

The Chartered Accountant World



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EDITORIAL

BANK AUDITORS TO BE APPOINTED ONLY BY THE RESERVE BANK – GOVERNMENT DECISION – A WELCOME MOVE



CA VINOD JAIN*

The Government of India has decided that the auditors of banks will continue to be appointed by Reserve Bank of India and the power to appoint auditors will not be delegated in the name of autonomy. The government of India has finally taken a view, on the basis of persistent follow up and representation by President of the Institute and several Central

Council Members and All India Chartered Accountants Society. An incessant persuasion to implement this in principle decision by RBI is being made to ensure that all the banks adhere to the directive with immediate effect.

We congratulate the profession of Chartered Accountants and each Chartered Accountant brethren who contributed towards the noble cause of safeguarding independence of auditors. We are sure that the profession will gain from strength to strength by united efforts by all of us towards achieving excellence, independence and integrity. Needless to say, it all will ultimately benefit the nation.

JUDICIAL REFORMS IN INDIA – A PRE-REQUISITE FOR INCLUSIVE GROWTH

The judicial system in India has been inherited from the English Law. There are several archaic laws which were enacted some around 100 years before India's independence and which are still operational and some of them are time tested for their efficiency and effective legal framework. The Civil Procedure Code, the Criminal Procedure Code and the Indian Evidence Act and various other legislations governing the delivery of justice have been amended from time to time by successive Governments. None of these reforms, in most cases done halfheartedly in piecemeal, have been able to bring solution to some fundamental issues including -

- Delay in delivery of justice and mounting of court cases for years after years at various levels of judicial hierarchy. It is the biggest hurdle in bringing justice to book.
- The 21 high courts reported a pendency of 38.7 lakh cases as of January 1, 2009. At the trial level the pendency figure was 2.64 crore. In the Supreme Court, around 50,000 cases are reported pending in April 2009, here

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 RBI NORMS FOR VALUATION OF PROPERTIES BY BANKS

(a) Policy for valuation of properties

- Banks should have a Board approved policy in place for valuation of properties including collaterals accepted for their exposures.
- The valuation should be done by professionally qualified independent valuers i.e. the valuer should not have a direct or indirect interest.
- The banks should obtain minimum two Independent Valuation reports for properties valued at Rs.50 crore or above.

(b) Revaluation of bank's own properties

As the revaluation should reflect the change in the fair value of the fixed asset, the frequency of revaluation should be determined based on the observed volatility in the prices of the assets in the past.

(c) Policy for Empanelment of Independent valuers

- Banks should have a procedure for empanelment of professional valuers and maintain a register of 'approved list of valuers'.
- Banks may prescribe a minimum qualification for empanelment of valuers. Different qualifications may be prescribed for different classes of assets (e.g. land and building, plant and machinery, agricultural land, etc.). While prescribing the qualifications, banks may take into consideration the qualifications prescribed under Section 34AB (Rule 8A) of the Wealth Tax Act, 1957.

RBI/2008-2009/490, RPCD.CO.RF.BC.No. 112 /07.37.02/2008- June 3, 2009

2.0 BANKING COMPANIES (NOMINATION) RULES

Banks are advised to acknowledge nominations and indicate the name of the Nominee in the Pass Book/ Statement of Accounts/ FDRs, in case the customer is agreeable to the same, as this would be helpful to the customers/nominees.

RBI/2008-09/477, RPCD.CO.RRB.BC.No.103/03.05.28-A/2008-09 May 13, 2009

3.0 DRAFT NORMS TO DEVELOP G-SEC MARKET LAUNCHED BY RBI

The Reserve Bank of India (RBI) launched draft guidelines for introduction of STRIPS (Separate Trading

of Registered Interest and principal of Securities) in government securities. This is in order to develop the government securities market. Stripping is a process of converting periodic coupon payments of an existing government security into tradable zero-coupon securities, which will usually trade in the market at a discount and are redeemed at face value. Thus, stripping a five-year security would yield 10 coupon securities (representing the coupons), maturing on the respective coupon date and one principal security representing the principal amount, maturing on the redemption date of the five year securities.

