allow the women leaders to identify leadership at the grass-root level. In politics when a man proposes, they themselves depose. In reality women representatives are ornamental in nature and political consciousness is found lacking among them. They are affected by the caste and class divisions, feudal attitudes, patriarchal nature of the family and village-social, environmental, ethnic, religious separatism and the like. They are members on record only. Allegedly, they are not consulted while taking decision. Thus, women representatives are not free from male dominance in the village administration and no significant change in the power equal is observed in the villages. In these days of scam-ridden politics, the increasing role of money and mafia in elections keeps most of the women away from politics. Increasing violence and vulgarity against them put women on back foot and consequently they prefer to stay out of politics.

In the past, the courts heavily relied on past precedents and earlier judgments of the Privy Council, etc. As a contrast, post independence period finds the feminists looking forward for new judgments and better interpretation of the laws. The empowered women of today, however, would

like the courts to be more pro-women. They would also like the legislators to include even the provisions of the UN conventions into many of the municipal laws.

Today, against the above backdrop of the non-violent spirit of the past women's movement, they have given importance to a militant and uncompromising fight for women's rights. Today, women are more aware of their legal rights. Judiciary, now and then, also involve the activists and committed NGOs to monitor any violation of law such as in the case of child labour, bonded labour, assault on women as well as to assist the courts and prepare broad guidelines. This is indeed a positive step. This interactive exercise involving the civil society in the justice delivery process is a novel experiment with the establishment of the legal services authority. Women can now seek legal aid; some Mahila Courts are also there to attend to the cases involving criminal offences on women. Whereas earlier the women's movement was only seeking protection to the women, focusing on biological difference from the males; women of today are now demanding the human rights of women.

Anomalies

Some anomalies, however, still exist. In spite of the law to the contrary,

§ As per current economic survey (2007-08) the bias against the girl child is reflected in the fall in child sex ratio (0-6 yrs) which has declined drastically from 945 in 1991 to 927 per 1,000 males in 2001. Female Foeticide is found more in the urban educated prosperous classes and in the States of Punjab, Haryana and Gujarat with low sex ratios. Efforts are, therefore, being made to ensure the survival of the girl child and her right to be born, and nurture her so that she grows up to be an informed, secure and productive participating member of the community and society. A multi-dimensional strategy has been adopted with legislative, preventive,

advocacy and programmatic inputs.

- § The system of Devadasis still exists in the States of Karnataka and Andhra Pradesh as before such as at the Ellamma temple.
- § The practice of women committing sati at the funeral pyre of the deceased husband, though abolished, has been recently repeated in the Panna district, village Tamoli in Madhya Pradesh (See NCW report of 2002 AD). The pity lies in the fact that a law prohibiting Sati, and even glorification of sati as a declared crime punishable severely, exists; but no one gets punished.
- § Likewise the Child Marriage Restraint Act has been there since the 19th Century but still child marriages are solemnised in the open in the several BIMARU States.
- § It was in 1961 that the Dowry Prohibition Act was passed but it has not deterred this unholy practice of demanding dowry. Even burning of brides takes place for not fulfilling dowry demands.
- § Yet another example is that of Equal Remuneration Act. It remains in the statute books. Also the Child labour Prohibition (Regulation) Act has not yet contained the child labour and bonded labour practice.
- § Other virulent form of violation of human rights too persists even now. Child abuse, sexual exploitation, kidnapping and sale of girls, trafficking are crimes. The IPC sets out punishment for attempting and committing the aforesaid crimes. But the numbers of children sold to brothels and forced into prostitution are countless. Thus the task to stop once for all such malpractices remains inter-alia, an unfinished part of empowerment agenda. And in this endeavour women do look up to prompt judicial intervention.

Conclusion

The women's movement and a widespread network of Non-Government Organisations (NGOs) having strong grass-root presence and deep insight into women's concerns have contributed in inspiring initiatives for the empowerment of women. Women today are trying to understand their position in the society. Women have become increasingly aware of sexual inequalities in every sphere of life and are seeking ways to fight them.

The Indian women are breaking their age-old shackles of serfdom and male domination. She has come to her own and started scaling the ladders of

social advancement with pride and dignity. Women of India are now uplifted and emancipated and granted equal status with men in all walks of life— political, social, domestic and educational. They have a franchise, they are free to join any service or follow any profession. Free India has had, besides her woman president, woman prime minister, women pilots, women ambassadors, women cabinet ministers, women legislators, women governors, women scientists, women engineers, women doctors, space researchers, IT specialists, women Generals, women public officers, judiciary officers, etc. No distinction is now made in matters of education between boys and girls.

Their voice is now as forceful and important as that of men. They are becoming equal partners in making or breaking of a government. Besides, different women related commissions, agencies, NGOs, social workers of excellence and several trusts working in the field of women's development, irrespective of caste, religion or political ideology can help each other to create a common platform, which could spell out shared values for a minimum national agenda as a new feminist movement. The National Commission for Women can play a nodal role. We have to take benefit of the judicial innovations, in terms of family courts, lok adalats, etc. Above all, there is a need to pay serious attention to make the Panchayati Raj system an effective instrument to help the women of India in far flung nook and corners. They could be provided a technical legal arm. A synergy emerging out of a co-ordinating effort between the three main organs of the Indian State (the Legislature, the Executive and the Judiciary) and their continuous interaction with each other alone, will ensure the due empowerment of women and their development as an equal citizen and recipient of welfare and protection.



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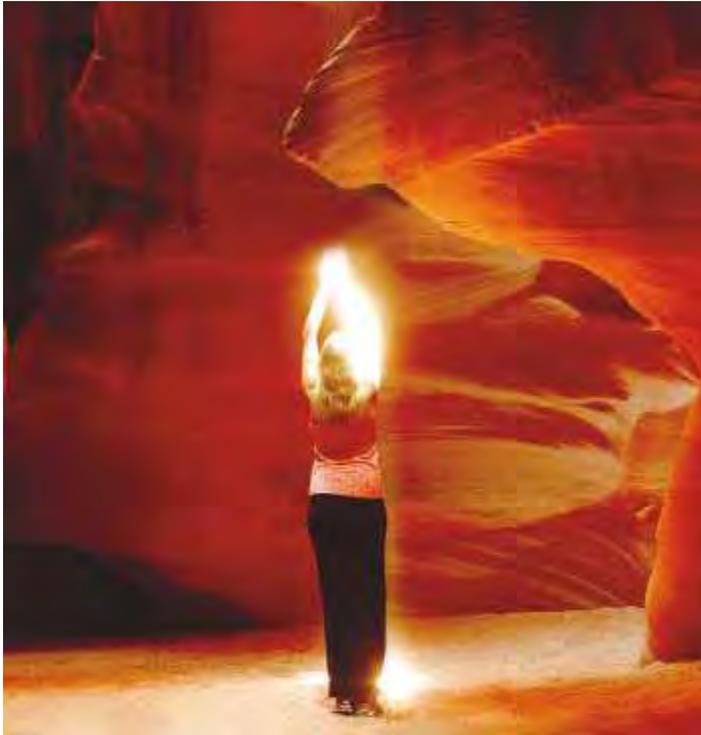


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Empowerment of Women: India's Imperatives

A woman is the full circle. Within her is the power to create, nurture and transform.- Anon



A traditional Indian home is managed by the mother since ages. Of late there seems change in certain parts and women are treated with reproach. Social reformers have tried to re-contextualize the role of women in our society and Independent India considers it imperative to offer women equal status with adequate legal provisions, awareness through proper education including various programmes for economic and social empowerment. The desired objective would certainly be achieved with a change in attitude.



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Indian Women

The recent decades witnessed Indian women creating history of sorts: scaling Himalayan peaks, manning space shuttle, storming corporate boardroom which used to be man's bastions and occupying the seat of President in the largest democracy of the world. The exalted position of women in our society is not new; the tradition finds imprint in our civilization. *Laxmi, Saraswati, Parvati* are worshipped as mother goddess. Their concern for humanity is beyond human perspicacity. The incarnations of *shakti* to establish peace and prosperity are only glimpses. Mythological *Sita* and *Savitri* are embodiment of duty, devotion and sacrifice that inspire the mankind. The contribution of *Rani Laxmibai* and *Sarojini Naidu* in the struggle for independence and



'Behind every successful man there is a woman and behind every successful woman lies hard work' characterises the role of woman in human life. Given the opportunity, they excel in every field. India already has, after China, the largest women workforce. About 30-35 per cent of the estimated 480 million jobs are being performed by women, mostly in agriculture, construction and as domestic help. There is scope for shifting them with higher education, training and skill development to benefit them economically as well as socially.

the role of Mother Teresa and Indira Gandhi offer no parallel. All great thinkers viewed womanhood as an arena of moral consciousness of the Indian society.

Changed Perspective

For aeons Indian society revered women, but the situation seems to have changed down the line, though not too distant and the present day pervasive social evils like female foeticide, dowry and gender bias at work place that continue to plague are puzzling. The noted amongst the social reformers who endeavoured to re-contextualise position of women in response to the new social order emerging on the scene spanned from Rammohan Roy to Mahatma Gandhi. The former made the cause of women central to his concept of social reform during early 19th century. Mahatma Gandhi visualised the role of women as vital to the movement for winning political freedom in India. The social systems have since reformed albeit slowly with education. But domestic violence, victimisation and unequal sharing of household chores are common manifestation of inequalities yet present in our society. Worst of all is the unequal treatment meted to girl child in a family where the tender mind should get scope to develop and it is a serious social anomaly.

Discrimination Against Women

Gender disparity manifests itself in various forms, the most obvious being the trend of continuously declining female ratio in the population in the last few decades. Social stereotyping and violence at the domestic and societal levels are some of the other forms. Discrimination against girl child, adolescent girls and women persists in many parts of the country. It is becoming increasingly obvious a problem not only in India but

many parts of the world.

International Scene

Discrimination against women is overt and official in many Arab countries where women often receive inferior treatment: must remain veiled, cannot operate an automobile and compete for job. Quoting selective Bible verses, the Southern Baptist convention mandates that wives must be submissive to their husband, women cannot serve in military and that it is improper for them to instruct men. The laws of *Manu* in India too influenced Indian psyche with similar social guidelines.

And to eradicate such a social malady, an international Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) was adopted by the United Nations General Assembly, described as an international bill of rights for women. It came into force on September 3, 1981. Several countries have ratified the Convention, including India (1993) in acceptance of the human rights instruments committing to secure equal rights of women.

In order to establish more rights and legal protection for women, Feminism movement began based on the ideological frame that women are psychologically, morally, spiritually, intellectually and biologically superior to men. Feminism involves political and sociological theories and philosophies concerned with issues of gender difference, as well as a movement that advocates more gender-specific rights for women and campaigns for women's rights/interests. To Maggie Humm and Rebecca Walker, the history of feminism can be divided into three waves: the first feminist wave in the nineteenth and early twentieth centuries, the second in the 1960s and 1970s, and the third extending from the 1990s to the

present. Feminist theory emerged from these feminist movements. It is manifest in a variety of disciplines such as feminist geography, feminist history and feminist literary criticism.

From the 1960 onwards the women's liberation movement campaigned for women's rights that include the right to bodily integrity, to autonomy; to vote (universal suffrage), to hold public office, to work, to fair wages or equal pay, to own property, to education, to serve in the military, to enter into legal contracts, and to have marital, parental and religious rights. And now the world celebrates 'Women's Day' on March 8.

Globalisation has presented new challenges for the realisation of the goal of women's equality, the gender impact of which has not been systematically evaluated fully. The finding of the micro-level studies commissioned by the Department of Women & Child Development, suggest a need for re-framing policies for access to employment and quality of employment. Benefits of the growing global economy have been unevenly distributed leading to wider economic disparities, the feminisation of poverty, increased gender inequality through often deteriorating working conditions and unsafe working environment especially in the informal economy and rural areas. The negative social and economic impacts, which have arisen from the globalisation process requires focused action to enhance the capacity of women and empower them.

Women Today

'Behind every successful man there is a woman and behind every successful woman lies hard work' characterises the role of woman in human life. Given the opportunity, they excel in every field.

Women in Menial Jobs: India already has, after China, the largest women workforce. About 30-35 per cent of the estimated 480 million jobs are being

performed by women, mostly in agriculture, construction and as domestic help. There is scope for shifting them with higher education, training and skill development to benefit them economically as well as socially.

Women in Industry: The important role played by women in Industry, particularly in electronics, information technology, food processing, agro industry and textiles have been crucial to the development. They require comprehensive support in terms of labour legislation, social security and other support services to participate in various industrial sectors. Women at present cannot work in night shift in factories even if they wish to. Suitable measures need to be taken to enable women to work on the night shift in factories.

Women in Service and Profession: Women-friendly personnel policies are necessary to encourage women to participate effectively in the developmental process. Some facilities like child care, crèches at work places would enable them to freely pursue their profession and maintain an optimal work-home balance.

Women in Accounts and Finance: Accountancy is often termed as a male dominated profession. The first woman Chartered Accountant, Ms Ethel Watts in 1924 succulently notes, 'An eccentric choice of profession for women'. At present the Indian fraternity of CAs constitutes 160,189 members, of which over 15% are women.

The honour of becoming first woman CA in India goes to Mrs. Shirin K. Engineer of Mumbai in 1933. The second lady in the CA Profession was R. Shivabhogam of Chennai (1947). And the trend continues with larger participation. CA is a multi-dimensional profession requiring professional acumen, persistence, perseverance, commitment and camaraderie. It offers scope to participate as partner in nation building. There

Fifth Five Year Plan (1974-78) initiated a marked shift in the approach to women's issues from welfare to development. The National Commission for Women was set up by an Act of Parliament in 1990 to safeguard the rights and legal entitlements of women. The 73rd and 74th Amendments (1993) to the Constitution of India have provided for reservation of seats in the local bodies; Panchayats and Municipalities for women.



Institutional mechanisms, to promote the advancement of women at the Central and State levels need to be created or strengthened for interventions as may be appropriate with regard to provision of adequate resources, training and advocacy skills to effectively influence macro-policies, legislation, programmes, etc. to achieve the empowerment of women. National and State Councils will be formed to oversee the operationalisation of the policy on a regular basis.



have been many accolades for their performance, despite the pressure of dual role at home and office, both with their stringent demands: a tight rope walk for maintaining a balance for running home, cooking or raising kids and meeting demands of work. It is a mammoth task. Women do look forward to the support of the spouse and the family. An average house requires more management than an average business. Though it is invisible, unpaid, undervalued, unending and foisted upon woman, it is satisfying nevertheless. The expectation from woman is higher every where and they have to prove themselves to be heard. Researches show that woman are raised to multi-task and juggle home and work unlike men.

Women Steering Group of the Institute of Chartered Accountants of India (WSG of the ICAI) which came into existence in the Diamond Jubilee Year of the Institute is dedicated to serving women Chartered Accountants and female students aspiring to be the members of the ICAI. The WSG provides a supportive environment and valuable resources for female members and students to achieve their personal and professional goals through various opportunities including leadership, networking and education.

Women Empowerment

A large section of women is in difficult circumstances: in extreme poverty, destitute women, in conflict situations, affected by natural calamities, in less developed regions, the disabled widows, elderly women, single women, women heading households, those displaced from employment, migrants, women who are victims of marital violence, deserted women and prostitutes. In recognition of the diversity of women's situations and in acknowledgement of the needs of specially disadvantaged groups, measures and progra-

mmes are undertaken to provide them special assistance.

Constitutional Provision

The principle of gender equality is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favour of women.

Within the framework of a democratic polity, development policies, plans and programmes have aimed at women's advancement in different spheres. Fifth Five Year Plan (1974-78) initiated a marked shift in the approach to women's issues from welfare to development. In recent years, the empowerment of women has been recognised as the central issue in determining the status of women. The National Commission for Women was set up by an Act of Parliament in 1990 to safeguard the rights and legal entitlements of women. The 73rd and 74th Amendments (1993) to the Constitution of India have provided for reservation of seats in the local bodies; *Panchayats* and Municipalities for women, laying a strong foundation for their participation in decision making at the local levels. Thirty-three per cent reservation for woman in Lok Sabha is awaiting approval.

However, there still exists a wide gap between the goals enunciated in the Constitution, legislation, policies, plans, programmes and related mechanisms on the one hand and the situational reality of the status of women in India, on the other, as has been analysed extensively in the Report of the Committee on the Status of Women in India, "Towards Equality", 1974 and highlighted in the National Perspective Plan for Women, 1988-2000.

Policy Initiative

All forms of violence against women, physical and mental, whether at domestic or societal levels, including those arising from customs, traditions or accepted practices ought to be dealt with effectively with a view to eliminate its incidence. Institutions and mechanisms/schemes for assistance are created and strengthened for prevention of such violence, including sexual harassment at work place and customs like dowry; for the rehabilitation of the victims of violence and for taking effective action against the perpetrators of such violence including special emphasis to deal with trafficking in women and girls.

Goals and Objectives

The goal of the policy initiative is to bring about the advancement, development and empowerment of women. These are:

- The de-jure and de-facto enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres – political, economic, social, cultural and civil.
- Creating an environment for full development of women and enable them to realize their full potential through positive economic and social policies.
- Equal representation of women in decision making in the spheres of social, political and economic life of the nation.
- Equal access for women to education, health care, career opportunity, equal remuneration, social security and public office.
- Strengthening legal systems aimed at elimination of all forms of discrimination against women.
- Mainstreaming women in the development process.

- Encouraging women's organisations for appropriate action against all forms of violence against women and the girl child and promoting societal awareness to gender issues and women's human rights.

It also includes Gender Sensitization and their involvement in decision making besides appropriate rule to guarantee women equal access to full participation in decision making bodies at every level, including the legislative, executive, judicial, corporate, statutory bodies, as also the advisory commissions, committees, boards, trusts, etc.

Operational Strategies

All Central and State Ministries ought to draw up time bound Action Plans for translating the Policy into a set of concrete actions in consultation with Centre/State Departments of Women and Child Development and National/State Commissions for Women. And in order to monitor the implementation, Gender Development Indices (GDI) to be developed by networking with Research and Academic Institutions including specialised agencies.

Institutional Mechanisms

Institutional mechanisms, to promote the advancement of women at the Central and State levels need to be created or strengthened for interventions as may be appropriate with regard to provision of adequate resources, training and advocacy skills to effectively influence macro-policies, legislation, programmes, etc. to achieve the empowerment of women.

National and State Councils will be formed to oversee the operationalisation of the policy on a regular basis. The National Council headed by the Prime Minister and the State Councils by the Chief Ministers of the broad having representatives from the concerned departments/ministries, national

The underlying causes of gender inequality are related to social and economic structure, which is based on informal and formal norms, and practices. We somehow seem to miss the order of enlightenment that men and women are His obvious creation. It is a biological necessity. They are not mutually exclusive. They complement each other. A man without woman or vice versa is incapable of continuing with the process of evolution that nature demands. The difference thus is man made and must be levelled.





and state commissions for women, social welfare boards, representatives of non-government organisations, women's organisations, corporate sector, trade unions, financing institutions, academics, experts and social activists, etc. These bodies will review the progress made in implementing the policy twice a year. National and State Resource Centres on women will be established with mandates for collection and dissemination of information, undertaking research work, conducting surveys, implementing training and awareness generation programmes, etc. These centres will link up with Women's Studies Centres and other research and academic institutions through suitable information networking systems.

Economic and Social Empowerment of Women

Women comprise the majority of the population below the poverty line. They are very often in situations of extreme poverty, given the harsh realities of intra-household and social discrimination, macro economic policies and poverty eradication programmes should target their problems and needs. The deprived section has to be brought to the mainstream and engaged in the development process. The empowerment would entail offering them a range of economic and social options, along with necessary support measures to enhance their capabilities;

- a. *Poverty eradication-* Creation of opportunity for the weaker sections of the society to enable them a quality life begins with the process of economic development that all have means to meet their basic needs. It is

possible through employment generation and equipping them to compete.

- b. *Education and training-* Lack of knowledge and information clouds our understanding of the true nature of things. The mental confusion acts as a veil that prevents us to appreciate the reality. Education is the light that annihilates the darkness of ignorance. Education thus assumes priority. When a girl is educated, the entire family gets benefited.
- c. *Offering better health care facility-* A holistic approach to women's health and nutritional requirement for women and girl child at critical stages like infancy, childhood and expecting motherhood is a must.

Conclusion

The underlying causes of gender inequality are related to social and economic structure, which is based on informal and formal norms, and practices. We somehow seem to miss the order of enlightenment that men and women are His obvious creation. It is a biological necessity. They are not mutually exclusive. They complement each other. A man without woman or vice versa is incapable of continuing with the process of evolution that nature demands. The difference thus is man made and must be leveled. 'Behind every successful man there is a woman' goes the saying.

Various measures have been initiated to bring about changes in our society that would provide the basis for an egalitarian social order, particularly to ensure equality and dignity of women. Adequate rules and laws have also been created. With changing time, the interpretation of law seems to have assumed a pro-active role towards women empowerment. They deserve better treatment after long years of subordination.

The role of press and media is profound in realising the slated objectives. It effectively portrays images consistent with human dignity of girls and women. There is awareness and we are confident that change in societal attitudes and community practices could be achieved by active participation of both men and women, especially the women's groups themselves with their involvement, in such empowerment. ■

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The Institute of Chartered Accountants of India

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Embracing Womanhood

There were times when the prime role of woman was confined to her household duties. But as times changed, the world realised that her potential was meant to be explored in various fields. Today's woman is a hard taskmaster, managing between a homely wife, a shrewd boss, a caring mother, a genuine companion, with such ease and grace that is remarkably appreciable. This article highlights not only the challenges and opportunities faced by women today but also honours some women of substance, puts forward some social issues and hopes to offer realistic means towards creation of a gender unbiased society.



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Women today have scaled great heights. They are impervious to the traditional beliefs of our society in a non-defiant but affirming way. They know what they want. They are not apprehensive in discovering their capability and carving their own niche in these contemporary yet conventional times. They know striking a right balance between personal life and career is a challenge and they have learnt to conquer it with grace. Today we talk of empowering women, but they have done their best bit to devise for themselves a society where they are no more weaker sex. They have been continuously hitting on the correlation of weakness with gender.



We can not ignore the contribution in business of the corporate women leaders like Ms. Chanda Kochhar, Ms. Indra Krishnamurthy Nooyi and Dr. Kiran Majumdar-Shaw. Ms. Kochhar, the CEO of the ICICI Bank, proved that if women like them had it in them, the world will have to ignore their gender and give back the dues that they deserve.

Swearing by the principles of equal opportunities as propagated by the Constitution itself, the role and contribution of women in society at large can never be completely underlined, however it is articulated.

When we speak of *woman on top*, many images flicker in our mind. Mother Teresa spent her entire life for the cause of humanity and ultimately became synonymous with kindness. She being a profound missionary instilled in us a sense of pride towards not only womanhood but towards our potential to embrace mankind selflessly. Though human beings of this order are rare, there are many who in some way have been able to ignite the grey matters of our society. Woman leaders have a remarkable capacity of pulling the strings of our entire nation and creating a melodious, harmonious reverberation that a country of such demeanour as ours must command. Women like the politically strong and elegant Mrs. Indira Gandhi have become a subject of admiration not only for their sophistication but for their competence, passion and an unwavering faith in what they do. If we were to write a write up on remarkable women, we would surely find it hard to miss Shahnaz Hussain's name, the acclaimed and renowned entrepreneur who took life hands on and attained a remarkable and deserved credit for her contribution to the world of beauty business. She not only carved a coveted place for herself but proved that women can do wonders once they set their heart and soul to pursue their goal. Reflections from the past and present reveal a lot about women and their competence in various fields of our existence. When the beauty of women

is compared with that of the moon, Kalpana Chawla actually had the nerve to go up to moon. She will always be remembered for her splendid courage and never-say-die and follow-your-dreams attitude. We cannot ignore the contribution in business of the corporate women leaders like Ms. Chanda Kochhar, Ms. Indra Krishnamurthy Nooyi and Dr. Kiran Majumdar-Shaw. Ms. Kochhar, the CEO of the ICICI Bank, proved that if women like them had it in them, the world will have to ignore their gender and give back the dues that they deserve. Ms. Nooyi, PepsiCo's Chairperson and CEO, with her glaring

confidence, charming zest and don't-mess-with-me attitude leaves us all aspiring to be like her. Dr. Majumdar-Shaw became India's first woman Brew Master and founded Biocon India in 1978 which has grown to be the biggest biopharmaceutical firm in India today. How can we forget Melanee Verveer, the US ambassador for global woman's issues, who embark and enlighten the society and support the cause of woman empowerment? These are just a few examples of the women who have dared and achieved, dreamt and accomplished, and earned respect of all and proved that the whole world has to step aside for the person who is willing to make a path and determined to leave a legacy for humankind.

It is imperative today that each woman should understand the role she plays in society. Demand for professionals is growing and so is the number of women professionals. Women professionals have to perform well with an additional responsibility of managing their home. They are no more hesitant in setting up their priority and are rapidly reaching for the sky. Workplace often pressures women too to do overtime and today they know how to deal with this. They are not unwilling to add responsibilities to their profile. They understand a job's demands and that nothing is enough to satisfy a professional.

However, there is a need to address certain challenges faced generally by women today. Their attitude today means business. We live in a society where we have an opportunity on the basis of our potential. Gender has a minimal or at times no role to play. Women have realised their true potential by experiencing all fields of existence. We today

find to our surprise woman cab drivers gracefully executing their job. There are women in chartered accountancy, law, medicine, education, politics, social activism, management, and in every other field.

In The Institute of Chartered Accountants of India (ICAI), the setting up of a Women Steering Group is analogous to woman empowerment in society. Being a woman chartered accountant, I have discovered not only a sense of independence and security but a responsibility to cultivate the best of talents our society can utilise. Fortune comes with a social responsibility. Torch bearers of the CA profession must inspire a vision for our society to be free from the bias of gender. Woman CAs have established themselves enjoying immense opportunity. The CA profession, amongst others, demands and enjoys a tremendous respect because of its unbiased approach towards gender. Here individuals are recognised for the traits they possess and not for the gender they belong to. Gradually number of women in all professions including the chartered accountancy is increasing. Women are getting empowered gradually through their acceptance in all professions.

However, we still hear cases of deaths by dowry. We are not shocked by the increase in number of rape cases. Female infanticide is still prevalent and very visible in television soaps. We need to confront strongly rather than being mere spectators to such anti-social practices in our society. We must stop these anti-social elements from bringing disgrace to the society we live in. There are committed voluntary organisations in all parts of this world which work for the uplift of women and girl children for creating an unblemished, fearless and independent space for everybody. People in these organisations are trying hard to bring comfort to their crisis and create goodness enough to overpower the evil in our society. We don't need much money to

convince our society to tread on the path of righteousness and equality. The foundation we lay today would look down on us if it's not strong enough. It's time that we seriously start learning from the crises that we have created. No society can progress and prosper if women there don't enjoy freedom and respect. Gender must never bring disadvantage to any person. Somebody may say that on one hand we proclaim men and women to be equal and then there is advantage for women in our society. Actually by giving advantage, we acknowledge that they are at a disadvantage and yet they are not contributing less than what others contribute.

Being a woman professional, I am scared at times to live in a place where there is news of crime against women. Naina Sahni, Priyadarshini Mattoo, Shivani Bhatnagar, Natasha Singh, Madhumita Shukla and Jessica Lal murder cases being high-profile cases are just a few examples. Actually numerous such crimes against women could be discovered from the files of the police stations across our country. These heinous crimes are an impediment to our being as humans – they are a question mark on our existence as ingredient of a civil society. We should ask ourselves how seriously we consider fighting against such evils that exist in our society. Despite the fact that women have made their mark in all fields, our mindset has not changed. Still they are treated as a burden in their families. They are not men's counterpart but distinct individuals like anybody else on this earth. Let us hope there will be a time when we could call ourselves members of a civil society where equality and individuality is respected, where there is an opportunity for all.

To conclude my treatise on womanhood, I want to voice the fears of a girl child who is yet to be born: *Let me see the light of the day; Let me be born; Let me see the happiness when I am born; Let me not die; Let me survive-I am a life force.*

No society can progress and prosper if women there don't enjoy freedom and respect. Gender must never bring disadvantage to any person. Somebody may say that on one hand we proclaim men and women to be equal and then there is advantage for women in our society. Actually by giving advantage, we acknowledge that they are at disadvantage and yet they are not contributing less than what others contribute.





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Ways to Balance Work and Family Life



Every common person has responsibilities like bread to earn, children to raise, home to keep together, and a host of other commitments to spouse, extended family and community. Considering there are only 24 hours in a day, only so much is going to be done. Besides the dream of cloning ourselves, what else is available so as to make the day run a little smoother and hopefully leave some time for each important part of our life? This article highlights upon some essential items necessary for work and family life balance for women.



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Work and family are both central to our way of life. To find a balance between the two is a key issue for every man, woman and employer. In urban India today almost 50% of the families have both husband and wife as earning members. Generally when adults in a family add children to their family they become more traditional in how they divide their workloads. The tasks are generally divided between the husband and wife on the basis of their genders rather than on the basis of their interests and abilities. However, in order to successfully balance multiple roles, adults may need to become even less traditional than they were before becoming parents.

Managing numerous and complex work and family roles is a source of stress for many of us. Stress comes from two primary sources namely, role strain and spillover. Role strain occurs when the responsibilities of one role interfere with performing other roles. For example, a job that requires long hours or excessive travel may have a negative impact on a partnership or a parenting role. Spillover is when the conditions and relationships in one area of our lives affect us in another area. For example, inflexible work hours, an overbearing



There is no single formula for attaining a balanced life. An individual has to make a personal decision as to how one should combine his or her career, spouse, children, friends and self into an integrated whole. The key is to develop creative solutions to approach the challenges of balancing the responsibilities and joys of multiple roles.

supervisor, or a less-than-positive work environment can have negative impact on our family life. On the other hand, an unsupportive partner, inequalities in the division of household chores and child care, significant health problems in family members, or changing child care arrangements can have a negative impact on our work.

There is no single formula for attaining a balanced life. An individual has to make a personal decision as to how one should combine his or her career, spouse, children, friends and self into an integrated whole. The key is to develop creative solutions to approach the challenges of balancing the responsibilities and joys of multiple roles.

The different processes that one can work upon and which in turn can help to evaluate oneself, one's life and make changes to balance work and family life are as follows:

1. Clarifying Values: Values guide our actions and are usually the result of our life experiences. Clarifying our values is one key to managing work and family demands. A value is defined as a "principle, standard, or quality considered worthwhile or desired." Most of us know some of our values, but sometimes important values remain unknown. Often, we do not acknowledge many of our values we hold until we enter into new roles or experience conflict. The values we hold but are not aware of can often contribute to our feelings of stress; we can understand and ease this stress by becoming more aware of our values.

Some of our values may be in conflict with each other. For example, one may believe it is important to work early and believe it is equally important not to leave home until the kitchen is clean. Unexpected delays, or mornings where everything just takes a bit longer, could prove very

stressful until we examine these values and think about how they interact. Modifying or prioritising our values can be one way of easing role strain. Areas where we might have strong values may include housework, meal preparation and meal times, child care and house maintenance, the quality and quantity family time, money, education and so on.

2. Start With a Plan: First focus is to be laid on family. Secondly, focus is to be laid on business plan. This is because our ability to keep moving on in life depends on the solid foundation at home which in turn boosts a person and makes all his or her action worthwhile.

3. Build a Team and Support Network: One should ask for help and allow oneself to be helped and contributed to. One should get one's children involved— work together as a team. Recruit friends, family, neighbours, bosses, work colleagues, etc. and ask for their support. Create back-up and emergency plans; always have a contingency.

4. Setting Realistic Goals and Expectations: Goals are important in our lives. They help us to define how we should use our time. We can set our goals like: "I want to be a manager by the age of 30". Or "I want to finish my college before I have children". Our values underlie our goals and give us the urge to move towards achieving those goals. The values underlying these goal statements might include a high regard for achievement and education. Goals may be concrete, like the two examples laid above, or they may be relational, such as raising responsible children, building supportive friendships, or cultivating deeper understanding of ourselves. In order to ease role strain we can choose to put some goals on hold, let go of some, and modify others.

5. Understanding Work-Family Issues: Perception, attitudes and expectations are also important in understanding work-family issues. These often take the form of assumptions about the way things ought to be done or the way we expect people to behave. These usually come from our values and may be harder to identify than our goals. Attitudes and expectations that do not fit with our needs today can also create conflict and stress. Many of us have high expectations about being everything to everybody, performing all of our roles well or being "perfect". Frequently, "supermen" or "superwomen" burn out or feel exhausted, irritable and angry. We can think about our attitudes and expectations and choose to change or modify those that no longer support us.

6. Setting Priorities and Managing Time: Setting priorities in our life is very essential for bringing about effective time management in our lives. Managing work and a household, finding time for family activities and friendships, and having time just for us is no easy task with multiple roles and responsibilities. When we account for all we need to do in a day, many adults have only one or two hours, at the most, for “leisure” time. But very often these leisure hours are spent doing what we think needs to be done instead of what we want to do. Even when we are efficient in using our time, we may not be effective to do the right things. Often, we do not plan and schedule our activities that move us towards those goals which are not concrete. Goals that focus on the development of people-our relational goals- may be harder to have master activity plans because they are day-to-day processes that are harder to identify and schedule. Here is one way to manage time effectively and efficiently. First we set our goals and then we ask ourselves these questions:

- How do my expectations either foster or interfere with reaching my goals?
- Am I balancing my concrete or “material” goals with my relational or “people” goals?
- How will I know when I have reached this goal?
- What do I need to do today to reach this goal?

7. Letting Go and Understanding Control: Another important area to ponder over is what it means to be in control. Many times we feel we have more control if we do everything ourselves. However, this can hold us back from achieving our goals.

Delegation and division of work is essential to accomplish one's needs and wants. As we think about change in this area, or act differently, we may encounter unknown values or unexpected perceptions or expectations about how work



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should get done, and what work should get done.

Even though we may want to reallocate home or work tasks, we find ourselves resistant, as if we stand to lose more than we gain. Understanding the emotional satisfaction we get from performing certain tasks, and the power attached to some responsibilities, are important aspects of effectively delegating or dividing tasks.

8. Planning and Communication: Planning and communication are central to all change. Here are some other ideas to help balance work and family.

