



President's Communication

Dear Students,

Your November 2010 Examinations are just over and you might be in a jovial mood of refreshing yourself after putting a lot of arduous efforts to get through one of the most important examinations of your enduring professional career. I am hopeful that you will shimmer with resounding success. Now, after rejuvenating a bit, you must start thinking and act sincerely on achieving your professional endeavours. I have every reason to believe that you will keep the spirits of positive attitude alive towards learning and uphold the values of the accounting profession.

The contemporary time is beckoning you to become all rounded professional to face the global challenges successfully. The accounting profession demands ignited minds like yours that can spark brilliance and excellence. The horizons of CA profession are very wide and I am sure that you will be able to surpass all the encumbrances with a note of ebullience and derive optimum mileage from the

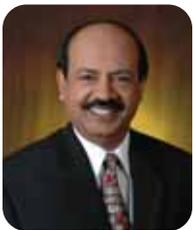
emerging post IFRS accounting scenario. I also like to extend my heartiest greeting to all of you on the happy occasion of Christmas.

We at ICAI are in a steady process to provide you the best available educational facilities so as to enable you to stretch for excellence in this Information Technology enabled **E-Yuga**. Our IT based facilities for on-line registration of GMCS, ITT and Orientation Programme are already in operation and receiving overwhelming response from the student community. Moreover, we are also resolute to have a complete face lift of our Institute's **modus operandi** by bringing IT revolution in the form of **Project Parivartan**. It is aimed at improving e-governance in our Institute. Our core objective is to evolve an integrated IT system to serve our Chartered Accountant fraternity and students through **Project Parivartan**.

Wishing you all the best

Yours sincerely,

CA. Amarjit Chopra
President, ICAI, New Delhi



Vice-president's Communication

Dear Students,

It is really pleasant to communicate to you as resonant sound of jingle bells can be heard from the far distant and you are pumped up with energy to celebrate the biggest festival of peace and jollity.

I extend my best wishes to you for a wonderful Christmas. I know well that you won't like to miss even a single moment of this blithesome occasion as you have just written your November 2010 Examinations and are in mood of relaxing a bit. I am sure that you must have attempted your respective papers in a comprehensive manner. Remember to review your performance and identify the areas where you can improve your performance for next examinations. Have faith in your efforts and do not feel complacent about it.

I am very happy to inform you that Coimbatore branch of ICAI is organizing a National Convention of CA students on the theme entitled "Strong Foundation for Young Pillars" scheduled on 29th and 30th December, 2010. The theme of this forthcoming convention appears to be very relevant in the context of today's national and global scenario. We have to explore continuously varied areas of knowledge and meet the challenges ahead on a triumphant note. I have no doubt that the organization of these conventions/conferences will be intellectually stimulating and worth participating for you. It will certainly be a golden opportunity to interact with the key-note speakers, subject experts, senior accounting

professionals and other students participating from far flung areas of the nation. I advise you to take pro-active part in this knowledge sharing activity.

The popularity of the accounting profession is growing along with a paradigm shift in our strong economy. To face the diverse challenges with aplomb, you must hone your skills in the emerging areas and mould your personality in a holistic manner. I must congratulate our Board of Studies for taking lead role to improve the managerial, presentation, communication and soft skills of the students. The Residential Programs on Professional Skills & Development have given excellent value addition to the students. Your active participation will encourage us further to hold similar and better programs on continuous basis.

Our Institute in all its endeavors ensures to provide you an edge over others for measuring new heights of professional success. A potential chartered accountant gets leverage over his/her professional competitors. Our sublime profession has created very high standards of accounting and proved to be very effective in helping businesses. I expect that you should also remember that our profession is all about rich values so uphold these values and bring glory to our fascinating profession.

Wishing you all the best

Yours sincerely,

CA. G. Ramaswamy
Vice-President, ICAI, New Delhi



Message From The Chairman, Board of Studies

Dear Students,

The Board of Studies is organizing an International Conference for CA Students on 28th and 29th December, 2010 at Shri Ram College of Commerce, Delhi. I invite you to join the conference in great numbers. This will enable you to have an interaction with students from India as well as students from other countries. It is important for each one of you to attend the conferences organized by the Institute, to appreciate the real challenges and opportunities for the students as well as the profession of chartered accountants. The conference will also broaden your horizon and vision.

The Institute recently concluded the November examination wherein a significant effort was made to ensure that more and more practical oriented questions were asked from the students so that upcoming chartered accountants are adequately judged on their professional competence in adding value efficiently and effectively. I am sure that the message is loud and clear among the students community that **only those who undertake their practical training seriously with complete devotion will be able to succeed in the examination.** It is also very important to intensively study the study material and text of various other relevant publications of the Institute including compendium of opinions, accounting standards and auditing standards and guidance notes.

Knowledge Portal

The Board of Studies in its efforts to reach out to all the students has uploaded all its latest study materials, revision test papers, suggested answers, supplementary study materials and all other academic inputs as a part of Knowledge Portal on the Institute's www.icaai.org. I welcome comments, advices, and suggestions as to how to further improve this delivery mechanism.

Corruption

The recent financial scams and allegations of corruption have impacted the creditability of a large number of top politicians and bureaucrats. It is important for the government to ensure that the internal control mechanism, procedures and policies are restructured in a manner that the affairs of the government are conducted in a transparent and effective manner and under no circumstances it becomes possible for the government officials or senior politicians to impact transparency, fairness and good governance. It may be important for each one of us to impress upon the government that the profession of chartered accountants is committed to provide all necessary support to the top politicians, bureaucrats to redesign, restructure and implement simple and transparent procedures and internal control. Also, it is important to implement modern accounting techniques, standards and disclosure requirements and subject all the government departments, statutory bodies and other entities promoted by the government to a detailed independent audit with a view to ensure compliance of delegation of power, internal control and transparency in decision making. We stand committed to eradicate corruption from the society and the economy at all level. The country's leaders need to show their complete commitment against corruption by their concrete actions. Past facto enquiries do not bring enough result and it is important to initiate preventive action in advance.

I am sure that students community will fully support and take up the issue of anti-corruption with courage and conviction. We stand committed to transparency, independence, excellence and integrity.

With Best Wishes.

Yours sincerely,

CA. Vinod Jain

Email : chairmanbos@icaai.org

International Conference of CA Students

The 2010 International Conference of CA Students is being organized by the Board of Studies jointly with the NIRC of the ICAI with the theme **INDIAN ACCOUNTANCY PROFESSION : MARCHING TOWARDS GLOBAL CENTRE STAGE**. This would be the largest gathering of CA students from all over the Globe. The main goal is to provide a forum for exchange of ideas on a number of topics of professional interest. The conference will present the tools a student needs to stay ahead, stay efficient and be prepared for the challenges posed by the changing economic environment. It is also a chance to meet with students from all over the Country and abroad and share knowledge and experiences.

