

The Chartered Accountant World



A JOURNAL OF
ALL INDIA CHARTERED ACCOUNTANTS' SOCIETY
Volume XVIII, No. 2, February 2007

EDITORIAL ADVISORY BOARD

Mr. Vinod Jain, FCA, President

MEMBERS - Mr. Anil Sharma, FCA;
Mr. Avineesh Matta, FCA;
Mr. Praveen Sharma, FCA;
Mr. Shiv Mital, FCA;
Mr. Sunil Khemka, FCA;
Mr. Vijay Gupta, FCA;
Mr. Vinod Rustagi, FCA.

ANNUAL SUBSCRIPTION

- for Chartered Accountants:
Rs. 200/-. Single Copy Rs. 20/-
- for Others: Rs. 250/-.
Single Copy Rs. 25/-

EDITORIAL

SPECIAL ECONOMIC ZONES – NEED FOR REGULATED DEVELOPMENT



CA VINOD JAIN*

The Government's initiative to develop Special Economic Zones (SEZs) in various parts of the country providing them special fiscal and other concessions, no doubt is a step in the right direction. Riding on the boom of real estate, a large number of SEZ developers have taken initiative and the Government has issued a number of approvals and final approvals. Some of the SEZs are in the process of acquiring

land, whereas others are still in the waiting.

Whole of this concept of SEZs has also aggravated the insatiable desire of land sharks and mafias to grab large chunks of land mass perceiving its accelerated demand in the near term future. There are serious economic, fiscal and socio-cultural fallouts in the implementation of laudable scheme, which if not taken care of in comprehensive manner, may bring in aberrations within the society. And surely, India as a country cannot afford this at this juncture. **The Government of late is also shying to process further applications in view of political implications and election in several states round the corner.**

There are several issues, which are required to be dealt with at the policy level by the Government to ensure a regulated development of SEZs for the benefit of the citizens of this country:

- The location of SEZs has to fall in line with national development plan and state-wise development plan to ensure balance spread of SEZs across the country.
- Environmental issues, ecological balancing and geographical planning are necessary keeping a long-term vision.
- The existing social system including wildlife, forest spread, residential clusters and agricultural backbone of

the country is not only to be protected but also needs to be empowered together with the industrial development.

- Though too late but still the Government has rightly decided not to permit fertile land to be acquired for SEZs. Even barren land could have a future potential of agricultural uses with the help of latest technology being promised by Israel and other countries. Before earmarking the land to be acquired, its potential alternate usage must be fully evaluated. Cost benefit analysis, economic as well as social, must also be undertaken objectively.
- The best option could be to use the land clusters, which are non-productive from agriculture and forest viewpoint.
 - The increase in population of the country and growing requirement of food necessitates protection and growth of agriculture sector. Largest part of our populace is agro-dependent. The industrial growth cannot be at the cost of agriculture sector.
- Various incentives, benefits and concessions provided to Special Economic Zones may have an adverse impact on existing industries, which may also be export oriented.
- Labour policies and regulations are to be implemented in these SEZs in such fashion that distortions in the labour market does not creep in. SEZs and DTAs should have similar labour regulations.

The Government should come out with a detailed white paper and comprehensive policy in respect of Special Economic Zones rather than stopping the work under fear of nearing election.

Contd... 3

Contents

1. LATEST IN FINANCE	2-4
2. TAXATION	4-5
3. CAPITAL MARKET / COMMODITY MARKET	6
5. EXIM / FEMA	6
6. AUDIT / INSURANCE / INTERNATIONAL NEWS	7
8. ICAI NEWS	8



1.0 RBI MANDATES TRUST DEED AT NBFCs

Deposits with Non-Banking Finance Companies (NBFCs) will now be secured to the extent of statutory liquid assets through a trust deed in favour of depositors.