- Hold family meetings
- Keep weekly or monthly schedules that schedule time for both concrete and relational goals.
- Be willing to revise plans when they do not work or changes are inevitable
- Understand what we can control and what we cannot.
- Keep a sense of humour.
- Remember that effective management is not a static event but a continually evolving process.
- Keep work at work
- Keep home at home
- **Find a reliable child care:** Children are to be kept in capable hands. The parents should feel comfortable and confident in the caregiver. If one is feeling ambivalent about leaving one's child in the caregiver's custody it should not be shown as the child at any age will pick right up on it. One should feel proud when one finds someone who fits into one's needs. One should get involved with one's child's care providers by communicating frequently and observing interactions between caregiver and one's child.

9. Let go of guilt: Guilt is one of the greatest wastes of emotional energy. It causes one to become immobilised in the present because one is dwelling on the past. Guilt can be very debilitating. By introducing logic to help counter-balance the guilt, one can stay better on course.

10. Establish Limits and Boundaries: Boundaries are an imaginary line of protection that one draws around oneself. They are about protecting one from other people's actions. Determine for oneself what is acceptable and unacceptable behaviour from other people. Boundaries and limits define how one takes charge of one's time and space and get in touch with one's feelings. They express the extent of one's responsibilities and power and show others what one is willing to do or accept. Without limits it is difficult to say “no”.

11. Be Flexible: One should forgive oneself when



One should forgive oneself when things do not get done. Understand that with children things change at a moment's notice. Be ready and willing to assume responsibility for any of the tasks that need to get done at any time. Never get too comfortable, because as soon as one gets to think that things are under control, they change!

things do not get done. Understand that with children, things change at a moment's notice. Be ready and willing to assume responsibility for any of the tasks that need to get done at any time. Never get too comfortable, because as soon as one gets to think that things are under control, they change! Also, realise that in order to achieve success many women have had to give up their original goals and substitute new ones with different but equal challenges. Negotiate for what one needs in life.

12. Achieve an Integrated Life: Things are to be kept in perspective. Harmony needs to be created in one's life—a mixture of work, family and friends. It is to be remembered that there is no single formula for balance. It is a personal decision as to how a person wants to combine spouse, children and career.

Work and Family Balance of Women in India

Combining a family and making a career, especially for Indian women, is still a challenge. I would like to investigate and find solutions as to how women can combine a job and have a happy family life. Part time jobs, flexible working hours, job sharing or telework are options open although such opportunities in various professions are few.

Fast Track and Mummy Track: Today the comparative advantage that used to exist between men and women has almost disappeared. Women's natural advantage in taking care of small children and physical strength required has become less and less important for most jobs. Yet this is not reflected in the workplace, where generally men get the better jobs.

In essence, the self-fulfilling prophecy may emerge in the way employers recruit and place employees. They think they will get more out of a man, because he will not be committed at any time to childcare, and therefore, he will be more likely to be placed on a 'fast track' in the employment structure of his employer's organisation.

Women on the other hand are provided to a career path by work arrangements offering mothers certain benefits such as flexible hours, but denying other opportunities for advancement in the organisation.

If a woman is a mother of a small child and a

working woman too, then before the child's arrival generally no problem is faced in balancing family life and professional life, provided there is adequate support from the family. But after the child's arrival, the priorities get changed. That means the first priority goes to the child and the second priority is given to the mother's professional life.

Thereafter, comes a setback in the woman's professional life. Generally the woman also being a mother prefers 9 to 6 job and no weekend workings even in case when it is urgently required professionally.

Adequate part time jobs or jobs for which 'work from home option' is there are not found in various important professions in India.

Soon the growth in the professional life of the mother is set back and she is unable to provide as much time and effort as required for the jobs in corporate world as can be provided by her male counterparts. This may lead to frustrations in job field.

On the other hand she feels guilty of not providing sufficient time to her child, which is his or her right.

Therefore, it is very difficult to manage work with family. In this regard, her partner should be co-operative otherwise it is even more difficult to handle and balance both work and family.

In most of the corporate world, adequate maternity leave is not provided pre and post natal period. Many women require complete rest during pregnancy period due to biological reasons but many organisations do not entertain such long pre-natal leave. Secondly, post-natal period is also very insufficient being only three months in most organisations. Things become even difficult if the child is born in a nuclear family which is very common as most of the working class have to shift to new cities in search of better opportunities. Child daycare facility is very rarely provided in corporate world leaving the children and the mother at the mercy of maids or private day care centre.

Being professionally qualified, it is not advisable for the woman to sacrifice her career totally and concentrate only on her family life. If this is true in Indian society, then it is to be thought of, as so many professionals qualifying are females and they are also future mothers. ■

The Changing Roles of Women- An Overview into the Perception of Women Over Time in India



The idea behind this article is to take a look at the way in which Indian women have evolved over time. The intention has primarily been to highlight the examples of women, primarily in India (and also abroad), who have been exemplary in their acts of inspiration. This article attempts at examining the socio-cultural evolution of women over time in India and where they stand now. Examples have been drawn largely from the corporate culture with insight into certain spheres of the problems faced by urban women in corporate world holding senior positions.



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Early in 1932, a young woman was destined to take a decision that would change the way women thought. Later, after the remarkable feat attained by her she would recall that she had always been a secluded child, different in her ways of living life, and a tad too “tomboyish” for tastes of the society then. The lady was Amelia Earhart - the first aviatrix to fly solo across the Atlantic. She was a remarkable woman in every way, not just an epitome of courage and valour but also exemplary in her zeal towards life. Her story continues to inspire millions of women around the globe.

The socio-cultural evolution of women has been a convoluted road. Over the history of time the perception and roles that women were meant to foster has transcended from the nurturer to the provider. The Hindu mythology regards woman as the sign of “fertility” and “abundance” - a source of life sustaining power, the giver of energy. Interestingly, Hindu culture fetes the worship of



India today has come a long way from the days of yore. Progress has been made towards issues relating to women through numerous legislations for equal opportunities. However, the chasm now resides between the urban and rural India. Urban India now boasts of corporate honchos like Indra Nooyi and Chanda Kochar in the boardroom, yet statistics show that an average village school has no separate toilet facilities for girls.

women in all its divine powers, Durga: symbolic of strength, Lakshmi: endower of wealth and Saraswati: the divine bestower of knowledge. But for all the predilection of our culture in its acceptance of woman in symbols of divinity there are still huge chasms to bridge when it comes to women empowerment in India. For every respect paid to the deity, there is a little of it papered away from women in contemporary times. Newspapers and journals flaunting headlines about declining female sex ratio and violence against women are hardly testimonial of our pledge of growing empowerment.

There is an interesting paradox that gets my attention here. Women in India have had an impressive trajectory of profiles in courage, power and astuteness. The brave Rani Lakshmibai to the sagacious Ahilya Bai, Indian women have never shied away from key roles in decision making. Yet our country, even in these modern times, surprisingly shows a high dropout rate in primary education for the girl-child. Not a single day goes by without the news of female foeticide in the northern quarters of our country. Women still continue to be seen as an economic encumbrance in most families even today.

True, there is no dispute to the fact that women at least in urban circles have a wider array of opportunities available to them. Education has empowered them and there is little that she is leaving unconquered. From the corporate boardroom to the jet setting aviator to being the political decision maker, Indian women have been making histories. Indeed, a substantial measure of independence has been achieved by women in the recent past. Women today have made the choice of being on equal footing with men and stepping out of the predefined boundaries set by a patriarchal society.

The history of India offers a fairly wide angled view of the evolution of women and their unique cultural identity. India has always been a land of diversity and opportunity and an attractive destination for invaders from all ethnicities. From

the Huns and Kushans destroying the highly evolved Gupta civilisation to the Mughals of Central Asian ethnicity who defeated Lodi to usurp the throne of Delhi. Each of these invaders brought their own distinct culture and perceptions of womanhood to this country.

The onset of medieval culture was a watershed in defining the status of women in this country. The ancient history of India and Hindu philosophy is testimony to the fact that women were active participants in the social life and political debates in their surroundings. The idea of leading cloistered lives was not particularly appealing and women were revered for their gift of the gab and argumentative power. In Brihadaranyaka Upanishad it was Gargi the revered pedagogue and scholar whose questions Yajnavalkya had to satisfy.

Muslim rule of India changed the identity of women. From the emancipated lives that women led as intellectual individuals (represented in Hindu philosophy) they slowly passed into observing "*pardah*" from their male counterpart. Exclusive quarters for females were established in royal palaces and no woman was meant to be a part of public life. Although zenana intrigues were common and exerted a tremendous influence on the politics of the time, women would no longer retain the intellectual identity so distinct to them. Women were now inevitably someone's wife, mother or daughter, meant to be the "nurturer" but to always be away from the shadows of public life. The seeds of inequality continued to prosper and the abyss due to gender inequality widened. Women remained subjugated. Nobel Laureate Amartya Sen in his acclaimed work "The Argumentative Indian" discusses the various forms of inequality. In countries like India, the lack of proper healthcare facilities for women leads to higher mortality rates for them, this being the "survival inequality". The preference towards male child, traditionally considered to be superior in terms of physical and mental capabilities leads to female foeticide- this being "natality inequality".

In a country where women scholars were lauded, it is nothing less than shameful to see girls being denied the basic right to live. However, the idea that women are intellectually inferior is not prevalent in India alone. In United States, women did not get the right to vote till until 1920. Little wonder then that Larry Summers, former president of Harvard University commented that the lack of representation of women in higher echelons of academia was due to their lack of intelligence in comparison to men. Summers, however, was removed eventually in 2006 because of his incendiary and unfeeling remark.

The Constitution in India though has been fairly rational since its inception and there has been no bias so far based on gender. The final phase of India's cultural exposition was shaped by the British Rule. In fact, the post colonial sensibility owes its roots to this period. Although it was a period shaped by deep turmoil politically, it did fashion some of the major upheavals in relation to women's legislation. Prominent reformers like Raja Rammohan Roy spoke out against the abhorrent practice of *Sati* and obtained the permission of the then British Government, who lashed out against such perpetrators with severe punishment.

Several reforms continued through the efforts of radical thinkers like Ishwar Chandra Vidyasagar



The root of problem for urban women in corporate world grows from the masculine ego and the traditionalist gender approach. The current generation of men have probably been feeling more emasculated than any of their predecessors. Being raised in a traditional environment where women served the role of nurturer in the family, they now have to face them as their opponent in every field who is more than ready to put up a battle. A different sort of subjugation has now come up and it takes its subtle form in the corporate world- known as “glass ceiling”.

who advocated widow remarriage and their initiation into a new life. Dayanand Saraswati, the founder of Arya Samaj received an iconoclastic status when he accepted women as spiritual leaders. The political history during the colonial period is dotted with several reformists who tried to make a difference for women in the country. The uprising of freedom struggle in India witnessed the active participation of women. From radical revolutionaries advocating for armed struggle in Bengal, to women holding political positions of consequence, Indian women were resurging again. In fact, there were many more women in positions of importance in India's freedom struggle than in Russian or Chinese revolutions. In 1925, Congress elected Sarojini Naidu as its first woman president, fifty years before UK would elect Margaret Thatcher as first and only woman leader of Conservative Party. India can today boast of a sizeable participation of women in politics, leading independent parties and making crucial decisions affecting millions. Indeed, the world's largest democracy today can boast of a controversial but tremendously efficient woman prime minister. Her legacy continues today and her vision of modernity for India has taken root in the nation's heartland.

India today has come a long way from the days of yore. Progress has been made towards issues relating to women through numerous legislations for equal opportunities. However, the chasm now exists between the urban and rural India. Urban India now boasts of corporate honchos like Indra Nooyi and Chanda Kochar in the boardroom, yet statistics show that an average village school has no separate toilet facilities for girls. Urbanisation has indeed led to greater scope for development and Indian women have done their country proud in almost all corporate, social and cultural fields; however a separate breed of problems has now taken sway.

The root of the problem for urban women in corporate world grows from the masculine ego and the traditionalist gender approach. The current generation of men have probably been feeling more emasculated than any of their predecessors. Being raised in a traditional environment where women served the role of nurturer in the family, they now have to face them as their opponent in every field who is more than ready to put up a battle. A different sort of subjugation has now come up and it takes its subtle



As per a 2007 study by HR experts, women in corporate India earn 40 per cent lesser than what men earn over their entire career. Out of 9000 people on boards of BSE-listed companies, only five are women. Indian companies seriously lack women in senior management roles. Corporate India fares dismally when compared to its global counterparts. Over 77 per cent of the 200 large companies in the world listed by Fortune had at least one woman director on their board as of 2006. Only 36 per cent Indian companies have women in senior management positions- thus being clearly outbid by China who had as many as 91 per cent of companies having women in key positions.

form in the corporate world- known as “glass ceiling”. Researches show that women have been denied positions of consequence in corporate world. Just when companies talk about diversity in work place in a bid to track their gender ratio, it should be noted that they still have to go miles. As per a 2007 study by HR experts as reported in newspapers, women in corporate India earn 40 per cent lesser than what men earn over their entire career. Out of 9000 people on boards of BSE-listed companies, only five are women. Indian companies seriously lack women in senior management roles. Corporate India fares dismally when compared to its global counterparts. Over 77 per cent of the 200 large companies in the world listed by Fortune had at least one woman director on their board as of 2006. Only 36 per cent Indian companies have women in senior management positions - thus being clearly outbid by China who had as many as 91 per cent of companies having women in key positions. Further, most women managers are still considered suitable only for supporting roles such as HR, PR and customer service. The 2007 survey had pegged the figure at 85 per cent.

The debate over glass ceiling is endless despite there being outstanding business leaders, among them Kiran Mazumdar Shaw of Biocon, HSBC's Naina Lal Kidwai, Kinetic's Sulajja Firodia Motwani and Ranjana Kumar, the Chief Vigilance Commissioner to name a few. According to a research conducted by Herminia Ibarra and Otilia Obodaru in Harvard Business review, women score highly on leadership counts as per a survey. However, they fare lower when it comes to envisioning newer opportunities. That may come as a surprise to many, considering the number of successful women entrepreneurs and businesswomen of late, worldwide. From Carly Fiorina, the former CEO of HP who carried out the controversial merger of her company with

Compaq to Nooyi whose acquisitions of brands like Tropicana and many more have only added to Pepsico's coffers.

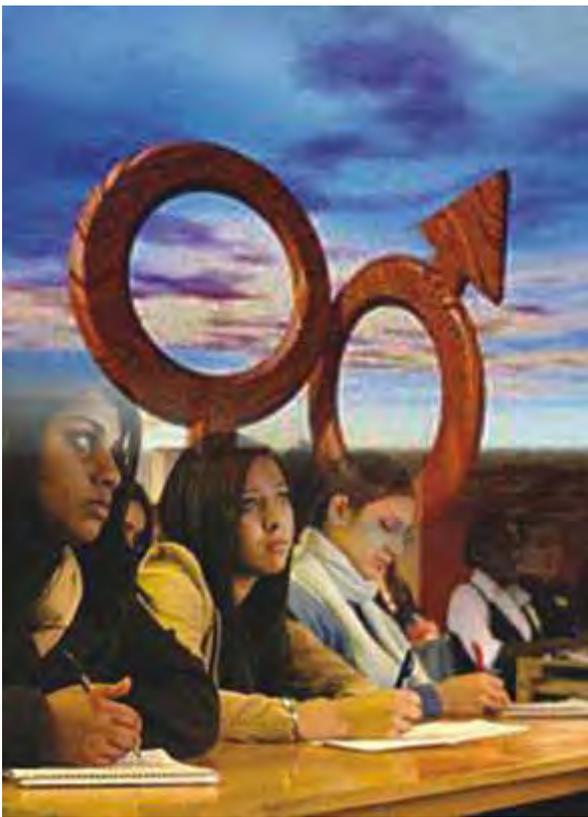
Back home in India, seven women from Mumbai utilised their culinary skills as early as 1959 to form their entrepreneurial venture for sustainable livelihood. The venture that had started with a seed capital of Rs 80 borrowed from a social worker after many decades later turned into a 5 billion dollar turnover company. Shri Mahila Griha Udyog popularly known as Lijjat papad not only became the most beloved and identifiable FMCG brand in India but to this day continues to support women in their effort to lead sustainable lives. Such will power perhaps shall engender the idea that women can enter into envisioning opportunities for the future as well as men do.

Women entrepreneurs in India have had an impressive track record to say the least. India's very first biotechnology company headed by Kiran Mazumdar Shaw became the second Indian company to cross the capitalisation of U.S dollar one billion on the first day of listing.

The spirit of independence in women has been rekindled with such exemplary figures both in corporate and non corporate world. With a powerful legacy that women have had in India, it is only imperative that we continue that journey. The road ahead will never be easy. Problems in many different forms will continue to rear their head, in forms that we may have barely recognised. People will always continue to disregard the capabilities of women as a collective community, but the journey towards excellence is never an easy one. To quote Robert Frost:

*“The woods are lovely, dark and deep,
But I have promises, to keep
And miles to go before I sleep,
And miles to go before I sleep”*

God Lives There Where Women are to be Worshipped- Gender Viewpoint



Gender is at core a group process because people use it as a primary frame for coordinating behavior in interpersonal relations. The everyday use of sex/gender as cultural tool for organising social relations spreads gendered meanings beyond sex and reproduction to all spheres of social life that are carried out through social relationships and constitutes gender as a distinct and obdurate system of inequality. Through gender's role in organising social relations, gender inequality is rewritten into new economic and social arrangements as they emerge, contributing to the persistence of that inequality in modified form in the face of potentially levelling economic and political changes in contemporary society.



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*"If an ancestral treasure lying buried in a corner of the house unknown to the members of the family was suddenly discovered, what a celebration it would occasion. Similarly, women's marvelous power is lying dormant. If the women of Asia wake up, they will dazzle the world."*¹

There is a saying in India that "Yatra Naryastu Pujente Ramante Tatra Devta" which translates as "God lives there where women are to be worshipped". These words had some meaning in ancient times – at a time when women had high status equal to that of men in their family

¹Mohandas K. Gandhi, Message to Chinese Women (July 18, 1947), <http://meadev.nic.in/Gandhi/onwomen.html>.

There are socio-cultural discriminations against girls from the moment they are born; educating them is considered as waste of money and girls are discriminated against for food, education, health and basic necessities of life. The average Indian female has only 1.2 years of schooling while the Indian male spends 3.5 years in school on an average. More than 50 per cent of girls drop out by the time they are in middle school. The clearest indicator of discrimination against Indian women is the skewed sex ratio.



as well as in society. But nowadays these are only words – to actually think about worship is very far from likelihood as women have no *astitva* in society and women comprise a less privileged sector of society. We think this situation can only be in rural areas but here we are wrong: the situation of women is the same whether it is in a rural or an urban area and to that extent they are empowered. Indian women are theoretically empowered – physically, mentally, economically and politically – but after independence only the elite women achieved equality.

Women from poorer groups are still facing exploitation and discrimination. Violence against women – like bride burning or female foeticide – continues to happen, and women are neglected in every aspect of life whether it is health, education, employment or politics. Though women's contribution has been immense during freedom struggle and the role played by women in national movements was a big support because of which the freedom movement became a success, things have not changed. To improve the situation of women, the central government and states are taking several initiatives.

Gender Discrimination and the Imbalanced Sex Ratio

Swami Vivekananda remarked “men and women are the two wings of the same bird: as the bird cannot fly with one wing so the society cannot be developed unless men and women are developed equally”. We had a good history of Hindu civilization where in the Vedic period (2500 B.C. to 1500 B.C.) men and women had equal status and rights. After that the black phase of our history had begun and this new phase



witnessed casteism and other social norms like a husband is God for his wife, child marriage, *sati pratha*, widows not having any status and no right to remarry.

These customs are still prevalent in many parts of the country, not only in rural but also in urban areas. The right to equality is a fundamental right but ours is a male dominated society: a son is regarded as the gift of God while a girl is a burden and is treated as “*Parayadhan*”. There are the socio-cultural discriminations against girls from the moment they are born; educating them is considered as waste of money and girls are discriminated against for food, education, health and basic necessities of life. The average Indian female has only 1.2 years of schooling, while the Indian male spends 3.5 years in school. More than 50 per cent of girls drop out by the time they are in middle school. The clearest indicator of discrimination against Indian women is the skewed sex ratio.

There were only 927 females per 1,000 males in India (the world average is 990 women per 1,000 men), according to the 1991 Census. Figures for the Census 2001 indicate that the trend has been slightly arrested, with the sex ratio at 933 females per 1,000 males, with Kerala at 1058 females. The emphasis of the National Plan of Action for the Girl Child 1991-2000, focusing on the survival, protection and development of girl children with gender sensitivity, contains the right ingredients for achieving a better future for them. Of 8,000 abortions performed at one Bombay clinic in the early 1990s, 7,999 were female fetuses. Girl children who are allowed to live are often given less food, less education, and less health care, a bias not confined to India. In

China, with its fierce birth control, there were 113 boys for every 100 girls under the age of 1 in 1990. There are, in short, millions and millions of women missing around the world-- women who would be there were it not for the dictates of custom and economy. So it is a remarkable achievement in Kerala to say simply this: There are more women than men.

Gender Approach

Because of their social status and sex, women are subjected to several types of violence: rapes, sexual slavery, forced pregnancy, mutilation, or forced sterilisation. Far more than the number of victims, the consequences of these conflicts on human development in terms of growth reduction due to infrastructure damages, and to food, health, and education system dislocations are important cost factors and must be taken into account (UNDP, 2005). And nevertheless, all of which revolve around the conflicts has always been considered as men's prerogatives. National and international institutions responsible for these issues are generally composed of men. Decisions, made

about conflicts and peace, are often taken by men. Women's needs, opinions, and expectations are rarely taken into account.

A gendered approach allows recognising the differences between men's and women's roles and goals. The gender programme of the International Truth and Reconciliation Commission in Peru (ITRC) is an example how gender should be taken into account. The activities of the ITRC contributed to making equity between the sexes a central component for the prevention of future violence. Since Resolution 1325, a gender approach has been introduced to the UN Security Council. This approach represents an important step in recognising women's needs and priorities. Beyond the simple compliance to Human Rights, a gender approach and the recognition of women's roles generates important responses for the development and for restoring peace.

Gender Approach Dealing with the Ways Men and Women Interact

It takes into consideration their division of labour resources and time allocation. Studies concerning gender are tied to the social construction of the masculine and feminine, i.e., to the roles and expectations determined by the same society that shapes men and women's lives. It deals with the universal principle of social organisation based on sex differences. One of the topics of studies carried in terms of gender is to provide material for an analysis of the ways that this functional and ideological definition of sexes, which impregnates all dimensions of social life, affects the activities carried out by men and women.

Mainstreaming is based on principles which recommend, on the one hand, an engagement and conceptions to promote equality and a more equitable society and on the other hand, recommend various systems (strategies, policies, structures, mechanisms, and tools) to put these principles into practice. Mainstreaming integrates the specific characteristics of the place and situation of men and women in the development of policies and economic and social measures, in their implementation, but also the analysis of consequences of any kind that these measures could have on men and women.



Empowerment includes mainly four essential components: participation, competence, self-esteem and critical individual, social and political conscience. What can be added to this list is social and community prospects, when empowerment is at the collective or community level. Empowerment, then, contributes to community health development through behavior, values, capacities, organisational structures, and leadership. In this approach, empowerment touches more often groups of people without any recognised power.

Mainstreaming is composed of two approaches: the integrated approach, relating to the concept of equal opportunity, and the participative approach, raising an awakening on men/women relationship. Mainstreaming supposes, moreover, the existence of legislation and policies, but also of a good understanding of the relationship between men and women. It further supposes a balanced participation of men and women in public life. It is to say that in most countries mainstreaming is only at its stammering. Current expressions of "main-streaming" are the principle of positive discrimination and parity.

For Jacquet (1995), the concept of empowerment deals with the right of speech and social recognition. Eisen (1994) defines it as the way through which a person increases his abilities to promote self-esteem, self-confidence, initiative, and control. Julian Rappaport (1987) proposes to place this concept at the centre of all thoughts. Empowerment includes four essential components: participation, competence, self-esteem and critical individual, social and political conscience (Le Bosse´ & Lavalley´ e, 1993). Hawley Mc Whirter (1991) adds to this list, social and community prospects, when empowerment is at the collective or community level. Empowerment, then, contributes to community health development through behavior, values, capacities, organisational structures, and leadership. In this approach, empowerment touches more often groups of people without any recognised power. People whose strength, often not utilised, is important to reinforce.

It is a question of helping communities analyse their own situation, define and solve their own



Current notions of human development and sustainable development lean on concepts of human capital (development of individual capabilities through access to education, in particular) and of social capital (social relations, participation in democracy). The condition of people deteriorates very quickly when there are too many inequalities, in particular, those relative to sex. Care, education, participation in public life, jobs that women are deprived of hinder country's development.

problems so that they can fully enjoy their rights. In a political aspect, empowerment is the result that can allow change in current structures and in the power-relation between the various institutions, actors, and people. The concept of empowerment concerns power, but excludes the notion of "sure power" which is an expression of domination. It relies on the "power of" (capacities, means), "power with" (solidarity, care, organisation of oneself), and "interior power" (self-esteem, self-confidence) (Hofmann & Marius-Gnanou, 2007).

Empowerment relates to the manner in which choices are made. It reintroduces the idea that women and men have an aptitude that can be acquired, to make choices. Empowerment should help people living in poor conditions reach a sustainable and richer life condition, by reducing their social, economic, political, or psychological vulnerability. The various levels of intervention of empowerment concern the well-being (satisfaction of practical needs of women), equality in access to resources and services, consciousness (conscious understanding of the difference between sex and gender, collective participation of women), participation (equal





participation of women in all decision-making process), control of decision-making processes, wealth and benefits (Palier, 2005). The symbolic approach of social relations, which relates to the concept of "capacity" and of "power," is too often neglected. Sen (2000a, b) shows that perception by women themselves of the secondary character of their contribution affects their ability to negotiate and thus to hold dialogues. This contributes, then, to the perpetuation of the game rules in terms of "cooperative conflicts," which ensure male pre-eminence.

Increasing poverty in the world and ecological imbalance led to question the relation between the development and the growth. New approaches to wealth are put forward. Human development becomes the concern of international programmes. At the same time, analysis on ethics and economics, ethics and companies, are being developed and together with behavioral exigencies through citizen approaches they are part of the objectives of sustainable development. Above types of analysis propose to place human and ecology at the centre of development, in order to reduce the supremacy of market economic values.

A gender approach is coherent with this movement and recalls the development analysis suggested by Sen (2000). He ties well-being with the agent function, because it is important to recognise people's initiative and responsibility capacities, notably concerning women. If there is a large gap between the improvement of their

well-being and the agent function (initiative capabilities), then it is important to distinguish both.

Current notions of human development and sustainable development lean on concepts of human capital (development of individual capabilities through access to education, in particular) and of social capital (social relations, participation in democracy). The condition of people deteriorates very quickly when there are too many inequalities, in particular, those relative to sex. Care, education, participation in public life, jobs that women are deprived of hinder country's development. Furthermore, reconciliation programmes often include elements of social capital and the restoring of trust. Women associations that have given more importance to the dialogue between women of enemy groups constitute a movement toward this goal.

Conclusion

Analysis in terms of gender study on the way that societies distribute the three roles between men and women, how men and women are invested in the various needs, and to what extent the different programmes and development projects is the responsibility of one or the other, or of the two sexes. They make it possible to size the elements for the establishment of a society fully responsible, which can guarantee a more harmonious development and for which peace constitute wealth.

The Government has formed many policies and programmes in this regard. But, in reality, the picture is different because today also women face insecurities in the forms of sexual assault, domestic violence, trafficking, exploitation and sexual abuse, and some problems like the problems of poverty, illiteracy and poor health facilities. But we have to awake and empower the women for the betterment of society, the betterment of our future because God has given a beautiful gift to women i.e. birth, our future also depends on women, women who are empowered and, as such, powerful and who can fight for their right and win against injustice and take their own decisions. Our women need support so that they can play a greater role in the development of the country.

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Reverse Mortgage: A Walking Stick at Old Age:

Reverse mortgage is one of the concepts that can help the senior citizens, people over the age of 60, in many ways in meeting their various financial needs. It seeks to monetise the house as an asset and specifically the owner's equity in the house. The scheme enables the senior citizens to avail themselves of periodical payments from a lender against the mortgage of their house while remaining the owner and occupying the house.



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Introduction

Indian society has witnessed tremendous changes during the last few decades. Joint-family has become rare to an extent where there is a feeble support to the old. Also, senior citizens are an increasing component of the Indian society and dependency in old age is increasing in the country, on the other hand cost of good health care facilities is spiraling and there is little social security. Consequently, senior citizens depend upon their children for their financial needs. They find themselves unable to make ends meet in their golden age not because they don't have money but more because they don't have enough money to make ends meet for long-term care. This leaves them in jeopardy. A product which can help them to solve such problems is always welcoming. Reverse Mortgage is a helpful concept in this direction that tries to address these problems generally faced by the old.

Reverse Mortgage Concept

Conceptually, reverse mortgage seeks to monetise the house as an asset and specifically the owner's equity in the house. The scheme enables senior citizens to avail of periodical payments from a lender

against the mortgage of their house while remaining the owner and occupying the house. Senior citizen borrowers are not required to service the loan during their life and, therefore, do not make any repayments of principal and interest to the lender. Over the course of time, the balance of reverse mortgage loan will increase along with interest component while equity in the home decreases. On the borrowers' death or on the borrowers leaving the house property permanently, the loan is repaid along with accumulated interest, through sale of the house property. The borrowers or heirs can also repay or prepay the loan with accumulated interest and have the mortgage released without resorting to sale of the property.

Thus, if senior citizens are looking for a way to supplement their income, a reverse mortgage is a good option. A reverse mortgage allows to tap into home equity to receive money either in a lump sum or monthly payout without losing the ownership of the house and bothering about making payments as long as continuance of living in the home. As the ownership remains with borrowers, they can transfer their home to their successors too, if the latter agree to pay the loan.

A simple definition of reverse mortgage can be: A reverse mortgage is a loan available to seniors and is used to release the home equity in the property as one lump sum or multiple payments. The homeowner's obligation to repay the loan is deferred until the owner dies, the home is sold, or the owner leaves.

What A Reverse Mortgage Is Not?

A reverse mortgage is not free money. It's a loan and it must be repaid when certain conditions occur. That is, when you pass away, move out of the home, or sell the home. The mortgage is not licence for the bank to take away your home. Even when the reverse mortgage is due, the bank doesn't have free reign to take away the home. Instead, it's up to the heirs to repay the loan. They

may be able to refinance the loan and keep the home.

Scheme of RML in India

To provide independence to senior citizens and solve various monetary problems faced by them, reverse mortgage was introduced in our country.

The National Housing Bank, the apex body on housing finance in India, published its guidelines on reverse mortgage in early 2007. Perceptibly, such a product relieves the pressure on government to provide old-age security and thus government also needs to support such initiatives. So, in exercise of the powers conferred by clause (XVI) of Section 47 of the Income-tax Act, 1961 (43 of 1961), the Central Government formulated Reverse Mortgage Scheme, 2008

Salient Features of the Scheme

Eligible Lenders:

Reverse Mortgage Loans (RMLs) are to be extended by National Housing Bank established under section 3 of the National Housing Bank Act, 1987; a scheduled bank included in the second schedule to the Reserve Bank of India Act, 1934; or a housing finance company registered with the National Housing Bank.

Eligible Borrowers:

According to the Reverse mortgage Scheme 2008,

- ❖ The person should be Senior Citizen of India above 60 years of age.
- ❖ Married couples will be eligible as joint borrowers for financial assistance. In such a case, the age criteria for the couple would be at the discretion of the lenders, subject to at least one of them being above 60 years of age and the other not below 55 years of age.
- ❖ Should be the owner of a self-acquired, self occupied residential property (house or flat) located in India, with clear title indicating the prospective borrower's ownership of the property.



Permanent primary residence refers to the self acquired, self occupied residential property where a person spends majority of his time. Factors that may be relevant in this regard include the address used for general correspondence, utility bills, bank statements, tax return, bank accounts and banking relations, etc.



The borrowers maintain their home as long as they continue to live in it. The lender gets paid only when the homeowners leave their home; the home may go to the estate. The estate may refinance the reverse mortgage, or, they may simply give it back to the bank, letting the bank dispose of it.

- ❖ The residential property should be free from any encumbrances.
- ❖ The residual life of the property should be at least 20 years.
- ❖ The prospective borrowers should use that residential property as permanent primary residence. Permanent primary residence refers to the self acquired, self occupied residential property where a person spends majority of his time. Factors that may be relevant in this regard include the address used for general correspondence, utility bills, bank statements, tax return, bank accounts and banking relations etc. However, all facts and circumstances may be considered for the purpose of determining that the residential property is the permanent primary residence of the borrower.

Eligible Amount of Loan depends on following factors:

Market Value of property: The lenders will assess the eligible quantum of loan reckoning the 'no negative equity guarantee' being provided by the lenders i.e. all reverse mortgage loan products are expected to carry a clear and transparent 'no negative equity' or 'non-recourse' guarantee. So the borrower will never owe more than the net realisable value of their property.

Age of Borrower: Terms and conditions regarding the age of borrower is one of the prime factor for the determination of eligible quantum of loan.

Prevalent Interest Rate: based on the risk perception and loan pricing policy, the lenders may fix the interest rate to be extended to the borrower. However, the interest rate may be fixed or floating.

Revaluation of the Property: The mortgaged property may be revalued by the lenders at intervals depending upon the location of the property and its physical state. So the quantum of

loan may undergo revisions based on such re-valuation of property at the discretion of the lender

Eligible End Use of RML

The borrower can use the loan amount for the upgradation, extension, renovation, maintenance or insurance of residential property. The scheme also provides the use of loan amount for medical or emergency expenditure of family and supplementing pension/other income or meeting any other genuine need. However, use of RML for speculative, trading and business purposes shall not be permitted.

Some Additional Features of RML

- Commercial property will not be eligible for RML.
- The maximum loan disbursement tenure should not exceed 20 years.
- The borrower will have option to prepay the loan at any time during the loan tenor without any prepayment levy/penalty/charge for such prepayments.
- In addition to the usual provisions, which are ordinarily incorporated in a mortgage loan document, the lenders shall enter into a detailed loan agreement setting out therein the salient features of the loan mortgage security and other terms and conditions, including disbursement and repayment of the loan
- The lenders will ensure that borrower(s) are maintaining the residential property in good and saleable condition and has insured the property against fire, earthquake, and other calamities.
- The lenders will ensure that the borrower(s) pay all taxes, electricity charges, water charges and statutory payments.
- The lenders may reserve the option to pay for insurance premium, taxes or repairs by reducing the homeowner loan advances

and using the difference to meet the obligations/expenditures

- The lenders reserve the right to inspect the residential property/premises or arrange to have the residential property/premises inspected by its representatives any time before the loan is repaid and borrower(s) shall render his/her/their cooperation in respect of such inspections.

