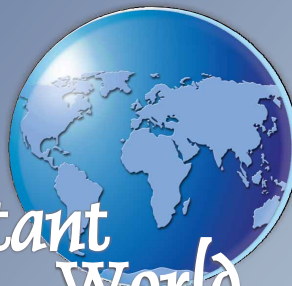


# The Chartered Accountant World



A JOURNAL OF  
ALL INDIA CHARTERED ACCOUNTANTS' SOCIETY

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## EDITORIAL

### CA PROFESSION-ADVENT ON NEW OPPORTUNITIES



CA Vinod Jain\*

- Sh. Jairam Ramesh, Cabinet Minister for Rural Development, Government of India has recently directed a detailed audit of all "Panchayat Institutions" to be conducted by Chartered Accountants through a panel to be prepared by CAG. This is a highly appreciated step. The Minister has, on number of occasions, raised

objections on mis-utilisation of money allocated to various social schemes. It is highly recommended that NAREGA (National Rural Employment Guarantee Scheme); Serv Siksha Abhiyan, Mid Day Meal, Angan Wadi, Milk Distribution Scheme, Jawahar Rozgar Yojna and various other schemes for which government funds are allocated are also made subject to audit by chartered accountants.

- It may be noted that CAG has recently adversely commented on the working of railways, indicating requirement of a detailed audit for all government departments at the Central Government level as well as State Government level. The Government should immediately act upon it and services of practicing chartered accountants may be utilised in these areas.
- At the same time, it is important that audits are allocated to younger members, smaller firms including proprietorships and firms in smaller towns. The empanelment criteria need to be different as compared to audit of PSUs and priority is to be given to those who are not allocated PSU audits.

#### Bank Audit

It is very heartening to note that the Chartered Accountant community has undertaken audit of public sector banks in a very detailed manner and the reports submitted by the auditors have contributed very significantly to the financial discipline of public sector banks this year. **It is important for all chartered accountants to communicate** the contribution of the profession to all influential persons in the society to ensure

Contd ... on page 8

### S&P THREAT TO DOWN-GRADE INDIA'S CREDIT RATING - A CONSPIRACY AGAINST INDIA

S&P, a leading International Credit Rating Agency has recently issued an advisory to the Indian Government to speed up the process of reform, and has other advised that they may down grade India's Credit Rating below investment grade.

This is a clear-cut conspiracy against Indian economy and Indian society as some of the international agencies are trying to put unnecessary pressure, with a view to change the policies of government of India and are pushing for introducing FDI in retail, defence sector, telecom, airlines and several other areas besides pushing the Indian government to undertake disinvestment of PSUs on an urgent basis.

The reforms are in any case needed but only the reforms which are needed by India and which contribute to inclusive growth and a low cost economy. It is clear that the growth rate of Indian economy has recently come to a low level of around 5.5% in the quarter ended 31st March, 2012. The solution to various economic issues actually lie not in FDI reform but some where else. Action in the following areas is urgently needed:

- The industry is looking for liquidity. Reduction of interest rates and increase in liquidity fairly substantially; Real Estate and Infra sector need whole hearted support.
- Power Sector is suffering from coal linkage and clear-cut policies. Allocation of coal blocks as well as significant improvements in Coal India are immediate necessity beside positive signal to banking sector.
- Telecom Sector is suffering from 2G fiasco. It is important that the government issue telecom licenses at reasonable prices, preferably on revenue sharing basis and ensure that the policy do not result into accumulation of spectrum in few selected hands and competition is adequately supported by significantly reducing the entry barrier in the telecom sector. A very heavy cost of telecom licenses may result into increasing the cost of telecommunication thereby negatively impacting the entire economy.
- Foreign Exchange Reserve and Exchange Rates are required to be attended by a policy initiative including restriction on non essential imports and attracting foreign

Contd ... on page 8

**LATEST IN FINANCE****1.0 Eurozone Tearing itself apart: Bank of England**

In quarterly inflation report of Bank of England, the governor of same Mr. Mervyn King has warned that the Euro zone was "tearing itself apart" and a veritable storm is headed from the continent, which cannot leave the UK "unscathed". IMF chief Christine Lagarde hinted at the possibility of a messy Grexit, and said the Fund would have to be prepared.