4.0 NO BOUNDARIES FOR SEZ MERGERS

As per the SEZ (second amendment) rules published in the Gazette of India:-

- Cap on SEZs is no more sacrosanct
- Developer can set up 2 or more adjacent SEZs and merge them without worrying about the 5,000 hectares cap
- As individual caps remain, developers have to move judiciously instead of buying large chunks of land in one go
- Clarity on the definition of vacant land will help SEZs avoid legal hassles
- Developers can now build zones in areas with structures having no ongoing commercial activity

5.0 EQUITY CAP FOR PENSION FUNDS TO STAY AT 50%

The pension fund regulator (Pension Fund Regulatory Development Authority) has said that it will not review the 50% cap prescribed for investing the public's savings in equities under the New Pension Systems (NPS). The regulator will wait for a year before it reviews the investment norms for the fund managers appointed under the New Pension Scheme. In the US, equity exposure is allowed in the range of 50-70%.

6.0 RBI SAYS NO TO BANK GUARANTEES FOR BONDS

The Reserve Bank of India (RBI) had asked banks not to provide guarantees or commitments for issues of bonds or debt instruments by companies. Under the existing rules, banks are only allowed to issue guarantees for loans taken out by corporate. Guarantees by the banking system for a corporate bond or any debt instrument not only have significant systematic implications, but also impede the development of a genuine corporate debt market.



contd. from pg. 1

JUDICIAL REFORMS IN INDIA

also the cases languish for years and some time for decades.

Justice Delayed is Justice denied.

- The Civil Procedure Code, the Criminal Procedure Code and principles of natural justice, as being currently practiced in India permit adjournments after adjournments.
- With highest regards to judiciary and to the Indian judicial system, in a large number of cases, the judges are busy in considering matters again and again for short duration and on very fickle grounds adjournments are granted, in view of large number of cases listed for the day. This process gets repeated every time. Some time respondent's lawyer seek adjournment and some time Hon'ble judge may not be available on the day of hearing for various personal or official reasons, which is quite natural, without any advance intimation or planning for adjournment.
- There are a large number of vacancies in the judiciary at various levels. In the high courts 635 judges are functioning against the sanction strength of 886 whereas 13,556 judges function against the sanctioned positions of 16,685. Even the sanctioned posts are not enough to take the load of work.

The Hon'ble Supreme Court as well as various High Courts and the bureaucracy at the helm along with the top Indian leaders, all are aware of the difficulties being faced by the society at large due to the aforesaid delay. There is no adequate fear for judicial or legal system due the aforesaid delay. These delays result into lack of justice, unfair compromises, corruption and unfair practices prevalent in the entire system. The biggest result of the weakness in the judicial system is the mounting level of corruption. The biggest and most important deliverable by the government is social security law and order. The absence of timely justice defeats various economic initiatives and severely impact inclusive growth. It is the commoner who is to suffer. It is suggested that the following actions may be undertaken by the new Government as its biggest priority:

- Amendment to Criminal Procedure Code and Civil Procedure Code to reduce adjournments
- Requiring presentation of all evidences / arguments at initial stages before judicial hearing

This can be checked by a strong judicial secretariat/ registry that need to ensure that cases come up for hearing

only on completion of all necessary papers and evidences to be brought on record.

- Guidelines by the apex court on invoking principles of natural justice without base and amendments to Indian Evidence Act.
- Codification of law of torts
- Extensive training of judicial secretariat and members of judiciary
- Extensive use of e-governance, e-communication and e-filing to improve transparency
- Appointment of adequate number of judges at various levels
- Mandatory payment of adjournment fee by the parties
- Mandatory detailed hearing of the case on all dates. Minor administrative, filing or documentation requirement may be completed by the parties in between 2 days, duly monitored by the judicial secretariat.
- Prescribing maximum 4 or 5 hearings for majority of the cases barring few exceptions that the special approval of Chief Justice of the relevant High Courts.
- Sanctioning the role of Registrar, Munshies and officials of the court.