Cost of Reverse Mortgage Loan

The fee payable for RML would include originating fee, appraisal fee and closing fee:

- **Originating Fee:** This is the fee paid to the lender for the cost of creating, processing and closing the loan.
- **Appraisal Fee:** To receive a reverse mortgage, the borrower must have their home appraised. This helps the lender discover home's value and ensure that there is no structural damage to the home that needs repairing.
- **Closing Fee:** The closing cost would include charges or fees that may be collected by the lender from the borrower. These charges shall not normally exceed the cost paid by the lender or charged to the lender by the provider of such service(s). These charges can be viz. verification charges of external firms, title examination fees, legal charges/fees, stamp duty and registration charges, property survey and valuation charges, etc.

Taxation Issues

To resolve the tax issues arising in the context of scheme Clause (xvi) in the section 47 of the Income-tax Act, 1961 has been inserted, which provides that any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government shall not be regarded as a transfer. Hence, the mortgage of property for obtaining a loan under the reverse mortgage scheme is not transfer within the meaning of the Income-tax Act, 1961 and also within the meaning of Transfer of Properties Act. Consequently, any gain arising upon mortgage of a property shall not give rise to capital gains under Section 45 of the Income-tax Act, 1961 in any manner.

A borrower, under a reverse mortgage scheme, shall, however, be liable to income tax (in the nature of tax on capital gains) only at the point of



alienation of the mortgaged property by the mortgagee for the purposes of recovering the loan. Further, it has been also provided under Section 10 of the Income-tax Act, 1961 that any amount received by an individual as a loan, either in lump-sum or in installment, in a transaction of reverse mortgage referred to in clause (xvi) of Section 47 of the Income-tax Act, 1961 shall not be included in total income.

Events Giving Rise to Foreclosure of RML

- If the borrower(s) do(es) not stay in the property for a period of one year continuously
- If the borrower(s) fail(s) to pay property taxes or maintain and repair the residential property or fail(s) to keep the home insured, the lenders reserves the right to insist on repayment of loan by bringing the residential property to sale and utilising the sale proceeds to meet the outstanding balance of principal and interest.
- If borrower(s) declare(s) himself/herself/ themselves bankrupt.
- If the residential property so mortgaged to the lenders is donated or abandoned by the borrower(s).
- If the borrower(s) effect changes in the residential property that affect the security of the loan for the lender. For example: renting out part or all of the house adding a new owner to the house's title; changing the house's zoning classification; or creating further encumbrance on the property either by way taking out new debt against the residential property or alienating the interest by way of a gift or will.
- Due to perpetration of fraud or misrepresentation by the borrower(s).
- If the government under statutory provisions, seeks to acquire the residential property for public use.

- If the government condemns the residential property.

Common Myths About Reverse Mortgage

There are many misconceptions and simply inappropriate information about a reverse mortgage. Below are some of the common myths held and the facts behind them:

1: The lender will own borrower's home: The borrowers maintain their home as long as they continue to live in it. The lender gets paid only when the homeowners leave their home; the home may go to the estate. The estate may refinance the reverse mortgage, or, they may simply give it back to the bank, letting the bank dispose of it. The proceeds above and beyond the note and appropriate fees will go back to the estate.

2: If loan is sold, the terms will change: The terms of a reverse mortgage never change. Most reverse mortgages are sold to generate more funds for additional reverse mortgages, but the terms signed during the closing of the specific loan never change.

3: Borrower will owe money if the loan amount exceeds the value of the home: The homeowner will never owe more than the value of the home. Reverse mortgages are known as Non-Recourse loans so the balance due will never be more than the value of the home, regardless of the amount borrowed.

4: Social security, medicare or medical aid benefits will be affected: A reverse mortgage will not affect a majority of benefits earned by seniors so long as the funds from a reverse mortgage are treated as income and not accumulated.

5: Borrower's heirs will be burdened: Once the homeowners vacate their house, the heirs have the choice of selling, refinancing or walking away from the home without any obligation or penalty in which they would be held personally responsible for. Generally the bank will give a 9-month reprieve from taking any action. Should the bank have to take the home back and foreclose upon it, the heirs are not held responsible for any funds that may not cover the balance.

6: Borrower must be in good health to qualify: Reverse Mortgages have no health requirements

7: Borrower must have a steady income and good credit to qualify: A reverse mortgage has no income or credit requirements



8: Only cash poor or desperate seniors can benefit from a reverse mortgage: There are virtually no restrictions on how the funds can be used for a reverse mortgage, so a great deal of seniors may benefit from a reverse mortgage, all depending on what their personal goals may be.

9: Borrower will owe Taxes: Money received from a reverse mortgage is completely tax free.

Reverse Mortgage Drawbacks

Higher cost is one of the drawbacks of private reverse mortgage. Again, the fees like appraisal fee, legal fee, origination fee, monthly service fee and mortgage insurance premiums are automatically taken out of the loan reducing the amount of money the borrower receives. The fees can be as high as 10% of the home's value.

Conclusion

The newly-launched product of the National Housing Bank, which provides long-life annuity payment to the home owner who pledges the property with lender, might not boost the reverse mortgage market because of general mindset of the Indians that is not amenable to pledging ownership papers to banks. There has to be a concerted effort to market the product so that senior citizens understand its utility. Its benefits need to be explained. Reverse mortgage arguably has a huge potential in India. Besides, there have been no advertisements explaining the benefits of entering into a reverse mortgage deal.

However, one should be very careful as the laws, the conditions, and the way in which a reverse mortgage offers relief are different in various countries. This is why one should look for the best reverse mortgages package. So, this may be our chance to fulfill our dreams and make our life much convenient in older days. We may own under this scheme one of the most comfortable homes that normally we couldn't afford. ■



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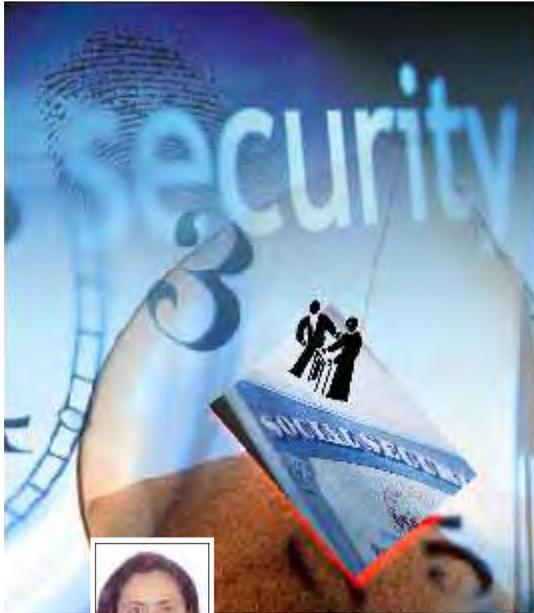
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Changing Spectrum of the Social Security Law in India



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The Ministry of Labour and Employment, vide a notification dated 1st October 2008, had amended the “Employees’ Provident Funds Scheme, 1952” and the “Employees’ Pension Scheme, 1995” (collectively referred to as ‘the PF schemes’). Vide this notification; the scope of the PF Schemes was extended to specifically include a new concept of “International Workers” (‘IW’s’). The impact of this change has garnered significant attention both in India and abroad. This article discusses the concept and primarily focuses on the impact of the social security amendments on the inbound expatriate population in India.

A significant amendment in the Indian social security arena in relation to foreign nationals working in India (‘expatriates’) was introduced last year. The impact of this change has garnered significant attention both in India and abroad.

The Ministry of Labour and Employment, vide a notification dated 1st October 2008, had amended the “Employees’ Provident Funds Scheme, 1952” and the “Employees’ Pension Scheme, 1995” (collectively referred to as ‘the PF schemes’). Vide this notification; the scope of the PF Schemes was extended to specifically include a new concept of “International Workers” (‘IW’s’).

The term “international worker” now includes:

- An Indian employee having worked or going to work in a foreign country with which India has entered into a Social Security Agreement (‘SSA’) and being eligible to avail the benefits under a social security programme of that country, by virtue of eligibility gained or going to gain under the said SSA;
- An employee other than an Indian employee, holding other than an Indian passport, working for an establishment in India to which the Provident Fund Act applies.

All IWs are required to become members of the PF Scheme, unless they qualify as excluded employees.

SSA is a co-ordinated pension programme of two countries for people who have lived/ worked in both the countries whereby they are eligible for social security benefits within their home country or host country.

The recent change has impacted companies who have large inbound expatriate population coming from countries with which no SSA exists as this would increase the assignment cost significantly. In this era of global meltdown, wherein companies are striving towards rigorous cost cutting measures, this amendment has certainly thrown the cost budgeting exercises out of gear.

On the other hand, companies with outbound Indian population might be heaving a sigh of relief. Once the SSAs are signed, they could continue to contribute under the Indian PF schemes and do not mandatorily need to contribute under the host country schemes.

These PF amendments when introduced had raised a host of interpretations, speculations and open issues, many of which were subsequently clarified by the PF Authorities. The following paragraphs summarise the key amendments; the plausible intentions of the PF Authorities and the clarifications issued from time to time. These also discuss a few issues that remain unaddressed as on date and are open to interpretation and debate.

Background

Just to give a basic insight into the evolution of the social security law in India, in 1952, the PF contributions were made mandatory with respect to specific category of establishments and employees earning income up to specified limits. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (the "PF Act") was introduced which broadly applies to all factories and establishments notified by the Central Government employing 20 or more workers. As per the PF Act, every employee working in such an establishment is mandatorily required to make 12 per cent contribution of his "pay" to the PF account. The employer is also required to make a matching contribution to the

PF account. However, an employee earning more than the specified amount of "pay" i.e., INR 6,500 per month, is exempt though he certainly has an option to voluntarily contribute to PF. In view of such low threshold limits, earlier there was no requirement for expatriates to mandatorily contribute to the Indian PF schemes.

On the contrary, when Indian nationals were sent on overseas assignments, no exemption was perhaps available to them in the foreign country. The Indian nationals, in most cases, may have been required to contribute to the overseas social security schemes subject to the laws of the overseas country. Also, repatriability of the amounts contributed, on completion of their assignment, was again subject to the laws of the respective overseas jurisdiction.

This perhaps led to the amendments in the Indian social security arena.

Key Amendments

As explained above, pursuant to the amendment in the PF Scheme, a new category of employees called IWs has been introduced. All IWs are required to contribute to the Indian PF.

Relief has been provided in case of an "Excluded Employee" which primarily refers to an IW coming from a country with which India has entered into a SSA, who is contributing to a social security programme and is enjoying the status of "detached worker".

It is interesting to note that the Indian employees continue to qualify as excluded employees if their pay is less than INR 6,500 per month. However, for expatriates, the ceiling of INR 6,500 per month for the purpose of the PF contributions is not applicable.

Every IW, other than an excluded employee, is required to become a member of the PF fund from 1 November 2008 (for existing employees) and otherwise from the date of start of Indian employment. There is no minimum period of stay in India for triggering the PF compliances.

It should be noted that the recent amendments have not changed the other provisions of the PF Act in relation to contributions, refund, penalties, etc.



The recent change has impacted companies who have large inbound expatriate population coming from countries with which no social security agreement exists as this would increase the assignment cost significantly. In this era of global meltdown, wherein companies are striving towards rigorous cost cutting measures, this amendment has certainly thrown the cost budgeting exercises out of gear. On the other hand, companies with outbound Indian population might be heaving a sigh of relief.

Accordingly, before an IW is required to contribute to PF in India, the basic test is required to be satisfied i.e., he should be working in or in connection with the work of a covered establishment. Further, as in the case of local Indian employees, the eligible IWs are required to contribute 12 per cent of their “pay” along with a matching contribution from the employer. However, the cap on the salary for the purpose of Employee Pension Scheme and Employees Deposit Linked Insurance Scheme remains unchanged at INR 6,500.

The withdrawal of the amount contributed into the PF scheme is possible at the end of the assignment. It is pertinent to note that the PF withdrawals are generally credited only to an Indian bank account so this would call for an obligation on the expatriate to maintain his Indian bank account till such time the amount is credited.

The notification has also thrown in some related additional compliance requirements for the IW and the employer. Every employer was required to file a return in the specified form, giving details of the IWs including their nationality, basic wage, etc. or a 'NIL' return in case they do not have any IW working with them by 15 October 2008. Going forward, they are required to file monthly returns (within 15 days of the close of the month) in the specified forms furnishing necessary details.

Social Security Agreements

For an IW to be considered as an excluded employee, he is required to come from a country with which India has signed an SSA. Also, in case of Indian outbound employees, to enjoy the benefit of continuing only the home country contributions, they should be working in a country with which India has signed an SSA.

Typically, employees on an assignment up to the period as specified for the detachment would be exempt from making social security contributions in the host country provided they continue to make social security contributions in their respective home country. The period of assignment to acquire the status of a detached worked would be specified in each SSA for e.g., in the India-Belgium SSA it is 60 months and in Germany it is 48 months.

To be able to contribute only in the home country,



For an International Worker to be considered as an excluded employee, he is required to come from a country with which India has signed a social security agreement (SSA). Also, in case of Indian outbound employees, to enjoy the benefit of continuing only the home country contributions, they should be working in a country with which India has signed an SSA. Typically, employees on an assignment up to the period as specified for the detachment would be exempt from making social security contributions in the host country provided they continue to make social security contributions in their respective home country.

the employee is required to obtain a Certificate of Coverage ('COC') from his respective home country's social security authorities, as per the specifications in the SSA. This COC would then have to be produced in the host country for availing the benefit under the SSA.

Further, SSA also provides for exportability of benefits to the expatriate choosing to reside in the home country or a third country without any reduction.

As a backdrop of the above amendments, similar to the US and many countries of Western Europe which have established a network of SSAs, India also is on its way to enter into SSA with different countries.

As the position stands today, India has already signed an SSA with Belgium, France, Germany, Luxembourg, Switzerland and Netherlands. However, only the SSA with Belgium is currently effective from 1 September 2009. Though the effective date of SSA with Germany was 1 October 2009, however, there seems to have been a delay as the agreement is not yet ratified. It is also informally understood that India is in the process of signing many more SSAs with various countries.

Some Open Issues Plugged

The amendments had thrown open several open issues some of which were subsequently clarified through a letter issued by the Additional Central Provident Fund Commissioner ('ACPFC') to all Regional Provident Fund Commissioners and the Frequently Asked Questions ('FAQs') posted on the website of the Ministry of Labour.

The FAQ clarifies that “total salary” shall include basic wages, dearness allowance (by whatever name called), retaining allowance and cash value of any food concession.

Further, to address the common issue pertaining to expatriates who receive part of the salary outside India, it has been clarified that the PF rules will apply irrespective of whether the salary is paid in India or

outside India. In case of a split payroll, the contribution is required to be made on the total salary earned by the expatriate.

It was further clarified that all expatriates including expatriates coming from countries with which India has signed an SSA (not yet effective), are required to contribute till such time the SSA becomes effective.

Also, a vital point is that the purpose of the visit may determine the PF compliance requirements for an expatriate though it is subject to interpretation. The type of visa may help in determining the purpose of visit to India e.g., a foreign national coming to India on an employment visa would be considered as working in India. It is also interesting to note that the Indian Government has recently issued guidelines prescribing stricter enforcement of employment visa requirements for foreign nationals entering India for contractual or project work. This would mean that more and more expatriates would now be covered in the Indian social security regime.

Issues Yet Unplugged

As the definition of “pay” in the regulation does not address the typical components of an expatriate compensation structure, the quantum and manner of computing salary on which the contributions are to be based is also contentious and subject to interpretations.

One of the conditions for claiming an income-tax exemption in the host country under the Double Taxation Avoidance Agreements between countries is that the remuneration is paid by, or on behalf of, an employer who is not a resident of India i.e., implying that the overseas entity should be the employer. In such cases, the overseas entity is considered as the employer for Income-tax purposes. As per the PF regulations, PF would be payable by the Indian entity in its capacity of “employer” irrespective of the duration of the employee's stay in India. This would imply that the Indian entity is the employer for PF purposes. As a result, different positions may be adopted for the same individual under the Income-tax law and PF regulations and this may give rise to disputes and litigation.

There are also issues around withdrawal of the balance at the end of the assignment. When an IW completes his assignment in India and leaves India to continue his employment abroad, he would be permitted to withdraw the accumulated PF balance. However, the employer's contribution to the Pension Scheme (i.e., 8.33 per cent of 1NR 6,500) can be withdrawn only subject to satisfying certain prescribed conditions such as:

- Eligible service of 10 years or more and retirement on attaining the age of 58 years;
- Early pension if rendered eligible service of 10 years or more and retirement or otherwise cessation of employment before attaining 58 years.

The withdrawal also depends on the principles of reciprocity with the home country of the IW where there is no SSA in place. Therefore, if the IW comes from the US, as an example, it would depend on whether the US would allow to freely repatriate such balance for Indians on completion of the assignments in the US.

The Income-tax law provides for a tax exemption in respect of accumulated PF balance withdrawn by an employee subject to a minimum employment of five years. As most expatriate assignments are typically for less than five years, the withdrawal of the PF amount before completion of the five years may give rise to additional income-tax implications. This would further increase the costs for employers who have tax equalised the assignees in India.

Conclusion

The social security law in India is evolving and there are a lot of open questions which still need to be answered and practical difficulties arise in the implementation. Realistically, the SSAs may take a long time before they are effective and until then the cost of the assignment of the expatriates in India, along with the compliance requirements is likely to increase.

However, this amendment should help the Indian outbound employee population to continue contributing for their retirals in India even while working overseas, provided India has entered into an SSA with the host country. ■



The social security law in India is evolving and there are a lot of open questions which still need to be answered and practical difficulties arise in the implementation. Realistically, the SSAs may take a long time before they are effective and until then the cost of the assignment of the expatriates in India, along with the compliance requirements is likely to increase. However, this amendment should help the Indian outbound employee population to continue contributing for their retirals in India even while working overseas, provided India has entered into an SSA with the host country.

Amendment to Definition of 'Book Profits' in Sections 115JA & 115JB by Finance (No.2) Act, 2009 – Impact on Banks



This article analyses certain aspects of the drastic impact on Banks owing to the recent amendment by Finance (No.2) Act, 2009 to the definition of “Book Profits” in Explanation to Section 115JA and 115JB of Income-tax Act, 1961 dealing with Minimum Alternate Tax in case of companies with retrospective effect from 1.4.97 and 1.4.2001, respectively. This amendment will have a drastic impact on the income tax liabilities of companies especially of banks not only in the coming years but since A.Y.1997-98.



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The Finance (No.2) Act, 2009 has recently amended the definition of “Book Profits” in explanation to Section 115JA and 115JB of Income-tax Act, 1961 (“Act”). This amendment will have a drastic impact on the income tax liabilities of companies especially of banks not only in the coming years but since A.Y.1997-98.

Minimum Alternate Tax (MAT) was basically introduced way back in 1987, and then reintroduced in 1997 when the

A number of disputes arose when the Income Tax Department sought to add back provisions for bad & doubtful debts and provisions for diminution in the value of Investments from the net profit as per P&L A/c while arriving at "Book Profits" for the purpose of Section 115J / 115JA / 115JB. The dispute was finally settled when the Supreme Court in case of *CIT vs. Comet Systems & Services Limited* (2008) 305 ITR 409 held that such additions to "Book Profits" are neither specified nor intended by legislature. Now Finance (No.2) Act, 2009 has amended the definition of "Book profits" to provide that the amount or amounts set aside as provision for diminution in the value of any asset should be added back to the Net Profit as per P&L a/c of a company to arrive at Book Profits for purpose of levying MAT.



government realised that certain companies making huge profits were managing their affairs in such a way so as to avoid payment of income tax owing to certain deductions and tax holidays that were allowed under the Act.

The legislature therefore introduced the concept of MAT to levy a minimum tax on companies at least to the extent of the real profits they earned which were available for distribution to their shareholders by way of dividends.

The Legislature in its own wisdom had very correctly defined "Book Profits" based on the Profit & Loss account (P&L a/c) prepared by companies as per Companies Act, 1956 (herein after referred to as the "Companies Act").

The Companies Act requires companies to prepare their P & L a/c so as to reflect a true & fair view of the Profit/ Loss earned by the company. To ensure the same, the Companies Act provides for the annual accounts including P&L a/c to be prepared in a format as per Schedule VI of the Companies Act and as per the accounting standards issued by the Institute of Chartered Accountants of India (ICAI). From 2006 onwards the Companies Act has been amended to provide for annual accounts including P&L a/c to comply with the accounting standards prescribed by the Central Government under the Companies Accounting Standard Rules, 2006. These Standards are based on the accounting standards recommended by ICAI after consultation with the National Advisory Committee on Accounting Standards (NACAS). In case of companies governed by any special law like banks, the annual accounts have to be prepared as per the specific

directions provided in those laws. In case of Banks, the respective laws provide that the annual accounts including P&L a/c should be prepared as per the applicable accounting standards issued by ICAI until 2006 and thereafter, as prescribed by the Central Government under the Companies Accounting Standard Rules, 2006 except where a separate direction / guidance is given under the respective banking law or by Reserve Bank of India (RBI). All the companies & banks are mandated to get their annual accounts including P&L a/c audited by the chartered accountants who are required to opine on the annual accounts including P&L a/c whether they reflect a true and fair view and whether they are prepared as per applicable accounting standards / guidelines / direction issued by RBI.

Since there is a separate law, viz. the Companies Act, governing the manner in which the Accounts including P & L a/c should be prepared by companies including Banks so as to reflect the true and fair view of the state of affairs of the Company and the Profit/loss of the Company, the legislature in its own wisdom and rightly so decided to rely on such accounts prepared under the Companies Act for the purpose of determining the true Profit / Loss of companies, their ability to pay income tax and thereby arrive at MAT that the companies should pay.

The only adjustments to Net Profit as per P&L a/c provided by law are:

- i) Amounts that are transferred to / from reserves as they are appropriation of profits
- ii) Profits/ Losses/Expenses from certain sources which the government proposed to exempt

from MAT from time to time.

- iii) Provisions for unascertained liabilities
- iv) Income tax
- v) Dividend proposed/declared

Obviously to arrive at taxable income of a company, Profit before income tax has to be considered and that too before any appropriation therefrom like amount transferred to different reserves for different purposes, distribution of dividend, etc. The legislature has rightly required that provisions for unascertained liabilities i.e. liabilities for which there is no reasonable certainty to occur, should not be reduced to arrive at real profits of a company.

A number of disputes arose when the Income Tax Department sought to add back provisions for bad & doubtful debts and provisions for diminution in the value of Investments from the net profit as per P&L A/c while arriving at "Book Profits" for the purpose of Section 115J / 115JA / 115JB. The dispute was finally settled when the Supreme Court in case of *CIT vs. Comet Systems & Services Limited* (2008) 305 ITR 409 held that such additions to "Book Profits" are neither specified nor intended by legislature.

Now Finance (No.2) Act, 2009 has amended the definition of "Book profits" to provide that the amount or amounts set aside as provision for diminution in the value of any asset should be added back to the Net Profit as per P&L a/c of a company to arrive at Book Profits for purpose of levying MAT.

Consequent to this amendment, it appears that the following provisions debited to P & L A/c of a company (including banks) will have to be added back while arriving at "Book Profits" for determining the ability of the company to pay minimum tax:

- a) Provision for depreciation on fixed assets
- b) Provisions for diminution in value of investments



- c) Provision for Bad & Doubtful Debts (BDD), Provisions for Non-Performing Assets (NPAs) in case of banks

Creating provisions for depreciation in value of fixed assets / for diminution in value of investments / for bad & doubtful debts / for NPAs are the basic essentials while arriving at the real profits of any entity. Unless these provisions are made, the P&L a/c will not reflect true & fair profits of the entity. This is embedded in fundamental principles of accounting - "Prudence" which require providing for all known possible losses & liabilities. This is generally accepted accounting principle world over. This is one of the essential principles of accounting which is recognised in Accounting Standard -1 'Disclosure of accounting policy' issued by the ICAI, which has also been accepted & notified by the Central Government u/s 145 of Income-tax Act, 1961.

This is particularly so in case of banks considering the nature of their money-lending business, the credit risk that they are exposed to.

The RBI, recognising this principle and the nature of business risk that banks are exposed to, has issued "Prudential Norms on Income



Acknowledging the hardcore realities of banking business and the credit risk that banks are exposed to, in 1986, the central government, specially, amended section 36(1)(viiia) of the Act, allowing deduction in respect of provision for non-performing assets while computing income under head "profits & gains from business & profession" of Banks. This is a special provision introduced only for Banks in light of the business risk that they are subject to.



Recognition, Asset Classification and Provisioning pertaining to Advances” according to which Banks are mandated to provide for minimum amount of Non – Performing Assets (advances) in the books of accounts. Further, RBI has also issued “Prudential Norms for classification, valuation and operation of investment portfolio by banks” as per which Banks are mandated to make minimum provisions for depreciation in value of investments held by them. These norms have been issued / modified from time to time, by RBI.

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Now, with amendment to the definition of “Book Profits”, MAT would be payable by companies / banks on “Book Profits” without allowing deduction for –

a) Provision for depreciation of fixed assets up to A.Y. 2006-07

(Note: specific deduction for depreciation on fixed assets is provided for in definition of “Book Profits” with effect from A.Y. 2007-08)

b) Provision for diminution in value of investments

c) Provision for Bad & Doubtful Debts, Provisions for NPAs

Book Profits so arrived at does not reflect the “real profits” of a company more particularly in case of Bank.

a) Provision for depreciation of fixed assets -

The banks have suffered cash outflow on account of acquisition of fixed asset earlier. They have to set aside sufficient profit every year

towards depreciation on fixed asset so that at the end of their useful life, the fixed asset can be replaced. It does not seem the intention of the legislature to disallow provision for depreciation on fixed assets while computing “Book Profits”. The same is evident from the fact that with effect from A.Y. 2007-08, a specific clause for deduction of depreciation on fixed assets is inserted in Explanation to section 115JB defining “Book Profits”. However, the amendment under discussion, being inserted with retrospective effect, it appears that the provision for depreciation on fixed assets will have to be added back while computing Book Profits for earlier 10 years i.e. A.Y. 1997-98 to A.Y. 2006-07. It is suggested that the government comes out with a clarification as to whether the provision for depreciation on fixed assets will be allowed as deduction while computing Book Profits or not.

b) Provision for diminution in value of investments-

In case of Banks, “investments” in securities are held as stock in trade in ordinary course of Banking Business. In order to determine the real trading profits from trading in securities, it is universally accepted policy that one needs to reduce the value of closing stock from the aggregate of the opening stock and actual cost of purchases during that accounting period to arrive at the Cost of Sales which is then reduced from the Sales to arrive at the Trading profits-

Sales	xx
Less: <u>Cost of Sales</u>	
Opening Stock	xx
Add: Actual Cost of Purchases	xx
	xxxx
Less: Value of Closing Stock	xxx (x)
Trading Profits	X

For this purpose, it is essential that the closing stock should be valued at lower of cost or market value to arrive at the true Trading Profits for an accounting period. Thus, the loss, if any, on valuation of closing stock of such securities based on the market value arise out of stock valuation exercise at the end of an accounting period to arrive at the true Trading Profits for that accounting period. This does not represent “provision for depreciation in value of investments” per se, though RBI refers to it as “provision for depreciation in value of

It seems that in a hurry to nullify the Supreme Court judgement, the Government has lost sight of the intention of legislation behind the MAT provision & the injustice that the other companies particularly Banks will be subject to owing to the amendment to the definition of "Book Profits" under section 115JA and 115JB and that too with retrospective effect from 01.04.1997. It will put Banks into major problems arising from reopening/ revisions/ enhancements to past years assessments and huge income tax demands.



investments" in its guidelines on the subject. Such loss on valuation of a bank's investments is not provision for diminution in value of assets and should, therefore, not be added back while computing "Book Profits". There also it is suggested that Government comes out with a clarifications to clear the position.

c) Provision for Bad & Doubtful Debts, Provisions for NPAs -

In case of Banks whose primary business is to lend money, there are amounts which become doubtful of recovery. To reflect the correct value of these receivables, provision for Non-Performing Assets is an essential component of its P&L a/c. To disallow this provision, would tantamount to paying MAT not on real profits which are available for distribution as dividends but even on legitimate item of provision for NPAs. In fact the irony of the situation is that provision for NPA would be allowable as a deduction u/s 36(1) (viiia) when computing income under provisions of Income-tax Act other than 115 JA/JB, whereas such provision will not be allowed for computing Book Profit and paying Tax.

This new amendment contravenes the very intention of law behind introduction of MAT.

Surprisingly, the legislature has not provided for reduction in Net Profit as per P&L a/c even when such bad/doubtful debts/ investments are written off as bad by debiting the respective provision account and crediting the debtor or investment account.

Therefore, suppose, the bank does not recover



advances from its clients and writes off the same as irrecoverable in its books by debiting Provision for NPAs a/c & crediting the clients a/c- [Note that the P&L a/c is not being hit this time] the legislature has not provided for reducing this amount of bad debt in arriving at the "Book profit" for purpose of section 115JB. Thus as per the legislature, a company's ability to pay tax, its real profits, is not affected by any bad debts/ non recovery of advances/loss in investments.

Similarly, there is no provision of reducing the amount of provision for NPAs/ debtors/ provision for diminution in value of investments from Net Profit as per P&L a/c in the year in which such provision is written back as no longer required by crediting P&L a/c.

It seems that in a hurry to nullify the Supreme Court judgement, the Government has lost sight of the intention of legislation behind the MAT provision & the injustice that the other companies particularly Banks will be subject to, owing to the amendment to the definition of "Book Profits" under section 115JA and 115JB and that too with retrospective effect from 1.4.1997. It will put Banks into major problems arising from reopening/ revisions/ enhancements to past year's assessments and huge income tax demands.

This amendment strongly requires urgent attention & serious reconsideration particularly in case of Banks having regard to the nature of their business, the credit risks that they are subject to and also the fact that Banks create provisions for NPAs, diminution in value of investments in adherence to the directions / guidelines issued by RBI. In light of this, it is suggested that banks should be excluded from application of this amendment to the definition of "Book Profits".

It is further suggested that the Central Government comes out with a clarification to this effect, as soon as possible.



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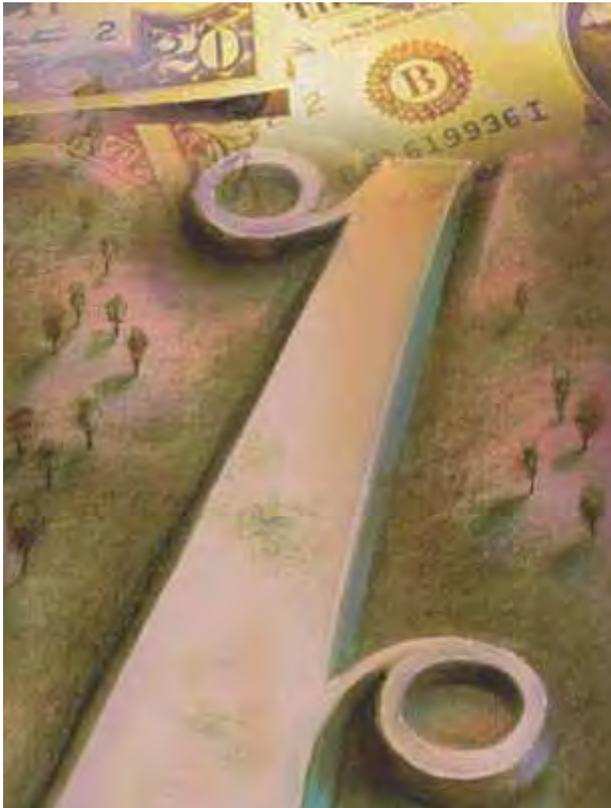
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Triangular Cases Involving Payment of Interest by a Dual Resident Corporation and Its Implications under Tax Treaties



Though the “tie-breaker” rule attempts to resolve the dual residency conflict. However, certain situations involving a third country may still result in double or triple taxation of the same income. This article discusses the issues relating to payments of interest by a dual resident corporation to a third country. The issues discussed hereunder have been of a riveting discussion in international academia although historically, seldom, one has come across such a typical instance in practice area¹. This would however now subsume importance even in the Indian scenario considering the proposed change in definition of a resident corporation under the proposed Direct Tax Code 2009.

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The fundamental objective of tax treaties is typically to resolve problems of overlapping tax jurisdictions. It is a settled position that “tax residence” is the cornerstone of international taxation. The applicability of tax treaties originates from the identification of the residence of the taxpayer. Article 1 of the OECD MC² determines the persons who can claim the benefits of tax treaties. As a consequence may emerge the issue of “Dual residence” wherein both the Contracting States by virtue of their domestic law treat the taxpayer as a resident of their respective countries. This entails from Article 4(1) of the OECD MC which defines the term “resident” by making reference to the domestic law of the Contracting States. Article 4(2)

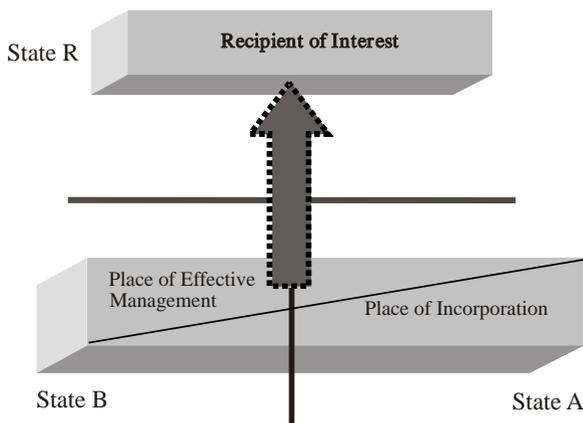
¹ Cases have been that of the Canadian and Dutch Supreme Courts in relation to payment of dividends by a dual resident corporation.

² All references to treaty articles in this paper are to 2008 OECD Model Convention (MC), unless otherwise indicated. The articles in the UN Model are also similarly worded.

and 4(3) of the OECD MC aims to provide the “tie-breaker” rule for resolving such conflicts arising on account of dual residency. More specifically Article 4(3) involves a single criterion of “place of effective management” to resolve conflict of residence involving corporations and other bodies of persons.