Spanish sovereign debt yields reaching all-time highs, Moody's downgrading 26 Italian banks, and according to reports, more than \$ 1.2 billion in savings fled Greek banks in just two days, signaling an escalation in the flight of capital from the country. Italy is also on the door of deeper economic crisis. France fiscal deficit has also reached a record high.

**2.0 Panel to review Production Sharing Contracts**

The Government has constituted a committee under the chairmanship of Dr. C. Rangarajan, Chairman, and Prime Minister's Economic advisory Council, to review the existing Production sharing contracts (PSC). The Government awards oil and gas exploration blocks based on a Production sharing contracts (PSC).

**3.0 RBI issues draft on Core Investment cos. Foreign Outlay**

The Reserve Bank of India (RBI) has proposed to allow core investment companies to invest up to 200% of their owned funds in overseas financial assets and up to 400% of their funds in overseas non-financial assets.

The central bank said that core investment companies that are not under the purview of the Reserve Bank of India's (RBI) regulation will have to register with the bank if they wish to invest in financial assets overseas.

**4.0 Government Cutting Cost**

- FinMin asks ministries and departments to cut non-plan expenditure by 10 per cent.
- Bars them from holding conferences in five-star hotels, buying new vehicles or travelling abroad unless absolutely necessary.

- A total ban imposed on creation of new government posts.
- Measures not to apply on interest payments, repayment of debt, defense capital, salaries, and pension.

**5.0 PEs & VCs eye exit via offer for sale after STT ruling**

Private Equity (PE) and Venture Capital (VC) players are exploring options to exit their investments through the offer for sale (OFS) route, following the recent changes in tax rules governing such sales.

The amendments to the Finance Bill, brought offer for sale transactions under the Securities Transaction Tax (STT) net. The seller in these offers is liable to pay Securities Transaction Tax (STT) of 0.2 per cent, beginning July 1. This means such transactions would be exempt from the capital gains tax of 10 per cent, which these funds were otherwise liable to pay. Senior officials said several players are looking at this as a viable option and have even approached the newly-formed Small and Medium Enterprises (SME) exchanges to understand the finer details for listing.

**6.0 Banks step up loan recovery by auctioning Mortgaged Property**

Under the SARFAESI act, the banks are now increasingly relying on the use of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI), 2002 to recover their dues.

The Act empowers banks and financial institutions to auction mortgaged residential/commercial property when borrowers fail to repay their loans but now one can find many possession notices in banks/newspaper even for dues as low as ₹ 1.5-2 lakhs.

**7.0 Bill to cap Interest Rate on MFI Lending tabled**

The government has introduced a Bill in the Lok Sabha to empower the Reserve Bank to regulate the micro finance industry and fix interest rates ceiling on loans to be provided by lenders.



**8.0 Panel for gradually raising FII limit in G-Secs**

The Reserve Bank of India (RBI) has called for increasing the limit on Foreign Institutional Investment (FII) in government securities (G-Sec) to boost liquidity and higher foreign inflows.

**9.0 Facebook, Founder and Banks sued over Pre-IPO analyst calls**

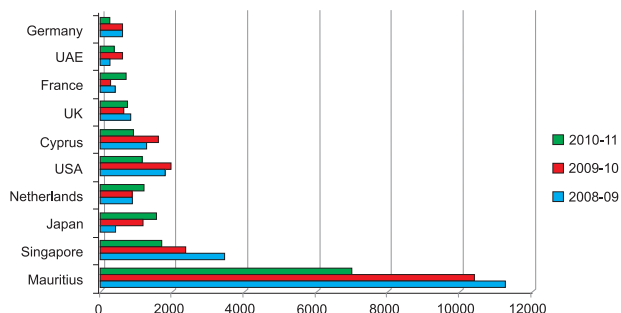
Facebook Inc and banks involved in the company's IPO were sued by the social networking leader's shareholders, who claimed the defendants hid Facebook's weakened growth forecasts ahead of its \$16-billion initial public offering.