This implies that NBFCs can no longer avail of the regulatory arbitrage by parking 15% of their deposits as a floating charge on these reserves only at the time of periodic inspections or during year-end, and subsequently deploy these funds for varied purposes later on. As per Reserve Bank of India (RBI) notification, the charge will have to be registered with the Registrar of Companies.

The trustee would necessarily have to be either a limited company or a scheduled commercial bank, which is engaged in the trust business and has a minimum capital base of Rs. 50 lakh. The trustee needs to be independent, having no relationship with the company or its principal shareholders. RBI has necessitated that trustees would need to be entirely responsible for the protection of depositors' interests.

2.0 EDUCATION LOAN LIMIT EXTENDED TO RS. 20 LAKHS

As per the draft guidelines on priority sector issued by the Reserve Bank of India, banks can now grant up-to Rs. 20 lakh as education loan to students for studying abroad and Rs. 10 lakh to individuals for studies in India. The earlier limits were Rs. 15 lakh and Rs. 7.5 lakh respectively.

3.0 INTEREST RATE ON FCNR(B) DEPOSITS REDUCED

In respect of Foreign Currency (Non-Resident) Accounts (Banks) Scheme (FCNR(B)) deposits of all maturities contracted effective from the close of business in India as on January 31, 2007, interest shall be paid within the ceiling rate of LIBOR / SWAP rates for the respective currency/corresponding maturities minus 25 basis points (as against LIBOR / SWAP rates effective from close of business on March 28, 2006). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity minus 25 basis points. For floating rate deposits, the interest reset period shall be six months.

(Source: RBI/2006-07/250 dt. 06.02.2007)

4.0 NORMS FOR PROJECT, SERVICE EXPORTS RELAXED

The Reserve Bank of India has simplified the procedures for project and service exports, such as deployment of temporary cash surpluses and inter-project transfer of machinery and funds.

Exporters will now be allowed to use the machinery or equipment used for a turnkey or construction abroad, for executing a contract in another country.

Currently, exporters are required to dispose of the equipment, machinery, vehicles purchased abroad or arrange their import into India after completion of the contracts. If it has to be used for another overseas project, the market value should be recovered from the second project.

5.0 RBI REPO RATES INCREASED

In terms of 'Third Quarter Review of Annual Statement on Monetary Policy for the year 2006-07' Reserve Bank of India (RBI) has decided to increase the fixed repo rate under the Liquidity Adjustment Facility (LAF) of RBI by 25 basis points with effect from Second LAF of January 31, 2007 to 7.50 per cent from 7.25 per cent. The reverse repo rate under the LAF remains unchanged at 6.00 per cent. All

other terms and conditions of the current LAF Scheme will remain unchanged.

(Source: RBI/2006-07/238 dt. 31.01.2007)

6.0 EXEMPTION FROM SUBMISSION OF NBFC RETURNS BY MBFCs & MBCs

The position regarding submission of Annual Returns by Mutual Benefit Financial Companies (MBFCs) (Notified Nidhis) and Mutual Benefit Companies (MBCs) (Potential Nidhis) have been reviewed by the the Ministry of Company Affairs and it has been decided not to call for Annual Return in First Schedule, audited balance sheet & profit and loss account, auditor's certificate and other particulars as contained in paragraph 8 of Non-Banking Financial Companies, Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

However, once the application of MBCs (Potential Nidhis) for grant of nidhi status is rejected by the Ministry of Company Affairs, the provisions of the said directions as applicable to NBFCs would apply to such companies.

