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EDITORIAL

FOREIGN EXCHANGE RATE - A FUTURE OUTLOOK – MANAGEMENT STRATEGY

CA VINOD JAIN*

The Foreign Exchange Rate of Rupee viz a viz US Dollar has appreciated about 14% during last 12 months. Indian currency has appreciated against all major currencies of the world except in case of Euro. The US economy is facing sub-prime crises and may only rebound in 6 to 9 months. Fed interest rate cut of 0.75% by US in recent months will facilitate consolidation of US economy.

The growth of Indian economy, increase in the flow of investment in real estate, stock market and infrastructure have led to a stronger rupee and larger foreign exchange reserve. The Indian rupee is expected to further strengthen to Rs. 35 to 1 US Dollar in next 12 months.

Exporters, BPO companies, Information Technology companies are facing stiff competition and pressure of margin. The invoicing in Indian rupee, broad basing of exports, technological innovation, cost reduction and moving up the value chain are to be strategised. Indian exporters need to plan international corporate structure and set ups for better business opportunities, higher margins and tax planning. Imports are becoming cheaper and have an impact of reducing inflation and a negative pressure on balance of trade. Foreign Debt Servicing is becoming cheaper and easier.

The Chartered Accountants, as treasury managers need to have a clear risk management policy and may partly cover the risk through forward and derivative products. Their professional acumen and expertise can bring revenue and cost saving. RBI is pushing for exchange traded hedging products for foreign exchange risk. The profession needs to gear up in knowledge and technology to meet the new challenges. The government need not feel nervous on higher inflow and utilize forex reserves for government debt restructuring, investment in growth and development plans with adequate cover for exchange fluctuation risk.

PEER REVIEW – CHALLENGES AND OPPORTUNITY

The Institute of Chartered Accountants of India has initiated peer review of Chartered Accountant Firms in a phased manner. The Institute appointed Peer Reviewers are undertaking a cold file review of selected CA firms, with a view to report on their documentation, compliances, quality of procedures and adherence to mandatory accounting standards, auditing standards, statements and guidance notes issued by the Institute of Chartered Accountants of India.

Securities and Exchange of India (SEBI) has recently made it mandatory that only the CA firms who have been reviewed by the peer review process of the Institute and have obtained a successful clean peer review certificate will be entitled to undertake the audit of listed companies. The Reserve Bank of India, Insurance Regulatory and Development Authority and other regulators may follow such decision for audits of banks and insurance companies.

The Institute has also permitted CA firms to get themselves peer reviewed on a voluntary basis in those cases where their names are not selected for the peer view. The CA firms who are selected for the peer review have a number of apprehensions in their mind about the review process. In fact the objective of the peer review is to undertake a review of the Chartered Accountants' working methodology, audit process and documentation by another Chartered Accountants in practice. Peer review is being undertaken with an objective of improving the quality of audit and assurance.

The Peer Reviewers have been provided with a Peer Review Manual, copies of which are also available for sale at the Institute. The Reviewers are also provided a detailed training by leading experts and senior Chartered Accountants from various parts of the country. **The Peer Reviewers have been advised that their role is to review the audit process and not to review the audit opinion.** The audit opinion formation is the sole prerogative of the auditor and the peer reviewer cannot question the judgment of the auditor. There is a Chinese wall between the peer review wing of the Institute and its disciplinary wing and no information

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1.0 RBI CAUTIONS BANKS OVER PROJECT FINANCING

Concerned over the high level of defaults in the project finance portfolio of banks, the Reserve Bank of India, has asked banks to ensure that funds for projects are released in such a way that the decided level of Debt-Equity Ratio for the project is maintained at all times. The Central Bank has suggested that banks could release funds sequentially so that they are not required to fund the equity portion of projects.

2.0 NO EXPORT OBLIGATION BURDEN ON SEZS

The Government is likely to put on hold its plan of placing an export obligation on units operating in SEZs. As per SEZ rules, units in SEZs have to be only net foreign exchange earners. This means that a unit's exports should be more than its imports.

- The commerce department has argued that an export obligation should be imposed only if the SEZs were found to be selling mostly domestically.
- The whole idea behind not imposing an export obligation was to give units the flexibility to settle down in business before starting exports.
- The commerce department has said that if in any year, it was found that exports from SEZs have dipped beyond a certain point; Govt. could consider imposing export obligation.