The event will be comprised of presentations, keynote lectures, panel discussions. Students are invited to register* for the Conference at the earliest. Interested students are also invited to submit Paper of about 5-7 pages and/or a proposal to organize a Technical Session upto 5th December, 2010. All accepted papers will be published in the respective conference proceedings/Paper Book. Topics of interest include, but are not limited to, the following :

Technical Session 1 : Global Convergence	<ol style="list-style-type: none"> 1. Convergence to IFRS: Impact on Key Sectors 2. Accounting for Carbon Emission Credits 3. Convergence to IFRS: Need for Changes in Regulatory Requirements 4. Social Responsibility of Chartered Accountants in Converging World
Technical Session 2 : Ushering an Era of Taxation Reforms	<ol style="list-style-type: none"> 1. Direct Tax Code Bill, 2010 - Change in Conceptual Approach 2. Issues in Transfer pricing 3. Profit Linked Tax Incentives Vs Investment Linked Tax Incentives 4. Goods and Services Tax in India - Way Forward
Technical Session 3 : IT as a Tool to Simplify Audit Process	<ol style="list-style-type: none"> 1. Role of CA as IT Manager 2. Contours of eXtensible Business Reporting Language (XBRL) 3. Forensic Accounting using IT 4. IT Governance 5. Information Systems Audit - Salient Features
Technical Session 4 : Legal Reforms - Steering India Ahead	<ol style="list-style-type: none"> 1. Limited Liability Partnership : A Pragmatic Approach to Business 2. The Competition Law, 2002- Its Developmental Factors 3. Compounding of Contraventions under FEMA,1999 4. Employees Deposit Linked Scheme - A Boon for the Employees
Technical Session 5 : Present Global Financial Order	<ol style="list-style-type: none"> 1. Financial Crisis - Recession and Recoveries 2. Development of New Financial Order - G 20 Declaration 3. Towards Greener Accounting World 4. Role of CFO-Integrating Strategy and Finance 5. Globalisation of Capital Markets - Emerging Trends

Conference Dates : 28th - 29th December, 2010

Venue : Auditorium of Shri Ram College of Commerce, North Campus, University of Delhi, Delhi (India)

Cultural Evening : 28th December, 2010 by CA Parivaar followed by Dinner
Students may participate in Cultural evening by submitting the participation form* upto 5th December, 2010. The Auditions for the same are held on 12th December, 2010 in the Auditorium of ICAI Bhawan, 52,53,54, Institutional Area, Vishwas Nagar, Shahdara, Near Karkardooma Court, Delhi- 110032.

Accommodation : Two Nights accommodation would be available for outstation students attending both days of the Conference ranging from ₹ 500/- to ₹ 2000/- per night including/ excluding taxes.

Participation Fee :

For Students from India : ₹ 500/- per student

For Overseas participants : US \$ 30 participants without accommodation
US \$ 100 with accommodation for two nights

For Registration, Participation, sending Papers and for further queries, please contact:

NIRC of the ICAI ICAI Bhawan, Annexe, 5th Floor, Indraprastha Marg, New Delhi-110 002, INDIA Contact Nos. 011-30100503/507/500/ 9313498291/ 9891044010, Email : nirc_seminar@icai.in ; nirc@icai.in	Conference Section Board of Studies of the ICAI , ICAI Bhawan, A-29, Sector 62, NOIDA-201 301 (U.P.) INDIA Contact Nos. 0120-3986930/931 Email: bosconference@icai.org
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*The Registration and Participation Forms can be downloaded from the Website : www.nirc-icai.org or www.icai.org



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Corporate Social Responsibility

Ashish Jaiswal

"The wealth gathered by Jamsetji Tata and his sons in half a century of industrial pioneering formed but a minute fraction of the amount by which they enriched the nation. The whole of that wealth is held in trust for the people and used exclusively for their benefit. The cycle is thus complete; what came from the people has gone back to the people many times over". - J.R.D.Tata

Introduction

CSR

Does not stand for "Corporate Scandal Response" but for "Corporate Social Responsibility." The term "CSR" came in to common use in the early 1970s, after many multinational corporations were formed. It is also known as corporate citizenship, corporate responsibility, sustainable responsible business and corporate social performance. It is the responsibility that companies, as a global corporation, have to the people that develop, manufacture and sell their products, the consumers that use their products, and the communities and environment where they work. It is an integral part of how companies conduct their business, make decisions, and set priorities. There is a positive correlation between CSR and profitability, in other words, companies have no reason to behave against this practice because the profit motive itself is driving them to adopt this practice. It is not a publicity stunt but social responsibility sponsored by a business and should form part of corporate strategy for smart, sustainable and inclusive growth for example a company which sells coffee might sponsor community development initiatives in coffee producing regions, while an oil company might contribute to habitat restoration in an area historically used for resource extraction.



What is CSR ?

CSR means "doing well by doing good" and "to be accountable to the stakeholders beyond financial obligations" thus taking social responsibility for looking after relations with all interested parties and working towards long-term sustainable development. The business community must not only "do no harm" but also "do what good they can"

by a deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line: people, planet, profit. CSR is a form of corporate self regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. The business owes a commitment to improve community well-being through discretionary business practices and contribution of corporate resources and thus it is a process by which managers within an organization think about and discuss relationships with stakeholders as well as their roles in relation to the common good, along with their behavioral disposition with respect to the fulfillment and achievement of these roles and relationships therefore we can say that CSR is the continuing commitment by business to behaving ethically and contributing to economic development while improving the quality of life of the work force and their family as well as the community and society at large.

Importance

Organizations with high CSR become the employers of choice (an excellent place to work), a neighbour

The author is a student of ICAI (Reg.No. ERO0111919)

of choice (community where it operates is pleased to have it operating there), and vendor of choice (avoiding bad product design and safety issues-giving full value). CSR has become an important part of both large and small businesses and is an increasingly large concern for corporations. In today's competitive world, businesses need to leverage every differentiating advantage they can imagine. Strategic CSR is one of the ways companies ensure their business interests are met through various socio - environmental improvements along their production line (say, a company providing employment to rural masses, handicaps etc in its operational process). Companies need to start investing more in CSR activities to bridge the gap between functional cost and true cost.

People's consumption patterns are influenced by corporate social responsibility efforts and people tend to buy the products of companies having active CSR practices. The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones.

However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

Corporate Philosophy behind CSR

Successful global businesses have the power to make a real difference. Economic performance and social responsibility can go hand in hand, when there is a genuine consideration of our impact on the communities and the environment in which we live and work (say, emission of harmful gases during operations). If the global companies do not foster good relations with customers, communities in which they operate, nation and bear the responsibility of the impact their activities have on environment and society then their survival is endangered. Today the corporates view CSR as a true effort to influence society in a manner that earns the trust and respect of stakeholders and society. a greater CSR is established when the "business survives and works together for the common good".

