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Students'  
JOURNAL

# THE CHARTERED ACCOUNTANT STUDENT

Your Monthly Guide to the CA News, Information And Events





1. CA. Uttam Prakash Agrawal, President, ICAI, is being conferred with the Honorary Membership of CPA, Australia.
2. CA. Uttam Prakash Agarwal, President, ICAI lighting the auspicious lamp at the inaugural ceremony of the building of Vapi Branch of WIRC of ICAI on 1st December 2009. Also seen in picture, CA. Bal Chand Jain, Chairman, WIRC.
3. CA. Uttam Prakash Agrawal, President, ICAI unveiling the foundation stone on the occasion of the Bhoomi Pujan of proposed ICAI Bhawan in Patna on November 26, 2009. Also seen in picture: CA. Suman Kr. Nayak, CA. Arun Kumar, Chairman, Patna branch, CA. Archana Sharma, Secretary, Patna branch, CA. L K Saraf and other members of Patna branch.
4. CA. Uttam Prakash Agarwal, President, ICAI lighting the auspicious lamp at the 3rd Annual event of Toronto Chapter on 14th November, 2009.
5. CA. Uttam Prakash Agarwal, President, ICAI inaugurating the ITT training Centre at Nanded CPE Chapter on December 2, 2009.
6. A view of the Havan at Bhoomi Pujan at Patna on Nov 26th, 2009. Seen in picture (LtoR) CA. Uttam Prakash Agrawal, President, ICAI, CA. Vikramaditya Sinha, Executive Committee Member, CA. Arun Kumar, Chairman, Patna branch and CA. Archana Sharma, Secretary, Patna Branch.

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**Editor: CA. Jaydeep Narendra Shah**

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## President's Communication

### Dear Students,

At the outset, on behalf of the Institute of Chartered Accountants of India, I would like to extend my heartiest wishes for a wonderful and prosperous **New Year 2010**. I also express my best wishes on the **61st Republic Day** of our beloved motherland and hope that our country will emerge as the Global Economic Powerhouse.

I pray to Almighty that all your dreams and aspirations may be fulfilled in the year 2010. I am very confident that the entire CA student fraternity will be able to set new milestones in their professional career and scale new heights of success in all their endeavours. Over the past year, we have attained important goals and confronted new challenges. As we celebrate the New Year, we look with hope to the year ahead and the opportunities it would bring. At the beginning of this year, you should make a resolve that you will start every day with vigour, spend the day by upgrading your knowledge and intelligence, and end the day on a cheerful note. In the preceding year, to mark the Institute's Diamond Jubilee, we were successful in organizing various programmes. We feel pride in the fact that with

*"The object of a New Year is not that we should have a new year. It is that we should have a new soul and a new nose; new feet, a new backbone, new ears, and new eyes. Unless a particular man made New Year resolutions, he would make no resolutions. Unless a man starts afresh about things, he will certainly do nothing effective." - G.K. Chesterton*

each passing year, our Institute has consistently added feathers in its cap.

The year 2009 was an eventful year for the Institute as it witnessed a wide variety of development initiatives. **In the year 2010**, we look forward to reaching new heights of success and progress while working holistically to ensure that each student/member can develop him/herself in a congenial environment that promotes personal and professional growth. Our Institute is very keen to get you off to a great start. We expect you to work indefatigably to achieve standards set forth by the Institute. As the time flows continuously, we have to prepare for tomorrow and should remain at the forefront of advancement and development in the field. I do hope that in the year 2010 you would be able to come up with glorifying success and will begin your professional career on a successful note.

### Feather in the cap: recognition of excellence award

You all are aware that the Indian corporate sector has been growing at a rapid pace in the current decade. On the one side, Indian corporate sector has been contributing significantly to the economic development of the country. On the other side, the Ministry of Corporate Affairs has also been constantly trying to reposition itself as not only the regulator but also the developer and facilitator of the Indian Corporate sector. In this direction, the Ministry celebrated **14th to 21st December 2009** as **"INDIA CORPORATE**

**WEEK".** The celebrations culminated in a grand finale at **Vigyan Bhavan** on **21st December 2009**. On the occasion, I had an opportunity receiving the '**recognition of excellence award**' personally from Hon'ble President of India, Shrimati Pratibha Devisingh Patil. It is a great moment of pride for each one of us.

### Inaugural Issue of CA Students' Journal: Exploring New Horizons to Excel

"Reading is to the mind what exercise is to the body." - **Richard Steele**

I am extremely delighted to bring out the inaugural issue of CA Students' Journal. I am sure that this transformation from CA Students' Newsletter to CA Students' Journal will be successful in redefining the process of sharing knowledge and information. It will be able to provide our ardent readers a forum for exchange of ideas and dissemination of knowledge. Naturally, the area and scope of the journal will be larger than a newsletter as it will encapsulate a wide range of subjects and information. It would be a forum for dialogue on the methodological and epistemological issues. The Chartered Accountant Students' Journal will address the subjects and issues that will be very relevant for you to enrich and update your world of information and knowledge. We are pretty confident that this experiment will prove fruitful for the 360 degree development of our students. The journal is committed to encourage all forms of research and articles in all the branches of knowledge. We solicit your scholarly contribution and I hope that your erudite insights will accelerate the process of learning.

### Unleashing the Hidden Potentials of Burgeoning CA Professionals

The month of January is dedicated to organizing various Sports and Youth activities. While the role,

responsibility and contribution of youth is of vital significance, it seems more significant in a country like India where the percentage of the youth in the country's overall social and demographic profile is steadily increasing. The significance of Youth Festivals and Sports Activities for health and physical fitness with a view to increasing individual efficiency cannot be overlooked. The importance of sports as a means of promoting social harmony and discipline is well acknowledged.

It is very aptly stated that the progress of any nation largely depends on prosperity and rise of youth. Conducting Sports and Youth festivals could be an effective way of channelizing the energy of youth for productive and meaningful purposes. The youth is the future of any country and sports are the future of the whole world and it is the responsibility of the youth to create awareness about different sports and take positive steps in this direction. Our Institute has therefore accorded a high priority to cater to the requirements of promising CA professionals. These events help them in imbibing higher moral and ethical values and the desire to excel. I hope that you will take a serious note of this and will take part in the forthcoming sports events with full vigour and vitality.

### Proposal for Centre of Excellence in Goa: Charting Out Your Career Path

I am highly delighted to inform you that we will soon be adding a Centre of Excellence in Goa. It will be the premier centre of Accounting Education in the world. It is my firm belief that the Goa Centre of Excellence will offer our students a comprehensive educational experience and exposure. From the students' perspective, this centre will facilitate a platform for direct interaction with educators and mentors to promote a sense of pride and belongingness amongst the students towards our glorious Institute.

### **Growing Infrastructure: Taking New Leaps in Professional growth**

The Institute, in its endeavour to provide best quality services to the members and students at their nearest possible location has been establishing the infrastructure facilities by acquiring land and construction of new buildings. The last few weeks have seen momentous growth in our infrastructure set-up. Our Centres of Excellence in Jaipur and Bangalore have seen their drawing and infrastructure facilities finalized and the architects have been appointed. I am pleased to inform you that the four buildings that make the ICAI Bhawan Complex, Noida are at the verge of being occupied. Recently in Kolkata, the Bhoomi Poojan function for the Proposed New ICAI Bhawan, Hatisur was solemnized. You will be glad to know that the new building shall comprise of the world class infrastructure facilities like modern Auditorium, Library, ITT Labs, Classroom Training Centres, Reading Hall and Administrative Departments. Further, Vadodara ICAI Bhawan building was also inaugurated in December 2009. We are at the stage of rapid development and growth, so to keep pace with this, we have acquired several parcels of land for our upcoming branches all over the country including Amravati, Akola, Beawar, Kottayam, Nagpur, Nashik, Patna and Solapur.

### **Special Campus Placement Programme: Make Your Aspirations Come True**

I am very ecstatic to inform you that our Institute's Committee for Members in Industry (CMII) is organizing its Annual Corporate Forum at Goregaon Sports Club, Mumbai from 29th January to 31st January, 2010. I wish them all the success to make the event a grand and memorable one. There will be a chain of events to enhance knowledge, skill sets and generate employment opportunities. I hope that the members, students and corporate houses will turn in large numbers to garner the benefits out of this magnificent happening. Along with other mega events, the young brigade of CA who had

successfully completed their Three Months Residential Programme of our Institute on Professional Skills Development would be eligible to take part in a Special Campus Drive (29, 30, 31st January, 2010, Goregaon Sports Club, Mumbai) wherein they could interact with their prospective employer and explore the possibilities of taking up employment that matches their calibre, skills, qualifications and experience. I also expect that you will participate in all other events with a high level of enthusiasm and will add wings to our professional career. For further details, you can have access to the Institute's Website.

### **CA Shiksha: A Smart Approach to learn for the Examinations**

We always strive hard to provide you the best possible learning facilities. The new E-learning portal, CA Shiksha, seeks to provide you with a baseline understanding of the subjects. This intensive kick-off is designed in a very flexible manner to help you through the difficult studies. It is quite evident from the umpteen responses that the website is very advantageous for the students to learn and understand the hard points and overcome the grey areas. There have been more than 14,000 registered users and 10,00,000 page hits. I am sure that the web site will take the Institute to further new heights as far as quality education is concerned.

### **Chartered Accountancy Examinations**

Those of you, who have appeared in chartered accountancy examinations held in the month of November, 2009 must be eagerly awaiting the results. The results are scheduled to be declared this month. My sincere best wishes to all the candidates. It would be my sincere desire that maximum number of candidates pass the preceding examinations.

Although you might have found difference in the question papers in the November, 2009 examinations, you must have also realised that nothing has been done that is detrimental to your

interest. This would have also allayed the fears in the minds of some of the students who were unnecessarily worrying about the pattern and nature of question paper. On account of the professional nature of the chartered accountancy course, we are required to evolve better ways of testing your knowledge.

There are certain misnomers in the minds of the students of chartered accountancy. Some of you feel that the Institute moderates the results. I wish to reaffirm that we do not undertake any moderation that is directed towards reducing the results. The interest of the students are utmost in our minds. The results truly reflect your performance in the examinations.

### Articled Training Abroad

I have good news to share with you especially with the students aspiring to do their articles abroad. The Council in its recent meeting had decided that our members holding Certificate of Practice with their principal place of practice abroad would henceforth be eligible to train articled assistants abroad in terms of Regulation 43, in the same manner as in India, provided he has also intimated an address in India.

For articled assistants, similar provisions for Secondment and Industrial Training would be available. Paid Assistants would also be eligible to train one articled assistant.

### Pursuing additional course : Submission of Form 112

You will be happy to know that the Council has decided that the delay in submission of Form 112 be condoned by taking a liberal view in respect of cases wherever the additional/other course pursued along articleship was through correspondence mode of study/private student (no requirement of attending any classes at all)/early morning classes/evening classes (with no clash/overlapping between office and teaching

hours) and membership be granted from the due date, as an amnesty measure for all such requests already received or to be received upto 31st March 2010. However, for additional/other course pursued during day time classes along with articleship, each case will be individually considered by the Executive Committee. The Council also decided that no request for condonation of breach of Regulation 65 for delay in submission of Form 112 will be considered effective from 1st April, 2010.

### MOU with Swami Ramanand Teerth Marathwada University

It is my cherished desire to equip you to acquire more and more knowledge. To get knowledge and to have further competitive edge many students are seeking to undergo additional qualifications. To facilitate our students to pursue additional courses, we are in the process of finalising a MoU with Swami Ramanand Teerth Marathwada University, Nanded. This would enable our students to fulfil their desire to qualify in various courses such as B. Com, M. Com, BBA, MBA, and doctoral programmes. We have also signed MoUs with a few other Universities. The details are hosted on the website of the Institute.



**CA. Uttam Prakash Agarwal**

President, ICAI, New Delhi



## From the Editorial Board

At the outset, I wish you a very happy and prosperous new year. May the new year be rewarding for you and all your wishes be fulfilled. We are also extremely happy that the long pending need for a monthly students' Journal has attained its culmination. You are all having in your hands, a good looking journal packed with a variety of high quality contents including articles of experts, poems and fiction. It is our firm belief that all of you will relish this new year gift. We would also be happy to receive your valuable suggestions for further improvement.

### New paradigm in distant education

The recently launched CA Shiksha, an E-education portal, is getting wide acclaim from the students of chartered accountancy. Having succeeded in it we wish to carry it forward to have a holistic E-learning system for the benefit of the students. Earlier also we had made efforts for e-learning system. However, due to extraneous factors the project did not yield the desired results. It was a learning experience for us.

You will be glad to know that we have decided to kick start the project once again with new vigour and enthusiasm. To begin with, development of web based lectures for CPT accountancy paper has been scheduled. Two chapters are already converted into web-modules and are in the process of review. These chapters would be finalized and remaining part of the work will be accomplished shortly.

### Spreading Gyan through television

As you are all aware that we are using Gyandarshan channel to reach our students effectively. Students are not only able to view live lectures but also are able to interact with the subject experts through the process of video conferencing. We have recently concluded a series of lectures for the students of Common Proficiency Test and Professional Competence Course. We are also in the process of finalising the next schedule of lectures. Keep a watch on the website of the Institute for updated information.

### National Conventions of CA Students

National conventions discuss issues of national importance and respond to emerging issues pertaining to our profession. Conducting of Seminars / Conventions / Conference / Workshop enable us to develop a platform for pursuing strategic directions. Managing and organizing a successful seminar requires vigilant planning and implementation. It also requires lot of time and energy for carefully planning the seminars that will yield precious outcome. The Board of Studies of our Institute plays a very proactive role in conducting such events on a regular basis.

I am very happy to announce that the [SICASA of SIRC of ICAI](#) is all set to organize a National Convention of CA Students' on the theme of "Shaping Young Professionals-Challenge Today" in Chennai. Further, [Pune Branch of WIRC of ICAI](#) and [Pune Branch of WICASA](#) is holding its National Convention of CA Students' on 9th and 10th January, 2010. I convey my warm wishes to the organizers and the participants of the scheduled conventions.

### Three Months Residential Programme: Empowering Your Career to March Ahead

*"Climbing to the top demands strength, whether it is to the top of Mount Everest or to the top of your career." - Dr. Abdul Kalam*

To sustain a competitive edge, most organizations are paying great attention to the development of professional skills to raise the level of performance. We at the ICAI are very much concerned with the rigorous requirements of global job market. Hence, our Three Months Residential Programme on Professional Skills Development offers a very specialized professional development opportunity. The programme focuses on problem comprehension and solving, effective communication, interview techniques, public speaking, leadership skills, and general management. During the programme, the participants will be given adequate opportunity to gain skills that enable them to improve their functional efficiency. It is my firm belief that confidence comes naturally as an outcome of successfully solving problems doggedly and possessing the soft skills to communicate ideas and thoughts in any personal or professional settings. The programme has evoked a good response among CA students and we feel it has given them a fresh perspective about the Professional Skills Development. The programme is aimed to meet the specific needs for every participant. This high esteemed programme equips the students with the right kind of skills to be always on the pinnacle of success in the stiff competition. The students should recognize the need to develop their skills to compete in today's job market and grow their career. To ensure quality in programme, batch sizes are limited to only 60 students. The next batch of this programme is scheduled to commence its session from January 25 to April 16, 2010 at the National Institute of Financial Management (NIFM), Faridabad and registrations for this programme are in full swing. For more details, the students can visit our Institutes' Website.

### Orientation Programme

To succeed in our professional lives we need a variety of skills. These skills are not necessarily restricted to the technical knowledge of the subjects that are core to the course of chartered accountancy. Students of Accounting Technician Course, Integrated Professional Competence course are also required to successfully complete Orientation Course of one week spanning over 35 hours. The course covers wide areas such as personality development, communication skills, office procedures, business environment, general commercial knowledge, etc. I am very happy to share with you that from May, 2009 to November, 2009, a total number of 25386 students were trained in 464 batches in 72 branches. I also advise the students to keep a track of such courses in their cities and do them at the earliest.

### General Management and Communication Course

General Management and Communication Courses were organised all over the country for the benefit of the students. A total number of 4293 students were trained in 99 batches in 32 Branches for the period from August, 2009 - November, 2009.

### Information Technology Centres

We have achieved a lot in the area of Information Technology Training. Our students are getting education in latest tools and techniques in information technology relevant to their professional lives. To provide further impetus to the training we have opened another twelve IT Centres from August, 2009 to November, 2009. One existing centre was also expanded. A total of 379 computers were installed. Overall 13,843 students have been given IT training during this period.

*With best wishes,*

Editorial Board



## Accounting Thrust Career Fair for ICAI Certified Accounting Technicians

29th-30th-31st January, 2010 Goregaon Sports Club, Mumbai

**Accounting Thrust** is an endeavor towards enriching the organizations with a rich base of accounting technicians to handle hard core accounting procedures with world class quality. It also aims at providing the Accounting Technicians an opportunity by enabling them to look for lucrative employment opportunities as Accountants in Small and Medium Business Enterprises with a platform to use their aptitude for accounting education and to make an early entry to the accounting profession.

### Eligibility of Candidates for Accounting Thrust

Candidates who have been certified as Accounting Technicians by ICAI upto 30th November, 2009.

### Participation Fees

Day of the Event	For Organisations other than Firms of CAs	For Firms of CAs
Day 1	Rs. 65,000/- + Service Tax @ 10.3%	Rs. 30,000/- + Service Tax @ 10.3%
Day 2	Rs. 50,000/- + Service Tax @ 10.3%	Rs. 20,000/- + Service Tax @ 10.3%
Day 3	Rs. 30,000/- + Service Tax @ 10.3%	Rs. 15,000/- + Service Tax @ 10.3%

Payment Terms: Participation fee shall be payable by way of Cheque / Demand Draft in favour of 'The Secretary, The Institute of Chartered Accountants of India' payable at New Delhi only and should be sent to Dr. T. Paramasivan, Secretary, CMII, The Institute of Chartered Accountants of India, ICAI BHAWAN, Indraprastha Marg, New Delhi-110002.



**Committee for Members in Industry**  
**The Institute of Chartered Accountants of India**  
(A statutory body established under an Act of Parliament)  
Websites : [www.icai.org](http://www.icai.org); [www.cmii.icai.org](http://www.cmii.icai.org); <http://jobs4cas.icai.org>

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# Women Empowerment

**Vaishaliben M. Shah**  
*The author is a member of ICAI.*  
*(Mem. No. 133468)*



In today's dynamic world, the role of women is considered as phenomenal. Today, many women are well educated; they are on to various noble professions such as working as doctors, CAs, Politicians and what not. They are good team leaders, act perfectly during crises. They play vital role in changing the political picture of our country by contributing 56 per cent of the electoral roll. One can hardly find any sector or industry where no woman is working. Even they played a role in developing Akash & Agni missiles as quoted by Dr. Abdul Kalam in one of the gatherings. In politics also they play pivotal role.

They are passionate in their respective works and opened new dimension in their life. They now have the right to protest against discrimination against them. This has changed the role of woman; they began to compete with men in all sections of life. In universities and colleges also, the percentage of women enrollment has considerably increased, which shows change in the mindset of the parents in educating their daughters. This could contribute more in shaping of a new India.

The evolution of women from the past to present is worth mentioning. Women, who were once considered as masters in the art of house keeping, are now being considered as forces that outline a country. Today women have excelled in each & every field from social work to flying to space.

- India has more number of doctors, surgeons, scientists, professors than United States.
- India has world's largest number of professionally qualified women.

## Brief achievement of women in different areas:

### 1. Politics

News of women being appointed as cabinet members in governments worldwide is not new. They are not playing minor roles but those of significance to the government. Take these women for example Margaret Beckett (UK Foreign secretary), Condoleeza Rice (the first African American female US Secretary of State), Aisha Al Siyabi (the first Arab Gulf woman to be appointed as Oman's Minister of Traditional Industries).

oreign secretary), Condoleeza Rice (the first



African American female US Secretary of State), Aisha Al Siyabi (the first Arab Gulf woman to be appointed as Oman's Minister of traditional industries).