3.0 SERVICES SECTOR IN FOR MAJOR POLICY PUSH

In order to take a coordinated policy approach to effectively tap the full potential of the services sector, the government is considering setting up a separate nodal department on services under the ambit of the finance ministry. Another agency called National Commission for Services (NCS) may also come into existence.

4.0 PE, VC COMPANIES MAY GET DIRECT INVITE TO CORE PROJECTS

The Government is likely to allow Private Equity (PE) funds and Venture Capitalists (VCs) to be part of the consortia that bid for infrastructure projects. At present, these entities can only participate indirectly in these projects by committing funds to one of the bidders.

SEBI-registered VC funds and PE firms are barred from bidding for infrastructure projects, as they do not meet conventional qualifications like gross revenue, net worth or net cash accruals. Given that financing of the infrastructure sector is essential to sustain the growth story, the move to enable PE/VC funds to invest in these projects is in the right direction.

The Centre is understood to have agreed in principle to the proposal and is examining the impact. This would encourage these investors to participate at the inception stage.

5.0 FOREX LOANS FROM FOREX RESERVES

The Reserve Bank of India has given an in-principle nod to invest five billion dollars of foreign exchange reserve annually in infrastructure projects through two subsidiaries of India Infrastructure Finance Company Ltd. (IIFCL).

The RBI Board has given in-principle approval in respect of the Special Purpose Vehicle (SPV) to be established to borrow funds from the RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects solely for expenditure outside India,"

6.0 RBI SEEKS CURBS ON AUTOMATIC ECBS

RBI has asked the finance ministry to explore the possibility of restricting ECBs through the automatic route at only $20 million as against the present cap of $500 million.

7.0 RUPEE EXPORT CREDIT INTEREST RATES

It has been decided to extend additional subvention of 2 per cent (in addition to the 2 per cent already offered earlier) in pre-shipment and post-shipment credit to the following sectors:

a. Leather and Leather manufacturers
b. Marine products
c. All categories of textiles under the existing scheme including RMG and carpets but excluding man-made fibre; and
d. Handicrafts

Banks will therefore now charge interest rates not exceeding BPLR minus 6.5 per cent on pre-shipment credit up to 180 days and post-shipment credit up to 90 days on the outstanding amount in respect of the above mentioned sectors. However, the total subvention will be subject to the condition that the interest rate, after subvention will not fall below 7 per cent which is the rate applicable to the agriculture sector under priority sector lending. The above dispensation is valid from November 1, 2007 to March 31, 2008.

(RBI/2007-2008/199 dt/ 30.11.07)

8.0 HEDGE FOREX RISK OVERSEAS DERIVATIVES

It has been decided to permit domestic oil marketing and refining companies to hedge their commodity price risk to the extent of 50 per cent of their inventory based on the volumes in the quarter preceding the previous quarter. The hedging may be undertaken through AD Category – I banks. The hedges may be undertaken using over-the-counter (OTC)/ exchange traded derivatives overseas with the tenor restricted to a maximum of one-year forward.

(RBI/2007-2008/180)
A.P. (DIR Series) Cir. No.17 dt. 6.11.07

9.0 CREDIT RATING GUIDELINES RELAXED FOR DEBT ISSUES

Requirement of Credit Rating: For public/ rights issues of debt instruments, SEBI (DIP) Guidelines, 2000 presently stipulate credit rating to be obtained from not less than two credit rating agencies. With a view to reduce the cost of issuance of debt instruments, it has now been decided that credit rating from one credit rating agency would be sufficient.

Requirement of Below investment limit: SEBI (DIP) Guidelines, 2000 currently require that the debt instruments issued through a public/rights issue shall be of at least investment grade. In a disclosure based regime, it should be left to the investor to decide whether or not to invest in a non-investment grade Debt Instrument. Given this, and in order to develop market for Debt Instruments, it has been decided to allow issuance of bonds which are below investment grade to the public to suit the risk/return appetite of investors.

(SEBI/CFD/DIL/DIP/29/2007/03/12)

10.0 INTERNET BASED PLATFORMS FOR DEALING IN RUPEE VOSTRO ACCOUNTS

Vostro Account Definition: Local currency account maintained by a local bank for a foreign (correspondent) bank. For the foreign bank it is a Nostro account.

Nostro Account Definition: Foreign exchange account maintained by a non-local (correspondent) bank with a local bank in local currency. For the local bank it is a Vostro account.

(RBI/2007-2008/188 dt 15.11.07)

11.0 STOCK LENDING & BORROWING YET TO GET RBI NOD

Differences have persisted on the decision announced in the Union Budget and approved by the SEBI board on the matter allowing stock lending and borrowing. According to the RBI this is not the opportune time to launch the programme and wants that adequate safeguards are built in before it is enforced.

