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EDITORIAL

**CAG NORMS - PSU AUDIT -
NEED FOR A REVIEW**



*CA Vinod Jain**

The Office of Comptroller and Auditor General of India (CAG) has recently revised empanelment norms for CA firms wherein the criteria for selection of CA firms for appointment as Statutory Auditors of Public Sector Undertakings where the audit fee is above Rs. 1.5 lakh has been comprehensively changed (details at page No. 6).

The Hon'ble CAG needs to review the new prescription once again and may consider :

- To apply the new norms only for next year empanelment, it is important to give adequate notice to the firms to be empanelled, particularly when a large number of firms are already empanelled.
- The requirement of exclusive association with a CA firm needs to be replaced by a provision that credit of standing of a particular chartered accountant is to be considered only in one of the firms of chartered accountants, where he is associated with. The requirement of exclusive association is acting against public interest and is the biggest hurdle in the growth of Indian firms of chartered accountant. It may be noted that no other regulators, for example, for telecom licence, or for mining lease, or for allotment of any other contracts, for example, construction of highways etc. insist on that a particular businessman should have association only with one Company. The business people are completely free to set up businesses with very complex structures, joint ventures and various other kinds of associations to enable them to grow and prosper. A similar liberty is necessary for Chartered Accountant Firms so that the CA firms can grow in size, capability and capacity. Even RBI should reconsider their stand requiring exclusive association.

CAG Empanelment Norms on page No.-6

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**CITI BANK FRAUD - LESSONS
TO BE LEARNED**

A major fraud has recently been unearthed, wherein as per allegations reported in the press one of the senior employees of Citi Bank persuaded various high net-worth investors and top corporates to invest large sums of money with a minimum assured return up to 18% per annum. It is further reported that this money was diverted to capital market unauthorizedly.

This scam is similar to Harshad Mehta scam in 1992 and it is surprising that the banks have still not learnt adequate lessons. Some important questions which will require investigation include -

- Whether the cheques were received in the name of Citi Bank or in the name of some other entities?
- In case the cheques were paid by the Investors in favour of Citi Bank, how these were diverted to certain unauthorized accounts. The Reserve Bank of India instructions are fairly clear that the cheques drawn in favour of bank should also have written instructions of the issuer regarding beneficiary of the proceeds.

It is important to understand the need for a detailed internal control procedure and risk management techniques to be implemented by the bank and other entities dealing in large sums of money.

RBI and other regulators should prescribe a detailed mandatory compliance audit by a independent chartered accountant firm of all public sector, private sector and foreign banks to ensure that various RBI guidelines, internal control procedure prescribed by the Board of Directors of the concerned banks and various other requirements of the regulators have been complied with by the banks and its functionaries.

The regulators definitely need to ensure that various regulatory guidelines, circulars and other provisions are strictly adhered to by the banks and other institutions dealing with public money. This may also include insurance companies, mutual funds, portfolio managers, besides banks.

Contd.....on page 3



LATEST IN FINANCE

1.0 RBI ISSUES FINAL GUIDELINES FOR OVER-THE-COUNTER FOREX DERIVATIVES

The Reserve Bank of India (RBI) has issued final guidelines on over-the-counter foreign exchange derivatives and overseas hedging of commodity and freight prices. It includes:

- Allowing the use of cost-reduction structures and embedded cross-currency options for foreign currency-rupee swaps for companies having net worth of Rs. 100 crore to enter such contracts.
- The maturity of the hedge by the companies must not exceed the maturity of the underlying.
- In case of trade transactions being the underlying, the tenor of the structure shall not exceed two years.
- Banks must periodically inform companies about the mark-to-market position of the contract.
- The Companies could enter into buy and sell positions simultaneously for plain vanilla options.

The new norms will be effective from February 1.

