

The Chartered Accountant World

A JOURNAL OF
ALL INDIA CHARTERED ACCOUNTANTS' SOCIETY
Volume XXII, No. 11, November, 2011



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EDITORIAL

INDIAN REAL ESTATE SECTOR - AN URGENT NEED OF A REGULATOR



CA Vinod Jain*

The Government of India has taken initiative to set up Regulators to regulate Capital Market (SEBI), to regulate Insurance Companies (IRDA), to regulate Telecom Sector (TRAI), to regulate Power Sector (Central and State level Electricity Regulation Commission). The Regulator of Financial Sector, Reserve Bank of India, has already

been functioning effectively. The other regulators, as aforesaid have added significant value in development and regulation of the respective sectors. The Real Estate Sector is the backbone of the Indian economy as a large amount of development is taking place in commercial real estate as well as in the residential real estate, besides infrastructural real estate sector.

Major Issues :

Real estate sector is facing a major challenge because of the following issues:

- ❖ Agreements between Real Estate Developer and the customer are typically one sided and do not provide for any implication for delay or failure on the part of the developer.
- ❖ A large number of Real Estate Developers commence the booking and sales of the real estate even much before obtaining possession, control and ownership of the land in question without an appropriate license/ permission to develop the real estate project being sold. The investors generally are left high and dry.
- ❖ A number of projects are inordinately delayed.
- ❖ In case of delayed delivery the developers try to coax the customers to seek refund with nominal interest

THE INCLUSIVE GROWTH REQUIRED PROVISION OF HOUSING TO ALL THE CITIZENS OF INDIA. TO ACHIEVE THIS A REAL ESTATE REGULATOR IS MUST.

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CA STUDENTS TRAINING, COACHING AND QUALITY ISSUE

The Chartered Accountants Profession has grown from strength to strength over last few decades. The backbone of strength of the Chartered Accountants profession is education and training mechanism adopted by the profession which predominantly includes 3 years practical training under a Chartered Accountant Firm or partly as Industrial Training (Optional).

The practical training ensures that the students are trained in actual day-to-day working, business processes, internal control mechanism, financial management, management accounting and preparation of financial statements besides

It will also be important for ICAI to immediately commence cost effective class room teaching as a mandatory part of its course delivery. All CA Final students need to go through atleast 6 months full time class room education by ICAI for a complete effective solution. This can be extended to Intermediate (PE II or IPCC) course and CPT also.

compliance of corporate laws and tax laws in real time situation.

An access to CA students of actual affairs of business organizations enable them to understand the theoretical education more effectively and once qualified as a

chartered accountant it enable them to effectively and efficiently deliver up to the expectation of the employers/ clients.

This approach has created double jeopardy to such students. They are unable to directly understand and bring out solution for professional issues and even for day today routine professional working they find themselves not fully suitable for the job. **This results into rejection of such cases of dummy students once they qualified as a less trained Chartered Accountants by service sector as well as practicing firms of Chartered Accountants as they may not be found themselves suitable for the desired job profile.** In a large number of cases this has resulted into reduction of remuneration package for such less trained chartered accountants by 20% to 60% resulting into mental, emotional and financial stress after qualifying as a Chartered Accountant. A failure to undertake practical training seriously

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LATEST IN FINANCE

1.0 RBI DEREGULATES SAVINGS BANK INTEREST RATES

In a move that could bring cheer to bank depositors, the Reserve Bank of India (RBI) has announced deregulation of the interest rate on savings bank deposits with immediate effect.

2.0 RBI ASKS BANKS TO SECURE APPROVAL FROM COs ISSUING DERIVATIVES

The Reserve Bank of India has asked banks to seek approval from company boards before selling derivative products to them. The Reserve Bank of India also said while modifying the 'Comprehensive Guidelines of Derivatives' that before offering any derivative product to clients, banks should obtain board resolution from the corporate which explicitly mentions the limit assigned by the corporate to the bank.

3.0 HOME LOAN SUBSIDY EASED

One percent interest subvention on housing loans up to ₹15 lakhs, compared with ₹10 lakhs at present. The subvention will be given when the total cost of the house is less than ₹25 lakhs. Currently, this limit is set at ₹20 lakhs.

4.0 2% INTEREST SUBSIDY FOR EXPORT CREDIT

To cushion the global slowdown's impact on exporters, the Reserve Bank of India (RBI) announced a two per cent interest subsidy on rupee export credit for handicrafts, handlooms, carpets and small and medium enterprises (SMEs).

5.0 PRIVATE EQUITY GIANT 3i TO RAISE \$1.5 BILLION FOR 2ND INDIA FUND

3i, Europe's biggest listed private equity firm, plans to raise up to \$1.5 billion for its second India fund, but its investment choice will widen to healthcare and education from infrastructure as the sector is plagued by policy paralysis.

FEMA

1.0 NRIs CAN HOLD ACCOUNTS IN ANY CURRENCY NOW

The Reserve Bank of India (RBI) said that Indians who have Non-Resident Accounts in the country can now hold them in any currency which is fully convertible. Earlier, FCNR (B) account holders were allowed to hold accounts in only certain currencies such as the Pound Sterling, US dollar, Japanese yen, Euro, Canadian dollar and Australian dollar.

CAPITAL MARKET

1.0 SEBI ASKS FIRMS TO DISCLOSE ALL SHARE PURCHASES

The Securities and Exchange Board of India (SEBI) has asked companies to disclose details of share purchases by acquirers and Persons Acting in Concert (PAC) to include all voting rights and warrants held by the promoters and other insiders during their regulatory filings with stock exchanges. Under the new format, they (acquirers and PAC) have to provide additional disclosures about warrants and any other instrument which have voting rights, besides their disclosures regarding acquisition of shares/voting rights / and holding by them in the target company. The disclosures are mandatory. In the new format for disclosure acquirer will disclose his holdings in the target company before the acquisition under consideration, they will give details of the holdings being acquired and holding after the acquisition.