TAXATION

1.0 OVERSEAS OFF-MARKET DEALS IN 10% TAX NET

Non-resident companies selling shares in off-market deals will have to pay only a flat 10% tax on long-term capital gains, the Authority for Advance Ruling (AAR) has ruled. The 20% rate demanded by the income-tax department is not in order, it has said.

The AAR decision is in sharp contrast to a 2006 ruling by a division bench of ITAT comprising KC Singhal and AK Gorodia, on a similar issue. The bench had said the capital gains tax on such deals is 20%. The AAR, in the order on application by the French firm Timken France SAS, has now ruled that the concessional rate of tax at 10%, available to Indian companies on such transactions, would be also available to non-residents as well.

The French company sold its entire stake in an Indian company NRB Bearings in 2005. The shares originally purchased in 1986 were sold to the promoters of the Indian company in 2005 at Rs. 55 crore.

According to the Income-Tax Department, residents are allowed a concessional rate of 10% because they have an option of choosing a higher rate of 20% with indexation benefits. Indexation is not available for non-residents, but, there is an inflation protection for non-residents through the provision in the Income-Tax Act that allows them to convert the consideration of the sale in the foreign currency-the currency in which they originally purchased the shares. Hence, non-residents are liable to pay capital gains tax at 20%.

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PEER REVIEW – CHALLENGES AND OPPORTUNITY

obtained during the peer review process can be used for disciplining the members.

This is a challenge on the one hand but a great opportunity on the other as this review will ensure general improvement of quality of audit and assurance engagement. This will further improve independence and integrity of the audit processes. The application of detailed standards on Auditing may be suitably modified in audit of smaller enterprises. The adherence to the basic principles, procedures and documentation in all kind of Audit and assurance engagements will however ensure more safety for the Auditor and will limit their liabilities significantly.

The Audit risk can be significantly contained by adherence to ICAI standards. The respect for auditors in the mind of auditee, regulators, government, user of financial statements and the society will improve significantly.

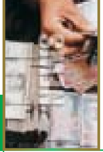
The small and mid size audit firms will also have better acceptability for larger and complex audit assignments arising out of better audit processes and improvement in quality of audit.

2.0 ITAT : TRANSFER PRICING IS NO SCIENCE

The tribunal in the case of Mentor graphics ltd. v/s assessing officer contended that transfer pricing is not an exact science in which mathematical certainty is possible. It needs to be prima facie shown that the transaction was properly examined, comparable prices were objectively fixed, in a bona-fide, honest manner as required by law.

The ruling gives a direction to transfer pricing officer that once taxpayers undertake appropriate due diligence, their analysis cannot be arbitrarily rejected during audits based on inferences and presumptions.

(Mentor graphics ltd. v/s assessing officer)



SERVICE TAX / OTHER INDIRECT TAXES

1.0 CUSTOM & TAX SOPS FOR LEATHER, HANDICRAFTS AND TEXTILE EXPORTERS

Exporters tax Relief

- Customs on intermediates for PSF & PFY cut from 7.5% to 5% and on paraxylene (a raw material for PTA) from 2% to nil.
- Storage and warehousing services, specialized cleaning services (fumigation&disinfection) and business exhibition exempt from service tax.
- Additional interest subsidy of 2% for exporters of leather, handicraft, marine products and all categories of textiles, excluding manmade fibre, for pre-shipment and post-shipment credit.

2.0 WORKING GROUP RECOMMENDS DUAL GOODS AND SERVICE TAX

India may go in for a dual Goods and Service Tax (GST) system at the Centre and State levels.

The Empowered Committee has accepted the report on GST submitted by the joint working group which has recommended adoption of dual GST.

Under the dual GST model, to be implemented from 2010, there could be more than four rates of taxes on goods and services. For example, there will one or more tax on goods, but one rate for services at the Central level. Similarly, there will be one or more tax on goods, but one rate on services at the State level.

ACCOUNTING

1.0 AMENDMENT TO THE TRANSITIONAL PROVISIONS OF ACCOUNTING STANDARD (AS) 15, EMPLOYEE BENEFITS (REVISED 2005)

An amendment by way of limited revision to Accounting Standard (AS) 15, Employee Benefits (revised 2005), has been made with a view to provide, inter alia, an option to an entity to charge additional liability arising upon the first application of the Standard as an expense over a period upto five years with a disclosure of un-recognised amount.

