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CHANGING ROLE OF AUDITORS

— by Vinod Jain*

The Government of India has issued Companies (Auditors' Report) Order, 2003 in terms of Section 227(4A) of the Companies Act (CARO) in place of MAOCARO, the full details of which are contained in this issue.

CARO has revised the audit report and have brought in new responsibilities of reporting certain important issues including —

- Going concern
- Details of related party loans, overdues
- Continuing failure of internal control
- Default in repayment of dues to financial institutions or banks etc.
- Diversion of funds obtained as loan
- Application of short term fund for long term purposes and vice-versa.
- End use of funds raised from public issues.
- Frauds noticed or reported during the year.



Mr. Subodh Bhargava, Past President CII, Chairman, Wartsila India Ltd. inaugurating Finance 2003 by lighting of lamp (standing L-R): Mr. Naveen Jain, FCA, Chairman, CFO World, Mr. Vimal Khanna, FCA, Vice Chairman, CFO World and Mr. Vinod Jain, FCA, President, AICAS.

reporting about accounting policies, accounting standards, repayment of deposits, payment of interest and dividend, besides requiring qualification in auditors' report to be read at the AGM and direct reporting of qualified reports to the ROC, Stock Exchanges and SEBI.

These new reporting requirements will re-define the role of auditors and will also try to fill up the "expectation gap". The application of CARO for small companies have been dispensed with.

The Companies Bill-2003 have also made important proposals to strengthen independence of auditors. Passing of special resolutions in case of retirement, prohibition of direct financial interest in the auditee, prohibition on past

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The aforesaid changes will come into effect from 1st of July, 2003. The Companies Bill 2003 have also proposed additional

Certificate Course

All India Chartered Accountants' Society
Announces an intensive

WORKSHOP ON DIRECT TAXES

from concepts to practice

DATES:
from 2nd to 23rd August 2003
(2, 4, 5, 9, 13, 14, 18, 19 & 23)

Supported by:

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

(for programme schedule and registration form please see page no.4&5)

*Mr. Vinod Jain, FCA, Member Central Council, ICAI and Convenor, National Economic Forum (NEF).

IN BRIEF

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LATEST IN FINANCE

1.0 GUIDELINES FOR IMPORT OF GOODS INTO INDIA SIMPLIFIED

With a view to liberalising and simplifying the procedure for import, existing guidelines have been revised in following manner:

1.1 Import Licences

Authorised dealers may freely open letters of credit and allow remittances for import of goods unless they are included in the negative list requiring licence under the EXIM Policy in force. In such cases, licences marked 'For Exchange Control purposes' should be called for and special conditions, if any, attached to such licences adhered to. Exchange Control copy of the import licence submitted by importer for opening of Letter of Credit or making remittance, when fully utilised, should be retained by authorised dealers and may be preserved till its scrutiny by the internal auditors or inspectors is completed.

1.2 Advance Remittance

Authorised dealers may allow advance remittance for import of goods without any ceiling subject to the following conditions:

- If the amount of advance remittance exceeds USD 100,000 or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an authorised dealer in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained.
- Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period.
- In the event of non-import of goods, authorised dealer should ensure that the amount of advance remittance is repatriated to India or is utilised for any other purposes for which release of exchange is permissible under the Act, Rules or Regulations made thereunder.

1.3 Interest on Import Bills

Authorised dealers may allow payment of interest on usance bills or overdue interest for a period of less than three years from the date of shipment at the rate prescribed in A.P. (DIR Series) Circular No.25 dated September 27, 2002 without prior approval of RBI.

1.4 Remittances against Replacement Imports

Where goods are short-supplied, damaged, short-landed or lost in transit and the Exchange Control copy of the import licence has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by authorised dealers and fresh remittance for replacement imports permitted without reference to Reserve Bank, provided the insurance claim relating to the lost goods has been settled in favour of the importer. It may be ensured that the consignment being replaced is shipped within the validity period of the licence.

1.5 Import factoring

Authorised dealers may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without approval of RBI. However, authorised dealers will have to ensure compliance with the extant exchange control directions relating to imports, EXIM policy in force and any other guidelines/directives issued by RBI in this regard.