2.0 NON-PROFIT ENTITIES ALLOWED TO ESTABLISH TECHNICAL INSTITUTIONS

Companies registered as non-profit entities under section 25 of the Companies Act will now be able to establish technical institutions in the country but joint ventures will not be allowed. The benefits of mega cities will be extended to other regions also for setting up technical institutes, i.e rural and other areas where the land requirement will be 10 acre and 2.5 acre, respectively.

3.0 BANKS OPPOSE GRANTING NEW LICENCES TO BUSINESS HOUSES

Banks have opposed corporate houses being given banking licences due to "unsatisfactory past experiences" in their feedback to the Reserve Bank of India's discussion paper on new licences in August. According to banks, it would also create an uneven playing field due to the large capital buffer that would be available to banks sponsored by industrial or business houses. Banks do not favour non-banking finance companies promoted

by industrial houses entering the banking sector, either. Banks were in favour of allowing only standalone NBFCs to promote banks and, at the same time, barring NBFCs sponsored by industrial / business houses.

4.0 MONETARY REVIEW: RBI TO BUY BACK GOVT. SECURITIES FROM BANKS

The RBI permanently reduced the quantum of Government securities that they must mandatorily hold (statutory liquidity ratio or SLR) by one percentage point to 24 per cent of their deposits.

5.0 SEBI REVOKES BAN FOR ISSUE OF ODIs

The Securities and Exchange Board of India (SEBI) has revoked the ban of Societe Generale for issuing offshore derivative instruments (ODIs).

6.0 CCI: BANKS WITHIN RIGHTS TO LEVY FORECLOSURE PENALTY

The levy of penalty by banks and housing finance companies for foreclosure of home loans does not amount to abuse of dominant position, the Competition Commission of India (CCI) ruled, quashing borrowers' hopes that the practice could be abolished.

7.0 CREDIT INSURANCE DOOR OPENS, CONDITIONS APPLY

Three months after it banned all forms of credit insurance, the regulator has allowed companies to provide limited trade credit protection. Credit insurance will, however, not be available for securing bank credit. In September, the Insurance Regulatory and Development Authority (IRDA) banned all forms of credit insurance except for the cover provided by the Export Credit Guarantee Corporation. The ban came in the wake of large defaults on credit insurance policies issued by state-owned companies. The state-owned Oriental Insurance was left with a large credit risk exposure of close to Rs.400 crore after paramount Airlines failed to meet its obligations to lenders. The new guidelines enable insurance companies to provide cover for trade, but the credit insurance policies cannot be assigned to banks. In other words, the seller cannot realize the proceeds of sale from a bank using the credit insurance policy as a security. Second, insurers have been barred from selling protection for a single transaction and have to cover all the trades.



Contd.....from page 1

CAG NORMS.....

- The requirement of a minimum remuneration / compensation to a ACA Partner of Rs. 1.80 lakh per annum and to a FCA Partner of Rs. 3 lakh per annum is completely un-required. The requirements of profit sharing ratio are justified but there could be a situation that a chartered accountant firms have much lower net-profit, after paying taxes and it may not be possible for them to distribute more than the actual profit earned by them. This requirement will disentitle less profitable firms from the CAG empanelment and allotment and will considerably reduce the firms available with CAG for conducting mid-size and large size audits.
- The requirements of minimum 6 fulltime CAs with at least 5 fulltime partners is again not necessary. CAG need not distinguish between partners and employees and in any case 6 is a very large number considering the audit fee of only Rs. 1.5 lakh plus.
- The requirements to have a minimum existence of 10 years or more will disentitle younger CAs and younger firms from CAG audit. The younger chartered accountants are filled with latest knowledge and capability and rather CAG can consider certain categories of audit to be given to younger firms on a priority basis.
- In case of merger, the lock-in period of 5 years for recognizing longevity of a partner's association, will act as a dampener to the entire efforts of ICAI to promote networking and merger.
- The Hon'ble CAG may also please consider a substantial increase in currently very low audit fee being paid by large and mid-size public sector undertakings. In view of more and more financial frauds and scams and corruption cases coming to light. **The profession of chartered accountants will like to support the CAG to act as preventors of frauds and scams.** It may, therefore, be necessary to utilize the services of chartered accountants more elaborately with adequate depth and elaborate of the scope of audit, so that all major problems can be brought to light. We understand that while auditing PSU undertaking, the profession of CAs is contributing to the cause of the nation and the professional fee paid may only be indicative. Even then, it may be necessary to at least adequately pay for the costs of the manpower, overheads and other resources allocated by the CA firms, while conducting audit and other risk management exercises on behalf of the Government and CAG.

