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EMERGING OPPORTUNITIES IN THE PROFESSION

with special emphasis on BPO

— by Vinod Jain*

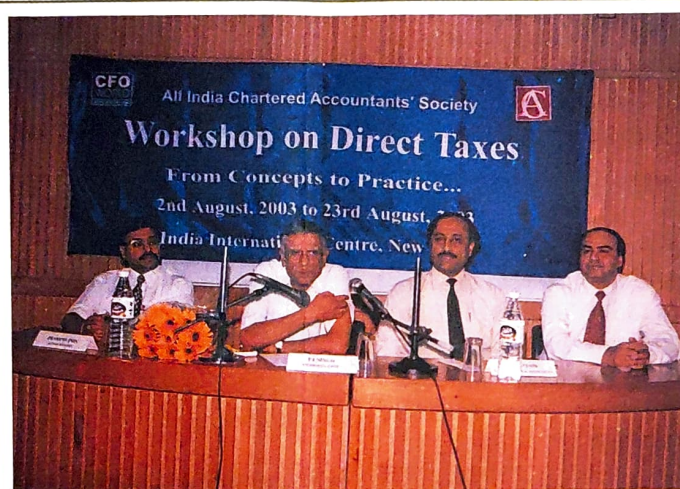
The economic scenario in India is showing the sign of revival. The organized industrial sector has shown phenomenal growth, agriculture outlook is extremely good, exports have picked up, capital market is doing better, inflation is down, foreign exchange reserve position is very strong, the service sector has also gained momentum. The businesses are globalising and Indian multi-nationals are taking shape.

In this backdrop, the profession of Chartered Accountants, more particularly the members in practice are evaluating a new role for themselves and are preparing themselves for the new challenges and opportunities.

The smaller CA firms as well as the younger members in the profession, rightly expect support to them by way of mandatory allotment of professional work to them in the banking sector, co-operative sector, insurance sector, municipal accounting and similar other areas. The Council of the Institute has already initiated concrete steps in this direction.

The members in the profession are exploring new and new opportunities and business process outsourcing is one such emerging opportunity having great potential in India as well as internationally. A large number of US and European corporate have outsourced their various business processes to Indian Companies. It started with Call Centres and Medical Transcription and is very fast moving towards high value added services including accounting, MIS, loan appraisals, credit review, risk assessment, documentation, IT services and similar other areas.

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VALEDICTORY SESSION OF "WORKSHOP ON DIRECT TAXES"

(L-R): Mr. Pramod Jain, FCA, Lunawat & Co., Mr. P.L. Singh, Chairman, CBDT, Mr. Vinod Jain, FCA, Founder President, All India Chartered Accountants' Society and Member, Central Council, The Institute of Chartered Accountants of India & Mr. Vimal Khanna, FCA, Vice Chairman, CFO World

Even in India a number of Indian corporate including banks and insurance companies have commenced business process outsourcing. A large number of corporate houses have set up their BPO Companies besides a number of Chartered Accountants are setting up small and medium size BPO Units in their specialized area of accounting, MIS, claim processing, search report, credit proposal processing, verification process, IT service and so on.

The BPO opportunity is very large and several fortune 500 Companies in the world as

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TAXATION

1.0 LAST DATE FOR FILING TDS RETURNS EXTENDED

The Finance Ministry has extended the last date for filing of TDS (Tax deducted at source) returns to November 30, for tax deducted during 2002 - 2003.

2.0 INCOME TAX ACT – IMPORTANT JUDGEMENTS

2.1 Penal Interest for Non-adherence of RBI regulations is allowable

Hon'ble Karnataka High Court in the matter of **CIT vs. Syndicate Bank [261 ITR 528, 2003]** held that the situation faced by the Syndicate Bank is one which is inevitable in Banking Business due to the exigencies of business temporarily pushing down the statutory required minimum liquid assets, so that it falls below the limit, though they are made good as early as possible, once the short fall is recognized. A difference can be made between basic law and the regulation, a violation of the latter requiring to be treated less rigidly than the former, though a regulation is also a limb of law.