(Source: A.P. (DIR Series) Circular No.106 dated June 19, 2003)

2.0 LIBERALIZATION OF FOREIGN TECHNOLOGY AGREEMENT POLICY AND PROCEDURES

It has now been decided that all companies, irrespective of the extent of foreign equity in the shareholding, who have entered into foreign technology collaboration agreements may henceforth be permitted on the automatic approval route, to make royalty payments at 8% on exports and 5% on domestic sales without any restriction on the duration of the royalty payments. The ceiling on payment of lumpsum fee / royalty on the automatic route would continue to apply in all cases.

(Source: PRESS NOTE NO. 2 (2003 SERIES) / No. 5(5)/2003-FC dt. 24.06.2003)

3.0 FREQUENT DISHONOUR OF CHEQUES

It has been decided that with a view to enforce financial discipline among the customers, banks should introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also, the bank may consider closing current account at its discretion. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.

(Source: DBOD.BC.Leg. No.113 / 09.12.001/ 2002-03 dated June 26, 2003)

4.0 FOREIGN CURRENCY-RUPEE OPTIONS PERMITTED

As a part of developing the derivative market in India and adding to the spectrum of hedge products available to residents and non-residents for hedging currency exposures, it has been decided to permit foreign currency – rupee options with effect from July 7, 2003. Authorised dealers will be permitted to offer the product subject to certain terms and conditions:

- This product may be offered by authorised dealers having a minimum CRAR of 9 per cent, on a back-to-back basis.
- Initially, authorised dealers can offer only plain vanilla European options.
 - Customers can purchase call or put options.
 - Customers can also enter into packaged products involving cost reduction structures.
 - Writing of options by customers is not permitted.
- Authorised dealers shall obtain an undertaking from customers interested in using the product that they have clearly understood the nature of the product and its inherent risks.
- Authorised dealers may quote the option premium in Rupees or as a percentage of the Rupee/foreign currency notional.

(Source: A.P. (DIR Series) Circular No.108 dated June 21, 2003)

INTERNATIONAL NEWS

1.0 STANDARD ON TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Following recent decisions by various jurisdictions to adopt International Financial Reporting Standards (IFRSs), more than 90 countries will either require or permit the use of IFRSs during the next five years. Thousands of companies throughout the world will be making a transition in financial reporting by breaking away from national practices and changing to accounting standards set by the International Accounting Standards Board (IASB). To help companies making this change, and to enable users of company reports to understand the effect of applying a new set of accounting standards, the IASB issued IFRS 1 for First-time Adoption of International Financial Reporting Standards, which explains how an entity should make the transition to IFRSs from another basis of accounting.

2.0 IAASB ISSUES EXPOSURE DRAFT TO ENHANCE FIRM QUALITY CONTROL PRACTICES

In its ongoing efforts to ensure high quality performance by the world's auditors, the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) has issued an exposure draft (ED) containing a proposed International Standard on Quality Control (ISQC) 1, Quality Control for Audit, Assurance and Related Services Practices, and a proposed revised International Standard on Auditing (ISA) 220, Quality Control for Audit Engagements. This ED, which also includes an explanatory memorandum, may be downloaded from the IFAC website (<http://www.ifac.org/Guidance/EXD-Outstanding.php>). Comments are requested by August 31, 2003.

The proposed ISQC 1 requires a firm to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements. It contains new proposed basic principles and procedures regarding leadership and responsibilities within the firm, including a requirement that the chief executive officer (or equivalent) of the firm has ultimate responsibility for the firm's system of quality control. Other areas addressed in the ED include ethics, partner rotation, acceptance and continuance of client relationships, engagement quality control review, and monitoring.

3.0 FASB SEEKS TO IMPROVE ACCOUNTING FOR QUALIFYING SPECIAL-PURPOSE ENTITIES

The Financial Accounting Standards Board (FASB) has issued for public comment an Exposure Draft, Qualifying Special-Purpose Entities and Isolation of Transferred Assets, which would amend FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The purpose of the proposal is to provide more specific guidance on the accounting for transfers of financial assets from a company to an off-balance sheet structure known as a qualifying special-purpose entity (QSPE). The Exposure Draft is available on the FASB's website. The comment period ends on July 31, 2003, and will be followed by a public roundtable meeting that will be announced at a future date.