If we look into our country for role of women in politics, we can say that women are very active in this area as the country's President post is being held by Mrs. Pratibha Patil. If we check history, Mrs. Vijayalakshmi Pandit was the first Indian woman to hold the post in the Cabinet. Mrs. Indira Gandhi was the first woman Prime Minister of independent India.

## 2. Sports

Indian women have achieved great success in almost every field. Indian women cricket team has won Asia cup of 2004 and 2005 and made our country proud; some important names with different sports are:

Sania Mirza	:	Tennis
P.T.Usha	:	Athletics
Karnam Malleshwari	:	Weight lifting

## 3. Corporate divas

From kitchen to boardrooms, more women today are heading many companies globally. Many women are in power when it comes to business; Brenda C. Barnes of Sara Lee, Nanet L. Robinson of The New York Times, Mulchy of Xerox, Margaret C. Whitman for E-bay, the list goes on. In fact, women are just as capable as men to make boardroom decisions, and many a times their ideas and strategies have created business opportunities. In under developed countries like Afghanistan and Africa, women are creating opportunities for themselves to break the poverty.

Kiran Majumdar Shaw is the MD of Biocon India. She is undisputed corporate queen of India, she is wealthiest entrepreneur of India; other

names are Vidya Mohan Chhabaria, Chairperson of Jumbo Group, Naina Lal Kidwai, Vice Chairperson and MD of HSBC Securities.

## 4. Art and entertainment

Today a woman is a painter, an actor, a singer and a beauty queen. Lata Mangeshkar, Asha Bhonsle are famous singers, Madhubala, Aishwarya Rai are Bollywood queens.

## 5. Universal queen

Now women are also flying to space. Kalpana Chawla was first the Indian woman astronaut who visited space station and another woman Sunita Williams has become the second one to be the member of an international space station crew.

Thus, women have achieved great success in each and every area but still she has to go long to get equal status to men in the minds of society.

The desire of Indian women can be best described by the following song of African women.

**I have only one request.  
I do not ask for money  
Although I have need of it,  
I do not ask for meat . . .  
I have only one request,**

**And all I ask is  
That you remove  
The road block  
From my path.**

## Problems in profession

Today women are not less than super women, juggling well their professional lives and personal lives. In the past women used to be quiet and passive at their workplace as very few women stepped out of their home to do jobs. On the other hand, women today can make optimum use of their intelligence and education and resources. Jobs in India for women have



gone up, women have made their foray into retail jobs, finance, executive jobs and even top managerial jobs, but still they face some



obstacles at their work place, which are:

*The hazards, which working women face along with their male colleagues*

*The risk which working women face in their families and in the society.*

### Health problems

It is generally believed that women prefer part time or work from home jobs, as such jobs enable them to balance their work along with their family responsibilities. However in case of works nursing job, contract jobs, working hours are flexible as per requirement of the employers, makes things quite difficult for women.

It is important to note that absence of clearly defined work schedule increases the stress and affects their health. A large number of women are said to complain of frequent headaches, back pain, fatigue and high blood pressure. Industries related to embroidery, electric appliances, gem, jewellery, etc. require concentrated attention, which creates lot of health problems. A large number of women are today founding of complaining of mood swings, irritability, depression, sadness, etc.

### Law protection women at work place

- Equal remuneration Act apply to both women working under private and government organisations.
- Maternity Benefit Act states to pay during maternity leave at the rate at which she was working prior to leave period.

### Safety for women

It is said that in some countries no proper law have been established to create safe environment for women, however, position has been constantly improving with more women voices.

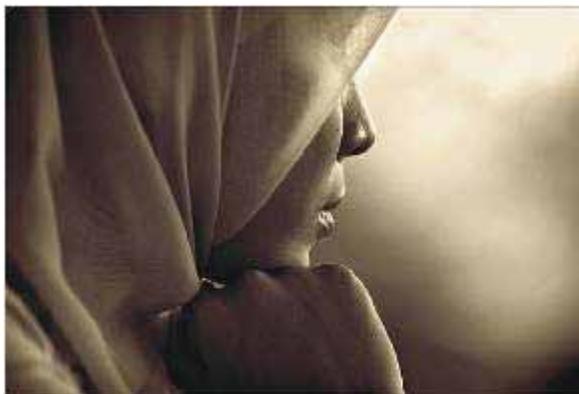
In Saudi Arabia, the government is proposing a nation wide system under which a supreme commission will be established to protect women and children from violence. Many women are also providing services to fight against rights of women e.g. lawyer Hina Jilani in Pakistan provides free legal aid to abused women in her country.

### Interpreting independence

Through time women have fought and won for the right to vote, work, receive equal pay, own property, get educated etc. but still there are women who have to ask their husband or dads every time they intend to enroll for a hobby class or a "women only" trip abroad.

For today's women, her independence matters most even more than marital pleasures and marital bliss. They want freedom to choose career, manage finances, their life partner and to decide whether to have babies or not.

### Lines of inspiration



Until women are not completely independent, they have to take decision after keeping into consideration, opinion of their family member's up to a certain limit. They have to bear lots of pain and problems to achieve something. They have to motivate themselves to achieve success in their desired area.

Your pain needs to be listened to and tuned into fuel to move your life forward. First find out what your greatest pain is, then by recognizing how to heal that pain through your work. Your career then becomes a powerful platform for healing you and healing others. Remember the more pain you have, the more fuel you have. Consider your pain to be your greatest blessing and move forward.



## Chartered Accountants at the helm

The Institute of Chartered Accountants of India has invited successful and renowned Chartered Accountant, and CEO designate of HDFC Bank, CA. Keki M Mistry. CA. Uttam Prakash Agarwal, President, ICAI also deliberated. CA. Prateek Jain, CFO, AIG Investments and Co-opted member in Committee for Members in Industry moderated the discussion. The following are the edited excerpts from the webcast.

**CA. Uttam Prakash Agarwal:** Webcasting was my dream project when I took over as the President of the Institute. Through webcasting mode, we can reach each one of you, the members and students, not only at the time when we desire but when you desire, when you want to learn and understand. It is great way of communicating. Through this medium we can provide interaction with highly rated experts available in our country.

The role of chartered accountant has changed over time. They are not merely postmortem officers. Five years back, people used to think that the chartered accountants are Compliance Officers. Today, they have proved that the Chartered Accountants are not the Compliance Officers but are the Business Solution Providers. Time has gone when Chartered Accountants used to sit as a Chief Accountant. Today, my Chartered Accountants sit in the Board Room; they are the strategic partners, business solution provider. Their function is not restricted to accounting, auditing or banking. Today the Chartered Accountants have a role in all the sectors.

CA. Keki Mistry who happen to be a Chartered Accountant first and then the Vice-Chairman and Managing Director, recently has also been appointed as CEO of the HDFC Group. We can learn a lot from his wisdom and knowledge.

**CA. Prateek Jain:** Mr. Mistry is no stranger for us and needs no introduction. A Chartered Accountant from ICAI, and a Certified Public Accountant from US, Mr. Keki Mistry brings with him three decades of varied experience in banking and financial services.

Within the next couple of weeks, he would be stepping in the shoes of illustrious Shri Deepak Parikh whom the nation has recognized as one of the drivers of the financial sector reforms in the country.

*How do you feel about it and what would be your key challenges?*

**CA. Keki Mistry:** Let me thank first of all the President and Prateek for inviting me here to talk to all of you. It is a great privilege and honour to be part of the Institute from where I passed out 30 years ago.

As far as I am concerned, nothing has changed. Deepak Parikh will continue to be actively involved in the affairs of the HDFC. He will continue to chair some of our internal committees. His advices, his guidance, his support will always be with us.

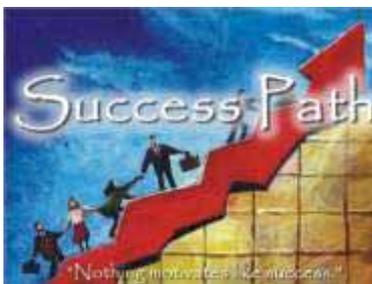
If you ask me, what are the challenges, they are to continue doing what we have been doing all these years. In HDFC, we have clearly set for ourselves certain targets, certain goals, certain aspirations and certain objectives and we work every year to try and attain these objectives.

For example, we have set four objectives for us. This is historical.

Our first objective is to increase our return on equity every year. If we look at our return on equity, in 1995, it was 15.5 per cent and every year from 1995 to 2007, return on equity went up the previous year by a minimum of one percentage point. In 2007-08, we raised equity. As a result, the return on equity came down. Last year, return on equity was 18.8 per cent and our target will be to try and increase return on equity again by at least one percentage point every year.

Our second goal has been asset quality. We have continuously told the investors that we were focused in a big way on asset quality. Our focus on quality is reflected historically. From 1977, over a period of 32 years, our total loan losses, money that has not been able to recover, has been only 0.04 per cent of what had been disbursed

Our third goal is Operational Efficiency, which is reflected by a very low cost income ratio. Our cost-



income ratio last year was 8.8 per cent. We believe that given the size of the markets in India, given the shortage of housing, given the low level of penetration, the sector should be growing at about 20 per cent a year for the next several years. I think that is really, what we need to try to continue to achieve, continue simultaneously trying to focusing on the broad principles, around which we have built the organization for so many years.

**CA. Prateek Jain:** *Sir, from Assistant Manager in 1981 to the CEO, how would you trace your journey for the last 30 odd years?*

**CA. Keki Mistry:** My first preference and my love has always been finance. I love finance in the broader sense of the word. It is accounting, it is finance and it is corporate planning. Over a period of time, in a financial organization like HDFC, everyone has to be well versed in the finance. Therefore, you find that most people in HDFC have a financial background. So, with these people, we have all grown; we have set up the organization as a team as a well-knit group and I think that is the way, it would continue to be.

**CA. Prateek Jain:** *Sir, can you enlighten us, how the basic qualification as Chartered Accountant has enabled you to reach the pinnacle of your organization.*

**CA. Keki Mistry:** I think the qualification as Chartered Accountant has tremendous value to you. As a Chartered Accountant, you are very meticulous; you are able to analyse and understand the subject much better than someone who has a very broad kind of vision on what is going on. You are more focused on what you do and I think that the principles are more focused upon greater attention, details are given much more care, and much more effort into developing are the best plus point as a CA.

**CA. Prateek Jain:** *Mr. President, this would be music to your ears when he says that CAs are meticulous, focused and has a great attention to the minutest detail. Your thoughts on that!*

**CA. Uttam Prakash Agarwal:** That is the potential of a Chartered Accountancy. More particularly, the three years' articleship training which all of us have undergone as highlighted by Mr. Mistry. I feel that we should not underestimate the role of articleship training in moulding our professional life. What Mr. Mistry has said, will go to my

younger generation as to how he has grown from the post of Assistant Manager to this great position.

**CA. Keki Mistry:** I think I would add another dimension that as a Chartered Accountant, one should focus not only on the accounting aspect. For a Chartered Accountant, there is a much larger role and many of the decisions in today's time and world are based on sound analysis of the financial viability of any project any new venture. So, Chartered Accountants have a huge responsibility, an important role to play in achieving these targets. I think the Chartered Accountant is the one who brings more sanity, more strength and more thinking into any new project that an organization embarks on.

**CA. Prateek Jain:** *Sir, you have been the key strategist in taking HDFC Limited into new horizon. How different is, your recipe and what are your guiding principles for the management.*

**CA. Keki Mistry:** I think there is no difference; there is no new recipe. It is being really focused on what you want to do. You have to have a very clear-cut objective, a very well defined target and then you have to work your way towards attaining that objective and target.

**CA. Prateek Jain:** *You have been emphasizing on the words focus and meticulousness for what Indian CA has been recognized for years. Sir, in terms of the current state of Indian economy, does it reflect the maturity or otherwise of the corporate practices in India? How do you compare the Indian scenario with this international practice in corporate governance and what are the corporate governance practices your organization follow, which you would like to mention?*

**CA. Keki Mistry:** If you ask me the corporate governance practices that we have in India, believe me, we are among the best emerging markets. One or two stray instances of bad practices, bad governance does not change that or does not alter that. Even in the largest of the companies, there are exceptions, there are cases where one or two or three companies have not followed the principles of corporate governance. That should not change the fundamental facts that India has very strong corporate governance. As the foreign institutional investors started investing larger amounts into Indian markets, they were very concerned about the governance. So, that is

the time when many Indian companies started looking at governance in a bigger way and most of this was voluntary compliance. It is not that there were no legal rules or legal laws on governance, legal rules did come up over a period of time. For example, the listing agreements for stock exchanges, there is a clause 49 for which the Indian companies have no idea but most of the principles of corporate governance that have practiced in India came as a voluntary effort by the concerned company to follow the best practices. I think, India does have the best of practices and there is nothing, which is lacking in India.

**CA. Prateek Jain:** *Mr. President, what about your thoughts on the corporate governance in India?*

**CA. Uttam Prakash Agarwal:** Corporate governance, I will say, the way it should have been taken up by the corporate houses, has not been taken up. Most of the companies see it just as compliance. In the true sense if Corporate Governance is implemented, then India will prove across the globe that how a corporate house should work. In some of the companies the Audit Committee Chairmen are from different areas and they do not know the basics of auditing. Audit committee has a very important role in this corporate governance.

**CA. Keki Mistry:** I just want to add what President said that Clause 49 of the Listing Agreement requires companies to have audit committees and a majority of the members of the audit committee must be independent members. Also, it says that the Chairman of the audit committee must be someone with a finance background or with finance knowledge. I think that, to some extent, answers some of these issues. Having said that, in my view, I think all the members of the audit committee must be independent and in my view, management representatives should not be the members of the audit committee.

**CA. Prateek Jain:** *HDFC is one of the organizations, which remained unaffected in the recent global crisis in spite of the fact that the organization is exposed directly to home loans. What are the key risk management practices you follow in your organization?*

**CA. Keki Mistry:** We follow very close risk management practices in HDFC. We have a Risk Management Committee. Almost every section, every department is represented in that risk

management committee. The risk management committee meets periodically. Its role is to try and understand what are the new risks that HDFC would face and then to find ways and means of mitigating that risk. There is a process of identifying risks. Let me tell you that the comparison of India with the western world is not correct for a number of reasons. Penetration of the mortgages in India is very low. The mortgage liquidity ratio in India is seven per cent. The mortgage liquidity ratio in US is 80 per cent. Now, when the penetration levels are so high and still the banks over there need to grow at 20-30 per cent a year, then the only way they can grow out is to come with products which is inherently risk free.

**CA. Prateek Jain:** *Sir, ICAI, as an Institute, has been providing world-class finance professionals and, as President mentioned, a complete business solution provider. In your view, how can we put across this message to the larger international audience?*

**CA. Keki Mistry:** I think, effort has been made successfully. So, it will help India in getting recognition globally amongst other accounting bodies. I was in the UK some time back and I was talking to the members of the Institute there. They were speaking high of the ICAI. So, I think, efforts have been made and have been made successfully. But, what we need to do is more seminars and programmes where we invite people from overseas into India. We had a very successful conference in Agra a few months ago. More such seminars, probably will help people and other countries to understand the level of professionalism that we have in the accounting profession in India.

**CA. Uttam Prakash Agarwal:** I would also like to add that for first time we had a programme last month with the Institute of Chartered Accountants of England in India. That was the first time we invited eminent personalities and their President had participated in the programme. So, the ICAI has already started working in the direction.

Everybody knows that there is a mandatory provision that members in the practice have to undergo a 20-hour CP Programme. For industry members it is 10 hours which we have not made mandatory. As there are a lot of changes taking place, we want that our members should be updated through programmes such as seminars.

**CA. Prateek Jain:** Sir, what are the lessons learnt from the current global financial crisis?

*How should India as a country, and Indian CA's in senior management position, should guard themselves from such crisis?*

**CA. Keki Mistry:** I think that it goes back to what I said earlier that be really focused in what you want to do. Just do not grow for the sake of wanting to grow or just for the sake of growing / being big in size. I have mentioned the goals that we set for ourselves every year. It is, being focused on what you want to do, not doing anything out of the role. Remain within your core competency. The global crisis happened for reasons, which were very different from India. India is largely a domestic economy. Eighty five per cent of India's economy is domestic and therefore, the impact of what happens in the western world would have a relatively or significantly lesser impact on India than it would have on any other country. The regulations in India are extremely good. So, we kept ourselves within our ambit. We tried to ensure that we have not just gone and blindly copied global practices because they were prevalent elsewhere. So, we stuck to our basics and that has been our strength.

**CA. Prateek Jain:** Sir, we believe there are a sizeable number of Chartered Accountants serving in your organization. How have they contributed towards the strategic and operational development of your organization?

What are the areas where ICAI and HDFC can jointly work for development of Chartered Accountants as a profession with a focus on economical and social development of our country as well as contributing for their own development?

**CA. Keki Mistry:** See, we have about 1570 employees working in the whole of HDFC. So, it is not a very large work force that we have. I am talking of pure HDFC. I am not talking of the Group. In the Group, we have a far larger number of people. Out of 1570 employees, we have about nine to ten per cent of staff as Chartered Accountants. So, Chartered Accountants in an organization like HDFC being a financial institution always have a big role to play. There is always going to be a critical and important role that has to be played by Chartered Accountants in HDFC.

**CA. Prateek Jain:** *Sir, would you like to speak something to our Chartered Accountant members?*

**CA. Keki Mistry:** I would say, "Be proud of your profession. Be proud of what you have done in your studies. The CA Institute is a moulding ground. Believe me, I honestly believe in saying this with full conviction that what I learnt in the three years, while doing my CA, was far more than I could have expected to learn or I probably have thought that I would learn if I had taken any other profession. So, be proud of your profession. Yes, those three years are difficult. I remember my earlier years of articles where every day you are hoping that the time passes. Believe me that the experience you garner during those three years of articles, extends you enormous benefits, enormous depth and enormous use in your future career."

**CA. Prateek Jain:** Is there something, which you still want to achieve both professionally and otherwise?

**CA. Keki Mistry:** Professionally, I really do not want to achieve anything. But, on personal note, I would like to do something for poor people. That is a personal thing, very personal thing. I want to build up a home for poor people.

**CA. Uttam Prakash Agarwal:** What guidance you could provide to the Indian Chartered Accountants who qualify now and, in future, the Keki Mistry of this country?

**CA. Keki Mistry:** I would say, "Don't think of money. Honestly, don't look at money. Money will come on its own in the course of time. If you look at industry, (1) you should look at companies which practice the best governance because at the end of the day, the companies which practice governance or good governance are the companies with whom we can go far in life. (2) You should look at companies where the growth prospect is high. Do not look only at the accounting function. As you work in the companies, start looking at other areas where you would be able to make a contribution and believe me, if your contribution is good, it will be recognized; it will be rewarded and you will go a long way in your career."

**Note:** Complete webcast is available under the link 'ICAI WebCast Channel' at <http://www.icaai.org/>



# National Competitive Advantage

**Dr. Suresh Ghai**

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Competitiveness has been at the core of international trade. Countries, industries and firms are exploring new ways to gain, maintain and / or enhance competitiveness in various products and services.

Indian software and software services industry, which started in 1970s had a slow growth in the initial years, but expanded after 1998 and has grown into a US \$ 40 billion industry in 2008. While software exports from India have been growing at a rate of approximately 25% in the last few years, India is still considered as a player with 'low cost value proposition'. Increasing emphasis on low value added outsourcing industry has eclipsed the strategies required to maintain the competitive edge in software and services industry.

Indian companies are facing competition from countries like China, Ireland, Israel and some countries of East Europe and Latin America, which are developing skills and expertise to garner larger share of global market in software and services. The higher growth of salaries in India (12-15 percent) in the last few years is eroding competitiveness in the services market.