(Source: RBI/2006-07/226 dt. 04.01.2007)

7.0 INTEREST RATE ON NON-RESIDENT (EXTERNAL) RUPEE DEPOSITS REDUCED

The interest rates on fresh Non-Resident (External) Rupee (NRE) Term deposits for one to three years' maturity should not exceed the LIBOR/SWAP rates, as on the last working day of the previous month, for US dollar of corresponding maturity plus 50 basis points (as against LIBOR / SWAP rates plus 100 basis points effective from close of business on April 18, 2006). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

(Source: RBI/2006-07/249 dt. 06.02.2007)



8.0 PROPOSED INDIAN LIMITED LIABILITY PARTNERSHIP BILL, 2006

The salient features of Limited Liability Partnership (LLP) Bill, 2006 are as follows:

1. A LLP will be a body corporate with an identity distinct from its partners and will have perpetual existence;
2. A minimum of two partners will be required for the formation of a LLP with no limit on the maximum number of partners;
3. Every partnership will have at least two designated partners of which one shall be a resident of India. The designated partners shall be answerable for the doing of all acts, matters and things as are required to be done by the LLP in respect of compliance of the provisions of the proposed legislation and be liable for penalties for non-compliance;
4. Liability of the partners of a LLP will be limited to the extent of investment made by them in the LLP. A partner shall not be personally liable for the wrongful acts or omission of any other partner except in the case of unauthorized acts, fraud and negligence. The liabilities of a LLP shall be borne out of the property or assets of the LLP; and

5. The mutual rights and duties of the partners of a LLP inter se and those of the LLP and its partners shall be governed by a registered agreement between partners or between the LLP and the partners.

Contd. from page no. 1

SPECIAL ECONOMICS ZONES ...

- The permission to Special Economic Zones to sell their products locally (Domestic Tariff Area) is to be taxed in a manner that domestic industry does not suffer.
- The Indian customs, Indian culture and Indian ethos are to be preserved and nurtured to the benefit of generations to come.
- The land is a scarce resource in India and while planning Special Economic Zone development it is necessary to ensure that –
- The Special Economic Zones provide a very high level of infrastructure and development, similar to Chinese SEZs. This may not completely be left to the SEZ Developer; and public-private partnership (PPP model) would be required. The Government investment in infrastructure around SEZs is a must.
- The land availability in SEZ for industrial uses should be at reasonable regulated prices. In view of the fact that in most of the cases SEZ Developers are able to acquire land at reasonable prices, because of Government policy, incentives and compulsory acquisitions etc., it is important for the Central Government as well as State Governments to ensure regulations of prices and uses of land clusters by SEZ Developers.
- SEZ Developer need to adhere to the time frame accorded in the approval. If the Developer fails to complete the project, heavy pecuniary penalties must be imposed. In case of undue delay in execution or completion of project open auction of the project en-block may be invoked. At all

Government need to ensure that there is no undue land holdings for speculative purposes.

- The agriculturists and local population may be considered for owning upto 26% of the SEZ Development Company in terms of a scheme whereby land sellers automatically become entitled to a Sweat Equity or Stock Option Plan. Similarly at reasonable price Stock Option could be offered to local population.
- A revenue share may be granted to the local panchyaats of the village(s) in the same district. Panchyaats should use the wealth so granted to it for the have-nots by promoting community development projects in literacy, health care and skill upgradation of the masses. The bounty of development must reach the grass root.
- In a certain portion of real estate development around SEZ including flats, shops, markets and entertainment zones, some kind of priority or reservations could be made for local inhabitants.

The Government should come out with a detailed white paper and comprehensive policy in respect of Special Economic Zones rather than stopping the work under fear of nearing election. The comprehensive policy need balancing and solution of the aforesaid issues in a manner which provide a win win solution for SEZ Developers, the agriculture sector, the land owners, the local public and above all the nation. **It must also provide a boost to infrastructure development including inland container depots, railways, roads, power, telecom and all other necessary facilities to ensure all-round development of Special Economic Zones as well as growth of industry culminating into rapid economic uprising in India.** Unregulated growth not in line with regional development plan, ignoring the local ecological needs and disregarding the social fabric will lead to irreparable damage to our own countrymen.



9.0 GUIDELINES FOR ISSUE OF CERTIFICATE OF DEPOSIT (CDs)

Certificates of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note, for funds deposited at a bank or other eligible financial institution for a specified time period with the objective of further widening the range of money market instruments and giving the investors greater flexibility in deployment of their short-term surplus funds.

