

The Chartered Accountant World



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Volume XX, No. 05, May 2009

EDITORIAL

NEW INDIAN GOVERNMENT: AGENDA AHEAD



CA VINOD JAIN*

The free and fair poll in world's largest democracy is over and the new Government is in the process of taking shape. The current economic outlook provides a great challenge to the policy makers. The entire nation and more particularly professionals including Chartered Accountants have to play a major role in shaping India's growth story. The

Government needs to address following areas:

Recovery from Economic Slow Down: sentiments are getting better and a major economic push is needed to move towards rapid growth. The Government may consider the following -

- To ensure that bank credit is available easily with lower interest rate. The interest rates require a 3 to 4 per cent reduction immediately.
- The insistence on collateral by banks and their lackluster attitude to fund real estate, infrastructure, power projects and grass root expansions need policy support in shape of credit enhancement.

- Immediately initiate massive PPP projects in the area of power projects, ports, roads, interlinking of rivers and watershed development.
- Agriculture sector needs special technological input for better produce and empowerment to be able to afford cold chain facility and warehousing of products. Movement of agro goods across nation to be tax free and without any approval / licenses. Tax burden on agriculture including Mandi Tax and other levies to be withdrawn immediately.
- To strengthen banks and financial institutional framework for longer channelisation of funds at all levels - fiscal policy support for resource raising and deployment
- Tax burden on Indian economy is mounting. The Government may consider reducing its size significantly. Indirect taxes including VAT, Service Tax and other taxes need substantial reduction. Direct tax may need to go down by 5 to 10 per cent.
- Corporate debt restructuring need active support and approach of recovery by asset reconstruction companies

contd..... pg. 3



All India Chartered Accountants Society

Announces an intensive professional learning

2nd Annual Workshop on Accounting Standards (July 4 - July 25, 2009)

From concept to practice

**India International Centre, Annexe Building,
Lecture Hall, 40 Max Mueller Marg, New Delhi**

Dates: Saturday 4th July, 11th July,
18th July & 25th July 2009

Timings:
2:00 PM to 8:30 PM



All India Chartered Accountants Society

Announces an intensive professional learning

Value Creation through Effective Auditing (June 20 - June 27, 2009)

An exhaustive Workshop to reinvent Audit Practices in current turbulent environment; Safeguarding professional standing, enhancing audit quality and adding value to professional status

**India International Centre, Annexe Building,
Lecture Hall, 40 Max Mueller Marg, New Delhi**

Dates:
Saturday 20th June & 27th June, 2009

Timings:
2:00 PM to 8:30 PM

For detailed programme see page 4, 5 & 6. For further details, please contact : Ms. Chhaya (9873230416)



LATEST IN FINANCE

1.0 LOAN CAP ENHANCED

The existing cap of Rs.20 lakh on loans against security of funds held in NR(E) RA and FCNR(B) deposits, either to the depositors or third parties, has been enhanced to Rs. 100 lakh. The banks have been advised not to undertake artificial slicing of the loan amount to circumvent the aforesaid ceiling.

RBI/2008-09/462, A. P. (DIR Series) Circular No.66 April 28, 2009

2.0 INTEREST ON SAVINGS BANK ACCOUNT ON A DAILY PRODUCT BASIS

It is proposed that payment of interest on savings bank accounts by scheduled commercial banks would be calculated on a daily product basis with effect from April 1, 2010. In order to ensure a smooth transition, banks may work out the modalities in this regard.

RBI/2008-09/452 DBOD. No. Dir. BC.128/13.03.00/2008-09 April 24, 2009

3.0 REPO AND REVERSE REPO RATES REDUCED

The Reserve Bank of India has decided to reduce the repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 5.00 per cent to 4.75 per cent and the reverse repo rate by 25 basis points from 3.50 per cent to 3.25 percent with immediate effect.

RBI/2008-2009/442, FMD.MOAG. No.34/01.01.01/2008-09 April 21, 2009

4.0 RTGS STANDARDISED

The bank customer receiving Real Time Ggross Settlement (RTGS) credit shall be provided with the name of the remitter in his account statements or passbook. A bank customer sending a RTGS remittance shall be provided with the name of the beneficiary in his account statements/passbook. All RTGS member banks may initiate steps to comply with these instructions latest by June 1, 2009.