## Conceptual Framework

While competitiveness has always been an important factor in international trade, the initial theories focused more on the product advantage that a country had rather than competitive advantage. Adam Smith's (1776) theory of absolute advantage and David Ricardo's (1817) theory of comparative advantage focused on deriving competitive advantage from costs and products.

Heckscher and Ohlin (1933) introduced the concept of relative availability of basic factors of production i.e. land, labour and capital and the competitiveness of countries in the products, which use their abundant factor(s). Vernon (1966) traced the movement of products from developed to developing countries based on the international product life cycle theory.

The Debate on competitiveness intensified in 1970s, when American business was threatened by Japanese, who started large scale exports of consumer electronic products and automobiles at cheaper prices. Michael Porter, an acknowledged authority on strategy and competitiveness wrote extensively on the topic. He defined 'competitiveness' as "having an edge over the competitors on account of higher productivity

and/ or efficiency" (Porter, 1980). He introduced the Five Forces Model (Porter, 1980), which states that nature and level of competition depends upon (1) the threat of new entrants (barriers to entry), (2) bargaining power of buyers, (3) bargaining power of suppliers, (4) the threat of substitute products/services, and (5) degree of rivalry among existing competitors. According to him, the strategist should analyze the source and relative impact of each of these forces; while all five forces jointly determine the intensity of industry competition and profitability, the strongest competitive force(s) are of greatest importance for strategy formulation.

Later he further elaborated that 'competitive advantage' is "how a firm actually puts the generic strategies into practice, gains a sustainable cost advantage and differentiates itself from the competitors" and "developing and maintaining relative strength" (Porter, 1985). He explained how the choice of competitive scope - the breadth of a firm's activities - plays a leading role in creating competitive advantage through "the value chain" (Porter, 1985). The Value chain analysis allows the manager to separate the underlying activities performed by firms i.e. designing, producing, marketing, and distributing its products or services, from which competitive advantage ultimately originates.

### Porter's Diamond Model

In 1990 after an extensive empirical study in 10 countries, covering 110 industries, he defined international competitiveness in his landmark book, "Competitive Advantage of Nations", as "the firm's ability to compete successfully against foreign rivals in the particular segments and industries" (Porter, 1990). He elaborated the competitiveness at three different levels i.e. the country, industry and at firm level and defined 'national competitiveness' as "national attributes that foster competitive advantage in particular industries" or "developing and maintaining relative strength" (Porter, 1990). Some of Porter's insights were the result of his studies during his tenure on the US President's Commission on Industrial Competitiveness, where he studied the competitiveness of US industry with respect to other competing developed countries especially Japan.

Porter's 'Diamond Model' focuses on microeconomic environment which consists of four primary determinants of competitiveness as follows:

1. Factor conditions - human, physical, knowledge, capital and Infrastructure resources.
2. Demand conditions - composition of home demand, demand size and pattern of growth, internationalization of domestic demand, and the interplay of demand conditions.
3. Related and supporting industries - presence of internationally competitive suppliers and related industries.
4. Firm Strategy structure and rivalry - methods of creation, organization and management of domestic companies, their strategies and the nature of rivalry among them.

These elements are arranged in the form of a diamond as shown (in figure 1); each element interacts with others to reinforce/weaken the competitiveness and the 'diamond' as a whole acts as a system.

He also said that 'chance' and 'government' can play a role in industries becoming competitive/uncompetitive by affecting the above four elements of 'diamond'. For example the Y2K problem and later introduction of Euro as the currency for European Union gave a definitive push to the demand for software services from India.

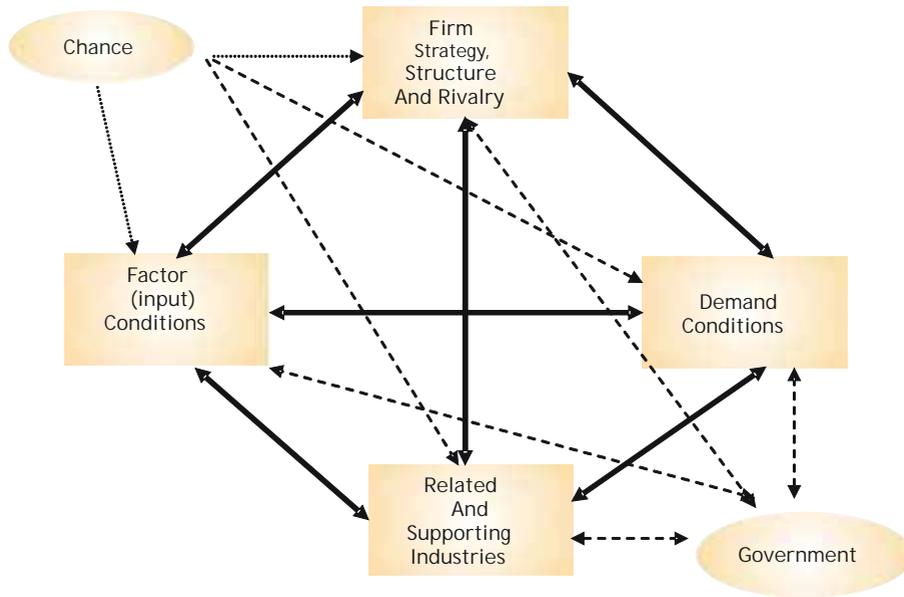
According to him "the determinants, individually and as a system create the context in which a nation's firms are born and compete".

He strongly feels that nations are most likely to succeed, where the national diamond is most favourable, though it may not be necessary to have favourable conditions in all the determinants. However for sustainable advantage in knowledge based industries, it is preferable to have all the determinants in its favor, as "interplay of advantages in many determinants yields self reinforcing benefits that are extremely hard for foreign rivals to nullify or replicate" (Porter, 1990).

He further subdivides these factors into 'basic' and 'advanced' and 'generalized' and 'specialized' factors. According to him it is the 'advanced' and 'specialized' factors, which enhance competitiveness more than the 'basic' and 'generalized factors'.

Porter's study has been reinforced by his research on competitiveness in many countries and regions with wide range of industries and developing strategies for improving their competitiveness.

During his studies, Porter also found evidence that the diamond promotes clusters, "usually linked through vertical (buyer / supplier) or



**Figure 1: Porter's Diamond Model**

Source: Porter, Michael, Competitive Advantage of Nations (1990)

horizontal (common customers, technology, channels etc.) relationships" of competitive industries in a country.

Porter's research placed special emphasis on identifying and studying the internationally successful service industries in the countries studied by him and found that the "Diamond" is equally applicable to services.

Porter's Diamond has been later modified / adapted by various other researchers to suit the particular countries and industries.

Cartright (1991), Rugman and D'cruz (1993) doubted on the ability of Porter's diamond to satisfactorily explain the competitiveness of land based industries in a country like New Zealand, which have high export propensities and to countries which are closely linked to some other neighbouring countries or due to trade agreements.

Rugman and Verbeke (1993) challenge Porter's contention that the core competencies of large multinational enterprises (MNEs) and the innovative processes being followed by them depend upon the factors of a single home diamond. According to them diamond exists for a cluster and not a country. They present a new framework to show the possibilities of potential impact of national diamonds on the global competitiveness of MNEs by a matrix shown below:

In their view, Porter's focus is on the 4th quadrant, i.e. the initial home base of a multina-

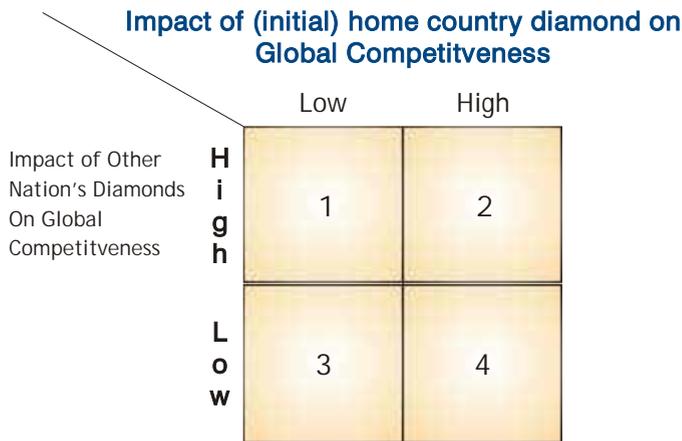
tional corporation as its main source of competitive advantage and the diamonds of other nations are used to make this advantage more sustainable in the global context. They also feel that in contrast to Porter's view, globally linked innovation, benefits of worldwide learning and global scope economies are gained by MNEs through their various subsidiaries/SBUs. The view is also shared by O'Connell, Clancy and Van Egeraat (1999), Dunning (1993) and Davies and Ellis (2000).

Rugman proposed "Double Diamond" to suit the US - Canadian close business relationship (Rugman, 1995).

O'Connell, Clancy and Van Egeraat (1999), on the basis of their study of software industry in Ireland, feel that domestic demand for some of the companies does not play any role, because they are completely export oriented, while for some others, the importance of demand has become less important with time.

Global Competitiveness Report, published annually by World Economic Forum also uses Porter's Diamond Model as a major component.

Kapoor and Ramamurthy (2001) introduced the "Virtual Diamond" for analyzing the competitiveness of Indian software industry. They highlighted the differences between industries studied by Porter and the software industry in India and found that most of the demand for Indian software comes from United States and



**Figure 2 : Impact of Home Country and other Nation's Diamond on Competitiveness**

(Source: Rugman and Verbeke; 1993)

hence adapted the Porter's Diamond, as shown below, to take care of this peculiarity.

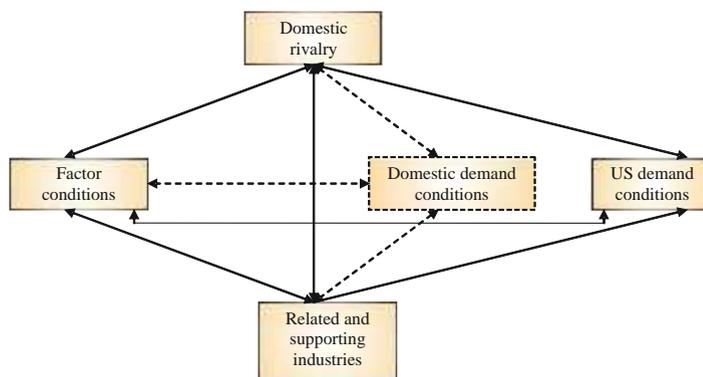
They proposed a concept of co-connection for software industry, as opposed to co-location, predominantly used for manufacturing/ marketing industry. According to them, digitization of software, even work in process software, makes it possible to move between locations instantaneously. In fact, geographic location in different time zones has made it possible to facilitate 'round the clock' software development in India and USA, thus turning co-location disadvantage into an advantage.

India was able to leapfrog and adopt state-of-the-art hardware and technology platforms and converted the disadvantage of co-location by occasional visits to USA or vice versa; initially taking low skill jobs in USA and gaining experience on the job. This was facilitated by "social

networking" with Indians working in Silicon Valley, USA. With time, they moved up the value chain to more complex assignments. This was further boosted by American companies setting up development centers in India and large Indian companies setting up offices in USA or acquiring US companies.

Porter's Diamond and its variants have been used to analyse competitiveness of various industries in many countries including India. It has also been used to study the competitiveness of various cities and regions in several countries and has been found to be successful in varying degrees.

It has also been used in India by CII for studying the competitiveness of several industry clusters in India, including textiles, a traditional Indian export product to the high tech software industry and has been found to be fairly successful.



**Figure 3: India's Virtual Diamond in Software**

Source: Kapoor and Ramamurthy May 2001



# GST - Major change in Indian tax structure

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## 1. Introduction

In view of federal structure of governance in India, there is multiplicity of taxes on goods and services. Excise duty on manufacture, customs duty on imports/exports and service tax on services are levied by Central Government, while sales tax (State Vat), Entry tax/octroi and duty on liquor are levied by State Government.

Besides these, there are plethora of taxes like cesses, surcharge, stamp duty, entertainment tax, road tax and what not.

Such multiplicity of taxes distorts the tax structure and brings in complexities. Reforms in taxes are of course a continuous process. Cenvat (that time it was termed as 'Modvat') was introduced in 1986 in Central Excise to avoid cascading effect of excise duties. Introduction of State Vat started in 2005 and now most of the States have implemented State Vat.

GST (Goods and Service Tax) is a logical consequence of State Vat.

Idea of national GST was first mooted by Kelkar Task Force in 2004. A task force was formed under Chairmanship of Shri Vijay Kelkar on Implementation of Fiscal Responsibility and Budget Management Act. The Kelkar Committee submitted its report in July 2004. The Committee strongly recommended fully integrated 'Goods and Service Tax' (GST) on national basis.

Full integration of goods and service tax will obviously take considerable time, as it can be achieved only after political consensus is achieved. However, a beginning was made by proposing to make credit of service tax and excise duty inter-chargeable.

**Empowered Committee for GST** - The task of designing and implementing GST was taken up Empowered Committee of State Finance Ministers, which had also designed the State Vat. The Empowered Committee had appointed various working groups and also had various meetings to discuss issues relating to proposed national GST.

**Basic idea of GST considerably diluted** - When it was initially proposed as a national GST in 2004, it was projected as a solution to all ills of taxation. It was envisaged that there will be a simple single

point GST. All Central and State taxes will be merged in national GST. In short, it was projected as a six lane super highway of taxation.

Over the years, basic idea of 'one single tax' has been considerably diluted and various compromises have been made.

**Release of first discussion paper** - It appears that some basic ideas about way to implement GST have crystallised. First discussion paper has been released by Empowered Committee of State Finance Ministers on 10-11-2009.

It is true that many aspects of GST are yet not clear in the first discussion paper released, but now basic direction of GST is known through discussion paper. The discussion paper gives broad outline of policy of proposed GST. Thus, the basic direction in which GST is heading is clear though many issues are yet to be sorted out. The discussion paper at least provides the industry and business a glimpse of shape of things to come.

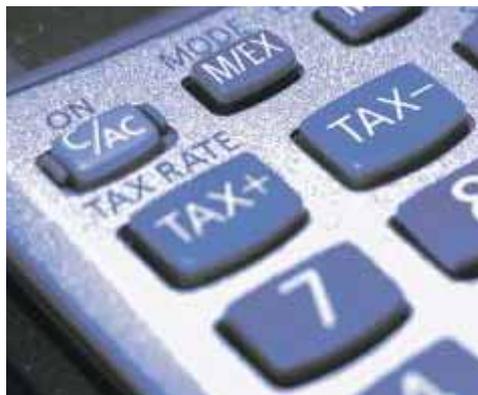
*Of course, it is still a long way to go.*

**Compromised GST** - The GST system as proposed to be introduced is result of deliberations of committee of representatives from 29 States. Each State has its own views and peculiarities. Hence, having uniform nationwide GST is very difficult and some compromises/ adjustments are inevitable. This had happened while introducing State VAT also.

### 1.1 Background of 'Empowered Committee of State Finance Ministers'

Tax on sale within the State is a State subject. Over the period, many distortions had come in taxation due to unhealthy competition among States by giving sales tax incentives and 'tax rate war' started to attract more revenue to State. Many steps were taken to remove the distortions and rationalise tax structure since 1999. It was decided to introduce uniform State Level VAT.

Introduction of VAT was difficult in India as sales tax is a State Subject and sales tax on sale within the State can be levied only by respective State Governments. Even in respect of Central Sales Tax (CST), though the tax is levied under Central Act, the CST is collected in the State from which goods



are sold, i.e. originating State and CST so collected is retained by that State only. The CST amount never goes to Union Government.

After lot of persuasion by Central Government, all States ultimately agreed to introduce State Level sales tax VAT at the conference of Chief Ministers all States at Delhi in November, 1999. A high power committee termed as 'Em-

powered Committee of State Finance Ministers' consisting of Finance Ministers of all 29 States was constituted under Chairmanship of Dr. Asim Dasgupta, Finance Minister, West Bengal. It was decided to introduce Sales tax VAT w.e.f. 1-4-2002. It could not be done and introduction of VAT was delayed on several occasions. Finally, state Vat has been introduced in most of the States. The Empowered Committee is registered as a Society with administrative office at New Delhi.

## 2. Overview of proposed GST

The overview of proposed GST is summarised as follows -

- GST will be on supply of goods and supply of services. Concept of 'sale of goods', 'manufacture' and 'provision of services' will disappear.
- There will be dual GST - State GST (SGST) and Central GST (CGST). In case of inter-state sale or stock transfer, Inter State GST (IGST) will be payable.
- Basic principle of VAT that it is a consumption-based tax has been retained in GST. Destination principle will apply in GST.
- GST will be on all goods and services excluding some exemptions and exclusions.
- There will be no distinction between goods and services. Hence, present issues relating to works contract, supply of food by caterers, AMC etc. will become redundant. Issues relating to software (whether goods or service) will become redundant.
- It seems purchase tax will be allowed on some goods in some States which are 'producing States' of specified commodities like agricultural products, minerals etc.
- Service tax rate is envisaged to be uniform for all services. However, in respect of goods,

there will be at least three to five slabs, as are presently applicable to State Vat.

- Input tax credit (ITC) of SGST and CGST is **not** inter-changeable. However, credit of IGST can be utilised for payment of IGST, CGST and SGST (in that sequence).
- If there is excess credit of unutilisable SGST or CGST, it is not refundable, except in case of exports and supplies to SEZ. In case of inter-state sales, though they are zero rated, question of refund will not arise due to provision of payment of IGST.
- Basic exemption will be Rs 10 lakhs in case of services. The same limit may be there for traded goods also for purpose of SGST.
- In case of manufactured goods, presently, excise exemption upto Rs 150 lakhs per annum is available. It seems the small enterprises (earlier termed as SSI) with turnover less than Rs 150 lakhs per annum will be exempt from CGST but will be liable to pay SGST (as at present).
- IGST on inter-state transactions is a very novel idea. Inter-state GST (IGST) will be imposed on inter-state transactions of both sale and stock transfer. This IGST will be entirely collected by Centre. The dealer in importing State will be entitled to avail Input Tax Credit (ITC) of entire IGST. If he utilises that credit for payment of SGST, that amount will be reimbursed to the importing State by Centre.
- If the dealer in exporting State utilises credit of SGST for payment of IGST, Centre will debit that amount to the exporting State. Thus, Centre will act as 'clearing house' among different States.
- IGST can be charged in Invoice only if the selling dealer is registered under IGST. Similarly, credit of IGST can be taken only if the purchasing dealer is registered under IGST. Credit will be cross checked through mechanism of e>Returns to be filed by selling dealer and purchasing dealer.
- IGST will considerably reduce refund claims made. As is well known, refunds lead to corruption and harassment. It also increases litigation, as refund claims are often rejected on flimsy grounds (due to fear of 'audit objections'). Another problem in getting refund of SGST is that financial position of most of the States is precarious.

- Entry tax (which is in lieu of octroi) and octroi will continue.
- Rate of SGST and CGST has not been specified. As per press reports, both the rates may be around 8% each.
- In case of imported goods, IGST comprising of both CGST and SGST will be imposed in place of CVD (equal to excise duty) and special CVD (4% in lieu of sales tax). The input tax credit of IGST will be available.
- Small manufacturers with turnover less than Rs 1.50 crores, small traders with turnover upto Rs 50 lakhs and small service providers (limit not specified but my hunch is that it will be around 30-40 lakhs) will be liable to pay only SGST. It seems optionally, they can pay IGST, if they want to remain in value chain.
- A composition scheme i.e. paying SGST at flat rate of turnover will be provided to small manufacturers having turnover upto Rs 50 lakhs and also to small service providers.

### 3. A primer on Vat

GST is based on principle of Vat. Hence, it is appropriate to see basics of Vat.

