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INDIAN C.A. PROFESSION: NURTURING COMPETITIVENESS



Vinod Jain*

The Indian businesses are growing in their size, complexities and locations. They are facing new challenges and rearing new opportunities nationally as well as internationally. They are looking forward to CA profession to provide them all kinds of traditional and non-traditional services not only in India but also outside India.

The professional complexities as well as expectations of clients are changing significantly requiring highly competitive and international quality Indian Chartered Accountant Firms having not only national but also international presence. The WTO negotiations for trade in services are in advance stages and it is expected that by the year 2005 global competition as well as global opportunities would increase considerably. The Indian CA Firms have to prepare themselves to face the new challenges and also strengthen them to take the benefit of new opportunities in a highly competitive manner, by providing best quality and meeting all stakeholders' expectations. It may be necessary to review the professional regulations, code of conduct and code of ethics applicable to Indian CA profession to strengthen the profession and enable it to create competitive professional strength. There are certain areas where an open debate would be necessary to work out suitable solutions to the issues, which are impacting the profession's growth and dynamism.

CORPORATE FORM:

Whether it may be appropriate to permit accounting firms to get constituted as body corporates or as limited liability partnership to ensure adequate funding, national and international presence,

adequate infrastructure, larger size, specialised partners and qualified staff, and developed professional competitiveness of international level.

ALLIANCE / NET WORKING:

To permit Indian Chartered Account Firms to create official, transparent and prominent national and international alliance by net-working of various small and medium size firms to not only enable specialized professional delivery across the country, but also in various parts of the world. This could promote specialisation.

A clear-cut policy on merger, demerger, amalgamations of CA firms could be structured permitting merging or demerging partners, and the firms to have adequate seniority on the basis of combined past experience of firms and / or partners.

It may be appropriate to permit multiple firm partnership with a liberty to be considered, for the purpose of seniority, in a firm of the concerned members' choice. This could promote networking and alliances.

A methodology is to be developed vide which professional relationship could be liberally structured with CAs or CPAs in other countries and other non member professionals within and outside India.

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All India Chartered Accountants' Society

FINANCE 2003

Challenges & Opportunities
A Conference for Emerging Finance Leaders

DAY & DATE :
Saturday, June 28, 2003

TIME :
9:00 a.m. to 6:00 p.m.

VENUE :
Royal Ball Room, Hotel Intercontinental Park Royal, Nehru Place, New Delhi

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

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

LATEST IN FINANCE

1.0 REVISED GUIDELINES FOR COMPROMISE SETTLEMENT OF CHRONIC NPAs

The last date for receipt of applications from borrowers in respect of the compromise settlement of chronic non-performing assets (NPAs) was at the close of business on April 30, 2003 and the processing of applications under the revised guidelines was to be completed by October 31, 2003. It has now been decided to extend the last date for receipt of the applications under the revised one time settlement (OTS) Scheme from April 30, 2003 to September 30, 2003 and the date for completion of processing of the applications from October 31, 2003 to December 31, 2003.

(Source: DBS. FID. No. C-15 / 01.02.00 / 2002-03 dated May 30, 2003)

2.0 NEW BASEL CAPITAL ACCORD

The Basel Committee on Banking Supervision (BCBS) is now engaged in revision to the Capital Accord of 1988. After conducting an impact assessment [Quantitative Impact Study (QIS 3)], the BCBS has recently issued Consultative Document (CP 3) on the New Basel Capital Accord for comments by July 31, 2003. The Consultative Document can be downloaded from BIS web-site, www.bis.org.

(Source: DBOD.BP.1361 /21.04.118/ 2002-03 dated May 14, 2003)

3.0 BANKS TO GIVE COMPOSITE LOAN OF RS. 50 LAKH TO SSIs

Small-Scale units may get a composite bank loan of up to Rs. 50 lakh as against a maximum of Rs. 25 lakh earlier. According to the Reserve Bank of India, public sector banks have agreed to enhance the credit limit to help SSI units meet the term loans and the working capital requirements. Composite loans are those loans which are given to meet both the working capital requirements and also for the acquisition of fixed assets by a unit.