The various guidelines issued by the Reserve Bank of India (RBI) for issue of CDs from time to time are as follows:

- CDs can be issued by (i) Scheduled Commercial Banks excluding Regional Rural Banks (RRBs) and Local Area Banks (LABs); and (ii) All India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI.
- Minimum amount of a CD should be Rs.1 lakh and in the multiples of Rs. 1 lakh thereafter.
- Physical CDs are freely transferable by endorsement and delivery.
- Dematted CDs can be transferred as per the procedure applicable to other demat securities.
- There is no lock-in period for the CDs.
- The maturity period of CDs issued by banks should be not less than 7 days and not more than one year.

- Banks/FIs cannot grant loans against CDs. Also they cannot buyback their own CDs before maturity.
- In case of the loss of physical certificates, duplicate certificates can be issued.

(Source: RBI/2006-07/68 dt. 01.07.2005)

10.0 LENDING TO PRIORITY SECTOR

The main features of guidelines issued by Reserve Bank of India to banks on lending to Priority Sector are as follows:

The priority sector broadly comprises the following:

- Agriculture
- Small Scale Industries
- Other activities / borrowers (such as small business, retail trade, small transport operators, professional and self employed persons, housing, education loans, microcredit, etc.)

Targets for Priority Sector Lending

1. Scheduled Commercial Banks excluding Foreign Banks

- Total priority sector advances to constitute 40 per cent of net bank credit and that a substantial portion to be directed to the weaker sections.
- Sub targets within the overall main lending target of 40 per cent of net bank credit:
 - ❖ 18 per cent of net bank credit to agricultural sector,
 - ❖ 10 per cent of net bank credit to the 'weaker sections' and
 - ❖ 1 per cent of previous year's total advances to be given under the Differential Rate of Interest (DRI) scheme.
- Shortfall in Lending to Priority Sector to be contributed to the Rural Infrastructure Development Fund (RIDF) established with NABARD as per details decided every year in the Union Budget.

2. Foreign Banks

- Minimum lending to priority sector shall be 32 percent of their net credit.
- Since the foreign banks have no rural branch network, the composition of priority sector advances in their case will include export credit provided by them.
- Sub targets within the overall main lending target of 32 per cent of net bank credit:
 - ❖ Not less than 10 per cent of the net bank credit to small scale industries sector
 - ❖ Not less than 12 per cent of the net bank credit to constitute export credit

Any shortfall in target/sub target to be made good by depositing for a period of three years, an amount equivalent to the shortfall with the Small Industries Development Bank of India (SIDBI) at rates of interest ranging from Bank Rate to Bank Rate minus 3 percentage points.

(Source: RBI/2006-07/42 dt. 03.07.2006)

TAXATION

1.0 INCOME TAX DECISIONS

- 1.1 **Property in the name of the assessee's wife could not be included in total income of the assessee :** Hon'ble Madras High Court in the matter of Commissioner of Income Tax Vs. S.M. Anandvel (HUF), held that if the revenue failed to prove that the said property was purchased by the assessee in the name of his wife, the assessee's wife alone was the real owner, as such income from said house property, was not taxable in the hands of the assessee. [288 ITR 286]
- 1.2 **Differences between cost shown by the assessee and estimates by departmental valuation officer is not a ground for re-assessment :** Hon'ble Madras High Court in the matter of Commissioner of Income Tax Vs. V.T. Rajendran held that the report of the Valuation Officer



could not be the basis for re-assessment because the valuation cannot be arithmetical appreciation of the materials used for the construction or the expenses incurred by the assessee in that regard. [288 ITR 312]

- 1.3 Penalty for concealment u/s 271(1)(c) :** Hon'ble Delhi High Court in the matter of Commissioner of Income Tax Vs. International Audio Visual Co. held that if the assessee has disclosed primary facts but later on claim found erroneous, penalty for concealment cannot be levied.