**10.0 Third Party Guarantee for Education Loans Increase up to ₹ 7.5 Lakh**

Students seeking education loans of more than ₹ 4 lakhs no longer need any third party guarantee as the Credit Guarantee Fund proposed by finance minister Pranab Mukherjee in this Budget will cover loans up to ₹ 7.5 lakhs without any collateral security and third party guarantee.

**11.0 FDI Equity Inflows**

Top Investing Countries (In \$ Millions)



**12.0 RBI grants banking Licence to Morgan Stanley**

The Reserve Bank of India (RBI) has granted a banking licence to Morgan Stanley, which will enhance the financial services firm's ability to lend to corporate clients, whom it advises on takeovers. However, it is unlikely to get into locally popular banking activities such as corporate or retail loans.

This may enable Morgan Stanley, the top-ranked mergers and acquisitions advisor last year, to

extend its lead over rivals Goldman Sachs and Bank of America Merrill Lynch in advisory and compete in providing services such as wealth management.

**13.0 QFIs allowed to buy Corporate Debt, Window open to 11 more Countries**

With the inclusion of all member nations of the Gulf Co-operation Council and the European Commission, Qualified Foreign Investors(QFIs) from 45 countries will be able to invest in Indian equities, debt mutual funds and corporate bonds as against 34 earlier.

**14.0 Education Institutions set to follow ICAI Norms**

Higher education institutes in the country will soon have to report their financial information in a standard and uniform format set by the Institute of Chartered Accountants of India (ICAI).

With education being a not for profit activity, the Ministry of Human Resource Development (MHRD) wants to enforce these standards in order to check how much profit the educational institutions are making.

**15.0 PF Department may allow Portable Account Portability soon**

Organized workers may soon be able to maintain their retirement savings while changing jobs because the Employees' Provident Fund Organization is close to finalizing a plan to provide portable account numbers.

**16.0 Textile Loans of ₹ 35k Crore to be restructured**

The government has agreed to restructure textile sector loans worth ₹ 35,000 crore to bail out cash-starved mills which fell into a debt trap due to the sudden fall in product prices after two years of a steady rise in raw material costs.

**CONGRATULATIONS**

**We Congratulate and convey our best wishes for success to Shri Ram (SRCC) Alumni Mr. Anshu Jain**

The initial moves of India-born Mr. Anshu Jain as the co-chief executive of German banking giant Deutsche Bank is likely to be closely watched especially in terms of gaining wider acceptance in the German public and business circles.

**17.0 PFC to fund coal projects overseas**

PFC is exploring the possibility of funding coal mine and gas stations overseas wherein the output would be brought to India for the purpose of resolving fuel-related issues.

**18.0 RBI offers \$2 Billion swap arrangement to SAARC countries**

The Reserve Bank of India (RBI) will offer swap arrangement of US \$ 2 billion both in foreign currency and Indian rupee to member countries of the South Asian Association of Regional Co-operation (SAARC).

**19.0 Allow ICRA to expand in Asia**

Moody's has allowed its Indian affiliate ICRA to enter domestic credit and corporate instruments rating business in all Asian countries except four.

**FEMA****1.0 Transfer of funds from Non-Resident Ordinary (NRO) Account to Non-resident External (NRE) Account**

The Reserve Bank of India (RBI) has decided that henceforth NRI eligible to transfer funds from NRO account to NRE account with in the overall ceiling of USD one Million per financial year subject to payment of Tax, as applicable.

*RBI/2011-12/536, 7<sup>th</sup> May 2012*

**2.0 Foreign Investment in Commodity Exchanges**

The Reserve bank of India (RBI) has reviewed and decided that the prior approval of the government (FIPB) would be required only for FDI component and government approval would not be required for investing by registered FIIs in commodity exchanges.