4.0 FEMA 1999 – LIBERALISATION

RBI had announced following liberalised facilities in Capital Account transactions for a period upto June 30, 2003, subject to review:

- Overseas Investments – By Corporates, Individuals and Mutual Funds
- Facilities to NRIs/PIOs and Foreign Nationals
- Acquisition of foreign securities by Resident individuals under ESOP Scheme
- Retention of Proceeds of ADRs/GDRs abroad
- External Commercial Borrowings – Parking of funds abroad
- Acquisition of immovable property outside India – Branches/trading offices overseas
- EEFC Account Scheme – Extension of trade related loans/advances to overseas importers

It has now been decided to extend the above facilities beyond June 30, 2003 till further notice.

(Source : A.P. / DIR Series / Circular No.104 dated May 31, 2003)

5.0 PLACEMENT OF DEPOSITS BY UCBs

In terms of circular UBD.No. BR. 43/ 16.20.00 / 2000-01 dated April 19, 2001, urban co-operative banks (UCBs) were prohibited from placing any fresh deposits with other UCBs except by way of balances in current accounts for meeting their clearing and remittance requirements.

It has been decided to permit non-scheduled UCBs to place deposits with strong scheduled UCBs, subject to the following conditions:

- (a) Only strong Scheduled UCBs complying with specified norms can accept deposits from other non-scheduled UCBs.
- (b) Acceptance of deposits from non-scheduled UCBs by the scheduled UCBs will also be subject to the certain conditions as specified by RBI.

(Source: BPD. PCB. Cir. 46 / 16.20.00 / 2002-03 dated May 17, 2003)

6.0 GUIDELINES ON EXCHANGE TRADED INTEREST RATE DERIVATIVES

It has been decided to introduce exchange traded Interest Rate Derivatives (IRDs) to enable better risk management in the Indian market. In the first phase, the Securities and Exchange Board of India (SEBI) has decided to introduce anonymous order driven system for trading in Interest Rate Derivatives (IRDs) on BSE and NSE.

With a view to enabling regulated entities to manage their exposure to interest rate risks, it has been decided to allow Scheduled Commercial Banks excluding RRBs & LABs (SCBs), Primary Dealers (PDs) and specified All India Financial Institutions (AIFIs) to deal in IRDs in a phased manner. In the first phase, such entities can transact only in interest rate futures on notional bonds and T-Bills for the limited purpose of hedging the risk in their underlying investment portfolio. Allowing transactions in a wider range of products, as also market making will be considered in the next stage on the basis of the experience gained.

The guidelines contained following norms, which will be applicable for transacting IRDs on the Futures and Options (F & O) segment of the stock exchanges:

- Stock exchange regulation
- Settlement
- Eligible underlying securities
- Hedge criteria
- Hedge Effectiveness
- Accounting
- Capital adequacy
- ALM classification
- Use of brokers
- Disclosures

(Source: IDMC. MSRD. 4801/06.01.03/2002-03 dated June 3, 2003)

7.0 SMALL SSI LOANS TO COME UNDER CGFS

The Government in a concerted bid with the RBI, is planning a slew of steps to augment credit support to the SSI sector. The Credit Guarantee Fund Scheme (CGFS), which has had a laggardly existence till recently, will be extended to small loans below Rs. 5 lakh as well. Under CGFS, the government guarantees 75% the loan amount and the collateral is waived. Currently, the scheme covers only loans higher than Rs. 5 lakh and below Rs. 25 lakh.