CSR - Users

CSR is relevant to businesses of all sorts and sizes, although global corporations sometimes misuse the concept of CSR by adopting it when they are subjected to tremendous stakeholder scrutiny and pressure either as a result of various scandals or in order to achieve the various business benefits and proactively maintain their "social license to operate." The Governments of many countries and international development and aid agencies are looking to forms of CSR in which companies join multi-stakeholder initiatives to help solve some of the world's most significant problems. This is the reason behind the UN Global Compact, or the International Labor Organization's Better Work initiative. More broadly, CSR includes the increasingly convergent global norms of human rights and sustainable development - such as the human rights, environmental and anti-corruption principles - that form the framework for our continued peaceful existence on the planet, so it is incumbent on all of us to support greater CSR, whether as employees of corporations, or consumers needing to make more ethical (e.g. fair trade) purchasing

decisions. So if the question is "who uses it," the answer should be: "all of us"!

CSR - A necessity and not a choice

If the business community treats CSR "voluntary" and thus "optional" then that could be rightly seen as a misleading diversion. At the outset, CSR of course begins with mandatory legal compliances which includes global human rights and environmental laws but beyond that, CSR requires compliance with the highest global ethical standards, CSR should be promoted as a voluntary concept, with an emphasis on dialogue between stakeholders. Thus the CSR must result into corporate deployment of the company's core competencies - strategic thinking, marketing, logistics, inventory control, etc. CSR has become a business imperative and thus it is a business necessity.

CSR-Organizational Procedure

CSR starts with a commitment to "integrated decision-making" i.e. systemic thinking that sees

“ Study while others are sleeping; work while others are loafing; prepare while others are playing; and dream while others are wishing.”

the interrelationships between top global issues and stakeholders. CSR can expand corporate vision, transform the corporate mission, forming strategies that motivate employees and all stakeholders to take the enterprise to the next level in ways that sustain resources for present and future generations. Stakeholder engagement is a key plank for CSR, with greater transparency.

CSR-Practice

The CSR activities of a business shall include aspects relating to:

Quality and safety of products, for example, a toy manufacturing company should check that the manufactured products used by the ultimate consumer is in no way harmful to their health.

Environmental safety and health initiatives, for example a company may cut- greenhouse gas emissions during operations or 'recycle the waste generated at operated sites or be responsive to climate change as well as ozone depletion, sustainable forestry, and improving the urban air quality, a program by a tobacco industry company to discourage teens from smoking.

Ethical manufacturing programs, for example a company may develop and implement a code of conduct for third party vendors and check vendors to make sure they are meeting the code so as to assure themselves that their products are made in factories with fair, legal and safe conditions, companies might dramatically influencing behavior throughout their supply chains by requiring CSR compliance as a condition of being a supplier.

Prohibit child labor, a company using the agricultural produce of the farmers as input may go for responsible farming and sourcing across its supply chain.

Philanthropy initiatives includes monetary donations and aid given to local organizations and impoverished communities or Company donating in support that is helping children around the world, socially responsible investments for the stakeholders, compliance with the Labor Law in substance, active interaction with the trade unions, create new jobs, ensure good working conditions

for employees provide exceptional opportunities for their professional development and growth, etc.

Voluntary medical treatment, recreation and rehabilitation, programs aimed at employees and members of their families, as well as retired workers from company, education, health, livelihood creation, skill development, and empowerment of weaker sections of the society.

Community - based development approach where the companies work with local communities to better themselves. For example : setting up learning centre which helps in educating the children as well as developing new skills for the adults or building of a trade network with the community guaranteeing regular fair trade purchases, HIV/AIDS education programmes.

Whatsoever, after due examination and analysis, you find to be kind, conducive to the good, the benefit, the welfare of all beings that doctrine believe and cling to, and take it as your guide."

Organizing social programmes, assist the social and economic development of the regions in which the company operates and be a reliable partner to the government authorities and public organizations in creating a stable and prosperous social environment, social programs targeted at children and young people, war veterans, people who require treatment and

rehabilitation, and other socially vulnerable groups. Programs which help improve the nation's health and education develop culture and sports.

Human resource, empowering female entrepreneurs, governance and code of conduct, ensure sound corporate governance and compliance practices, and increased transparency in reporting on those activities.

CSR - Evaluation Procedures

CSR is evaluated both via internal audit and review mechanisms and a variety of external review, audit and verification mechanisms, some of which are within the ambit of company influence and some of which are less subject to company control. As an example of internal mechanisms, one leading company, General Electric, has a world-class internal audit team. Of course, companies that do not adhere to CSR are also now subject to various sorts of market and legal pressures, ranging from protests and boycotts, to adverse media coverage, to enforcement actions by government agencies and litigation.

CSR vis- a-vis Economic Crisis

CSR becomes much more relevant than in the context of economic crisis. It can help to build, and rebuild trust in business, which is vital for the health of a nations social market economy. It can also point the way to new forms of value of creation based on addressing societal challenges, which may represent a way out of the crisis. Furthermore, because Corporate Social Responsibility is a growing topic of interest, companies which tout such programs often perform well on the market, with consumers actively seeking out their products.

Embedding CSR into Corporate Governance

Corporate governance is the system by which a company makes and implements decisions in pursuit of its objectives. In the context of social responsibility, corporate governance can be used as a means of ensuring a company's ability to implement socially responsible behaviour in relation to labor practices, the environment, consumers, human rights and local communities. Any organization claiming to be socially responsible should have a decision-making system designed to put into practice the principles and practices of accountability, transparency, ethical behaviour, respect for stakeholder interests and respect for the rule of law.

CSR Reporting & Disclosure - International Scenario

The number of companies disclosing information on their environmental, social and governance performance has grown significantly important in the context of the current economic and financial crisis. European law states that: "To the extent necessary for an understanding of the company's development, performance or position, the analysis [in the annual review] shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters". Denmark has a law on CSR. On 16th December 2008 the Danish parliament adopted a bill making it mandatory for the 1100 largest Danish companies,

investors and state-owned companies to include information on CSR in their annual financial reports but if a company has no policy on this it must state its positioning on CSR in their annual financial report. The reporting requirements became effective on 1st January 2009. The required information includes information on the companies policies for CSR or socially responsible investments, information on how such policies are implemented in practice, and information on what results have been obtained in recent years. Transparency and disclosure of CSR-related performance information have taken on particular so far and management expectations for the future with regard to CSR. In South Africa all companies listed on the Johannesburg Stock Exchange are required to produce an integrated report on CSR activities.

"Though no one can go back and make a brand new start, anyone can start from now and make a brand new ending."

CSR-Loopholes

"Doing good yet getting accused" might be the consequence of this voluntary concept. Detractors believe, however, that Corporate Social Responsibility is simply a "smokescreen" or "window dressing" which covers up more egregious issues. By putting their ethical initiatives at the forefront,

companies can bypass a great deal of consumer concern. For example, an automobile company might distract consumers with an ad campaign about an environmentally sustainable manufacturing plant, while continuing to produce extremely inefficient vehicles which rely on fossil fuels. The practice of CSR is much debated and criticized. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; others yet argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.