ICAI NEWS

1. Supplementary Guidance Note on Audit of Banks issues.
2. Revised Accounting Standard (AS) 11 on the "Effect of Changes in Foreign Exchange Rates" was passed to be effective from 1st April, 2004.
3. Limited revision of Accounting Standard (AS) 18 on "Related Party Disclosures" was passed w.e.f. 1st April, 2003.
4. Guidance Note on "Special Considerations in the audit of small entities" issued.
5. Guidance Note on "Accounting for Securitisation" issued.
6. Post Qualification course on Insurance and Risk Management with registration fee of Rs.6000/- and examination fee of Rs.1000/- launched.
7. Commencement of 15 days mandatory course on "General Management and Communication Skill" for all final pass students before enrolment as a Chartered Accountant.

Contd. from Page No. 1

ROLE OF AUDITORS.....

employees or relatives of the employees to be appointed as auditors are some key proposals.

The auditors are also proposed to be prohibited to undertake specified non audit assignments, some of which were already prohibited. The auditors cannot have any business relationship with the company.

There are significant changes in the auditors' role, responsibilities and new challenges have been brought in the auditors' functioning. The profession has always come up to the expectations of the society and these changes will bring in better disclosures and financial discipline in the corporate sector. Some of the suggestions incorporated in the Companies Bill as well as CARO were already being observed by the auditors fraternity by way of self-regulation or as per code of conduct prescribed by the Institute. The role of auditors incorporate governance is crucial and their powers as well as independence has to be further strengthen to ensure achievement of real desired results.

It may, however, be inappropriate to prescribe mandatory reporting on all matters. The ICAI and DCA may consider exception reporting practice to enable a reader to appreciate the real issues.

The Government directly legislating on auditors role and ethics could be avoided and this may be completely delegated to the ICAI Council where Government has adequate and very able representation.



All India Chartered Accountants' Society

Announces an intensive

WORKSHOP ON DIRECT TAXES

from concepts to practice

DATES:

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(2nd, 4th, 5th, 9th, 13th, 14th, 18th, 19th & 23rd)

VENUE:

India International Centre (IIC), Annexe Building,
Lecture Hall, 40, Max Mueller Marg, New Delhi.

THE COMPREHENSIVE REFRESHER COURSE ON DIRECT TAXES

A Comprehensive Refresher Course/ Workshop on Direct Taxes is being conducted spread over 9 days with the active participation of eminent speakers and professionals. The MAIN THRUST is to carry out an indepth study of the basic concepts, critical issues and their practical applications including tax planning of the laws, rules and regulations and recent case laws relating to Direct Taxes.

PROGRAMME SCHEDULE

SESSION SUBJECT

Day 1 - 02/08/2003 (Saturday)

Registration & Lunch (1.30 p.m. to 2.15 p.m.)

Opening Session (2.15 p.m. to 2.30 p.m.)

SESSION I
2.30 p.m. to 3.45 p.m.
• General Principles of Taxation
• Concept of Income and other basic concepts
• Rules of interpretation of statutes
• Principles of Natural Justice

SESSION II
3.45 p.m. to 5.00 p.m.
• Basis of charge
• Scope of total income
• Residential Status

High Tea (5.00 p.m. to 5.30 p.m.)

SESSION III
5.30 p.m. to 6.45 p.m.
• Incomes which do not form part of
Total Income (Section - 10)

SESSION IV
6.45 p.m. to 8.00 p.m.
• Incomes of Charitable Trusts and Institutions

Day 2 - 04/08/2003 (Monday)

SESSION V
2.00 p.m. to 3.00 p.m.
• Heads of income
• Salaries
• Matter relating to Provident, Gratuity,
Superannuation and Pension Funds

SESSION VI
3.00 p.m. to 4.00 p.m.
• Salary of Expatriates

SESSION VII
4.00 p.m. to 5.00 p.m.
• Income from House Property
• Income from other sources

High Tea (5.00 p.m. to 5.30 p.m.)