TAXATION

1.0 IMPORTED SOFTWARE LIABLE TO WITHHOLDING TAX: HC

Karnataka High Court had ruled that payments made for imported software will face withholding tax

This Verdict is likely to hit the likes of GE, Sonata Software and HP.

2.0 EXPORTS OF 68 SERVICES MAY GET SERVICE TAX REFUND

Exports of as many as 68 services, including banking and asset management, will be eligible for refund of service tax.. The Central Board of Excise and Customs (CBEC) has order to streamline the process of sanctioning of refund claims arising on account of service tax on input services that have gone into exports of services, has sought public comments by November 30 on the draft circular. However, if the input service has made no contribution to exports and has been exclusively utilised for domestic operations, it would not be eligible to refund.

3.0 SECRET FOREIGN ASSETS MAY INVITE 16-YEAR PROBE INTO TAX HISTORY

The Finance Ministry (FM) is considering reopening assessments of taxpayers found to possess undisclosed foreign assets and bank accounts to up to 16 years as against six years now.



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INDIAN REAL ESTATE SECTOR.....

with the view to profit by selling to others as over the period of time land prices escalate.

- ❖ The money collected from sale of one project is diverted for acquisition of further land for some other projects using low cost money to hoard land with ulterior motive to gain there from, this also delay implementation of the project.
 - ❖ Disclosures by the real estate developer are generally incomplete.
 - ❖ Compliance and documentation requirements are not clearly prescribed.
 - ❖ There is no grievance mechanism
 - ❖ The rate of interest for the delayed payment by the investor and rate of interest/ penal charges for delay in completion of the project and circumstances in which such interest/penal charges may not become payable, are not prescribed.
 - ❖ The property titles, land records, charges created on them and the agreement executed in relation to a particular property are required to become completely transparent and available for public inspection, something similar to MCA-21 platform.
- The real estate sector's contribution in the Gross Domestic Products (GDP) value creation, investment channelisation and providing livelihood and employment is very significant. The role of real estate sector is crucial in economic development, and for meeting basic necessities and needs for the Indian society as well as

for growth of business, commerce and industry.

The aforesaid issues are few examples and there are number of areas and aspects about which the Regulator need to develop necessary framework and regulation to enable growth of real estate sector in a well structured manner to provide necessary protection to all stake holders. This will also provide tremendous support to the genuine real estate developers and will ensure that their risks and rewards are adequately balanced.

FINANCIAL INDICATORS

	Current Rate* (in %)	Month Ago (in %)	3 Month Ago (in %)	6 Month Ago (in %)
3 Month LIBOR	0.44	0.4	0.28	0.28
3 Month MIBOR	9.49	9.37	9.43	8.91
SENSEX	17362	16958	16858	19263
NIFTY	5116	5099	5073	5786
CRR	6	6	6	6
REPO	8.5	8.25	8	6.75
REVERSE REPO	7.5	7.25	7	5.75
Gold (per 10 gm)	28584	26988	25450	21348
Silver (per kg)	56595	54417	57200	59817
Crude (USD/bbl)	97.38	111.73	104.53	124.82
Rs. vs USD	49.78	49.24	45.17	44.2
Rs. vs Euro	79.65	67.17	64.25	63.9
Rs. vs Yen	64.16	63.95	58.85	55.60
Rs. vs RMB	7.88	7.24	7.053	6.88
Rs. vs Pound	68.82	76.57	73.44	73.32
MCX Aluminium	105.15	107.25	107.50	116.15
MCX Copper	377.65	354.60	395.40	395.80

*As on 10th November 2011

(Sources: Bloomberg, NSE, BSE, RBI)

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CA STUDENTS TRAINING.....

results into a permanent loss of confidence, capability and capacity to deliver as per international standard. In certain cases the firms where such articles get registered may not have adequate work to give all round experience to the students and in such cases a special emphasis on secondment or industrial training will be necessary.

The Institute of Chartered Accountants of India need to address the aforesaid issues very effectively and forcefully so as to ensure that all the students undergo the desired level of education and training so that they have adequate opportunities once they qualify and commence their career. **This is the responsibility of all chartered accountants in practice to ensure that dummy training is finished which is a menace to the profession and they should not permit the students to participate in any such activities as it is hampering and adversely impacting their own profession apart from ruining the career of the students.** Allowing an articled trainee for doing dummy training is **self-suicidal** for the entire profession. The current atmosphere in respect of fresh chartered accountants qualified recently is a clear evidence of mounting risk on the entire profession.

The Institute of Chartered Accountants of India need to take adequate action against private coaching classes who are not adhering to time discipline laid down by the Institute. This will require strict disciplining.

It has been noted that off late a large number of students misled by ill considered advices are concentrating mainly on taking coaching classes and not give adequate attention to their training.

ICAI

1.0 ICAI FINDS MOVE ON TAS CONFUSING, WANTS PLAN TO BE DROPPED

Ministry has suggested new set of accounting standards under the Income Tax Act and draft TAS on Construction Contracts and Government Grants.

Key Suggestions Of The CBDT Panel

- ❖ Separate accounting standards to be notified under the I-T Act
- ❖ TAS should be made applicable only to the computation of the taxable income. No need for separate books of account on the basis of TAS

• Project Funding • Education and Training • Investment Banking • BIFR, CLB Cases



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4696, Brij Bhawan 21A, Ansari Road,
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