LATEST IN FINANCE

7.0 REPAYMENT OF LOAN NOT TO EXEMPT CRIMINAL PROCEEDINGS - SUPREME COURT

The Supreme Court has set aside the judgment of Madras High Court and declared that mere repayment of loan according to a settlement would not exempt a person who has cheated the bank from criminal proceedings. The High court had quashed action by the CBI against A Ravishankar Prasad stating that they had settled their dispute to the tune of Rs 157 crore to Indian Bank, though they had been charged with forgery and fabrication of documents. The debt recovery tribunal had dismissed the complaint as settled out of the court. The high court then quashed complaint because of the settlement. The CBI appealed to the Supreme Court. It stated that the high court should not have exercised its discretionary powers to quash proceedings when there is a prima facie case for prosecution. It was alleged in the complaint that the accused person had conspired with the CMD of the bank, Chennai, for recommending, sanctioning and disbursing of huge credit facilities



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>		
<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"> Relevant Accounting Standard Interpretation (ASI) of ICAI on AS – 2 	<ul style="list-style-type: none"> AS - 6 (Depreciation Accounting) with AS 10 Special reference to disclosure requirement for non corporate entities
<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 – 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 	<ul style="list-style-type: none"> AS – 7 (Construction Contracts)
<p>Session-III 4.00 pm to 4.30 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 	<p>Session-VI 6.45 pm to 7.15 pm</p> <ul style="list-style-type: none"> AS-19 Leases. 	<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.

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. 	<ul style="list-style-type: none"> AS – 15 (Employee Benefits)
<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 		<ul style="list-style-type: none"> Impact of Guidance Note on Accounting for Employee Share based Payment.

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) 	<ul style="list-style-type: none"> QUESTION SESSION
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(For Speakers see pg ...6)

THE COMPREHENSIVE REFERESHER COURSE ON AUDITING



CERTIFICATE COURSE

Theme : VALUE CREATION THROUGH EFFECTIVE AUDITING

DATES:
From 20th June to
27th June 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



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>
		Session-V 7.30 pm to 8.30 pm	<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

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 - 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>Compliance of company law requirements, statutory records, corporate affairs standards, other special laws, returns filing, penalties and prosecutions besides litigations</p> <ul style="list-style-type: none"> - Role of Auditors
		Session-X 7.15 pm to 8.00 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-XI 8.00 pm to 8.30 pm	<p>Documentation - need of an hour (SA 230)</p> <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. 2000/-	Rs. 4000/-	Rs. 6000/-	Rs. 5500/-
CAs/CA Firm	Rs. 1750/-	Rs. 3750/-	Rs. 5500/-	Rs. 5000/-
AICAS Members	Rs. 1500/-	Rs. 3500/-	Rs. 5000/-	Rs. 4500/-
CFO World Members	Rs. 1500/-	Rs. 3500/-	Rs. 5000/-	Rs. 4500/-

FOR FURTHER DETAILS PLEASE CONTACT:

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

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 VINOD JAIN - CHAIRMAN, INMACS MANAGEMENT SERVICES LTD.
- CA PRAMOD JAIN - LUNAWAT & CO.
- 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
- SH. ATUL SEKSARIA, SR. PARTNER - S S KOTHARI MEHTA & CO
- CA R K AGGARWAL - ERNST & YOUNG
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- CA SANDIP KHETAN - SR. MANAGER, BSR & CO.
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- 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

TAXATION

1.0 FOREIGN TIE-UPS OF TRUSTS ARE TAXABLE IN INDIA

In a verdict that will have a bearing on tax exemptions given to Indian trusts, especially educational trusts, the Authority for Advance Ruling has held that tax is to be paid in India on all cross-border transactions, even if the parties involved are exempt from taxation in their respective countries. The I-T department claimed that though Sri Ramachandra trust is exempt from the Indian Income-Tax Act, the US based Harvard Medical International is not exempt from taxation in India. Further, Sri Ramachandra Education & Health Trust may be exempt under section 12AA of the I-T Act, which exempts tax on teaching/educational activities, but the "annual alliance development and administrative / maintenance fees" that the trust has agreed to pay to Harvard Medical International do not come under the classification of payment for teaching or educational purposes.