EXIM-FEMA

1.0 EXPORTS TO WAREHOUSES ABROAD

Reserve Bank on an application made to it may permit individual exporters to hire warehouses abroad, subject to certain conditions. It has now been decided that authorised dealers may consider the applications received from exporters and grant permission for opening / hiring of warehouses abroad subject to the following conditions: -

- Applicant's export outstanding does not exceed 5 per cent of exports made during the previous year.
- Applicant has a minimum export turnover of USD 1,00,000/- during the last year.
- Period of realisation should be as applicable i.e., 180 days for non-status holder exporters and 365 days for status holder exporters.
- All transactions should be routed through the designated branches of the authorised dealer.

(Source: A.P. / DIR Series / Circular No.100 dated May 2, 2003)

2.0 MONEY TRANSFER SERVICE SCHEME

Money Transfer Service Scheme (MTSS) is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only personal remittances such as remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible. The system envisages a tie-up between reputed money transfer companies abroad and agents in India who would disburse the funds to the beneficiaries at ongoing exchange rates. The system does not envisage the repatriation of such inward remittances. The India agent is also not allowed to remit any amount on account of exchange loss to the overseas principal.

The Indian agent who has to be an Authorised Dealer, Full Fledged Money Changer or registered Non-Banking Financial Company (NBFC), IATA approved Travel agents (having minimum net worth of Rs.25 lakhs) requires RBI approval to enter into such an arrangement. The agent is allowed to open a special rupee account with an AD through which all the remittances disbursed under the scheme, are to be routed. The Indian agent pays the beneficiaries first, on instructions from the overseas principal and is reimbursed the amount and his commission, by the overseas principal, within a day or two through normal banking channels. A copy of the guidelines which are to be followed by the Indian agents while applying for RBI approval are provided by RBI and available at RBI website.

Besides other conditions, the said guidelines provides that:

- Only personal remittances shall be allowed under this arrangement. Donations/contributions to charitable institutions/ Trusts shall not be remitted through this arrangement.
- A cap of USD 2500 has been placed on individual transaction under the scheme. Amounts upto Rs.50,000/- may be paid in cash. Any amount exceeding this limit shall be paid by means of cheque/D.D./P.O. etc. or credited directly to the beneficiary's account only.
- Only 12 remittances can be received by a single individual during a year.

3.0 ICC-LIBERALISATION OF FACILITIES FOR RESIDENTS

As a step towards further liberalisation, resident individuals maintaining a foreign currency account with an authorised dealer in India or a bank abroad, as permissible under extant Foreign Exchange Regulations, are free to obtain International Credit Cards (ICC) issued by overseas banks and other reputed agencies. The charges incurred against the card either in India or abroad, can be met out of funds held in such foreign currency account/s of the card holder or through remittances, if any, from India only through a bank where the card-holder has a current or savings account. The remittance for this purpose, should also be made directly to the card-issuing agency abroad, and not to a third party.

It is also clarified that the applicable credit limit will be the limit fixed by the card issuing banks. There is no monetary ceiling fixed by the RBI for remittances, if any, under this facility.

It is further clarified that the same restriction, as is applicable presently to use of ICCs by residents, would apply for purchase of prohibited items, like lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment for call back services, etc.

(Source: A.P.(DIR Series) Circular No.103 dated May 21, 2003)

CAPITAL MARKET

1.0 AMENDMENTS TO THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000

As approved by the SEBI Board, it has been decided to amend SEBI (DIP) Guidelines to provide an express provision for granting exemption by the Board. Thus, after the existing clause 17.2.1, the following shall be inserted, namely:

"17.2A Exemption

17.2A.1 The Board may grant exemption from the application of any particular provision(s) of these guidelines:

- on an application made by any listed company or intermediary connected with the issue;
- of a technical violation or a possible technical violation; or,
- on being satisfied that the violation was caused or may be caused due to factors beyond the control of the applicant."

(Source: RMB / Compendium / Series Circular No. 10 dated June 2, 2003)

2.0 SECURITIES EXCHANGE COMMISSION RELAXES RULES FOR NON-US COMPANIES

NASDAQ had recently written to CEOs of India Inc. that the Securities Exchange Commission (SEC), the US market regulator, has relaxed some of the rules that were a deterrent for foreign companies to get listed on the US exchange.