RBI/2008/09/426, DPSS (CO) RTGS. No.1776/04.04.002/2008-09, 8.04.2009

5.0 RBI EXTENDS TIME FOR REALIZATION OF BAD ASSETS

Reserve Bank of India (RBI) has extended the period for final realization of bad assets from the existing five to seven years to abate the pressure of NPAs mounting on companies. The bank increased the time limit for reconstruction and securitisation companies (SCS/RCS) for realization for reconstruction of assets taken by it.

6.0 FIMMDA REVISES VALUATION NORMS FOR PERPETUAL BONDS

The self-regulating money market association has revised valuation norms for perpetual bonds. Unlike other fixed

income instruments, a perpetual bond cannot be redeemed, but pays a steady interest throughout its life. The change in methodology was announced by the Fixed Income Money Market and Derivatives Association (FIMMDA) in its quarterly communiqué to banks. A perpetual is to be priced now as a sum of yield on 30 year Government security and 15 year corporate bond spread. Earlier, the 10 year corporate bond spread was considered for the calculation.

Table with 5 columns: Valuation, 30-year Government yield, Corporate spread (10-year AAA in old & 15 in new), Perpetual Valued at, Price in Rs. Rows include Old valuation and New valuation.

At least 17 state run banks have tier-I or equity capital adequacy ratio of less than 7.5%, making them prime candidates for raising capital. Most of them may hit the market with perpetual bonds.

7.0 INVESTMENT NORMS FOR NPS FINALISED

Paving the way for the New Pension Scheme (NPS) the Pension Fund Regulatory and Development Authority (PFRDA) has announced investment guidelines for contributory plans. PFRDA has appointed State Bank of India, UTI, IDFC, ICICI Prudential Life Insurance, Kotak Mahindra and Reliance Mutual Fund as fund managers for NPS.

Table with 2 columns: Asset Class/ Scheme, Investment guidelines. Rows include E, G, C, and Auto Choice with their respective investment rules.

8.0 BANK GUARANTEES CAN GO BEYOND 10 YEARS

The Reserve Bank of India has allowed banks to issue guarantees beyond 10 years to keep pace with long-term loans extended by banks. In view of the changed scenario of the banking industry where banks extend long-term loans for the periods longer than 10 years for various projects, it has been decided to allow banks to also issue guarantees for periods beyond 10 years. However, while issuing such guarantees, the banks should take into account the impact of very long duration guarantees on their asset liability management.



9.0 CONCESSIONAL CREDIT TO EXPORTERS EXTENDED

Providing relief to exporters hit by shrinking global demand, the Reserve Bank of India has extended the concessional interest rate scheme by six months till October 2009. The ceiling of interest rate on pre-shipment rupee export credit up to 270 days and post-shipment credit up to 180 days at BPLR minus 2.5% was to expire on April 30, 2009. It has been decided to extend the validity up to October 31, 2009.

10.0 REVIEW OF LENDING NORMS FOR MSEs

The Reserve Bank of India (RBI) has asked banks to review their existing policies for lending to micro and small enterprises (MSEs) and frame norms for restructuring sick units that are potentially viable. RBI also said that banks should frame policies on extension of credit facilities and non-discretionary One-Time Settlement (OTS) schemes for recovery of non-performing loans. The central bank has asked banks to communicate the status by June 30, 2009.

contd. from pg. 1

NEW INDIAN GOVERNMENT

need to give way to revival approach by supporting management and giving professional and financial input.

- Government debt restructuring should be a major agenda. International and domestic debt should be pre-paid with an embargo on fresh borrowing. This is the right opportunity as deficit funding does not pose a major inflationary threat.

Governance: Transparency in governance is a must and major social steps are needed for a war against corruption and inefficiency. The Government / PSU jobs need not have the current protection to enable a lean and effective set up to be put in place.

Human Resource Welfare: The working human resource need a fresh dose of justice. The hand worker deserves better salary levels. The current labour laws are to be completely revamped to eradicate unnecessary requirements which may be irrelevant now. Social security to everyone through contributions is to be introduced for unorganized sector also. Long hours working being practiced by multinational companies in India has to be eradicated by effective laws. This exploitation is adversely impacting social fabric. Special treatment is required for BPO and night shift working community.

TAXATION

1.0 BENEFIT OF SEC 54 AVAILABLE FOR MORE THAN ONE HOUSE

In the case of CIT vs. D. Anand Basappa, Karnataka High Court has held that benefit under section 54 of the Income Tax Act 1961 in respect of long term Capital Gain arising on transfer of a residential property in case of purchase/construction of a residential house can be claimed for more than one house. This judgement has clarified that the word 'a' used in Section 54 does not mean one. The expression 'a' residential house should be understood in a sense that building should be of residential in nature and 'a' should not be understood to indicate a singular number. Section 13 of the General Clauses Act declare that whenever singular is used for a word, it is permissible to include the plural.