Day 3 - 05/08/2003 (Tuesday)

SESSION VIII
4.15 p.m. to 5.45 p.m.
• Profits and gains of business or profession
• Methods of Accounting
• Presumptive Incomes

High Tea (5.45 p.m. to 6.00 p.m.)

SESSION IX
6.00 p.m. to 8.00 p.m.
• Profits and gains of business or profession
• Methods of Accounting
• Presumptive Incomes

SESSION SUBJECT

Day 4 - 09/08/2003 (Saturday)

Lunch 2.00 p.m. to 2.30 p.m.

SESSION X
2.30 p.m. to 5.00 p.m.
• Deductions to be made under Chapter VI - A
in computing Total Income - Sections 80 HHC,
80 D, 80 E, 80 F, 80 IA & 80 IB

• Deductions to be made under Chapter VI-A
in computing Total Income - Sections others
than above

High Tea (5.00 p.m. to 5.30 p.m.)

SESSION XI
5.30 p.m. to 7.00 p.m.
• Deductions under Sections 10 (A), 10 (B) and
10 (C)

SESSION XII
7.00 p.m. to 8.00 p.m.
• Set off or carry forward of losses

Day 5 - 13/08/2003 (Wednesday)

SESSION XIII
4.15 p.m. to 5.30 p.m.
• Concept of 'Transfer' under General and
Tax Laws
• Capital Gains

High Tea (5.30 p.m. to 5.45 p.m.)

SESSION XIV
5.45 p.m. to 7.00 p.m.
• Clubbing of incomes
• Aggregate of income
• Certain Deemed incomes
• Matters relating to Rebates and Reliefs
under Chapter VIII

SESSION XV
7.00 p.m. to 8.00 p.m.
• Matters relating to Tax Audits (Section 44AB)

Day 6 - 14/08/2003 (Thursday)

SESSION XVI
4.15 p.m. to 5.45 p.m.
• Income of Non- Residents
• Double Taxation Avoidance Agreement &
Implications of variations in treaties

High Tea (5.45 p.m. to 6.00 p.m.)

SESSION XVII
6.00 p.m. to 8.00 p.m.
• Fundamental issues relating to "Transfer Pricing"
• Practical issues related to "Transfer Pricing"
• Case Laws on Transfer Pricing -
Indian & International

Contd....

PROGRAMME SCHEDULE (Contd...)

SESSION SUBJECT

Day 7 - 18/08/2003 (Monday)

SESSION XVIII 4.15 p.m. to 5.15 p.m. • Determination of Tax in certain special cases
• Matters relating to Minimum Alternative Tax (MAT)

SESSION XIX 5.15 p.m. to 6.00 p.m. • Filing of Returns
• Assessments and Reassessments
• Rectification

High Tea (6.00 p.m. to 6.15 p.m.)

SESSION XX 6.15 p.m. to 8.00 p.m. • Advance Tax
• Tax Deducted at Source (TDS)
• Self Assessment Tax
• Tax levied on Assessment
• Interest payable and receivable by an assessee
• Refunds
• Tax collection at Service (TCS)

Day 8 - 19/08/2003 (Tuesday)

SESSION XXI 4.15 p.m. to 5.45 p.m. • Powers of Inspection
• Summons
• Survey
• Search
• Seizure
• Settlement of cases

High Tea (5.45 p.m. to 6.00 p.m.)

SESSION XXII 6.00 p.m. to 7.00 p.m. • Appeal to the Commissioner of Appeals
• Appeal to the income tax Appellate Tribunal
• Revision by the commissioner of Income Tax
• Judicial Precedents

SESSION XXIII 7.00 p.m. to 8.15 p.m. • Penalty
• Offences and Prosecutions
• CBDT - Powers and Authority - waiver of interest etc. (Sections 119 and 230)
• Powers of waiver of penalty of Commissioner of Income tax [Section 273A (4)]

Day 9 - 23/08/2003 (Saturday)

Lunch (2.00 p.m. to 2.30 p.m.)