The Council of the Institute of Chartered Accountants of India has decided to give a one time option to the entities which have followed the treatment prescribed under the Transitional Provisions prior to the above-stated amendment to adopt the alternative treatment, allowed by way of the said amendment, from the date the Transitional Provision was so applied.

An entity is, however, allowed to exercise this option only during the first accounting year commencing on or after 7th December, 2006. In case an entity chooses to adopt the option, the earlier accounting treatment followed in this respect should be reversed.

4TH ANNUAL 6 DAYS WORKSHOP ON DIRECT TAXES

AICAS Taxation Workshop Team, L to R : CA Manmohan Khemka, CA Manoj Pahwa, CA Baldev Raj, CA Vinod Jain, CA Pramod Jain, CA Ajay Kumar Matta, CA Yatinder Nath Khemka, CA D.C. Garg, CA Rajesh Gosain.

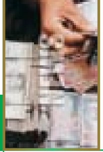
Cross section of participants attending the workshop

LEADING TAX EXPERTS SHARING THEIR TECHNICAL EXPERTISE

Dr. Girish Ahuja, FCA
Lecturer Shri Ram College of Commerce

Shri R Devrajan, Secretary, Fiscal law Committee

Dr. Ravi Gupta, Advocate
Lecturer, Shri Ram College of Commerce



4TH ANNUAL 6 DAYS WORKSHOP ON DIRECT TAXES

LEADING TAX EXPERTS SHARING THEIR TECHNICAL EXPERTISE

CA Ved Jain
Vice President, ICAI

CA Vikas Vasal
KPMG

CA Anil Chopra
Deewan P N Chopra & Co.

Dr. Rakesh Gupta, FCA Rakesh Raj & Associates
Former Member ITAT

Shri. R. N. Lakhotia, Advocate
Sr. Tax Advisor

CA Pramod Jain
Lunawat & Co.

Sh.V P Gupta, Advocate
CA Avneesh Matta felicitating him

Shri. Subhash Lakhotia
Advocate, Sr. Tax and Investment Advisor

CA Amitabh Singh
Ernst & Young

CA Manish Kapoor & CA Prashant Kapoor
Pricewaterhouse Coopers

CA Rohit Jain
Vaish Associates

CA Krishan Malhotra
Pricewaterhouse Coopers

CA Pradeep Dinodia, S.R. Dinodia & Co. &
CA Ashutosh Chaturvedi - Pricewaterhouse Coopers

CA Sanjeev Choudhary
Pricewaterhouse Coopers.

CA Ashutosh Mahajan
Deloitte Touche Tohmatsu

CA Ajay Vohra
Vaish Associates

CA Mukesh Bhutani
Sr. Partner, BMR & Associates

CA Sandeep Chaufla
KPMG

CA Ajay Wadhwa - S. R. Wadhwa & Co.
CA Praveen Sharma felicitating him

Sh. S. D. Kapila
Former Chief Commissioner of Income Tax

CA Anil Jain

Sh. K Sampat, Advocate, Former Member ITAT

CA Vinod Jain
Chairman, INMACS Management Services Ltd.

CA Deepak Dhanak
Pricewaterhouse Coopers

2.0 SERVICING PENSION OUT OF RESERVES TO LIMIT PSU BANKS TIER II CAPITAL

Starting March 31, 2008 banks will have to disclose their pension liabilities in their balance sheets. Under AS 15, banks are required to disclose on their balance sheet the provision for long-term employee benefits after actuarial valuation According to the clauses in the Accounting Standard, these liabilities should be charged to the profit and loss account of the employer. Banks have two options, either to recognize the liabilities in a single year or stager it over several years. They are yet to take al call on this.

State-owned banks may find it difficult to raise capital if they choose to service their pension liabilities out of their reserves, as mandated under new accounting changes. Reserves are a part of Tier 1 capital, and Tier II capital is limited to 50% of Tier I capital. Therefore a reduction in reserves will lead to a reduction in Tier I capital and hence limit which can be raised. Capital through debt instruments, such as non-convertible preference share, is classified under Tier II capital.

3.0 INDIAN COMPANIES' US ARMS BRIDGE THE GAAP – US TO ACCEPT IFRS

America's capital market regulator, the Securities and Exchange Commission, on November 15 decided to accept financial statements from foreign private issuers in the US without reconciliation to US GAAP if they are prepared using International Financial Reporting Standards (IFRS), which are followed in more than 100 countries. This will reduce the compliance cost of companies that want to go public in the US. "US accepting financial statements by foreign private issuers prepared as per IFRS is like the fall of Berlin Wall in the history of global financial integration. A uniform global accounting standard means that companies getting listed in different countries are not required to prepare different sets of financial statements. This would reduce compliance cost and enhance capital flows.