In another case, Commissioner of Income Tax Vs. Nath Bros. Exim International Limited, the Hon'ble Court held that whether there was a full disclosure of all relevant material but wrong claim for special deduction is not a concealment of income and penalty cannot be levied. [288 ITR 570 & 670]

- 1.4 FII investment is not business :** Hon'ble Authority for Advance Ruling in the matter of Fidelity Northstar and others given a ruling that non-resident, registered as Foreign Institutional Investor (FII) investing in securities in India under regulation can only be for earning dividend, capital gains, etc. and not for trading in securities. [288 ITR 641]

- 1.5 Basis of notice under sec. 148 :** Hon'ble Income Tax Appellate Tribunal Delhi Bench in the matter of Income Tax Officer Vs. Smt. Gurinder Kaur held that Notice u/s 148 of the Income Tax Act, 1961 on the basis of information gathered by investigation Department of income tax is valid. [288 ITR (AT) 207]

- 1.6 Nursing Home is a business :** The activities of a Nursing Home constituted business and not profession and since the turnover of the assessee was below the limit of Rs. 40 Lacs prescribed in clause (a) of section 44AB, assessee was not required to get its accounts audited in terms of section 44AB – Shalini Hospitals v. ACIT [2006] 10 SOT 622 (ITAT – Hyd)

- 1.7 Section 14A disallowances :** Even in case it is not possible to identify expenses incurred in earning income which does not form part of total income, disallowance u/s 14A has to be made on some basis – DCIT v. SREI International Finance Ltd. [2006] 10 SOT 722 (ITAT – Del)

- 1.8** Car received by the assessee on the basis of scratch card on purchase of refrigerator fell within the definition of 'lottery' u/s 2(24)(ix) read with Explanation to the said section and is not a gift. – D.N. Thakur v. ITO [2006] 10 SOT 751 (ITAT – Chd.)

- 1.9** Share of profit from firm credit to P&L A/c is to be reduced from net profit for computing income u/s 115JA – DCIT v. Metro Exporters Ltd. [2006] 10 SOT 647 (ITAT- Mum)

2.0 INDIRECT INPUTS TOO GET TAX SOPS

The Supreme Court has ruled that the sales-tax exemption can be availed on raw materials eligible for tax concessions even if they are used indirectly in manufacturing the final product. The Government cannot

levy sales tax on items under the plea that they were intermediates and not directly used for manufacturing the final product, the apex court said while dismissing an appeal of Udaipur's commercial taxation officer. The case pertains to diesel used for generation of power consumed to manufacture polyester yarn.

3.0 RELIEF TO NON RESIDENT FIRMS TAXABILITY

The Supreme Court in a recent judgement laid down the guidelines for assessing income deemed to accrue in India. It was held that only such part of the income as is attributable to operations carried out in India can be taxed in India in case of Non Residents. If all parts of the transfer of goods are carried on outside the country, transaction cannot be taxed in India. The place where contract is signed is of no material consequence. In case of offshore services, sufficient nexus between the rendition of services and territorial limits of India is necessary to make the income taxable.

Therefore amounts received by Japanese Corporation from an Indian company for offshore supply of equipments and materials shall not be liable to tax in India.

Harima Heavy Industries Ltd. vs Director of Income Tax 2007-ITS-124-SC Dt 04.01.2007

Congratulations



Sh. D.P. Gupta



Sh. R.K. Gupta

Excellent book on "STOCK & RECEIVABLES AUDIT IN BANKS", published by 'TAXMANN' authored by **Sh. D.P. Gupta** (FCA, CAIIB) and **Sh. R.K. Gupta** (FCA, DISA, CISA) has been released in November 2006.

Foreword for this book has been given by CMD's of five Banks.

This book covers all aspects of Stock Audit & Receivables Audit of Banks including Case Studies, Check List, Reporting Format, etc.