*RBI/2011-12/542, 8<sup>th</sup> May 2012*

**3.0 ECB-Rupee expenditure portion- Specify and Repatriate to India**

The Reserve Bank of India (RBI) has decided that the borrowers should provide bifurcation of the utilization of the ECB proceeds towards foreign currency and rupee expenditure in form-83.

The primary responsibility to ensure that the ECB proceeds meant for rupee expenditure in India are repatriated to India for credit to their rupee accounts with AD Category- I banks in India.

*RBI/2011-12/539, 7<sup>th</sup> May 2012*

**4.0 Release of Foreign Exchange for without Documentation**

The Reserve Bank of India (RBI) were advised to banks to release amounts up to ₹ 25000 or its equivalent for all permissible current account transactions on the basis of a simple letter from the applicant containing the basic information, viz., names and the addresses of the applicant and the beneficiary, amount to be remitted and the purpose of remittance. It was clarified in the circular that Authorized Dealers need not insist upon submission of A2 Forms in such cases.

*RBI/2011-12/537, 7<sup>th</sup> May 2012*

**5.0 Exchange Earner's Foreign Currency (EEFC) Account**

The Reserve Bank of India (RBI) has been decided as under: -

- a) 50% of the balances in the EEFC accounts should be converted forthwith into rupee balances and credited to the rupee accounts as per the directions of the account holder. This process may be completed within a fortnight from the date of the circular.
- b) In respect of all future FOREX earnings, an exchange earner is eligible to retain 50% (as against the previous limit of 100%) in non-interest bearing EEFC accounts. The balance 50% shall be surrendered for conversion to rupee balances.

*RBI/2011-12/547, 10<sup>th</sup> May 2012*

**6.0 Clarification of FDI in NBFC Sector**

The Reserve Bank of India (RBI) has clarified that the activity 'leasing and finance', which is one among the eighteen NBFC activities wherein FDI up to 100 per cent is permitted under the automatic route, subject to minimum capitalization norms, covers only 'financial leases' and not 'operating leases', in so far as the NBFC sector is concerned.

*RBI/2011-12/562, 15<sup>th</sup> May 2012*

**7.0 Overseas Direct Investments by Indian Party - Online Reporting of Overseas Direct Investment**

The Reserve Bank of India (RBI) has been decided to communicate the UIN in respect of cases under



the Automatic Route to the ADs/Indian Party through an auto generated e-mail to the email-id made available by the AD/Indian Party. Accordingly, with effect from June 01, 2012 (Friday), the auto generated e-mail, giving the details of UIN allotted to the JV / WOS under the automatic route, shall be treated as confirmation of allotment of UIN, and no separate letter shall be issued by the Reserve Bank of India (RBI) to the Indian party and AD Category - I bank confirming the allotment of UIN.

*RBI/2011-12/585, 31<sup>st</sup> May 2012*

### 8.0 Second Hand Machine barred from Equity Conversion

The Reserve Bank of India (RBI) has been decided to exclude conversion of imported second-hand machinery from the list of item against which share can be issued even under approval route with a view to incentivizing use of machinery embodying the latest state-of-the-art technology, compliant with international standards, in terms of being green, clean and energy efficient.

*RBI/2011-12/541, 8<sup>th</sup> May 2012*

### 9.0 Eyeing extra Foreign Capital in tough times

- QFI definition widened to include investors from six Gulf nations and 27 European Commission countries.
- Separate \$1-billion sub-limit created for QFI investment in corporate bonds and MF debt schemes.
- Restriction on number of days for keeping funds in individual accounts removed.
- QFIs allowed to open individual non-interest bearing rupee bank accounts.

- Operational flexibility for appointing custodians and brokers to route investments.
- RBI, SEBI to issue relevant circulars within seven days.

### 10.0 HDFC gets RBI nod to raise FII limit to 100%

The Reserve Bank of India (RBI) has notified that HDFC's board has passed resolutions to increase the FII investment limit from 74 per cent to 100 per cent.