Contd.....from page 1

CITI BANK FRAUD.....

The problems are recurring more in case of foreign banks, public sector banks as they have freedom to appoint their own auditors subject to approval of Reserve Bank of India and there are no detailed guidelines or procedures to verify as to whether internal control procedure and risk management practices have been duly adhered to by them.

CORPORATE LAW

1.0 NO TIME LIMIT FOR REFERENCE OF DISPUTES TO LABOUR COURT

The Supreme Court has held in its judgment, Kuldeep Singh Vs. Instrument Design Development Centre that Industrial Disputes Act does not prescribe any time limit for referring a dispute to the labour court.

2.0 PFRDA RAISES INCENTIVE TO BOOST CITIZEN PENSION PLAN

The Pension Fund Regulatory and Development Authority (PFRDA) has decided to enhance incentives to distributors from Rs. 50 to Rs. 150 for each subscriber for this financial year, a move aimed at popularizing the citizen pension plan, which has received lukewarm response so far.

3.0 SEBI PLEAD FOR PROTECTING AUTONOMY OF REGULATORS

The capital market regulator has sought provisions to ensure the autonomy of regulatory bodies. According to CB Bhav, Chairman, Securities & Exchange Board of India (SEBI), it is imperative to make sure there are adequate supportive provisions in the laws and rules to maintain the autonomous character of these institutions. If regulators have to depend on the executive for release of funds, the independent behaviour of regulators will be jeopardized.

4.0 SC- DISMISSED, CONVICTED EMPLOYEE CANNOT CLAIM BACK WAGES

A person who was convicted for an offence and removed from service cannot claim backwages even if he was acquitted later, the Supreme Court ruled in the case, Corp Mithilesh vs Union of India. Merely because he is acquitted, he is not entitled to backwages and other consequential benefits.

5.0 INDEPENDENT DIRECTORS' PAY MUST BE BASED ON TIME SPENT ON COMPANY WORK

Independent directors should be paid at least as much as the CEO on a man-day basis, according to Mr. Martin Steindl, Corporate Governance Officer at International Finance Corporation. Speaking at a CII seminar on corporate governance, he said that the daily salary of the CEO multiplied by the number of days spent by the independent director should form the basis of his compensation. Independent directors should not be paid just sitting fees but should be compensated adequately in terms of the time that they have spent on company work.



TAXATION

1.0 PAN MANDATORY FOR ALL MF INVESTMENTS

All mutual fund investors, new as well as existing, will need to mandatorily furnish their Permanent Account Number details from 1st Jan, 2011 irrespective of the size of their investment.

2.0 HIGHER TAX BREAKS FOR TRANSPORT EMPLOYEES

Operational level employees of transport systems including railways and domestic airlines have cause for cheer. The Finance Ministry has raised the tax exemption ceiling on the allowance paid to them for meeting their personal expenses during the duty performed in running the transport system from one place to another in India. The tax exemption ceiling on such allowances has been hiked to Rs. 10,000 a month from an earlier ceiling level of Rs. 6,000 a month. The exemption is available only if such an employee is not in receipt of any daily allowance.

3.0 CUT CORPORATE TAX TO 25%

Industry chambers have asked the Finance Ministry to reduce corporate tax to 25 per cent from the existing rate of 30 per cent so that India Inc is left with more money to make big-ticket investments. The reduction of the corporate tax rate to 25 per cent would bring the tax regime in the country at par with that of developed Western nations and make the country's corporate sector more competitive globally.