If a tax is based on selling price of a product, the tax burden goes on increasing as raw material and final product passes from one stage to other. For example, let us assume that tax on a product is 10% of selling price. Manufacturer 'A' supplies his output to 'B' at Rs. 100. Thus, 'B' gets the material at Rs. 110, inclusive of tax @ 10%. He carries out further processing and sells his output to 'C' at Rs. 150. While calculating his cost, 'B' has considered his purchase cost of materials as Rs. 110 and added Rs. 40 as his conversion charges. While selling product to C, B will charge tax again @ 10%. Thus C will get the item at Rs. 165 (150+10% tax). As stages of production and/or sales continue, each subsequent purchaser has to pay tax again and again on the material which has already suffered tax. This is called *cascading effect*.

**Cascading effect of conventional system of taxes** - A tax purely based on selling price of a product has cascading effect, which has the following disadvantages - (a) Computation of exact tax content difficult (b) Varying Tax Burden as tax burden depends on



number of stages through which a product passes (c) Discourages Ancillarisation (d) Increases cost of production (e) Concessions on basis of use is not possible (f) Exports cannot be made tax free.

**VAT to avoid the cascading effect** - VAT was developed to avoid cascading effect of taxes. In the aforesaid example, 'value added' by B is only Rs. 40 (150-110), tax on which would have been only Rs. 4, while the tax paid was Rs. 15. In VAT, the idea is that B will pay tax on only Rs 40 i.e. value added by him. Then, it makes no difference whether a product passes through 5 or 10 stages or even 100 stages, as every person will pay tax only on 'value added' by him to the product and not on total selling price.

**Tax credit system** - VAT removes these defects by tax credit system. Under this system, credit is given at each stage of tax paid at earlier stage.

### 3.1 Illustration of tax credit system

In the example we saw above, 'B' will purchase goods from 'A' @ Rs. 110, which is inclusive of duty of Rs. 10. Since 'B' is going to get credit of duty of Rs. 10, he will not consider this amount for his costing. He will charge conversion charges of Rs. 40.00 and sell his goods at Rs. 140. He will charge 10% tax and raise invoice of Rs. 154.00 to 'C'. (140 plus tax @ 10%). In the Invoice prepared by 'B', the duty shown will be Rs. 14. However, 'B' will get credit of Rs. 10 paid on the raw material purchased by him from 'A'. Thus, effective duty paid by 'B' will be only Rs. 4. 'C' will get the goods at Rs. 154 and not at Rs. 165 which he would have got in absence of Cenvat. Thus, in effect, 'B' has to pay duty only on Rs 40, which is the value added by him.

**Table 1. Following example will illustrate the tax credit method of Cenvat.**

Details	Transaction without VAT		Transaction With VAT	
	A	B	A	B
Purchases	-	110	-	100
Value Added	100	40	100	40
Sub-Total	100	150	100	140
Add Tax 10%	10	15	10	14
Total	110	165	110	154

**Note** - 'B' is purchasing goods from 'A'. In second case, his purchase price is Rs 100/- as he is entitled to Cenvat credit of Rs 10/- i.e. tax paid on purchases. His invoice shows tax paid as Rs 14. However, since he has got credit of Rs 10/-,

effectively he is paying only Rs 4/- as tax, which is 10% of Rs 40/-, i.e. 10% of 'value added' by him.

**Advantages of tax credit system** - The 'Tax Credit Method' has following advantages - (a) Audit control is much better, which helps in controlling tax evasion. It acts as a self-policing mechanism (b) Flexibility in applying varying tax rates to different commodities (c) Useful in giving tax benefits on exports or other preferred end-uses like uses by common man, etc. Most of the countries have adopted 'tax credit' method for implementation of VAT.



**Meaning of 'Value added'** - In the above illustration, the 'value' of inputs is Rs 110, while 'value' of output is Rs 150. Thus, the manufacturer has made 'value addition' of Rs 40 to the product. Simply put, 'value added' is the difference between selling price and the purchase price.

### 3.2 Highlights of Vat

The basic principles are as follows -

- Vat is a consumption based tax. Tax is payable only when goods are consumed. Till that time, the burden of tax is passed on by seller to buyer.
  - In Indian context, SGST (State Vat) will be collected by State where goods are consumed (Importing State). State where goods are manufactured or produced (Exporting State) will not get any tax revenue.
  - Vat does not require one to one relation. All input tax credit (ITC) forms a common pool, which can be utilised for payment of tax on final product or output services.
4. **Inter State GST is a very good and novel idea**  
IGST on inter-state transactions is a very novel and practical idea. This is a unique idea, not existing anywhere else in the world.

At present, dealer having inter-state transactions is in a difficult position. CST payable is only 2% (in some cases Nil, if it is stock transfer). He is required to file refund claim if his credit of State Vat (later it will be State GST) is high.

It is experience that refunds lead to corruption (politely termed as 'rent seeking') and harassment. Huge funds of dealer are blocked, seriously affecting his working and cash flow. It also increases litigation, as refund claims are often rejected on some grounds.

IGST will considerably reduce this difficulty.

#### 4.1 Credit of IGST used for SGST to importing State

It is envisaged that Inter-state GST (IGST) will be imposed on inter-state transactions. It will be equal to SGST plus CGST. The IGST will be entirely collected by Centre. The dealer in importing State (i.e. where goods are received for sale, use or consumption) will be entitled to avail tax credit of entire IGST. If the dealer in importing State utilises that input tax credit for payment of SGST, the amount will be reimbursed to the importing State by Centre.

IGST has to be paid electronically. The amount to be credited to importing State will be calculated on basis of e-returns submitted by registered dealer in importing State, on monthly basis.

It is envisaged that dealer in importing State will utilise input tax credit of IGST in sequence of IGST, CGST and SGST. Thus, input tax credit (ITC) of IGST will be utilised first for payment of IGST on sale of goods and services and then for payment of CGST. Only balance, if any, will be utilised for payment of SGST.

#### 4.2 Debit of SGST used for payment of IGST to exporting State

Registered Dealer in importing State can take ITC (Input Tax credit) of IGST paid by dealer in exporting State. The credit will be matched with e-returns filed by registered dealers of importing State and exporting State.

If the dealer in exporting State utilises input tax credit of SGST for payment of IGST, Centre will debit that amount to the exporting State (i.e. State from which goods are sent to another State). Thus, Centre will act as 'clearing house' among different States.

The amount to be debited will be calculated by Centre on basis of e-returns submitted by registered dealer in exporting State, on monthly basis.

It is envisaged that the dealer in exporting State will utilise his input tax credit in sequence of IGST, CGST and SGST for payment of IGST on his sales/services. Thus, first he will utilise his input tax credit (ITC) of IGST and CGST for payment of IGST on his sale of goods and services. If that

credit is insufficient, then only he can utilise credit of SGST for payment of IGST.

#### 4.3 B2C and B2B transactions

In case of B2B transaction, the buyer in importing State will be registered and hence there will be debit and credit as explained above. In case of B2C transactions, the buyer in importing State will not be registered. In such case, the credit of SGST portion of IGST will be entirely credited to importing State, with some exceptions.

If the SGST rate in both exporting State and importing State are same, there will be no difference if goods are purchased in the State or procured from outside the State. However, if SGST rate in exporting State is lower compared to SGST rate within the State, it will be cheaper to import goods from outside the State. This might start 'rate war' among States!

#### 4.4 Control through TIN

Each dealer having inter-state transaction will be registered with Central authority and will have Tax Identity Number (Tax Identification Number) which will be Income Tax Pan based 13/15 digit number. The e-return filed by selling dealer will contain TIN number of purchasing dealer and amount of IGST paid. This will be matched with e-return filed by purchasing dealer and then only credit will be allowed.

#### 4.5 What happens if selling dealer of exporting State does not pay the IGST or takes bogus credit

The purchasing dealer can take input tax credit on basis of invoice issued by selling dealer.

However, it seems that if the selling dealer does not pay tax within prescribed period, the credit will be disallowed. Similarly, if it is found that selling dealer has taken bogus credit, it may be recovered from purchasing dealer. The control will be through mechanism of e-return and audit.

#### 4.6 Illustrations

Compute the invoice value to be charged and amount of tax payable under GST by a dealer who had purchased goods for Rs. 1,20,000 and after adding for expenses of Rs. 10,000 and of profit Rs. 15,000 had sold out the same. The rate of SGST and CGST on purchases and sales is 8%.

**Ans** – Effectively, tax is payable on Rs 25,000 @ 8% each i.e. Rs 2,000 of SGST and Rs 2,000 of CGST.

Compute the GST amount payable by Mr. A who purchases goods from a manufacturer on



payment of Rs. 2,32,000 (including GST) and earn 10% profit of net purchase price, on sale to retailer? SGST and CGST rate on purchase and sale is 8% each.

**Ans** - Net purchase price of Mr. A is Rs 2,00,000 (check that by adding 16%, the amount comes to Rs 2,32,000). His profit is 10% of net purchase price. Thus, his net sale price is Rs 2,20,000. He is liable to pay SGST of Rs 17,600 and CGST of Rs 17,600. He will get input tax credit (ITC) of Rs 16,000 of SGST and Rs 16,000 of CGST. Thus, he is liable to pay SGST of Rs 1,600 and CGST of Rs 1,600.

A dealer purchased 11,000 Kgs of inputs on which SGST and CGST paid @ 4% was Rs 4,000 each. He manufactured 10,000 Kgs of finished products from the inputs. 1,000 Kgs was the process loss. The final product was sold at uniform price of Rs 10 per Kg, as follows - Goods sold within State - 4,000 Kgs. Finished product sold in inter-state sale - 2,500 Kgs. Goods sent on stock transfer to consignment agents outside the State - 2,000 Kgs. Goods sold to Government departments outside the State - 1,500 Kgs. There was no opening or closing stock of inputs, WIP or finished product. The SGST and CGST rate on the finished product of dealer is 8% each. Calculate liability of SGST and CGST. Find Input tax credit available to dealer and tax required to be paid in cash.

**Table 2.** The tax payable would be as follows.

Description	Quantity sold	Value of goods sold	CGST payable Rs.	SGST payable Rs.	IGST Payable Rs.
Sale within State @ 8%	4,000	40,000	3,200	3,200	Nil
Goods sent on stock transfer outside State	2,000	20,000	Nil	Nil	3,200
Goods sold Inter State	2,500	25,000	Nil	Nil	4,000
Goods sold to Government, Inter-State	1,500	15,000	Nil	Nil	2,400
<b>Total</b>	<b>10,000</b>	<b>1,00,000</b>	<b>3,200</b>	<b>3,200</b>	<b>9,600</b>

Tax paid on inputs - SGST - Rs 4,000, CGST - Rs 4,000. This credit should first be utilised for payment of CGST and SGST respectively and balance is to be used for payment of IGST. Thus, balance available for payment of IGST is Rs 800 of CGST and Rs 800 of SGST.

Thus, tax payable is as follows -

- (A) IGST - Rs 8,000 (Rs 9,600 - Rs 1,600)
- (B) CGST - Nil
- (C) SGST - Nil



Since credit of SGST of Rs 800 has been utilised for payment of IGST, the State Government will get debit of Rs 800 from Central Government.

**In aforesaid example, if 2,000 Kgs were exported (and not stock transferred), what would be the tax liability and credit available.**

If finished product is exported. There is no tax liability. Hence, IGST will be Rs 6,400.

Further, the entire credit of tax paid on raw material is available. Hence, tax payable is as follows -

- (A) IGST - Rs 4,800 (Rs 6,400 - Rs 1,600)
- (B) CGST - Nil
- (C) SGST - Nil

Since credit of SGST of Rs 800 has been utilised for payment of IGST, the State Government will get debit of Rs 800 from Central Government.

**In the previous example, if the raw material was purchased inter-state (and not locally), on which IGST of Rs 8,000 was paid, what will be net tax liability of the dealer?**

The IGST paid should first be utilised for payment of IGST. Hence, he should utilise entire Rs 8,000 for payment of IGST.

Thus, tax payable is as follows -

- (A) IGST - Rs 1,600

- (9,600-8000)
- (B) CGST - Rs 3,200
- (C) SGST - Rs 3,200

Calculate the GST liability for the period Jan. 1, 2011 to Jan. 31, 2011 from the following particulars: Inputs worth Rs. 1,00,000 were purchased within the State. Rs. 2,00,000 worth of finished goods were sold within the State and Rs. 1,00,000 worth of goods were sold in the



course of inter-State trade. CGST and SGST paid on procurement of capital goods worth Rs. 1,00,000 during the month was at 8,000 each. If the input and output tax rate in the State are 8% of SGST and CGST, find the total tax liability.

**Ans** - Tax payable on sale within State - CGST - Rs 16,000 and SGST Rs 16,000.

Tax payable on inter-state sale - IGST - Rs 16,000.

ITC on capital goods - CGST - Rs 4,000 and SGST Rs 4,000 (Note - It is assumed that 50% credit of capital goods is available in current year and balance in subsequent year, on the basis of similar provision under Cenvat. However, exact credit available will depend on SGST and CGST provisions when enacted)

ITC on inputs - SGST Rs 8,000 and CGST Rs 8,000.

Total Credit - CGST - Rs 12,000 and SGST - Rs 12,000.

This credit can be utilised for payment of SGST and CGST respectively. Hence, net tax payable is as follows -

(A) IGST - Rs 16,000 (No credit available)

(B) CGST - Rs 4,000 (16,000 - 12,000)

(C) SGST - Rs 4,000 (16,000 - 12,000)

Since no credit of SGST has been utilised for payment of IGST, there will be no debit to State Government.

### 5. Constitutional provisions

Article 246(1) of Constitution of India states that Parliament has exclusive powers to make laws with respect to any of matters enumerated in List I in the Seventh Schedule to Constitution. (Called 'Union List'). As per Article 246(3), State Government has exclusive powers to make laws for State with respect to any matter enumerated in List II of Seventh Schedule to Constitution.

Presently, Centre cannot impose GST on traders for sale within the State, since that entry is included presently in List II of Seventh Schedule to Constitution of India (State List). Similarly,

State cannot imposed service tax concurrently with Central Government.

Constitution will have to be amended to provide for following - (a) Power to Centre to impose GST on traders (b) Power to States to legislate regarding imposition of tax on services.

The constitutional amendments will have to be passed by Parliament and at least 15 State legislatures. Then Central and State GST Acts will have to be passed, rules framed and notified.

It is a big challenge to complete all this procedure by 31-3-2010.

### 6. Composition scheme for Small manufacturers and service providers

Small manufacturers with turnover less than Rs 1.50 crores, small traders with turnover upto Rs 50 lakhs and small service providers (limit not specified but my hunch is that it may be about 30-40 lakhs) may be liable to pay only SGST. A composition scheme i.e. paying SGST at flat rate of turnover will be provided to them. Optionally, they can pay IGST and come under entire value chain.

The exact nature of exemption is not clear from the discussion paper.

### 7. Conclusion

The GST as envisaged may not be ideal mode but seems to be workable and seems to be the ideal design, considering the constitutional and political constraints.

The GST system will certainly be better than the present multi-layer tax system and will definitely be better than the present hybrid system.

**Cost efficient distribution channels** - The business will have to restructure their operations to take maximum advantage of GST. Distribution channels based on hub and spoke model can be developed which will be very cost effective since credit of IGST will be available across all States.

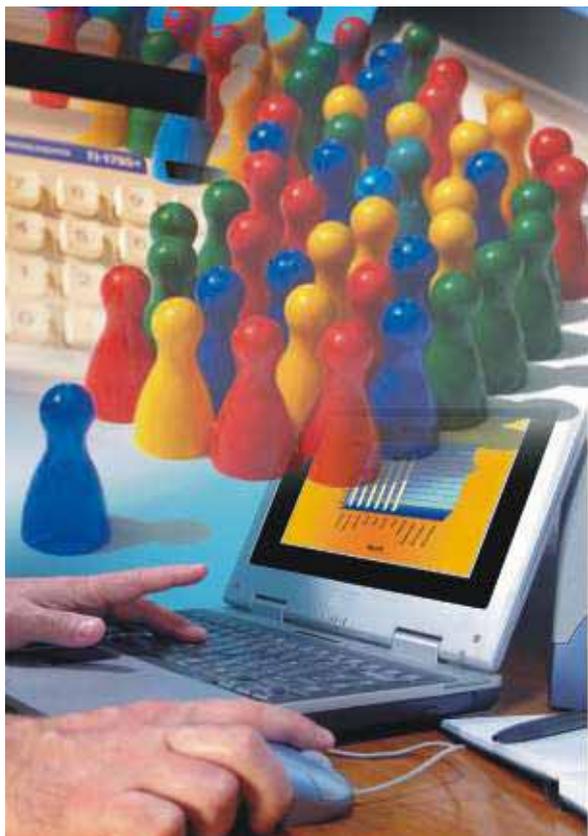
**Inter State Trading Houses** - Just like 'merchant exporters' specialising in physical exports, there could be 'inter state trading houses' specialising in inter-state transactions. Thus, small and medium enterprises, instead of entering into inter-state transactions themselves can route their transactions through such 'inter state trading houses', which will be quite cost effective.

**Trading in branded goods** - Often brand owners purchase goods from SSI in rural area and sale them under their own brand name. This is done mainly to save excise. This strategy may have to be reviewed in new situation. ■ ■ ■

# Be a Leader in Your Professional Life

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All of us aspire to be successful in our professional lives. And we are not wrong in having such an intent. To be successful and then to be a leader takes a lot of character and courage. I do not believe that any individual possess this qualification by birth – rather the professional acquires them in the course of his career. In the course of the next few paragraphs I would delve upon the characteristics that successful people have exhibited in their professional lives to be a successful leader.

To be a successful leader, one must demonstrate two very important qualities:

- to have the skills to influence others
- and to be of a strong character

Both these qualities go hand in hand and to be a successful leader one must be able to have these virtues. We do not acquire these virtues over night – there are exceptional individuals who have ingrained talent and qualities but such examples are few & far between. A vast majority of leaders today are those who have made their moves from the ranks – like us through the hard way and after spending considerable amount of time working and honing their skills with their superior's guidance. In the course of time through their commitment and passion and with a will to succeed and with a need to guide the next generation they have imbibed leadership qualities in them.

As mentioned both of these qualities go hand in hand – one without the other would be a disaster. You may have the right skills but if your character is weak, you will not be able to infuse trust into your team. Alternatively, if your character is great and uncompromising, but skills sets are poor, you will be labelled as “ a nice man to know” Two words in the leadership traits mentioned above that needs further elaboration “Skills and Character”. We will study these virtues more in detail as we move along.

**Skills** – largely this attribute is acquired with a dosage of in-built desire to succeed and command. There are probably four subsets that a person should possess to be able to master this art and I shall elaborate them in the next few lines.

The first one in no particular order is “*Communication*”.

Effective communication is the backbone and the basic qualification that a leader should



possess to be able to relate to his team. Communication must be simple, straightforward, clear, concise and should be from the heart. A leader will be able to extract a lot more from

his team if he is able to guide and verbalize with them in a simple manner without any hidden baggage. All forms of communication must be with a noble intent. There are times when a leader has to take decisions and these are done with a justifiable logic to back them. The circumstances should help the leader to be able to effectively communicate the decisions to his team. The leader should be able to then demonstrate that such decisions are doable and are adequately backed up. The ability to communicate with everybody regardless of who you are is a great thing and a good leader must possess this virtue.

Universal tests have identified that an average leader tends to “under communicate” with his team. This is not good news – though it also means that there is a vast scope for improvement for managers to morph to leadership positions.

It is also equally important for a leader to look for reverse communication – now what does this mean? Simply put, he should be in a position to periodically sit with his team and understand their position, their feedback, their suggestions, their expectation from the leader both in terms of the pertinent weakness and the gaps in his approach. In short a good leader should be able to digest *“constructive criticism and should be a good listener”*. As Drucker said, “the most important thing in communication is to hear what is not being said”.

