

# News

## NATIONAL

### New licence regime: No favours for existing players

New Delhi , March 28

MUCH to the disappointment of existing telecom service providers, the Telecom Regulatory Authority of India (TRAI) is unlikely to recommend any compensation to them in lieu of the forthcoming unified licensing regime.

According to official sources, unlike the transition to unified access service regime (UASL) wherein the GSM cellular operators were offered compensation by way of reduced licence fees, there may be no such incentive offered this time around.

The telecom operators have been seeking compensation on the grounds that they had paid high entry fees for providing basic, cellular and long distance services, while in the new regime any company can offer all these services by paying a nominal entry fee and picking up a single licence from the Department of Telecommunications (DoT).

They said that the basis for deciding the entry fee for GSM cellular service and the first six licences for basic services was a bidding process.

The entry fee for other telecom services and basic services licences post NTP '99 was fixed by DoT based on TRAI's recommendations.

The main consideration was the ease of entry and to deter the entry of non-serious players.

As a result, the cellular mobile operators and basic operators paid different entry fees for each service area based on bidding; the national long-distance operators paid Rs 100 crore as entry fees while international long-distance operators had to shell out Rs 25 crore.

For UASL, which came into force from mid-November 2003, the entry fee was fixed at the level of fourth cellular operator's entry fee and wherever such

operator was not present, the entry fee paid by the existing basic service operator formed the basis.

The telecom operators have stated that before moving to a single licence regime they should be compensated in order to create a level playing field.

However, the authority is of the view that existing service providers, barring UASL's licensed in the year 2003, have the first mover advantage.

(source: www.thehindubusinessline.com)

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### ICSI seeks review of DCA amendment

New Delhi , March 28

THE Institute of Company Secretaries of India (ICSI) has again pressed upon the Department of Company Affairs (DCA) to review its amendment that exempts companies located in smaller places from availing the services of a qualified company secretary.

Seeking withdrawal of the notification, Institute officials said, "The amendment is not in the interest of the profession."

As per the amendment, a company with paid-up share capital of Rs 2 crore or more but less than Rs 5 crore and whose registered corporate office and works are situated in towns with a population of less than one lakh may appoint any other person as its company secretary from among those specified in the Rules.

This amendment provides such companies the freedom to not appoint a qualified company secretary by just shifting their registered office and corporate office to such towns, the professionals said.

They fear that a situation may also arise wherein companies that have already appointed a qualified company secretary will remove them and appoint non-qualified professionals. "This would lead to emergence of fly-by-night companies."

An ICSI official also said that if the withdrawal of the amendment is not possible, the department should instead consider amending the other prescribed qualifications for appointment of a company secretary.

Currently, the qualifications prescribed under the Companies (Appointment and Qualification of Secretary) Rules allow professionals such as lawyers, CAs and non-professionals to be appointed as company secretary.

Brushing aside the argument put forth that enough number of company secretaries are not available, ICSI officials said: "We have approximately 18,000 members. Besides, the number of intermediate pass students available for the job is also rising constantly."

The Companies (Appointment & Qualification of Secretary) Rules, 1988 were primarily formulated based on the Rules of 1975. The qualifications provided in the Rules were included since sufficient number of company secretaries was not available at that time. "Today, the situation is different," ICSI officials told *Business Line*.

In response to the arguments that any amendment to the qualifications would create a social issue, as many would lose jobs, an official said: "The amendment should be done in such a way that those who are in employment prior to the date of the amendment could continue with their jobs. However, no new appointments of professionals other than qualified company secretaries should take place from the date of notification."

(source: www.thehindubusinessline.com)

## INTERNATIONAL

### FASB Establishes Small Business Advisory Committee

In an effort to increase involvement by the small business community in developing U.S. accounting standards, the Financial Accounting Standards Board (FASB) has established a Small Business Advisory Committee. Committee members will be a resource to the FASB in providing additional and ongoing input on accounting issues before the Board.

While the FASB has met with members of small business in the past as part of its due process procedures, establishment of a formal committee that provides the perspectives of this group will offer greater opportunity

to share ideas, knowledge and experience with the Board as well as with the other group members.