(2009)309 ITR 329(KARNATAKA)

2.0 BENEFITS FOR CV BUYERS EXTENDED

In a move that will boost demand for domestic truck makers, the Government extended higher depreciation benefits by six months till September 2009. Commercial vehicle (CV) owners can claim 50 per cent depreciation for vehicles bought and put to use before October 1, 2009.

No.402/92/2006-MC (10 of 2009)

3.0 JAGGERY PROFITS TAXABLE: ITAT

Profits earned from the sale of jaggery will be taxed as converting sugarcane into a saleable commodity like jaggery or gur is not an agricultural operation, an income tax appellate tribunal (ITAT) has ruled. The ITAT said in its order that the conversion of sugarcane into jaggery is not a necessary process performed by the cultivator to render sugarcane fit for being taken to the market.

4.0 FREIGHT, INSURANCE IN EXCISE CALCULATION IGNORED: SC

The Supreme Court has held that freight and insurance charges are not to be taken into account in determining the value of goods for imposing excise duty. In the case, while the value of goods was to be fixed at the factory gate, it was decided between the parties that average freight and insurance were to be charged and not on actuals. According to the court, there were two separate contracts - one for the sale of electric meters, governed by the Sales of Goods Act, and the other governing the transportation of goods.

DATES:
From 4th July to 25th July 2009
(4th July, 11th, 18th,
25th July, 2009)

TIME:
1.15 p.m. to 8.30 p.m.
(Lunch: 1.15 p.m. to 2.00 p.m.)
(High Tea: 5.00 p.m. to 5.30 p.m.)

VENUE:
India International Centre,
Annexe Building, Lecture Hall,
40 Max Mueller Marg, New Delhi

THE COMPREHENSIVE REFERESHER COURSE ON ACCOUNTING STANDARDS

Accounting profession has changed its dimensions over years. Rapid changes on regulatory front poses challenges for accountants and auditors in understanding and applying postulates emanating out of ever evolving accounting standards in presentation of and disclosure in financial statements. In order to empower the fraternity through structured learning, an intensive 4 days workshop is being conducted with the active participation of eminent academicians and practitioners as speakers

DAY 1 – 4th JULY 2009 (SATURDAY)

<p>Registration and Lunch (1.00 p.m to 2.00 p.m.) Inaugural Session (2.00 p.m to 2.15 p.m)</p>		<ul style="list-style-type: none"> Relevant Accounting Standard Interpretation (ASI) of ICAI on AS – 2
<p>Session-I 2.15 pm to 3.15 pm</p> <ul style="list-style-type: none"> Overview of Accounting Standards Framework of AS Sec.211 and its impact. Applicability of Accounting Standards (AS) to different Entities/ Companies 	<p>Session-IV 4.30 pm to 5.00 pm</p> <ul style="list-style-type: none"> AS - 6 (Depreciation Accounting) with AS 10 Special reference to disclosure requirement for non corporate entities 	<ul style="list-style-type: none"> AS – 9 (Revenue Recognition) with special reference to AS – 7 (Construction Contracts) Recognition of Revenue by Real Estate Developers Whether specific standard for Real Estate Developers required? ASI – 14 (Disclosure of Revenue from Sales transactions) ASI – 29 (Turnover in case of contractors) Guidance Note on Recognition of revenue by Real Estate Developer AS-19 Leases.
<p>Session-II 3.15 pm. to 4.00 pm</p> <ul style="list-style-type: none"> Comparison between AS issued by ICAI and Companies AS Rules 2006 and further harmonization by ICAI. Accounting standard Interpretations – Applicability & Impact. Controversies and issues. 	<p>Session-V 5.30 pm to 6.45 pm</p> <ul style="list-style-type: none"> AS – 2 (Valuation of Inventories) Are all kinds of inventories covered Valuation technique in respect of slow moving and obsolete inventories Analysis of AS-2 with Accounting Standards under section 145A of the Income Tax Act 	<ul style="list-style-type: none"> AS-21 Consolidated Financial Statements AS-23 Accounting for Investment in Associates. AS-27 Financial Reporting of Interests in Joint Ventures.
<p>Session-III 4.00 pm to 4.30 pm</p>	<p>Session-VI 6.45 pm to 7.15 pm</p>	