CSR-Indian Scenario

Nearly all leading corporates in India are involved in CSR programmes. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises,

ITC, Indian Oil Corporation among others. The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards CSR disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking, released in October 2009. According to a study undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses, corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu. The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development. Further, according to a study by financial paper, donations by listed companies grew 8 per cent during the fiscal ended March 2009. The study of disclosures made by companies showed that 760 companies donated US\$ 170 million in FY09, up from US\$ 156 million in the year-ago period. As many as 108 companies donated over US\$ 216,199, up 20 per cent over the previous year. Moreover, in 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility. Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives. The Department of Public Enterprises has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company's net profits. As per the guidelines, companies with net profit of less than US\$ 22.5 million will earmark 3-5 per cent of profit for CSR, companies with net profit of between US\$ 22.5 million - US\$ 112.5 million, will utilize 2-3 per cent for CSR activities and companies with net profit of over US\$ 112.5 million will spend 0.5-2 per cent of net profits for CSR. The data of CSR activities in India can be graphically presented as follows:

CSR-Future ahead & Implementation

CSR can cut across almost everything the company does and everyone the company deals with. One

of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to the system of carbon credits, which are given to companies for green initiatives. How organizations implement CSR depends on how they define it, whether as a moral obligation and a rational approach to stakeholder satisfaction. It serves best when it is part of organizations' culture, planning, and management. It has implications for budgeting, return on investment, and measures of effectiveness. CSR is both top-down and bottom-up practice. Based on engagement with all stakeholders instead of only shareholders, CSR requires broad dialogue with workers, community members and other elements of society in order to align the company with society. It also requires transparency so that investors, communities and other stakeholders can hold companies accountable.

Conclusion

If the companies incorporate the CSR strategy directly into the business strategy of an organization then CSR will become a widespread phenomenon. Responsible Investment has become a priority for individual and institutional investors globally. In the wake of corporate scandals, and the tightening of carbon emissions standards over the past decade, investors have begun to seriously evaluate the environmental, social and corporate governance risks within their portfolios. In turn, companies are responding to investor demands by re-examining the way they do business—from the reduction of emissions and energy conservation to fair trade and labor standards. As responsible investment standards continue to evolve, it becomes quite difficult for investors to keep up to date on which companies in their portfolios have stringent CSR policies. As a result, both institutional and individual investors are turning to index-based investments to help them navigate the CSR landscape and take the guesswork out of responsible investment. As a result, companies interested in capturing these investments are striving to improve their CSR practices and policies in order to be included and remain in these indexes. Thus businesses should now be operated in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. People planet and profit is call of the day for business houses.

Issues in Capital Gains

Bharath Janarthanan



1. Whether the redemption of preference shares can come within the ambit of the definition of 'Transfer' under section 2(47) of the Income Tax Act, 1961?

The redemption of preference shares has been held to be "Transfer" by the decision of the Honourable Supreme Court in the case of Anarkali Sarabhai vs. CIT, reported in 90 Taxman 509 (SC). In short, the facts are that the preference shares of a company which were purchased by the assessee at less than the fair value were redeemed at fair value. It was the contention of the assessee that the transaction is not chargeable under the head "Capital Gains" since there was no transfer of the shares at all.

“Everything you want is out there waiting for you to ask. Everything you want also wants you. But you have to take action to get it.”

It was held by the Supreme Court that the transaction is chargeable under the head "Capital Gains" for the following reasons:

- a. The definition of the word "Transfer" is not an exhaustive but an inclusive definition. In order to get the money back on redemption, the assessee has to surrender the shares. The dictionary meaning of the term "relinquish" as appearing in clause (i) of Sec.2(47) is to give up; surrender; abandon; renounced; to let go. The assessee has to give up the shares in order to get the money back and there is a profit that arises to the assessee. It was also held that the transaction amounts to a 'Sale'.
 - b. Support was also drawn from Sections of the Companies Act. It was observed that in effect the company buys the preference shares from the shareholders, and the shareholders sell the share at a value agreed by the terms of issue of shares. Hence, it is nothing but a sale and comes within the ambit of 'Sale, exchange or relinquishment of the asset' as stated in Sec.2(47).
- ## 2 Whether for claiming exemption under section 54EC, investment should compulsorily be

made solely in the name of the assessee?

The Delhi Income Tax Appellate Tribunal, had in the case of ITO vs. Sarawaswathi Ramanathan, reported in 116 ITD 234, had an opportunity to decide the case. The facts in brief are that the assessee sold certain shares, the proceeds of which were invested in REC Bonds and the assessee had claimed exemption under section 54EC of the Income Tax Act, 1961. The investment was made in the joint names of the assessee and her son. The Assessing Officer negated the claim for the reason that the investment was not made in the name of the assessee.

Both the CIT (A) and the Tribunal had held that there is no requirement that the investment should be made in the name of the assessee. The main essential aspect to be looked at is whether the consideration received has gone into the investment in the asset. It was found that the assessee's name appears as the first name, and the son's name appears as the joint name and this was mainly done for a matter of convenience since the assessee was 69 years old. Therefore, it was held that the exemption cannot be denied to the assessee.

3 Transfers between holding-subsidiary company - What is a subsidiary company?

According to Sections, 47(iv) and 47(v) of the Income tax Act 1961, transfer of a capital asset between a holding company and a subsidiary company is exempt if the following two conditions are satisfied:

- a. The whole of the share capital of the subsidiary company should be held by the Parent company. In other words, the subsidiary should be a wholly owned subsidiary of the Parent Company. Holding of shares by the nominees of the holding company is permissible in case of transfer

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- by the Parent company to the subsidiary company
- b. The transferee Company should be an Indian Company.

The issue that came up for consideration before the Gujarat High Court in the case of Kalindi Investments, reported in 256 ITR 713 (Guj), was what a subsidiary company as contemplated in the abovementioned sections. The assessee in this case transferred the shares of another company to the subsidiary of its subsidiary company and claimed the loss. The Assessing Officer rejected the claim on the ground that the Companies Act gives a wider definition of "holding company" and has to be transplanted to Sec.47(iv) and (v) of the Income Tax Act. The Commission of Income Tax (Appeals) and the Income Tax Appellate Tribunal upheld the order of the Assessing Officer. However, the Gujarat High Court held that the definition of "holding company" which is wider cannot be transplanted into Sec.47(iv) and (v) and that only transactions with the immediate subsidiaries of the parent company is only contemplated here. Hence, the assessee's claim was allowed.

4 Transfers between Parent company and subsidiary company - whether whole of the share capital should be held by the Parent company?

As discussed in Issue No. 4 above, any transaction between the parent company and the subsidiary company shall be exempt if the subsidiary company is a wholly owned subsidiary of the parent company. However, under the provisions of the Companies Act, the minimum number of shareholders requirements is 2 in case of Private Limited company and 7 in case of public limited company. If this is the case, how can Sec.47(iv) and (v) be practically applied here. The Bombay High Court in the case of CIT vs. Papilion Investments Pvt Ltd , (Unreported) has held that the if one takes a stand that the whole of the share capital should be HELD IN THE NAME OF THE PARENT COMPANY, then there cannot be any case where Sec.47(v) can apply. The requirement of Sec.47(v) is that the entire share capital should be held by the Parent Company. The whole of the share capital being held by the Parent Company is not the same as holding the entire capital in the name of the holding company. Therefore, for Sec.47(v) the entire share capital need not be held in the name of the parent company since the situation is a legal impossibility in India.