2.2 Interest on TDS default is not payable unless demanded by Assessing Officer (A.O.)

Hon'ble Karnataka High Court in the matter of **Sultan Batteries Co-operative Housing Society Limited Vs. CIT [261 ITR 364]** and in **CIT Vs. Meat Products of India Limited [224 ITR 1]** held that the obligation to deposit the tax within the time is mandatory, but interest is not payable unless demanded by the Assessing officer. Since limitation so far as interest is concerned applies only with reference to the date of demand, the assessee does not become an assessee in default till such time as the demand notice is received.

2.3 Accounting for MODVAT Credit

Hon'ble Supreme Court in the matter of **CIT Vs. Nippon Chemicals Co. Ltd. [261 ITR 275-2003]** pointed out that the value of the un-consumed raw material and work-in-progress at the end of the year at net method would be consistent with the principles of accounting. Adoption of gross method for purchase and net method for unsold stock at the end of the year is not so consistent and is not permissible. Adoption of a uniform net method cannot be faulted, where it is consistently adopted.

2.4 Treatment of Interest on Sticky Loans

Hon'ble Karnataka High Court in the matter of **CIT vs. Syndicate Bank [261 ITR 528]** has elaborately dealt with the system or accounting of interest on sticky loans on cash basis and has endorsed such accounting even for tax purposes after review of a number of decisions on the subject of accounting and accrual of income, a welcome treatise on the subject as it brings together various contingencies in which income is recognised under the mercantile or accrual system of accounting. The accrual system does not create income, it only recognises accrual income. In view of the doubtful prospect of realisation of the interest due from sticky loans, the adoption of a system of accounting of such interest only on actual realisation as accrued income, does not necessarily mean that the assessee is following a hybrid system or is following the cash system for part of its accounts.

2.5 Subsidies given by a bank to its subsidiary is allowed as revenue expenses

Hon'ble Bombay High Court in the matter of **CIT Vs. State Bank of India [261 ITR 82, 2003]** found that the amount was granted in the course of its business for opening branch giving business advantage to the bank, it has to be allowed as a revenue expenditure specially because such subsidies became profits of the subsidiaries.

3.0 AMENDMENT UNDER INCOME TAX ACT, 1961

Government of India through an ordinance made following amendments in the Income Tax Act, 1961:

3.1 Rates of Tax Collection at Source (TCS)

Rates of TCS have been reduced to 1% in respect of Alcoholic Liquor for human consumption and Scrap, 2.5% on Timber etc. and 5% on Tendu leaves.

3.2 Introduction of new section 10BA - Special provisions in respect of export of certain articles or things.

For the purpose of this section articles or things means all hand-made articles or things, which are of artistic value and which requires the use of wood as the main raw material.

4.0 STRICTER TAX SCRUTINY NORMS FOR INDIA INC.

The finance ministry had decided to come out with new and separate guidelines for scrutiny of tax returns filed by corporates. These will henceforth be different from those for non- corporate assesses. The highlights of the same are as follows:

- 10-12% of corporate assesses, numbering around 30,000, will be chosen for scrutiny;
- Centre for Monitoring Indian Economy (CMIE) database to be used to select cases;
- Criteria for selection of cases may include book profits (above a certain limit), paid-up capital, debt raised during a financial year and so on;
- 95% of scrutiny cases to be computer generated.

SERVICE TAX

SERVICE TAX EXEMPTION NOTIFICATIONS

Notification No. 12/2003 dated 20th June, 2003 has exempted so much of the value of taxable services, as is equal to the value of goods and materials sold by the service provider to the recipient of service from the service tax leviable subject to the condition that there is a documentary proof specifically indicating the value of the said goods and materials. This notification is effective from 1st July, 2003.

Commission Agents (who causes sale or purchase of goods on behalf of another person for a consideration which is based on the quantum of such sale or purchase) providing business auxiliary services have been exempted from charging service tax from 1st July, 2003 - **Notification No. 13/2003** dated 20th June, 2003

Repair and Maintenance services provided to a customer by any person in relation to maintenance or repair of computers, computer systems or computer peripherals have been exempted from the levy of service tax - **Notification No. 20/2003** dated 21st August, 2003.