SEC has now extended the deadline for non-US companies to comply with the Act by a year, to July 2005. Further, several relaxations have been made in regard to audit-related measures undertaken by the ADR issues.



CONFERENCE PROGRAM

Registration (8.30 a.m. to 9.00 a.m.)

INAUGURAL SESSION (9:00 a.m. to 9.30 a.m.)

INAUGURATION & KEY NOTE ADDRESS ON "BUSINESS ETHICS – A KEY TO SUCCESS"
SIL SURESH PRABHU, FCA, Member Parliament, Chairman – Task Force for Interlinking of rivers in India, Govt. of India

SPECIAL PLENARY SESSION I (9.30 a.m. to 10:30 a.m.) EXPECTATIONS FROM EMERGING FINANCE LEADERS ANCHOR

MR. VINOD JAIN, FCA, President, AICAS, Member, Central Council, ICAI & Member-Managing Committee, CFO World

- **MR. S.S. KOHLI**, Chairman & Managing Director, Punjab National Bank
- **MR. O.P. LOHIA**, Managing Director, Indorama Synthetics India Ltd.
- **MR. V.P. SHETTY**, Chairman & Managing Director, UCO Bank

Tea Break (10:30 a.m. to 10.45 a.m.)

PLENARY SESSION II (10.45 a.m. to 12.15 p.m.) MERGERS & ACQUISITIONS - PRACTICAL ASPECTS ANCHOR

MR. NAVEEN JAIN, FCA, Corporate Director – Operational Controls, The Oberoi Group & Chairman, CFO World

- **MERGERS & ACQUISITIONS – BUSINESS STRATEGY**
MR. PREMAL PAREKH, FCA, Head – Mergers & Acquisitions, E&Y Ltd.
- **MERGERS & ACQUISITIONS – INVESTMENT BANKERS PERSPECTIVE**
MR. T.V. RAGHUNATH, VP & Head Mergers & Acquisitions, Kotak Mahindra Capital Co. Ltd.
- **MERGERS & ACQUISITIONS – DUE DILIGENCE & OTHER PRACTICAL ASPECTS**
MR. VIMAL KHANNA, FCA, Vice President & Chief Financial Officer, Hughes Software Systems Ltd.

PLENARY SESSION III (12.15 p.m. to 1.30 p.m.)

- **MERGERS & ACQUISITIONS – TAXATION ASPECTS**
MR. AJAY VOHRA, FCA, Vaish Associates
- **MERGERS & ACQUISITIONS – LEGAL ASPECTS**
MR. RAJIV GOEL, FCS, Rajiv Goel & Associates

Lunch Break (1:30 p.m. to 2.00 p.m.)

PLENARY SESSION IV (2.00 p.m. to 4.00 p.m.) RESOURCE MOBILISATION – LATEST TRENDS (Capital Market Route) CHAIRMAN

MR. VALLABH BHANSALI, Chairman, ENAM Financial Consultants Pvt. Ltd.

- **EQUITY, CONVERTIBLE & DEBT**
MR. V.K. BANSAL, FCA, Executive Director, JM Morgan Stanley
- **PRIVATE EQUITY**
MR. ATUL MEHRA, Senior Vice President, JM Morgan Stanley
- **ACCESSING EQUITY CAPITAL MARKET THROUGH INTERNATIONAL OFFERINGS INCLUDING ADR, GDR AND FOREIGN LISTING.**
MR. RAVI KAPOOR, Senior Vice President, DSP Merrill Lynch

Tea Break (4.00 p.m. to 4.15 p.m.)

