

News

NATIONAL

RBI extends deadline for liberalised forex norms

JUNE 03, 2003

MUMBAI: Certain liberalised foreign exchange transactions like corporates and individuals investing abroad, corporates parking their ADR/GRD funds abroad and retaining external commercial borrowings (ECB) have been extended beyond June 30 by RBI.

Thanks to an appreciation of the rupee against the dollar, some of these facilities were not being availed in a big way by corporates and individuals. Earlier, the RBI had said that these facilities would be effective till June 30.

"It has now been decided to extend these facilities beyond June 30, '03 till further notice. Necessary amendments to the Foreign Exchange Management Regulations, '00 are being issued separately. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned," said a RBI notification.

(Source : www.economictimes.indiatimes.com)



EPFO plans to set up recovery cell

NEW DELHI, June 2,2003

THE Central Board of Trustees (CBT) of the Employees' Provident Fund Organisation (EPFO) is planning to set up a separate Directorate of Recovery for provident fund arrears on the lines of the Directorate of Recovery functioning in the income-tax department for recovering tax defaults.

Government sources said that PF arrears, which have run into several thousand crores, have become a cause of serious concern to the CBT, the Government as well as

Parliament which is evident from the fact that in every session of Parliament, majority of the questions raised by the members related to the EPFO and PF arrears. Official sources said that the proposal of setting up of the Directorate of Recovery will be taken up by the CBT at its next meeting expected to be held around the end of June and added that unpaid arrears by defaulting establishments have been an endemic problem in the EPFO for quite a long time.

Sources said that as of now almost 70 per cent of estimated PF arrears are not realisable on account of stay orders issued by courts or for other legally binding reasons. "It is to take care of the entire work related to recovery which may require multidisciplinary expertise that this institutional set-up is being created," sources said.

The responsibilities of the proposed Directorate of Recovery will involve effective oversight and coordinated effort with full accountability on the recovery of arrear from defaulters. The responsibilities will include maintaining dossiers on large defaulters, initiating steps for vacation of stay orders by courts, attending to issues in BIFR courts, High Courts and Supreme Courts pertaining to arrears and taking all proactive steps for tracking and checking delinquency and defaults. According to the proposal to be placed before the trustees, the proposed Directorate of Recovery will be headquartered in Delhi with regional offices in West Bengal, Maharashtra, Tamil Nadu and Uttar Pradesh and will be headed by a Director in the grade of a first grade Regional Provident Fund Commissioner.

(Source: www.thehindubusinessline.com)



CENTRAL LISTING AUTHORITY

The SEBI (Central Listing Authority) Regulations 2003 have been notified on February 13, 2003. SEBI, vide

its press release PR No 87/2003 dated April 9, 2003 , has informed about the constitution of the Central Listing Authority (CLA). As per Regulation 3(1) of the said Regulations, CLA will be "established" with effect from such date as may be specified by SEBI. The date of establishment of CLA shall be specified by SEBI shortly.

Meanwhile, SEBI has been receiving queries regarding filing of listing application with CLA, it has clarified that till such time that SEBI specifies the date of establishment of CLA, all listing applications shall be made to stock exchanges directly and the stock exchanges shall deal with such listing applications as also the pending listing applications as hitherto following the current rules and procedures.

(Source: www.sebi.gov.in)



Govt to take only tied aid from allies

JUNE 03, 2003

NEW DELHI: The government has decided to discontinue receiving aid from several bilateral partners and to pre-pay part of its bilateral debt of about Rs 7,490 crore this year.

The decision to stop taking aid from bilateral partners other than Japan, UK, Germany, USA, EC and the Russian Federation is part of the government's recently stated policy to reduce dependence on external aid.

Finance minister Jaswant Singh had referred to this move in his Budget speech. The smaller assistance packages provided by some of the bilateral partners can be transferred to other developing countries, which are in need of greater Official Development Assistance (ODA), the government has indicated.

The finance ministry has now decided to accept any tied aid in the future. Any aid received from some of these bilateral partners will now be directed towards NGOs working in specified areas. While phasing out such aid, the existing programmes which are ongoing and approved out of grants by donor countries will, however, continue and reach completion, the ministry said.

Further grants from bilateral partners will be directed towards NGOs, universities and not to the Central and state governments, the ministry said. The department of economic affairs plans to hold annual consultations with bilaterals, to make available a list of institutions and NGOs, which the donors propose to assist and the purpose of funding. Other than this, the donors will work directly with the institutions.

Along with the decision to phase out bilateral aid from several countries, the finance ministry has also decided to pay part of its bilateral debt. Of the total bilateral debt of Rs 66,316.07 crore at the end of March 31, '03, the government has decided to pay the outstandings aggregating Rs 7,490.77 crore to 14 countries, except France, Japan, Germany and US. These include Netherlands, Russian Federation, Canada, Sweden, Italy, Denmark, Belgium, Austria, Kuwait, Spain, Switzerland, Saudi Arabia, Australia, Czech and Slovak. The outstanding bilateral debt to four countries - Japan, Germany, US and France - alone amounts to Rs 58,825.30 crore.

Following this proposed move, India will now provide relief to a large number of its bilateral partners with smaller assistance packages, so that their resources could be transferred to specified NGOs in greater need of ODA, the ministry said.