DAY 2 – 11th JULY 2009 (SATURDAY)

<p>Session-VIII 2.00 pm to 4.00 pm</p> <ul style="list-style-type: none"> AS - 1 Disclosures of Accounting Policies- Basic Principles & their impact. Accounting Policies necessitating mandatory disclosure AS - 11 (Accounting for changes in Foreign Exchange Rates) Impact of AS-16 para 4(e) and Accounting Standard Interpretations. Controversial Issues. 	<p>Session XI 6.30 pm to 7.30 pm</p> <ul style="list-style-type: none"> AS - 20 (Earning Per Share) Whether all companies are required to disclose Diluted and Basic EPS 	<ul style="list-style-type: none"> Controversies, issues and practical aspects
<p>Session IX 4.00 pm to 5.00 pm</p> <ul style="list-style-type: none"> AS - 29 (Provisions, Contingent Liabilities and Contingent Assets) Difference between a provision and liability 	<p>Session-XII 7.30 pm to 8.30 pm</p> <ul style="list-style-type: none"> AS – 15 (Employee Benefits) Practical issues relevant to actuary valuations, information, disclosure from actuary report, Treatment of Leave Encashment, medical, concessional loans, ESOP/Sweat Equity etc. especially ESOP given by parent company to the employees of subsidiary company. Impact of Guidance Note on Accounting for Employee Share based Payment. 	
<p>Session X 5.30 pm to 6.30 pm</p> <ul style="list-style-type: none"> AS - 18 Whether Related Party definition needs more elaboration/ clarification 		

DAY 3 – 18th JULY 2009 (SATURDAY)

<p>Session-XIII 2.00 pm to 3.30 pm</p> <ul style="list-style-type: none"> Introduction of AS 30 (Financial Instruments: Recognition & Measurement), AS 31 (Financial Instruments: Presentation), AS 32 (Financial Instruments: Disclosures). 	<p>Session XV 4.15 pm to 5.00 pm</p> <ul style="list-style-type: none"> AS - 17 Segment Reporting 	
<p>Session XIV 3.30 pm to 4.15 pm</p> <ul style="list-style-type: none"> AS - 22 (Accounting for Taxes on Income) Whether creation of Deferred Tax Liability is mandatory in every case Creation of Deferred Tax Asset/Liability in case of entities/ companies enjoying tax holiday period 	<p>Session XVI 5.30 pm to 6.30 pm</p> <ul style="list-style-type: none"> AS - 28 (Impairment of Assets) 	
	<p>Session-XVII 6.30 pm to 8.30 pm</p> <ul style="list-style-type: none"> AS - 26 (Intangible Assets) Whether share issue expenses are covered by AS-26 	

DAY 4 – 25th JULY 2009 (SATURDAY)

<p>Session-XVIII 2.00 pm to 5.00 pm</p> <ul style="list-style-type: none"> Deliberations on <ul style="list-style-type: none"> AS 30 (Financial Instruments: Recognition & Measurement) AS 31 (Financial Instruments Presentation) AS 32 (Financial Instruments: Disclosures) 	<p>Session XIX 5.30 pm to 7.30 pm (7.30 pm to 8.30 pm)</p> <ul style="list-style-type: none"> Introduction to IFRS. Compatibility of IFRS to AS of ICAI. Compatibility of IFRS and Schedule VI (Fair Value Vs. Historical Cost) QUESTION SESSION 	<p>(For Speakers see pg ...6)</p>
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THE COMPREHENSIVE REFERESHER COURSE ON AUDITING



CERTIFICATE COURSE

Theme : VALUE CREATION THROUGH EFFECTIVE AUDITING

TIME:

DATES: **1.15 p.m. to 8.30 p.m.**
From 20th June to (Lunch: 1.15 p.m. to 2.00 p.m.)
27th June 2009 (High Tea: 5.00 p.m. to 5.30 p.m.)