INMACS

.... International Outbound / Inbound Investment Advisory & Compliances

Vivek Kumar, ACS 9868337938

inmacs.cbg@gmail.com



CAPITAL MARKET

1.0 SEBI HIKES LIMIT FOR MFs OVERSEAS INVESTMENTS

The Securities and Exchange Board of India (SEBI) has hiked individual limits of Mutual Funds (MFs) investments in overseas equity instruments by \$50 million to \$ 150 million.

2.0 SEBI TO RELAX CORPORATE BOND DISCLOSURE NORMS

The Securities and Exchange Board of India (SEBI) plans to suggest minimum disclosure norms in offer documents for corporate bonds to encourage companies tap the domestic market.

The move is expected to encourage companies tap the domestic market instead of opting for external commercial borrowings.

The Liberal rules would be mainly aimed at listed companies as they have already come under stringent disclosure requirement.

3.0 FIIS INVESTMENT LIMIT IN DEBT PAPER HIKED

Securities and Exchange Board of India (SEBI) has informed that that the existing Foreign Institutional Investment (FII) limit of \$ 2 billion in Government securities or treasury bills has been enhanced to \$2.6 billion. However, the FII limit in corporate debt remains unchanged at \$ 1.5 billion.

The enhanced limit for debt investment will be applicable only to those Foreign Institutional Investors who invest 100% of their corpus in debt papers.

4.0 MIN TO STAY

The Mutual Fund Identification Number (MIN) mandatory for investments above Rs. 50,000 in mutual funds is likely to stay. There is no proposal to scrap MIN. The number has been introduced to comply with the know your customer norms. The Association of Mutual Funds in India standing committee is discussing the Government's suggestion of using Permanent Account Number (PAN) of investors as his/her MIN.

COMMODITY MARKET

1.0 FMC FIXES MARCH 31 FOR SUBMISSION OF PAN DETAILS

The Forward Market Commission (FMC) has warned commodity market members and clients that they will be debarred from trading on any exchange from 1 April, 2007 if they fail to provide their Permanent Account Number (PAN).

2.0 BANKS' EXPOSURE TO COMMODITY MARKETS – MARGIN REQUIREMENTS

Banks while issuing guarantees on behalf of share and stock brokers in favour of stock exchanges in lieu of margin requirements as per stock exchange regulations should obtain a minimum margin of 50 percent. A minimum cash margin of 25 percent (within the above margin of 50 percent) should be maintained in respect of such guarantees issued by banks.

It has been clarified that the above minimum margin will also apply to guarantees issued by banks on behalf of commodity brokers.

(Source: RBI.No.2006-07/228 dt. 09.01.2007)

3.0 CENTRE BANS FUTURE TRADING IN TUR, URAD

The Centre has banned futures trading in tur and urad until further notice. Commodity exchange sources said they received the notice asking them to stop trading in forward contracts of urad and tur with immediate effect.

4.0 INVESTMENT IN ADRS/GDRS/ FOREIGN SECURITIES BY MUTUAL FUNDS

Pursuant to the enhancement in overseas investment limits by RBI, it has now been decided that mutual funds can invest in ADRs/GDRs/Foreign Securities within overall limit of US\$3 bn. This will be with a sub-ceiling for individual mutual funds which should not exceed 10% of the net assets managed by them as on March 31 of each relevant year and subject to a maximum of US \$150 mn. per mutual fund.

(Source: SEBI/IMD/C. No.13/83589/07 dt. 04.01.2007)

CAs TO REPRESENT BEFORE NTT

Only lawyers and chartered accountants (CAs) will be allowed to represent parties before the National Tax Tribunal (NTT). Besides, the Chief Justice of India alone will decide on transfer of the members of the Tribunal.