4.0 IN THE CASE OF SAMSUNG ENGINEERING CO. LTD. FOLLOWING HAS BEEN DECIDED

- **Interest on FD is Business Income**
Interest income earned on Fixed Deposit made for the purpose of business should be considered as business income and not as income from other sources.
- **Salary and Welfare not covered under section 44C**
The Tribunal held that salary and welfare expenses of taxpayer's staff will not be covered under section 44C of the Income-tax Act, 1961 (the Act) since the expenses are directly related to the Indian Project.

- **Payment for procurement services cannot be considered to be a payment towards fees for technical services**

The Tribunal also held that the payment made for procurement services cannot be considered to be a payment towards fees for technical services as per India-Korea Tax Treaty (the tax treaty) since procurement services were purely commercial in nature and had nothing to do with rendering of any technical managerial or consultancy services.

Citation: DDIT v. Samsung Engineering Co. Ltd. [2010-TII-169-ITAT-MUM-INTL] Judgement Date 10 November 2010 AY 2001-02, 2002-03 and 2004-05

5.0 PASS-THROUGH COSTS (PAID TO THIRD PARTY VENDORS) NOT TO BE INCLUDED IN COST BASE FOR DETERMINING NET PROFIT MARGIN FOR TRANSFER PRICING PURPOSES

The ITAT Delhi held where a taxpayer engaged in rendering advertising and related services to its Associated Enterprises (AEs) is also acting as an intermediary between the AEs and the third party vendor to rent advertisement space from the vendor, costs recovered by the taxpayer from the AEs for such renting and then passed on to the vendors (pass-through costs) would not be value adding costs for the taxpayer and would, therefore, not be taken into account for computing net profit margin (Operating Profit / Total Cost) of the taxpayer for applying the Transactional Net Margin Method (TNMM).

Citation: DCIT v. Cheil Communications India Private Limited (I.T.A. No 712/Del/2010)

6.0 TAXABILITY OF BENEFIT OF WAIVER OF LOANS AND UNPAID INTEREST FOR BORROWER

The ITAT ruled that waiver of unpaid interest, which was not allowed as deduction in the past, is not liable to tax under the specific provisions of Indian Tax Laws (ITL) which provide for taxation of remission of trading liability. The ITAT also ruled that waiver of term loans used for acquiring capital assets is not liable to tax under the specific provisions of the ITL which provide for taxation of benefit or perquisite arising from business. The ITAT further held that waiver of cash credit facility used for trading operations is liable to tax since the benefit bears revenue character and, therefore, in the nature of benefit or perquisite arising from business.

Citation: Addl. CIT v. Rollatainers Ltd. [2010-TIOL-379-ITAT-DEL]



TAXATION /INDIRECT TAXATION

7.0 HOW SHOULD THE ADVANCE TAX BE CALCULATED WHEN THE COMPANY HAS MAT CREDIT?

Supreme Court held that, MAT credit to be set off before computing advance-tax shortfall and liability for Section 234B/ 234C interest

Citation: CIT Versus Tulsyan NEC Ltd. New Delhi; December 16, 2010

8.0 NO PPF ACCOUNT FOR HUF

In a notification issued on December 7, the government said a PPF account opened on behalf of a Hindu Undivided Family (HUF) prior to May 13, 2005, be closed after expiry of 15 years from the end of the year in which the initial subscription was made. The notification came into effect from the date of issue. The move is aimed to check the misuse as several people invested in PPF to earn eight per cent tax-free return as an individual as well as an HUF.