Outline of the Problem

A double withholding tax conflict could arise on account of two or more countries asserting their right to tax the same income of a taxpayer because they claim that the income is sourced in their respective countries. Thus occurs the “Source–Source conflict”. In practice this conflict of dual source withholding would arise only because State A – under its domestic sourcing provision – regards the income as sourced there (for being the state where the company is incorporated) and State B regards the same income from being sourced therefrom (for being the State where the place of effective management is situated) as depicted in the diagram below.



This case thus involves three tax territories – the right to tax of State R (State of residence) thereby competes with that of State B, the Source state from where the business of the corporation is effectively managed, and State A, the State of incorporation – being the state where the corporation exists and whose commercial rules are applicable to the corporation. However, the State of Residence would be obliged to give credit for the taxes paid under Article 23 for the taxes paid / withheld in the two States subject to the limitation of tax credit which may prevent credit for the combined taxes withheld at source. The issue of dual source taxation thus needs to be resolved keeping in mind

the bilateral tax treaties entered into between

- State A and State B
- State R and State A
- State R and State B

Applicability of Treaty Between State A and State B

From an operational aspect, the A-B treaty would be applicable since both the States meet the residence test prescribed under Article 4(1) i.e., being subject to worldwide taxation. Under the tie-breaker test of Article 4(3) the taxing rights would be designated in favour of State B, being the State where the place of effective management is located. However, internationally few authors also suggest that the A-B treaty may not be applicable as the commentary on Article 1 indicates that one of the persons who is a resident should be a recipient of income. Therefore, applying the treaty purely from a payer's perspective may not be the correct approach. Another plausible argument in this regard may be that treaties typically are entered into only in respect of taxation of income and do not give any indication on how the withholding taxing rights would be allocated in respect of the two States. In the current situation under A-B treaty there is no distribution of income per se from State A to State B or vice versa. However, assuming that State A-B treaty is applicable, the conundrum being whether State A being the “Losing” State would effectively for all times to come lose its worldwide fiscal taxing rights when it comes to its own treaty network with the third country on an independent basis. And, therefore, State A would be entitled to tax only in situations of income strictly being sourced therefrom in accordance with the second sentence of Article 4(1). In other words, what needs to be considered is whether designation of State B as the residence state under Article 4(3) of the A-B Treaty may impact the treaty applicability between State R and State A.

Applicability of State R-State A Treaty and State R-State B Treaty

If examined on a standalone basis, the Treaty between State R-A and State R-B are applicable – State R being the recipient of income and State A and State B in their respective treaties being residents for the purposes of the treaty. Few international authors argue that it may be considered that the treaty between Winner State B and

the Loser State A deals with the relationship between either of those states but not with the relation between either of those states and a third state. The tie-breaking mechanism, thus, is relevant only for the application of income received by residents of State A and State B and does not, therefore, affect the taxation of items of income derived by residents of third state i.e., State R.

However, even if treaties operate in a bilateral situation, it is a settled position that the interaction of various treaties needs to be considered with a view to further the basic objective of treaties i.e., elimination of double taxation. Therefore, in view of the author, when examining R-A treaty and A-B treaty, even if under R-A treaty the taxing rights are with State A, under the A-B treaty, State A would be obliged to give up its taxing rights in favour of State B by virtue of the tie-breaker test. State A, thus, for all purposes would be aware of its status in terms of being the State which has given up its worldwide taxing rights in favour of State B while applying the treaties with State R or any other treaty under its treaty network. Accordingly, State A should per force abstain itself from levying any withholding tax – except in situations where State A is the source of the income liable to tax. However, considering that treaties are typically examined from the recipient's perspective, this approach may be more valid from a dual resident recipient's point of view and not a dual resident payer.

However, assuming that the tie-breaker test does not affect the treaty application between State A and State R, once the income is paid or distributed, both States A and B would apply their withholding tax in accordance with the relevant treaty Articles as per the treaty entered into between R-A and R-B. State R which taxes the

income being the Residence State of the recipient is bound to provide relief for the taxes so withheld – however, the extent to which the credit for taxes so withheld may be given by the Residence State is a question which needs a resolution.

Treaty Prohibition on Extra Territorial Taxation

Article 11(5) OECD MC:

“Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the State in which the permanent establishment is situated.”

Article 11(5) is a source rule designed to determine whether interest is 'arising in a Contracting State' within the meaning of Article 11(1). The first sentence of the Article 11(5) begins with a fiction by allocating the rights to the State of residence of the payer. In effect the rule determines the country of source. Therefore, perhaps one would stop at this line itself when examining the payment of interest by a dual resident corporation. The second sentence, however, overrides the first sentence and allocates the rights to the contracting state in which the Permanent Establishment (PE) is located i.e., when the interest is paid and borne by such PE, the state of location of the PE has the taxing rights. However, the essential factor is to have an obvious economic link between the loan, interest and the PE. The pertinent question here is whether the requirement of establishing economic link would also be relevant while determining the taxing rights in case of the



A double withholding tax conflict could arise on account of two or more countries asserting their right to tax the same income of a taxpayer because they claim that the income is sourced in their respective countries. Thus occurs the “Source–Source conflict”. In practice this conflict of dual source withholding would arise only because State A – under its domestic sourcing provision – regards the income as sourced there (for being the state where the company is incorporated) and State B regards the same income from being sourced therefrom (for being the State where the place of effective management is situated).



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dual resident company. In other words, to derive the desired result of allocating the taxing rights to the country where the loan is utilised, the issue that needs resolution is whether the second sentence would override the first sentence in situations where the loan is utilised in State A (Losing State) and not State B on the presumption that the business activities conducted by the corporation in State A do not fulfil the conditions of Article 5 of the State A-B treaty. The issue can also be exemplified when the interest is paid by State B to State R for the loan taken for operations in State A.

Article 11(5) is differently worded from Article 10(5) in the sense that it does not contain an implied exception to Article 1 in so far as payment to residents of third States is concerned. However, in view of the author when applying the R-B treaty, the second sentence would limit State B from levying the withholding tax and extend the application of the R-B treaty beyond the bilateral relationship to give State A the taxing rights considering that the economic link of the loan is established in State A. However, what also needs to be determined is which State would treat the interest payment as a deductible expense.

The general rule in the first sentence is that interest is sourced in the residence state of the payer. However, where the payer is a dual resident, the first sentence takes it to the residence of the payer and therefore, the Losing state under 4(3) gives up its taxing right on application of treaty between the residence state and the losing state. In view of the author, considering that State A is the State of incorporation and complying with the company law provisions of the State, at the first instance it would be difficult to hypothesise a

situation where State A would not be creating at least a fixed base PE in light of the provisions of Article 5. Therefore, the interplay of Article 5 and the second sentence of Article 11(5) would prevail over the first sentence of Article 11(5) thereby giving the taxing rights to State A. However, countries which explicitly exclude companies as being residents under their fiscal code on account of operation of the tie-breaker rule, in that case the issue may have to be resolved by an explicit overriding of Article 1. This would be necessary because unlike the typical Triangular Situations involving PEs, the dual resident corporation could take advantage of the treaty networks as it is considered a resident for fiscal purposes. However, once the company loses its residence status under the domestic law, it would step into the shoes of a PE and, therefore, whether State A can withhold taxes under R-A treaty needs to be answered.

From the above discussion it is apparent that it is difficult to fathom a uniform solution to resolve the conflict. As a solution, paragraph 30 of the OECD commentary to Article 11(5) provides for conclusion of a multilateral agreement which would designate a single Source State amongst all of the contracting states involved or resolution through a Mutual Agreement Procedure to alleviate the double or triple taxation.

Article 4(1) and 4(3) of the OECD MC:

As discussed above, a treaty can be applied only if a person is a resident of one or both contracting states and the crucial test is the "liable to tax" test. The first sentence of the Article 4(1) gives the right to the domestic legislation to determine whether the person is fully liable to tax in that State. The second sentence, however, restricts the term

resident of a contracting state as defined in the first sentence not to include any person who is liable to tax in that State only of income from the Sources in that State or capital situated therein. The argument is that when read together, Article 4(1) and the tie-breaker test in Article 4(3) of the A-B treaty, the dual resident company may not be considered as a resident for the purposes of domestic law as well and, therefore, for all purposes the State in which the corporation is registered would lose forever its worldwide taxing rights and shall for all purposes be limited only to direct source based taxation. The explanation being that the term “resident” in the second sentence needs to be interpreted on the basis of treaty law. This can be augmented with the primary underlying assumption that the tax treaty is not limited for the purposes of the Convention and is applicable not only to treaty parties but also third state. However, few international authors are of the view that the residence definition in a given treaty is only applicable for that particular treaty

in distribution of retained earnings (deemed dividend distribution), triggering Dutch dividend withholding tax. The issue before the Dutch Supreme Court was whether the Netherlands was restricted from imposing the Dutch Dividend withholding tax on the deemed dividend payment under the Netherlands-Belgium treaty.

The Dutch Supreme Court ruled that as a consequence of the tie-breaker rule in the Tax Regulation, the company was subject to only limited taxation in the Netherlands and, therefore, could no longer be regarded as resident of the Netherlands within the meaning of Article 4(1) of the Netherlands–Belgium tax treaty. Accordingly, the Court ruled that the Netherlands was not entitled to levy any withholding tax. This would mean that, where an OECD-type treaty exists between the two states of residence of a dual resident company, the company gets the benefits of only those treaties with third countries that are concluded by the country of which the company



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and that the second sentence of the treaty cannot be interpreted in the light of another treaty definition. In other words, the restriction in the second sentence should also be read in similar fashion as read in the first sentence i.e., based on domestic tax legislation.

To derive the complete picture, it would be pertinent here to discuss the so-called “three countries case”. In this case a company based in the Netherlands moved its location of effective management to the Netherlands Antilles and thus became a dual resident company. Pursuant to the Tax Arrangement between the Netherlands and the Netherlands Antilles and Aruba, in substance equivalent to an income tax treaty – the dual residency was solved in favour of Netherlands Antilles under the tie-breaker rule of that tax arrangement. In 1992, the BV repurchased its own shares from a shareholder in Belgium which resulted

remains a resident for treaty purposes under the tie-breaker clause. Treaties of the other contracting state would not apply. However, the recent changes in the 2008 commentary may result in a contrary position being taken by the national courts while interpreting the treaty articles.

Double Credit by the Residence State

Article 23(A) and 23(B) are the double tax elimination methods and, therefore, would guide State R in eliminating the triple taxation that may be imposed on the Recipient on account of dual withholding in the two Source States and the domestic tax imposed on such income by State R. This solution would thus mandate State R to grant credit for taxes withheld in both States A and B. However, if the combined withholding tax is more than the tax levied in the Residence State or due to limitation of tax credit the entire withheld amount



Instances of source-source type of double taxation that are not resolved by the specific provisions of the treaty may be resolved through consultation between tax officials of the two treaty countries under the Mutual Agreement Procedure - an approach which has also been suggested by the OECD MC. The 2008 commentary on OECD MC has added Para 24.1 providing that considering that non frequency of cases relating to dual resident corporations and difficulties in determining the place of effective management on account of use of new communication technologies, countries may resolve the issues on a case to case basis and, therefore, settle the issues through the competent authorities.

is not available as tax credit, it may result in a disadvantage to the Recipient. However, this would also depend on the domestic legislation of the State.

However, State R may not be able to generate any tax revenue on such income on account of the credit to be given for the taxes so levied in both States A and B, and therefore the question may be whether State R would be inclined to give up its taxing rights in favour of the State which has had no role in aiding the generation of that income?

Conclusion

From the foregone discussion, it is discernible that the subject matter may not see a single solution as most treaties do not contain extensive source rules and treaties are bilateral in nature. Therefore, instances of source-source type of double taxation that are not resolved by the specific provisions of the treaty may be resolved through consultation between tax officials of the two treaty countries under the Mutual Agreement Procedure - an approach which has also been suggested by the OECD MC. The 2008 commentary on OECD MC has added Para 24.1 providing that considering that non frequency of cases relating to dual resident corporations and difficulties in determining the place of effective management on account of use of new communication technologies, countries may resolve the issues on a case to case basis and, therefore, settle the issues through the competent authorities. ■

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Valuation Practices in Emerging Markets: Issues Involved in Various Areas

The main purpose of this article is to explore the valuation practices in various investable areas of emerging markets. An attempt has been made to answer questions that deserve a fresh interest for researchers, investors, practitioners and policy holders. Amongst them are, what is an emerging market? What difficulties do one encounters while investing in an emerging market? What are the implications on the emerging market valuations with the changing approach of investors towards such economies? The article also helps to unveil the fundamental differences between emerging and developed nations, where constant efforts are being made to develop international practices for valuation of assets in a uniform manner.



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Emerging Economies are those countries which restructure themselves in “Global Economy sense” and offer numerous opportunities in wealth and value generation, trade prospects, technology transfers and foreign investment. So, most of the definitions refer emerging economies as low-income, rapid growth economies using economic liberalisation as their primary tool. The major emerging economies like India, China, Brazil, and Indonesia are the major success stories of the world. In 2003, Goldman Sachs predicted that sustained economic growth of Brazil, Russia, India and China (BRIC) would lift these countries to the top of list of world’s biggest economies. It is also predicted that from 2039, “BRIC-Countries” would exceed today’s six biggest economies. These countries have made a critical transition from developing countries to emerging countries and the combined effect of these countries is capable of changing the world economics and politics. The increasing investment of industrialised countries has led emerging economies to growth path through industrialisation, creation of more and more jobs and foreign investment. Now more than two-thirds of global output is being contributed by emerging economies.

Emerging markets possess the following characteristics:

1. Trade liberalisation
2. Increased investors' confidence
3. Steadily increasing foreign exchange reserves
4. Extensive foreign investment
5. Stable exchange rate

The increasing importance of emerging markets have thrown many challenges to practitioners and scholars, which is very vital for bringing out the differences between emerging economies and developed markets. Understanding of Emerging Markets has become an important affair in today's world primarily due to reasons stated as under:

Firstly, these emerging economies contribute a massive share to world output. Secondly, they are transitional economies which are engaged in undertaking rapid social and economic reforms. Thirdly, they differ from developed countries on account of accounting practices, tax procedures, volatility, corruption, corporate governance and control, liquidity, where all these factors significantly affect the valuation of firms in emerging economies. Fourthly, they are storehouses of economic resources, large markets, and large populations thereby resulting into material investment flows.

In the recent years, India has seen to be emerging laboratory of the world as a result of which many companies have made India to be their research and development centres. Moreover, with spurring investments in many emerging markets, it has become important to consider and understand various issues involved in valuation practices in various areas of emerging markets.

Issues Involved

Valuation of Mergers & Acquisitions in Emerging Markets

Nowadays most of the mergers and acquisitions (M&A) are taking place in emerging markets which have become the hub of low cost service and manufacturing centres. Valuations provide vital information at every stage i.e. before, during and after the deal process, whereby valuation of both tangible and intangible assets is crucial to arrive at final decision. However, for emerging markets the ground gets shakier, as fundamental principles, historical trends and past economic realities may be unusable.

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So, while evaluating M&A decisions in such economies, first of all nature and degree of risks should be identified, since these risks vary between developed and emerging economies. Frequently involved risks include political stability risk, cultural risks, sovereign risk, currency risk, informational risk and regulatory risks. After identifying about nature of these risks, next step should be to quantify such risks. Depending upon information available, different companies can use different methodologies like, probabilistic approach which gives due weightage to risk involved in cash flows, decision tree approach where all probable cash flows are considered with their corresponding probabilities amongst other available techniques of quantifying risks. Moreover, since these markets are emerging from 'past' so historical data may be unreliable for future projections.

In such a case one should always rely upon what is now rather than what was? In order to make success in such ventures one should take of local informational centres in the form of local advisors and other professionals. Thus, while negotiating a deal of mergers and acquisitions in emerging economies, a comprehensive survey of language, communication, data sharing factors should be done keeping in mind the broad spectrum of legal, tax, political, accounting and regulatory systems.



The question is how should valuation of such an important resource (knowledge capital: intangible asset) be done in emerging economies? There's no clear answer, as no precise and accurate valuation system could have been developed so far. However, one must be clear that knowledge capital consists of human knowledge/information, their innovation, intelligence and flexibility, which cannot be summarised in balance sheet figures. Thus, efforts should be made at international level to develop a system of internationally accepted accounting system of knowledge capital to give clear meaning to this concept.

Valuation of Knowledge Capital in Emerging Markets

The concept of knowledge capital has taken birth recently with the emergence of information and communication technologies. As per Ganesh Natarajan, knowledge capital is the documented knowledge that is available in such forms such as research papers, reports, books, articles, manuscripts, patents and software. Knowledge capital consists of artifacts of human mind that are stored outside the minds of authors and are, therefore, available to those who ever seek them. The essence of knowledge capital lies in the fact that it is being recognised as an important factor of production, like land, labour, capital and entrepreneur. In the recent years, India is being seen as hub of intellectual capital, market capital, development capital and also process capital. Most of the knowledge based capital operates in service sector of an economy. India gets more than 50% of its GDP from service sector based industries. Now the question is how should valuation of such an important resource (knowledge capital: intangible asset) be done in emerging economies? There's no clear answer, as no precise and accurate valuation system could have been developed so far. However, one must be clear that knowledge capital consists of human knowledge/information, their innovation, intelligence and flexibility, which cannot be summarised in balance sheet figures. Thus, efforts should be made at international level to develop a system of internationally accepted accounting system of knowledge capital to give clear meaning to this concept. Investors, while investing should recognise the earning potential of economy, given such valuable human resources which can turn developing nation into developed nation.

Moreover, various models have been developed by many researchers in an attempt to value such knowledgeable resources, such as Karl-Erik Sveiby's model where he categorised knowledge

capital into three categories: customer capital, individual capital and structural capital and such model was also adopted by Swedish council of service as their standard recommendation for corporate reporting. As per Skandia's model, an expected financial return of the intangible assets (intellectual capital) signifies the value of such assets. The other model given by Kaplan, R.S. & Norton, D.P. model suggests that companies, while investing, should use 'Balanced Score Card' which apart from regular financial measures, includes other indicators of company's performance also such as customer satisfaction, product quality, intellectual capital and so on.

Valuation of Outsourcing Activities in Emerging Markets

It is becoming more common for entrepreneurs of developed nations to outsource their activities to low cost service providers, which are emerging economies. The major forces behind the investment in such economies are the potential gains made by them. There is unlimited talent pool which brings number of multinationals to exploit lucrative profit earning opportunities of emerging nations. Now the investments made in emerging markets are driven by factors like Schedule Management where MNCs have to abide by the market schedule to meet deadlines and the quality and communication systems also affects the choice of destination amongst emerging economies as preferred investment centres. A careful scrutiny of risk and its associated factors also needs to be done whereby a security risk and macroeconomic risks need to be considered. The growth potential in terms of cheap labour availability, favourable vocational benefits, and tax benefits and government policies stability should also be given due weightage. It is also true that major outsourcing activities in emerging economies are related with IT (Information Technology) related investments, whose valuation in such economies is even a more

difficult task due to uncertainty prevailing in social, economic, political and legal structure. Therefore, the task of evaluating investments in the field of technology in emerging economies can be done by integrating value chain model with Activity Based Costing, as suggested by Narcyz Roztocki and Heinz Roland Weistroffer in their work. In their proposed framework, evaluation is done in four steps, whereby firstly, major activities of company are identified. Secondly, the costs of performing these activities are determined. Thirdly the impact of IT investment on the costs of each activity is estimated and in the last step future costs are estimated, which helps in identifying future improvement in costs, if any.

Valuation of Energy Projects in Emerging Markets

The financing of energy-based projects is a very complex task in Emerging Economies, as they require huge investments. Traditionally, Central and State Governments used to be the sole financiers of such projects, but with the passage of time the resource crunch in supporting energy sector projects has necessitated the entry of private players and international investors. Most of the new investments in energy sector-based projects are driven by desire to expand the existing assets network across the world. One of the important concerns of every investor remains to decide whether an investment is worthwhile or not. The answer to this query lies in evaluating the comprehensive factors of risks, i.e. economic risks, political risk and sector and sub-sector risk. Many energy-based projects are subject to environmental concerns which have led financiers to review the environmental issues in different economies before undertaking investment plan. Among the key sources of success, every potential investor should usually focus on availability of resource, technology, sponsor (developer) and financing institution. The analysis of expected future cash flows from projects should also be carried out keeping in mind their energy/power generation capability.



The different factors which should be considered while evaluating ventures in emerging markets include People, Opportunity, Context, and Deal. While evaluating people in Emerging markets, one should keep in mind quality of professional expertise, academic background, their skills and capabilities. It is a challenging job to evaluate human factor as it is hard to recognise and assess their value. Opportunities in such markets are often characterised by their market growth & size and barriers to entry, which is complicated by lack of sufficient data availability.

Valuation of Portfolio Investments in Emerging Markets

One of the major contributors to economic growth of emerging economies is the steady rise in capital flows, of which portfolio investments constitute a sizeable portion. However, among the factors which explain the portfolio investment in emerging markets are the performance of these markets, degree of financial integration present in such markets, reliable reporting practices, benchmark indices, managerial performance and so on.

The rush to invest in places like India, China etc. will continue in near future, but in order to understand these flows better, investor should pay attention to receiving countries (emerging economies) key aspects – stability, trade, savings, investment and growth. Various researches have been done in the past to examine portfolio allocations in emerging countries like by Li (2002) who found that development of financial intermediaries and openness to trade contributes to capitalisation growth in emerging markets. Similarly, researches done by others too at different times do provide that emerging markets provide attractive portfolio diversification opportunities.

Changing Approach Towards Emerging Economies

The rise of emerging economies has changed the outlook of investors towards such economies in the sense that they have become the hub of foreign investment rather than foreign assistance. Moreover, opening up of economies through liberalisation has further assisted these economies to rationalise their trade relations and capital investment with developed countries. The global integration in terms of financial integration, technological and informational integration have helped to lessen the distance between emerging and developed economies. The very basic emerging markets' willingness & motivation, their



Since emerging markets seek to compete effectively with multinationals from developed countries, they should focus on governmental support in their home economy, develop capabilities in the form of resource based advantage, strategic alliances, new techniques of innovation and technology building processes. Emerging markets are also expected to initiate steps to overcome product market constraints through exploitation of structural changes and niche opportunities.

capabilities and product market opportunities enables them to ascend value curve in international markets. Adding an additional market in investment list also provides the benefit of diversification, which in other words means “not putting all eggs in the same basket”. It is prudent to discuss with financial advisors before investing in emerging markets, as these markets are subject to factors such as political and economic instability.

There are different factors as suggested by Bill Sahman, which should be considered while evaluating ventures in emerging markets:

1. People
2. Opportunity
3. Context
4. Deal

While evaluating people in Emerging markets, one should keep in mind quality of professional expertise, academic background, their skills and capabilities. It is a challenging job to evaluate human factor as it is hard to recognise and assess their value. Opportunities in such markets are often characterised by their market growth and size and barriers to entry, which is complicated by lack of sufficient data availability. In developed markets plethora of data is available to assess market but in emerging markets the market research is the context in which venture needs to be started is scrutinised by review of its current state and future trends. Often, it has been found useful to analyze possible future changes in emerging economies and to what extent they are able to capitalise such changes in an opportunistic manner. For example, India had experienced rapid increase in growth rate of services sector which is likely to cause changes in governance of services sector, their regulation, and market outlook, thereby making it difficult for entrepreneurs to predict about probable market in near

future. While the very basic deal is considered after doing its valuation, finding financial instruments to support the deal and lastly by giving due weightage to a feature of legal protection of place.

Implications on Emerging Markets

Since emerging markets seek to compete effectively with multinationals from developed countries, they should focus on governmental support in their home economy, develop capabilities in the form of resource based advantage, strategic alliances, new techniques of innovation and technology building processes. Emerging markets are also expected to initiate steps to overcome product market constraints through exploitation of structural changes and niche opportunities. The growing importance of emerging economies is increasingly recognised by economic and political decision makers which have resulted into various forums to enhance international co-operation and development. The established industrialised nations have also started considering admission of India, China, Brazil and Russia into the discussion of vital talks concerning the global issues. With varying application criteria, the countries have been grouped into groups like BRIC, Anchor-Countries, Outreach-Countries and Enhanced Engagement Countries. The various forums aim to focus on reducing poverty, protecting global environment, providing regional security. However, with this the emerging country also needs to be alert as many forces in industrialised nations are highly skeptical about weakening of established business locations, norms about social and environmental standards, increasing competition about resources and markets. As outsourcing-based activities are transferred to emerging nations, the issues of technology and know-how transfer are also gaining importance. In this respect, conflict on Intellectual Property Rights (IPR) needs to be resolved.



There is no standard list of countries to be included in emerging markets, because different countries have arrived at different stages of transition at any one point of time. Also, the term “emerging markets” may mean different things in different contexts, for example in international finance it means emerging equity markets. Moreover, emerging economies are not even homogeneous amongst their geographic region.

Lastly, the following issues need to be considered while valuing any deal in emerging economies:

Information Availability of Firms in Emerging Economies: The value of firm depends upon the availability of its past and probable future information. One can get information from many useful sources like, financial statements, external sources like industry publications and government reports, analysts forecast about possible scenarios of firm’s conditions. It is also true that accounting standards, their application, and disclosure norms also vary to a significant extent in developed and emerging economies. For developed markets, it is fairly easy to assess the degree of transparency and availability of information which, on the other hand, is a challenging task in emerging nations.

Control of Corruption: Corruption and bribery are widespread. To what extent does a country suffers from corruption and poor corporate governance also affects the decision making of company’s management and impedes the development process. Dominance of weaker financial institutions and corrupt environment leads to incorrect valuation of assets in emerging markets. Corruption affects the value of firm through reduced investment, expropriation of cash flows and incomplete supply of vital information.

Inflation Effects in Emerging Economies: Any valuation in emerging markets is also affected by its likely Inflation effects. Various researches have been done to examine whether valuations should be performed in nominal or real terms.

Transaction Costs: An attempt to understand enterprise strategies of emerging markets, calls for in-depth knowledge of transaction economics. Most of the transaction cost economics has been primarily applied to developed markets characterised by strong legal and social regimes while less is known about governance structures in emerging economies. In a study by Choi, Lee and Kim (1999) it has been hypothesised that measurement and

enforcement are the two critically important transaction costs in emerging economies. In a country where price system does not provide accurate signal for efficient resource allocation, measurement costs would be high.

Institutional Infrastructure: These infrastructures to support market based system are still weak, particularly in emerging economies. Firms may defer entry if creation of asset specific investment under the conditions of external or internal uncertainty, thereby suggesting opportunistic behaviour by emerging market governments.

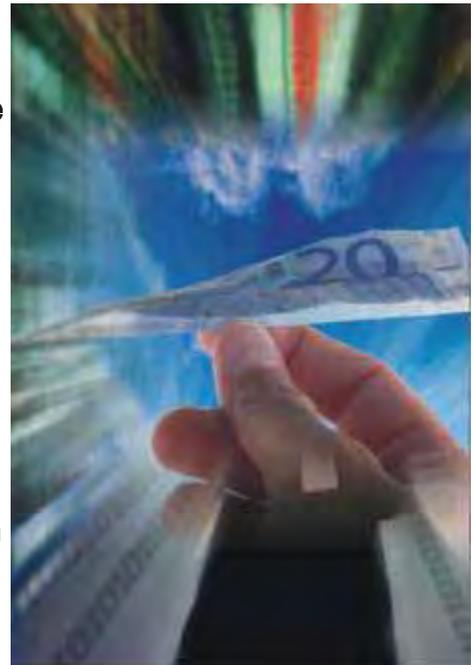
Performance Measurement: The impact of strategy on performance is relatively problematic in emerging economies. A comparison of financial performance over different periods of time becomes difficult due to different systems of financial reporting prevalent in various markets. The problems are especially acute in case of private firms of emerging economies where there are widespread attempts to hide profits from organised and state sector.

Conclusion

There is no standard list of countries to be included in emerging markets, because different countries have arrived at different stages of transition at any one point of time. Also, the term “emerging markets” may mean different things in different contexts, for example in international finance it means emerging equity markets. Moreover, emerging economies are not even homogeneous amongst their geographic region. For instance, in Asia, economies like China, India and Vietnam are different from another emerging economy like Korea in Asia itself. Thus the term “emerging” suggests a process which takes place considerably over a period of time. Public and private enterprises have to develop flexible strategies to deal with scope and rapidity with which political and economic change is being experienced by emerging economies. ■

Leveraging Activity-Based Costing to Enhance Enterprise Value

In these times, if companies have to succeed and outperform competition, they need to focus on cost optimisation and value creation. In these times, the forward looking companies focus on improving their competitive position by realising value through cost-cutting and investments made during recession to create win-win situations - that will help them not only through turbulent times but in good times as well. Companies that adopt Activity-Based Costing can achieve sustainable, long-term benefits by aligning profit maximisation and cost optimisation objectives to their long-term vision and strategy. ABC projects pay back in less than a year and result in profit improvement of 1-2% of sales. This paper explains ABC methodology and highlights the potentials of its application.



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With the economic global crisis still continuing to some extent, companies worldwide have been experiencing severe revenue and cost pressures, declining market value and liquidity crunch. The International Monetary Fund (IMF) has forecast three per cent GDP growth in 2010 with much of growth being driven by emerging economies. In addition to the economic downturn, business environment is getting complex on account of increasing global competition, technological capability, product proliferation and stringent regulatory requirements. In these times, if companies have to succeed and outperform competition, they need to focus on cost optimisation and value creation.

While most companies resort to tactical improvements to tide over short-term difficulties – by reducing FTE count, postponing or cutting down non-critical investments, pruning selling and administrative expenses, etc., forward-looking companies seek out transformational opportunities. Such companies focus on improving their competitive position by realising value through cost-cutting and investments made during recession to create win-win situations - that will help them not only through turbulent times but in good times as well.

One such transformational methodology, which is used by companies worldwide, is Activity-Based Costing (ABC). ABC was introduced as a continuous improvement methodology in the 1980s by Kaplan and Robin Cooper and is today used as a performance management tool by organisations. According to Kaplan, ABC projects pay back in less than a year and result in profit improvement of 1-2% of sales.

Background

During a period of downturn, it is vital for companies to know how to reduce costs without compromising quality. The increased use of information technologies and the effects of globalisation have created a more competitive environment in which a low cost structure often becomes a critical success factor.

Costs incurred by companies are normally divided into direct and indirect (or overhead) costs. It is fairly easy for companies to track and aggregate the direct cost (material, direct labour and other direct expenses) of the products manufactured. While indirect costs cannot be linked to products, they are, nevertheless, required for effective functioning of businesses. Some examples of overhead costs include – general administrative expenses, material related costs such as procurement, transportation, receiving and inspection, etc.

Both direct and indirect costs need to be allocated to the products and the total costs incurred will determine the price points at which the products would be sold by the company. In traditional costing, allocation of indirect costs to the product is based on a single activity (also referred to as cost) driver, typically direct labour hours or any other arbitrary measure. As a result, products that have not consumed a particular indirect expense are forced to share some burden of the cost. While traditional costing might be easy

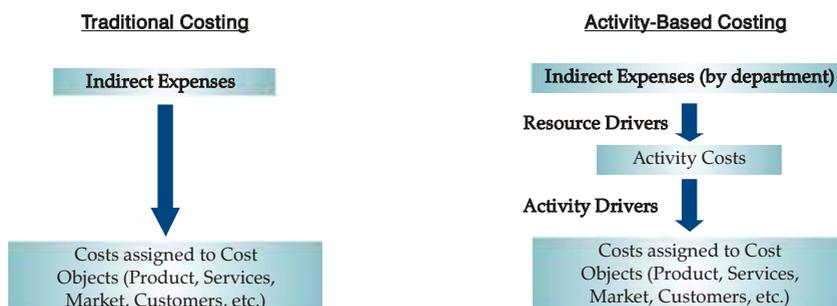
to implement, it can lead to inaccuracy in tracking and reporting product costs and profitability.

As companies diversify their product portfolio and/or expand their geographical presence, the proportion of overheads to the total cost increases on account of various factors including increase in volume of production, support headcount, centralisation of common functions, investments in technology, etc. In such situations accurate allocation of indirect costs to products becomes critical as it can significantly distort product costs leading to erroneous costing, pricing of various products and might lead the management to take decisions that could affect the company in the long run.

What is Activity-Based Costing?

ABC methodology can solve the problems arising from traditional costing methodology. Rather than relying on a single driver to distribute indirect costs, ABC allocates, with the help of activity drivers, indirect costs to products based on how these costs are actually consumed by products. In other words, with the help of ABC, indirect costs can be traced to products depending on “consumption of resources by products”. Accuracy in cost allocation will equip the managers with sufficient and accurate information required to drive decisions that can lead to cost optimisation and improvement in effectiveness of business.

In Activity-Based Costing, multiple activities are identified at various levels within the company and the costs associated with these activities are aggregated into common cost pools. The events within these activities that lead to costs being incurred are called activity drivers. Activity drivers are used to apply overhead costs to products and other cost objects. ABC, thereby, provides more accurate cost estimates of the product than traditional costing.





ABC methodology can solve the problems arising from traditional costing methodology. Rather than relying on a single driver to distribute indirect costs, ABC allocates, with the help of activity drivers, indirect costs to products based on how these costs are actually consumed by products. In other words, with the help of ABC, indirect costs can be traced to products depending on “consumption of resources by products”.

By adopting ABC model, companies can ensure that products that do not require certain activities are not forced to bear any portion of costs associated with those activities, as they would be expected to under the traditional costing method. For example, if a firm manufactures a product that requires zero inspection, the product will not be forced to share the burden of inspection costs as part of its overhead allocation.

Companies that have invested in ERP systems can benefit considerably by integrating their ERP systems with ABC software. Most of the application vendors now offer ABC module as part of their service offerings. There are several ABC software packages available that can import base data for all transactions from ERP and generate reports on product costing and profitability within a short period of time. With ABC software, it is possible to report profitability down to the line item level on every sales order booked by a company. However, for ABC data to be of use to senior management, it is essential to ensure application of ABC information into a proper decision making framework in the company.

ABC Model Building

The basic premise for building an ABC model is the following –

- Production of goods and services requires consumption of resources (e.g material, labour, machinery, etc.).
- Cost is incurred on activities (procurement, selling, administration, etc.) of the company.
- Activities are incurred to manufacture and sell products to customers.
- The cost of a product is the sum of all costs (direct + indirect) required to manufacture and sell the product.