PLENARY SESSION V (4.15 p.m. to 6.00 p.m.) RESOURCE MOBILISATION – LATEST TRENDS (Debt Route)

- **DOMESTIC RESOURCE RAISING FROM FIS & BANKS INCLUDING STRUCTURED AND OTHER LATEST PRODUCTS**
MS. SUVALAXMI CHAKRABORTY, General Manager & Head Corporate Banking (Northern & Western Regions), ICICI Bank Ltd.
- **INTERNATIONAL DEBT INCLUDING ECB, SUPPLIERS CREDIT, SHORT TERM & MEDIUM TERM DEBT.**
MR. VISHNU DEUSKAR, Head – Financial Markets, ABN AMRO Bank
- MR. ARUN KHURANA**, Head - Corporate Distribution & Derivatives Marketing, India, ABN AMRO Bank

TAXATION

1.0 INCOME TAX – IMPORTANT DECISIONS

1.1 Hon'ble Income Tax Appellate Tribunal, Delhi Bench in the matter of *TCIL BellSouth Ltd. Vs. Dy. Commissioner of Income Tax*, has allowed software developers to book expenses incurred on the development of software package as deduction against taxable income in the year on incurring of such expenses under section 35 of the Income Tax Act.

The Income Tax Appellate Tribunal has allowed software developers to book expenses incurred on the development of software package as deduction against taxable income in the year of incurring of such expenses under section 35 of the Income Tax Act. As a result of this judgement a precedence has been set for all companies other than those under section 10A for deducting all expenses met towards software development on the same year under the head scientific research expenditure.

1.2 Hon'ble Delhi High Court in the matter of *Commissioner of Income Tax Vs. Hotel & Restaurant Association* held that "specification of a certain purpose or purposes was need for accumulation of the trust's income under section 11 (2) of the Act. At the same time the purpose or purposes to be specified cannot be beyond the objects of the trust. Plurality of the purposes of accumulation is not precluded but it depends on the precise purpose for which the accumulation is intended." [261 ITR 190]

1.3 Hon'ble Income tax Appellate Tribunal, Delhi Bench in the matter of *Oil and Natural Gas Corporation Ltd. Vs. Dy. Commissioner of Income Tax* held that "loss due to fluctuation in the exchange rate incurred by the assessee is a fate accompli and not a notional one and hence should be allowed as expense for the year in which loss was accrued."

2.0 8% SERVICE TAX COMES IN FORCE

With President APJ Abdul Kalam giving his assent to the Finance Bill 2003, the new service tax rate of 8% for 51 existing service providers has come into force from May 14, 2003.

The 8% service tax levy is vatable and credit will now be available even if the input and final services fall under different categories.

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C.A. PROFESSION

The aforesaid liberalization would enable Indian CA Firms to become more competitive and more viable. This will throw open new opportunities in traditional and non-traditional areas within and outside India. Not only the CA firms will be able to provide specialized services, an adequate infrastructure, appropriate investment, creation of large data base and truly national or global firms of Chartered Accountants would enable professional opportunities of a much wider areas and will bring adequate resources and revenues to the profession, which it really deserves.

The Indian CA firms will be able to strongly face the national and international competition by reduced cost, better technically equipped professionals, infrastructure and an adequate service delivery mechanism.



FINANCE 2003

Challenges & Opportunities
A Conference for Emerging Finance Leaders

DELEGATE REGISTRATION FORM

DAY & DATE :

Saturday, June 28, 2003

TIME :

9:00 a.m. to 6:00 p.m.

VENUE :

Royal Ball Room, Hotel Intercontinental Park Royal, Nehru Place, New Delhi

REGISTRATION OPTIONS

• By Fax

Fax completed Registration Form to : 91-11-2622 3014

• By email

email completed Registration Form to : aicas@vsnl.net /
cfloworld@vsnl.net

• By Mail

Mail completed Registration Form to :
CFO World
503-504, Chiranjiv Tower, 43, Nehru Place, New Delhi-110019

PLEASE TELL US ABOUT YOURSELF

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

REGISTRATION AMOUNT REMITTANCE

payable to "CFO World"

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

Bank :

Amount : Signature :

DELEGATE REGISTRATION FEES

- CAs qualified after 1.4.1998 - Rs. 1200/-
- Others - Rs. 1500/-
- Foreign Delegates : US\$ 75

For further details & subscription, please contact :

Poonam/Vidhi - Tel.: 2622 3712, 2622 8410, 2622 6933

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CONGRATULATIONS



Mr. D.P. Gupta, F.C.A.