9.0 WHETHER INTEREST UNDER SECTION 234B CAN BE CHARGED ON MAT

Held by Hon'ble Supreme Court of India that Interest under Section 234B is charged on the tax calculated on book profits under Section 115JA/ 115JB

Citation: JT. C. I. T., MUMBAI VS. M/S ROLTA INDIA LTD. (Civil Appeal No.135 of 2011, Order Dated 07/01/2011, HON'BLE SUPREME COURT OF INDIA)

INDIRECT TAXATION

1.0 SERVICE TAX SOP FOR RETAIL SALE OF PACKAGED SOFTWARE

Packaged software for retail sales has not been brought under the Maximum Retail Price (MRP)-based excise levy. Simultaneously, the Centre has allowed 15 per cent abatement for calculation of excise duty on such software. The abatement is being given to cover the margins in the distribution chain. Post the change in the basis of excise levy, the Centre has also accorded service tax exemption on all packaged software where excise duty has been paid on MRP basis. Also, there will now be no service tax levy on imported packaged software where countervailing duty has been paid. This will set to rest the confusion caused at the ground level by the Centre's move in 2008 to levy service tax on "transfer of right to use software".

2.0 CONSTITUTIONAL VALIDITY OF SERVICES TAX ON FINANCIAL LEASING SERVICES

Service tax imposed by section 66 of the Finance

Act, 1994 on the value of taxable services referred to in section 65(105)(zm), read with section 65(12) of the said Act, insofar as it relates to financial leasing services including equipment leasing and hire-purchase is within the legislative competence of the Parliament under Entry 97, List I of the Seventh Schedule to the Constitution.

Citation: Association of Leasing and Financial services companies Vs. UOI and Ors (2010) (235) CTR (521) SC

3.0 CENVAT RULES APPLICABILITY WHEN ASSESSEE IS ENGAGED IN 'TRADING ACTIVITY' AND PROVIDING 'OUTPUT SERVICES'

There is no provision in the Rules to cover a situation where an assessee is providing a taxable service and also undertaking another activity which is neither a service nor a manufacturing activity. **In such a situation, the correct legal position is to choose and segregate the quantum of 'input services' attributable to trading activity and exclude the same from the records maintained for availment of credit.** The above proportionate reduction can be done once in a quarter or in six months, by applying the standard accounting principles.

Citation: Orion Appliances Ltd. v. CST Ahmedabad 2010-VIL-10-CESTAT-AHM

4.0 EXCISE BENEFIT DENIED FOR USE OF COMBINATION BRAND NAMES

The Supreme Court (SC) has set aside the order of the excise appellate tribunal which had granted duty benefits to Ace Auto Co Ltd, a small scale industry which supplied clutch plates and related items to Tata vehicles. On the cover assembly of the products manufactured by Ace Auto, it prefixed its symbol and logo with Tata. Ace Auto then claimed excise benefits granted to small scale units. It was denied by the Commissioner of Central Excise, Delhi. In the dispute, the tribunal ruled that the company was entitled to the benefit. However, the Supreme Court stated that in order to avail of the exemption notification of October 2002, the SSI manufacturer must prove that its product was not associated with another person. If it is shown that the manufacturer has affixed the brand name of another person on its goods with the intention of a connection between their products, the benefit would not be available to the SSI. However, if the assessee company is able to prove there was no such intention or that the use of the brand name was entirely fortuitous, it would be entitled to the benefit of exemption.



AUDIT

1.0 CAG-POLICY OF EMPANELMENT OF CA FIRMS AND SELECTION OF AUDITORS OF PSUs

- Eligibility:-** Chartered Accountant firms in India with at least one full time FCA (Partner/Sole Proprietor)
- Selection process**

Where Audit Fees is upto Rs.1.5 lakh

Depends upon the points earned by each chartered accountant firm.

Particulars	No. of Points
Experience of Firm	.5 For every calendar year.
Full Time FCA Partners	5 for 1st five partners 2.5 for 6th onwards
Full Time ACA Partners	3 for 1st five partners 1.5 for 6th onwards
Points for association with firm	5 for >25 years 4 for >20 years 3 for >15 years 2 for >10 years 1 for >5 years
Full Time CA employees	1 for each (Max.20)
CISA/ISA qualified partners	2 for each (Max.6 Points)
CISA/ISA qualified Employees	1 for each (Max.3 points)

Where Audit Fees is beyond Rs.1.5 lakh

Criteria for short-listing eligible firms of CAs for allotment of Major Audits:-

- The firm should have at least 6 CAs (out of which 5 should be full time partners and one could be a full time paid CA employee)
- At least one partner having min.10 yrs of association + 3 partners having association of min.5 years + the remaining two having association of min.1 yr
- Existence of firm for min.10 yrs

Other Points having relevance in allotting major audits:-

- No. of partners in the firm.
- Their association with the firm.
- Zone where head office is situated.
- Sectoral experience.
- Service tax paid for assurance services.
- Location of branch offices.
- Past performance.
- Firm's capacity to handle Big audits.