The steps involved in ABC model building have been briefly discussed below.

Creation of Cost Pools

The first step in building an ABC model is determination of cost pools or groups in which the costs of indirect activities will be identified and aggregated. Creation of cost pools involve grouping of similar resources for ease in assignment to activities in ABC software. Some of the costs pools commonly used are – Salaries, Travel, Communication Cost, Quality Control etc. Alternatively the costs could be grouped based on the source cost centres or any other cost center group based on a pre-defined design in the ERP.

The number of cost pools created would vary depending on the size and complexity of the company. It is also important to note that some of the costs, if they are minor or difficult to allocate using activity drivers, may not be included in any cost pool and would be aggregated and allocated using a single activity driver.

Identification of Activities

The next step is to identify activities that support the production processes of a company. Any task undertaken by a company during the production or selling process is defined as an activity. An activity incurs a cost every time it occurs. Some examples of activities are- testing new products, issuing purchase orders to suppliers, setting up equipment for production, new product design, etc.





One activity driver is typically chosen for each cost pool. If one or more cost pools use the same activity driver, then the cost pools could be combined for purposes of computing product cost. Constant monitoring is necessary to ensure relevance of activity drivers. The key to successful ABC implementation is the identification of the most appropriate activity drivers that trace the costs of the activities back to the products.

Activities are normally organised into multiple levels such as – product level (product enhancement, re-engineering, etc), batch level (machine set-ups, quality checks, etc.), unit level (machine hours, labour hours, etc.) and organisational level (building repair, security, etc.) activities. Activities should be combined within a level only if they are highly correlated. All activities might not coincide with cost centres created but would represent a group of similar transactions that characterise indirect cost incurred by the company. More than one cost pool can be established for each activity.

Determining Activity Drivers For the Activities

Activity drivers are used to allocate costs of activities to the products based on the quantum of resources used by the product. It is important to select appropriate drivers based on the type of activity and the benefits accrued to the products (or other cost objects) on account of the activity as it will have an impact on product cost. In other words, there needs to be a high degree of correlation between consumption of activity implied by the activity driver and the actual consumption of the activity. For example, activity driver for allocation of fuel charges could be the number of kms clocked by the vehicles; activity driver for allocation of rental charges could be the space occupied, etc.

Data on the activity drivers must be easy to obtain and quantify. Activity drivers determine the application of costs, which in turn, can affect individual performance measures. Therefore, it is important to ensure judicious use of activity drivers to increase accuracy of product costs. In most of the ABC implementations, hundreds of activity drivers are identified to ensure accurate product costing.

One activity driver is typically chosen for each cost pool. If one or more cost pools use the same activity driver, then the cost pools could be combined for purposes of computing product cost. Constant monitoring is necessary to ensure relevance of activity drivers. Additional activity drivers might be introduced or existing activity drivers may be changed according to user requirements.

The key to successful ABC implementation is the identification of the most appropriate activity drivers that trace the costs of the activities back to the products.

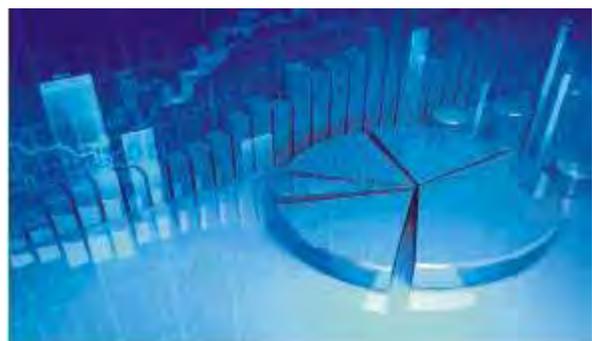
Tracing Costs to Activities

Once the activities have been identified, costs associated with those activities have to be aggregated in the cost pools. The costs aggregated in cost pools are assigned to products in a manner that reflects the proportion of resources consumed by the products. Costs associated with activities are allocated with the help of “activity drivers”.

It is important for a company to understand the cost of carrying out each activity so that it can identify ways of cost reduction, thereby adding value to the operations.

Assignment of Costs to Cost Objects

Determination of cost objects is an important activity in ABC implementation and will help in driving sound data-driven management decisions. A cost object is an activity, item or





Traditional costing systems cannot help companies accurately trace cost base to each cost object leading to highly distorted view of the company's economic model resulting in sub-optimal management decisions. By moving away from traditional cost allocation methods and using improved methods of tracing and assignment of indirect expenses, ABC can equip managers with cost intelligence required to drive continuous process improvements by helping them find ways to reduce costs and measuring profitability with greater accuracy.

segment for which cost and profit need to be determined and reported. Some of the cost objects that are typically identified by companies are – products, markets, customers, channels, etc. Configuration of unique cost object codes in ABC software is essential to facilitate data collection and reporting. Costs allocated to cost objects need to be reconciled with the General Ledger base data in ERP to ensure accuracy.

Activity costs identified are assigned to cost objects based on the extent of usage of resources by the cost objects. The application of costs to cost objects is done with the help of what are called application rates. Application rates are computed for each activity driver.

Once the final results of indirect cost allocations are collected in a data table and shared with business units for validation, the user groups will be able to extract pre-defined cost and profitability reports across multiple dimensions within a few days of month-end close. With the help of these reports, management can observe the cost of major overhead activities performed in each of the user groups and make more informed business decisions.

How ABC Has Helped Companies

By ensuring accurate allocation of indirect costs and thereby providing relevant cost information across cost objects, ABC has helped managers realise short-term benefits by streamlining operations, eliminating waste and identifying non-critical capacity. ABC is useful at helping separate profitable customers from money-losers.

On a long term basis, ABC has helped in redefining customer relationships to create

financial benefits and providing a more accurate and detailed understanding of the company's economic model. Companies could then trim their offerings and prioritise resources to focus on their high-margin, best selling products and retain customers.

Conclusion

Traditional costing systems cannot help companies accurately trace cost base to each cost object leading to highly distorted view of the company's economic model resulting in sub-optimal management decisions. By moving away from traditional cost allocation methods and using improved methods of tracing and assignment of indirect expenses, ABC can equip managers with cost intelligence required to drive continuous process improvements by helping them find ways to reduce costs and measuring profitability with greater accuracy. ABC provides managers with a clearer picture of key product, customer and profitability data required to support commercial decision-making. ABC is complex, but if implemented properly, can be cost effective and, more importantly, create sustainable value for companies in the long run.



Currency Futures: An Insight



As a logical response to the global challenges and opportunities, India's commitment in terms of providing robust financial system was reiterated when it recently allowed currency futures trading. In 1992, India strengthened the capital market space by establishing the National Stock Exchange. Between November 2002 and December 2003, the three premier commodity exchanges – MCX, NCDEX and NMCE were established. With the onset of the exchange driven currency futures, Indian financial market is now inclusive.



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Prologue

A currency future is a derivative contract to buy or sell one currency against the other currency on a specified future date at the price agreed on the day of contract. At the outset, the premier exchanges-NSE, BSE and MCX were shortlisted to list currency futures. In fact the Currency Derivatives segment at NSE went live on August 29, 2008, and with this the exchange traded currency futures trading began in India. After about two months, Bombay Stock Exchange and the MCX-SX also joined the league. The turnover in NSE and MCX-SX has witnessed a sharp increase. In the wake of the fact that the volume of Indian foreign trade is growing at a rapid rate, currency futures trading is a welcome move. Moreover, the INR-USD exchange rate swung widely in the last one year. Both the exporters and importers were taken by surprise. India, sooner or later, would go for capital account convertibility. As a result, this is the opportune time for the onset of currency futures trading in India.

It was Chicago Mercantile Exchange which started currency futures for the first time in the world way back in 1972. Other developed countries followed the suit. In India, there is an active OTC market for forwards with an average daily turnover of US \$ 34 billion. Banks and corporate houses take part in this OTC market. RBI-SEBI partnership made the vision of currency futures trading a reality. RBI-SEBI Standing Technical Committee believes that the robust forex derivative market (both OTC and exchange traded) is imperative for Indian forex market to match with international standards. India has witnessed a sharp hike in currency futures turnover. In fact, the turnover in currency futures in the entire Asia-Pacific region has increased dramatically in 2009 from \$ 127 billion in the first quarter to \$ 692 billion in the third quarter. Participation of merchants (importers and exporters) in the OTC market has declined from 62 per cent in November 2008 to 30 per cent in August 2009. Since the OTC markets could not address the need of micro, small and medium-scale enterprises, this made banks and other institutions push the exchange-traded currency derivatives product.

Terms Defined

Currency Futures means a standardised foreign exchange derivative contract traded on a recognised stock exchange to buy or sell one currency against another on a specified future date, at a price specified on the date of contract, but

does not include a forward contract. Currency Futures market means the market in which currency futures are traded.

Indian Forex Market

Foreign Exchange Management Act (FEMA) is the law which regulates the forex market. Reserve Bank of India (RBI) is the regulatory authority for the Indian forex market, but the Exchange Traded Currency Futures market is regulated by SEBI through the recognised stock exchanges. RBI has licensed authorised dealers who can participate directly in the forex market. These are usually scheduled commercial banks. Apart from scheduled commercial banks, a set of participants who are the Full Fledged Money Changers (FFMCs) are granted licence to undertake certain currency transactions with the general public.

Trading in the Currency Futures Market in India

The currency futures trading is open to all – individuals, banks, corporate houses, etc. with the exception of NRIs and FIIs. NRIs and FIIs are barred from trading in currency futures. Currently there are 1,450 members and 11 banks registered under Currency Derivative Segment and that number is likely to go up. The participants may be segregated into three parts in so far as the objective/motive behind the trading – speculators, hedgers and arbitrageurs.

Overview of the Foreign Exchange Market

WORLD HISTORY	INDIAN HISTORY
<ul style="list-style-type: none"> • August 15, 1971: Bretton Woods agreement collapsed and hence the fixed exchange rates [gold standard] regime ended. • May 16, 1972: CME created FX futures, the first ever financial futures contracts, under the leadership of Leo Melamed, CME Chairman Emeritus. As of now CME offers forex futures on 19 currencies traded against USD and cross-rate foreign exchange products that are non-U.S.-dollar pairs. CME also offers options on currency futures. Other exchanges where currency derivatives are traded include NYSEEuronext. Liffe [Main contracts: Futures & Options in USD/EUR & EUR/USD], Tokyo Financial Exchange [EUR/YEN Futures] • June 7, 2007: In a landmark development, 	<p>Till 1992: Exchange rate was pegged March 1992: Partial floating March 1993: Full floating August 1994: Current account convertibility April 2007: RBI set up an Internal Working Group to explore the advantages of introducing currency futures. February 28, 2008: Constitution of RBI-SEBI Standing Technical Committee to lay down the framework for the launch of Exchange Traded Currency Futures April 2008: Internal Working Group of RBI recommended the introduction of exchange traded currency futures. May 29, 2008: Submission of report by RBI-SEBI Standing Technical Committee August 1, 2008: RBI amendments in the Foreign Exchange Management (Foreign Exchange</p>

Dubai Gold & Commodities Exchange [DGCX] introduced the world's first exchange traded Indian Rupee currency futures contract in addition to 3 major currencies already listed - Euro-Dollar, Yen-Dollar and Sterling-Dollar.

Derivative Contracts) Regulations, 2000

August 6, 2008: RBI issued Currency Futures (Reserve Bank) Directions, 2008

August 29, 2008: Beginning of currency futures trading on NSE.

October 01, 2008: The Bombay Stock Exchange (BSE) launches Currency Futures.

October 2008: The MCX Stock Exchange (MCX-SX) launches Currency Futures.

July 2009: MCX-SX's Currency Futures daily turnover raised more than ten-fold from Rs. 324 crore when it launched to Rs. 3,838 crore.

Benefits of Currency Derivatives

Only after the demise of gold standard and with the onset of free-float currency regime, the currency derivative trading got the attention of the business world. The FX market is unique as there are no bear markets. The concept of currency futures was revolutionary, gaining credibility through the endorsement of Nobel-prize-winning economist Milton Friedman. Currency future as a derivative instrument is a tool for hedging, speculating and arbitraging. This tool is all the more important when the price of the underlying asset swings widely. The INR/USD exchange rate behaviour in the last couple of years is plotted on the following graph:



Graph showing INR/USD Rates during 01 Jan, 2004 to 07 Nov, 2009.

Source: Data Input from www.oanda.com/convert/fxhistory

Advantages of Currency Derivatives

Price discovery: It is a process whereby suppliers and consumers jointly arrive at a price at which trade does materialise. Exchange traded currency futures bring more traders to the floor and thereby facilitates price discovery. Various statistical tests indicate that following the introduction of the derivative contracts, the underlying exchange rates became more random and the currencies involved tended thus to be priced more efficiently.

Hedging: The banks can hedge the forex rate risks arising out of their exposure to loans, where the prices of underlying securities/commodities (pledged/hypothecated) fluctuate from time to time. India imports 70 per cent of its crude oil requirement. It does well to use currency derivative for hedging currency exchange rate risk. Similarly, all commodity consuming (import of commodities) and commodity producing (export of commodities) companies can guard themselves against forex rate fluctuations from currency futures.

Recently, Indian IT industry took a lot of beating due to appreciation of INR vis-à-vis US \$, but was rescued to some extent due to forward cover. Indian exporters protect themselves against erratic movement of exchange rate by forward cover. Major IT companies have hedged dollar receivables anywhere between US \$ 1.5 to 2.5 billion for the financial year 2009. But there are inherent flaws/abuses of forward trading in terms of counter party risk, absence of regulatory framework and so on. Traders opine that over-the-counter (OTC) forex has a hedging advantage, but is more costly due to many veiled charges.

The shock emanating from the commodity-price volatility can not be fully insured by commodity derivatives only. Comprehensive insurance can be had only when currency derivative is also resorted to. German Volkswagen had a fantastic export market for its Beetle model in the US before 1970, but with the demise of Brettonwood system of fixed exchange rates, the German currency appreciated vis-à-vis US \$. As a result, the price of the car went up in the US and hence the demand for Beetle dwindled in US. The point to be noted is the shift in exchange rate system from fixed to floating did the damage.

Mark to Market: In futures trading the profits or losses are collected/paid on a daily, i.e., mark to market basis. In forward/OTC contract, on the other hand, the profits or losses are ascertained

only on the date of settlement. Hence, futures trading will be advantageous for the market participants as the scope for building up of mark to market losses in the books of various participants gets limited.

Opportunity for Small and Micro Traders: In case of forward market, the market volume is customised and the amount involved is generally huge. The micro/small/medium enterprises may find it superfluous. The exchange traded futures are standardised and the contract volume size is participants friendly. For example, the contract size for currency futures in India is USD 1000 only.

Rules

The RBI-SEBI Standing Technical Committee provides, *inter alia*, the following rules:

1. RBI and SEBI are jointly to regulate currency futures trading. In fact the RBI-SEBI Standing Technical Committee was given the following terms of reference:
 - To co-ordinate the regulatory roles of the RBI and the SEBI in regard to trading of Currency and Interest Rate Futures on the Exchanges.
 - To suggest the eligibility norms for existing and new Exchanges for Currency and Interest Rate Futures trading.
 - To suggest eligibility criteria for the members of such exchanges.
 - To review product design, margin requirements and other risk mitigation measures on an ongoing basis.
 - To suggest surveillance mechanism and dissemination of market information.
 - To consider microstructure issues, in the overall interest of financial stability.
2. The underlying asset is USD/INR. To begin with



Reserve Bank of India (RBI) is the regulatory authority for the Indian forex market but the Exchange Traded Currency Futures market is regulated by SEBI through the recognised stock exchanges. RBI has licensed authorised dealers who can participate directly in the forex market. These are usually scheduled commercial banks.

only USD-Indian rupee currency futures are allowed to be traded on the exchanges. Options are not allowed.

3. NRIs and FIIs are barred from trading in currency futures.
4. The contract size will be of US \$ 1000 and the tick size 0.25 paise. As the contract size is the small/marginal exporters and importers can participate. The tick size represents minimum change in the price of the underlying.
5. Contracts will be traded/quoted and settled in Indian rupees. However, the outstanding positions would be in dollar terms.
6. There will be 12 monthly contracts starting with the current month onwards. The near-month contract will trade till 12 noon on the second day prior to the last business day of the month. The final settlement will be on the last business day of the month and shall be based on the RBI's reference rate on the last trading day of the month. The methodology of computation and dissemination of the Reference Rate may be publicly disclosed by RBI. The daily trading hours for the contracts will be from 9 a.m. to 5 p.m.
7. The trade in currency futures will co-exist with the prevalent OTC market for forwards where the banks and corporations have been hedging their foreign currency risks so far.

Situation Now

To summarise, as of now, in India, the exchange-driven currency futures is the talk of the town. Indian market is now inclusive as we have capital market, commodities market, currency futures market and Interest Rate Futures market as well. Exchange-traded currency derivatives, which made a hesitant beginning in the second half of 2008, are gaining currency, giving the over-the-counter (OTC) market for foreign exchange a run for its money. Average turnover of these instruments in the National Stock Exchange and MCX Stock Exchange (MCX-SX) in December was nine times higher than a year earlier.

However, one must not relax and sit back. SEBI has allowed trading only in USD. In the days to come more currencies would be added, as some local trade bodies have made representations to the SEBI and the RBI to introduce cross-currency futures and other currency pairs such as rupee and yen. To reap the benefits of currency futures, volume is the key. Therefore, FIIs must be permitted to take part in the currency futures trading.

Shared Service - A Journey to Excellence

'Shared Services' is a concept which has evolved multifold and multi-dimensional and has been adopted by many large organisations. It had laid its footprints as a cost reduction and a quality enhancement initiative by many companies but now it has grown far beyond that as a Business Transformation tool breaking boundaries and evolving world class processes. According to Hackett's research, 93 per cent of all large companies today are making extensive use of Shared Service organisations. A shared service centre enables bringing together experience in a specific field independent to the business. This article explores the concept.



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A standard definition of shared services is "the provision of a service by one part of an organisation or group where that service had previously been found in more than one part of the organisation or group. Thus the funding and resourcing of the service is shared and the providing department effectively becomes an internal service provider. The key is the idea of 'sharing' within an organisation or group."

The most common business support functions operated out of Shared Services are Human Resources, Information Technology, Finance, Procurement, Office Services and Legal. It spans into multiple areas like accounts payable, accounts receivable, budgeting, cost accounting, collections, credit management, customer billing, external reporting, strategic planning support, fixed assets management, tax accounting and tax planning to name a few.

Why Shared Service

If Pareto's law is applied to the functioning of any organisation, it can be observed that 60-70 per cent of the time is spent on managing processes which contribute to 20-30 per cent of the organisation's core

business driver. It could be accounts payable or receivable management, banking operations or other processes which can be technically termed as Administration or Operations. As an organisation grows in size, complexity and locations, these activities multiply in scope and dimension and it becomes imperative to restructure in order to focus the organisational efforts into creating core business value.

A shared service centre enables bringing together experience in a specific field independent to the business. Chart below brings out the clearly the difference between a decentralised service or a centralised service vis-a-vis a Shared Service. They are fundamentally different in ways of working as well as deliverables and are the stepping platforms for evolution of an organisation.

Why Shared Services?



Setting up a Shared Service

The decision to set up a shared service centre is a very critical and requires commitment on cost, resources and time. The first phase is the high level decision which is to be supported by a business case clearly enumerating the need, approach and deliverables. This is to be coupled by an IRR evaluation. Once the business decision is taken to set up a shared service, the detailed phase begins comprising of the following broad steps:

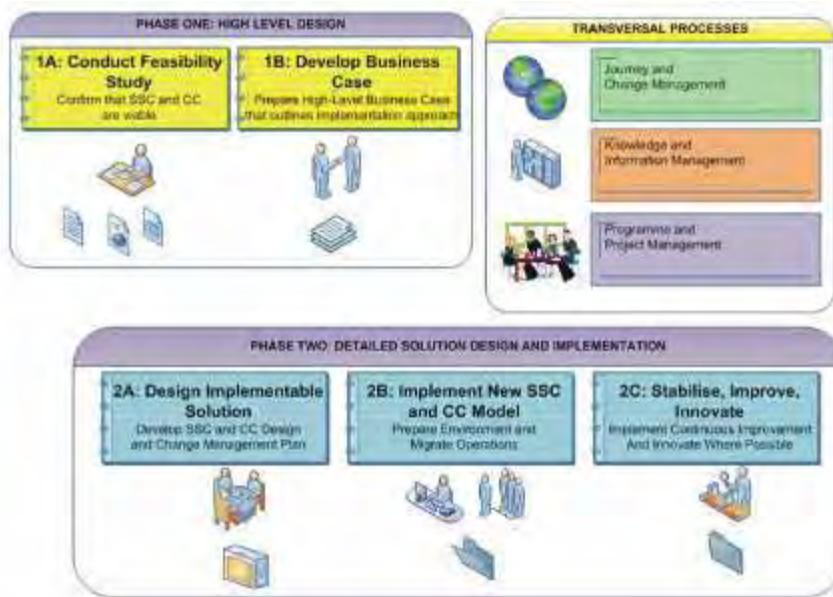
Business Requirement Definition: This phase comprises current understanding, assignment approach, resource plan and cost estimation, high level timings and understanding business needs and scope. This will form the basis of the documentation of the proposal document.

As is Process Analysis: As is process mapping also includes understanding of current costs and KPI, issues and opportunities understanding, metrics and Data Collection.

To Be Process Definition: This is the most critical phase which involves Gap Analysis including functionality, resource skill profiling and Change Management Processes. This phase also includes research on vendor, system and customer.

System Procurement and Implementation: This is the execution phase which involves setting up the system enablers, implementing the strategy, communication management and training.

Sustenance and Continuous Improvement: This is a never ending virtuous cycle which every shared service should endeavour to enable and sustain.



Benefits of Setting Up a Shared Service

Cost Savings: The traditional and the most dominant benefit of setting up a shared service centre is the cost saving it delivers. The savings on cost accrue on multiple accounts like economies of scale, better buying power in terms of human capital, services, vendor licenses, etc., elimination of redundancies, parallel training and support requirements, re-use of infrastructure, interoperability across the enterprise and speed of deployment.

Improved Processes: Repetitive transaction processing creates increased efficiency and flexible use of resources for maximising benefit.

Quality of Service: All processes are Service Level Agreement (SLA)-driven and hence timely and accurate output can be taken for granted. Owing to higher degree of staff specialisation and focus on clear deliverables, a shared service set-up delivers a high service quality.

Enhanced Controls: Management Assurance is a key pre-requisite for effective functioning of any company. Standardised processes facilitate improved internal controls, structured audit mechanisms and enhanced visibility.

Growth Capabilities: A shared service set up lays the platform for next level business processes, enabling technology, creation of self service business information warehouse and facilitates organisational change.

Transparency: A shared service is backed up by structured review and governance protocol and all activities are measured through clearly defined Key Performance Indicators (KPIs). This establishes a transparent business model and provides enhanced confidence to the senior management on the Processes.

Key Enablers to Setting up a Shared Service

Uniform IT systems: The first step to setting up a shared service centre is to set up an integrated

ERP to handle the centralised transaction processes. Implementation of an IT system is not a mere consolidation tool. It is a platform for process re-engineering. Case Study 1 is a real life example of a business transformation achieved as a part of consolidating IT systems. Few key decision points are the choice of the ERP, the infrastructure, and the contribution of the technology partner in the project life cycle. It is strongly recommended to avoid extensive customizations as it affects scalability.

Case Study 1

ABCD had invested vast sums buying licenses of latest technology on which the market turned conservative and sales came in the front line of attack. ABCD's very survival hinged on a business model that needed to be highly adaptive and flexible to be able to face the challenges head-on. ABCD decided to consolidate activities in both process areas and to re-engineer ways of working. A key element of the strategy was to establish a Support Centre (SC) for specific cluster of countries to facilitate service efficiency, quality and create organisational flexibility.

The decision, affecting local companies in 17 countries, demanded one of the biggest transformations in ABCD's long history. The SC would provide Shared Services to involved businesses, re-engineer and standardise business processes, and support deployment of global, enabling business applications. ABCD decided to standardise in-scope systems and processes and integrate them into a common IT Solution on an ERP Platform and incorporating an e-Procurement solution to facilitate a seamless Purchase-to-Pay (eP2P) process. The SC service delivery model was designed to consolidate in four hubs. During the set-up phase, it was decided to consolidate

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A shared service set up must be very customer-focused. It must never judge or control its customers, or say "we know what's best for you." If there's a need for auditing business units' decisions, let the Corporate Audit group do it. A shared-services organisation cannot judge and control its customers in any way, and then expect to be considered their partner and vendor of choice.



in two hubs across three locations serving the 17 countries, with each hub organised in a matrix structure. Process-oriented teams would provide the services, with Service Managers assigned to Market Units managing customer relationships. The model facilitated front-office culture in the back-office. The SC programme delivered standard systems and processes to support Market Units in all the countries, thus helping ABCD to re-establish its profitability. Benefits include:

- Direct reduction of process costs managed by the SC - about 30 per cent in Finance and Administration, as well as in Purchase-to Pay
- Service consolidation deriving process and systems standardisation
- Process-oriented teams focused on service efficiency to facilitate continuous improvement
- Organisational flexibility to changing business priorities, allowing ABCD to adapt its shared service model without compromising stability and competence levels.

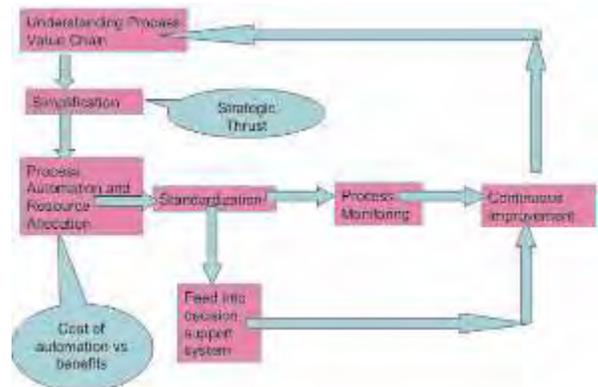
One example of the benefit was evident during the first year-end closure following the launch, when the SC successfully managed 14 countries via a common systems platform and controlling area. The result was on-time service delivery at high quality.

The SC has initiated several improvement projects that have been adopted at group level. With its cross-border service orientation, the SC enabled ABCD to drive changes in support processes and thought leadership in local companies.

Note: This is a real life case study of one of the European telecom majors which tied up with a strategic outsourcing partner to set up the SC.

Process Standardisation: One of the key wins from a shared service set up is the benefits in terms of process standardisation. The very fact that

the operations are merging in a single ERP enables studying the process value chain and driving simplification. Standardisation should also result in automation wherever possible. However, it is required to weigh the cost of every automation with the commensurate benefits. Standardisation should drive direct feed of requisite information into the decision support systems. A system of continuous improvements is imperative for effective evolution of the process.



The Location: There are different schools of thoughts on near shore shared services and offshore shared services. Both have their merits and demerits. While offshore may have cost advantages, it runs the risk of losing direct controls and dynamics such as language barriers. Depending on the nature of the process being outsourced, an appropriate decision is to be taken.

Change Management: Change management is a crucial leg not just in the implementation of a shared service set up but also in its sustenance. Case Study 2 is a real life example of an Indian PSU which wanted to centralise Business Planning for which there was complete commitment of senior management. However, due to ineffective change management, the effort turned out to be a major failure. "Buy in" to the change is an absolute necessity for the successful stabilisation of a shared service centre. Ownership to change means that

employees are not just fully involved but are also committed to the change. Since the change directly impacts many employees, generating the commitment is quite hard and requires that much more effort and strategy.

Case Study 2 – Failed Change Management

A Large engineering PSU constituted a centralised planning team with a group of managers responsible to resolve fundamental operating drawbacks of the PSU like lack of interface between costing and marketing, lack of focus on development of new and value added products, etc. and gear up the organisation for the emerging competitive scenario. The group was completely disjoint with the operations team and there was no flow of information or best practices. The group put up a recommendation based on its understanding of the market which had a serious disconnect with what the operations team thought of the same. The two teams reported separately to two different set of individuals and the goals of the two teams were not in sync. Consequent to this, post submission of the report, the group could not take any of its recommendations to a logical conclusion and considering their respective career advancements, the different members of the groups chose to move out the controversial roles and the project was shelved.

Risk Assessment and Business Continuity Planning: One of the key factors influencing a shared service set up is the risk of single location process centralisation and, therefore, exposes the

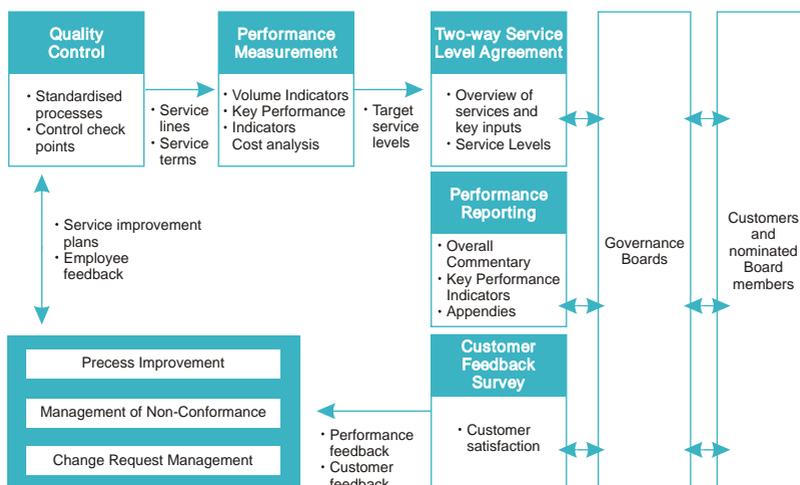
organisation to risk of people, IT and site-related disasters. An effective business continuity plan model is absolutely required while setting up a shared service centre. This is to be coupled with periodic re-evaluation and testing.

Critical Success Factors

Senior Management Commitment: The commitment from the decision making force of an organisation is a key factor for the success of any area. It is of emphasis here as executive commitment enables alignment of process goals to shared service goals, support adhoc and structured improvement projects including commitment of financial and human resources and drive strategic focus.

Clear, Simple and Objective SLA Definition: An SLA is a service level engagement which is the tool to measure deliverables. The simpler and more objective the metrics is, the easier it is to automate its quantification and the more effective the review mechanism will become. Having said this, this will need to comprise both hard and soft measures.

- i) *Hard measures* - easily quantifiable metrics, including ratios – for example, number of images processed in an accounts payable outsourcing.
- ii) *Process measures* - often a sub-set of the hard measures and can be as simple as single-step turnarounds
- iii) *Soft measures* - customer (line manager/employee) opinion surveys using measurable scales, senior management interviews for more qualitative data and internal staff satisfaction measures.



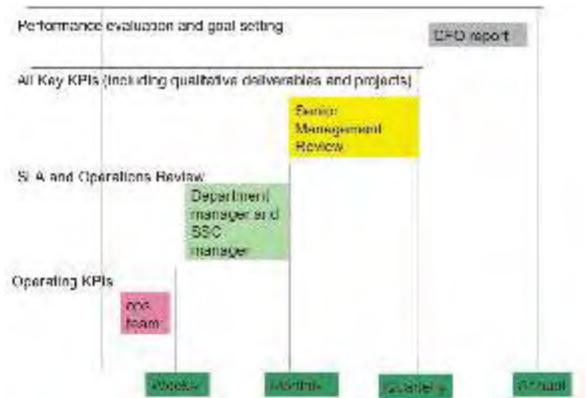
Cutting the Cord and Service Culture

In a near-shore self-run shared service, one of the key challenges which every organisation encounters is to disjoin the shared service operation from day-to-day business. The tangle is very dangerous as it dilutes the very purpose of a shared service set up. One of the key strategic thrusts an organisation has to drive as a part of setting up a shared service centre is to treat the centre as an independent silo completely unrelated to the other parts of the organisation and ruthlessly drives a service culture. Only this approach will enable process efficiencies. A corollary to this is to set up clear roles and responsibilities.

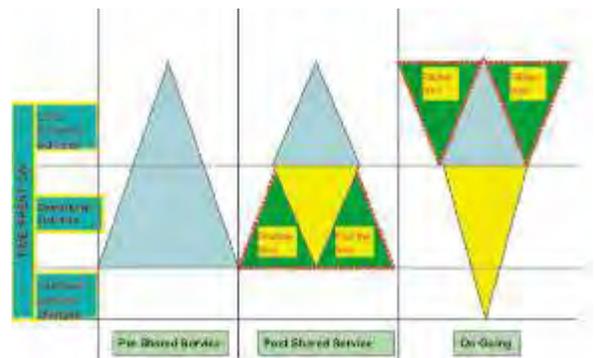
Effective Governance Mechanism: An effective Governance Mechanism is a very important prerequisite both during project phase and during sustained phase of a shared service set up. The governance has to be a multi-level approach. The chart below gives a matrix of some of suggested governance levels vis-a-vis the KPIs. The review can be classified into broadly four categories:

- (I) *Review of Operating KPIs* – The day to day operating KPIs need to be discussed by the operating teams at least on a weekly basis.
- (ii) *SLA and Operations Review* – The Customer Department Manager and SSC Manager should review the SLA parameters as well as discuss the key highlights of the Operational KPIs
- (iii) *Key KPI Review* – The senior management as a part of this review will need to provide strategic direction to both the Shared Service team and User Department
- (iv) *Annual Performance Review* – An annual performance review with the CFO on the overall progress of the Shared Service Centre and discussion on the goals for the next year is essential to take stock, make course corrections and drive continuous improvements.

It is absolutely imperative that a review schedule is never skipped, action plans of review are clearly minuted and actioned.



Inverting the Pyramid: The key to the success of any Shared Service Implementation is the ability to inverse the pyramid. One of the key deliverable is the release of managerial time spent of operational activities due to process standardisation and ability to provide standard decision support MIS. The time and information so available is to be reinvested to core business activities. However, the organisation has to keep evolving next level process changes as change is inevitable for an organisation to remain current and alive in a dynamic business environment. This phase of and organisation is called inverting the pyramid.



Benchmarking: One way to help understand the perceived or real value of the shared services operation is to compare across similar organisations (not necessarily in the same industry/public sector but more by scale, scope and geographical reach of the shared services operations). There are also specific organisations that are increasingly providing better comparisons of both efficiency & effectiveness measures.

External comparisons can help the internal business case for change, as well as deal with both real & unreal expectations of senior management.