5 Whether Sec.50C can be applied for determining the sale consideration of two flats sold by the assessee company, which was held as stock in trade?

This issue came up for consideration before the Mumbai Bench of the Income Tax Appellate Tribunal, in the case of M/s. Inderlok Hotels, reported in 32 SOT 419. The assessee, who is engaged in the business of construction of residential flats, sold two residential flats. Valuation of the property was made for stamp duty purpose and the stamp duty was paid accordingly and registered the deed of conveyance. The assessee disclosed the profit arising from this transaction under the head "Profits and gains from business or profession" The Assessing Officer was of the view that in respect of these two flats, since the value adopted for stamp duty is more than the sale consideration, the value adopted for stamp duty should be taken as the sale consideration. The Commissioner of Income Tax (Appeals) upheld the contention of the Assessing Officer. On appeal by the assessee before the Income Tax Appellate Tribunal, it was held that Sec.50C can be invoked only when a 'CAPITAL ASSET' is transferred. On analysing the language used by the Legislature in section 50C, it becomes apparent that the said section specifically deals with the transfer of the 'capital asset', being land or building or both and it provides for replacing the value adopted or assessed for the purpose of stamp duty, more particularly under section 48 in place of value or sale consideration shown by the assessee. It could not be applied for determining the income under other heads. It is to take note that the expression 'capital asset' has specific relevance with section 45 which provides for bringing to tax gain on transfer of 'capital asset' as capital gain. Therefore, it was held that when the sale of flats admittedly is treated as the business income, Sec.50C cannot be invoked in the instant case.

6 Whether Power of Attorney sales come within the ambit of Sec.50C?

The Jodhpur Bench of the Income Tax Appellate Tribunal had in the case of Navneet Kumar Thakkar vs ITO, reported in 110 ITD 525 had held that unless property transferred has been registered by a sale deed and for that purpose value has been assessed and stamp duty has been paid by the parties, section 50C cannot come into operation. If a property is transferred under a power of attorney transaction and value has not been assessed for the purpose of stamp duty, section 50C has no application.

However, this scenario is now changed by recent amendment in Finance (No.2) Act 2009. The amended section provides that where the consideration received or accruing as a result of transfer of land or building or both is less than the value adopted or assessed or assessable by an authority of a State Government for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration received or accruing as a result of the transfer for computing the capital gain.

The term "Assessable" has been defined to mean the price which the stamp valuation authority would have adopted or assessed, if it is referred to such authority for the purposes of payment of stamp duty.

7 Whether the assessee is eligible for exemption under section 54 if the new residential house property purchased is transferred within 3 years from the date of acquisition?

Sec.54 exemption is available if an assessee, who is an individual or a HUF transfers a building or land appurtenant thereto, whose income is taxable under the head "Income from House Property" and such consideration received is invested in the either

- a. purchasing a house property within one year before, or within 2 years after, the date of the transfer of the residential property
- b. constructing a new house property and the construction should be completed within 3 years from the date of transfer of the residential house property.

If the new residential property is transferred within a period of 3 years from the date of its acquisition, the amount of exemption given earlier would be taken back. In such case the capital gain from the transfer of new residential property will be computed as under:

Sale consideration of the new residential house property	- xxxxxxxx
(-) Cost of acquisition*	- (xxxxxxx)

Short term Capital gain	- xxxxxxxx

The cost of acquisition of the new asset shall be computed as under:

Original cost of acquisition of the new House property	- xxxxxx
Less: Amount claimed as exemption u/s 54	- (xxxxx)

*Cost of acquisition	xxxxxx

8 Determination of Long term or short term capital gain in the case of Slump Sale.

The definition of slump sale, as defined in Sec.2(42C) of the Income tax Act, 1961 means the transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities in such sales. Hence, under the slump sale, the assets that are being transferred lose the identity individually and what is transferred as it is an undertaking for a lump sum consideration. No values are assigned to the individual assets and liabilities. Hence, The capital gain is computed by deducting the 'net worth' of the undertaking from the lump sum consideration received. The cost of acquisition shall be the total of the written down value of the block of assets computed under the provisions of Income tax Act (+) the book value for other assets (-) the value of liabilities as appearing in the books of account. Any revaluation of assets done previously shall be ignored. The indexation benefit is not available in the case of slump sale.

The issue now is whether the capital gain computed shall be a long term or short term capital gain. Sub-section (1) of Sec.50B provides that any profits and gains from the slump sale effected in the previous year shall be chargeable as long term capital gains and shall be deemed to be the income of the year in which the transfer took place. Hence, by a deeming provision, it is said that the capital gains shall be a long term capital gain.

However, the proviso to Sub-section (1) states that if the capital asset being one or more undertakings owned and held by the assessee for not more than 36 months is transferred under the slump sale then the capital gain is deemed to be the short term capital gain.

Therefore, it can be said that the determining factor for whether the capital gains accruing or arising from the transaction is a long term or short term is the period of holding of the undertaking. If the period of holding of the undertaking is less than 36 months, then the gain accruing is a short term capital gain. If the undertaking is held for more than 36 months, then the gain is a long term capital gain. The point of difference to be noted is that since all the assets lose their individual identity under slump sale, the undertaking itself is treated as a capital asset and capital gain computed consequently, except that the benefit of indexation shall not be available, as already said above.

Disclaimer: The views and opinions expressed in the article are those of the authors' and do not necessarily reflect those of ICAI.

Tax Implications on Corporate Restructuring

Ankit Bhansali



Introduction

In the continuously changing global industrial scenario mergers, acquisitions, takeovers and demergers have become the talk of the day. Whether it is merger of Corus with Tata Steel or takeover of Air Deccan by Kingfisher Airlines or demerger of RIL into four new companies, all such examples of business restructuring are affecting our daily lives in one or other manner.

Business reorganisation can be internal or external. Internal reorganisation is done for cost reduction or profit maximization purposes. Normally, it does not have any tax implications except that the expenses for this purpose may be allowable or disallowable under the Income Tax Act, 1961 depending on whether such expenses are revenue or capital. On the other hand, external reorganisation involves change of ownership and therefore it has serious tax implications.