We congratulate our members
having brought out a
comprehensive and useful
second edition of book
"Concurrent Audit in Banks"



Mr. R.K. Gupta, F.C.A.

COMPANIES (AMENDMENT) BILL, 2003 - HIGHLIGHTS

Companies (Amendment) Bill, 2003 was presented in Rajya Sabha on 7th May, 2003. Important Highlights of the proposed amendments are as follows:

ACCOUNTS

- A holding company has option to prepare consolidated accounts [Proviso to section 210(1)]. In such case, including balance sheets of subsidiary companies in the balance sheet of holding company is not required.
- Preparation of consolidated balance sheet will be made compulsory by central Government after a date to be notified by Central Government [Section 212A inserted].
- Annual accounts to disclose derivatives, options and shares with differential voting rights [Section 210(1A) inserted].
- Each public company having paid up capital of Rs. 3 crores or more shall appoint a whole time qualified Accounts Officer known as Chief Accounts Officer (CAO). The CAO shall be a qualified Chartered Accountant or Cost Accountant. He will be responsible for preparation of annual accounts and compliance with provisions of Act relating to accounts [Section 215A inserted]. He will sign the annual accounts.
- Segment reporting to be made in Directors' Report in respect of each business segment or division which accounts for 10 per cent or more of turnover of company [Section 217 (2C) inserted].
- The Auditor's Report and attachments to balance sheet need not be contained in abridged balance sheet [Second Proviso to Section 219(1)].

DIVIDEND

- Dividend cannot be declared unless arrears of depreciation for last 10 years are provided.
- Dividend cannot be declared unless provision for previous years losses are made.
- It is specifically provided that interim dividend declared by Board cannot be revoked or modified. The amount of interim dividend should be deposited in separate bank account within five years.
- In the absence of profits for current year, dividend can be distributed from accumulated profits only with consent of all Directors and prior approval of financial institutions. The resolutions will also have to be passed in general Meeting as Special Resolution [Section 205(8) amended]

ANNUAL RETURN AND MEETINGS

- Period of filing annual return reduced from 60 days to 30 days [Section 159(1) amended]. The form of annual return will be as prescribed by notification.
- Annual General Meeting can be held on Sunday [Section 169A]
- A member giving special notice for removal of Director or Auditor will have to deposit Rs. 10,000. This deposit will be forfeited if the proposed resolution is not supported even by one per cent of total members present and voting [Section 190(1A) inserted]

LARGE PARTNERSHIP FOR PROFESSIONALS

- Firms of professionals like Advocates, Chartered Accountants, Cost Accountants, Company Secretaries, Doctors, Architects, etc., can form partnership firm with upto 50 partners.