The increase in Foreign Institutional Investors (FIIs) investment limit is for the purchase of Housing Development Finance Corporation's (HDFC) equity shares and convertible debentures under the portfolio investment scheme.

### 11.0 FDI status for PIO funds in aviation to continue

The Department of Economic Affairs (DEA) note says unlike NRIs, PIOs are not Indian citizens

The Finance Ministry has decided that investment by a person of Indian origin (PIO) in the aviation sector will continue to be treated as foreign direct investment (FDI) owing to security reasons. Unlike non-resident Indians (NRIs) who are allowed to invest 100% in aviation, the PIO can invest only up to 74%, subject to the FDI ceiling.

In a note, the Department of Economic Affairs (infra and investment division), last month, clarified that NRIs are 'Indian citizens', whereas PIOs are not.

The Department of Economic Affairs (DEA) said that this is material because of the Civil Aviation Requirement Rule 1937, which requires Indian citizen holding a majority, in the civil aviation sector, especially for the air transport sector.

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

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**ACCOUNTING****1.0 Compulsory for Big Four to bring Chinese Citizen to run business in China**

The Chinese finance minister has announced that the World's top four accounting firms will have to bring in Chinese citizens to run their operation in China and end the dominance of foreign partners under new rule.

**2.0 Cut Exposure to NBFCs having gold loans**

The Reserve Bank of India (RBI) has set a deadline of six months for banks to reduce exposure to 7.5% of their capital funds from 10% in non-banking finance companies or Non Banking Financial Corporations (NBFCs) which have half of their total financial assets in gold loans.

**3.0 Trade Union representative in EPFO opposes Reliance AMC stake sale to Nippon Life**

A trade union representative in the Employees Provident Fund Organization (EPFO) has opposed the decision of its fund manager Reliance Capital Asset Management, an Anil Ambani group firm, to sell 26 per cent stake to Japanese insurance firm Nippon Life.

**INSURANCE****1.0 IRDA Caps commission on limited tenure policies**

The Insurance regulator has capped the agents' commission paid by insurers for selling policies with limited premium payment tenure.

The Insurance Regulatory and Development Authority (IRDA) said commission paid by insurers to agents selling policies with limited paying tenure should be 10-25 per cent of the first-year premium. The regulator specified the rate of renewal commission for such plans, where the premium paying tenure is lower than the policy term. The move is to discourage policies with limited tenure.

**2.0 IRDA to allow Combo Products**

Life insurance companies will soon be allowed to tie up with non-life companies to offer health-plus-life combo products.

The Insurance Regulatory and Development Authority (IRDA) has said that the product would be a combination of a pure term product covering life risk and a health insurance cover

However, a life insurer will be allowed to tie up with only one non-life insurer and vice-versa.

Life insurance companies will provide the term product covering life, whereas non-life insurers will underwrite the health insurance policy.

**CAPITAL MARKET****1.0 IPO rollbacks, weak listings may deter Anchor Investors**

The withdrawal of Samvardhana Motherson Finance's initial public offering and the weak show put up by most of the recent large-sized offerings may deter prospective investors from anchoring new issues.

A few major public issues like Tata Steel, L&T Finance, PTC India Finance and Muthoot Finance, which attracted many leading funds as anchor investors, are currently quoting at a discount of 19% to 45% to their offer prices.

**2.0 SEBI shuts the consent route**

The Securities and Exchange Board of India (SEBI) in the recent revised scheme of consent order has shut the consent route for: -

- Insider trader
- Front runner
- Market manipulator

The following are the guidelines: -

- Failure to redress investor grievances, failure to make obligatory disclosures.
- Non-Compliance with SEBI summons non-compliance with SEBI Orders.
- Application before completing any investigation/Inspection.

**3.0 SEBI to derecognise exchanges with Sub-₹ 1,000 Cr turnover**

The stock market regulator Securities and Exchange Board of India (SEBI) will compulsorily derecognize exchanges with less than ₹ 1,000 crore annual turnover and not applying for exit within two years.