SESSION XXIV 2.30 p.m. to 4.30 p.m. • Taxation of Taxable Entities and Allied laws relevant for taxation

- Taxation Entities
 - Individual
 - H.U.F.
 - Company
 - Firm
 - A.O.P/ B.O.I
 - Local Authority
 - Artificial Judicial Person
 - Political party

SESSION XXV 4.30 p.m. to 5.30 p.m. • Recent Supreme Court decisions

High Tea (5.30 p.m. to 6.00 p.m.)

SESSION XXVI 6.00 p.m. to 7.30 p.m. • Tax Planning & Tax Management

Valedictory Function (7.30 p.m. to 8.00 p.m.)

Note:

All participants should bring their copy of Income Tax Act and Income Tax Rules for ready reference.



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SPEAKERS

Experts invited to address the participants at the workshop are:

- Sh. Anil Gupta, FCA
 - Sh. Ashok Sharma, FCA
 - Sh. Ajay Vohra, FCA
 - Sh. Ajay Wadhwa, FCA
 - Sh. Anil Sharma, FCA
 - Sh. B.S. Jindal, FCA
 - Sh. Dinesh Gupta, FCA
 - Sh. Girish Ahuja, FCA
 - Sh. Praveen Bansal, FCA
 - Sh. Pramod Jain, FCA
 - Sh. R. Devarajan, FCA
 - Sh. Rahul Garg, FCA
 - Sh. Rakesh Gupta, FCA
 - Sh. Ravi Gupta, FCA
 - Sh. Raj Kumar Gupta, FCA
 - Sh. R.P. Varshney, FCA
 - Sh. R. Santanam, FCA
 - Sh. Shiv Mittal, FCA
 - Sh. Sanjeev Choudhary, FCA
 - Sh. Vinod Gupta, FCA
 - Sh. Vinod Jain, FCA
- Special Invitees:**
- Sh. Jayant Gokhale, FCA, Mumbai
 - Sh. Kamlesh Vikamsey, FCA, Mumbai
 - Sh. N.D. Gupta, FCA
 - Dr. R.C. Vaish, FCA
 - Sh. R. Bhupathy, FCA, Chennai
 - Sh. T.N. Manoharan, FCA

REGISTRATION FORM

REGISTRATION OPTIONS

- **By Fax** - Fax completed Registration Form to : 91-11-2622 3014
- **By email** - email completed Registration Form to: aicas@vsnl.net
- **By Mail** - Mail completed Registration Form to The Secretary:
All India Chartered Accountants' Society
503-504, Chiranjiv Tower, 43, Nehru Place, New Delhi-19

PERSONAL DETAILS

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

REGISTRATION AMOUNT REMITTANCE

payable to "All India Chartered Accountants' Society"

Via DD/Cheque (Delhi only) No. : Date :

Bank :

Amount : Signature :

PARTICIPATION FEES

- **MEMBERS OF ICAI** (alternate nominee permitted) **Rs. 3000/- per person**
- **NON-MEMBERS** **Rs. 4000/- per person**

Course Directors

Sh. Anil Sharma, FCA Sh. Pramod Jain, FCA

Course Structuring

Sh. Shiv Mittal, FCA Sh. Vinod Jain, FCA Sh. Yatinder Khemka, FCA

For further details please contact: Navin Arora (9810893239)

PLEASE NOTE:

- Participation fees covers high tea, lunch and background material to the participants.
- Alternative nominee for specific session(s) or day(s) could be permitted.
- 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 experiences and raised queries during interactive session.