CAPITAL MARKET

1.0 ISSUE OF RIGHTS SHARES TO NRIs/OCBs

Attention of authorised dealers is invited to sub-regulation (2) of Regulation 6 of Notification No.FEMA.20/2000-RB dated 3rd May 2000 in terms of which Indian companies are permitted to offer to a person resident outside India, equity or preference shares or convertible debentures on right basis subject to conditions stipulated therein.

With a view to extending to non-resident shareholders the facility to subscribe to additional equity or preference shares or convertible debentures over and above their entitlement on rights basis, on par with the resident shareholders, Reserve Bank has issued Notification and accordingly, the existing non-resident shareholders may apply for issue of additional equity shares or preference shares or convertible debentures over and above their rights entitlements and the investee company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid-up capital of the company does not exceed the sectoral cap.

(Source: A.P.(Dir Series) Circular No.10 dated August 20, 2003)

2.0 INVESTMENT BY FIIs/NRIs IN EXCHANGE TRADED DERIVATIVE CONTRACTS (ETDCs)

As part of the measures for further liberalisation, it has been decided that:-

- (i) A registered Foreign Institutional Investor (FII) may trade in all exchange traded derivative contracts approved by SEBI from time to time subject to the limits prescribed by SEBI.
- (ii) A Non-Resident Indian (NRI) may invest in exchange traded derivative contracts approved by SEBI from time to time out of INR funds held in India on non-repatriable basis subject to the limits prescribed by SEBI. Such investments will however not be eligible for repatriation benefits.

(Source: A.P.(DIR Series) Circular No.13 dated September 1, 2003)

3.0 "PRO - ACCOUNT" TRADING TERMINAL

With a view to check misuse of Pro account facility, it has been decided that:

- a) Facility of placing orders on "pro-account" through trading terminals shall be extended only at one location of the members as specified / required by the members;
- b) Trading terminals located at places other than the above location shall have a facility to place orders only for and on behalf of a client by entering client code details as required / specified by the Exchange / SEBI.

(Source: SEBI/MRD/SE/Cir- 32/2003/27/08 dated August 27, 2003)

4.0 NSE ADDS 8 STOCKS IN F & O SEGMENT

The National Stock Exchange (NSE) has added eight stocks in its futures & options ((F&O) segment from August 29, taking the total number of stocks in the segment to 49. The stocks added are: Andhra Bank, Bank of Baroda, HDFC Bank, Oriental Bank of Commerce, Punjab National Bank, Union Bank of India and Canara Bank.

5.0 MODE OF PAYMENT & DELIVERY BY STOCK BROKERS AND SUB BROKERS

It is reiterated that brokers and sub-brokers should not accept cash from the client whether against obligations or as margin for purchase of securities and / or give cash against sale of securities to the clients.

All payments shall be received / made by the brokers from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. However, in exceptional circumstances the broker or sub-broker may receive the amount in cash, to the extent not in violation of the Income Tax requirement as may be in force from time to time.

Similarly in the case of securities also giving / taking delivery of securities in "demat mode" should be directly to / from the "beneficiary accounts" of the clients except delivery of securities to a recognised entity under the approved scheme of the stock exchange and / or SEBI.

(Source: SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003)

LATEST IN FINANCE

1.0 COMPANIES APPROACHING BANKS FOR DEBT REFINANCING

Corporates, mainly belonging to the mid-size segment, are again queuing up before financial institutions and banks for a fresh round of debt refinancing in anticipation of a reduction in lending rates.

Following the recent cut in repo rates, banks are expected to bring down their lending rates. Besides, the current liquidity overhand due to the lower credit offtake may also constrain the banks to slash the lending rates.

2.0 RBI WARNS AGAINST FOREIGN LOANS

The Reserve Bank of India has cautioned corporates against unlimited laccess to short-term external commercial borrowings (ECBs) to fund working capital and other domestic requirements. The central bank has reasoned that many of the financial crises in the 1990s were created by excessive short-term debt.