2.0 TAX REFUNDS IN FOUR MONTHS

With the refund banker scheme, individual and small corporate tax payers will get income or corporate tax refunds in four months. The refunds, arising out of tax payments and TDS collections, usually takes more

than a year to reach the average tax payers. According to senior finance ministry official, the refund- banker scheme may also be implemented across the country. Tax payers who have filed their return for the assessment year 2008-09 may now write to their area income-tax assessment officers quoting their magnetic ink character recognition (MICR) codes (used in the bank industry for cheques processing) and vital bank account details. This will help the department to send refunds quickly in any part of the country.

3.0 NHAI LAUNCHES TAX FREE BONDS

The National Highways Authority of India (NHAI) has launched tax free bonds to raise upto Rs 4,000 crore. The three year bond, priced at Rs 10,000 each, carries a coupon rate of 6.25% per annum and will qualify for income -tax exemption under Section 54 EC of the Income-Tax Act, 1961. The subscription for bonds which opened on May 11, 2009 would be closed on March 31, 2010. The minimum application for the non-transferable bonds has been fixed at Five bonds (Rs 50,000) and maximum at 500 bonds (Rs 50 Lakh)

NBFC

1.0 APPLICABILITY OF NBFCs-ND-SI REGULATIONS

- It is clarified that once an NBFC reaches an asset size of Rs. 100 crore or above, it shall come under the regulatory requirement for NBFCs-ND-SI (Non deposit taking, systematically important non-banking financial companies), despite not having such assets as on the date of last balance sheet.
- Therefore, it is advised that all such non-deposit taking NBFCs may comply with RBI regulations issued to NBFC-ND-SI from time to time, as and when they attain an asset size of Rs. 100 crore, irrespective of the date on which such size is attained.
- It is further observed that in a dynamic environment, the asset size of a company can fall below Rs 100 crore in a given month, which may be due to temporary fluctuations and not due to actual downsizing. It is clarified that in such a case the company may continue to submit the Monthly return on Important Financial Parameters to Reserve Bank of India and to comply with the extant directions as applicable to NBFC-ND-SI, till the submission of their next audited balance sheet to Reserve Bank of India and a specific dispensation is received from the Bank in this regard.

RBI/2008-09/491, DNBS (PD) CC.No. 141 /03.10.001/2008-09 June 4, 2009



SERVICE TAX

1.0 SERVICES CONSUMED WITHIN SEZs GET TAX EXEMPTION

The government has allowed service tax exemption to Special Economic Zones (SEZs) for services consumed within the tax-free industrial enclaves. As per the clarification issued by the Central Board of Excise and Customs (CBEC), services consumed outside the zones, companies (including the developer) operating within an SEZ will have to file for refund.

CAPITAL MARKET

1.0 CERTIFICATION MANDATORY FOR CURRENCY DERIVATIVE TRADING

Securities and Exchange Board of India (SEBI) has made it mandatory for the “approved users and sales personnel” of trading members of the currency derivatives segment of stock exchanges to clear the currency derivatives certification examination to be conducted by National Institute of Securities Market (NISM).

2.0 MANDATORY PAN REQUIREMENT FOR TRANSFER OF PHYSICAL SHARES

SEBI has clarified that for securities market transactions and off-market/private transactions involving transfer of shares in physical form of listed companies, submission of copy of PAN Card by the transferee(s) to the Company/RTAs shall be mandatory for registration of such transfer of shares.

MRD/DoP/ Cir-05/2009 May 20, 2009

3.0 GOVT. NOTIFIED MCX AS RECOGNIZED EQUITY BOURSE

The government has notified MCX Stock Exchange, a part of Jignesh Shah-led group that also owns country's largest commodity bourse MCX, as a “recognized stock exchange” where trading would not be deemed as speculative transactions. The group, Financial Technologies, had set up MCX Stock Exchange (MCX-SX) in October last year with the launch of trading in currency futures. Besides, MCX-SX also initiated trading in stock future and options contracts last year. It is still awaiting necessary approvals from equity segment and the commencement is likely to take time.

4.0 SEBI FIAT ON LISTING OF DEBT SECURITIES

SEBI has advised that the issuer of debt will have to forward to the debenture trustee a half yearly certificate regarding maintenance of 100 per cent security cover in respect of listed secured debt securities by a practising chartered accountant, within one month from the end of the respective half year.