RESTRICTED TO ONLY 100 PARTICIPANTS ON FIRST COME FIRST SERVE BASIS

AUDIT

1.0 REPLACEMENT OF MAOCARO BY CARO FROM JULY 1, 2003

The Central Government has recently issued Companies (Auditor's Report) Order, 2003 (CARO) which is going to replace the existing Manufacturing and Other Companies (Auditor's Report) Order, 1988, (MAOCARO) from July 1, 2003. Given under is the comparison in the form of major additions and deletions between the two Orders:

A. Exemptions from CARO

A private limited company having paid up capital and reserves not more than fifty lakh rupees and which has not accepted any public deposit and does not have loan outstanding ten lakh rupees or more from any bank or financial institution and does not have a turnover exceeding five crore rupees has been kept out of the scope of this Order. In other words, CARO is not applicable on such private limited companies

B. Additions in CARO

- In case of disposal of substantial part of fixed assets, the auditor has to report the effect of such disposal on going concern assumption.
- The auditor has to report whether the company is maintaining proper records of inventory.
- In case loan is taken/granted from/to companies, firms or other parties covered in the register maintained under section 301 of Companies Act, the auditor has to give the number of such parties and the amount involved in the loan transactions.
- In case loans or advances in the nature of loans given to parties, the auditor has to report whether reasonable steps have been taken by the company for recovery /payment of the principal and interest if overdue amount is more than one lakh as against no such threshold limit in existing Order.
- In case of internal control procedures for purchase of inventory and fixed assets, the auditor has to report whether there is a continuing failure to correct major weaknesses in internal control.
- The limit of Rs. 50000 relating to transactions with parties listed in the register maintained under section 301 of the Act has been raised to Rs. 500000. Also the auditor has to report whether transactions that need to be entered in such register have really been entered.
- In case of deposits from public, reference to directives of RBI and the provisions of section 58AA of Companies Act has been inserted besides reference to section 58A of the Act in the existing Order. Also the auditor has to report whether an order passed by Company Law Board has been complied with or not.
- Reporting requirement on internal audit system has been restricted to listed companies or companies having paid capital and reserves exceeding Rs. 50 lakhs or average annual turnover exceeding 5 crores in the immediately preceding three financial years..
- In case of disputed dues of sales tax, income tax, wealth tax, customs duty, excise duty and cess, the auditor has to mention the amount disputed and the forum where dispute is pending.

- Non deposit of undisputed amount of provident fund and employees state insurance dues has to be reported if these are outstanding for more than six months as against no such time limit in the existing Order. Non deposit of Undisputed dues to Investor Education and Protection Fund and statutory cess has also to be reported upon in the new Order besides sales tax, excise duty, customs duty, income tax, wealth tax figuring in the existing Order
- Default in repayment to banks, financial institutions or debenture holders has to be reported upon together with the amount and period of default.
- In case company has given any guarantee for others in favour of bank or financial institutions for loan, the auditor has to report whether terms and conditions are prejudicial to the interest of the company.
- The auditor has to report whether term loans have been utilized for the purpose for which these were obtained.
- Utilisation of short term funds for long term investment and vice versa has to be reported upon together with nature and the amount.
- Preferential allotment of shares to parties and companies covered in the register maintained in the register under section 301 of the Act, whether price is prejudicial to the interest of the company has to be reported upon
- Creation of securities in respect of debentures issued has to be reported upon
- End use of money raised by public issue has to be verified and reported upon.
- Information about any fraud on or by the company has to be reported upon together with the amount involved.
- Deficiencies in the documents and records where loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures or other securities have to be reported upon.
- Erosion of 50% or more of net worth of the company has to be reported upon.
- Compliance with prudential norms on income recognition and provisioning against sub standard/default/loss assets in case of nidhi/mutual benefit fund/societies has to be reported upon under the new Order.

C. Deletions from MAOCARO

- Revaluation of fixed assets no more required to be reported upon.
- No comments required on the valuation of inventories.
- Loans taken/granted from/to companies under the same management under section 370(1B) of Companies Act need not be reported upon.
- Comment on unserviceable or damaged stores, raw materials or finished goods do not find place in the new Order.
- Information about whether the company is maintaining reasonable records for the sale and disposal of realizable by-products etc. is not required to be given.
- Information about whether personal expenses have been charged to revenue need not be given in the new Order.
- Report on sick company is no more finding place in the new Order.