EXIM / FEMA

1.0 GOVT SLASHES CUSTOMS DUTY ON 11 ITEMS

The dynamics of Budget Presentation is evolving to be demystified. Ahead of Budget this year, the Government has cut customs duty on following 11 product categories:

S. No.	Item	From (in%)	To (in%)
1	Capital goods	12.5/10	7.5
2	Project imports	12.5/10	7.5
3	Inorganic chemicals	10	5
4	Carbon black feedstock	10	5
5	Primary forms of copper, zinc	7.5	5
6	Stainless steel	7.5	5
7	Aluminium, copper pipes and tubes	12.5	7.5
8	Calcined alumina	7.5	5
9	Refractories	7.5	5
10	Refractories raw materials	10/7.5	5
11	Portland cement	12.5	Nil



AUDIT

1.0 BANKS TO STREAMLINE PROPERTY VALUATION

The Reserve Bank of India (RBI) has asked banks to have board-approved policies for valuation of properties, as its correctness has implications for computation of capital adequacy ratio.

As per RBI it has been observed that different banks follow different policies for valuation of properties and appointment of valuers for the purpose. Valuation of properties, including collaterals accepted for the exposures and the valuation, should be done by professionally qualified independent valuers with no direct or indirect interest. Banks have been asked to obtain a minimum of two independent valuation reports for properties valued at Rs. 50 crore or above.

The policy should also cover the disclosure required to be made in the 'Notes on Account' regarding the details of revaluation such as the original cost of the fixed assets subject to revaluation and accounting treatment for appreciation / depreciation, etc.

INSURANCE

1.0 GENERAL INSURERS TO CHANGE NEW PREMIUMS APPROVED BY IRDA

The Insurance Regulatory Development Authority (IRDA) has clarified that post-detariffing the general insurers can change the new premiums, which have been approved by the regulator after following notified procedure.

2.0 HIKE IN THIRD-PARTY INSURANCE FOR TRANSPORTERS TO BE HALVED

The Government has decided to roll back a hike in third-party insurance charges for transporters. In a move that will upset all pricing assumptions made by insurers post free pricing in January 1, the Government has decided to cut the hike in liability insurance premium for transporters to 70% from the 150% notified earlier. The third party insurance provides compensation to accident victims and is a mandatory cover. The cover for the vehicle itself is called 'own damage' cover.

3.0 IRDA REDUCES WAITING TIME FOR LIFE RISK INSURERS

The Insurance Regulatory Development Authority (IRDA) has shortened the waiting period for life insurance companies for offering products.

As per the existing procedure, after filing of the products, life insurers can use the product only if they do not hear anything from the IRDA within 30 days from the date of receipt of application.

In view of the difficulties faced by insurers, IRDA has decided to reduce the waiting period to 15 days with respect to the filings. This means that if insurers do not hear from IRDA within 15 days from the date of receipt of application, insurers can offer sale of such products.

INTERNATIONAL NEWS

1.0 IPSASB OF IFAC RELEASES NEW IPSASs

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has released International Public Sector Accounting Standards (IPSASs) which identify disclosures to be made by Governments and other public sector entities that make their approved budgets publicly available.

A new standard, IPSAS 24, Presentation of Budget Information in Financial Statements, applies to entities that adopt the accrual basis of financial reporting. In addition, the cash basis IPSAS, Financial Reporting under the Cash Basis of Accounting, has been updated to include both required and encouraged disclosures that apply to entities that adopt the cash basis of financial reporting.

Both standards require that a comparison of budget and actual amounts for the reporting period be included in the financial statements. They also require explanations for material differences between the budget and actual amounts in the notes to the financial statements or in a separate report issued in conjunction with those statements.

2.0 IAASB ISSUES NEW ISAs

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), has issued the first four final International Standards on Auditing (ISAs) redrafted as part of its comprehensive program to enhance the clarity of its standards.

The four redrafted standards issued by IAASB are:

- ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements;
- ISA 300, Planning an Audit of Financial Statements;
- ISA 315, Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment; and
- ISA 330, The Auditor's Responses to Assessed Risks.