APPOINTMENT OF AUDITOR

- First auditor can be appointed by Board within three months from date of registration.
- Special resolution will be required if an auditor other than retiring auditor is proposed to be appointed [Section 225(1) amended]
- An auditor who has direct financial interest in the company or who receives any loans or guarantee from company or who has any business relationship (other than an auditor) with the company cannot be appointed as auditor.
- A person who was in employment of the company or whose relative is in employment of the company cannot be appointed as auditor.
- A person receiving 25 per cent or more of his total annual income from only one company will not be qualified to be appointed as auditor [Section 226(3A)]. This provision will not apply to an auditor in first 5 years of his profession or to an auditor whose total income is less than Rs. 15 lacs in a financial year (*it is not clear how this provision will apply in case of large audit firms having many partners. This provision can apply only in cases where more than 25 per cent of income of a single person who is working as an auditor, is coming from one company*)
- An auditor cannot accept any other assignment from the company like accounting book keeping internal audit, broker, financial services, management functions, valuation services, etc. [Section 226A inserted] [*this section does not debar providing income-tax consultancy services to auditee company (i.e. company being audited). However, section 226(3) (iii) provides that an auditor cannot have any business relationship (other than as an auditor) with the company. Thus, it can be argued that if a Chartered Accountant undertakes income-tax consultancy of the auditee company, it may not be violation of section 226A but may still be held as violation of Section 226 (3)(f)(iii)*]
- Audit report shall disclose about accounting policies, accounting standards, repayment of deposits, payment of interest or dividend, etc. It is also provided that if auditor's report contains any reservation or qualification, such reservation or qualification must be read at AGM by auditor or his nominee and report shall be forwarded to ROC, SEBI and concerned stock exchange [Proviso to section 227(4)].
- Provision made for special audit by Chartered Accountant, Cost Accountant, Company Secretary or a firm or professionals.
- Appointment of cost auditor shall be made by Board of Directors. Approval or Central Government will not be required [Section 233 B amended]
- Central Government or NCLT can appoint Inspector for investigation into ownership of shares or debentures or any company [Section 248 inserted].

COMPANIES BILL ...

BOARD OF DIRECTORS

- A public company with paid up capital and free reserve of Rs. 5 crores or more or turnover of Rs. 50 crores or more shall have minimum Seven Directors. Majority of them shall be independent [Section 252(1) amended]. Such company will have prescribed number of Women Directors. However, company with less than 50 shareholders and no borrowing need not have minimum Seven Directors or independent Directors.
- Maximum Directors in any company shall be fifteen.
- Requirements of independent Director are specified in Section 252A inserted. He should not be relative of Chairman or Managing Director, Auditor or Consultant. Nominee Director of Bank or Financial Institution will not be considered as independent Director.
- The independent Directors are required to undergo training in the Institute notified by Central Government within two years from his appointment.
- A person who is not a retiring Director can contest as Director only if he has consent of one hundred shareholders or holders of one per cent of voting power. He will have to deposit Rs. 10,000 while giving notice signifying his candidature for office of Director [Section 257(1) amended].
- A person who failed to get elected as a Director in the general meeting cannot be appointed as Additional Director. [Third proviso to Section 260 inserted].
- Provision in respect of qualification sharers are deleted [Proviso to section 270(4) inserted]
- Non-payment of interest on debenture by company will also be disqualification of Director under Section 274(1)(g)(B).
- A person who is whole time Director or Managing Director in a company can be Director only in maximum 10 companies. Central Government can specify percentage of shares which such Managing Director/whole time director must held in such other company where he is appointed as Director.
- A person can be Managing Director. Whole time director or Director or Manager only up the age of 75 years. This restriction will not apply to private company [Section 280 inserted]
- Notice for removal of a Director must be accompanied by deposit of Rs. 10,000 [Section 284(2) amended]
- Gap between two Board Meetings shall not be more than three months. Thus present provisions of having one Board Meeting per quarter is abolished [Section 285(1) amended]
- Board Meeting by teleconferencing or video conferencing is permitted. Such meeting will be valid if minutes of such meeting are approved and signed by all Directors who attended such meeting [Section 285(2)]
- Notice of Board Meeting shall be given at least seven days in advance. Emergency meeting can be held if majority of Directors agree for short notice. In case of companies with paid up capital and reserves of Rs. 10 crores or more such emergency meeting is valid only if majority of independent Directors were present at the meeting [Section 286(1) amended]

- Other public companies will have minimum three Directors. Private company can have two Directors.
- Circular resolution will have to be ratified in the next meeting of the Board or Committee. It will form part of minutes of meeting [Proviso to section 289 inserted]
- Section 292 provides that certain resolutions cannot be passed by circulation.
- Resolution delegating authority of granting loans shall be passed unanimously [Section 292(4) amended].
- Section 309(2) which provides for sitting fees to directors is proposed to be omitted.
- Provision of Alternate Director will apply only in case where the person is out of India [Section 313 amended]
- A person who is a Managing Director or whole time Director in one company can be appointed as Managing director or whole time Director of another company only if the resolution is passed unanimously by all Directors for which special notice has been given to all Directors.
- All provisions in respect of appointment of Managing Director are being extended to appointment of whole time Director also.