3.0 NEW INVESTMENT PATTERN FOR PFs

The Central Board of Direct Taxes has okayed the investment pattern that has been recently prescribed for provident funds (PFs) by the Ministry of Labour. According to the CBDT, the following minimum percentages of investible amounts may be parked in these instruments:

- 25% in Central Government securities and/or mutual funds;
- 15% in State Government securities and/or mutual funds;
- 30% in bonds/securities of financial institutions, public sector companies, public sector banks and short duration term deposit receipts of public sector banks;
- The remaining 30% may be invested in any of the first three categories.

4.0 RUPEE TOUCHES 3-YEAR HIGH

The rupee recently scaled a three year high against the US\$, breaching the 'psychological barrier' of 46 levels, ending at INR 45.95/96 per dollar.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IN LISTED COMPANIES - CLAUSE 49 OF THE LISTING AGREEMENT REVAMPED

SEBI has revised the clause 49 of the Listing agreement, the highlights of the same are as follows:

I. Board of Directors

A. Composition of Board

The board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors. The number of independent directors would depend on whether the Chairman is executive or non-executive. In case of a non-executive chairman, at least one-third of board should comprise of independent directors and in case of an executive chairman, at least half of board should comprise of independent directors.

Explanation (i): For the purpose of this clause, the expression 'independent director' shall mean non-executive director of the company who:

- apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies;
- is not related to promoters or management at the board level or at one level below the board;
- has not been an executive of the company in the immediately preceding three financial years;
- is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the company, and has not been a partner or an executive of any such firm for the last three years. This will also apply to legal firm(s) and consulting firm(s) that have a material association with the entity.
- is not a supplier, service provider or customer of the company. This should include lessor-lessee type relationships also; and
- is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares.

Explanation (ii): Institutional directors on the boards of companies shall be considered as independent directors whether the institution is an investing institution or a lending institution.

B. Non executive directors' compensation and disclosures

- All compensation paid to non-executive directors shall be fixed by the Board of Directors and shall be approved by shareholders in general meeting. Limits shall be set for the maximum number of stock options that can be granted to non-executive directors in any financial year and in aggregate. The stock options granted to the non-executive directors shall vest after a period of at least one year from the date such non-executive directors have retired from the Board of the Company.
- The considerations as regards compensation paid to an independent director shall be the same as those applied to a non-executive director.

- Non-executive directors shall be required to disclose their stock holding (both own or held by / for other persons on a beneficial basis) in the listed company in which they are proposed to be appointed as directors, prior to their appointment. These details should accompany their notice of appointment

C. Independent Director Responsibility

Independent Director shall however periodically review legal compliance reports prepared by the company as well as steps taken by the company to cure any taint. In the event of any proceedings against an independent director in connection with the affairs of the company, defence shall not be permitted on the ground that the independent director was unaware of this responsibility.

D. Board Procedure

- The board meeting shall be held at least four times a year, with a maximum time gap of four months between any two meetings.
- A director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director.
- Further only the three committees viz. the Audit Committee, the Shareholders' Grievance Committee and the Remuneration Committee shall be considered for this purpose.

E. Term of Office of Non-executive directors

Person shall be eligible for the office of non-executive director so long as the term of office did not exceed nine years in three terms of three years each, running continuously.

II. Audit Committee.

A. Qualified and Independent Audit Committee

A qualified and independent audit committee shall be set up and shall comply with the following:

- The audit committee shall have minimum three members. All the members of audit committee shall be non-executive directors, with the majority of them being independent.
- All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- The Chairman of the Committee shall be an independent director;
- The Chairman shall be present at Annual General Meeting to answer shareholder queries;
- The audit committee should invite such of the executives, as it considers appropriate to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company;
- The Company Secretary shall act as the secretary to the committee.

B. Meeting of Audit Committee

The audit committee shall meet at least thrice a year. One meeting shall be held before finalization of annual accounts and one every six months. The quorum shall be either two members or one third of the members of the audit committee, whichever is higher and minimum of two independent directors.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE - CLAUSE 49

C. Powers of Audit Committee

The audit committee shall have following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

D. Role of Audit Committee

The role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with management the annual financial statements before submission to the board, focusing primarily on: (a) Any changes in accounting policies and practices; (b) Major accounting entries based on exercise of judgment by management; (c) Qualifications in draft audit report; (d) Significant adjustments arising out of audit; (e) The going concern assumption; (f) Compliance with accounting standards; (g) Compliance with stock exchange and legal requirements concerning financial statements; (h) Any related party transactions
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6. Discussion with internal auditors any significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
8. Discussion with external auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Reviewing the company's financial and risk management policies.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by ICAI.