The Income Tax Act, 1961 make some special provisions with respect to following situations related to external reorganisation:

1. Amalgamation of companies
2. Demerger of companies
3. Transfer of assets between a holding company and subsidiary company
4. Slump sale of a business

Three parties are affected in the case of a business reorganisation:

1. Transferor (seller)
2. Transferee (buyer)
3. Shareholders of transferor (if the transferor is a company)

1. Amalgamation/merger of companies

Meaning (Section 2(1B)): It means either merger of one/more companies with another company or the

merger of two/more companies to form one company in such a manner that following three conditions are satisfied:

1. All properties of amalgamating (transferor) company immediately before the amalgamation become the properties of amalgamated (transferee) company.
2. All liabilities of amalgamating company immediately before the amalgamation become liabilities of amalgamated company.
3. Shareholders (equity/preference) holding not less than 75% shares (in value) of amalgamating company (other than shares already held by amalgamated company or by its subsidiary or by its nominee) become shareholders of amalgamated company. Ex: A Ltd. got amalgamated with B Ltd. B Ltd holds 80% shares (in value) of A Ltd. and rest are held by public. Now this condition stands satisfied if shareholders holding 75% of remaining value i.e., $75\% \text{ of } 20\% = 15\%$ become shareholders of B Ltd.

2. Demerger of Companies

Meaning [Section 2(19AA)]: It means the transfer of one or more undertaking by a demerged (transferor) company to any resulting (transferee) company in such a manner and subject to certain conditions.

Example of Demerger : *Bajaj Auto's various businesses demerged into two newly incorporated subsidiaries - Bajaj Holdings and Investment (BHIL) (renamed as Bajaj Auto Ltd. (BAL)) and Bajaj Finserv (BFL).*

Understanding various tax implications:

Comparative chart of tax implications on amalgamation and demerger in the hands of

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shareholders of transferor (i.e. shareholders of amalgamating/demerged company)

Provision	Amalgamation	Demerger						
<p>Capital Gain (Section 47/49)</p>	<p>At the time of amalgamation, the transactions is excluded from definition of transfer u/s 2(47), if two conditions are satisfied and therefore capital gain is not taxable -</p> <ol style="list-style-type: none"> 1. The amalgamated company is an Indian company and 2. The shareholder gets shares of the amalgamated company as consideration of transfer. <p>Note: If the shareholder gets any other thing in addition to the shares of new company, the exemption shall not operate as held in <i>Gautam Sarabhai Trust (1988) 173 ITR 216 (Guj.)</i></p> <p>When shareholder sells shares of the amalgamated company, then for computation of capital gains, the holding period shall be taken from the original date of the acquisition of shares in amalgamating company; indexation shall be done according to the date on which the share of amalgamated company are acquired and the cost of acquisition will be cost of shares of amalgamating company.</p>	<p>At the time of demerger, the transactions is excluded from transfer and therefore no tax is payable provided the shareholder gets shares of the resulting company.</p> <p>Note: In case of partial demerger, the shareholders of the demerged company will hold two types of shares after demerger, viz, 1. shares of resulting company and 2. shares of demerged company.</p> <p>For computation of capital gain arising on transfer of shares of resulting company, the holding period shall be counted from the date of acquisition of shares of demerged company; the indexation will be done from date on which shares of resulting company are acquired and</p> <p>cost of acquisition will be =</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Net book value of assets of demerged company before demerger</td> <td style="width: 40%; text-align: right;">Total cost of shares transferred</td> </tr> <tr> <td colspan="2" style="text-align: right;">-----</td> </tr> <tr> <td colspan="2">Net worth of demerged company before such demerger</td> </tr> </table> <p>Here Net worth = Paid up share capital + general reserves as appearing in the books of accounts of demerged company.</p> <p>For computation of capital gain on transfer of shares of demerged company the cost of acquisition will be the difference of total cost of shares of demerged company and cost of shares of resulting company as computed above.</p>	Net book value of assets of demerged company before demerger	Total cost of shares transferred	-----		Net worth of demerged company before such demerger	
Net book value of assets of demerged company before demerger	Total cost of shares transferred							

Net worth of demerged company before such demerger								

Comparative chart of tax implications on amalgamation and demerger in the hands of transferor (i.e. amalgamating/demerged company)

Provision	Amalgamation	Demerger
Capital gain (Section 47)	The transaction is excluded from transfer if the transferee is an Indian Company. Hence the capital gain is not taxable.	--Same as amalgamation--
Capital gain (Section 47)	<p>Where a foreign company holds shares in an Indian company and such company transfers the same in the scheme of amalgamation to another foreign company, such transfer shall be excluded from transfer if following conditions are satisfied -</p> <ol style="list-style-type: none"> 1. At least 25% shareholders (in value) of amalgamating foreign company continue to remain shareholders of amalgamated foreign company 2. Such transfer does not attract capital gain tax in the country, in which the amalgamating company is incorporated. <p>If above conditions are fulfilled, the amalgamating foreign company shall not be liable to capital gain tax in India.</p>	<p>Where a foreign company holds shares in an Indian company and such company transfers the same in the scheme of demerger to another foreign company, such transfer shall be excluded from transfer if following conditions are satisfied -</p> <ol style="list-style-type: none"> 1. At least 75% shareholders (in value) of demerged foreign company continue to remain shareholders of resulting foreign company 2. Such transfer does not attract capital gain tax in the country, in which the demerged foreign company is incorporated. <p>If above conditions are fulfilled, the demerged foreign company shall not be liable to capital gain tax in India</p>
Proviso 5 to Section 32	<p>Depreciation in year of reorganization</p> <p>Depreciation in the year of conversion shall be allowed to both to the transferor and transferee in the proportion of number of days for which the assets were used by them. (This provision is of one time use only.)</p>	--Same as amalgamation--
Section 32 read with Section 43(6)	<p>Depreciation in future - Notional cost/WDV</p> <p>Transferor goes out of existence. Hence, no such question arises.</p>	Transferor may continue to exist if there is partial demerger. If this happens, the written down value of the block of assets of demerged company shall be reduced by written down value of the assets transferred to resulting company. The residual value shall be WDV in hands of transferor
Section 35DD	<p>Deduction of expenses incurred on amalgamation/demerger</p> <p>Where an Indian company incurs an expenditure on amalgamation such expenditure shall be allowed as deduction in five equal installments</p>	--same as amalgamation--

	<p>starting from the previous year in which such amalgamation takes place.</p> <p>Note: 1. If expenditure is incurred by amalgamating company then 1/5th of expenditure shall be allowed in the year of amalgamation and balance 4/5th shall not be allowed because it has ceased to exist</p> <p>2. If expenditure is incurred by amalgamated company then deduction will be allowed over a period of 5 years. Therefore, for tax planning purposes expenditure must be incurred by the amalgamated company.</p>	<p>Note: There is no problem regarding incurrence of expenditure, in case of partial demerger as both the company (demerged and resulting) continues to exist.</p>
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Comparative chart of tax implications on amalgamation and demerger in the hands of transferee (i.e. amalgamated /resulting company)