(Source : www.economictimes.indiatimes.com)

INTERNATIONAL

FASB Improves Accounting for Financial Instruments with Characteristics of both Liabilities and Equity

Norwalk, CT, May 15, 2003-The Financial Accounting Standards Board (FASB) has issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. The Statement improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new Statement requires that those instruments be classified as liabilities in statements of financial position.

Statement 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type, which includes put options and forward purchase contracts, involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under this Statement is obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. Statement 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

Most of the provisions of Statement 150 are consistent with the existing definition of liabilities in FASB Concepts Statement No. 6, *Elements of Financial Statements*. The remaining provisions of this Statement are consistent with the Board's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between holder and issuer. That revision is expected as part of a second phase of the Board's project on liabilities and equity that is planned to begin later in 2003. In that phase, the Board plans to address the accounting for convertible bonds, puttable stock, and other instruments with embedded features characteristic of both liability and equity that are not in the scope of Statement 150.

In addition to its requirements for the classification and measurement of financial instruments in its scope, Statement 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. Most of the guidance in Statement 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of this Statement for the fiscal period beginning after December 15, 2003.

(Source: www.fasb.org)

Governmental Accounting Standards Board Issues Guidance on Budgetary Comparisons

Norwalk, CT, May 20, 2003-The Governmental Accounting Standards Board (GASB) has issued Statement No. 41, *Budgetary Comparison Schedule-Perspective Differences*, that clarifies existing guidance on budgetary comparisons in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

This amendment applies to governments with budgetary structures (for example, certain program-based budgets) that prevent them from presenting budgetary comparison information for their general funds and major special revenue funds, as currently required by Statement 34. Under Statement 41, such governments will present budgetary comparison schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget. Generally, governments should present budgetary comparisons for the activities that are reported in the general fund and each major special revenue fund.

The accounting change is being implemented simultaneously with Statement 34. For governments that already have implemented Statement 34, the requirements would be effective for periods beginning after June 15, 2002.

(Source: <http://www.gasb.org/>)

Money Laundering-new guidance

Interim guidance for accountants has just been published by the ICAEW to assist members in fulfilling requirements of the anti-money laundering sections of the Proceeds of Crimes Act 2002 and the Money Laundering Regulations 2003. The guidance has been issued in conjunction with the other members of the Consultative Committee of Accountancy Bodies.

Although the full impact of the new legislation will not affect most accountants until later this year, this

guidance has been issued to help them prepare for the introduction of the new requirements. It is expected these requirements will now come into effect in September, but the exact date is, as yet, unknown.

The key changes that will be introduced by the new legislation include the requirement for firms to:

- Appoint a money laundering reporting officer (MLRO) to receive reports of suspicions from colleagues and to make reports to the National Criminal Investigation Service (NCIS).
- Train relevant principals and employees in how to recognise potential money laundering, how to report suspicions to the MLRO, and how to identify clients.
- Verify the identity of new clients and maintain evidence of this.
- Establish appropriate internal procedures to forestall and prevent money laundering.

Importantly, firms, principals and employees will face significant criminal penalties where they breach the requirements of the new legislation.

The traditional definition of money laundering has been extended and now includes the possession of, or in any way dealing with, or assisting someone else to deal with, the proceeds of any crime. This will mean that accountants will need to report to NCIS any suspicion that a crime has been committed and someone has benefited from that crime.

The ICAEW's Advisory Services has also recently issued a new helpsheet designed to assist firms understand and comply with the requirements of the Proceeds of Crime Act 2002 and Money Laundering Regulation 2003.

Money Laundering Regulation 2003 will embrace all accountancy practices by including:

- Provision of accountancy services
- A person who acts as an insolvency practitioner
- A person appointed to give advice about the tax affairs of another person
- Formation of a company or the formation, operation or management of a trust

The Money Laundering Regulation 2003 will have a

direct effect on all firms and the way in which they do business. Accountants in practice and some in business will face significant changes in respect of these new requirements and obligations concerning Money Laundering that will come into effect on an, as yet, unspecified date, in September 2003

(Source: www.icaew.co.uk)



Exposure Draft, Proposed Statement on Auditing Standards Communication of Internal Control Related Matters Noted in an Audit

The AICPA's Auditing Standards Board (ASB) has issued an exposure draft of a proposed Statement on Auditing Standards (SAS) entitled Communication of Internal Control Related Matters Noted in an Audit. The proposed Statement will supersede SAS No. 60 of the same name (AICPA, Professional Standards, vol. 1, AU sec. 325).

The proposed SAS establishes standards and provides guidance to enhance the auditor's communication responsibility to the audit committee or its equivalent concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The ASB believes that the proposed guidance will strengthen the quality of auditor communications concerning such matters.

This proposed SAS does not apply to audits of financial statements included in annual reports of entities, other than registered investment companies, that file an annual report with the Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, in which the auditor engaged to perform the audit of the entity's financial statements also is required to audit the entity's internal control over financial reporting. The proposed SAS Auditing an Entity's Internal Control Over Financial Reporting in Conjunction With the Financial Statement Audit, which appears in a separate exposure draft, will apply to audits of these entities.

(Source: www.aicpa.org)