E. Review of information by Audit Committee

The Audit Committee shall mandatorily review information related to: (a) Financial statements and draft audit report, including quarterly / half-yearly financial information; (b) Management discussion and analysis of financial condition and results of operations; (c) Reports relating to compliance with laws and to risk management; (d) Management letters / letters of internal control weaknesses issued by statutory / internal auditors; and (e) Records of related party transactions; (f) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee

III. Audit Reports and Audit Qualifications

Disclosure of Accounting Treatment – In case it has followed a treatment different from that prescribed in an Accounting Standards, management shall justify why they believe such alternative treatment is more representative of the underlined business transactions. Management shall also clearly explain the alternative accounting treatment in the footnote of financial statements.

IV. Whistle Blower Policy

Internal Policy on access to Audit Committees:

- i. Personnel who observe an unethical or improper practice (not necessarily a violation of law) shall be able to approach the audit committee without necessarily informing their supervisors.
- ii. Companies shall take measures to ensure that this right of access is communicated to all employees through means of internal circulars, etc. The employment and other personnel policies of the company shall contain provisions protecting "whistle blowers" from unfair termination and other unfair prejudicial employment practices.
- iii. Company shall annually affirm that it has not denied any personnel access to the audit committee of the company (in respect of matters involving alleged misconduct) and that it has provided protection to "whistle blowers" from unfair termination and other unfair or prejudicial employment practices.
- iv. Such affirmation shall form a part of the Board report on Corporate Governance that is required to be prepared and submitted together with the annual report.
- v. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

V. Subsidiary Companies

- i. The company agrees that provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of subsidiary companies
- ii. At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.
- iii. The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.
- iv. The minutes of the Board meetings of the subsidiary co. shall be placed for review at the Board meeting of the holding co.
- v. The Board report of the holding company should state that they have reviewed the affairs of the subsidiary company also.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE - CLAUSE 49

VI. Disclosure of contingent liabilities

The company agrees that management shall provide a clear description in plain English of each material contingent liability and its risks, **which shall be accompanied by the auditor's clearly worded comments on the management's view.** This section shall be highlighted in the significant accounting policies and notes on accounts, as well as, in the auditor's report, where necessary.

VII. Disclosures

A. Basis of related party transactions

A statement of all transactions with related parties including their basis shall be placed before the Audit Committee for formal approval/ratification. If any transaction is not on an arm's length basis, management shall provide an explanation to the Audit Committee justifying the same.

B. Proceeds from Initial Public Offerings (IPOs)

When money is raised through an Initial Public Offering (IPO) it shall disclose to the Audit Committee, the uses / applications of funds by major category (capital expenditure, sales and marketing, working capital, etc.), on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus. This statement shall be certified by the independent auditors of the company.

C. Remuneration of Directors

Besides other details, all pecuniary relationship or transactions of the non-executive director's vis-a-vis the company shall be disclosed in the Annual Report.

D. Management

As part of the directors' report or as an addition there to, a Management Discussion and Analysis report should form part of the annual report to the shareholders.

E. Shareholders

- (i) In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the information about the director, as prescribed.
- (ii) Information like quarterly results, presentation made by companies to analysts shall be put on company's web-site, or shall be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own web-site.
- (iii) A board committee under the chairmanship of a non-executive director shall be formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
- (iv) To expedite the process of share transfers the board of the company shall delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents. The delegated authority shall attend to share transfer formalities at least once in a fortnight.

VIII. CEO/CFO certification

CEO (either the Executive Chairman or the Managing Director) and the CFO (whole-time Finance Director or other person discharging this function) of the company shall certify that, to the best of their knowledge and belief:

- a. They have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' Report;
- b. These statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading;
- c. These statements together present a true and fair view of the company, and are in compliance with the existing accounting standards and / or applicable laws / regulations;
- d. They are responsible for establishing and maintaining internal controls and have evaluated the effectiveness of internal control systems of the company; and they have also disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and what they have done or propose to do to rectify these;
- e. They have also disclosed to the auditors as well as the Audit Committee, instances of significant fraud, if any, that involves management or employees having a significant role in the company's internal control systems; and
- f. They have indicated to the auditors, the Audit Committee and in the notes on accounts, whether or not there were significant changes in internal control and / or of accounting policies during the year.