VENUE:

**India International Centre,
 Annexe Building, Lecture Hall,
 40 Max Mueller Marg, New Delhi**



DAY 1 – 20th JUNE 2009 (SATURDAY)

Session-I 2.15 pm to 3.15 pm	<p>Inaugural Session (2.00 p.m to 2.15 p.m)</p> <p>Importance of Qualitative Audit in the current scenario</p> <ul style="list-style-type: none"> ● Overview of current scenario ● Risk and responsibilities attached with an Audit ● Increasing liabilities of Auditors ● Public Expectations ● Need for an Audit Strategy (Planning) ● Need for an Eagle Eye - reassuring clients - disclosures - accepting an assignment only after testing (Touchstone of acceptance of an audit assignment) ● Technical requirements of SQC 1 and SA 220 (Quality control for audit work) in brief ● Basic principle governing an Audit SA 200 	Session-III 5.30 pm to 7.00 pm	<p>Risk Assessment and Internal Control (SA 400)</p> <ul style="list-style-type: none"> ● Understanding the entity and its environment and assessing the risks of material misstatement (SA 315) ● Understanding internal control by detailed review of internal checks and information process. ● Understanding financial accounting software used by entity ● Understanding documents and records generated for important business transactions including use of questionnaire - Standard / tailor made <ul style="list-style-type: none"> - Purchase, Stores & Issue, Sales, Pay roll - Delegation of financial authority - Actual recording of business decisions of importance ● Role of Budgets, targets and standards including variance analysis ● Need to document the above application of audit process ● Auditing in a computer system environment (SA 401) ● Risk Assessment and internal control (SA 400)
Session-II 3.15 pm to 5.00 pm	<p>Planning of an Audit</p> <ul style="list-style-type: none"> ● Audit Planning (SA 300) ● Scope of Audit - need for written terms of engagement (SA 210) ● Know the client - Ethical Standards, behavioral aspects, approach to financial discipline , organization, delegations (SA 310) ● Knowledge of business (SA 310) <ul style="list-style-type: none"> - Industry, Economic Scenario, Regulatory framework (SA 250) - Business processes and Business Risk - Operational understanding of business, manufacturing / operational process, divisions, organizational structure, locations - Impact of computerization on business process, business documentation and susceptibility to Manipulation - Other requirements of SA 310 	Session-IV 7.00 pm to 7.30 pm	<p>Using the work of other auditor / expert (SA 600, 610 & 620)</p> <p>Staff supervision and development including training</p> <ul style="list-style-type: none"> ● Importance of staff selection, team composition and pre-audit detailed interaction with the team before audit commencement. ● Need for 6 monthly / yearly specialized training of junior / middle level staff ● Importance of weekly meetings with Audit Teams, review of files, progress and documentation ● Consideration of skill and competence before assignment of audit and its documentation
		Session-V 7.30 pm to 8.30 pm	

DAY 2 – 27th JUNE 2009 (SATURDAY)

Session-VI 2.00 pm to 3.30 pm	<p>Substantive procedures</p> <ul style="list-style-type: none"> ● Checking of opening balances (SA 510) ● Deciding size of Sample (SA 530) ● Determine focus areas (SA320) ● Importance of transactions Review <ul style="list-style-type: none"> - Cash Vouchers, Bank Vouchers, Journal Vouchers - Auto generated transaction by computer applications ● Ledger Scrutiny - a most effective tool to identify major risk areas and special transactions <ul style="list-style-type: none"> - How to do it?, What to look for?, Where to search?, What to note? and Need of an eagle eye. ● Previous year's comparative study - major changes, trends and ratio including exception identification. 	Session-VIII 5.30 pm to 6.30 pm	<ul style="list-style-type: none"> ● Physical verification of tangible assets ● Third party confirmation (SA 505) - <ul style="list-style-type: none"> - Banks, Debtors, Advance, Creditors ● Verification of supporting agreements for all major transactions ● Testing Related party transactions on arms' length and reasonability (SA 550) <ul style="list-style-type: none"> - Promoters, Sister Concerns, Senior Employees, Key Managerial Personnel, Deemed dividend issues & Other important Audit areas
		Session-IX 6.30 pm to 7.15 pm	<p>Fraud - How to detect fraud and error</p>
Session-VII 3.30 pm to 5.00 pm	<p>Need for detailed examination of Audit Evidences (SA 500)</p> <ul style="list-style-type: none"> ● Scrutiny of financial statements 	Session-X 7.15 pm to 8.00 pm	<p>Documentation - need of an hour (SA 230)</p>
		Session-XI 8.00 pm to 8.30 pm	<p>Reporting requirements- (SA 700)</p>

(For Speakers see pg ...6)

**RESTRICTED TO ONLY 100 PARTICIPANTS
ON FIRST COME FIRST SERVE BASIS**

NOTE:

- Alternative participants permitted
- Sending of cheques doesn't confirm registration
- Participation fees covers background material to the participants, lunch and high tea
- A voluntary Appraisal Questionnaire to judge the understanding of the workshop is proposed
- A Certificate of satisfactory completion of workshop will be issued
- Participants are expected to share their own practical experience and raised queries during interactive session
- Alternative nominee for specific session(s) or day(s) could be permitted.