◆ Full time partner does not include

A person who is

- a partner in other firms
- Employed full time/part time elsewhere, practicing in their own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.

- Partners whose total compensation@ from the firm is below the following limit:

Head office of the firms located in Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad:

ACA partner Rs. 1.80 lakh in a year (Rs. 15000/- per month)
FCA partner Rs. 3.00 lakh in a year (Rs. 25000/- per month)

Head office of the firms located other Places:

ACA partner Rs. 1.20 lakh in a year (Rs. 10000/- per month)
FCA partner Rs. 1.80 lakh in a year (Rs. 15000/- per month)

- A partner whose total compensation@ from the firm is less than:

Firms having more than 14 partners	1%
Firms having 10 to 14 partners	3%
Firms having 5 to 9 partners	5%
Firms having less than 5 partners	8%

@Total compensation = Sum total of share of profit, remuneration and interest on capital.

All members (sole proprietors/partners/ CA employees) will get points if they were exclusively associated with the firm throughout the calendar year immediately preceding the year of empanelment.

In case of merger, the partners of the merging firms will be assigned points after one year of merger and points for partner's association to be given after five years from the date of merger.

3. Additional Points:-

- Submission of applications:- From 1st January 2011.

(The format of application will be available on the website: www.cag.gov.in)

- Firms can apply & update the data showing the status of the firm as on 1st January 2011, till 31st March 2011 and generate online acknowledgement letter for the year.

- Any changes in the constitution of the firm occurring after the cutoff date of 1st January 2011 should continue to be updated in the website. However such change will lead to a reduction in the rank of the applicant.

Note:- ICAI-empanelment last date-31JAN-2011

(No condonation of delay in submission of Form No. 18 beyond 31st January preceding the financial year under audit will be done by the Institute.)

2.0 ICAI FAVOURS PEER REVIEW OF SOCIAL SCHEMES

The audits of government schemes like the national rural employment guarantee act by professional auditors will be subject to peer review, accounting regulator the Institute of Chartered Accountants of India (ICAI) has said. The government is in the process of selecting audit firms through a tender process where the assignment will be awarded to the firm quoting the lowest fees. The ICAI fees the method of selection runs the risk of compromising the quality of audit. ACCOUNTING regulator ICAI is opposed to the tendering process of selecting accountants for auditing state-run schemes and has taken up the issue with the Planning Commission and the CAG. The ICAI wants the appointment to be done through fixing the fees district-wise and not through tender saying it may lead to compromise of audit work.



CAPITAL MARKET

1.0 DISCLOSE SHAREHOLDING PATTERN AHEAD OF LISTING : SEBI

• Public Details Of Shareholding

A company after a public issue, will have to make public details of its shareholding a day prior to its listing. It also said that the stock exchanges should upload the same on their web sites before the share of the company are listed.

• Filing of shareholding pattern

Any listed companies whose capital restructuring makes a change of more than two per cent to its paid-up share capital, will have to file its revised shareholding with the stock exchanges within ten days from the date of allotment of the shares that constituted the restructuring.

• Maintaining of Web Site

It added that all listed companies should maintain a "functional Web site" with all relevant updated information as prescribed.

• Media relation

The stock markets regulator has also mandated that those corporates which have agreements with media companies have to disclose such details on their Web sites and also to the stock exchanges.

• Announcement of Date For Dividend

The companies will now have a pre-announced fixed pay date for payment of dividends and for the credit of bonus shares.