Provision	Amalgamation	Demerger
Section 35 / Section 36(1)(ix)	Unabsorbed expenditure on scientific research/ family planning incurred by the transferor shall be allowed in the assessment of transferee provided that the transferee is an Indian company	--No Such Provision--
Section 35A / 35ABB / 35D / 35E	Unallowed cost of patent right / copyright, or telecom license fee, or preliminary expenses, or expenditure on prospecting of minerals of the transferor shall be allowed in the assessment of the transferee in the same manner as it would have been allowable to the transferor provided the transferee is an Indian company.	--Same as amalgamation--
Section 35DDA	Unallowed amount of compensation paid under Voluntary Retirement Scheme (VRS) shall be allowed in the assessment of the transferee in the same manner as it would have been allowable to the transferor provided transferee is an Indian company.	--Same as amalgamation --
Section 36(1)(vii)	Where the transferee company takes over the debtors of the transferor and subsequently such debt becomes bad the transferee company shall be entitled to claim deduction of bad debt as held in case of <i>CIT Vs. T. Veerabhadra Rao K. Koteswara Rao (1985) 155 ITR 152 (SC)</i>	--Same as amalgamation --
Section 41(1)	If the new co makes recovery or gets remission in respect of any deduction claimed by the transferee, it will be	--Same as amalgamation--

	taxable in the hands of new company	
Section 72A (Carry forward of losses of transferor)	Accumulated non speculative business loss and unabsorbed depreciation be carried forward if the prescribed conditions mentioned below are satisfied. A fresh period of 8 years time period shall be allowed to the amalgamated company for such set off from the year in which such amalgamation takes place	Accumulated non speculative business loss and unabsorbed depreciation of demerged undertaking can be carried forward by resulting company for balance period only.(Fresh 8 years will not be allowed)
Depreciation in future - Notional Cost Of Acquisition(COA)/ Written Down Value (WDV)		
Explanation 7 to Section 43(1) and Explanation 7A to Section 43(1) Situation: Where a capital asset (not being a block of asset is transferred by the transferor	The cost of transferred asset shall be taken to be the same as it would have been if the amalgamating company had continued to hold the capital asset for the purpose of its own business provided that the amalgamated company is an Indian company	The cost of transferred asset shall be taken to be the same as it would have been if the demerged company had continued to hold the capital asset. However, this will not exceed WDV of such assets in the hands of demerged company. This rule is applicable only if resulting company is an Indian company.
Explanation 2 to Section 43(6) and Explanation 2B to Section 43(6) Situation: Where a block of asset is transferred by the transferor	WDV of the block in the hands of transferor for the immediately preceding previous year (i.e. the previous year preceding the year of amalgamation) shall become WDV of the block in the hands of transferee (only Indian Company)	WDV of the block of assets in the hand of transferor immediately before demerger shall become WDV of the block in the hands of transferee.
Section 80-IA, 80-IB, 80-IE, 10A, 10B, 10AA	1. No deduction under these sections shall be allowed to the transferor company for the previous year in which amalgamation takes place. 2. The provisions of these sections shall apply to the amalgamated / transferee company in the same manner in which they would have applied to the amalgamating company	--Same as amalgamation--

Note: 1. All other Sections like 35DDA, 41(1), 72A, fifth proviso to Section 32, apply in the same manner to conversion of partnership firm / proprietary concern into a company as applied to the amalgamation of companies in the above mentioned manner.

2. In the year in which amalgamation or demerger of Co-operative bank takes place, the deduction under section 32, 35D, 35DD, 35DDA shall be computed on the assumption that such amalgamation or demerger has not taken place and then the amount so computed will be apportioned between the transferor and transferee on the basis of number of days (Section 44DB). In the subsequent years, only successor co-operative bank is allowed to claim deduction under these sections.

Conditions for carrying forward and setting off of accumulated losses and unabsorbed depreciation in case of amalgamation (Section 72A):

1. There has been an amalgamation of company owning an industrial undertaking, a ship, or a hotel with another company or of a banking company with SBI or any subsidiary of SBI or an amalgamation of public sector airlines with other public sector airlines.
2. The amalgamating company has been engaged in the business in which the accumulated loss occurred or depreciation remained unabsorbed for a period of 3 years or more.
3. The amalgamating company has held continuously as on the date of amalgamation at least 75% of book value of fixed assets held by it 2 years prior to date of amalgamation.
4. The amalgamated company holds 75% of book value of fixed assets of amalgamating company, which it acquired as a result of amalgamation continuously for a period of 5 years.
5. Business of amalgamating company will be continued for a minimum period of 5 years
6. The amalgamated company, which has acquired an industrial undertaking, shall achieve the level of production of at least 50% of the installed capacity before the end of 4 years from the date of amalgamation and continue to maintain it till the end of 5 years from such date.
7. The amalgamated company shall furnish a certificate in Form 62 duly verified by CA.

Consequence of non-compliance:

- Set off of loss or depreciation made in any previous year in hands of the amalgamated company, is deemed to the income of that company
- Such deemed income is chargeable to tax in the year in which such conditions are not complied with.

Withdrawal of exemption in certain cases [Section 47A (3)]

If the above mentioned conditions are not duly complied with, then the benefits availed by sole proprietary or the firm, shall be deemed to be profit and gains of successor company chargeable to tax

in which infringement of condition takes place.

Note: 1. the above exemption applies only in respect of capital assets. If stock is transferred then it will be taxable as business income in the hands of a firm/sole proprietor.

2. The above exemption is not allowed to a firm or proprietor carrying profession

Carry forward and set off of accumulated loss and unabsorbed depreciation (Section 72A)

The biggest advantage to transferee company, acquiring a loss making firm or company or any unit is carry forward and set off of accumulated non speculative business loss and unabsorbed depreciation for a fresh period of 8 years from the year in which succession/conversion takes place

Conditions:

Conditions as mentioned above i.e. conditions laid down under section 47(xiii)/47(xiv) are need to fully complied with.

Consequence of non compliance:

- Set off of loss or depreciation made in any previous year in hands of the successor company, is deemed to the income of that company
- Such deemed income is chargeable to tax in the year in which such conditions are not complied with.

3. Transfer of assets between a holding company and a subsidiary company

Implication under capital gain head

In the following cases, transactions are not regarded as "transfer" and hence there is no question of capital gains in the hands of transferor-

- Any transfer of a capital asset by a holding company to its 100% subsidiary company and the subsidiary company(i.e., transferee company) is an Indian Company.(Section 47(iv))
- Any transfer of capital asset by a 100% subsidiary company to its holding company and the holding company (i.e., transferee company is an Indian company).

Cost of acquisition (COA) in hands of transferee company = Cost to previous owner

Withdrawal of exemption in certain cases [Section 47A (1)]

Exemption granted shall be withdrawn in following two circumstances:

1. If transferee company converts the capital asset into stock in trade within 8 years from the date of original transfer; or
2. If holding company ceases to remain 100% holding company i.e. there is no 100% ownership of subsidiary company, within 8 years from the date of original transfer.