Customer Focus: Last but not the least, a shared service set up must be very customer-focused. It must never judge or control its customers or say "we know what's best for you." If there's a need for auditing business units' decisions, let the Corporate Audit group do it. A shared-services organisation cannot judge and control its customers in any way, and then expect to be considered their partner and vendor of choice.

The Financials of a Shared Service

The IRR:

Shared Service for any organisation is an investment. The costs would range from a centralised ERP, initial cost of setting up a centre as well as project management cost during incubation period. Further, an organization must continually invest in itself to remain competitive. It must reserve some of its time for professional development and product R & D. It must acquire new methods, tools and infrastructure. And it must continually improve its organisational processes. These costs are investments. There are also recurring operating expenses of the shared service. The overall investment needs to justify an IRR for the organisation.

While there would be benefits in terms of cost of manpower, the savings cannot be restricted to that. A shared-services organisation has to deliver a better deal than business units can provide for themselves. The shared service organisation needs to improve its methods and tools, accumulate experience in their profession, develop templates and reusable objects and ultimately deliver higher quality at a lower cost. There is also a benefit in terms of better decision support systems which may not be directly quantifiable, but cannot be left abstract and need to be clearly defined as a measurable KPI.

Chargeback vs. Allocations:

The revenue model of a shared service centre can either be on the basis of Charge Backs or on Allocations. The advantages of a charge back model is that each department pays for every service they avail of. So there is clear cost benefit which is derived by each department. However, in certain context, it may be very cumbersome. Also,

it should not lead to process in-sourcing to cut cost or short sighted decisions at junior management constraining the shared service centre from making next level process changes. Since shared services involve huge investments, an inaccurate allocation can even lead to wrong decisions. Case Study 3 is an example of how a bank got auctioned and sold off due to incorrect charging of its shared service operations.

Pricing a Shared Service:

While allocations and transfer prices are standard tools, the most sophisticated pricing tool is the concept of market pricing. This comprises of all costs of the service unit and a profit. However, the price when benchmarked against an external provider is to be competitive. The shared service needs to generate value to increase profits. However, reinvestment of super-natural profits back into the operations are essential for maximising value.

Case Study 3 – Costing a Shared Service

NE Bank used headcount as its cost allocation basis for its shared services. Thus, most of its information technology expenses were allocated out to the branch operations, not its credit card and lock box operations because the branches had 18 times more people than credit card and lock box.

Profits in the branch operations were very poor, management continued to downsize and cut budgets, but had little success. Meanwhile, they invested heavily in their credit card and lock box business because these reported the largest profit margins. Both credit card and lock box operations require massive computing technologies. Major banks spend on average, over \$30,000 per person on their technology to process credit card transactions. Additionally, industry wide, lock box and credit card businesses have very thin profit margins. And so for 3 years, NE Bank invested heavily in its lock box and credit card businesses and cut expenses in its branches and the related branch products.

The NE bank's troubled financial condition continued to worsen and it was finally forced to go on the auction block. One of the interested buyers, Smart Bank, had a CFO who understood how to accurately cost shared services and he quickly concluded that NE

Bank's headcount based IT cost allocation method had caused major errors on their P & L. When he did some rough cost allocations based on estimated IT time, it looked like their branches were more profitable than his own. He and his bank immediately made a generous offer and purchased NE Bank.

They then implemented their own ABC study of IT costs by time and consumption- not headcount. They discovered the lock box business lost money, credit cards broke even and the branches were highly profitable. They sold the lock box business, outsourced the credit card system and merged their branches into those they acquired. They beat all Wall Street profit estimates and Smart Bank has continued to be one of the country's most profitable regional banks.

Had NE Bank's CFO allocated its IT costs accurately using a time-based method, Activity Based Costing, instead of his headcount based formula, he would have known they were actually wasting branch profits on money losing businesses. No one doubts that with an accurate profit picture of their services, NE Bank could have been successful.

The CFO of Smart Bank is now the CEO who still has an excellent activity based cost accounting system and continues to make successful acquisitions.

Key Challenges in a Shared Service Set up

Workforce Management: Without a stable workforce, credibility of a shared service is often at stake. While theoretically it is right to say that a shared service is heavily process dependent, empirically, efficiencies are accomplished through gaining of expertise. The key people related challenges a shared service centre faces are:

- Recruiting and retaining skilled staff
- Maintaining high quality
- Maintaining desired training levels
- Maintaining high customer service levels.

An effective HR Program is an absolute must for a successful shared service. Fostering an effective learning and development team can support skill standardisation, build a learning culture and manage attritions and internal moves.

Pushing the Boundaries: Once the euphoria of a newly set up shared service dies, the shared service stops gaining merits on sustaining

processes or improving productivity as these become way of life and expected in a natural way. Managing customer aspirations becomes a significant challenge in such an environment. The capability of the shared service lies in continuously redefining boundaries to deliver value. Few of the steps to be used are to:

- To agree a shared vision with the customer departments
- List down projects to be partnered with the customer
- Identify clear mutual wins from the projects
- Re-invest value created to create a multiplier effect

Some of the second generation tools which organisations are investing for a win-win collaboration are:

- Financial consolidation and reporting tools
- Electronic Data Interchange
- Automated Workflows
- Automated cash applications
- Automated 3 Way Matching
- Data Warehousing
- EProcurements
- Self Service Portals (For employees, managers and vendors)
- e-Invoicing

Derived Value Vs. Perceived Value: Every shared service faces the challenge of perceived value against derived value. While the key areas in which a shared service derives value are on reduced costs, improved controls, process optimisation, reduction in head count, and expansion, the perceived value (Customer Satisfaction) hovers around timeliness of responses, reaction time to business needs, service innovation and internal and external satisfaction. The latter, however, comes with a cost and it is a continuous involvement of a shared service organisation to play the balancing act.

Data Security: Data security is key challenge in any shared service set up. This is because, in a shared set up, lot of data converges at one place and over a period of time, the physical touch of business is lost. In this scenario, an effective information management strategy and meticulous implementation of the same becomes very important.

Beyond Shared Services: Shared services

organisations have helped the world's largest companies save millions of dollars by enabling efficiency and effectiveness improvements and also driving enhanced productivity, quality and customer service. **Figure 1 tries to summarise how shared services have evolved over the years.**

Figure 1 : The Evolution of Shared Services



Source: Extract from Article Published in Shared ServiceNews Nov. 2008

Many companies are taking the next step, evolving from stand-alone shared service centers for individual functions to integrated Global Business Services operations which take a multi-function approach. A recent study done by Hackett and the Shared Services & Outsourcing Network, which surveyed more than 250 SSON member organisations, found that nearly 45 per cent of all companies surveyed had incorporated three or more functions in their shared services operations, with some incorporating as many as five functions.

Companies have learned that once they break the physical connection between processes and the business units, they have much greater latitude to drive changes such as process improvements, standardisation and moving functions to low-cost labour markets. As companies evolve towards a Global Shared Services model, they can extend this concept further, moving away from silos by function and creating a single organisation with shared reporting. This facilitates a more strategic perspective, enabling companies to transform G & A from a must-have cost centre to a new enterprise core competence that can significantly differentiate and move companies to world-class performance levels.

Another concept which is gaining momentum is the BOT Model in Shared Services wherein companies build the capabilities in-house and thereafter give the shared services operations to a strategic outsourcing partner who then leverages his expertise in the field to take the processes to the next level. Case Study 4 is a real life example of how an organization took its shared service operations to the next level by tying up with an outsourcing partner and leveraging the expertise of the partner to deliver value.

Case Study 4 – Build-Operate-Transfer Model

PXXX has set up three SSCs in three countries to process its F & A and procurement transactions in the most cost effective and efficient way. During the 4 years of its operations, the centres delivered significant cost advantages. The centres serviced the business globally representing about 400 reporting units running on 16 different SAP Instances. However, the business reached a point of saturation and the SSC was facing challenges in driving technological improvements, inability to provide career avenues to the team and value addition in service excellence. So PXXX sold its operations and outsourced to a BPO Service Provider. The Service Provider leveraged its expertise in the field of outsourcing to deliver transformational projects through automation, standardisation (through leveraging its process knowledge in the industry), and full leverage of scope. The partnership delivered cost optimisation, increased organisational agility, commoditisation of processes through standardisation and automation, improved service levels and increased employee engagement with broader and enhanced career opportunities and over all turned out to be a win-win proposition for PXXX.

Conclusion

To conclude, this is a journey to excellence. Excellence is a subjective term and changes definition with respect to the reference against which it is being measured, while this journey has come a long way, it has a long way to evolve as well.

Non-compliance with Reporting Obligations

Published below are some of the common non-compliances observed by the Financial Reporting Review Board (FRRB) of ICAI during review of general-purpose financial statements of certain enterprises and auditors' reports thereon:

(...Continued from December 2009 issue)

I Accounting Standards

AS 22, Accounting for Taxes on Income

1. Certain enterprises disclose advance income tax paid (current tax asset) and provision for income tax (current tax liability) separately in their balance sheets, i.e., they do not offset the amounts. This is contrary to AS 22, *Accounting for Taxes on Income*. Paragraph 27 of AS 22 requires that an enterprise should offset assets and liabilities representing current tax if the enterprise:
 - a. has a legally enforceable right to set off the recognised amounts; and
 - b. intends to settle the asset and the liability on a net basis.

It may be noted that under the Income-tax Act, 1961, advance tax representing current tax is paid against provision for income tax representing current tax liability. Under the said Act, an enterprise has a legal right to set off the two amounts and normally, the enterprises settle these amounts on net basis only. Keeping this in view, the enterprise should offset advance income tax paid against provision for income tax and show only the net amount in the balance sheet. Disclosing two amounts separately is contrary to AS 22.

2. Paragraph 32 of AS 22, *Accounting for Taxes on Income*, requires that ***"The nature of the evidence supporting the recognition of deferred tax assets should be disclosed, if an enterprise has unabsorbed depreciation or carry forward of losses under tax law"***.

It has been observed in the case of few enterprises, that the balances of unabsorbed depreciation and/or losses are being carried forward under tax law due to which the deferred tax asset has been recognised in

the financial statements. However, it omits to disclose the nature of evidence that supports the recognition of such deferred tax assets with virtual certainty.

ASI 7, Disclosure of deferred tax assets and deferred tax liabilities in the balance sheet of a company (Re. AS 22)

3. The deferred tax liability has been presented by way of deduction from 'Net Current Assets'. This is contrary to the Accounting Standards Interpretation (ASI) 7 on 'Disclosure of deferred tax assets and deferred tax liabilities in the balance sheet of a company' (Re. AS 22, Accounting for Taxes on Income). ASI 7 requires that deferred tax liabilities should be disclosed on the face of the balance sheet *separately after the head Unsecured Loans*.
4. Paragraph 31 of AS 22, *Accounting for Taxes on Income*, requires that ***"The break-up of deferred tax assets and deferred tax liabilities in to major components of the respective balances should be disclosed in the notes to accounts"***.

In case of the financial statement of few enterprises it is observed that, it has disclosed only the opening balance, addition during the year and the closing balance of the deferred tax assets and liabilities and there is no disclosure of the break-up of the deferred tax assets and liabilities into their major components which is not as per the requirement of AS 22.

AS 26, Intangible Assets

5. Product Development Expenditure is stated to be amortised over the estimated period of benefit. Such disclosure of accounting policy as adopted by the enterprise seems to be ambiguous. It may be noted that such expenditure is treated as expenditure incurred on intangible asset during 'development stage' provided it meets the criteria laid in paragraph 44 of AS 26, Intangible Assets. Further, paragraph 90 of AS 26, *inter alia* requires that the financial statements should disclose the useful lives or the amortisation rates used as well as the

amortisation method used by the enterprise.

AS 29, Provisions, Contingent Liabilities and Contingent Assets

6. There are financial statements of the enterprises that contain provisions of various natures that are often carried by them from period to period. However, they omit to comply with the disclosure requirements of AS 29, Provisions, Contingent Liabilities and Contingent Assets. As per paragraph 66 of AS 29, Provisions, Contingent Liabilities and Contingent Assets, *“For each class of provision, an enterprise should disclose:*
- a) *the carrying amount at the beginning and end of the period;*
 - b) *additional provisions made in the period, including increases to existing provisions;*
 - c) *amounts used (i.e., incurred and charged against the provision) during the period; and*
 - d) *unused amount reversed during the period.*

Further, Paragraph 67 of AS 29, requires that *“An enterprise should disclose the following for each class of provision:*

- a) *a brief description of the nature of the obligation and the expected timing of any resulting outflow of economic benefits;*
- b) *an indication of uncertainties about those outflows. Where necessary to provide adequate information, an enterprise should disclose the major assumptions made concerning future events, as addressed in paragraph 41; and*
- c) *the amount of any expected reimbursement, stating the amount of any assets that has been recognised for that expected reimbursement.*

The enterprises often create and carry the provisions in the schedules to profit and loss account and balance sheet but they neither comply with the disclosure requirement as stated in Paragraphs 66 and 67 of AS 29 nor they disclose their accounting policy with regard to the same.

II Schedule VI to the Companies Act, 1956

7. In case of the Financial Statements of few enterprises, it was noted that the opening balance of certain specified reserves do not tally with their closing balance of the last year. Neither the notes to accounts nor the Schedules contain any information regarding the differences in such balances.

It may be mentioned that pursuant to the instructions given in Part I of Schedule VI to

the Companies Act, 1956, in accordance with which liabilities should be made out, the additions and deductions since last balance sheet to be shown under each of the specified heads. Therefore, such difference should not arise in the financial statements.

8. Paragraph (xi) of Part II of Schedule VI of the Companies Act, 1956 requires that the amount of income tax deducted from the gross income from investments and interest should be disclosed.

Some enterprises in their financial statement do not disclose the amount of income tax deducted from the gross income from investment and interest, which is not in compliance with requirement of Schedule VI of the Companies Act, 1956.

9. As per Part I of the Schedule VI of the Companies Act, 1956, Sundry Creditors are required to be classified as below:

- a) *total outstanding dues of micro enterprises and small enterprises; and*
- b) *total outstanding dues of creditors other than micro enterprises and small enterprises.*

Enterprises, often, do not classify Sundry Creditors as per the above mentioned classifications.

III Auditing and Assurance Standard (AAS) 28, The Auditor's Report on Financial Statements

10. In the auditor's report of some enterprises it has been observed that, the qualification given by the auditor is not clear and specific. If an auditor provides his opinion subject to the entire schedule containing the accounting policies adopted by the company for the preparation and presentation of the financial statements then it is regarded as an ambiguous qualification. Such qualification does not state clearly the schedule or the accounting policy that has been regarded as the subject matter of his qualification. Paragraph 4 of Auditing and Assurance Standard 28, *The Auditor's Report on Financial Statements*, require that **“The auditor's report should contain a clear written expression of opinion on the financial statement taken as whole.”** Accordingly, if the auditor provides his opinion subject to any qualification, it should be clear and specific. Such ambiguous qualification may raise doubt in the mind of a reader regarding the accounting policies adopted by the

company in the preparation and presentation of the financial statements.

11. In contravention to AAS 28, *The Auditor's Report on Financial Statements*, in the auditor's report of some enterprises, the partner/proprietor, who has signed the audit report, does not mention his membership number in the report. AAS 28 requires that the report should be signed by the auditor in his personal name. Where the firm is appointed as the auditor, the report should be signed in the personal name of the auditor and in the name of the audit firm. The partner/proprietor signing the audit report should also mention the membership number assigned by the Institute of Chartered Accountants of India.

IV Companies (Auditor's Report) Order, 2003 (CARO 2003)

12. In case of a few enterprises, when certain clauses of Companies (Auditor Report) Order, 2003, are not applicable to them then the Auditors opt to directly report the clause number, as stated in CARO, 2003, which are not applicable to the company. For instance, the report states that "Matters specified in items x, xii, xviii, xix, xx of clause of paragraph 4 of Companies (Auditor's Report) Order, 2003 do not apply to the Company." Paragraph 80 of the Statement on the Companies (Auditor's Report) Order, 2003, as issued by the Institute of Chartered Accountants of India, states that there may be situation where one or more of the clauses are not applicable. In such situations, it would be appropriate for the auditor to make a suitable comment in his report bringing out the fact of non-applicability of a particular clause. To illustrate, where the maintenance of cost record has not been prescribed by the Central Government under section 209(1) (d) of the Act, the auditor may state:

"The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the product of the company".

Thus, the auditor should make a suitable comment in his report bringing out the fact of non-applicability of some of the clauses of CARO, 2003 rather than simply mentioning the concerned clause numbers.

13. In pursuance to the Statement on the

Companies (Auditor's Report) Order, 2003 the auditor's report of few enterprises states that "... We are informed that the fixed assets have been physically verified by the management...." It may be mentioned that such language creates an impression that no documentary evidence was available to the auditors to substantiate the physical verification of the fixed assets, and that the auditor has relied wholly on management representation. This practice of preparing report has potential of being misinterpreted and therefore, it should be avoided.

14. Paragraphs 4(iii)(a) and 4(iii)(e) of the Order requires that in case the company has granted or taken any loans, secured or unsecured to and/or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, then the auditor is also required to disclose the "amount involved" in such transactions. In response to this clause, the auditors of few enterprises disclose only the year end balances.

It may be noted that as per clause (f) of Paragraph 50 of Statement on the Companies (Auditor's Report) Order, 2003 issued by the ICAI, "Since the order does not clarify what constitutes "amount involved" it would be proper if the auditor discloses the maximum amount involved during the year in the transactions covered by this clause." Thus, while commenting on these clauses, the auditor should disclose both the amounts of maximum amount involved as well as the year end balance in his audit report.

15. Clause 4(ix)(b) of CARO, 2003 requires disclosure, *inter alia*, of the amount involved and the period to which disputed amount of Income Tax/Sales Tax/Service Tax/Customs Duty/Wealth Tax/Excise Duty/Cess relates. Ideally, as per the Statement on the Companies (Auditor's Report) Order, 2003 issued by the ICAI, the auditor should disclose the name of the statute, the nature of the dues, the amount, the period to which such amount relates as well as the forum where dispute is pending.

In case of some enterprises it has been observed that the information about the disputed statutory dues reported in the auditor's report is not complete. They either omit to specify the period to which the amount of statutory dues are related or the forum where the dispute is pending. ■

»» Government Open to Rewrite Direct Tax Code

Finance Minister Pranab Mukherjee has indicated in the Parliament that the government could rewrite the new direct tax code to make it acceptable to all stakeholders. On the tax code, he said, the government would attempt to build consensus on the proposals. "I have laid a certain proposal in the form of a direct tax code. But it is not the Bhagavad Gita and it cannot be said that it cannot be changed," he added. The new draft direct tax code has evoked strong reactions from all quarters – individuals, industry, politicians, ministries and departments. The code proposes to phase out tax exemptions, tax individual retirement savings at the time of withdrawal and impose a minimum alternate tax on gross assets of companies.

The government will take inputs from various stakeholders before giving final shape to Direct Taxes Code, the Finance Minister Pranab Mukherjee said later while addressing the second meeting of the parliamentary consultative committee attached to the Ministry of Finance. The Finance Minister stated that the important issues which have been raised during interaction with other stakeholders – Trade and Industry representative bodies and Civil Society Organisations and also by members during the first meeting of the Committee include – (i) Minimum Alternate Tax (MAT) on gross assets (ii) Provisions relating to taxation of foreign companies, residential status of foreign companies – their control and management etc., (iii) General Anti-Avoidance Rule (GAAR), (iv) Taxation of charitable organisations, (v) Shift from EEE to EET method of taxation of savings, (vi) Capital gains taxation, (vii) Taxation in the case of salaried class employees, (viii) Taxation of income from house property, and (ix) Deduction of interest on housing loan etc. The Finance Minister assured the members that the above identified issues are under deliberation and a considered view would be taken on these issues.

Source: www.indianexpress.com

»» Change in Constitution for GST Unlikely Before Budget

In spite of the optimism shown by Mr. Asim Dasgupta, Chairman of the Empowered Committee of State Finance Ministers, the much-anticipated goods and services tax (GST) is unlikely to be introduced on April 1, 2010. The process of Constitutional amendment to bring the new indirect tax legislation may take another five months. "It will take 5-6 months for the amendment and everything else to fall in place. Besides, we cannot start work on things like IT infrastructure as long as a final GST structure is not there," a highly-placed government official said. The finance ministry is working on the Bill for Constitutional amendment, which is the first step in the process. The Bill was not ready to be tabled in the last session of Parliament, which ended on December 21. Even if the government tables the Bill in the Budget session in February, after the Cabinet approval, the exercise will not be over by the rollout deadline. It will first have to be examined by the Select Committee of Parliament and, if approved, it will require the approval of State legislatures. The Law Ministry has conveyed to the Finance Ministry that the amendment would need to make 10-15 changes in various Articles. The Law Ministry is trying to ensure that the amendment does not make changes in the basic structure of the Constitution which can be challenged in the court.

Source: www.ndtv.com

»» Over 30,000 Cases in ITAT Pending, 77% Filed by Taxmen

Over 30,000 tax litigations are pending in the Income Tax Appellate Tribunals across the country, though most of these appeals are filed by the tax department and not the assessee, Minister of State for Finance S. S. Palanimanickam told Lok Sabha recently. ITATs across the country have 30,303 cases pending till June 30, 2009 of which more than 77 per cent are the appeals filed by the tax department, Palanimanickam informed the lower house in reply to a question on the pendency of income tax cases in tribunals and steps taken by the government to expedite the process. There are about 23,600 appeals filed by the tax department which are pending in the tribunals while 6,693 appeals filed by the taxpayers have been pending in the tribunals.

Source: <http://www.timesofindia.com>

» ITAT Sets Rule to Pay Tax on Central Excise Refund

Income tax Appellate Tribunal (ITAT), Amritsar, has stated that companies with operations in the North-East, Jammu & Kashmir and Himachal Pradesh will be legally responsible to pay tax on Central Excise duty refunds. Companies, such as Balaji Alloys, Raven Bhel and Pee Ell Alloys, moved the Income Tax Appellate Tribunal (ITAT) against an income-tax department notice that required them to give the tax. However, the ITAT dismissed their appeal late last month. Central excise duty refunds are part of a government package with an aim to promote industrial development in J&K, northeast states and Himachal Pradesh. Under this scheme, central excise duty, which is paid by the companies, is refunded to them. These companies in the region are exempted from income-tax too. Section 80 IB of the Income tax Act provides for exemptions from taxation on profits derived from industrial activity in rearward areas. In Jammu & Kashmir, Section 80 IB will be functional till 2012. The Tribunal, according to an order on November 26, accepted the statement of the I-T department that Central excise duty refund is liable to be taxed, even though the company's profit is exempt from taxation Under 80IB.

Source: <http://cainindia.org/>

» Pranab Attributes Inflation to Higher Prices of Food Articles

Finance Minister Pranab Mukherjee attributed the 4.78 per cent spurt in inflation in November, 2009 to rising prices of food articles. He said that inflation had risen high mainly because the food article prices had gone up. The inflation, according to the monthly data released, has shot up from 1.34 per cent in the previous month to 4.78 per cent in November, registering a more than three-fold increase. The rise was more evident in the Consumer Price Index (CPI) than in the Wholesale Price Index (WPI) as food items have higher weightage in the CPI. Food articles has a weightage of about 43 to 48 per cent in the CPI. The CPI-based inflation for industrial workers rose by 11.49 per cent in October, up from 11.64 per cent a month ago.

Source: <http://www.hindustantimes.com/business-news/>

» RBI May Raise Rates in January, 2010

Reserve Bank of India may raise its key policy rates by 25 basis points in January, earlier than previously thought, to tame accelerating inflation, according to a bank's study. India's wholesale price index-based inflation may near seven per cent before the Reserve Bank of India (RBI) meets to review policy on January 29. The inflation may rise to 8.5 per cent by end-March 2010 from seven per cent. Monetary action would, to some extent, reduce the clamour over rising prices which is growing uncomfortable for the government. It is also predicted that the RBI may tighten liquidity by raising the amount banks have to keep in deposit with the central bank by 50 basis points before the January 29 policy review. The Finance Ministry said that India would take measures to tame rising prices and enable the economy to recover faster.

Source: <http://economictimes.indiatimes.com/News/>

» Industry to Maintain Double Digit Growth, Says Montek

Attributing the double digit industrial growth rate to stimulus packages, the Planning Commission said the growth momentum would be maintained in the coming months. Planning Commission Deputy Chairman Montek Singh Ahluwalia said that to get a growth rate well above 10 per cent was not just a base effect and that there was an element growth that was taking place. The Planning Commission has projected a growth rate of 6.5 per cent for the current financial year. The Commission, however, may revise its growth projections in view of high growth rate of 7.9 per cent recorded during the second quarter of 2009-10.

Source: <http://www.hindustantimes.com/business-news/>

» Nobel Laureate in Economic Sciences Paul A. Samuelson Dead

Economist Paul Samuelson (b.1915) known for his efforts to bring mathematical analysis into economics passed away on December 13, 2009. Samuelson graduated from the University of Chicago and received his master's and doctoral degrees from the Harvard. He then taught for decades at the MIT. In 1970, Samuelson became the second person, and the first American, to win the Nobel Prize in economic sciences. The citation acknowledged that Samuelson had done more than any other contemporary economist to raise the level of scientific analysis in economic theory. Samuelson at his Nobel Banquet on December 10, 1970, suggested a five-point formula for winning a Nobel Prize in economic sciences: to have great teachers, to have great colleagues, collaborators and fellow students; to have great students; to read the works of great masters like Bertil Ohlin, Gunnar Myrdal, Erik Lundberg, Ingvar Svernilson, Gustav Cassel, Erik Lindahl and the great Knut Wicksell; and the final element is, of course, luck. His textbook, *Economics*, into its 19th edition and read by millions of college students established the discipline as a scientific study of social possibilities.

Samuelson was a liberal, and a follower of the economist John Maynard Keynes who proposed that a nation needs an activist government that could foster low unemployment by steering tax and monetary policies, even if it meant deficit spending at times. He was among the circle of JFK (John F. Kennedy) advisers that included John Kenneth Galbraith and Walter Heller, who led JFK to recommend the historic income tax cut that Congress eventually passed in 1964, three months after JFK's assassination. This cut was credited to foster the 1960s economic boom. In 1961, Samuelson had reported that a temporary reduction in tax rates on individual incomes could be a powerful weapon against recession.

» IPSASB Issues Standard on Agriculture

The International Public Sector Accounting Standards Board (IPSASB), as part of its global convergence programme with International Financial Reporting Standards (IFRSs) scheduled for completion by December 31, 2009, has issued an International Public Sector Accounting Standard (IPSAS) 27, Agriculture. IPSAS 27 provides requirements for accounting for agricultural activity. It is primarily drawn from the International Accounting Standards Board's International Accounting Standard 41, Agriculture, with limited changes dealing with public sector-specific issues. It also includes disclosure requirements that are aimed at enhancing consistency with the statistical basis of accounting that governs the Government Finance Statistics Manual. It is available for download free of charge from the IFAC website.

Source: <http://www.ifac.org/>

» Reporting on the Long-Term Sustainability of Public Finances

The IPSASB of the International Federation of Accountants (IFAC) has published a Consultation Paper, *Reporting on the Long-Term Fiscal Sustainability of Public Finances* that seeks views on how information on the long-term sustainability of government programmes, increasingly available in many jurisdictions, may complement information available in traditional financial statements, thereby increasing transparency and enhancing accountability and decision making. Chair of the IPSASB Mike Hathorn has said that a need for information on long-term sustainability of all governmental programmes has become apparent from the public sector conceptual framework and work on accounting for social benefits carried out by the IPSASB. The Consultation Paper is available for download free of charge from the IFAC website.

Source: <http://www.ifac.org/>

» IFAC Approves 3 New Members, 2 Associates and 1 Affiliate

The Council of the IFAC in its 32nd annual meeting in Washington, D.C., has approved three new member bodies: Iranian Association of Certified Public Accountants (IACPA); Latvian Association of Certified Auditors (LACA); and Society of Certified Accountant and Auditors of Kosovo (SCAAK). In addition, two associates were approved: Brunei Darussalam Institute of Certified Public Accountants (BICPA); and Ordre des Experts-Comptables du Luxembourg (OEC). The Council also gave affiliate status to the National Association of State Boards of Accountancy (NASBA) from the United States. It emphasised the urgency of achieving global adoption and implementation of financial standards, especially for accounting and auditing. Its formal deliberations included approval of IFAC's strategic actions for the coming year, which included continuing development of auditing, ethical, accounting education and public sector accounting standards.

Source: <http://www.ifac.org/>

» Amendment to Pensions Accounting and Change for First-time Adoption of IFRSs

The International Accounting Standards Board (IASB) has issued a minor amendment to its requirements on accounting for pension plans, and separately published for public comment a proposal to amend IFRS 1 *First-time*

Adoption of International Financial Reporting Standards. The amendment is to IFRIC (International Financial Reporting Interpretations Committee) 14, which is itself an interpretation of IAS 19 *Employee Benefits*. The amendment has an effective date for mandatory adoption of 1 January 2011. The proposed amendment to IFRS 1 would provide first-time adopters with the same relief available to those already applying IFRSs when they first apply Improving Disclosures about Financial Instruments issued in March 2009. The exposure draft is available on the website www.iasb.org.

Source: <http://www.iasb.org/News/>

» Guidance on Extinguishing Financial Liabilities with Equity Instruments

The IFRIC has issued an interpretation that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies the requirements of the IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* is available for e-IFRS subscribers.

Source: <http://www.iasb.org/News/>

» Publication of 2010 Architecture for IFRS and IFRS for SMEs Taxonomies

The IASB Foundation has published *The IFRS Taxonomy 2010 Architecture Draft* for public comment and a project summary and feedback statement on *Architectural improvements to the IFRS Taxonomy*. The feedback statement summarises the architectural improvements that will be implemented in the next release of the IFRS Taxonomy in 2010 as a result of consultations in July 2009. *The IFRS Taxonomy 2010 Architecture Draft* documents in detail the XBRL architecture of the IFRS Taxonomy 2010, including the IFRS for SMEs Taxonomy. The exposure draft of the IFRS Taxonomy 2010 will be released in February 2010.

Source: <http://www.iasb.org/News/>

» IASB Welcomes Japanese FSA for Permitting Domestic use of IFRSs

The IASB has welcomed the recent regulatory changes announced by the Japan Financial Services Agency (FSA) on 11 December 2009. The changes establish an operational framework for the voluntary application of the IFRSs in Japan, starting from the fiscal year ending on or after 31 March 2010 and represent an important step towards the adoption of IFRSs in Japan. In announcing the changes, the FSA is following the roadmap for the *Application of International Financial Reporting Standards (IFRS) in Japan (Interim Report)* released in June 2009. Welcoming the decision, Sir David Tweedie, Chairman of the IASB, said that this decision is an important milestone towards global standards while encouraging others on the path to embracing global standards.

Source: <http://www.iasb.org/News/>

» FCAG Meet to Review Standard-Setting Response to Financial Crisis

The Financial Crisis Advisory Group (FCAG) will discuss the IASB and the US Financial Accounting Standards Board (FASB) actions in response to the FCAG's July 2009 report, as well as other developments in the standard-setting and regulatory environments. The meeting will take place in London. The FCAG has been set up jointly by the IASB and the US FASB to consider financial reporting issues arising from the global financial crisis. Following six meetings that took place from January to July 2009 it issued its final report on 28 July 2009. The group comprises recognised leaders from the fields of business and government with a broad range of experience in international financial markets.

Source: <http://www.iasb.org/News/>

» Work/Life Balance Not Working for Accountants in UK

Many accountants, particularly in Britain, feel they are overworked and underpaid, with most working past their normal hours on a regular basis, according to a new research. A study by online accounting software company e-economic found that 86% of those asked did more than their normal working hours regularly, with over half doing so every day. The company also found that 38% regularly work past 10 p.m. and 22% of those with children don't make it home before bedtime. Nearly two-thirds felt that remote home working could significantly improve their work/life balance.

Source: <http://www.accountacyage.com>

» Accounting Among Stable Industries in US

As job losses remain at record levels, many Americans are trying to figure out what jobs might be secure in the future. Occupations with the largest projected growth through 2016 include accountants, elementary and postsecondary teachers, child care workers and computer-software engineers, according to the U.S. Bureau of Labour Statistics. There is "an exploding need for accountants," said Corey Feraldi, the director of career services at University of South Carolina Aiken. Judy Smith, a public accountant at G.P. Accounting Inc. in Evans, has been an accountant for nearly 40 years. Through the years, the accounting field has been steady, and she's never been unemployed because of economic conditions, she said.

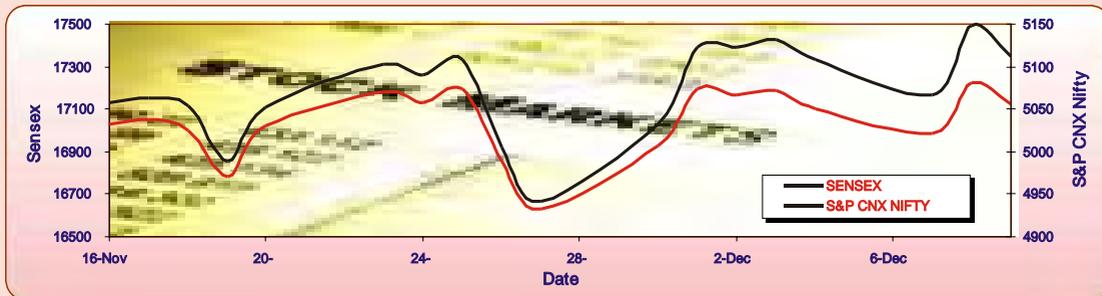
Economic Indicators



Indian Rupee vs. Major Foreign Currencies (November 16, 2009 to December 15, 2009)



Stock Markets



Selected Indicators

Item	Unit/Base	2008	2009					
		Dec. 5	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27	Dec. 4
Cash Reserve Ratio	per cent	5.50	5.00	5.00	5.00	5.00	5.00	5.00
Bank Rate	Per cent per annum	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Prime Lending Rate	Per cent per annum	12.50-13.25	11.00-12.00	11.00-12.00	11.00-12.00	11.00-12.00	11.00-12.00	11.00-12.00
Deposit Rate	Per cent per annum	8.50-10.00	6.25-7.50	6.25-7.50	6.00-7.50	6.00-7.50	6.00-7.50	6.00-7.50
Call Money Rate (Low/High)	Per cent per annum	4.00/7.00	2.00/3.35	1.50/3.50	2.00/3.35	1.90/3.35	2.10/3.35	1.50/3.35

Note: Readers are Invited to contribute write-ups or any relevant and interesting piece of information for this feature at eboard@icai.org.