Securities and Exchange Board of India (SEBI) in a circular has said that stock exchanges with an annual turnover of less than ₹ 1000 crore are eligible to voluntarily exit. Derecognized exchanges need to file for exit within two months. Failure to do so would result in their compulsory exit. Exclusively listed companies on such exchanges has two options, The first is to list



with a nationally present stock exchange. If a company fails to obtain listing, it would be traded through a dissemination board set up by nationally present stock exchanges.

These boards would match orders and enable trading, but would not issue contract notes and settle trades through their clearing house. Brokers of these exiting stock exchanges have been allowed to trade in nationally present stock exchanges through the former's subsidiaries.

#### 4.0 Alternate Investment Fund norms for realty funds

- Corpus: Minimum ₹ 20 Crore
- Number of Investor: Maximum 1,000
- Investment Threshold: Minimum ₹ 1 Crore
- Tenure: Minimum 3 years
- Fund Type: Close Ended
- Sponsor's Obligation: Minimum 2.5% of Corpus or ₹ 5 Crore
- Investment in Single Firm: Not Over 25%

#### 5.0 JP Morgan suffers trading loss of at least \$ 2 Billion

JPMorgan Chase & Co has said that it suffered a trading loss of at least \$2 billion from a failed hedging strategy, a surprise disclosure that hit financial stocks and the reputation of the bank and its prominent CEO, Jamie Dimon.

JPMorgan said in a filing with the Securities and Exchange Commission that since the end of March, its Chief Investment Office has had significant mark-to-market losses in its synthetic credit portfolio. Synthetic portfolios typically include derivatives in a way intended to mimic the performance of securities.

JPMorgan had \$2.32 trillion of assets supported by \$190 billion of shareholder equity at the end of March and has been earning more than \$4 billion each quarter, on average, for the past two years.

## CORPORATE AND ECONOMIC LAWS

### 1.0 Apex Court ruling on Termination

The Delhi High Court held that an employee of a private sector company, especially the one to whom the protection under the Industrial Disputes Act is not available, cannot claim parity of treatment in the matter of compensation vis-à-vis a government employee.

### 2.0 Successful bidder can be blacklisted

The Supreme Court has ruled that if a successful bidding firm goes back on the contract, it could be blacklisted.

*Citation: Patel Engineering Vs National Highway Authority of India*

### 3.0 Latest Judgement

**The Securities Appellate Tribunal - Mumbai**, held that without recording a finding as to how appellants were persons acting in concert, they could not be held guilty of substantial acquisition in violation of The Securities and Exchange Board of India (SEBI) Takeover Regulations.

*Decided Case: Nikhil Mansukhani Vs SEBI, [2012] 21 taxmann.com 523 (SAT)*

## TAXATION

### 1.0 GAAR Provisions to defer

The finance minister Pranab Mukherjee has taken a step back and taken a decision to go for retroactive taxing of indirect transfer of shares and defer the implementation of General Anti Avoidance Rules (GAAR) provisions from April 2012 to April 2013.

### 2.0 I-T Officials to avoid Courts

Finance minister Pranab Mukherjee has advised tax officers to minimize chances of litigation, and expeditiously resolve pending cases. He asked tax officials to avoid moving high courts in case the question of law is not involved.