4.0 SC UPHOLDS ACCOUNTING NORMS ON DEFERRED TAX LIABILITY OF COMPANIES

The Supreme Court has upheld the validity of Accounting Standard 22 prescribed by the Institute of Chartered Accountants of India (ICAI) on deferred tax liability of listed companies. The apex court dismissed a bunch of petitions filed by various companies which had challenged mandatory adoption of the accounting system, saying that it is necessary in the era of mergers and acquisitions where fair valuation principles have an important role to play.

CAPITAL MARKET

1.0 SEBI EXPANDS INVESTOR PARTICIPATION IN IDRs

The Securities and Exchange Board of India had made a slew of amendments to its Disclosure & Investor Protection (DIP) norms. The market regulator has now allowed retail investors to participate in Indian Depository Receipt (IDR) issues after half the issue is subscribed by Qualified Institutional Buyers (QIBs). The regulator has reduced the minimum application value in IDRs from Rs. 2 lakh to Rs. 20,000. Previously, only QIBs could apply in IDR issues. SEBI also permitted companies to make public issues of securities to retail investors and retail shareholders at a discounted price. However, such discounts should not exceed 10% of the price at which the securities are issued to other categories of investors.

2.0 CURRENCY FUTURES SET FOR DEBUT

A currency futures contract is one where two parties agree to buy and sell the currency at a future date at a pre-determined price.

Indians may soon be allowed to participate in exchange-traded currency futures-instruments that will allow them to take positions on the future value of the rupee. The Central Bank released a report by an internal panel, which has recommended the introduction of currency futures to be traded on dedicated exchanges. The recommendations could spark a turf war as it proposes that RBI will retain the right to regulate all aspects of trade even though securities exchanges are the domain of SEBI.

3.0 SEBI CLEARS E-TRADE IN CORPORATE DEBT PAPER

The Securities and Exchange Board of India has issued entities no-objection certificates to set up electronic systems for the order matching of corporate bond papers. This means companies and investors can transparently trade bonds on exchange platforms to arrive at the best possible prices.

The move will also create conditions for the listing of bonds on exchanges. SEBI has already allowed BSE, NSE and other recognized stock exchanges with a nationwide network to set up corporate bond trading platforms. This is part of the overall plan to widen and deepen the debt market.

4.0 ALL SHARES MAY COME WITH FACE VALUE OF ONE RUPEE

Stock market regulator SEBI is considering a uniform face value of one rupee for shares of listed companies. The proposal to mandate a face value of Re.1 for all shares has been mooted by SEBI's Primary Market Advisory Committee (PAMC), an official said. The proposed change would require an amendment to the SEBI (DIP) guidelines.

5.0 AMENDMENTS TO SEBI PUBLIC ISSUE (DIP) GUIDELINES, 2000.

(i) Introduction of Fast Track Issues (FTIs)

Listed companies can access Indian primary market through follow-on public offerings and rights issues by filing a copy of the:

- Red Herring Prospectus (in case of book built issue)
- Prospectus (in case of fixed price issue)

registered with the Registrar of Companies or the letter of offer filed with Designated Stock Exchange, as the case may be, with SEBI and stock exchanges instead of filing draft offer document.

(ii) Amendments to Guidelines on Issue of Indian Depository receipts (IDRs)

Instead of only Qualified Institutional Buyers (QIBs) now all categories of investors can apply in IDR issues, subject to:

- at least 50% of the issue being subscribed by QIBs, and
- the balance to other categories of investors at the discretion of the issuer, which shall be disclosed in the prospectus.

Further, it has been decided to reduce the minimum application value in IDR from Rs. 2,00,000/- to Rs. 20,000/-.

(iii) Quoting of PAN mandatory

All applicants in public and rights issues are required to disclose their PAN/GIR in the application form, which was earlier mandatory only for the applicant applying for the value exceeding Rs. 50,000/-.

(iv) Discount in issue price for retail investors / retail shareholders

Companies making public issues to issue securities to retail individual vainvestors / retail individual shareholders at a discounted price, provided that such discount does not exceed 10% of the price at which securities are issued to other categories of public.