ACCOUNTANT'S BROWSER

“PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE”

Index of some useful articles taken from Periodicals/Newspapers received during November-December 2009 for the reference of Faculty/Students & Members of the Institute.

1. ACCOUNTING

Are the Reputations of the Large Accounting Firms Really International? Evidence from the Andersen-Enron Affair by Steven F. Cahan etc. *Auditing: A Journal of Practice & Theory*, Nov. 2009, pp. 199-226.

Case for Post-Modern Management Accounting: Thinking Outside the Box by John H. Evans III & Donald V. Moser. *Journal of Management Accounting Research*, Vol. 21, 2009, pp.1-18.

Fair Value Measurement: Implementation Issues & Challenges (Part-1) by Tuam Kwok Choon & Ng Kean Kok. *The Malaysian Accountant*, Aug. 2009, pp. 3-6.

Forensic Accounting/Fraud: Detecting Circular Cash Flow by John F. Monhemius & Kevin P. Durkin. *Journal of Accountancy*, Dec. 2009, pp. 26-30.

IFRS Convergence for Banks in India: Challenges & Approaches by S. Vijayalakshmi. *The Accounting World*, Dec. 2009, pp. 44-48.

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Tax Liability of Public Bodies under EU VAT by Joep J.P. Swinkels. *International VAT Monitor*, Sep.-Oct. 2009, pp. 369-374.

Full Texts of the above articles are available with the Central Council Library, ICAI, which can be referred on all working days. For further inquiries please contact on 011-2337 0154 or by e-mail at library@icai.org



ICAI's CORPORATE CONCLAVE

In Pursuit of Excellence

Objective

Committee for Members in Industry (CMII), as part of the Corporate Forum event, would conduct four full days National Conclaves on contemporary topics, which are of relevance to the Profession and to the Country to enrich knowledge and to enhance skill set of members:

- Conclave on Cyber Threats, Information Systems Security and XBRL
- Conclave on Inspiring Today, For Tomorrow (All India Mega Women Conference)
- Conclave on Benchmarking Corporate Governance
- Conclave on Challenges & Roadmap to IFRSs

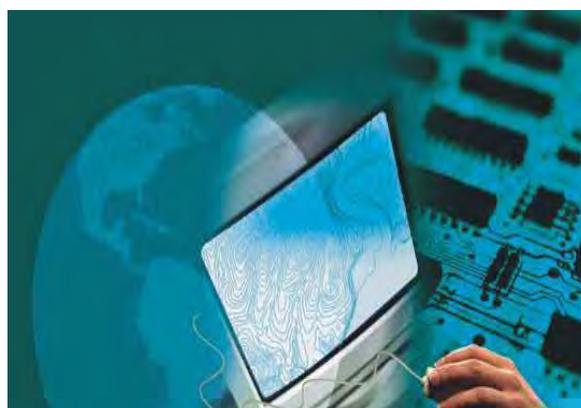
Conclave on Cyber Threats, Information Systems Security and XBRL – 6 CPE HRS

29th January, 2010, JW Marriott, Juhu, Mumbai
(Organised jointly with Committee on Information Technology of Institute of Chartered Accountants of India (ICAI), Institute of Chartered Accountants of Nepal (ICAN) and Institute of Cost & Works Accountants of India (ICWAI))

Enterprises are making increasing use of Information Technology to better manage their core business functionality and offer value added services to their clients. This increasing IT deployment has opened a Pandora's Box of evils Cyber Threats, Erosion of Maker-Checker Processes, Loss of Audit Trail, IT Risks and Threats to Business Continuity. In addition, enterprises are increasingly concerned about Governance Risk and Control, apart from adopting to emerging Business Reporting processes. This conclave seeks to address these issues.

03.45 p.m. -04.45 p.m.	Fourth Technical Session XBRL – Emerging Professional Opportunities for Chartered Accountants	Ms. Liv Watson , XBRL International, Vice Chairman
04.45 p.m. – 05.45 p.m.	Fifth Technical Session Convergence, Compliance and IT Opportunity	CA. Anand P. Jangid Infosys Technologies Ltd
05.45 p.m.	Valedictory Session	

Time	Particulars	Faculty
09.00 a.m. to 09.30 a.m.	Registrations	
09.30 a.m. – 10.15 a.m.	Inauguration	<ul style="list-style-type: none"> •CA. Uttam Prakash Agarwal, President, ICAI •Vice President, ICAI •Chairman, Committee on Information Technology •Chairman, Committee for Members in Industry
10.15 a.m. – 11.15 a.m.	First Technical Session Risk Based Audits & IT	CA. S.V. Sunder Krishnan Chief Risk Officer Reliance Life Insurance Company Limited
11.30a.m. – 01.00 p.m.	Second Technical Session Computer Forensics	Dr Krishna Prasad Pendyala, Cyber Crime Cell
02.00 p.m. – 03.30 p.m.	Third Technical Session Governance Risk& Control	CA. Piyush Jain



Conclave on Inspiring Today, For Tomorrow – 6 CPE HRS

30th January, 2010, Goregaon Sports Club, Mumbai
(Organised jointly with Women Steering Group of ICAI)

The theme "Inspiring Today, For Tomorrow" emphasizes the opportunities the profession provides, and confirms the Institute's commitment to attracting female talents to a profession vital to the world's economy. The conference will focus on teaching women life-coping strategies to manage stress, conduct career planning, as well as develop positive relationships and mental health awareness.



Time	Particulars	Faculty
09.00 a.m. to 09.30 a.m.	Registrations	
09.30 a.m. – 10.15 a.m.	Inauguration	<ul style="list-style-type: none"> • CA. Uttam Prakash Agarwal, President, ICAI • Vice President, ICAI • CA. Priya Bhansali, Convenor, Women Steering Group of ICAI • Chairman, Committee for Members in Industry
10.30 a.m. – 12.00 noon	First Technical Session Role of Women CA in Media & Entertainment Industry	CA Deepa Raghavan, Editor Moneycontrol
12.00 Noon – 01.00 p.m.	Second Technical Session Target Cost Management	Dr. Monica Singhania, Associate Professor, FMS, New Delhi
02.00 p.m. – 02.45 p.m.	Third Technical Session Limited Liability Partnership – A step towards change	Adv. Rajas Kasbekar
03.00 p.m. – 05.00 p.m.	Fourth Technical Session Rejuvenation through Corporate Games	Eminent Speakers
05.00 p.m. – 06.00 p.m.	Fifth Technical Session Women Achievers: Success Stories	Eminent Speakers
Programme Chairperson	CA. Priya Bhansali, Convenor, Women's Steering Group of ICAI	

Conclave on Benchmarking Corporate Governance – 6 CPE HRS

30th January, 2010, JW Marriott, Juhu, Mumbai
(Organised jointly with Committee on Corporate Governance of ICAI)

The failure of a considerable number of companies during recent years, the global financial crisis and the outbreak of major financial scams across the globe have brought renewed focus on the importance of good corporate governance leading to a broadened interest in the topic to a broader audience.

It becomes absolutely imperative to benchmark the best corporate governance practices norms and establish the significance of corporate governance to all types of organizations in the country.

It is now evident that a higher standard of corporate governance will contribute to economic advancement and prevent major shocks to the economy.

Time	Particulars	Faculty
09.00 a.m. to 10.00 a.m.	Registrations	
10.00 a.m.- 10.45 a.m.	Inauguration	<ul style="list-style-type: none"> • CA. Uttam Prakash Agarwal, President, ICAI • Vice President, ICAI • Chairman, Committee on Corporate Governance • Chairman, Committee for Members in Industry
11.00 a.m.- 12.30 p.m.	First Technical Session Balanced Score Card for Better Corporate Governance.	CA B. R. Jaju, Director & CFO, Welspun Gujarat
12.30 p.m.- 2.00 p.m.	Second Technical Session Institutionalizing Independent Directors	CA. S. A. Muraliprasad, Director, SAM Consultancy Service (P) Ltd.
2.30 p.m.- 4.00 p.m.	Third Technical Session Corporate Governance in Family Owned Business & SME Sector.	Sh. Anil Jhumkawala, Director - Compliance, Secure Matrix India (P) Ltd.
4.15 p.m.- 5.45 p.m.	Fourth Technical Session	CA. Abhay Gupte



	Impact of IT in facilitating Corporate Governance & Risk Management.	
05.45 p.m.	Valedictory Session	

Conclave on Challenges & Roadmap to IFRS – 6 CPE HRS

31st January, 2009, JW Marriott, Juhu, Mumbai
(Organised jointly with Accounting Standards Board)

With India moving towards Convergence with IFRS w.e.f. 1st April, 2011, it has become imperative for the Industry to prepare itself for the changes. This Programme will focus on challenges to be faced and roadmap to IFRS. This will enable the members in understanding overview of IFRS & how the financial Statements will be prepared under IFRS.

Time	Particulars	Faculty
09.00 a.m. to 09.30 a.m.	Registrations	
09.30 a.m. – 10.00 a.m.	Inaugural Session	<ul style="list-style-type: none"> CA. Uttam Prakash Agarwal, President, ICAI Vice President, ICAI Chairman, Accounting Standards Board Chairman, Committee for Members in Industry
10.00 a.m. – 11.30 a.m.	First Technical Session Overview of IFRS	CA. N.P. Sarda, Past President, ICAI.
12.00 Noon – 01.30 p.m.	Second Technical Session IFRSs relating to Revenue Recognition	CA. Pooja Gupta, Head of Finance, New Edge Group, Mumbai
02.30 p.m. – 04.00 p.m.	Third Technical Session First Time adoption of IFRSs	CA. Yagnesh Desai, Mumbai

04.15 p.m. – 05.45 p.m.	Fourth Technical Session Practical Conversion of I GAAP Accounts into IFRS Financial Statements	CA. Rakesh Agarwal, Mumbai
05.45 p.m.	Valedictory Session	

Participation Fees	Members of ICAI	Non-Members
One day conclave on Cyber Threats Information Systems Security & XBRL	Rs. 2,500/-	Rs. 3,500/-
One day conclave on Inspiring Today, For Tomorrow	Rs. 1,500/-	Rs. 2,000/-
One day conclave on Benchmarking Corporate Governance	Rs. 2,500/-	Rs. 3,500/-
One day conclave on Challenges & Roadmap to IFRS	Rs. 2,500/-	Rs. 3,500/-

Fee Includes

- Course material, morning tea, lunch and high tea
- One Complimentary invitation to the ICAI Awards 2009 functions to be held in the evening of 30th and 31st January, 2010.

Payment Terms:

Cheque / Demand Draft in favour of 'The Secretary, ICAI' payable at Mumbai and should be sent only to Mrs. S. Kapoor — Senior Assistant Director, The Institute of Chartered Accountants of India, ICAI BHAWAN, 27, Cuffe Parade, Colaba, Mumbai-400 005

For details contact:

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CA. B. C. Jain, Chairman,
WIRC of ICAI
Mob: +91 98211 17813
Email: bhalawat@vsnl.com

For Registration:

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Senior Assistant Director, ICAI
Tel: 022-39802911
Email: kapoor@icai.org

At New Delhi Office:

Dr. T. Paramasivan
Secretary, CMII,
Tel: (11) 30110555/491
Email: cmii@icai.org, secretarycmii@icai.in



Invitation for Research Proposals

The Research Committee of the Institute of the Chartered Accountants of India invites applications for Research Projects from members of the Institute and others for carrying out research in the field of accounting and other affiliated fields for e.g. accounting for chain departmental stores, accounting in health care industry, accounting for electricity generation and distribution companies, accounting in aviation industry, accounting for shipping companies, management control systems, approaches to social cost-benefit analysis in the Indian context, etc. The Research Committee would provide financial support for the approved Research Projects.

The Eligibility Criteria

- (a) The applicant must be a member of the Institute of Chartered Accountants of India with a research aptitude having at least 10 years of post-qualification experience either in the practice of the profession or as an employee with a reputed manufacturing/service organisation; or
- (b) The applicant must be holding a post-graduate degree from a recognised University or an institute of national repute and must have at least 10 years research and/or teaching experience;

Applications from persons having an experience less than as stated above may also be considered on the basis of merit.

The Evaluation Criteria

Only those research proposals will be accepted that result in formulation of guidance material in the form of Technical Guide, Studies, Monographs for the members of the Institute in accounting and allied areas, such as the following:

- the issues on which no accounting standards are available or
- the issues that may arise in the implementation of accounting standards and other pronouncements in the industry-specific situations.

Duration

The duration of research project should not exceed 3 months from the date of the approval of the research proposal unless a longer period is otherwise justified.

Documents to be submitted with the research proposal

The proposal should be accompanied by a

- ❖ Complete bio-data including experience in the relevant field of interest.
- ❖ Synopsis of the project explicitly specifying the objective, scope and issues that would be addressed in the final proposed document. It should also contain a justification for the proposal and the detailed chapter plan.

The proposal should also indicate the estimated expenditure and expected honorarium for this purpose. The amounts in this regard would be remitted on the final acceptance of the draft by the Research Committee.

Research proposals complete in all respects should be sent to the Secretary, Research Committee, at the following address:

The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No.7100,
Indraprastha Marg,
New Delhi 110 002
E-mail: research@icai.org



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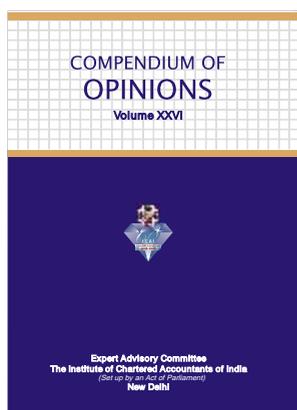
Except our Commitment and Quality Service to Our members.



Committee for Members In Industry
The Institute of Chartered Accountants of India
(Set up by an act of Parliament)

New Publication

COMPENDIUM OF OPINIONS - VOLUME XXVI



The Expert Advisory Committee of the Institute of Chartered Accountants of India has published **Compendium of Opinions, Volume XXVI**. This Volume of Compendium of Opinions contains opinions finalised by the Expert Advisory Committee during the period February 2006 to January 2007. The subjects of the opinions

contained in this volume include:

- Leases
- Segment reporting
- Revenue recognition
- Deferred tax assets/liabilities
- Overhead allocation for valuation of inventories
- Fixed Assets

This Volume also contains a comprehensive index of ALL the opinions contained in ALL the VOLUMES OF THE COMPENDIUM OF OPINIONS. The opinions are based on the facts and circumstances of each case as presented to the Committee, and the accounting/auditing principles and practices and relevant laws applicable on the dates the Committee finalised the respective opinions.

Price Rs. 200/-

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D.I.S.A. (ICAI) - Committee on Information Technology

Join Now

Information Systems Audit (ISA) Post Qualification Course
Assessment Test in June, 2010



Members interested in qualifying the Information Systems Audit (ISA) Post Qualification Course (PQC) Assessment Test - June 2010 attempt may join now and complete their ISA Professional Training by March 2010. For further details about the ISA PQC, please refer to ISA Prospectus available in Sale Counters of the Institute and the Committee Portal at <http://cit.icaai.org>.

Schedule of forthcoming ISA Professional Training Batches is available on the Committee Portal at <http://cit.icaai.org> (specific URL <http://cit.icaai.org/ForthcomingPTPWISAMeets.aspx>).

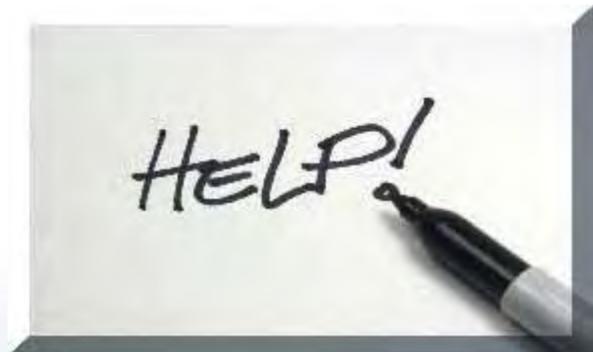
Please contact 011-30210621 / 619 or cit@icaai.org for further details/clarifications/registration.



Compilation of Firms Data as on 1st January, 2010

The Institute compiles data of firms as on 1st January every year incorporating the updation / modifications in particulars, if any, provided by the firms. For this purpose, the Institute has already sent the data sheet to all the firms. In order to issue the Constitution Certificates to all firms as on 1st January 2010, it is requested that the firms may kindly update / confirm the particulars of the partners and return the same to the concerned Regional office as early as possible but latest by 31st January, 2010 positively. In case, no confirmation is received from any firm, it will be assumed that the data sheet sent by the Institute is in conformity with the actual position and the same will be taken for the purpose of issuance of Constitution Certificate.

In case any firm has not received the data sheet, the concerned regional office may kindly be contacted.

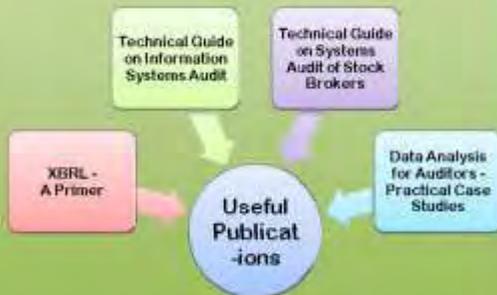


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This is for the information of Members/students/subscribers who fail to receive *The Chartered Accountant* journal despatched to them either due to unintimated change of address or postal problems. Please inform the respective Regional Office

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Further Details available on Committee Portal at <http://cit.icaai.org>



Committee on Information Technology
The Institute of Chartered
Accountants of India

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OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
10, BAHADUR SHAH ZAFAR MARG, NEW DELHI 110 124.

Empanelment of Chartered Accountant Firms for the Year 2010-11



Applications are invited **online** from the firms of Chartered Accountants who intend to be empanelled with this office for the year 2010-11 for appointment as auditors of Government Companies/Corporations.

The format of application along with detailed instructions regarding the documents to be furnished will be available on our website: www.cag.gov.in from 1st January to 15th February, 2010.

The last date for the receipt of **specified documents** in this office is **10th March, 2010**.

Only the firms who apply online and send the specified documents to this office by the due dates will be considered for empanelment.

Sd/-
(K. P. Sasidharan)
Director General (Commercial)



Important Announcement on Empanelment for the year 2010-11

The Council of the Institute at its 242nd meeting held in April, 2004 had decided that there shall be a cut off date for condonation of cases for empanelment purposes as on 1st January and the cases received beyond the cut off date will not be considered for condonation. Accordingly, members may note as under:

“For the purposes of Empanelment in the panel prepared by Office of C&AG and Bank Branch Auditors’ Panel prepared by ICAI (for which

Constitution Certificates as on 1st January are issued every year); no condonation of delay in submission of Form No. 18 beyond 31st January preceding the financial year under audit (e.g. 31st January, 2010 for empanelment for the year 2010-11) will be done by the Institute”.



Request to Contribute in the Journal

Members and other experts are requested to contribute for various sections and features of *The Chartered Accountant* journal. The write-ups covering the topical issues and latest updates will be preferred.

Every article should be of about 3000 words and shall also have an executive summary of about 100 words and complete references/bibliography of the sources referred. Please note that a declaration about originality of the article, author’s good quality passport size photograph, ICAI e-mail ID

and complete contact details (postal address and contact numbers) should also accompany the article. As a token of appreciation, an honorarium of Rs. 5000/- is payable for every article selected by the Editorial Board and published. Besides, for members of the Institute, a CPE credit of four hours is also granted.

The articles can be sent to us by e-mail at ebboard@icai.org/journal@icai.org or by post to The Editor, The Chartered Accountant, Journal Section, ICAI Bhawan, A-94/4, Sector -58, Noida - 201 301.

Campus Placement Programme for Newly Qualified Chartered Accountants - February-March, 2010

The Committee for Members in Industry of the Institute organises Campus Placement Programme for newly qualified Chartered Accountants at various centres all over India. The scheme has been evolved to provide an opportunity both to employing organisations as well as the young professional aspirants to meet and explore the possibility of taking up positions in Industry.

Invitation to Candidates Qualified in CA Final Examinations¹

It has been decided to organise Campus Placement Programme at 17 centres, viz., Ahmedabad, Bengaluru, Chandigarh, Chennai, Coimbatore, Ernakulam, Hyderabad, Indore, Jaipur, Kanpur, Kolkata, Ludhiana, Mumbai, Nagpur, New Delhi, Pune & Surat in February-March, 2010. As earlier, a large number of leading organisations are expected to participate.

The schedule of the Campus Placement Programme is as below:

Centre	Dates*
Bengaluru, Chennai, Kolkata, Mumbai and New Delhi	4 th , 5 th , 6 th , 8 th , 9 th , 10 th March 2010
Ahmedabad, Hyderabad, Jaipur and Pune	23 rd , 25 th , 26 th March 2010
Chandigarh, Coimbatore, Ernakulam, Indore, Kanpur, Ludhiana, Nagpur and Surat	23 rd , 25 th , 26 th March 2010

Eligibility for appearing in Campus Placement Programme to be held in February-March, 2010

The candidates who fulfil the following criteria are eligible to appear in the Campus Placement Programme to be held in February-March, 2010:

S.No.	Criteria.			
	Clearance of Final Examination of Chartered Accountancy Course ²	Completion of GMCS Course	Completion of Articleship	Submission of Application for ICAI Membership ³
1	November, 2009	30 th April, 2010	30 th April, 2010	15 th May, 2010
2	May, 2009	Between 1 st November, 2009 and 30 th April, 2010		

Please note that in cases where the candidates have qualified in **November, 2009** final examination but their articleship and/or GMCS is pending as on 30th April, 2010, they shall be permitted to appear in the Campus Placement Programme to be held in August-September, 2010.

INVITATION TO EMPLOYERS

The Committee for Members in Industry of the Institute provides opportunity to the employers to interact with newly qualified Chartered Accountants and makes all arrangements at its centres, thereby providing a cost effective mode of recruiting newly qualified Chartered Accountants.

Organisations intending to recruit newly qualified Chartered Accountants through the above said scheme of Campus Placement Programme are requested to get in touch with Dr. T. Paramasivan, Secretary, Committee for Members in Industry, Indraprastha Marg, New Delhi - 110 002, Tel. No. (011) 3011 0450/491 E-mail: placements@icai.org, secretarycmii@icai.in; Fax- +91(11) 3011 0583 (or) Mr. Ajeet Nath Tiwari, Placement Co-ordinator, at Tel. +91(11) 3011 0450.

An organisation can also participate in one or more centres, as per its requirements. Firms of Chartered Accountants are also welcome to join. For further details please log on to www.cmii.icai.org.

**Chairman
Committee for Members in Industry**

¹ Online registration for Campus Placement Programme Feb-Mar, 2010 for candidates qualified in CA Final examination November, 2009 attempt will start from 1st February, 2010 to 4th February, 2010. For availing the placement assistance services of the Institute please log on to www.cmii.icai.org. Kindly note that there will be no separate (individual) letters from CMII Secretariat for the eligible candidates.

² Candidates who have qualified in May 2008 or November, 2008 CA Final Examination and completing their articleship or GMCS between 1st November, 2009 and 30th April, 2010 are also eligible.

³ While attending the Orientation Programme/Campus Interviews candidates should either carry the relevant proof of applying for the membership of the Institute or should submit a written declaration that they would apply for the membership by 15th May, 2010.

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CA

A Total Business Solution Provider

Ever since its inception sixty years ago, ICAI has achieved recognition as a premier accounting body not only in the country but also globally, for its contribution in the fields of education, professional development, maintenance of high quality accounting, auditing and ethical standards.

With ever changing economic and financial scenario on global front, the need arises for well rounded professionals who can tackle corporate matters. From laws to disputes, finance to taxation, ICAI 's curriculum is aptly designed and formulated to turn CAs into all round professionals, that is truly a Complete Business Solution provider.

- **Financial Reporting**
- **Auditing** : Compliance Audit, Management Audit, Forensic Audit.
- **Taxation and Corporate Laws**
- **Internal Audit and Control** : Enterprise Risk Management
- **Financial Management** : Corporate Restructuring, Mergers and Acquisitions, Forex and Treasury Management, Due Diligence.
- **Information Technology** : ERP Implementation, Systems Audit, Software Development.
- **Valuation**
- **Arbitration**
- **Insurance and Risk Management**
- **Strategic Management**
- **Knowledge Management**
- **Management Consultancy and much more**



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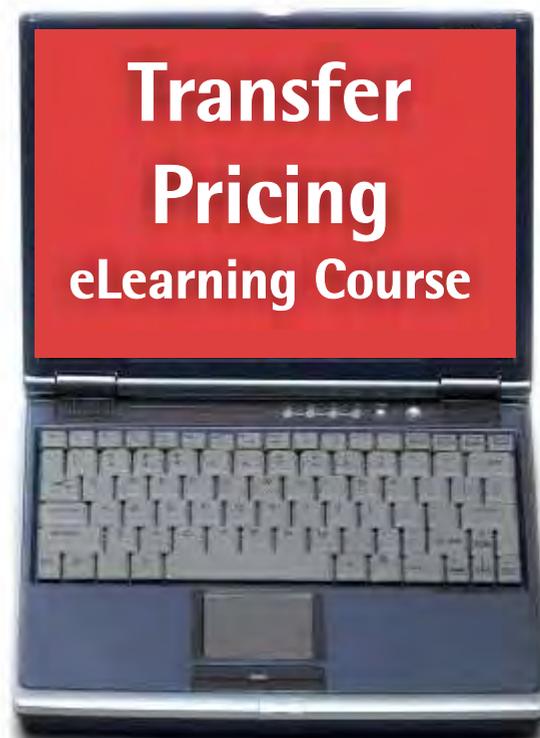


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Time Management for Working People



CA. Sujatha Padmanabhan

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This article focuses on issues relevant to contemporary career women. How one can try to make the best use of the limited time to her advantage. The secret of balancing the multi-faceted role of a Modern Woman has been spelt out in a discreet fashion. The ways and means of working smarter and not harder is to be practised. Certain contemporary examples have been given for easy understanding of the concept of Time Management. Eight critical tips have been outlined for working people, particularly women, which will generally help them avoid wastage of precious time and enable them to concentrate fully on major goals of their career and ultimately reach the top.

Gandhiji once wrote: "If wealth is lost nothing is lost, if health is lost something is lost, but if time is lost then everything is lost." Such is the importance of time that we can never recoup the lost time. Time and tide wait for none. Time is the scarcest of all resources of the world. We often hear people talk about time constraints. Time management is very important tool in our life.

This is an era of fast-moving world – the world of fast food, work and results is catching up fast. Working people of today's competitive era juggle between their families and work just like a clock's pendulum that rotates at an even speed. The moment its rhythm is disturbed the clock stops. Similar is the case of working women, who besides playing a pivotal role in shaping their family and society pursue their profession simultaneously. Any imbalance in these roles will be detrimental to

everyone. History has been a witness that working women have achieved success in managing both their professional and family life. This is possible because of effective time management and well-executed career plans. It is a fact that everyone has the same 24 hours in one day that cannot be stretched beyond. It is the qualitative use of time that can take you to your desired places. Today more and more working people are taking up challenging jobs in various spheres of their lives. Particularly women are expected to play a variety of roles, i.e., at home, in office or in society. Though women are generally good in multi-tasking, pushing beyond limits can be detrimental to their own selves and to the society they live in.

We have seen people often complaining they could do many things but for paucity of time. But it is not so. Time is but an illusion which can be stretched to meet all our obligations. It is a fact that successful people work smarter rather than work harder. Designers cut the cloth and attach the frills to



make it an attractive fashion wear, whereas mundane stitching is done by their regular tailors. Remember even kings had a pool of wise men to advise them on various issues, though the ultimate decision-makers were the kings themselves. So, if we try to lift a heavy object alone, it will be difficult. It becomes easier if we use the force of workers or a crane. There are many examples of smart jobs. Once we are bent upon doing something, our mind finds a way out. It is a co-ordination of our mind and body that brings the desired result.

Time should be managed to suit our routine. There should be a schedule for everything. Disciplined lifestyle can work wonders in managing our stress. History has many examples of how

successful people in different walks of life have balanced their home-workplace space and achieved heights in profession. The secret of their success is judicious time management. Of course, they were determined to reach the top.

There are, however, some simple but golden rules for working people to manage their time:

Time for self:

The mother of all rules of time management is to devote time for self. First and foremost, we should take time to improve ourselves both technically and personally, as only a complete person can accomplish goals and keep the wheels of life moving. We need to have faith in our potential that we can become what we want. We

should allow ourselves to introspect periodically if we are on a right track. Skill-development is a prime requirement for reaching the top. We may or may not be jack of all trades and have to be master of at least one. We should be aware of the contemporary advances in technology and innovations of science that can enable us doing things efficiently. We can weigh our accomplishments time and

again for improvement. Most of the things appear to be difficult to be achieved, but practically it is not that difficult. It is only fear of the unknown that mostly hampers in doing things rightly. We should keep ourselves calm and maintained using yoga and meditation. Smile helps by relaxing the person who smiles and its aroma spreads happiness around. We should learn to relax our mind and body to achieve our goals smoothly.

Delegation:

Since our society is a mechanism of correlated actions of its people, it is important to understand the art of delegation whether we are in office or at home. We must try to delegate work and then we can perceive the difference it makes in our life. We should be able to correlate with the people

Time is but an illusion which can be stretched to meet all our obligations. It is a fact that successful people work smarter rather than work harder. Designers cut the cloth and attach the frills to make it an attractive fashion wear, whereas mundane stitching is done by their regular tailors.



We should chalk out a schedule for each activity on a regular basis by maintaining a diary. Periodic review of this schedule will save us from deviations and keep us awake for important works. Corrective actions may be taken timely to avoid brooding over the spilt milk later.



around us – be it our junior or our superior. We should be lavish in our praise wherever people deserve. Ultimately every brick contributes in the making of a building. Even an insignificant person can create nuisance and stop the work, as a small thorn has the ability to put us off from walking. A small safety pin can save us from embarrassment due to a malfunctioning dress. Human beings can make or break their ways. A squirrel helped Lord Rama to construct the bridge across Lanka. We should maintain a strong link with our superiors too, but not by behaving yes-men with them.

Phone calls and E-mails:

Technology has brought miracles to our lives.

Many a time, we get an answer simply by browsing the Internet. We should know how to use technology and gadgets to get the maximum resourcefulness. The same is applicable to telecommunication gadgets and e-mail communications that at times result in sheer waste of time and money. It is a common sight nowadays



that people flaunt expensive camera phones that lead to wastage of efforts and time. We should use technology for us not for others to see. E-mails many a time eat our valuable time. We may avoid reading all of them. If a message is urgent, we will receive it through our phone. In metros, we often miss our appointments and meetings because of busy traffic. We should also utilise time while commuting on road, e.g., from home to workplace, in reviewing our completed work or planning for a new work, if we do not drive.

Undeterred Focus:

The success of any task depends on attention and focus invested on it. Setting our focus on one thing at a time can produce great results while saving us from other focus areas in form of deviations. Recall the story of Arjuna from the *Mahabharata*: Guru Drona while teaching the art

of archery asked his disciples to point their arrows at a pigeon sitting on a tree. When he asked his students one by one what they saw, only Arjuna said he could see only the eye of the pigeon and nothing else. The focused approach to his art made Arjuna one of the best archers of his time. We need to be focused and attentive to our present task to get the desired result. Apart from occasional calls to relieve ourselves of office stress or emergency calls when we are troubled, we should avoid making personal calls from office. Similarly we should not be bringing work to home as a habit. A division should be maintained: when at home do your family obligations and when at office work for your job. This saves

our time and keeps us focused on our respective roles.

Goals in Priority:

We should define our objectives in the order of their importance in our life. We should not allow secondary goals to overtake our primary ones. We should chalk out a schedule for each activity on a regular basis by

maintaining a diary. Periodic review of this schedule will save us from deviations and keep us awake for important works. Corrective actions may be taken timely to avoid brooding over the spilt milk later. Creative assignments must be accorded priority that can boost our career.

Using Prime Time:

All of us have a Prime Time when we can focus well. We should find out that for us and use that efficiently to optimise the results. For instance, early morning is one of those times when we can concentrate better as both our body and mind are in good shape. We can achieve results in lesser time. We should spend out prime time on tasks leading to major goals of our life. We should avoid daydreaming during this prime hour. We should schedule our meetings when we can concentrate more.

Saying NO

It is common that trustworthy and reliable persons are generally given more work both personally and professionally. Though it is good, it may be an impediment to our growth. We should be able to say no when we anticipate unnecessary burden being imposed on us. It is up to us to take this call for a task that doesn't fit into our goals. We should be assertive in handling these situations when we are forced to take up such a task.



It is no use complaining later about the wastage of our time. We have to be just firm in our communication. We should avoid critics if they are engaged in dampening our spirit by telling us our faults.

Similarly, there may be a situation where we should take up a job voluntarily with a wide yes. It will add to our image and also go a long way in promoting us at our workplace.

Avoiding Procrastination:

Delaying things will only lead to complication even in cases of simpler tasks. There is an old adage: *A stitch in time saves nine*. We often postpone doing things till the eleventh hour and act only when the situation turns into a crisis. Timely action needs a simplistic and an easy effort, as we can fully concentrate on it. We often give way to procrastination in a work due to our attitude, e.g., dislike towards it. We must analyse our reasons for delaying works and try to delegate a part of it if that is not unpleasant for us. We may reward ourselves with a cup of coffee, tea or ice cream accomplishing such tasks in lesser time.

Time management comes by habit and practice. We must be conscious of the fact that time is equal to money if not more than that. Though the above tips are helpful, we should try to find out our individual guide points that suit us. Time management can improve our performance and pave the way for success. Working people must use it to eliminate obstructions to achieve success. ■



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HEALTH TIPS

**Few words to recall the honour of feminine power:**

- "Yatra Naryastu Pujyante, Ramante Tatra Devata" - Manu Smruti (3.56)-the most ancient Indian text
- "The position of women in any society is a true index of its cultural and spiritual level" - Dr. Radhakrishnan
- 21st century will be the century of women - predicted by Swami Vivekananda
- According to yogic texts, the frame of a woman, her emotions, and her psychic evolution is definitely higher than that of a man. Therefore awakening of the spiritual force "kundalini" is much easier in the body of a woman than in the body of a man.