• Uniform Procedure For Dealing With Unclaimed Shares

SEBI has mandated uniform procedure for dealing with unclaimed shares (both demat and in physical form). If there is no response to three reminders by a registrar regarding unclaimed shares, the shares shall go into the Unclaimed Suspense account. The issuer company shall dematerialize the shares held in this account with one of the depository participants. All benefits accruing on such shares shall be credited to this account. The voting rights will remain frozen till the rightful owner claims the shares.

2.0 SEBI WANTS CLEAN OFF-MARKET DEALS

OFF-MARKET DEALS:

- These are not routed through the stock exchange clearing house. It involves transfer of shares from one demat account to another, at a negotiated price and happens at the depository level.

SEBI Proposal

- It plans to make it mandatory for companies to disclose more while placing shares privately with institutional investors.
- The regulator is also set to tighten norms for reporting block and bulk deals.
- SEBI may also make it mandatory for companies to disclose the list of all institutional investors participating in a qualified institutional placement.

3.0 BSE, NSE AGREE TO UNIFORM STAMP DUTY PLAN

The government's plan to have a uniform stamp duty rate for all stock market transactions has moved a step closer to reality. **The two major stock exchanges have agreed to take responsibility for collecting the duty** and passing it on to state governments. How this will be done has been decided. Each state will authorize exchanges to collect duty on its behalf and electronically transfer the funds every fortnight.

4.0 SEBI ISSUES GUIDELINES FOR TRADING ON SME EXCHANGES

The stock markets regulator SEBI has made market making mandatory in respect of all scrips listed and traded on SME exchanges. SEBI issued a master circular on its framework for setting up both new exchanges and separate platforms of existing stock exchanges having nationwide terminals for SMEs. SEBI said that these guidelines will be applicable to all registered market makers for creating a market for all scrips listed and traded on SME exchanges.

FINANCIAL INDICATORS

	Current Rate* (in %)	Month Ago (in %)
3 Month LIBOR	0.30	0.30
3 Month MIBOR	9.08	8.60
SENSEX	19183	19508
NIFTY	5752	5857
CRR	6	6
REPO	6.25	6.25
REVERSE REPO	5.25	5.25
Gold (per 10 gm)	20413	20500
Silver (per kg)	44745	43415
Crude (USD/bbl)	98.30	90.48
Rs. vs USD	45.13	45.22
Rs. vs Euro	59.10	59.99

*As on 13 January, 2011

(Sources: Bloomberg, NSE, BSE, RBI)

ACCOUNTING

1.0 FINANCE MINISTER CAUTIONS AGAINST WINDOW DRESSING BY ACCOUNTANTS

Accountants have a critical role in guarding against window dressing of Balance sheets that encourages entities to take more and more risk until they are dangerously leveraged," Mr. Mukherjee said at a conference organized by the Institute of Chartered Accountants of India (ICAI).

2.0 FINMIN: ENFORCE IFRS ONLY FOR CONSOLIDATED ACCOUNTS

The finance ministry has taken the view that the International Financial Reporting Standards (IFRS) needs to be adopted only on consolidated accounts of corporate groups as is the practice in Europe. It feels the proposed fair-value-based accounting regime cannot be enforced on a standalone basis to individual firms as has been recommended by the accounting rule maker ICAI and the corporate affairs ministry.

3.0 ICAI TO FRAME ACCOUNTING FORMAT FOR POLITICAL PARTIES

The Election Commission of India has approached the Institute of Chartered Accountants of India (ICAI) to frame accounting formats exclusively meant for political parties. These, once made mandatory, are expected to bring in more financial accountability from political parties. ICAI **recommend rotation of auditors** for political parties as the proposed Companies Bill is making it mandatory for all companies.

4.0 I-T DEPT ORDERS SPECIAL AUDIT OF C'WEALTH GAMES OC BOOKS

The Income Tax Department has ordered a special audit of the accounts of Commonwealth Organizing Committee.



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