"The FASB has always recognized small businesses as an important constituency," commented FASB Chairman Robert H. Herz. "Formation of the Small Business Advisory Committee should be a win-win for everyone involved, and the Board looks forward to working with the group."

The Committee, whose members represent diverse perspectives and experiences, comprises 24 lenders, investors and analysts, preparers of financial statements from a broad range of businesses, including controllers and chief financial officers, and auditors from the small business community.

The Committee's inaugural meeting is slated for May at the FASB's offices in Norwalk, Connecticut.

(source: www.fasb.org)

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02/03/04

### Governmental Accounting Standards Board Issues Revised Exposure Draft on Employer Reporting of Other Postemployment Benefits

**Norwalk, CT, February 3, 2004**—The Governmental Accounting Standards Board (GASB) has issued a revised Exposure Draft, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Exposure Draft addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits provided to retirees (collectively referred to as other postemployment benefits, or OPEB). The GASB is re-exposing the proposed employer standards to provide an opportunity for comment on a change related to accounting for "implicit rate subsidies" to retirees for postemployment healthcare benefits. Comments are required by April 30, 2004.

The original Exposure Draft, issued in February 2003, would have exempted an employer from accounting for the rate subsidy provided to retirees as a result of their participation at a blended premium rate in the same group used to provide healthcare benefits to active employees, under certain conditions. However, after dis-

cussion of respondents' comments, the Board has concluded that to provide more complete and comparable governmental financial statements, employer contributions should be accounted for as OPEB on an accrual basis, without regard to the form—explicit or implicit—in which the contributions are made. For example, if each retiree pays a blended rate of \$240 per month, but the rate attributable to those retirees based on expected claims costs for their age is \$400 per month per retiree, the employer is actually providing a \$160 per month benefit per retiree that the Board believes should be incorporated in the OPEB calculation. The revised proposals generally would require all employers to project future benefit payments based on retiree claims costs, or on age-adjusted premiums approximating claims costs.

The Board concluded that the change would benefit users of financial reports by ensuring the transparent financial reporting of potentially significant OPEB costs and commitments that otherwise could easily be overlooked because of the form in which the employer's contribution is made,"

(source: gasb.org)

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02/19/04

### **Financial Accounting Foundation Reappoints Edward W. Trott, FASB Board Member, and Paul R. Reilly, GASB Board Member**

**Norwalk, CT, February 19, 2004**—The Financial Accounting Foundation has announced that Edward W. Trott, FASB Board member, and Paul R. Reilly, GASB Board member, have been reappointed to their respective Boards, effective July 1, 2004. The reappointments were made by the Foundation's Board of Trustees, which has oversight responsibility for the Financial Accounting Standards Board and the Governmental Accounting Standards Board.

Robert E. Denham, Chairman of the Financial Accounting Foundation, made the following statement regarding the Board announcements: "Both Ed Trott and Paul Reilly have made outstanding contributions to the FASB and GASB, respectively, and the trustees are honored to have their experience and expertise during a particularly challenging period. We are grateful for their

ongoing commitment to advancing the work of our Standards Boards."

Mr. Trott, who joined the FASB in 1999, will begin a second five-year term. He has advised the Foundation that in 2007 he may reassess his continued service on the FASB. Mr. Reilly's reappointment is for one year. When his new term begins in July, he will have served nine years; the maximum number of years that a Board member may serve is ten.

Mr. Trott is a former partner of KPMG and a former member of the Emerging Issues Task Force and Accounting Standards Executive Committee. He is a graduate of the University of North Carolina where he received a bachelor's degree and earned a master's in business administration from the University of Texas.

Mr. Reilly was a former Finance Director and Comptroller of the City of Madison, Wisconsin. He holds a bachelor's degree from the University of Wisconsin.

(source: www.gasb.org)

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### **22 March - Research on reporting of derivatives finds disclosures increase since implementation of FRS 13**

An independent research report into the financial reporting of derivatives has found that disclosure has significantly increased following the implementation of FRS 13.