**The 2nd skill that a leader should possess is the ability to “take hard decisions”.**

Many leaders shy away from taking decisions which are at times unpopular and damaging. Or actually there are leaders who do not take decisions at all. The true hallmark of a good leader is his ability to be able to “decide and act” and let the consequence take its own course. When a leader is not taking decisions, he is a follower and not a leader in the true sense. Why have these people then as your leader?

A good leader should be able to exhibit the virtues of a good decision maker – he should make a conscious effort to consider all variables around him and still be able to guide his team. An indecisive leader would do more harm than good to his team.

There are times in our lives that decisions are not entirely correct – the ability to be able to realize our mistakes and be able to rectify them and move on explains a leader’s confidence in his team and his thinking.

**The 3rd skill that a leader should be having is the ability to “Execute.”**

In our professional lives we will come across leaders with great vision and their ability to influence teams. Influencing is an art and helps leaders lead their team to the eventual goal. But there are great leaders who are great visionaries, but may not possess the right traits to execute them.

Execution to a plan is therefore an essential criteria. Leaders should be in a position to relate to the organization’s vision and mission. They are expected to provide the team with the right guidance and direction to ensure that the immediate mission and the vision ahead are reachable and achievable. A leader should therefore relate to his team and be able to understand and appreciate his team’s effort with this cause.

**The fourth skill that a leader should be able to demonstrate is the ability to have the “Right team” in place.**

I heard a story from my leader “he realized that a certain member in his team was incapable of delivering his goods and was not in the right place—the leader did not detest him or ask him to move on. He ensured that he spent adequate time with him to understand him more and try and balance his professional interests with his qualification and personality to a role that best suited him – the person went on to do well in his life and is grateful to the leader he did not work with”.

The moral of this paragraph is very clear – we as leaders have to work on building the right team with a balanced mix of experience, youth and exuberance to help drive a common agenda.

I must conclude echoing the words of a great motivator *“a good objective of leadership is to help those who are doing poorly to do well and to help those who are doing well to do even better”*.

**Let us now understand the other trait “Character” in a little more detail.**

I admire this quote – it says “Men of genius are admired, men of wealth are envied, men of power are feared but men of character are trusted.”

**Character** is more of a natural trait and a professional is born with it. In the course of his evolutionary years - as a student and as a member of the society the individual is influenced by his surroundings, which hones his natural character and moulds him to the external environment. There are 3 sub-sets that probably best define the qualities that an individual will be measured with while analyzing his character. These are

1. Relationship
2. Integrity
3. Humility

Let us try and analyze each of these sub sets in some detail.

**Relationship** – how do you define relationship? They signify human values and professionals in a leadership position are expected to demonstrate at every level. A

professional is expected to start, consolidate and build relationship with the group working with him and the organization at large. It is critical for the leader to value the people working with him. He should be in a position to take them along – both at good times and in not so good times too. He has to be the initiator of every move that his team makes and he has to believe in his team about their ability to deliver – relationship is all about being together. He is expected as a leader to lead his team and not the organization that they work in - the mark of a true leader lies in his ability to sustain the relationship with his team long after the team has moved on to various roles and positions across the professional spectrum. As someone said, “outstanding leaders go out of their way to boost the self esteem of their personnel and if people believe in themselves it’s amazing what they can accomplish.”

**Integrity** – The world needs more of this today - integrity signifies trust. An individual is a complete professional if he is able to radiate trust and candor at all times. Just as an integer is a whole number, so is integrity - it personifies the completeness of a human being with the right

kind character and skills. When a person acts consciously to the best of his intentions and belief and speak and walks the true path in all his dealings - you are then dealing with a highly evolved professional. Leaders in many organizations lead the path by setting personal examples in a number of demanding situations – they will not compromise their values and principles to achieve short term objectives. Many organizations have also enshrined in their vision statements that truth and candour will go hand in hand in all their progress. A “Code of Conduct” manual is normally a mandated requirement that every professional is expected to abide by and is expected to enforce in his dealings.

**Humility** – defines being humble. A vast majority of leaders today have moved up the ranks to be at the position they are in. One of the key virtues that a leader ably should demonstrate in his every day life is to be humble and be able to relate to his people under all circumstances. Great leaders serve their followers and thereby set an example that is difficult to emulate. Humility comes from within and at every stage leaders have to express their human nature. Well actually, it helps leaders to get their team to deliver better, work optimally and derive maximum output to the organization. I must part with a quote from a motivational speaker, it says “The goal of many leader is to make people think highly of the leader. The goal of a great leader is to help people think more highly of themselves”.

As I conclude, it is very critical for professional leaders in an ever changing and an uncertain world to be able to exhibit the right set of skills and build their character which should be above board for times to come. As someone said, “Character consists of what you do on the 3rd and 4th tries”.

Finally, true leadership lies in the following quote “leaders get out front and stay there by raising the standards by which they judge themselves and by which they are willing to be judged”.

**I end this article with a recommended book – try and lay your hands on “Leadership” by Rudolph W Giuliani – it says a lot about a leader in trying circumstances. I enjoyed reading the book and believe you will do so as well.**

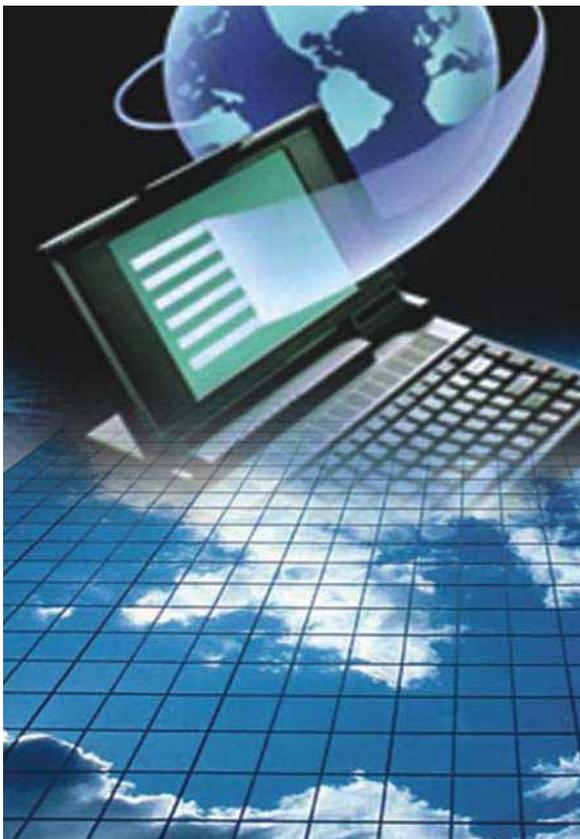
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# The Future of Enterprise Computing

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Let's go back in time to the day of personal computing which paved the way for technology affordability for midsize and small enterprises. The convergence of Information, Communication and Technology (ICT) raised the bar of technology accessibility as anytime and anywhere to everybody. Then the boom of the World Wide Web created a platform of services leveraging technology with the paradigm Software as a Service.

The ubiquitous existence of the web has facilitated the new era of Information Technology (IT) enabled services. Connection to the internet has opened vast stores of data and communication. Limited dial-in access has moved to broadband availability through wireless (Wi-Fi) and cellular connectivity.

According to the Cloud Security Alliance (CSA) guide 2009 of the Silicon Valley the term "Cloud Computing" describes the evolutionary development of many existing technologies and approaches to computing. It decouples the application and information resources from the underlying server infrastructure and mechanisms used to deliver. It is a utility model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.

## The Vertical Stack of Abstraction Concepts of the cloud consists of:

**Cluster Computers** A computer cluster is a group of linked computers, working together closely as a single computer. They are connected to each other through fast local area networks.

**Supercomputer** is a group of massive parallel processing systems with thousands of CPUs, which are tuned computer clusters using high-end processors to solve specific problems which involve calculation-intensive tasks such as weather forecasting, climate research, computing the structures and properties of chemical compounds, simulation of airplanes, etc.

**Grid computing** is the combination of computer resources from multiple network domains applied to a common task, usually to a scientific, technical or business problem that requires a number of computer processing cycles or the need to process large amounts of data. It is constructed with the aid of general-purpose

software's that works as network-distributed parallel processing systems.

**Utility computing** is the packaging of computing resources rented based on computation and storage and provides a metered service analogous to a traditional public utility (such as electricity, water, natural gas, or telephone network). This system has the advantage of a low or no initial cost to acquire hardware.

**Virtualization** here is in the form of amount of storage or computing power available larger than that of a single computer. Multiple servers on the "back end" would consist of a dedicated computer cluster specifically built for the purpose of being rented out, or to facilitate an under-utilized

but has control over operating systems, storage, deployed applications, and possibly select networking components (e.g., firewalls, load balancers).

**Platform as a Service (PaaS):** The enterprise can deploy their applications onto the cloud infrastructure or use project specific software supported by the provider. The underlying cloud infrastructure, network, servers, operating systems, or storage is managed by the provider while the enterprise has control over the deployed applications and/or the application hosting environment configurations.

**Software as a Service (SaaS):** The enterprise uses the provider's applications running on a cloud infrastructure and accessible from various client devices through a thin client interface such as a Web browser (e.g., web-based email). The consumer does not manage or control the underlying cloud infrastructure, network, servers, operating systems, storage, or even individual application capabilities, with the possible exception of limited user-specific application configuration settings.

### Cloud computing characteristics that would benefit an enterprise are:

**Scalable solution as rapid business growth:** An enterprise can avail computing capabilities, such as server time and network storage, as needed without requiring human interaction with each service provider and scale to as-needed.

**An economic model for IT/cloud services:** The IT cost structure would constitute to the CPU/hour, gigabit/month utility pricing model. Hidden costs such as management, governance, and transition costs including staff training are to be factored into the equation.

**Effective prototyping and vendor selection processes.** An enterprise will have the flexibility to select the best set of cloud computing infrastructure, services and tools.

**Accessibility and marketing efficiency:** The cloud promises a 24\*7 presence. It would facilitate easy, efficient and effective global business opportunities. Business collaborations with customers and partners will become a method of working.

**Data crunching and application needs for strategic plans:** Depending on the size of an enterprise the need to process and mine mountains of data will provide a means for low-cost and

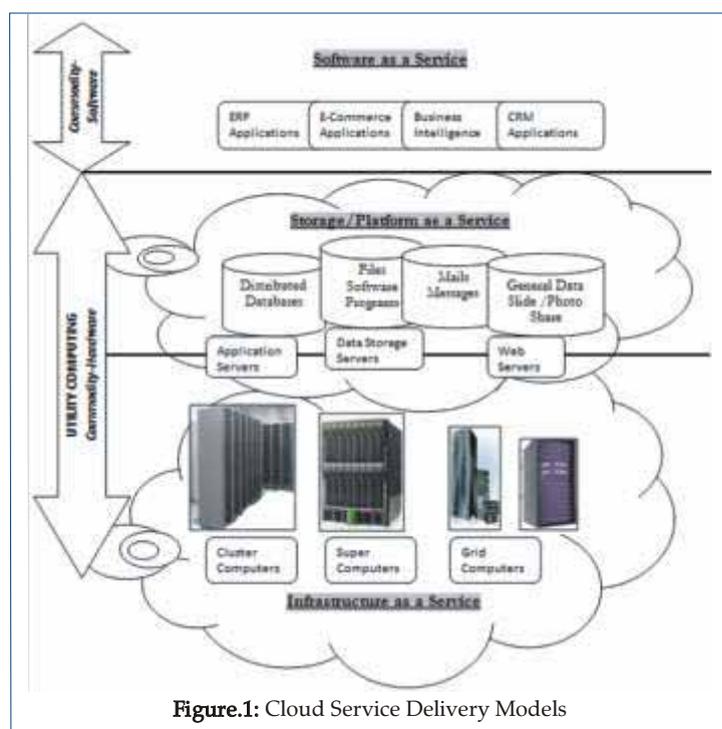


Figure.1: Cloud Service Delivery Models

supercomputer.

The computing utility model is enticing the small and medium enterprises with web-based software, storage, and social networking services as do-it-yourself IT or "Pay-as you Use".

The **Cloud Service Models (Figure 1)** that will change the enterprise computing plans are:

**Infrastructure as a Service (IaaS):** The enterprise can rent processing, storage, networks, and other fundamental computing resources where they can deploy and run project specific software, which can include operating systems and applications. Here enterprise does not manage or control the cloud infrastructure

effective use of utility computing.

The Table.1 summarises the scope of the service/offering deployment models describing their elements in terms of - Who manages it, Who owns it, Where it's located, Who has access to it and How it's accessed.

### A few of the enterprise risk guidance pointers are:

- Unauthorised access to data on the cloud: An enterprise must take an inventory of its information assets and ensure that data are properly classified and labelled.

**Table.1: Logical Service Deployment Models of the Cloud.**

Cloud Type	Managed By	Infrastructure Owned By	Infrastructure Located	Accessible and Consumed By Trusted <sup>1</sup> Untrusted <sup>2</sup>
Public	Third Party Provider	Third Party Provider	Off-Premise	Untrusted
Managed	Third Party Provider	Third Party Provider	On-Premise	Trusted or Untrusted
Private	Organisation	Organisation	On-Premise/ Off-Premise	Trusted
Private	Third Party Provider	Third Party Provider	On-Premise/ Off-Premise	Trusted
Hybrid	Both Organisation & Third Party Provider	Both Organisation & Third Party Provider	Both On-Premise & Off-Premise	Trusted & Untrusted

<sup>1</sup>Trusted: Organisations' legal/contractual scope- employees, contractors, business partners

<sup>2</sup>Untrusted: May be authorised to use some services but not part of an organisation.

### Cloud Services which you are already using but unaware of are:

- Google Docs: Online word processing, spreadsheet, presentations and collaboration software.
- YouTube: Online storage of videos.
- WebEx: Online meetings.
- Yahoo! Calendar: www.yahoo.com. An online calendar.
- LinkedIn: Social networking for business.
- FaceBook: Social networking of friends.
- Blogger: A service for online publishing.
- Salesforce.com: Customer Relationship Management
- Netedge: e-shopping and Data mining resource.
- Identity (OAuth, OpenID), Integration (Amazon Simple Queue Service)
- Payments (Amazon Flexible Payments Service, Google Checkout, PayPal)
- Mapping (Google Maps, Yahoo! Maps, MapQuest), Google docs
- Search (Alexa, Google Custom Search) and Live chat (LivePerson)

- Examine creating a Private (Virtual) Cloud or a Hybrid Cloud that provides the appropriate level of controls (eg. encryption on data transmission) while maintaining risk at an acceptable level.
- Review what type of provider you require such as software (SaaS), infrastructure (IaaS) or platform (PaaS). Precise drafting of the Service Level Agreement (SLA) regarding the handling, usage, storage and availability of information.
- SLA should include requirements for business continuity and disaster recovery in the agreement.
- SLA states the specific rights to audit to assist the enterprise in managing its information once it leaves the organization and is transported, stored or processed in the cloud.
- The service provider needs to state the critical success factors, key performance indicators and how they measure them relative to IT Service Management (Service Support and Service Delivery).

### Providers (vendors) of Cloud computing are:

- Computer hardware (Dell, HP, IBM, and Sun



Microsystems)

- Storage (3PAR, EMC, Hitachi Data Systems, IBM, Mezeo, NetApp, ParaScale, and Sun Microsystems)
- Infrastructure (Cisco Systems, Juniper Networks, and Brocade Communications)
- Computer software (3tera, Eucalyptus, g-Eclipse, and Hadoop)
- Operating systems (Solaris, AIX, Linux including Novell, Red Hat, and Ubuntu)
- Platform virtualization (Citrix, IBM, Linux KVM, Microsoft, Sun xVM, VMware, and Xen)
- Wipro, Net Magic, Bharti Airtel.

### Conclusion:

The future enterprise would enter into service contracts and agreements that would spell out their IT usage in terms of CPU cycles, bandwidth, and application logins in the cloud. Just as most businesses don't create their own financial institutions to keep their money in, they won't keep their computing in legacy/proprietary private capabilities that can't leverage the economies of scale, innovation, and efficiencies of dedicated providers.

The Cloud Computing technology promises to offer new models of physical infrastructure capabilities to scale service delivery of an organization in captivating and offering convincing benefits. In a business environment where change is almost mandatory in order to survive, cloud computing appears to offer significant economic benefits if the risks can be offset. The use of virtualization technologies, service-oriented architectures and widely available computing standards, combined with the pervasiveness of the global Internet, is making computing-related services generally available to the world at reduced costs and massive scale. Because of this, new IT service delivery and acquisition models are emerging and one such model has been termed as "Cloud Computing."

### References:

- [1] Cloud Computing: Business Benefits With Security, Governance and Assurance Perspectives, www.isca.org, 2009.
- [2] Demystifying the Cloud, By J. Nicholas Hoover and Richard Martin.W, Information Week, 2008.
- [3] The NIST Definition of Cloud Computing, Peter Mell and Tim Grance Version 15, National Institute of Standards and Technology, 2009.
- [4] Security Guidance for Critical Areas of Focus in Cloud Computing Cloud Security Alliance, 2009.
- [5] A Walk in the Cloud: Broadband Computing And Communications, James L. Horton, 2008.



## The Image of Success

Success is a consequence of toil,  
Not only it takes water and food to make  
success,  
But it also requires soil.

A child although an effeminate creative,  
Is expected to reach The Spire,  
He falls, rises and starts but no one to  
inspire.

Sometimes the perpetual force speaks clearly,  
Transform your Dreamland in reality,  
But then the factors of success get effaced,  
That achievement is only feasible when,  
Labour is coupled with the fate.

A person must not forget that,  
Success is truly treacherous,  
As success is the paramount variable,  
That forms an unannounced equation of  
life.

Get into the ocean of life and,  
Experience the values and morals of life,  
And then we come to sequel that,  
Our success was a Glitter and not the Gold.

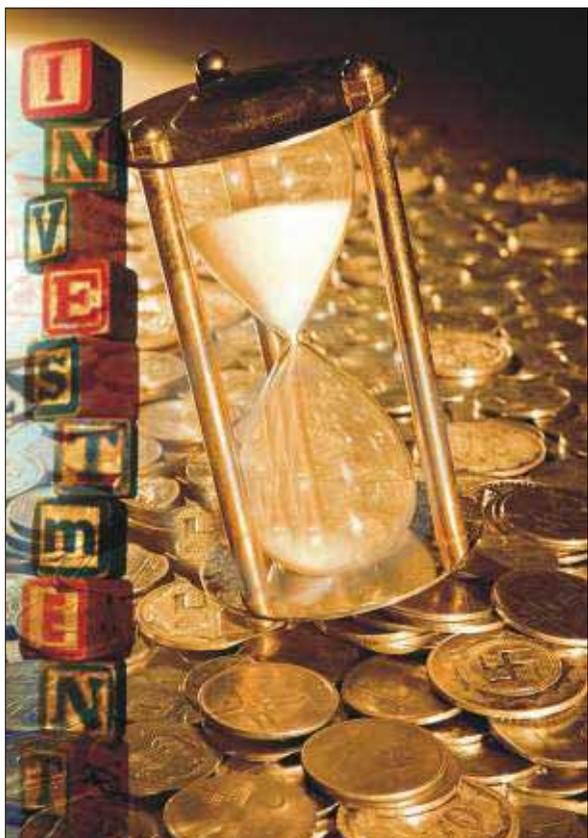
Shilpa Kotecha

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# Application Supported by Blocked Amount (ASBA): An investor friendly process

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Securities and Exchange Board of India (SEBI), the regulatory authority for the Indian capital market prescribes rules and regulations to protect the interests of investors in the market. It promotes the development of the securities market through appropriate guidelines/rules/ regulations. It has laid down several rules/ regulations/guidelines for the companies coming out with a public Issue thereby safeguarding the interests of investors. Companies requiring funds generally come up with an Initial Public Offer (IPO). It benefits the companies to raise funds without the risk of debt or interest as in case of loans or debenture financing. It is a process through which public can participate for a share in the capital ownership of the company and reap benefits in the long run. However, such a proposition that deriving monetary benefits by way of participation in an IPO cannot be assumed without any risks.