IX. Report on Corporate Governance

- (i) There shall be a separate section on Corporate Governance in the annual reports of company, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory requirement i.e. which is part of the listing agreement with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted.
- (ii) The companies shall submit a quarterly compliance report to the stock exchanges within 15 days from the close of quarter as per the prescribed format.

X. Compliance

The company shall obtain a **certificate from either the auditor or practicing company secretaries** regarding compliance of conditions of corporate governance as stipulated in this clause and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. The same certificate shall also be sent to the Stock Exchanges along with the annual returns filed by the company.

Schedule of implementation

- (i) By all entities seeking listing for the first time, at the time of listing.
- (ii) By all companies which were required to comply with the requirement of the erstwhile clause 49 i.e. all listed entities having a paid up share capital of Rs 3 crores and above or net worth of Rs 25 crores or more at any time in the history of the entity. These entities shall be required to comply with the requirement of this clause on or before March 31, 2004.

(Source: SEBI/MRD/SE/31/2003/26/08 dated August 26, 2003)

AUDIT

1.0 MASTER CIRCULAR

RBI has recently issued the following master circular which are available on RBI website at www.rbi.org.in:

- Exposure Norms for the Financial Institution** (Source: DBS.FID No. C- 7 /01.02.00/2003-04 dated August 7, 2003)
- Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances** (Source: DBOD No. BP BC. 15 /21.04.048 /2003- 2004 dt. August 22, 2003)
- Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts** (Source: DBOD. Dir .BC. 11/13.03.00/2003-04 dated August 14, 2003)
- Interest Rates on Advances** (Source: DBOD. Dir. BC. 10/13.03.00/2003-04 dated August 14, 2003)
- Master Circular on Guarantees and Co-acceptances** (Source: DBOD No.Dir. BC. 16/13.03.00/2003-2004 dated August 22, 2003)
- Deposits held in FCNR(B) Accounts** (Source: DBOD No. Dir. BC. 12/13.03.00/2003-04 dated August 14, 2003)

2.0 CARO TO BE IMPLEMENTED NEXT YEAR

The Department of Company Affairs has decided to shift the date for implementation of Company Auditor's (Report Order) 2003 (CARO), to next year. CARO which was notified in June, to be effect from July 1, 2003 replaces the existing Manufacturing and Other Companies (Auditor's Report) Order (MAOCARO) placing greater responsibility on the statutory auditor when finalising the accounts of a company.

3.0 EXCISE AUDIT GUIDELINES TIGHTENED

The revenue department has strengthened the guidelines for conduct of audit of companies under the Central Excise Act and Central Excise Rules. The requisite amendments have been made in the Excise Audit manual which was first issued in March 1998.

New norms stipulate that all export oriented units falling under the category of mandatory audits would be audited once a year. It has also been clarified that every audit shall cover the retrospective period up to the previous audits or last five years. The audit frequency has been fixed at one year for units with annual PLA (Personal Ledger Account) duty of Rs. 1 crore and more; two years where the annual PLA duty is more than Rs. 1 crore; and five years where the annual PLA duty is less than Rs. 10 lakh.

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EMERGING OPPORTUNITIES

well as top Indian corporate, banks and insurance companies are looking at outsourcing various critical business processes to Indian corporate and professionals. The present inflow from US is more than US\$ 1.5 billion, which is likely to go up to US\$ 25 billion within next 5 years.

To enable the Indian Chartered Accountants to take full benefit of this upcoming opportunity, the members in profession need:

- To clearly understand and appreciate the concept and dynamics and concept of BPO;
- To plan out how to meet client expectation;
- To prepare for a highly specialised professional delivery;
- An ultra modern infrastructure duly supported by the latest technology;
- Training of man power;
- Value addition by ensuring timely, error free and a very high international quality services.