Published by the Institute of Chartered Accountants in England & Wales (ICAEW), the report, *'The financial reporting of derivatives and other financial instruments: a study of the implementation and disclosures of FRS 13'*, investigates the implementation of the 1999 standard by UK companies and assesses its impact on both users and preparers of annual reports.

The use of complex derivatives and other financial instruments has increased significantly in recent years and corporate scandals involving derivatives have persuaded regulators to introduce new reporting requirements, including FRS 13 and, at international level, IAS 32 and IAS 39.

FRS 13 requires narrative and numerical disclosures regarding use of derivatives and other financial instruments, covering interest rate and currency profiles, fair values of financial instruments and the effects of trading and hedging using financial instruments. The aim of the disclosures is to show how the policies are implemented and to provide supplementary information for evaluat-

ing specific disclosures.

The study found that:

Disclosure had significantly increased following the implementation of FRS 13, and companies are now disclosing far more about hedging and risk management activity.

Institutional investors were supportive of the standard, and thought that the enhanced reporting of hedging and derivatives allowed them to gauge corporate activity in those areas more accurately.

Treasurers generally responded favourably to the standard and found the narrative disclosures to be particularly useful. However, numerical disclosures were less popular and concerns were raised about the potential impact of the international standard IAS 39 on operations and systems.

Overall the report found that “both users and preparers of the annual report have welcomed the adoption of FRS 13 and the increased transparency in financial reporting has assisted the corporate governance framework in the UK”.

Dr Nigel Sleigh-Johnson, Head of Financial Reporting at the ICAEW, said:

“This report is a welcome contribution to the ongoing debate regarding the reporting of financial instruments. There has been a remarkable increase in the use and complexity of financial instruments, and in a number of cases major companies have incurred substantial and unexpected losses on derivative instruments. The challenge is now to ensure that more transparent reporting practices are implemented across Europe, in particular the inclusion of derivatives at fair value in the financial statements of listed companies.”

(source: [www.icaew.co.uk](http://www.icaew.co.uk))

**Whistleblowing arrangements** The audit committee plays a key role in managing risks to the company’s reputation and the Combined Code requires the committees to review whistleblowing procedures. This guide sets out good practice suggestions for audit committees on how they can do this by giving context to the recommendations made in the code and advice on how to foster a culture supportive of whistleblowing.

**Monitoring the integrity of financial statements** The Combined Code requires the audit committee to monitor the integrity of the financial statements of the company and to review significant financial reporting judgements contained in them. This guide provides a high-level overview of the issues an audit committee needs to consider, covering the elements of financial statements and areas of judgement and factors affecting their significance. This has been written so that it is particularly accessible to audit committee members without a financial background.

**The internal audit function.** The Combined Code requires the audit committee to monitor and review the effectiveness of the internal audit function. This guide offers recommendations to audit committees on how they work with the internal audit function and on checking the procedures in place to evaluate the effectiveness of internal audit.

Robert Hodgkinson, technical director of the ICAEW, commented:

“Expectations of audit committee members are high & rising. We have issued these guides to help non-executives directors, particularly these without high-level financial knowledge, to understand their responsibilities & respond appropriately.”

(source: [www.icaew.co.uk](http://www.icaew.co.uk))

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## NEW GUIDANCE FOR AUDIT COMMITTEES ON COMPLYING WITH THE REVISED COMBINED CODE

The Institute of Chartered Accountants in England & Wales (ICAEW) has published specialist guidance on three key issues for audit committees - whistleblowing, the integrity of financial statements and internal audit.

The publications are part of a series of guidance brochures produced by the ICAEW to help members of audit committees understand the provisions of specific areas of the Combined Code on Corporate Governance. The new guides cover the following:

### ANNOUNCEMENT

The Institute hosted the IFAC Board Meeting at Jaipur from 10 to 12 March, 2004.

The Institute also hosted the meetings of SAFA Committee, SAFA Standard Setter with Member IASB and SAFA Assembly from 10th to 11th March, 2004