MANAGEMENT OF COMPANY

- Audit Committee of a company shall consist only of independent Directors. The minimum will be two and maximum will be as prescribed. Powers and functions of audit committee will be as prescribed by Central Government.
- In any financial year sale lease or disposal of an undertaking shall not exceed 20 per cent of total assets of undertaking or 10 per cent of total assets of the company whichever is higher [Section 293(1)(a) amended]
- Loans can be given to the Director for medical treatment, purchase of residential house or education of children. Such loan can be given only after passing a special resolution. Such loan cannot be more than five times the amount of his annual remuneration. Provision of obtaining approval of Central Government are being deleted.
- A non-whole time Director can get monthly remuneration only with prior approval of Central Government.

MISCELLANEOUS MATTERS

- If an acquirer acquires more than 95 per cent shares of a company, he will have to make offer to minority shareholders to purchase their shares [Section 395A inserted]
- Registrar of Companies can strike off a defunct company after following prescribed procedure, if the company is not carrying on business or is not in operation [Section 560 amended].
- Central Government can appoint Director General of inspection and Investigation for conducting inspections and investigations under the Companies Act [Section 609A]
- Section 610 amended to provide that records with ROC can be maintained in form of microfilm, facsimile copy of a document or a computer printout. Records with Registrar of companies can be maintained on computer media.
- Heavy penalty provided if company fails to credit investors education and protection fund established under Section 205C [Section 629B].



All India Chartered Accountants' Society

Announces

WORKSHOP ON DIRECT TAXES

from concepts to practice ...

DATES:

from 1st August 2003 to 23rd August 2003

(1st, 2nd, 7th, 8th, 9th, 13th, 14th, 21st, 22nd & 23rd)

TIME:

4:15 p.m. to 8:15 p.m.

VENUE:

Indian Law Institute Dr. Bhagwan Das Road, New Delhi - 110 001

WORKSHOP - TOPICS COVERED

- Concept of Income, Basis of Charge, Residential Status
- Deductions under Section 10A, Section 10B and 10C
- Income of Charitable Trusts and Institutions
- Income under the head of Salaries including taxation of Perquisites, Salary of Expatriates
- Income from House Property
- Income from other Sources
- Taxation of Capital Gain
- Profits & gains of business or profession, Method of Accounting, Presumptive Incomes
- Set off or carry forward and Set of losses
- Clubbing of Income, aggregate of Income, certain deemed incomes
- Matters relating to Rebates and Reliefs under Chapter VIII
- Deductions to be made under Chapter VI-A in computing Total Income- Sections 80HHC, D, E, F, 80-IA & IB
- Deductions to be made under Chapter VI-A in computing Total Income- Sections other than above
- Income of Non residents, Double Taxation Avoidance Agreement, Advance Ruling
- Special Provisions relating to avoidance of tax - Fundamental issues relating to "Transfer Pricing" and Practical issues related to Transfer Pricing
- Taxation of Companies, MAT and Dividend Tax
- Matters relating to minimum Alternate Tax (MAT)
- Powers of Inspection, Summons, Survey, Search & Seizure
- Practical aspects of Appeal preparation, representation including judicial precedents
- Advance Tax
- Tax deduction at source practical issues
- Tax Collection at Source
- Stay of collection of disputed Tax recovery of Taxes, Penalties and Prosecutions
- Taxation of Partnership firms
- Recent Supreme Court Rulings
- Taxation of Merger, Demergers

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CERTIFICATE: A suitable participation certificate will be issued

Course Directors

Mr. Anil Sharma, FCA

Mr. Pramod Jain, FCA

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