As per SEBI Guidelines, the investors investing in Public Issue can be divided into four categories:

- ◆ Qualified Institutional Buyers("QIBs");
- ◆ High Net worth Individuals and Institutional Bidders;
- ◆ Retail Investors; and
- ◆ Employees.

As per the requirement, the QIB applicants have to deposit 10% of the amount equivalent to the number of shares applied, while the other categories have to deposit the full amount. The amount deposited with application is blocked until allotment is made. In order to safeguard the interests of investing party of their proposed investments in an IPO, SEBI had introduced "Application Supported by Blocked Amount" ("ASBA") on July 30, 2008. In this connection, it is pertinent to note that SEBI has replaced the earlier SEBI (DIP) Guidelines, 2000 with the introduction of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

## What is ASBA?

As per Regulation 2(d) of the aforesaid new regulation, application supported by blocked amount means 'an application for subscribing to a public issue or rights issue along with an authorisation to SCSB to block the application money in a bank account'.

The ASBA process shall be available in all public issues made through the book building route. It will co-exist with the current process, wherein cheque is already used as a mode of payment. An investor



interested in ASBA can apply only through Self Certified Syndicate Bank ("SCSB"). SCSB is a bank which offers the facility of applying through the ASBA process. A bank desirous of offering ASBA facility shall submit a certificate in the prescribed manner to SEBI. On inclusion in the list of SCSBs by SEBI, a bank shall commence its activities as an SCSB. SCSB is deemed to have entered into an agreement with the issuer and whereby it is required to offer the ASBA facility to all its account holders for all issues to which ASBA process is applicable. The following banks have been declared as SCSB - ICICI, HDFC, SBI, Corporation Bank, Union Bank and since then few more have been added.

### Eligibility Criteria

An ASBA Investor should satisfy all the following conditions:

- ◆ should be a "Resident Retail Individual Investor or High Net worth Individuals";
- ◆ should be bidding at cut-off, with single option as to the number of shares bid for;
- ◆ should be applying through blocking of funds in a bank account with the SCSB;
- ◆ should agree not to revise his/her bid; and
- ◆ should not bidding under any of the reserved categories.

### Process of ASBA

ASBA is an investor friendly process carried out by following certain guidelines stipulated by the SEBI:

- i. An ASBA investor shall submit an ASBA physically or electronically (through the internet banking facility) to the SCSB. The accounts to be blocked are maintained by SCSB, whereas individuals and QIBs place their bids through the brokers who have the right to vet the bids.
- ii. SCSB shall then block the application money in the bank account specified in the ASBA, on the basis of an authorisation given by the account holder.
- iii. In the following situations the application money shall remain blocked in the SCSB bank account:
  - a. till finalisation of the basis of allotment in the issue; or

- b. till withdrawal; or
- c. rejection of the application, as the case may be.

- iv. In case of withdrawal/ failure of the issue, the amount shall be unblocked by the SCSB on receipt of information from the pre-issue merchant bankers.
- v. Thereafter the Stock Exchanges provide the SCSB a web enabled interface through which application data is uploaded in electronic bidding system.
- vi. On finalization of the basis of allotment, the Registrar to the Issue shall send an appropriate request to the SCSB for unblocking the relevant bank accounts of the investor and for transferring the requisite amount to the issuer's account.
- vii. After the applications are finalised and allotment is confirmed the process of refund of application to unsuccessful applicants commences.

### Facility of ASBA in a Rights Issue

ASBA facility in a Rights Issue will be available to all shareholders of the issuer company as on the date of issue subject to the following qualifications mentioned below:

- ◆ he/she is holding shares in dematerialised form;
- ◆ he/she has applied for entitlements;
- ◆ he/she has not renounced his/her entitlements in full or in part;
- ◆ he/she is not a renounee to the issue;
- ◆ he/she applies through a bank account maintained with SCSBs.

SEBI has specified to the Merchant Bankers, Registrars and Self Certified Syndicate Banks (SCSBs) to provide the ASBA facility in rights issues with suitable modifications to ASBA process as for public issue through book building route. Furthermore, while discharging the duties in the ASBA process in a Rights Issue, the Registrars shall instruct the SCSBs to take into consideration the specific requirements of a Rights issue for transfer of money to the issuer account after satisfying the designated stock exchange about the receipt of minimum subscription of 90%, and other relevant matters to a rights issue. Remaining process shall be carried out in the same manner as in the case of a Public Offer.

### Benefits of ASBA

ASBA process operates in accordance with the SEBI's Regulations in force from time to time. The

provisions regarding ASBA have been formed taking into consideration all the best possible measures to protect and benefit the investor. The purpose of adding this new payment option is to reduce the turn around time for IPO Stock listing and to make the refund process faster. It is a simple process and has various benefits like:

- ◆ The investor need not pay the application money by cheque, rather the amount of application money is blocked in his/her bank account, thus facilitating to earn interest on application money.
- ◆ This process ensures that only the requisite amount is transferred from the investors account at the time of allotment.
- ◆ It is a cost free service to the investors, while the companies pay the commission to the brokers.
- ◆ To facilitate the investor the issuer company has to make adequate arrangements to collect the application. The bidding form for ASBA shall contain all the specified details and shall be uniform for all ASBA investors.
- ◆ Merchant Banker are required to set up proper grievance monitoring and redressal system in co-ordination with the issuer and

the Registrar to Issue. Also they are required to take all necessary measures to resolve and provide quick solution.

Though announced in the best of interest of the investor, it has not been able to gain momentum due to conflict in the interest between broker and banks on the issue of payment of the commission. This problem arises as companies pay commission to the brokers while making an issue but there is no incentive available for the banks (SCSBs) for doing the assigned job. However, this problem has been resolved by Circular dated 5th August, 2009 stating that Syndicate Members (Non-ASBA) or SCSBs (ASBA) will be treated at par and commission will be paid accordingly. It is expected that in due course ASBA System will be well established and majority of retail applicants will adopt ASBA System while applying in the Public Issue. This is a major step taken by the SEBI to benefit the overall economy by encouraging the retail investors ("Aam Adami") to invest in the securities market and let the investment spirit going on.

<sup>1</sup> SEBI/CFD/DIL/MB/IS/5/2009/05/08 August 5, 2009: "Application Supported by Blocked Amount" (ASBA) process

## Invitation to contribute in the students' journal THE CHARTERED ACCOUNTANT STUDENT

You will glad to know that the Board of Studies of the Institute of Chartered Accountants of India has launched a separate Students' Journal replacing students' newsletter. For that, articles are invited from writers.

### Who can contribute:

- Persons with professional qualifications such as Chartered Accountants / Cost Accountants / Company Secretaries.
- Faculty in colleges / universities teaching at postgraduate level.
- Retired Lecturers and Professors who continue to be academically active.
- Experts in any area relevant to the course of chartered accountancy.
- Students of chartered accountancy

### Word Limit

An article should comprise of 2000 to 4000 words. There is no word limit for poems.

### Topics

Any article that is relevant for the students of chartered accountancy may be sent for inclusion in the students' journal. The articles may be written on following topics:

- Accounting
- Auditing
- Business and Strategy
- Business Laws, Corporate Laws
- Legal Cases
- Case studies on business
- Capital Markets, Forex
- Communication

- Direct Taxes/Indirect Taxes
- Information Technology
- Leadership, motivation and soft skills.
- Management Accounting, Financial Management
- Managerial Economics
- Quantitative techniques
- Examination tips
- Poetry /fiction /humour /Leisure reading

The authors are advised to enclose the following along with the articles:

1. A formal & signed undertaking in the form of a letter stating that the article is original in all respects and does not infringe any copyright and has not been published elsewhere or has been sent for publication.
2. A latest passport size colour photograph (with full name and Membership/registration number written on the back of the photograph).
3. A soft copy of the article.
4. Complete correspondence address, E-mail address and telephone /mobile number. All correspondence in this regard should be addressed to:

### The Director, Board of Studies

The Chartered Accountant Student  
ICAI Bhawan,  
A-94/4, Sector-58,  
Noida - 201 301.



## List of Institute's Publications - May, 2010 Examination

The following List of Institute's Publications is relevant for the forthcoming examination i.e. May, 2010.

## Professional Education Course II

## Paper 1: Accounting

Accounting Standards (including limited revisions) 1 to 32.

For the students at PE-II level, Accounting Standards and Guidance Notes related to the topics given in the study material are more relevant. They are not expected to know in detail the advanced standards like Consolidated Financial Statements (AS 21), Accounting for Investments in Associates in Consolidated Financial Statements (AS 23), Discontinuing Operations (AS 24), Financial Reporting of Interests in Joint Ventures (AS 27), Impairment of Assets (AS 28), Provisions, Contingent Liabilities and Contingent Assets (AS 29), Financial Instruments: Recognition and Measurement (AS 30), Financial Instruments: Presentation (AS 31) and Financial Instruments: Disclosures (AS 32).

*Note:* Official Announcements and Notifications (in relation to syllabus) issued till 31st October, 2009 will be applicable for May, 2010 examination.

## PAPER 2: AUDITING

- I. Statements and Standards
  1. Framework for Assurance Engagements and Guidance Notes on Related Services.
  2. Standards on Auditing (SAs) as given below.
- S.No. Standards on Auditing (SAs)
  1. Basic Principles Governing an Audit (SA 200)
  2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
  3. Agreeing the Terms of Audit Engagements (SA 210) (*Revised*)
  4. Quality Control for Audit Work (SA 220)
  5. Audit Documentation (230) (*Revised*)
  6. The Auditor's Responsibilities Relating Fraud in an Audit of Financial Statements (SA 240) (*Revised*)
  7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (*Revised*)
  8. Communication with Those Charged with Governance (SA 260) (*Revised*)
  9. Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (265) (*Newly Issued*)
  10. Responsibility of Joint Auditors (SA 299)
  11. Planning an Audit of Financial Statements (300) (*Revised*)
  12. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (*Newly issued*)\*
  13. Materiality in Planning and Performing an Audit (SA 320) (*Revised*)
  14. The Auditor's Responses to Assessed Risks (SA 330) (*Newly issued*)\*
  15. Audit Considerations Relating to Entities Using Service Organisations (SA 402) (*Revised*)
  16. Evaluation of Misstatements identified During the Audit (450) (*Newly Issued*)
  17. Audit Evidence (SA 500) (*Revised*)
  18. External Confirmations (SA 505)
  19. Initial Audit Engagements - Opening Balances (SA 510) (*Revised*)
  20. Analytical Procedures (SA 520)
  21. Audit Sampling (SA 530) (*Revised*)
  22. Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (*Revised*)
  23. Related Parties (SA 550) (*Revised*)
  24. Subsequent Events (SA 560) (*Revised*)
  25. Going Concern (SA 570) (*Revised*)
  26. Written Representations (SA 580) (*Revised*)
  27. Using the Work of Another Auditor (SA 600)

28. Using the Work of an Internal Auditors (SA 610) (*Revised*)
29. Using the Work of an Expert (SA 620)
30. The Auditor's Report on Financial Statements (SA 700)
31. Comparatives (710)
32. The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements (720) (*Newly Issued*)

\* SA 315 & SA 330 - become effective in April, 2008. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.

3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].
- II. Guidance Notes/Study Guide/Monograph  
*Guidance Notes on Auditing Aspects:*
  1. Guidance Note on Audit of Fixed Assets.
  2. Guidance Note on Audit of Inventories.
  3. Guidance Note on Audit of Debtors, Loans and Advances.
  4. Guidance Note on Audit of Investments.
  5. Guidance Note on Audit of Miscellaneous Expenditure.
  6. Guidance Note on Audit of Cash and Bank Balances.
  7. Guidance Note on Audit of Liabilities.
  8. Guidance Note on Audit of Revenue.
  9. Guidance Note on Audit of Expenses.

## Paper 5: Income-tax and Central Sales Tax

1. The July 2008 edition of the study material (including additional booklet) for Paper 5: Income-tax and Central Sales Tax, which has been updated with the amendments made by the Finance Act, 2007 as well as the significant amendments made by notifications/circulars/other legislations up to 30-4-07. This study material should be read along with -
  - (i) "Professional Education (Course II) – Supplementary Study Paper – 2008 – Income-tax and Central Sales Tax". This contains the amendments made by the Finance Act, 2008 and important notifications and circulars issued between 1.5.07 and 30.4.08; and
  - (ii) "Professional Education (Course II) - Supplementary Study Paper – 2009 – Income-tax and Central Sales Tax". This contains the amendments made by the Finance (No. 2) Act, 2009 (relevant for A.Y. 2010-11) and important notifications and circulars issued between 1-5-08 and 30-4-09.
2. The significant amendments made by circulars/notifications issued between 1-5-09 and 31-10-09 would be hosted on the website of the Institute www.icaai.org.

## Professional Competence Course

## Paper 1: Advanced Accounting

Accounting Standards (including limited revisions) 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 16, 19, 20, 26, 29 are covered in the syllabus and same will be applicable for May, 2010 Examination.

*Note:* Official Announcements and Notifications (in relation to syllabus) issued till 31st October, 2009 will be applicable for May, 2010 examination.

## Paper 2: Auditing and Assurance

- I. Statements and Standards
  1. Framework for Assurance Engagements and Guidance Notes on Related Services.
  2. Standards on Auditing (SAs) as given below.

## ANNOUNCEMENT

### S.No. Standards on Auditing

1. Basic Principles Governing an Audit (SA 200)
2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
3. Agreeing the Terms of Audit Engagements (SA 210) (*Revised*)
4. Quality Control for Audit Work (SA 220)
5. Audit Documentation (230) (*Revised*)
6. The Auditor's Responsibilities Relating Fraud in an Audit of Financial Statements (SA 240) (*Revised*)
7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (*Revised*)
8. Communication with Those Charged with Governance (SA 260) (*Revised*)
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12. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (*Newly issued*)\*
13. Materiality in Planning and Performing an Audit (SA 320) (*Revised*)
14. The Auditor's Responses to Assessed Risks (SA 330) (*Newly issued*)\*
15. Audit Considerations Relating to Entities Using Service Organisations (SA 402) (*Revised*)
16. Evaluation of Misstatements identified During the Audit (450) (*Newly Issued*)
17. Audit Evidence (SA 500) (*Revised*)
18. Audit Evidence – Additional Considerations for Specific Items (SA 501)
19. External Confirmations (SA 505)
20. Initial Audit Engagements - Opening Balances (SA 510) (*Revised*)
21. Analytical Procedures (SA 520)
22. Audit Sampling (SA 530) (*Revised*)
23. Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (*Revised*)
24. Related Parties (SA 550) (*Revised*)
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26. Going Concern (SA 570) (*Revised*)
27. Written Representations (SA 580) (*Revised*)
28. Using the Work of Another Auditor (SA 600)
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30. Using the Work of an Expert (SA 620)
31. The Auditor's Report on Financial Statements (SA 700)
32. Comparatives (SA 710)
33. The Auditor's Responsibility in Relation to Other Information in Documents

Containing Audited Financial Statements (720) (*Newly Issued*)

\* SA 315 & SA 330 – become effective in April, 2008. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.

3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].

### II. Guidance Notes/Study Guide/Monograph *Guidance Notes on Auditing Aspects:*

1. Guidance Note on Audit of Fixed Assets.
2. Guidance Note on Audit of Inventories.
3. Guidance Note on Audit of Debtors, Loans and Advances.
4. Guidance Note on Audit of Investments.

5. Guidance Note on Audit of Miscellaneous Expenditure.
6. Guidance Note on Audit of Cash and Bank Balances.
7. Guidance Note on Audit of Liabilities.
8. Guidance Note on Audit of Revenue.
9. Guidance Note on Audit of Expenses.

### Paper 5: Taxation

1. Study Material for IPCC Paper 4: Taxation (as amended by the Finance (No.2) Act, 2009). The relevant assessment year for Income-tax is A.Y. 2010-11. This study material has been updated with the amendments made by the Finance (No. 2) Act, 2009 as well as the significant amendments made by notifications/circulars/other legislations up to 30-4-2009. This study material is relevant for PCC students also, however, with the exception of the following chapters in VAT-
  1. Chapter 5: Input Tax Credit and Composition Scheme for Small Dealers
  2. Chapter 6 : VAT Procedures
2. Supplementary Study Paper – 2009 for PCC/IPCC – This contains the amendments made by the Finance (No.2) Act, 2009 and important notifications/circulars issued between 1.5.2008 and 30.4.2009.
3. The significant amendments made by circulars/notifications issued between 1-5-09 and 31-10-09 would be hosted on the website of the Institute [www.icaai.org](http://www.icaai.org).

### Integrated Professional Competence Examination

#### Paper 1: Accounting

Accounting Standards (including limited revisions) 1, 2, 3, 6, 7, 9, 10, 13 and 14 are covered in the syllabus and same will be applicable for May, 2010 Examination.

*Note:* Official Announcements and Notifications (in relation to syllabus) issued till 31st October, 2009 will be applicable for May, 2010 examination.

#### Paper 5: Advanced Accounting

Accounting Standards (including limited revisions) 4, 5, 11, 12, 16, 19, 20, 26, 29 are covered in the syllabus and same will be applicable for May, 2010 Examination.

*Note:* Official Announcements and Notifications (in relation to syllabus) issued till 31st October, 2009 will be applicable for May, 2010 examination.

### Paper 4: Taxation

1. Study Material for IPCC Paper 4: Taxation (as amended by the Finance (No. 2) Act, 2009). The relevant assessment year for Income-tax is A.Y. 2010-11. This study material contains the amendments made by the Finance (No. 2) Act, 2009 as well as the significant amendments made by notifications/circulars/other legislations up to 30.4.2009.
2. Supplementary Study Paper – 2009 for PCC/IPCC – This contains the amendments made by the Finance (No. 2) Act, 2009 and important notifications/ circulars issued between 1.5.2008 and 30.4.2009.
3. The significant amendments made by circulars/notifications issued between 1.5.09 and 31.10.09 would be hosted on the website of the Institute [www.icaai.org](http://www.icaai.org).

### Paper 6: Auditing and Assurance

1. Statements and Standards
1. Framework for Assurance Engagements and Guidance Notes on Related Services.
2. Standards on Auditing (SAs) as given below.

### S.No. Standards on Auditing

1. Basic Principles Governing an Audit (SA 200)
2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
3. Agreeing the Terms of Audit Engagements (SA 210) (*Revised*)
4. Quality Control for Audit Work (SA 220)
5. Audit Documentation (230) (*Revised*)
6. The Auditor's Responsibilities Relating Fraud in an Audit of Financial Statements (SA 240) (*Revised*)

7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) *(Revised)*
8. Communication with Those Charged with Governance (SA 260) *(Revised)*
9. Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (265) *(Newly Issued)*
10. Responsibility of Joint Auditors (SA 299)
11. Planning an Audit of Financial Statements (300) *(Revised)*
12. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) *(Newly issued)\**
13. Materiality in Planning and Performing an Audit (SA 320) *(Revised)*
14. The Auditor's Responses to Assessed Risks (SA 330) *(Newly issued)\**
15. Audit Considerations Relating to Entities Using Service Organisations (SA 402) *(Revised)*
16. Evaluation of Misstatements identified During the Audit (450) *(Newly Issued)*
17. Audit Evidence (SA 500) *(Revised)*
18. Audit Evidence — Additional Considerations for Specific Items (SA 501)
19. External Confirmations (SA 505)
20. Initial Audit Engagements — Opening Balances (SA 510) *(Revised)*
21. Analytical Procedures (SA 520)
22. Audit Sampling (SA 530) *(Revised)*
23. Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) *(Revised)*
24. Related Parties (SA 550) *(Revised)*
25. Subsequent Events (SA 560) *(Revised)*
26. Going Concern (SA 570) *(Revised)*
27. Written Representations (SA 580) *(Revised)*
28. Using the Work of Another Auditor (SA 600)
29. Using the Work of an Internal Auditor (SA 610) *(Revised)*
30. Using the Work of an Expert (SA 620)
31. The Auditor's Report on Financial Statements (SA 700)
32. Comparatives (SA 710)
33. The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements (720) *(Newly Issued)*

\* SA 315 & SA 330 — become effective in April, 2008. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.