AUDIT

2.0 EVIDENCE OF IMPORT – MANDATORY AUDIT IN BANKS

- i) In case of all imports, where value of foreign exchange remitted paid for import into India exceeds USD 25,000 or its equivalent, it is obligatory on the part of the authorised dealers through whom the relative remittance was made, to ensure that the importer submits :-
 - a) the Exchange Control copy of the Bill of Entry for home consumption, or
 - b) in case of 100% Export Oriented Units the Exchange Control copy of the Bill of Entry for warehousing, or
 - c) Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, as an evidence that the goods for which the payment was made have actually been imported into India.
 - ii) Where imports are made in non-physical form, i.e., software or data through internet/datacom channels and drawings and designs through e-mail/fax, a certificate from a Chartered Accountant that the software/data/drawing/design has been received by the importer, may be obtained.
- Note: Authorised dealers should advise importers to keep Customs Authorities informed of the imports made by them under this clause.
- iii) In respect of imports on D/A basis, authorised dealers should insist on production of evidence of import at the time of effecting remittance of import bill. However, if importers fail to produce documentary evidence due to genuine reasons such as non-arrival of consignment, delay in delivery/customs clearance of consignment, etc., authorised dealers may, if satisfied with the genuineness of request, allow reasonable time, not exceeding three months from the date of remittance, to the importer to submit the evidence of import.
 - iv) Authorised dealers should acknowledge receipt of evidence of import e.g. Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., from importers by issuing acknowledgement slips containing all relevant particulars relating to the import transactions.
 - v) **Internal inspectors or auditors (including external auditors appointed by authorised dealers) should carry out 100 per cent verification of the documents evidencing import, e.g. Exchange Control copies of Bills of Entry or Postal Appraisal Forms or Customs Assessment Certificates, etc.**
 - vi) Documents evidencing import into India should be preserved by authorised dealers for a period of one year from the date of its verification. However, in respect of cases which are under investigation by investigating agencies, the documents may be destroyed only after obtaining clearance from the investigating agency concerned.
 - vii) Authorised dealers may accept either Exchange Control copy of Bill of Entry for home consumption or a certificate from the

C/O or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-

- i) the amount of foreign exchange remitted is less than USD 1,00,000 or its equivalent,
 - ii) the importer is a company listed on a stock exchange in India and whose net worth is not less than Rs. 100 crores as on the date of its last audited balance sheet, or the importer is a public sector company or an undertaking of the Government of India or its departments.
- vii) The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology etc. whose accounts are audited by the C&AG.

3.0 MASTER CIRCULAR

RBI has recently issued following Master Circulars, the text of the same are available on RBI website at www.rbi.org.in:

- a) Export of Goods and Services
- b) Miscellaneous Remittances from India
- c) Indian Direct Investment in JVs/WOSs abroad
- d) Import of Goods and Services into India
- e) Risk Management and Inter-Bank Dealings

TAXATION

1.0 INCOME TAX – IMPORTANT JUDGEMENTS

- 1.1 Hon'ble Gujarat High Court in the matter of **CIT vs. SG Chemicals and Pharmaceutical Limited** held that burden to prove that estimates of advance tax are falls is on the revenue. Assessing Officer cannot simply levy penalty u/s 212 (3) of the Income Tax Act, 1961 for difference in assessed tax and advance tax paid. [261 ITR 432].
- 1.2 Hon'ble High Court in the matter of **CIT vs. Bhagwati Autocast Limited** held that Income Tax Officer cannot invoke provisions of Section 43B in respect of unpaid sales tax liability when there was a deferment of sales tax by virtue of CBDT circular. [261 ITR 481 along with CBDT Circular No.496 dated September 25, 1987].
- 1.3 Hon'ble Bombay High Court in the matter of **CIT vs. CITIBANK N.A.** held that land and building are separate capital assets for the purpose of section 45 of the Income Tax Act. Nature of capital gain short term or long term will be decided on the basis of the date of acquisition of land and date of construction of building thereon separately. [261 ITR 570].
- 1.4 Hon'ble Bombay High Court in the matter of **Stock Exchange Mumbai vs. V.S. Kandal Gaonkar and others** held that during the recovery proceedings u/s 222 to 226 of the Income Tax Act, 1961 Income Tax Department cannot attach the Membership Card, department can attach only credit balance of the member with the Stock Exchange [261 ITR 577].