## FINANCIAL INDICATORS

|                    | Current Rate <sup>s</sup><br>(in%) | Month Ago<br>(in%) | 3Month<br>Ago (in%) | 6Month<br>Ago (in%) |
|--------------------|------------------------------------|--------------------|---------------------|---------------------|
| 3 Month LIBOR (\$) | 0.468                              | 0.467              | 0.48                | 0.54                |
| 3 Month MIBOR (₹)  | 9.62                               | 9.77               | 10.52               | 9.37                |
| SENSEX             | 16719                              | 16420              | 17503               | 16002               |
| NIFTY              | 5178                               | 4966               | 5334                | 4801                |
| CRR                | 4.75                               | 4.75               | 4.75                | 6                   |
| REPO               | 8                                  | 8                  | 8.5                 | 8.5                 |
| REVERSE REPO       | 7                                  | 7                  | 7.5                 | 7.5                 |
| Gold (per 10 gm)   | 27834                              | 28427              | 27982               | 28673               |
| Silver (per kg)    | 57827                              | 53573              | 59052               | 55450               |
| Crude (USD/bbl)    | 98.00                              | 112.23             | 125.98              | 108.09              |
| Rs. vs USD         | 55.37                              | 53.34              | 49.75               | 53.40               |
| Rs. vs Euro        | 69.21                              | 69.07              | 65.25               | 70.44               |
| Rs. vs Yen (₹100)  | 69.88                              | 66.93              | 60.35               | 68.54               |
| Rs. vs RMB         | 8.70                               | 8.47               | 7.88                | 8.36                |
| Rs. vs Pound       | 85.64                              | 86.11              | 78.06               | 83.33               |
| MCX Aluminium      | 107.30                             | 106.85             | 108.50              | 106.25              |
| MCX Copper         | 400.95                             | 431.30             | 425.45              | 409.60              |

\*As on 10th June 2012

(Sources: Bloomberg, NSE, BSE, RBI, MCX)

**EDITORIAL**

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**CA PROFESSION-ADVENT ON ....**

that not only the attempts to destabilize are countered but also we can impress that like a successful and detailed audit being done in respect of public sector banks Reserve Bank of India, IRDA and Securities and Exchange Board of India can be impressed that even private sector banks, mutual funds, insurance companies and similar other entities where large public funds are involved, a detailed audit, involving a larger number of chartered accountants is required to be undertaken on the basis of empanelment through ICAI so that corruption, malpractices, non adherence to regulatory guidelines can be examined in detail and proper discipline can be inculcated.

**Tax Audit**

The recent reports and discussions on misuse and non adherence of maximum limit of tax audit by certain section of chartered accountants or by the assesseees, require detailed monitoring at the end of the Institute so that -

1. Tax Audit Reports duly signed are required to be enclosed with the Income Tax Return;
2. Limit on maximum number of audits is monitored by the Institute on the basis of information received from CBDT;
3. The current malpractices of using membership number of chartered accountants who have already expired or using the membership number of a member without conducting the tax audit can be eradicated.

**Tendering**

The process of tendering by government departments has brought in larger number of new avenues which are being uploaded on pdcaicai.org. The process will require certain minimum threshold professional fee level as self-regulatory measures in the code of ethics and members are requested to keep adequate margin to enable high value addition.

**Minimum recommended scale:**

The members should more and more use the recommended fee scales published by the Institute, as minimum benchmark for providing various professional services.

These minimum recommended fee levels are available at the website of the Institute.

At the same time, the incoming auditor must communicate with the previous auditor as to the reasons for discontinuation and as a self regulatory measure, reduction of fee beyond minimum recommended scale should lead to not accepting the assignment by the incoming auditor.

**S&P THREAT TO DOWN-GRADE....**

remittance and investments, with the help of friendly taxation and investment policy. The roving enquiries are to be banned for ensuring investment climate improvement.

- Government must ensure that expenditure on MNAREGA results into creation of fixed assets. Mega projects like linking of important rivers can be taken up under this scheme which shall serve the dual purpose.

We are committed as a nation that India will not succumb to international pressure and will ensure a continued growth momentum. A time has come to undertake credit rating of rating Agencies.

**AUDIT**

**1.0 Shareholders may lose right to appoint Auditors**

A Finance Ministry-appointed panel has suggested that the Centre should establish a regulator to empanel auditors in different grades and randomly assign them to private sector firms.

The Central Board of Direct Taxes (CBDT) Chairman has said that the current audit system must be detached from management and control of the business.

Company shareholders or managements will have no say in the appointment of statutory auditors if this recommendation will be accepted.

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