FEE STRUCTURE FOR AUDITING AND ACCOUNTING STANDARDS WORKSHOP (Per Delegate)

Category of Participants	Auditing	Accounting Standards	Total	Combo Offer
Non CAs/Corporate	Rs. 2750/-	Rs. 5000/-	Rs. 7750/-	Rs. 7500/-
CAs/CA Firm	Rs. 2500/-	Rs. 4750/-	Rs. 7250/-	Rs. 7000/-
AICAS Members	Rs. 2250/-	Rs. 4500/-	Rs. 6750/-	Rs. 6500/-
CFO World Members	Rs. 2250/-	Rs. 4500/-	Rs. 6750/-	Rs. 6500/-

FOR FURTHER DETAILS PLEASE CONTACT:

Ms. Chhaya (9873230416)
 aicas.cfo@gmail.com, cfo.world@gmail.com

REGISTRATION FORM

* By Fax : Fax Form to : 91-11-26223014
 * By email : email from to : aicas.cfo@gmail.com
 All India Chartered Accountants' Society
 503-504, Chiranjiv Tower, 43, Nehru Place,
 New Delhi-19

Name : Mr/Ms
 CA Membership No. :
 Designation :
 Company Name :
 Address :
 Pin
 Phone : (O) (R)
 E-mail:

Please tick: Auditing Accounting Standards Both

Payable to "All India Chartered Accountants' Society"
 Via DD/Cheque (Delhi only) No. :
 Date : Bank :
 Amount : Signature



SPEAKERS*

- CA AMARJIT CHOPRA - VICE PRESIDENT, ICAI
- CA S. SANTHANAKRISHNAN - CHAIRMAN ACCOUNTING STANDARD BOARD, ICAI
- CA RAJ KR. AGARWAL - RAKESH RAJ & ASSOCIATES
- CA D S RAWAT - BANSAL & CO. RENOWNED AUTHOR
- CA MEENAKSHI SANGAL - ASSOCIATE DIRECTOR, PWC
- CA VIJAY AGARWAL - DELOITTE, HASKINS AND SELLS
- CA JITENDRA AGARWAL - DELOITTE HASKINS AND SELLS
- CA VIKRAM ADVANI - PARTNER, BSR & CO
- CA ARCHANA BHUTANI - DIRECTOR - BSR & ASSOCIATES
- CA BALVINDER SINGH - BALVINDER & ASSOCIATES CHANDIGARH
- CA SANDIP KHETAN - SR. MANAGER - BSR & CO.
- CA ASHISH GUPTA - GRANT THORNTON
- CA ASEEM VOHRA - GRANT THORNTON
- CA VENKATARAMANAN VISHWANATH - SR. MANAGER - BSR & CO.
- CA KAUSHAL KISHORE - PARTNER - BSR & CO.
- CA AKHIL BANSAL - PARTNER - BSR & CO.
- CA MUNISH SARAOGI - ASSOCIATE DIRECTOR - PWC
- CA SANJIV AGARWAL - JAIPUR
- CA P. R. RAMESH - NATIONAL HEAD, RISK PARTNER - DELOITTE, HASKINS AND SELLS
- CA RAHUL CHATTOPADHYAY - ASSOCIATE DIRECTOR - PWC

* Speakers are being confirmed

CORPORATE LAWS

1.0 GM ACQUITTED FOR BOUNCED CHEQUES

The Supreme Court set aside the conviction of the general manager of JK Utility division of JK Synthetics Ltd. for issuing cheques which were dishonored by Bank of Rajasthan. The courts below, including the Madhya Pradesh high court, had affirmed his conviction under Section 138 of the Negotiable Instruments Act. On appeal, Ramrajsingh vs. State of MP, he argued that he was not in charge and responsible for the conduct of the business of the company and therefore, under Section 141 of the same Act, he could not be held liable for the offence. The finance manager who handed over the cheques is absconding. The SC set aside the conviction, accepting the contention of the GM that he was not vicariously liable for the offence.

2.0 COMPUTING ACCIDENT RELIEF

The Supreme Court held in the case, Raghuvir Singh vs. Hari Singh Malviya, that while calculating the compensation for the loss of income due to the death of a person in a motor vehicle accident, the dearness allowance and house rent allowance drawn by him should be taken into account. The motor accident claims tribunal took into account only the basic pay for computing the compensation under Section 166 of the

Motor Vehicles Act. It was approved by the Madhya Pradesh high court. The Supreme Court set aside those rulings and stated that Dearness allowance should form part of income. House rent allowance is paid for the benefit of family members and not for the employee alone.