(v) Definition of "Retail individual shareholder(RIS)" for listed companies has been amended

and now RIS means a shareholder

- whose shareholding is of value not exceeding Rs. 1,00,000/- as on the day immediately preceding the record date(which was Rs. 50,000/- earlier), and
- who makes application or bids in a public issue for value not exceeding Rs 1,00,000/(earlier this condition was not there)-.-

(vi) Clarification on the term CEO / CFO

Shall have the same meaning as assigned to them in clause 49 of the Equity Listing Agreement.

(vii) Deletion of the chapter on "Guidelines for Issue of Capital by Designated Financial Institutions (DFIs)"

It has been decided to remove the special dispensations given to DFIs by deleting the chapter on "Guidelines for Issue of Capital by DFIs" from SEBI (DIP) Guidelines.

(viii) Monitoring of issue proceeds

Every issuer making an issue of more than Rs. 500 crores is required to appoint a monitoring agency, which is required to file a monitoring report with SEBI for record purpose. Now this provision shall not apply to

- issues by banks and public financial institutions and
- offers for sale.

Monitoring agency shall henceforth be required to file the monitoring report with the issuer company.

(ix) Amendments to Guidelines for Preferential Issues

Listed companies intending to make preferential allotment shall be required to obtain PAN of each of the applicants of the preferential issue before making the preferential allotment.

(x) Miscellaneous amendments

- SEBI issues standard observations as a supplement to issue-specific observations on each and every draft offer document filed with SEBI. These standard observations are being rationalised / reviewed. Accordingly, it has been decided to amend SEBI (DIP) Guidelines to incorporate certain clauses from the standard observations.

SEBI/CFD/DIL/DIP/28/2007/29/11

EXIM/FEMA

1.0 DIRECT RECEIPT OF IMPORT BILLS / DOCUMENTS – LIBERALIZATION

It has been decided, as a sector specific measure, to enhance the limit for direct receipt of import bills / documents from USD 100,000 to USD 300,000 in the case of import of rough diamonds.

Category - I banks are permitted to make remittances for imports, where the import bills / documents have been received directly by the importer from the overseas supplier and the value of import bill does not exceed USD 100,000. Further, in terms of i.c. of the Annex to the aforementioned circular, status holder exporters, as defined under the Foreign Trade Policy are permitted to receive import bills / documents directly from the overseas supplier irrespective of the value of the import.

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2.0 NEW SINGLE LARGEST HOLDING RULES FOR FDI

Companies planning to go in for foreign investments may need to consolidate their shareholding to develop one single largest shareholder. The government will specify a minimum percentage of shareholding, which must be achieved by the domestic largest shareholder. This has been done to put an end to foreign companies gaining complete control of Indian companies due to the often-fragmented domestic shareholding patterns.

The Government will start this exercise in sensitive sectors like telecom, financial services, aviation and infrastructure and later extend it. The new rule would apply to these sectors, where the foreign investment is less than 100%.

ICAI NEWS

1.0 STANDARDS ON AUDITING HAVE BEEN RELEASED

Standards on Auditing (SA) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' and (SA) 300 'Planning an Audit of Financial Statements' have been released.

2.0 EXPOSURE DRAFT HAS BEEN RELEASED

Exposure Draft of Proposed Accounting Standard (AS) 32 'Financial Instruments-Disclosures' has been released.

3.0 IAASB REDRAFTING ALL ITS INTERNATIONAL STANDARDS ON AUDITING

The International Auditing and Assurance Standards Board (IAASB) is redrafting all its International Standards on Auditing (ISAs) to improve the clarity and to make them easier to apply and to translate. Several IAASB exposure drafts are open for public comments and can be viewed at http://www.ifac.org/eds.

ICAI has also initiated the process of reformating all Auditing and Assurance Standards (AAS) or Standards on Auditing (SAs) to converge them with International Standards on Auditing (ISAs).

ICAI has already announced that effective 1st April, 2011 listed companies will have the option to adopt IFRS as an alternative to Indian Accounting Standards. A separate effort is being made to fully converge Indian Accounting Standards with IFRS.

INSURANCE

1.0 REPORTING OF MAINTENANCE OF SOLVENCY MARGIN RATIO

All insurance companies are required to maintain the solvency ratio of 1.5 at all times. Further, IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 require all insurers to file the Statement of Solvency Margin (General Insurers) as at 31st March every year.

The filing of quarterly statements is required to be made as per the following schedule:

Solvency report as on	To be submitted on or before
30th June	15th August
30th September	15th November
31st December	15th February

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