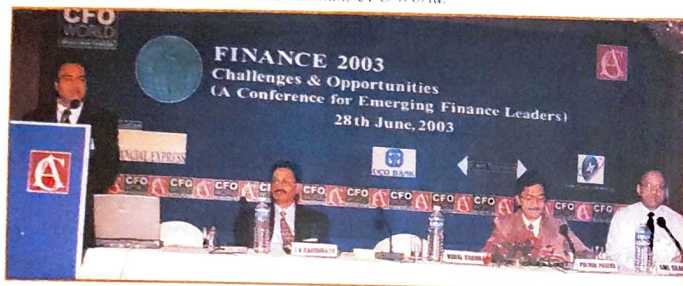
2.0 PAN CARD TO COST RS. 65 FROM JULY 1

People applying for a PAN card from July 1, will now have to shell out Rs.65. UTI Investor Services, which has been roped into assist the income-tax department in issuance of PAN cards, will charge Rs.60 for the card and Rs.5 for an application form.

GLIMPSSES



Mr. Subodh Bhargava, Past President CII, Chairman, Wartsila India Ltd. addressing (L-R): Mr. Naveen Jain, FCA, Chairman, CFO World, Mr. Vinod Jain, FCA, President, AICAS and Mr. Vimal Khanna, FCA, Vice Chairman, CFO World.



Mr. Vimal Khanna, FCA, VP & CFO, Hughes Software addressing (L-R): Mr. T.V. Raghunath, VP & Head M&A, Kotak Mahendra, Mr. Premal Parekh, Head M&A, E&Y Ltd. and Mr. Anil Sharma, FCA, A. Sharma & Co.



Mr. Vallabh Bhansali, Chairman, ENAM addressing (L-R): Mr. Ambrish Sahni, VP, J.M. Morgan Stanley, Mr. Nipun Goel, AVP, DSP Merrill Lynch and Mr. Shailen Gupta, Financial Controller, Expeditors.



(L-R): Mr. D.C. Mathur, FCA, Jt. MD, Hotline CPT, Mr. Sudarshan Banerjee, MD, Dalmia Consumer Care, Mr. O.P. Lohia, MD, Indorama Synthetics, Mr. Akhil Gupta, FCA, Jt. MD, Airtel and Mr. Vinod Jain, FCA, Chairman, INMACS.



(L-R): Mr. Rajeev Goel, FCS, Rajeev Goel & Associates, Mr. Jyoti Sagar, Advocate, Sagar Associates, Dr. R.C. Vaish, FCA, Mr. Ajay Vohra, FCA, Vaish Associates and Mr. Shiv Mittal, FCA, RSM & Co.



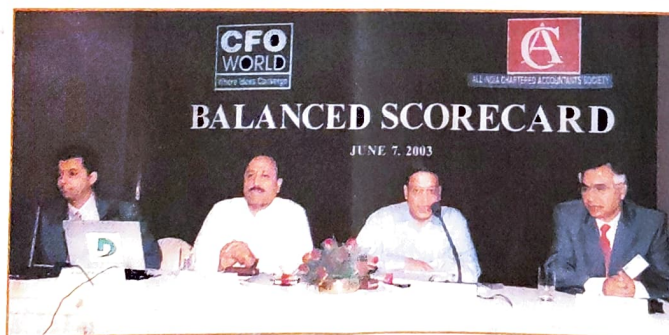
(L-R): Mr. Arun Khurana, ABN AMRO Securities, Mr. Sanjay Vinayak, VP, ABN AMRO Securities, Mr. Pramod Jain, FCA, Mrs. Suvalaxmi Chakraborty, GM, ICICI Bank, Mr. T.C.A. Ranganathan, Sr. VP, SBI Capital and Mr. Vinod Jain, President, AICAS.



CFO World Meeting

on

BALANCED SCORECARD



(L-R): Mr. Rajesh Kaushik, CEDAR, Mr. Vinod Jain, Chairman, INMACS, Mr. Naveen Jain, Chairman, CFO World & Corporate Director - Operational Controls, The Oberoi Group and Mr. Sudarshan Banerjee, MD, Dalmia Consumer Care.

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