3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].
- II. Guidance Notes/Study Guide/Monograph *Guidance Notes on Auditing Aspects:*
  1. Guidance Note on Audit of Fixed Assets.
  2. Guidance Note on Audit of Inventories.
  3. Guidance Note on Audit of Debtors, Loans and Advances.
  4. Guidance Note on Audit of Investments.
  5. Guidance Note on Audit of Miscellaneous Expenditure.
  6. Guidance Note on Audit of Cash and Bank Balances.
  7. Guidance Note on Audit of Liabilities.
  8. Guidance Note on Audit of Revenue.
  9. Guidance Note on Audit of Expenses.

#### Final Course (Old)

##### Paper 1: Advanced Accounting

- I. Statements and Standards
  1. Framework for the Preparation and Presentation of Financial Statements

2. Accounting Standards (including limited revisions) — AS 1 to AS 32.
- II. Guidance Notes on Accounting Aspects
  1. Guidance Note on Treatment of Reserve Created on Revaluation of Fixed Assets.
  2. Guarantees and Counter-Guarantees Given by Companies.
  3. Guidance Note on Accrual Basis of Accounting.
  4. Guidance Note on Accounting Treatment for Excise Duty.
  5. Guidance Note on Accounting for Depreciation in Companies.
  6. Guidance Note on Availability of Revaluation Reserve for Issue of Bonus shares.
  7. Guidance Note on Accounting Treatment for MODVAT/CENVAT.
  8. Guidance Note on Accounting for Corporate Dividend Tax.
  9. Guidance Note on Accounting for Employee Share-based Payments.
  10. Guidance Note on Accounting for Fringe Benefits Tax.
  11. Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income-tax Act, 1961.
  12. Guidance Note on Measurement of Income Tax for Interim Financial Reporting in the context of AS 25

*Note:* Official Announcements and Notifications (in relation to syllabus) issued till 31st October, 2009 will be applicable for May, 2010 examination.

##### Paper 3: Advanced Auditing

- I. Professional Topics/Subjects
  1. Code of Ethics  
(The Chartered Accountants (Amendment) Act, 2006 is applicable for November, 2008 Final Examination onwards.)
  - II. Engagements and Quality Control Standards on Auditing (SA/SRS/SRE/SAE)
    1. Framework for Assurance Engagements
    2. Engagements and Quality Control Standards on Auditing (details given as under)
- S.No. Engagements and Quality Control Standards on Auditing
  1. Basic Principles Governing an Audit (SA 200)
  2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
  3. Agreeing the Terms of Audit Engagements (SA 210) *(Revised)*
  4. Quality Control for Audit Work (SA 220)
  5. Audit Documentation (230) *(Revised)*
  6. The Auditor's Responsibilities Relating Fraud in an Audit of Financial Statements (SA 240) *(Revised)*
  7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) *(Revised)*
  8. Communication with Those Charged with Governance (SA 260) *(Revised)*
  9. Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (265) *(Newly Issued)*
  10. Responsibility of Joint Auditors (SA 299)
  11. Planning an Audit of Financial Statements (300) *(Revised)*
  12. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) *(Newly issued)\**
  13. Materiality in Planning and Performing an Audit (SA 320) *(Revised)*
  14. The Auditor's Responses to Assessed Risks (SA 330) *(Newly issued)\**
  15. Audit Considerations Relating to Entities Using Service Organisations (SA 402) *(Revised)*
  16. Evaluation of Misstatements identified During the Audit (450) *(Newly Issued)*
  17. Audit Evidence (SA 500) *(Revised)*
  18. Audit Evidence — Additional Considerations for Specific Items (SA 501)
  19. External Confirmations (SA 505)
  20. Initial Audit Engagements — Opening Balances (SA 510) *(Revised)*

## ANNOUNCEMENT

21. Analytical Procedures (SA 520)
22. Audit Sampling (SA 530) (*Revised*)
23. Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (*Revised*)
24. Related Parties (SA 550) (*Revised*)
25. Subsequent Events (SA 560) (*Revised*)
26. Going Concern (SA 570) (*Revised*)
27. Written Representations (SA 580) (*Revised*)
28. Using the Work of Another Auditor (SA 600)
29. Using the Work of an Internal Auditor (SA 610) (*Revised*)
30. Using the Work of an Expert (SA 620)
31. The Auditor's Report on Financial Statements (SA 700)
32. Comparatives (SA 710)
33. The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements (720) (*Newly Issued*)
34. Engagements to Compile Financial Information (SRS 4410)
35. Engagements to Perform Agreed – upon Procedures Regarding Financial Information (SRS 4400)
36. Engagements to Review Financial Statements (SRE 2400)
37. The Examination of Prospective Financial Information (SAE 3400)

\* SA 315 & SA 330 – become effective in April, 2008. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.

3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
  4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].
- III. Guidance Notes/Study Guide/Monograph  
*Guidance Notes on Auditing Aspects:*
1. Guidance Note on Independence of Auditors
  2. Internal Control Questionnaire.
  3. Guidance Note on Audit Reports and Certificates for Special Purposes
  4. Guidance Note on Audit of Fixed Assets.
  5. Guidance Note on Audit under Section 44AB of the Income-tax Act [2005 Edition].
  6. Guidance Note on Audit of Abridged Financial Statements.
  7. Guidance Note on Audit of Inventories.
  8. Guidance Note on Audit of Debtors, Loans and Advances.
  9. Guidance Note on Audit of Investments.
  10. Guidance Note on Audit of Miscellaneous Expenditure.
  11. Guidance Note on Audit of Cash and Bank Balances.
  12. Guidance Note on Audit of Liabilities.
  13. Guidance Note on Audit of Revenue.
  14. Guidance Note on Audit of Expenses.
  15. Guidance Note on Sections 227(3)(e) and (f) of the Companies Act, 1956.
  16. Guidance Note on Certificate of Corporate Governance [2006 Edition].
  17. Guidance Note on Revision of Audit Report.
  18. Guidance Note on Computer Assisted Audit Techniques (CAATS).
  19. Guidance Note on Audit of Payment of Dividend.
  20. Guidance Note on Audit of Capital and Reserves.

### Paper 7: Direct Taxes

1. The study material for Paper 7: Direct Tax Laws [Final (New Course)], as amended by the Finance (No. 2) Act, 2009 relevant for A.Y. 2010-11. This study material will also be relevant for May 2010 examination for the Final (Old Course) examination for Paper 7: Direct Taxes with the exception of the following chapters -
  1. Chapter 12 on Inter-relationship between Accounting and Taxation and

2. The portion relating to Ethics in Taxation (14.4) in Chapter 14.

2. The Supplementary Study Paper – 2009 for the final course, which contains the amendments made by the Finance (No. 2) Act, 2009 (relevant for A.Y. 2010-11) and significant notifications/circulars issued between 1-5-2008 and 30-4-2009 [Portions relating to Direct Taxes].
3. Select cases in Direct and Indirect Taxes (2009) – An Essential reading for the Final Course [Portions relating to Direct Taxes].
4. The significant amendments made by circulars/notifications issued between 1-5-09 and 31-10-09 would be hosted on the website of the Institute [www.icaai.org](http://www.icaai.org).

### Paper 8 : Indirect Taxes

1. The study material for Paper 8: Indirect Tax Laws [Final (New Course)], as amended by the Finance (No. 2) Act, 2009. This study material will also be relevant for May 2010 examination for Final (Old Course) Paper 8: Indirect Taxes with the exception of the following chapters:
  1. Chapters 6 to 12 of Section B relating to VAT
  2. Chapter 16 of Section C on Inter-relationship of Accounting with Excise, Customs and Service Tax
2. Final Course—Supplementary Study Paper— 2009 containing the amendments made by the Finance (No.2) Act, 2009 and significant notifications/circulars issued between 1-5-2008 and 30-4-2009 [portions relating to Indirect Taxes].
3. Select cases in Direct and Indirect Taxes (2009) - An Essential Reading for the Final Course [Portions relating to Indirect Taxes]
4. The significant amendments made by circulars/notifications issued between 1.5.09 and 31.10.09 would be hosted on the website of the Institute [www.icaai.org](http://www.icaai.org).

### Final Examination (New Course)

#### Paper 1: Financial Reporting

- I. Statements and Standards
  1. Framework for the Preparation and Presentation of Financial Statements
  2. Accounting Standards (including limited revisions) – AS 1 to AS 32.
- II. Guidance Notes on Accounting Aspects
  1. Guidance Note on Treatment of Reserve Created on Revaluation of Fixed Assets.
  2. Guarantees and Counter-Guarantees Given by Companies.
  3. Guidance Note on Accrual Basis of Accounting.
  4. Guidance Note on Accounting Treatment for Excise Duty.
  5. Guidance Note on Accounting for Depreciation in Companies.
  6. Guidance Note on Availability of Revaluation Reserve for Issue of Bonus shares.
  7. Guidance Note on Accounting Treatment for MODVAT/CENVAT.
  8. Guidance Note on Accounting for Corporate Dividend Tax.
  9. Guidance Note on Accounting for Employee Share-based Payments.
  10. Guidance Note on Accounting for Fringe Benefits Tax.
  11. Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income-tax Act, 1961.
  12. Guidance Note on Measurement of Income Tax for Interim Financial Reporting in the context of AS 25.

*Note:* Official Announcements and Notifications (in relation to syllabus) issued till 31st October, 2009 will be applicable for May, 2010 examination.

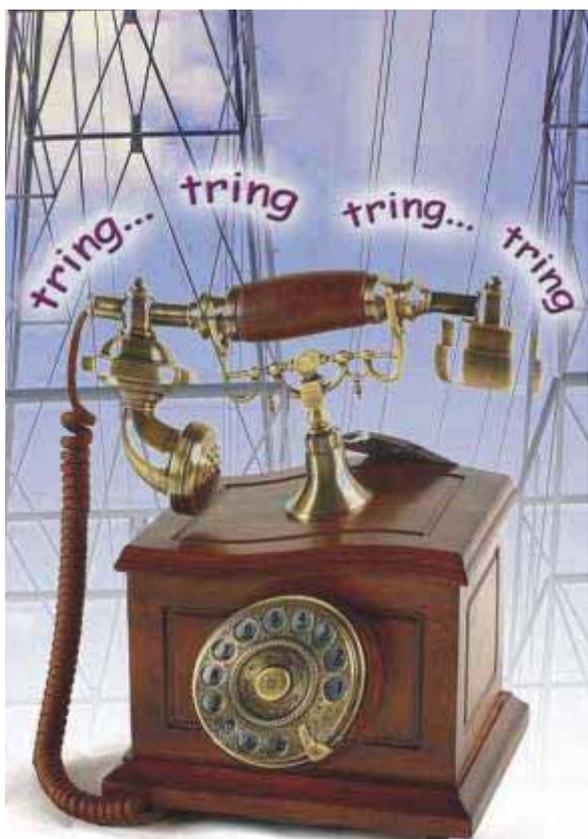
#### Paper 3: Advanced Auditing and Professional Ethics

- I. Professional Topics/Subjects
  1. Code of Ethics  
(The Chartered Accountants (Amendment) Act, 2006 is applicable for November, 2008 Final Examination onwards.)

- II. Engagements and Quality Control Standards on Auditing (SA/SRS/SRE/SAE)
1. Framework for Assurance Engagements
  2. Engagements and Quality Control Standards on Auditing (details given as under)
- S.No. Engagements and Quality Control Standards on Auditing
1. Basic Principles Governing an Audit (SA 200)
  2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
  3. Agreeing the Terms of Audit Engagements (SA 210) (*Revised*)
  4. Quality Control for Audit Work (SA 220)
  5. Audit Documentation (230) (*Revised*)
  6. The Auditor's Responsibilities Relating Fraud in an Audit of Financial Statements (SA 240) (*Revised*)
  7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (*Revised*)
  8. Communication with Those Charged with Governance (SA 260) (*Revised*)
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  10. Responsibility of Joint Auditors (SA 299)
  11. Planning an Audit of Financial Statements (300) (*Revised*)
  12. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (*Newly issued*)\*
  13. Materiality in Planning and Performing an Audit (SA 320) (*Revised*)
  14. The Auditor's Responses to Assessed Risks (SA 330) (*Newly issued*)\*
  15. Audit Considerations Relating to Entities Using Service Organisations (SA 402) (*Revised*)
  16. Evaluation of Misstatements Identified During the Audit (450) (*Newly Issued*)
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  18. Audit Evidence – Additional Considerations for Specific Items (SA 501)
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  28. Using the Work of Another Auditor (SA 600)
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  30. Using the Work of an Expert (SA 620)
  31. The Auditor's Report on Financial Statements (SA 700)
  32. Comparatives (SA 710)
  33. The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements (720) (*Newly Issued*)
  34. Engagements to Compile Financial Information (SRS 4410)
  35. Engagements to Perform Agreed – upon Procedures Regarding Financial Information (SRS 4400)
  36. Engagements to Review Financial Statements (SRE 2400)
  37. The Examination of Prospective Financial Information (SAE 3400)
- \* SA 315 & SA 330 – become effective in April, 2008. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.
3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
  4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].
- III. Guidance Notes/Study Guide/Monograph
- Guidance Notes on Auditing Aspects:*
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  6. Guidance Note on Audit of Abridged Financial Statements.
  7. Guidance Note on Audit of Inventories.
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  14. Guidance Note on Audit of Expenses.
  15. Guidance Note on Sections 227 (3) (e) and (f) of the Companies Act, 1956.
  16. Guidance Note on Certificate of Corporate Governance [2006 Edition].
  17. Guidance Note on Revision of Audit Report.
  18. Guidance Note on Computer Assisted Audit Techniques (CAATs).
  19. Guidance Note on Audit of Payment of Dividend.
  20. Guidance Note on Audit of Capital and Reserves.
- Paper 7 : Direct Tax Laws**
1. The study material for Paper 7: Direct Tax Laws (A.Y.2010-11), as amended by the Finance (No. 2) Act, 2009 (relevant for A.Y.2010-11) and significant notifications/ circulars/ other legislations up to 30-4-2009.
  2. Final Course – Supplementary Study Paper – 2009, which contains the amendments made by the Finance (No.2) Act, 2009 (relevant for A.Y. 2010-11) and significant notifications/circulars issued between 1-5-2008 and 30-4-2009 [Portions relating to Direct Tax Laws].
  3. Select cases in Direct and Indirect Taxes (2009) – An Essential reading for the Final Course [Portions relating to Direct Tax Laws].
  4. The significant amendments made by circulars/ notifications issued between 1-5-09 and 31-10-09 would be hosted on the website of the Institute [www.icaai.org](http://www.icaai.org).
- Paper 8 : Indirect Tax Laws**
1. The study material for Paper 8: Indirect Tax Laws, as amended by the Finance (No.2) Act, 2009 and significant notifications/circulars/other legislations up to 30-4-2009.
  2. Final Course – Supplementary Study Paper – 2009, which contains the amendments made by the Finance (No.2) Act, 2009 and significant notifications/circulars issued between 1-5-2008 and 30-4-2009 [portions relating to Indirect Tax Laws].
  3. Select cases in Direct and Indirect Taxes (2009) – An Essential Reading for the Final Course [Portions relating to Indirect Tax Laws].
  4. The significant amendments made by circulars/ notifications issued between 1-5-09 and 31-10-09 would be hosted on the website of the Institute [www.icaai.org](http://www.icaai.org).
- Note 1 - The Supplementary Study Paper - 2009 for the taxation papers in PE-II [Income-tax and Central Sales Tax], PCC/IPCC [Taxation], Final (Old) Course [Direct Taxes and Indirect Taxes] and Final (New) Course [Direct Tax Laws and Indirect Tax Laws] have been hosted on the website of the Institute [www.icaai.org](http://www.icaai.org). The 2009 edition of "Select Cases in Direct and Indirect Taxes" relevant for the Final (Old) Course and Final (New) Course would also be hosted on the website shortly.**
- Note 2 - The details of the Engagements and Quality Control Standards on Auditing (SA/SRS/SRE/SAE) with full text have been hosted on the Institutes' website for the guidance of the students.**

# Cross Connection

Sonia Suneja  
Email:saaniya.ss@gmail.com



Sneha, a vibrant girl full of life, was doing articleship in a Chartered Accountancy firm. With lovely peach and cream complexion and dark and lustrous hair, she was envied by most of her friends not only for her beauty but also for her passion to learn. She had passed her Professional Competence Examinations in first attempt.

Last night, she had studied till one and next morning she was not feeling too good. Her mother immediately took out thermometer and checked her fever. It was just 99 degrees. She wanted to go to office, as it was an important day. However, her mother did not listen and called up her Principal, who was also a family friend and took one-day leave for Sneha.

Soon her parents left for their respective offices and Sneha took out study material to study.

Tring Tring... The phone rang. Sneha was irritated. Is it he? The same number flashed on the screen. Why was he calling her again and again? It was indeed the same heavy masculine voice, who had made umpteen calls. Before she could say anything, he asked, 'is it 549593?'

She was raging with anger. Furiously, she replied. 'Listen, whomsoever you are. I know my voice is sweet and you have liked it. But, I am not interested in you. You are a nerd and an absolute idiot.'

'Stop troubling me or I will lodge a complaint with the police.....' She went on and on. He tried to pacify her by apologising and stating that he had actually dialled 549593. That it was indeed a case of cross connection. But she was in no mood to listen to him. She simply smashed the phone on the cradle.

Sneha could not focus on her studies. Her thoughts kept on wandering to those calls and that 'jerk'. He had called her five time in last one hour. During the first call itself, when he had wanted to talk to Rajesh, she had told him categorically that no one by that name lived there. She kept on thinking who was he and did he know where she lived. She was scared and hoped that he was not aware that she was alone at home.

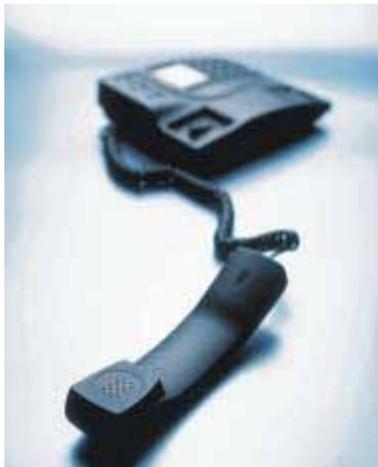
Sneha was an awesome combination of beauty and brains. She was a charming girl who was highly motivated towards her studies. She normally could sit endlessly reading her study material, solving problems and making notes. She had wasted more than two hours and she needed to

study for the forthcoming November 2009 CA final examinations. Finding it difficult to concentrate, she thought of calling her mommy and telling about him. She picked up the phone to find that there was no dial tone. The instrument was broken. She silently thanked God for the blessing in disguise, as that man will not be able to disturb her again. Using her mobile, she called her mother and told her about the 'Telephone Saga'. She told her mom that she wanted to lodge a complaint with the police so that he gets a lesson for a lifetime. Mommy advised her to keep her cool and to study for the exams. She cautioned her that involving police could unnecessarily lead her to trouble and felt that the caller could be a good human being, who was genuinely getting wrong numbers. She told her to wait for some more time and see what happens.

To change her mood Sneha's mother started asking about the taxation problems that Sneha had mailed to Board of Studies of the Institute. "Oh Mommy, they have given good replies", she replied. "However, right now I am concentrating on Law as my friends have told me that the paper can have tricky questions." Her mother also asked her to have lunch. She told her daughter that she had cooked pasta in morning for her.