FEMA

1.0 MODIFIED REPORTING MECHANISM

The Reserve Bank of India has stipulated the following in respect of transfer of shares/Preference shares/Convertible Debentures by way of sale:

- In case of transfer of shares from a resident to a non-resident / non-resident Indian and vice versa, the transferee / his duly appointed agent is required to approach the investee company to record the transfer in their books along with the certificate in form FC-TRS from the designated AD branch that the remittances have been received by the transferor / payment has been made by the transferee. It may be noted that "preference shares" mean compulsorily and mandatorily convertible preference shares and "debenture" means compulsorily and mandatorily convertible debentures. The form FC-TRS has been revised .
- The sale consideration in respect of equity instruments purchased by a person resident outside India, remitted into India through normal banking channels, shall be subjected to a KYC check by the remittance receiving AD Category - I bank at the time of receipt of funds.
- It has been decided that henceforth, the form FC-TRS should be submitted to the AD Category - I bank, within 60 days from the date of receipt of the amount of consideration. The onus of submission of the form FC-TRS within the given timeframe would be on the transferor / transferee, resident in India.
- In case of transfer of equity instruments where the non-resident acquirer proposes deferment of payment of the amount of consideration, prior approval of the Reserve Bank would be required, as hitherto.

RBI/2008-09/447, A. P. (DIR Series) Circular No.63 April 22, 2009

2.0 ECB POLICY -LIBERALISED

In view of the extension of the relaxation given earlier, eligible borrowers, proposing to avail of External Commercial Borrowings (ECB) beyond the prescribed all-in-cost ceilings can now approach the Reserve Bank, under the approval route until December 31, 2009.

RBI/2008-09/460, A.P. (DIR Series) Circular No. 64 April 28, 2009



SERVICE TAX

1.0 SERVICE TAX RELIEF ON RENTALS

The Delhi High Court has ruled that commercial renting of premises will not attract service tax. Renting of immovable property for use in the course or furtherance of business cannot be regarded as a service and therefore cannot be taxed.

CAPITAL MARKET

1.0 SC GIVES SEBI PROTECTION FROM SAT

In an important ruling, the Supreme Court (SC) has held that the Securities and Appellate Tribunal (SAT), a quasi judicial authority that presides over capital market related cases, has no powers to modify the penalty imposed on stock brokers by the Securities and Exchange Board of India (SEBI). While disposing of the case, SC made it clear that SEBI can suspend the license of a broker for minor violation of rules and cancel it altogether in case of major violations, and the tribunal cannot alter the market regulator's decision. There have been instances where aggrieved parties have moved to SAT against the SEBI decision and the tribunal has let them off after imposing monetary penalties. This is despite the fact that the SEBI Act does not provide any such power to the tribunal.

2.0 CAP ON MF ALLOCATION

SEBI has said that no mutual fund product can invest more than 30% of its net assets in money market instruments of a single issuer. The ceiling, aimed at mitigating the risk of concentration, does not apply to Government bonds, treasury bills and collateralized borrowing and lending obligations.

3.0 DIVIDEND TO BE DECLARED ON A PER SHARE BASIS

In order to bring about uniformity in the manner of declaring dividend among listed companies, SEBI has made it mandatory for companies to declare their dividend on a per share basis only. This means that irrespective of the face value of the share, the company will have to mention the dividend on an absolute basis.

ACCOUNTING

1.0 SIX CAS MADE MANDATORY

The Institute of Cost and Works Accountants of India (ICWAI), the apex body regulating the cost accounting profession in India, has made six cost accounting standards (CAS) mandatory from April 1, 2010. These standards are for classifications of costs, capacity determination, overheads, cost of production for captive consumption, determination of average cost of transportation and material cost.

NBFCs

1.0 INCREASE IN CRAR DEFERRED

Taking into account the difficulty in raising equity capital in the current economic environment, it has been decided to defer the implementation of Capital to Risk Assets Ratio (CRAR) of 12 per cent and 15 per cent to March 31, 2010 and March 31, 2011 respectively.