CORPORATE LAW

1.0 DRAWER OF CHEQUE NOT TO BE LIABLE

The Supreme Court has set aside the Delhi high court judgment and ruled that the drawer of a cheque would not be liable under Section 138 of the Negotiable Instruments Act if he had reported to the police that his cheques have been lost. Under the law, a person who issues a cheque which is dishonoured by the bank for want of sufficient funds would be criminally prosecuted. In this case, Raj Kumar Khurana vs. State of Delhi, Khurana filed a first information report before the police that two cheque leaves have been stolen from his office. However, the cheques were filled up and presented at the bank. It rejected them stating that the cheques were reported stolen by the drawee.

AUDITING

1.0 SEBI TO PAY FIRST-YEAR PEER REVIEW

The Securities and Exchange board of India (SEBI) will pay auditors fees for the first year of peer review of accounts of companies in the 50-index Nifty and the 30-index BSE.

2.0 RBI RESTRICTS BANKS TO CHURN THEIR INVESTMENT PORTFOLIO

Making changes in the existing investment norms for the banks, the Reserve Bank of India (RBI) has decided that banks may shift investments to/from permanent category with the approval of their board of directors only once a year. Such shifting may normally be allowed at the beginning of the accounting year. No further shifting to/from permanent category will be allowed during the remaining part of that accounting year.

COMMODITY

1.0 BAN ON FUTURES TRADE IN WHEAT LIFTED

Forward Markets Commission (FMC) has allowed exchanges to resume futures trade in wheat, one of the country's main food grains.

2.0 FUTURES TRADING IN SUGAR SUSPENDED

The commodity markets regulator, the Forward Markets Commission (FMC), has suspended trading in sugar futures with immediate effect till December 31, 2009.

ICAI

1.0 INTERNAL AUDITORS BEFORE DEC 12, 2008 CAN CONTINUE AS TAX AUDITORS

Accounting regulator Institute of Chartered Accountants of India has issued a clarification saying that internal auditors appointed as tax auditors can continue to do their work if their selection for the job took place before December 12, 2008. ICAI Council in its meeting held last

year had considered an issue arising from the guidance note on tax audit under section 44AB of the Income-tax Act, 1961 as to whether the internal auditor of an assessee, being an individual Chartered Accountant or a firm of Chartered Accountants can be appointed as its tax auditor. The Council decided that an internal auditor of an assessee, whether working with organization or independently practising CA or a firm of Chartered Accountants, cannot be appointed as its tax auditor.

FINANCIAL INDICATORS

	Current Rate* (in %)	Month Ago (in %)
3 Month LIBOR	0.62	0.99
3 Month MIBOR	4.83	5.14
Inflation **	0.13	0.70
SENSEX	15238	12158
NIFTY	4583	3681
Gold (per 10 gm)	14578	14820
Silver (per kg)	23584	22350
Crude (USD/bbl)	71.55	58
Rs. vs USD	47.41	49.59
Rs. vs Euro	66.81	67.50

* as on 12th June, 2009.

** for the week ended May 30 & April 25, 2009 resp.

(Sources: Bloomberg, NSE, MCX)



CFO World
and



All India Chartered Accountants Society

Announces

“Orientation Programme”
for Young CA's

CAREER TAKE-OFF

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

Date:

Saturday, 25th July 2009

Timings:

9.30 am to 12.30 pm

Participation Fee: Rs. 250 per head



All India Chartered Accountants Society

Announces

Lecture Meeting on

BUDGET - 2009

(Clause by Clause Analysis)

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

Dates:

18th July 2009

Timings:

9:30 AM to 12:30 PM

Participation Fee: Rs. 250 per head

For further details, please contact : Ms. Chhaya (9873230416) E-mail: aicas.cfo@gmail.com, cfoworld@gmail.com



All India Chartered Accountants Society

(Student Forum)

Announces

Student's Workshop

Achieving success as CA Student – Honing Skills

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

Date:

Saturday, 27th June 2009

Timings:

9.30 am to 12.30 pm

Participation Fee: Rs. 100 per head

● **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,
Darya Ganj, New Delhi-110 002