The very thought of pasta sent ripples of hunger in her stomach. After disconnecting the phone, she quickly opened the refrigerator. The pasta looked tempting and after microwaving it for two minutes, she relished her favourite dish with fiery sesame sauce. Pasta was cheesy and really delicious. She thought that with such good culinary skills her mother should be running a hotel instead of working for a newspaper.

The doorbell rang. She wondered who could come at this hour. It had to be some stranger, as the house normally remained locked during weekdays. Being alone at home was very scary. She looked outside through the security hole. On seeing her mother, Sneha started jumping with joy. She opened the door and giving a tight hug to her mother she exclaimed, 'Oh Mom, you are really nice and considerate. You took leave for me.' Her mother gave a peck on her daughter's cheek, and replied, 'I will do anything for you,



darling, but today is Saturday. Office closes at 1.30.' Sneha smiled and said, 'I know it is Saturday, but tell me during the last 52 Saturdays how many times have you returned before 4 or for that matter before 5 in the evening.'

The rest of the day went uneventful, Sneha studied with full determination, secure in the knowledge that her mom was now around to handle all kind of intrusions!

On Sundays, they usually went out for lunch to their favourite eating-place in the heart of Delhi. They reached the joint sharp at 1 p.m. Though it was an expensive place, her parents could easily afford it. They preferred coming to this place, as it was never too crowded. In the restaurant, there was ample room for everybody to sit and relish food. They ordered Thai food for everybody.

'This eatery was one of the first to serve Thai cuisine', her father remarked.

She started enjoying the beautiful ambience. Although it was a multi-cuisine restaurant, the decor was unapologetically ethnic with a typical Rajasthani signature. The huge carved door could be easily mistaken for an entry to a big palace. There were authentic paintings of Rajas and Maharajas. Decorated old firearms and swords enhanced the beauty of chromatic golden walls. On the left hand side of the door there was a well-crafted palanquin (marriage cart). An attractive mannequin wearing traditional rajasthani bridal dress seemed to be stepping out of the palanquin. Sneha's eyes stopped at the girl who was simply looking majestic.

Unwantingly, the thoughts of her own marriage flashed through her mind. Colour rose to her cheeks and she started looking elsewhere. Just as she was admiring the beautifully carved door, a tall handsome man entered. He was fair, clean-shaven, with thick curly brown hair. He was wearing an impeccable white shirt with blue tie and khaki trousers. She wondered why did people wear formals on Sunday? Anyway, it was none of her concern. He looked around and sat on the table across her own table.

Easy conversation flowed on her table and she simply loved talking from nineteen to the dozen over her Sunday lunches with her parents.



The family sitting nearby were enjoying north Indian food. The family appeared to be typical Punjabis enjoying their Naan Daal. She thought - 'How can somebody eat same thing in a hotel, what they have been eating throughout the week'. Then she saw another middle-aged couple

who were enjoying Baked Pasta. It looked yum. The taste of the pasta that her mother had made a day earlier was still fresh in her mind and made her mouth watery.

'How do you do, Rajesh'. The unmistakable heavy voice of yesterday's caller sent shivers down her spine. It was he- sitting right across her table - the same tall hunk in white shirt and blue tie who had entered a few minutes back. He appeared to be a perfect gentleman, rather every girl's dream person.

She immediately realised her mistake. She was embarrassed to find that this gorgeous man was indeed her yesterday's caller, who was actually trying to reach 'Rajesh', but was unfortunately getting cross connected to her number. She wanted to apologise, but was not able to muster enough courage to go up to him. The presence of her parents was another stumbling block as she did not want them to know about the abusive language that she had used over the phone.

She started listening to the conversation between him and his guest who had joined a short while ago. She learnt that it was a business meeting and that explained the formal attire of the 'Gorgeous Caller' as she had named him in her mind or was it her heart? She found out that they wanted to start a manufacturing unit in Gautam Budh Nagar near Delhi. She wanted to know more about him. During the half an hour that they sat together, he did not speak anything about himself. The only personal detail that she could learn from her eavesdropping was that his name was Naitik.

After a long leisurely lunch, they returned home. Her parents retired to their room and she was left alone with her thoughts. She usually did not study on Sundays but that day she opened her books. But Naitik's face kept on haunting her.

Being a single child, she was very close to her parents. She wanted to talk to her mother about Naitik, but was shy. She was not able to forget him. Her anger of yesterday... her accidental meeting him today. She thought there was something more to it, than sheer chance. She felt that the meeting may be God's will.

In the evening when her parents wanted to go for walk, she excused herself and stayed at home.

She picked up her landline phone. There was still no dial tone. The instrument required replacement. Luckily, the LCD panel was working and she could trace his number as it appeared repeatedly in the call history.

She wanted to talk to him, but again was scared. She jotted the number and kept it under her pillow.

Soon, her parents returned. They had tea together. Her mother was surprised to find Sneha, the chatterbox, to be unusually quiet. Sneha relied on the age-old excuse of a mild headache and went off to bed. But her guilt of reproaching a nice person, for no rhyme or reason did not allow her to sleep either. She wanted to apologise to Naitik. Her parents had also left for their room. The sound of television filtered into her room and she could make out that they were watching a family melodrama.

She felt that at that moment her own life was like a TV soap opera!

She took out the chit containing his phone number and dialled the number, but there was no response. She tried to reach him a couple of times, but still she was not able to connect. His phone was perhaps switched-off.

The next day she lodged a complaint with her telephone service provider and requested for a new handset.

By mid noon, her handset was replaced and she profusely thanked the technician for the quick service. She had barely closed the door behind her when her landline phone rang. Tring Tring....

She picked up the phone expecting a call for her feedback from the telephone department but fate had other plans for her. It was a call from her 'Gorgeous Caller'!



'Is it 549593?' the voice from other side asked.

She felt that she was dreaming and could not believe her luck. She had merely said, 'Hello' when Naitik realized that it was again a cross connection. He started blabbering an apology when she halted him in the midst of his sentence.



She not only sought his forgiveness but also recounted the sequence of yesterday's events. She told him that she wanted to personally meet him and atone for her misdeeds.

He extended an invitation for a cup of coffee at Barista the following afternoon, which she readily accepted.

In the evening when her mother returned from office, Sneha told her about the 'Telephone Saga -Part Two', as she called it. Her mom appreciated her honesty but also warned her to be wary of strangers. She allowed Sneha to go for the coffee and requested her to call them in case of any trouble.

In Barista, Sneha had no problem in spotting her 'Gorgeous Caller' and walked to his table. They both started speaking simultaneously and immediately burst into laughter together.

Once they started talking, they realized that they had a lot in common, starting from their academic background, as he was also a Chartered Accountant.

She insisted that he must come over to her place for dinner, as her parents would be delighted to meet him.

He told her that he was travelling a lot in the coming week and would surprise her with a visit, whenever he could.

On returning home she could not stop thinking about Naitik and eagerly waited for his 'surprise visit'.

Days and weeks flew. Thanks to the technological advancement, Naitik and Sneha were constantly in touch via SMS's, net chats and phone calls.

One day Naitik arrived at her place. On meeting him, Sneha's parents were also floored by his charm and felt that he was, in fact, the perfect match for their extremely beautiful and sensitive daughter.

Sneha also managed to pass CA Final Examinations and achieved an All India rank, thanks to Naitik's guidance and loving encouragement.

Soon they became man and wife.



## COLOURS OF LIFE

*Ravi Prakash Verma*

Different colours of life are shown to us,  
But there are still many colours which are not known to us,

To the God Almighty we only pray,  
Shower only flowers in our way.

But we forget, without a thorn, a flower is not complete,  
And without a night, our day is incomplete.

Then a dark shade of life reaches us,  
But still there is a hope as there are still many colours which are not known to us.

On every turn a hurdle is there,  
Which says "Beware, beware".

We observe, we fight and we fall,  
But then we stand and try to give our all

Ultimately, a delightful colour is shown to us,  
But then we realise that there are still many colours which are not known to us.

A new colour reaches us at life's every stage,  
Which give signs of different new ways.

A positive attitude is what is required,  
You will get the colour, which you desire.

But one must not forget to thank Him for what is given to us,  
As there are still many colours, which are not known to us.

*The author is a Specialist in Portfolio Management with the Standard Chartered Bank.*

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For Sponsorship Opportunities Please Contact : Dr. T. Paramasivan, Secretary, CMII



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BOARD OF STUDIES  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## NATIONAL CONVENTION OF CA STUDENTS

Days & Dates : Saturday 9th & Sunday 10th January 2010 • Venue: Maheshwari Sanskrutik Bhawan

Conducted by : BOARD OF STUDIES Hosted by: PUNE BRANCH OF WIRC OF ICAI AND PUNE BRANCH OF WICASA

### DAY 1

Breakfast: 08.00-09.00 hrs.

Inauguration : 09.00—10.30 hrs.

Initiatives of BOS: 10.30-11.30 hrs.

Technical Session I : 11.30—14.00 hrs.

**Accounting & Auditing**

#### Topics:

1. Transition from AAS to SA
2. Convergence with IFRS
3. Schedule VI of Companies Act 1956  
- Accounting Compliances

Lunch Break : 14.00—15.00 hrs.

Technical Session II : 15.00—17.30 hrs.

**Economics & Laws**

#### Topics:

1. Ministry of Corporate Affairs in 21st Century (MCA-21)
2. Recent Recessionary Cycle in World Economy
3. Impact of Nano Technology on Indian Economic Scenario

**Cultural Evening with Dinner: 18.30-21.30 hrs.**

### DAY 2

Breakfast: 08.00-09.00 hrs.

Technical Session III : 9.30—12.00 hrs.

**Finance & Taxation**

#### Topics:

1. Overview of New Direct Tax Code
2. Goods & Service Tax-Concept & Impact
3. Futures and Options-Modern Financial Instruments

Special Session I : 12.00—13.00 hrs.

Lunch Break : 13.00—14.00 hrs.

Technical Session IV : 14.00—16.00 hrs.

**Education & Learning**

#### Topics:

1. Making the most of Articleship
2. Evolution in CA Practice

Tea Break : 16.30 – 17.00 hrs.

Valedictory & Special Session II : 17.00—18.00 hrs.

**High Tea & Snacks : 18.00—19.00 hrs.**

Students are invited to contribute papers for various technical sessions. It has been decided to select two papers on each topic.

Paper writers selected for presentation of paper at the Convention are exempted from payment of registration fee. All paper writers of the National Convention will be reimbursed to and fro first class or 2 Tier AC railway fare by the shortest route (including service tax paid) or any airline, whichever is less.

They would also be paid an allowance @ Rs. 1,500/- per day which would include expenses on boarding, lodging and conveyance. The daily allowance would be payable on actual expenses incurred up to a maximum of five days to meet the daily and incidental expenses subject to actual number of days spent from the commencement of the journey till the end of the journey, including travel time. There would be no restriction for travel by Rajdhani and Shatabadi trains.

Students interested to submit a paper can do so in a soft copy of the paper along with scanned photograph and biodata for approval so as to reach positively by December 15 2009 to CA R. Devarajan, Director, Board of Studies, ICAI, by e-mail at

[umesh.gupta@icai.org](mailto:umesh.gupta@icai.org) , [psdos@icai.org](mailto:psdos@icai.org) and [punewicasa@gmail.com](mailto:punewicasa@gmail.com).

A student cannot submit more than one paper. Please provide your registration number, course of study, complete postal address for communication, phone no. (Landline & mobile) & e-mail id. and the Paper in MS – Word format (14 points typing) to be sent as attachment to the mail (the subject of the mail should be Paper on “ ” of National Convention of CA Student).

Students interested to participate in the Cultural Evening are requested to register with Mr. Anshul Agrawal, Vice-Chairman, Pune Branch of WICASA before December 15th, 2009.

Registration Fee: Rs. 450/Delegate (if Registered on or before December 25th, 2009, from December 26th, 2009 Registration Fee will be Rs. 550/Student. For accommodation, outstation students are requested to inform & register well in advance, Rs. 200 extra for outstation students).

Cheques/Demand Drafts to be Drawn in of NATIONAL CONVENTION OF CA STUDENTS payable at Pune.

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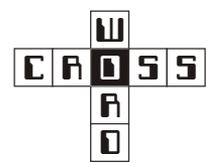
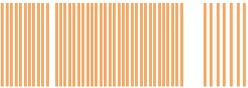
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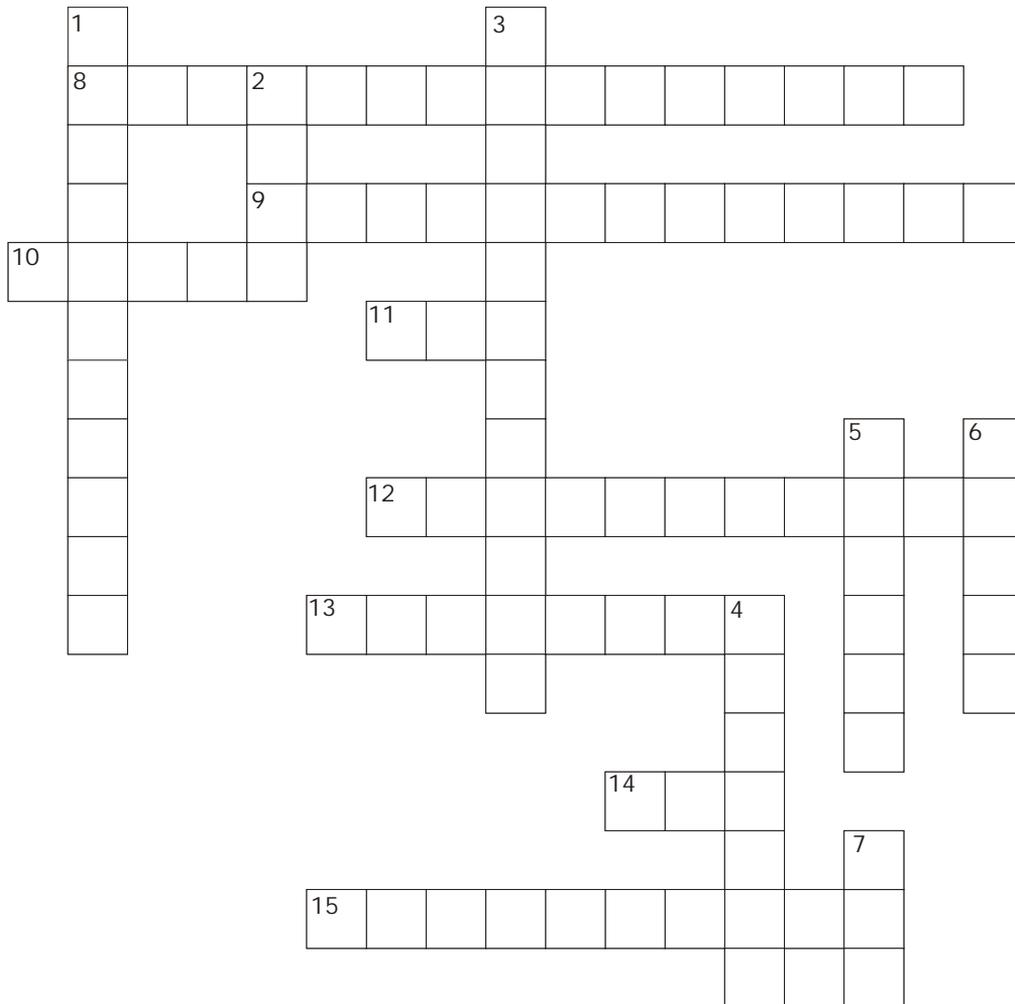
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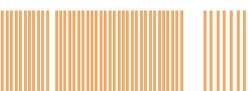


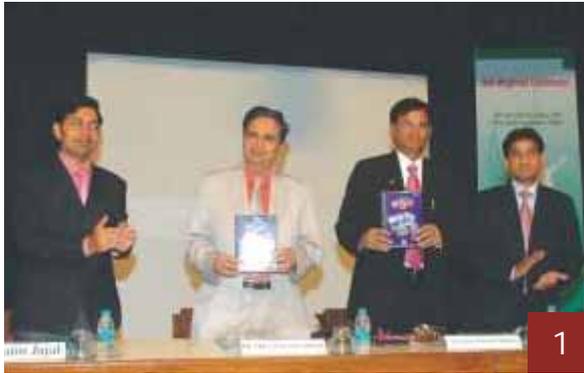
Down

- 1. Federal Reserve Bank Chairman, who guided the US through financial turmoil.
- 2. Indian credit rating agency.
- 3. International investing icon.
- 4. Rate at which assets and liabilities of non-integral foreign operations should be converted under AS 11 (revised).
- 5. International credit rating agency.
- 6. The rate that most commercial banks charge their creditors.
- 7. Taxation scheme of \_\_\_\_\_ would be on the same lines as applicable for general partnership.

Across

- 8. Section 13B of Income-tax Act, 1961 exempts voluntary contributions received by\_\_\_\_\_.
- 9. A programme that is planned and controlled by the management and which materially changes the scope of the business undertaken by an enterprise.
- 10. Investment made in order to reduce risks of adverse price movements in a security, by taking an offsetting position in a related security.
- 11. Maximum period for set-off of credit in respect of MAT paid is \_\_\_\_ years.
- 12. Rules to be introduced for determination of Arm's length Price.
- 13. In \_\_\_\_\_ accounting, findings are based upon the scientific detection and interpretation of the evidences of phenomena introduced into the books and records.
- 14. \_\_\_\_\_ compensation is eligible for benefit u/s 10(10C) or section 89(1) but not both.
- 15. \_\_\_\_\_ currency is the currency of the primary economic environment in which the entity operates.





1. CA. Uttam Prakash Agarwal, President, ICAI releasing book on GVAT on the occasion of the Sub-Regional Conference on Empowering Abilities Venturing Opportunities held at Rajkot Branch on November 29, 2009. Also seen in picture (L to R) CA. Jatin Jajal, Chairman, Rajkot Branch, Dr. Dinesh Brahmbhatt, Hon'ble Commissioner of Rajkot Municipal Corporation and CA. Bal Chand Jain, Chairman, WIRC.
2. CA. Uttam Prakash Agarwal, President, ICAI performing Bhoomi Poojan in Kolkata on 12th December, 2009
3. CA. Uttam Prakash Agarwal, President, ICAI lighting the auspicious lamp at the inauguration of ITT lab at Kandivali (East) Mumbai on November 30, 2009.
4. CA. Uttam Prakash Agarwal, President, ICAI lighting the auspicious lamp on the occasion of Branch Building inauguration of Ranchi Branch on December 15, 2009. Also seen in picture CA. Mahender Kr Jain, CA. V. K. Gaddhyan and CA. Naresh Kr. Kejriwal.
5. CA. Uttam Prakash Agarwal, President, ICAI at the Foundation Stone laying ceremony of Beawar Branch on 23rd November 2009.
6. CA. Uttam Prakash Agarwal, President, ICAI laying the foundation stone for the Solapur branch of ICAI on December 3, 2009



Shri Gopal Shetty, Prisident - Mumbai BJP inaugurating the ITT lab at Thakur House, Kandivali (East) M u m b a i o n November 30, 2009 in the presence of CA. Uttam Prakash Agarwal, President, ICAI.



CA. Uttam Prakash Agarwal, President, ICAI at the 3rd Annual event of Toronto Chapter on 14th November, 2009. CA. Ved Jain, immediate past President is also standing with him.



CA. Uttam Prakash Agarwal, President, ICAI addressing on the occasion of inauguration of ICAI Bhawan, Baroda Branch of WIRC of ICAI on 13.12.2009.



CA. Uttam Prakash Agarwal, President, ICAI performs the customary ritual at the Foundation Stone laying ceremony of Beawar Branch of ICAI on 23rd November 2009.

## ◀ GLIMPSES

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