RBI/2008-09/453, DNBS.PD/ CC.No. 138 / 03.02.002 /2008-09 April 24 ,2009

ICAI

1.0 MRA WITH CPA AUSTRALIA

The Institute of Chartered Accountants of India (ICAI) has entered into mutual recognition agreement (MRA) with CPA Australia to establish guidelines on how qualified members can gain reciprocal membership

CPA Australia members who qualify for membership of ICAI will have rights to use the CA designation in India. ICAI members who qualify for membership of CPA Australia will have rights to use the CPA designation.

2.0 TRIBUNAL TO REVIEW REGULATORY DECISIONS

The Chartered Accountants, company secretaries and cost accountants facing disciplinary action from their professional regulators can now appeal to a specialized appellate tribunal of a high court. The appeals will be heard by professionals who have regulatory experience and can deliver speedy decisions. The delay at the heavily burdened high courts often hurts the careers of many professionals who seek a review of the disciplinary action. An appeal against the decision of the appellate authority will be admissible in the Supreme Court.

Most Important Announcement

for Audit firms of Listed Companies

The Peer Review Board is making all efforts to cover those audit firms, which are not yet selected for Peer Review Process. The Board will be sending a letter to each such audit firm.

*For any assistance or guidance,
please feel free to contact:*

VINOD JAIN, FCA
Member Central Council, ICAI
9811040004
vinodjainca@gmail.com

FINANCIAL INDICATORS

	Current Rate* (in %)	Month Ago (in %)
3 Month LIBOR	0.99	1.13
3 Month MIBOR	5.14	6.9
Inflation **	0.70	0.26
SENSEX	12158	10967
NIFTY	3681	3382
Gold (per 10 gm)	14820	14421
Silver (per kg)	22350	20750
Crude (USD/bbl)	58	51.38
Rs. vs USD	49.59	49.91
Rs. vs Euro	67.50	66.73

* as on 12th May, 2009.

** for the week ended April 25 & March 28, 2009 resp.

(Sources: Bloomberg, NSE, MCX)

CONGRATULATIONS!**CA Pramod Jain**

Advisor to Direct Taxes Committee and Accounting Standards Committee, AICAS

for authoring and release of a new book**“LIMITED LIABILITY PARTNERSHIP****Law and Procedures with Ready Reckoner”**

We thank him for sharing his pristine professional talent and wish him all the success.

pramodjain@lunawat.com

Mob. 9811073867

Publishers: Jus-Scriptum Magnus Private Limited

INTERACTIVE CLINICS**ACCOUNTING, AUDIT & ASSURANCE CLINIC**

In its endeavour to share professional knowledge amongst professional fraternity, All India Chartered Accountants Society initiates holding of various Clinics regularly. The first in the series on Accounting and Audit will be held on **Friday, 5th June, 2009** from 5.00 PM to 8:00 PM in the Committee Room III, India International Centre, Annexe Building, 40 Max Mueller Marg, Lodhi Estate, New Delhi.

Members of the profession desiring to have their queries pertaining to Accounting and Auditing issues resolved, are requested to send their queries by e-mail to **aicas.cfo@gmail.com** by 25th May 2009 positively and call the Secretary (Ms. Chhaya Arya on Phone No. 9873230416), to obtain prior appointment, at least 3 days before the date of the clinic.

The service is gratis and no fee is chargeable. All CAs are welcome. Making available the relevant documents for opinion is desirable.

Panel of Advisors:

CA Mohinder Singh, CA Pramod Jain, CA Rakesh Jain, CA Rajiv Kohli, CA Sanjeev Goel, CA Vinod Jain, CA VP Jain, CA Yatinder Nath Khemka

DIRECT TAXES CLINIC

The 1st Direct taxes Clinic will be held on **Friday, 5th June, 2009** from 5:00 PM to 8:00 PM in the Committee Room - III, India International Centre, Annexe Building, 40 Max Mueller Marg, Lodhi Estate, New Delhi.

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Panel of Advisors:

CA Anil Jain, CA Ajay Matta,
CA Baldev Raj, CA Inderjeet Walecha,
CA Manoj Pahwa, CA Manish Mehta
CA Pramod Jain, CA Rakesh Jain
CA Rajesh Rustagi

● **Contact details:** Dharampal (9350597662) / Chhaya (9873230416) All India Chartered Accountants' Society - CFO World 422, Okhla Industrial Estate, Phase-III, New Delhi-110020. Ph: 26223712, 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 Ltd., Unit : Printing Press, No. 7, Sham Nath Marg, Delhi-110054. Views expressed by contributors are their own and the Society does not accept any responsibility.

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All India Chartered Accountants' Society
4696, Brij Bhawan 21A, Ansari Road,
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