The members in the profession can also advise their intending clients to set up large BPO ventures involving large capital outlay. Some of the contracts which could be fetched may bring even revenue of \$100 million - \$200 million per year or may be larger in some cases. There could be smaller assignments from \$1 million - \$5 million or medium size assignments of \$30 - \$40 million. Such large BPO set up would not only require massive infrastructure, trained manpower but would also require an international set up of offices in US and European markets, providing for global delivery near the market places. The professional support systems or to be designed and implemented by the Chartered Accountants.

Even the accounting and related outsourcing assignment can provide sufficiently large opportunities from Indian as well as international clients, in case we are able to create enough confidence about our quality, confidentiality, reliability and ofcourse capability to deliver timely, error free high quality services.

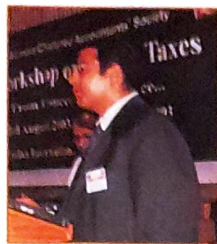
I am proposing that the Institute of Chartered Accountants of India can take upon themselves to provide a highly specialised training program in a capsule form to enable Chartered Accountants to deliver as per the expectations of domestic and international clients in this field. The Institute can even plan business delegations outside India to source important contacts in this regard for the professionals.

Let us gear up together to take the benefit of this great opportunity on our doorstep and prepare ourselves professionally to meet the challenges.

WORKSHOP ON DIRECT TAXES - GLIMPSSES



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Vaish Associates



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Ashutosh Chaturvedi, FCA
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Neeru Ahuja, FCA
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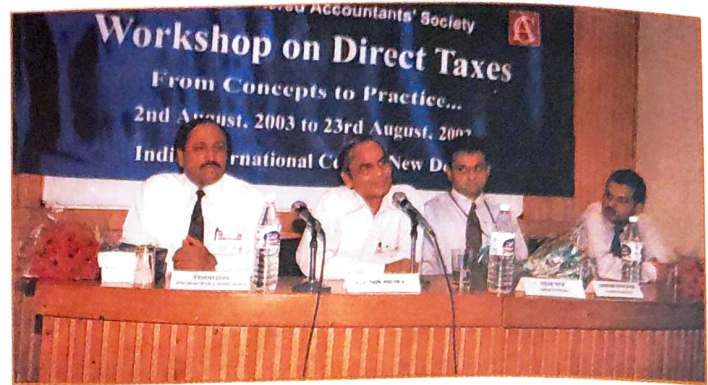
Ajay Vohra, FCA
Vaish Associates



Ajay Kumar, FCA
Pricewaterhouse



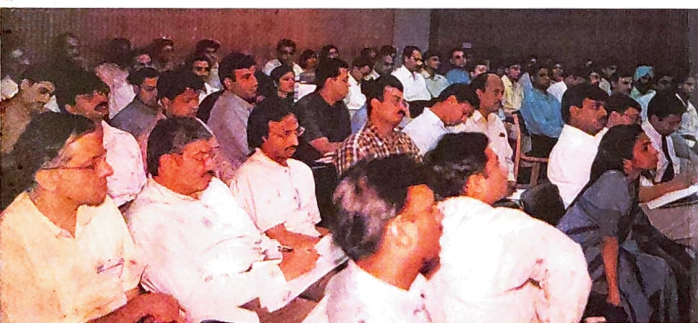
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D.G. & Co.



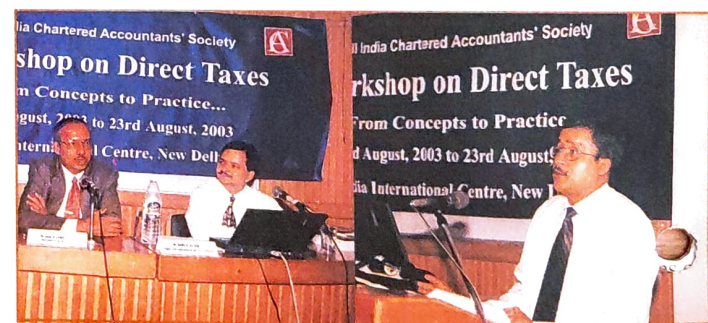
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