Contributed by CA R. S. Agrawal, Mumbai
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Women Health - Home Cure and Yogic Techniques:

Disorders	Home care	Yogic techniques
Leucorrhoea	It is a non-infectious and painless but excessive discharge <ul style="list-style-type: none"> • Take a cold hip bath 2 times for 10 minutes • Intake of shatavari granules • Fenugreek seeds • Intake of Peanuts (Moongphali); • Coriander (1 teaspoon seed) boiled in 2 cups of water reduced to 1 cup. Add sugar to taste and drink while lukewarm-repeat 2-3 times a day. 	<ul style="list-style-type: none"> • Asanas: Surya-namaskar, Shavasana, Vajrasana, Supta-vajrasana, Vipareeta-karani; • Pranayama-Ujjayi; • Yoga Nidra
Menstrual irregularities /Menopause	<ul style="list-style-type: none"> • In irregular: (a) Take ¼ teaspoon of tulsi seed with warm water 2 times a day some days before the date (b) Intake of dry fruits and nuts helps a lot. • In delay: (a) ½ teaspoon of grounded cinnamon (dalchini) every night with 1 cup milk (b) Intake of dry fruits and nuts helps a lot. • In scanty: (a) Pudina/ Tulsi/ Neem decoction (Put the content in water and reduce it to half as you boil it) twice a day; (b) Pinch of salt + ½ teaspoon Ajwain seeds + some water sip by sip; (c) Take 3-4 glasses of water and put 1 big black cardamom in it. Keep on flame for boiling till 1 glass remains. Drink sip by sip. • In pain: Boil one teaspoon saffron (kesar) in ½ cup water. Reduce to 1 tablespoon. Divide into 3 parts and take with equal quantity of water, 3 times a day for 3 days. • In general (a) beet juice; (b) Jatamasi-2 grams daily; (c) increase vitamin-D (beef, bread, cheese, eggs, milk and cereal) (d) include fruits, nuts, vegetables, sprouted seeds, alfalfa, soybeans, cabbage and olive oil. 	<ul style="list-style-type: none"> • Asanas: Bhujangasana, Dhanurasana, Halasana, Matsyasana, Sirshasana, Pishimottanasana, Sarvangasana, Shalabhasana, Supta-Vajrasana, Vajrasana • Yoga Nidra
During pregnancy	<ul style="list-style-type: none"> • Intake of shatavari granules; • Spiritual nourishment: <ul style="list-style-type: none"> ❖ In the fourth month the jiva enters and from this time the unborn child has its own awareness, its own atman. From this moment, the mother then has to nourish the child not only physically, but also spiritually through sharing the purity and power of her own consciousness. Basic fabric of a child's spiritual personality is woven in the womb, and this knowledge has been passed down to us from shastras. ❖ Matra japa and Dhyan allow a woman to enter the depths of her being where her consciousness merges with the consciousness of the growing child. 	<ul style="list-style-type: none"> • Asanas: (first 3 months) Supta vajrasana, Bhujangasana, Pashimottasana, (from 4th month) Shavasana, Pranamasana, chakichalan, (6th month onwards) Kali asana, Paschimottasan, Asanas (throughout pregnancy) Swastikasan, Padmasan, Ardha Padmasan, Sidhayoniasana • Yoga Nidra twice a day • Pranayama: Sheetali, Sheetkari, Bhastrika and Nodi Sodhana • Bandha Jalandhar
Post delivery	<ul style="list-style-type: none"> • Home care: take ajwain for cleaning purposes, take sounth (dry ginger) for vat-dosha-mukta, fresh fruit and juices; • Asanas: Pawanmuktasana so that no post delivery vat-dosh remains; • Bandha: first Moola bandha, later Udiyan bandha, • Yoga Nidra 	
Prolapse	It is a condition where an organ "to fall out of place". <ul style="list-style-type: none"> • Asanas: Vipareet-karani (up to 5 minutes), Naukasana, Shavasana • Bandha: <ul style="list-style-type: none"> ❖ Udiyan bandha with Moola bandha in standing position-hold as long as possible; ❖ Moola bandha (sitting 100 rounds) 	
Incontinence	It is a very common and distressing problem of involuntary leakage of urine. <ul style="list-style-type: none"> • Home care: Take Brahmi; Ashwagandha, Bala and Vidari (in ratio of 5:3:2), white sesame seeds; • Asanas: Forward bend asanas, Naukasana (5 round hold as long as possible), Vajrasana • Bandha: Udiyana Bandha (7 rounds sitting or standing); Moola bandha (100 rounds) • Mudras: Vajroli Mudra and Ashvini Mudra 	
Cystitis	It is an inflammatory condition of bladder. <ul style="list-style-type: none"> • Home care: Avoid tea, coffee, chillies, spicy foods; drink plenty of water; take coconut water; consume eatables more containing more Vitamin-C; • Asanas: Backward bending asanas to stimulate kidneys-Sputa-vajrasana, Ustrasana, Bhujangasana, Shavasana, Sarvangasana, • Pranayama: Sheetakari and Nadisodhan; • Meditation 	
Varicose Veins	Varicose Veins are veins that have become enlarged and tortuous commonly refers to the veins on the leg. <ul style="list-style-type: none"> • Home care: Massage of Rosemary oil to relieve pain and to restore circulation; carrot juice; hot Epsom salt bath; hot and cold hip bath; increase Vitamin-C; • Asanas: Tadasana, Halasana, Sarvangasana, Shavasana, Vipreetkarani Paschimotasan, • Pranayama: Deep breathing; • Yoga nidra 	

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A Manufacturing Unit



Kashyap Nitin Pathak

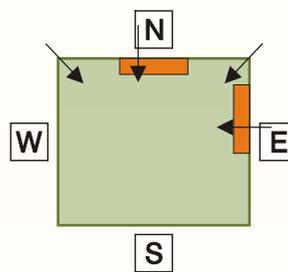
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I hope the last issue has helped a lot of Chartered Accountants to understand the basic *vastu* principles which can bring better prospects, opportunities and harmony with the natural forces surrounding us. In this issue I shall take up the case study of a manufacturing unit. It is also my advice to you that do not try to guide yourself completely through books on *Vastu Shastra*. Here I am sharing with you what I call revolutionary *vastu*... which is not bookish knowledge but based on scientific reasons, logic, mythology and experience.

The **Main Entrance** of the factory will depend on the road which is available to the plot. However, East, North, North East and North West are the directions you should look for. The main gate should be accompanied by a small gate besides it. For security reasons mostly these gates are made of

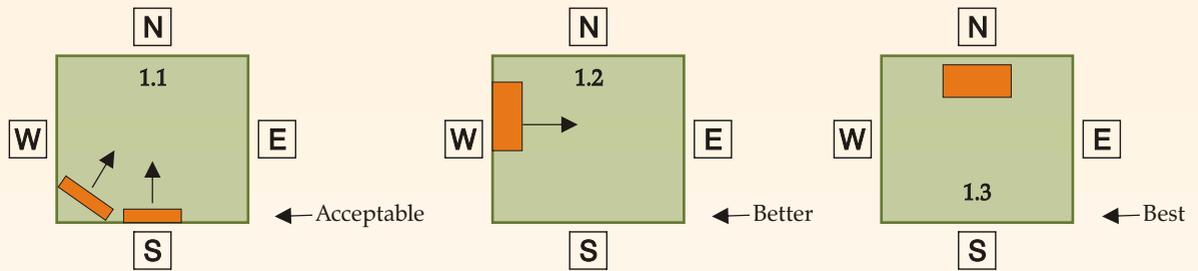


metal grills. However, the name-plate of the organisation and address should be on a wooden board printed in colours of prosperity like orange, yellow and green.

Decision Makers Office is the most important consideration. I am explaining here two different *vastu* guidelines. One of these is based on the common belief among all *vastu* practitioners and laymen and the other is what I call revolutionary *vastu*. Firstly, as per the common belief, the decision makers should sit in the South-West, facing the North or East - see fig. 1.1. The new thought is that the office of the proprietor should be towards

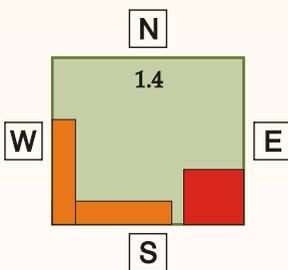
the West/North-West, so that he should face the East – see fig. 1.2 or in the North direction and also

ner or towards this corner. This will facilitate the quick turnover of goods.



facing the North – see fig. 1.3. Energy in the North is always more positive and better than the South. Hence, both the factors – towards which direction you sit, and towards which direction you face, should be considered.

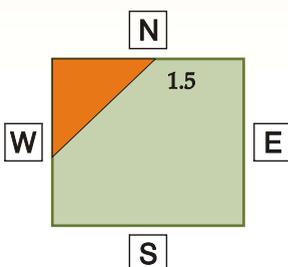
Machinery would include manufacturing equipment which either consumes high amount of electricity or is ancillary to the production process.



Equipment like furnace, heating equipment, boiler, heaters, and generators should be placed in the South East area of the premises. It's the fire corner and will ensure efficient usage of these equipments and lower

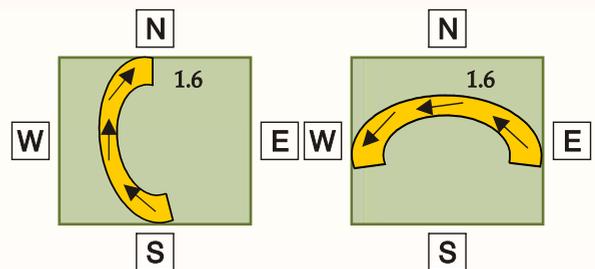
breakdowns (coloured Red in fig. 1.4). Other machinery, which is low on power consumption but heavy should be placed in the South or South-West area of the factory. These corners are capable of handling more weight. Also, it should be borne in mind that the walls of the factory, particularly in South and West, should be of a slightly higher width than the others (coloured Orange in fig. 1.4)

Raw Material and Finished Goods both will have a different place in the factory. All kinds of raw materials can be placed in the South/ West or South-West corners of the factory. They can also be placed outside of the factory in sheds or store rooms. Completely finished goods, which are ready for sale, should be placed in the North-West cor-



Canteen/Toilets can be in the West zone.

Direction of Production for Finished Goods will depend on the arrangement of machinery in the factory and the process by process activities required in the manufacturing of the product. This is a difficult task because to arrange all the activities in one line based on *vastu* guidelines is really not practical in a lot of cases because of the circumstances. However, if this can be done with ease, it will yield great results in efficiency. Production process should be ideally from the South and ending towards the North or alternatively from the West to the North. Here the end product should come out in the East or North directions.



On the very entrance, the placement of a *vastu dosha yantra* after doing its appropriate *puja* as per *shastras* will counter most of the negative *vastu* problems in the factory. Also the usage of a *Shri Yantram* which has to be energised and a *yantra* of the planet which your line of activity represents should be placed in the North-East corner of the premises. These divine *yantras* are very powerful and have great emphasis when we cannot follow *vastu* principles by modifying the premises by a lot of breaking and making.



Puja Mathur
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THIS MONTH FOR YOU

(based on Tarot Card reading)

Angel Message: Family should be your top priority.

ARIES

It is time to clearly take a decision about what you want for yourself. There is a sense of harmony within you as well as your family. Too much depending on others in business is not advisable. Health will be fine.



TAURUS *Angel Message: Rejuvenate yourself with pranayam.*



This month don't be complacent and remember that pride comes before fall too. While working with multinational companies, check the minute details. Don't feel overburdened with other's stress. There is need for higher studies.

Angel Message: Accept the new change in your life.

GEMINI

This month you have to take charge of your life and don't keep the decisions pending. You will have to knuckle down with your job or any emotional situation. Don't miss out your opportunities for the fear of change. If you are expecting any news, this is a win-win situation. Take charge of your life.



CANCER *Angel Message: This month you will manifest all abilities and possibilities available for you.*



This month you will be with your own power. You might have to share the power with someone to succeed in your plans. Don't be a hypocrite, but be yourself. You are a natural born leader.

Angel Message: Major positive change is in your life ahead.

LEO

You may want to do things hastily. You may lack sensitivity or simply be so influential and intellectually together that you know you can pursue anyone to see things your way. Don't be too harsh and avoid reaction. You have all the natural abilities to attract desired outcome. Take one step at a time to reach your goal.



VIRGO *Angel Message: God's delay is not God's denial.*



This month you will be free from your past troubles and fears. Now you can clearly see your purpose in life. Your money, which is stuck, will flow smoothly. You have to take care of your grand parents and clear and overcome any part of negative thinking.

Angel Message: Monitor your health.

LIBRA

You will have to work hard for achievement in life. This is month for pure competition. Visualise yourself doing well in any given situation and have faith in a positive outcome. A small family get together will be possible.



SCORPIO *Angel Message: You will be seeking true spiritual guidance.*



This month represent a new enterprising and reliable person for you. Someone who knows what is the best for him and others. This time indicates that you are in a successful period in life. This month you will feel a Midas touch on you. This month you will be climbing towards the peak of your career.

Angel Message: Don't be a spendthrift, try and balance your finances.

SAGITTARIUS

This month you will utilise and gain your own power. Long awaited achievements will be materialised. Don't depend on others for any major decisions. Your family bond will increase. Avoid junk food and overeating.



CAPRICORN *Angel Message: Go ahead for your dream project.*



This month you have to be careful regarding your health. Someone will try and cheat you if you are not cautious. You can start a new venture which was anticipated. Any long-term partnership will come to an end.

Angel Message: Overcome past issues and move forward in your life.

AQUARIUS

This month de-clutter your emotions and feelings that no longer serve your current purpose. Welcome new changes rather than avoiding them. The change will be positive in your life.



PISCES *Angel Message: Welcome a new dawn in your life*



This month you will be able to handle your business affair in an honourable way and resolve any conflicts through the power of your thought. Take precaution while communicating with superiors. Any fear regarding your work will vanish.

"DISCLAIMER: The views expressed or implied in this feature are those of the author and not of the ICAI, which will not be responsible for any action taken on the basis of this feature."

Accounting Standard (AS) 4 (Revised 20XX)¹ (Corresponding to IAS 10), Events after the Reporting Period

Following is the Exposure Draft of the Accounting Standard (AS) 4 (Revised 20XX), Events after the Reporting Period, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments. The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than February 01, 2010. Comments can also be sent by e-mail at edcommentsasb@icai.org or asb@icai.org.

(This Exposure Draft of the revised Accounting Standard includes paragraphs set in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. This Exposure Draft of the revised Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards²).

Objective

1. The objective of this Standard is to prescribe:

- (a) When an entity should adjust its financial statements for events after the reporting period; and
- (b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting period.

The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

Scope

2. This Standard shall be applied in the accounting for, and disclosure of, events after the reporting period.

Definitions

3. The following terms are used in this Standard with the meanings specified:

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (*adjusting events after the reporting period*); and

(b) those that are indicative of conditions that arose after the reporting period (*non-adjusting events after the reporting period*).

4. The process involved in authorising the financial statements for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.

5. In some cases, an entity is required to submit its financial statements to its shareholders for approval after the financial statements have been issued. In such cases, the financial statements are authorised for issue on the date of issue, not the date when shareholders approve the financial statements.

Example

The management of an entity completes draft financial statements for the year to 31st December 20X1 on 28th February 20X2. On 18th March 20X2, the board of directors reviews the financial statements and authorises them for issue. The entity announces its profit and selected other financial information on 19th March 20X2. The financial statements are made available to shareholders and others on 1st April 20X2. The shareholders approve the financial statements at their annual meeting on 15th May 20X2 and the approved financial statements are then filed with a regulatory body on 17th May 20X2. *The financial statements are*

authorised for issue on 18th March 20X2 (date of board authorisation for issue).

6. In some cases, the management of an entity is required to issue its financial statements to a supervisory board (made up solely of non-executives) for approval. In such cases, the financial statements are authorised for issue when the management authorises them for issue to the supervisory board.

Example

On 18th March 20X2, the management of an entity authorises financial statements for issue to its supervisory board. The supervisory board is made up solely of non-executives and may include representatives of employees and other outside interests. The supervisory board approves the financial statements on 26th March 20X2. The financial statements are made available to shareholders and others on 1st April 20X2. The shareholders approve the financial statements at their annual meeting on 15th May 20X2 and the financial statements are then filed with a regulatory body on 17th May 20X2.

The financial statements are authorised for issue on 18th March 20X2 (date of management authorisation for issue to the supervisory board).

7. Events after the reporting period include all events up to the date

¹ This Exposure Draft is issued pursuant to the decision to converge with IFRSs in respect of accounting periods commencing on or after April 1, 2011. All existing Accounting Standards and new Accounting Standards which are referred to in this Exposure Draft are also being revised or formulated, as the case may be, to converge with IFRSs from the aforesaid date. References to the other standards may be viewed accordingly.

² Attention is specifically drawn to paragraph 4.3 of the Preface, according to which accounting standards are intended to apply only to items which are material.

when the financial statements are authorised for issue, even if those events occur after the public announcement of profit or of other selected financial information.

Recognition and Measurement

Adjusting events after the reporting period

8. An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

9. The following are examples of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:

- (a) the settlement after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with AS 29 (Revised 20XX) *Provisions, Contingent Liabilities and Contingent Assets* or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with paragraph 16 of AS 29 (Revised 20XX).
- (b) the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:
 - (i) the bankruptcy of a customer that occurs after the reporting period usually confirms that a loss existed at the end of the reporting period on a trade receivable and that the entity needs to adjust the carrying amount of the trade receivable; and
 - (ii) the sale of inventories after the reporting period may give evidence about their net realisable value at the end of the reporting period.
- (c) the determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.
- (d) the determination after the reporting period of the amount of profit-sharing or bonus payments, if

the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see AS 15 (Revised 20XX) *Employee Benefits*).

- (e) the discovery of fraud or errors that show that the financial statements are incorrect.

Non-adjusting events after the reporting period

10. An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

11. An example of a non-adjusting event after the reporting period is a decline in market value of investments between the end of the reporting period and the date when the financial statements are authorised for issue. The decline in market value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Therefore, an entity does not adjust the amounts recognised in its financial statements for the investments. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure under paragraph 21.

Dividends

12. If an entity declares dividends to holders of equity instruments (as defined in AS 31 (Revised 20XX) *Financial Instruments: Presentation*) after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.

13. If dividends are declared after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with AS 1 (Revised 20XX) *Presentation of Financial Statements*.

Going concern

14. An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

15. Deterioration in operating results and financial position after the reporting period may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so pervasive that this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.

16. AS 1 (Revised 20XX) specifies required disclosures if:

- (a) the financial statements are not prepared on a going concern basis; or
- (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.

Disclosure

Date of authorisation for issue

17. An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

18. It is important for users to know when the financial statements were authorised for issue, because the financial statements do not reflect events after this date.

Updating disclosure about conditions at the end of the reporting period

19. If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

20. In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the reporting period, even when the information does not affect the amounts that it recognises in its financial statements. One example of the need to update disclosures is when evidence becomes available after the reporting period about a contingent liability that existed at the end of the reporting period. In addition to considering whether it should recognise or change a provision under AS 29 (Revised

20XX), an entity updates its disclosures about the contingent liability in the light of that evidence.

Non-adjusting events after the reporting period

21. If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

- (a) the nature of the event; and
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

22. The following are examples of non-adjusting events after the reporting period that would generally result in disclosure:

- (a) a major business combination after the reporting period (AS 14 (Revised 20XX) *Business Combinations* requires specific disclosures in such cases) or disposing of a major subsidiary;
- (b) announcing a plan to discontinue an operation;
- (c) major purchases of assets, classification of assets as held for sale in accordance with AS 24 (Revised 20XX), *Non-current Assets Held for Sale and Discontinued Operations*, other disposals of assets, or expropriation of major assets by government;
- (d) the destruction of a major production plant by a fire after the reporting period;
- (e) announcing, or commencing the implementation of, a major restructuring (see AS 29 (Revised 20XX));
- (f) major ordinary share transactions and potential ordinary share transactions after the reporting period (AS 20 (Revised 20XX) *Earnings per Share* requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits all of which are required to be adjusted under AS 20 (Revised 20XX));

(g) abnormally large changes after the reporting period in asset prices or foreign exchange rates;

(h) changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities (see AS 22 (Revised 20XX) *Income Taxes*);

(i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and

(j) commencing major litigation arising solely out of events that occurred after the reporting period.

Effective date

23. An entity shall apply this Accounting Standard for accounting periods commencing on or after 1st April, 2011 and will be mandatory in nature³ from that date.

Withdrawal of AS 4 (Revised 1995)

24. This Standard supersedes AS 4 *Contingencies and Events Occurring After the Balance Sheet Date* (Revised 1995).

Appendix A Distribution of Non-cash Assets to Owners

(Corresponding to IFRIC 17)

This appendix is an integral part of Accounting Standard (AS) 4 (Revised 20XX).

Background

1. Sometimes an entity distributes assets other than cash (non-cash assets) as dividends to its owners⁴ acting in their capacity as owners. In those situations, an entity may also give its owners a choice of receiving either non-cash assets or a cash alternative.

2. Accounting Standards (ASs) do not provide guidance on how an entity should measure distributions to its owners (commonly referred to as dividends). AS 1 (Revised 20XX) requires an entity to present details of dividends recognised as distributions to owners either in the statement of changes in equity or in the notes to the financial statements.

Scope

3. This Appendix applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:

- (a) distributions of non-cash assets (eg items of property, plant and equipment, businesses as defined in AS 14 (Revised 20XX), ownership interests in another entity or disposal groups as defined in AS 24 (Revised 20XX); and
- (b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

4. This Appendix applies only to distributions in which all owners of the same class of equity instruments are treated equally.

5. This Appendix does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

6. In accordance with paragraph 5, this Appendix does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. Paragraph B2 of AS 14 (Revised 20XX) states that 'A group of individuals shall be regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.' Therefore, for a distribution to be outside the scope of this Appendix on the basis that the same parties control the asset both before and after the distribution, a group of individual shareholders receiving the distribution must have, as a result of contractual arrangements, such ultimate collective power over the entity making the distribution.

7. In accordance with paragraph 5, this Appendix does not apply when an entity distributes some of its ownership interests in a subsidiary but retains control of the subsidiary. The entity making a distribution that results in the entity recognising a non-controlling interest in its

³ This implies that, while discharging their attest function, it will be the duty of the members of the Institute to examine whether this Accounting Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from this Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviations.

⁴ Paragraph 7 of AS 1 (Revised 20XX) defines owners as holders of instruments classified as equity.

subsidiary accounts for the distribution in accordance with AS 21 (Revised 20XX).

8. This Appendix addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

Issues

9. When an entity declares a distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend payable. Consequently, this Appendix addresses the following issues:

- (a) When should the entity recognise the dividend payable?
- (b) How should an entity measure the dividend payable?
- (c) When an entity settles the dividend payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable?

Accounting Principles

When to recognise a dividend payable

10. The liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, which is the date:

- (a) when declaration of the dividend,

eg by management or the board of directors, is approved by the relevant authority, eg the shareholders, if the jurisdiction requires such approval, or

- (b) when the dividend is declared, eg by management or the board of directors, if the jurisdiction does not require further approval.

Measurement of a dividend payable

11. An entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

12. If an entity gives its owners a choice of receiving either a non-cash asset or a cash alternative, the entity shall estimate the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative.

13. At the end of each reporting period and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution.

Accounting for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when an entity settles the dividend payable

14. When an entity settles the dividend payable, it shall recognise the

difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

Presentation and disclosures

15. An entity shall present the difference described in paragraph 14 as a separate line item in profit or loss.

16. An entity shall disclose the following information, if applicable:

- (a) the carrying amount of the dividend payable at the beginning and end of the period; and
- (b) the increase or decrease in the carrying amount recognised in the period in accordance with paragraph 13 as result of a change in the fair value of the assets to be distributed.

17. If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose:

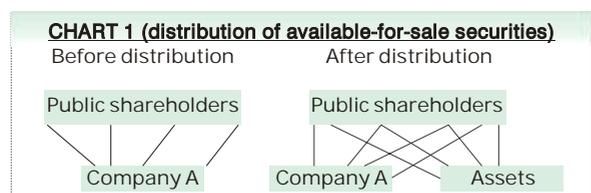
- (a) the nature of the asset to be distributed;
- (b) the carrying amount of the asset to be distributed as of the end of the reporting period; and
- (c) the estimated fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method used to determine that fair value required by AS 32 (Revised 20XX) paragraphs 27(a) and (b).

18. [Deleted]

Illustrative examples

These examples accompany, but are not part of this appendix

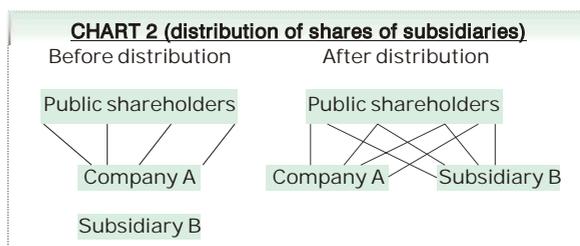
Scope of the Appendix (paragraphs 3–8)



IE1 Assume Company A is owned by public shareholders. No single shareholder controls Company A and no group of shareholders is bound by a contractual agreement to act together to control Company A jointly. Company A distributes certain assets (eg available-for-sale securities) *pro rata* to the shareholders. This transaction is within the scope of the Appendix.

IE2 However, if one of the shareholders (or a group bound by a contractual agreement to act together) controls Company A both before and after the transaction, the entire transaction (including the distributions to the non-controlling shareholders) is not within the scope of the Appendix. This is because in a *pro rata* distribution to all owners of the same class of equity instruments, the controlling shareholder (or group of shareholders) will continue to

control the non-cash assets after the distribution.



IE3 Assume Company A is owned by public shareholders. No single shareholder controls Company A and no group of shareholders is bound by a contractual agreement to act together to control Company A jointly. Company A owns all of the shares of Subsidiary B. Company A distributes all of the shares of Subsidiary B *pro rata* to its shareholders, thereby losing control of Subsidiary B. This transaction is within the scope of the Appendix.

IE4 However, if Company A distributes to its shareholders shares of Subsidiary B representing only a non-controlling interest in Subsidiary B and retains control of Subsidiary B, the transaction is not within the scope of the Appendix. Company A accounts for the distribution in accordance with AS 21 (Revised 20XX), *Consolidated and Separate Financial Statements*. Company A controls Company B both before and after the transaction.

Appendix B**Conflicting Legal and Regulatory Issues**

Note: This Appendix is not a part of the Accounting Standard (AS) 4 (Revised 20XX) Events After the Reporting Period. Some of the situations or accounting treatments prescribed in AS 4 (Revised 20XX) may not be in conformity with the present requirements of applicable laws/regulations in the country. In such cases, the provisions of the applicable laws/regulations will prevail. This Appendix contains the following such instances.

Conflicting Issues with Schedule VI

(I) Dividend declared by the entity after the reporting period, is not recognised as a liability at the end of the reporting period under AS 4 (Revised 20XX). Such dividend, however, is required to be disclosed in the notes to the balance sheet, in accordance with AS 1 (Revised 20XX). In contrast, dividend declared but not paid or proposed dividend both are shown as a liability in the financial statements as per the requirements of Schedule VI to the Companies Act, 1956.

Appendix C

Note: This Appendix is not a part of the Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard (AS) 4 (Revised 20XX) and the corresponding International Accounting Standard (IAS) 10, Events after the Reporting Period.

Comparison with IAS 10, Events after the Reporting Period and IFRIC Interpretation 17

The requirements contained in the AS 4 (Revised 20XX) are the same as those contained in International Accounting Standard (IAS) 10, *Events after the Reporting Period*, issued by the International Accounting Standards Board (IASB) and IFRIC 17, *Distributions of Non-cash Assets to Owners*. There is no difference between the AS 4 (Revised 20XX) and IAS 10 and, IFRIC 17.

Appendix D

Note: This Appendix is provided to bring out the major differences between the exposure draft of AS 4 (Revised 20XX) and existing AS 4 with a view to facilitate commentators in sending their comments on the exposure draft of AS 4 (Revised 20XX).

Major Differences between the Exposure Draft of AS 4 (Revised 20XX) and existing AS 4

- (i) In the exposure draft of AS 4 (Revised 20XX), the term 'events after the reporting period' has been defined as those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue, and date of authorisation for issue has been adequately explained through examples. Whereas, the existing AS 4 does not use the term 'authorised for issue' and defines the events occurring after the balance sheet date as those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of Directors in case of a company, and by the corresponding approving authority in case of any other entity.
- (ii) In the exposure draft of AS 4 (Revised 20XX), material non-adjusting events are required to be disclosed in the financial statements, whereas the existing AS 4 requires the same to be disclosed in the report of approving authority.
- (iii) As per the exposure draft of AS 4 (Revised 20XX) dividend proposed or declared after the reporting period, cannot be recognised as a liability in the financial statements because it does not meet the criteria of a present obligation as per AS 29 (Revised 20XX). Such dividend is required to be disclosed in the notes in the financial statements as per AS 1 (Revised 20XX), whereas as per the existing AS 4

the same is required to be adjusted in financial statements because of the requirements prescribed in the Schedule VI to the Companies Act, 1956.

- (iv) If after the reporting date, it is determined that the fundamental accounting assumption of going concern is no longer appropriate, the exposure draft of AS 4 (Revised 20XX) requires a fundamental change in the basis of accounting. Whereas existing AS 4 requires assets and liabilities to be adjusted for events occurring after the balance sheet date that indicate that the fundamental accounting assumption of going concern is not appropriate.

In this regard, the exposure draft of AS 4 (Revised 20XX) refers to AS 1 (Revised 20XX), which requires an entity to make the following disclosures:

- the fact that the financial statements are not prepared on a going concern basis together with the basis on which the financial statements are prepared
- the reason why the entity is not regarded as a going concern.

Existing AS 4 does not require any such disclosure. However, existing AS 1 requires the disclosure of the fact in case going concerns assumption is not followed.

(v) Exposure Draft of AS 4 (Revised 20XX) requires certain additional disclosures as compared to existing AS 4, such as, the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, that fact is also required to be disclosed as per the Exposure Draft of AS 4 (Revised 20XX).

(vi) Exposure Draft of AS 4 (Revised 20XX) gives guidance on accounting for non-cash distributions to owners. Whereas the existing AS 4 does not contain this guidance.



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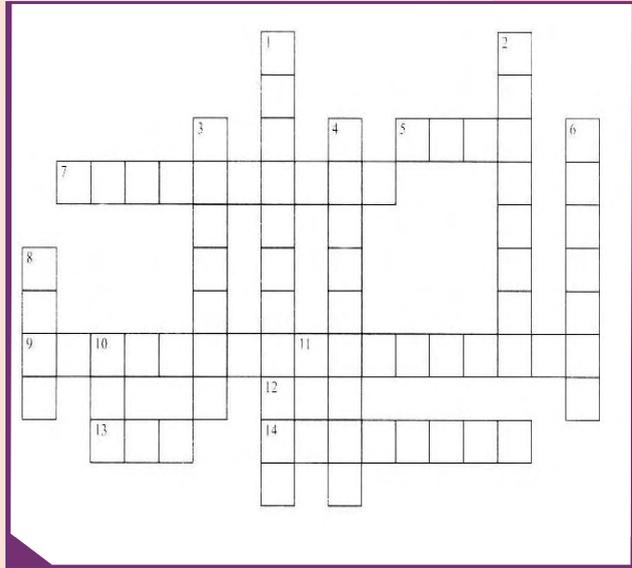
ACROSS

5. DFIA scheme allows duty free import of inputs, _____, oil, energy sources and catalyst which are required for manufacturing the export product. (4)
7. _____ property is not eligible to obtain loan under Reverse Mortgage scheme. (10)
9. Recently Exposure Draft of XBRL _____ Taxonomy has been issued by the Indian XBRL Jurisdiction. (7)
11. Second Nobel laureate in Economic Sciences who passed away recently. (9)
13. ICAI's latest initiative to promote women in CA profession.
14. ICAI Chapter which has recently celebrated its silver jubilee. (3,5)

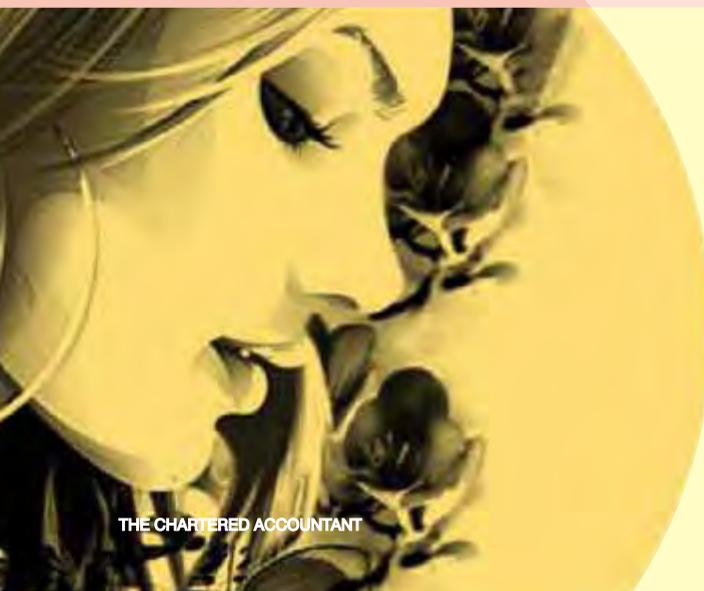
DOWN

1. Trading in Currency Futures was first time started in the world by _____ Mercantile Exchange. (7)
2. _____ Monetary Authority has been recently admitted in the Asian Clearing Union as member. (8)
3. One of the countries with which India has entered into a Social Security Agreement (SSA). (7)
4. As per IAS 18, revenue shall be measured at _____. (4,5)
6. The first Indian woman astronaut who visited space station was _____ Chawla. (7)
8. First bank to start ATM service in India.
10. In 1990, _____ was set up by an act of Parliament to safeguard the rights and legal entitlements of women.
12. Service Tax is not chargeable on the tour undertaken for carrying out _____ pilgrimage. (3)

Note: Members can claim one hour CPE Credit – Unstructured Learning through self-declaration for attempting above Crossword.



SOLUTION Crossword 042



A Woman

- by CA. Shweta Dhaka, New Delhi

Sleek & tender as an infant feather,
Yet able to stand against any weather,

Warmth & affection is her emblem,
Her innocent smile can brush away any problem,

In her womb she can carry life,
Many roles she plays from a mother to wife,

Her heart is soft yet she smiles in pain,
She can be cheerful in spite of the worldly chain,

Her charming spirit gives meaning to a home,
In the outer world she also rules the official dome.