The above have a provisional effective date for audits of financial statements for periods beginning on or after December 15, 2008.

INMACS

.... Trustee Services Share Valuations

CA Rajesh Gosain 9810618348

inmacs.cb@gmail.com

CPA / CISA / CFA (USA) - EMERGING GLOBAL OPPORTUNITY

Special Discount for Group or Corporate

Certified Public Accountant (USA) is a global passport, which gives career opening in fortune 500 Companies. Earn a handsome salary both in India and abroad.

It consists of only four papers, it is a computer based objective exam being conducted throughout the year by American Institute of Certified Public Accountant (AICPA). Graduates/ Professionals like B.COM, M.COM, BBA, MBA and Inter/Final of CA, CS & ICWA can do CPA in a short period of 3 to 6 months.

Classes will be held all over India through Web Technology for 112 hours and Mock test conducted in examination condition.

Mr. Vikas Kumar

Email: kmgupta1@gmail.com

Mobile: 9891145364,

Ph.: 011-42831283/23252225/ 23277677.



CA Sunil H. Talati
President, ICAI



CA Ved Jain
Vice President, ICAI

CONGRATULATIONS!

The new council elected Mr. Sunil H. Talati FCA, Ahmedabad and Mr. Ved Jain FCA, New Delhi as President & Vice President for 2007-08.

INMACS

.... Private Equity Fund Setup Advisory

CA.Neha Bansal 9810904228 inmacs.cbg@gmail.com

ICAI NEWS

1.0 FORMAT OF REVIEW REPORT UNDER CLAUSE 41 OF THE LISTING AGREEMENT

As the members are aware, the Institute of Chartered Accountants of India (ICAI) had in March 2005, issued Auditing and Assurance Standard (AAS) 33, Engagements to Review Financial Statements, applicable to all review engagements relating to accounting periods beginning on or after April 1, 2005. Appendix 3 to the said AAS contains an illustrative format of review report in respect of balance sheet. The illustrative format given in the AAS is different from the format of the review report, required to be given under clause 41 of the Listing Agreement in that it is in respect of review of financial results and not a balance sheet. The members are requested to note that in so far as review carried out in terms of clause 41 of the Listing Agreement is concerned, the members are expected to submit their review report in accordance with the format prescribed by the Securities and Exchange Board of India in clause 41 of the Listing Agreement.

2.0 AUDITORS' WORKING PAPERS

ICAI has cited para 6 of Auditing and Assurance Standards (AASs) 1 on Basic Principles Governing An Audit, which states that "The auditor should respect the confidentiality of information acquired in the course of his work and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose. Para 13 of AAS 3 on "Documentation" states that "Working papers are the property of the auditor. The auditor may, at his discretion, make portions of or extracts from his working papers available to his client"

Contact details : Medha (9899600345) / Kanika (9891199234)
All India Chartered Accountants' Society - CFO World
422, Okhla Industrial Estate, Phase III, New Delhi-110 020. Ph: 41000043,
32478997 E-mail: cfoworld@gmail.com / aicas.cfo@gmail.com

EDITOR

Pankaj Gupta, LLB, FCS E-mail: pankajguptafcs@gmail.com

PUBLISHED & PRINTED

At New Delhi by Satish Chandra, Administrative Officer, on behalf of All India Chartered Accountants' Society, 4696, Brij Bhawan, 21A, Ansari Road, Darya Ganj, New Delhi - 110 002 Phone : 23265320, 23288101 E-mail: aicas.cfo@gmail.com Printed at : EIH Limited, Unit: Printing Press, No. 7, Sham Nath Marg, Delhi-110054.

If undelivered, please return to :

All India Chartered Accountants' Society
4696, Brij Bhawan 21A, Ansari Road,
Darya Ganj, New Delhi - 110 002

Views expressed by contributors are their own and the Society does not accept any responsibility