Treatment on such withdrawal:

1. In the hands of transferor company: The capital gains not taxed earlier shall be chargeable to tax by reopening past assessment u/s 155(7B) at any time before 4 years from the end of previous year in which such capital asset is converted into stock in trade or holding company shareholding dilutes.
2. In the hands of transferee company: All the provisions of the act shall apply as if there were no holding-subsiary relationship. In other words

Cost of acquisition: Cost for which the asset was acquired by it (i.e., Transfer price)

Date of acquisition : Date of transfer by transferor company to transferee company

4. Slump Sale of Business

Definition [Section 2(42C)]: Slump Sale means the transfer of one or more undertaking as a result of the sale for a lump sum consideration without values being assigned to individual assets and liabilities in such sales. In other words, the following conditions should be satisfied:

- Assessee owns an undertaking
- He transfers such undertaking by way of sale
- The transfer is for lump sum consideration without assigning value of individual assets and liabilities.

Implication under capital gains head [Section 50B]

For computation purpose, the net worth of the undertaking or division shall be deemed to be the Cost of Acquisition. It is to be noted that if the undertaking is owned and held by the assessee for

a period of more than 36 months before transfer, then the capital gain shall be long term otherwise short term.

Here "net worth" = Aggregate value of total assets of the undertaking less Value of liabilities of such undertaking as appearing in the books of accounts.

While computing above net worth following points should be considered:

- Any change in the value of assets due to revaluation should be ignored.
- The aggregate value of assets shall be -
 1. In case of depreciable assets, the WDV of the block of assets will be computed according to section 43(6) (c) and
 2. in case of other assets, the book value of such assets

Note:

- The assessee has to submit a report of Chartered Accountant along with the return of income. The CA will verify that the net worth has been correctly worked out or calculated.
- Section 50B is not applicable to itemized sale of business.
- Indexation shall not be allowed even in case of long term capital gain.

Advantage of section 50B:

If the business is in existence for more than 36 months, the capital gain shall be long term even though some of the assets comprised in the business are held for a very short time period or even some of the assets are depreciable assets. It is to be noted that the long-term capital gain is taxable at a concessional rate of 20%. Further, the benefit of exemption u/s 54, 54EC and 54F, which are available only against long-term capital gain, shall also become allowable.

Disadvantage of Section 50B:

The only disadvantage is that the benefit of indexation is not allowed while calculating tax liability.

5. Conversion of Unlisted Company into LLP

With effect from assessment year 2011-12 clause (xiiib) has been inserted in section 47 to exempt capital gain on transfer of assets at the time of conversion of an unlisted public limited company/ private limited company into LLP.

Accounting

IASB finalizes enhanced derecognition disclosure requirements for transfer transactions of financial assets

The International Accounting Standards Board (IASB), the independent standard-setting body of the IFRS Foundation, today issued amendments to IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The amendments broadly align the relevant disclosure requirements of International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP).

The IASB had previously published for public comment proposals to replace the existing derecognition model in IAS 39 *Financial Instruments: Recognition and Measurement* and the associated disclosure requirements in IFRS 7. However, in response to the feedback received, the IASB decided to retain existing derecognition requirements (to be incorporated

into IFRS 9 *Financial Instruments*) and to finalise improved disclosure requirements. The new requirements are contained in *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7).

The IASB and the US Financial Accounting Standards Board (FASB) will conduct additional research and analysis, including a post-implementation review of the FASB's recently amended requirements, before determining any further work to be undertaken.

Prudential Norms for Off-Balance Sheet Exposures of Banks – Bilateral netting of counterparty credit exposures

Banks have been advised to adopt 'Current Exposure Method' for estimating their credit equivalent amount for interest rate and foreign exchange derivative transactions and gold. The credit equivalent amount is used for the purposes of capital adequacy and exposure norms.

On receipt of requests from banks, the issue of allowing bilateral netting of counterparty credit exposures, in such derivative contracts, has been examined within the existing legal framework. Since the legal position regarding bilateral netting is not unambiguously clear, it has been decided that bilateral netting of mark-to-market (MTM) values arising on account of such derivative contracts cannot be permitted. Accordingly, banks should count their gross positive MTM value of such contracts for the purposes of capital adequacy as well as for exposure norms.

Legal Decisions - Income-tax

1. Would there be an obligation to deduct tax at source under section 195 in respect of payments to non-residents if such payments do not give rise to income chargeable under the provisions of the Income-tax Act, 1961?

GE India technology Centre P. Ltd. v. CIT and Another (2010) 327 ITR 456 (SC)

The Apex Court observed that the expression "chargeable under the provisions of the Act" in section 195(1) shows that the remittance has got to be a trading receipt, the whole or a part of which is liable to tax in India. If the tax is

not so assessable, there is no question of tax at source being deducted. A person paying interest or any other sum to a non-resident is not liable to deduct tax if such sum is not chargeable to tax under the Act.

Note - In this case, the Apex Court remitted the case to the High Court to decide whether or not the amount paid by the appellant to the foreign software suppliers constituted "royalty". Only if the amount is in the nature of royalty which is deemed to accrue or arise in India, then, tax is liable to be deducted at source under section 195.

2. Does the High Court have an inherent power under the Income-tax Act, 1961 to review an earlier order passed on merits?

Deepak Kumar Garg v. CIT (2010) 327 ITR 448 (MP)

The power to review is not an inherent power and must be conferred by law specifically by express provision or by necessary implication. The appellate jurisdiction of the High Court carries with it statutory limitations under the statute, unlike the extraordinary powers which are enjoyed by the Court under article 226 of the Constitution of India.

It was observed that, keeping in view the provisions of section 260A(7), the power of re-admission/restoration of the appeal is always enjoyed by the High Court. However, such power to restore the appeal cannot be treated to be a power to review the earlier order passed on merits.

3. Can freight subsidy arising out of the scheme of Central Government be treated as a "profit derived from the business" for the purposes of section 80-IA?

CIT v. Kiran Enterprises (2010) 327 ITR 520 (HP)

Section 80-IA provides for deduction in respect of profits and gains derived from eligible business. In this case, the Central Government had framed a scheme whereby freight/transport subsidy was provided to industries set up in remote areas where rail facilities were not available and some percentage of the transport expenses incurred to transport raw material/finished goods to or from the factory was subsidized.

The issue under consideration is whether such freight subsidy arising out of the scheme of Central Government can be treated as a "profit derived from the business" for the purposes of section 80-IA.

On appeal, the High Court held that the transport subsidy received by the assessee was

not a profit derived from business since it was not an operational profit. The source was not the business of the assessee but the scheme of Central Government. The words "derived from" are narrower in connotation as compared to the words "attributable to". Therefore, the freight subsidy cannot be treated as profits derived from the business for the purposes of section 80-IA.

4. Can exemption under section 54B be denied solely on the ground that the new agricultural land purchased is not wholly owned by the assessee, as the assessee's son is a co-owner as per the sale deed?

CIT v. Gurnam Singh (2010) 327 ITR 278 (P&H)

The assessee claimed deduction under section 54B in respect of the land purchased by him along with his son out of the sale proceeds of the agricultural land. However, the same was denied by the Assessing Officer on the ground that the land was registered in the name of the assessee's son.

The Tribunal observed that the agricultural land sold belonged to the assessee and the sale proceeds were also used for purchasing agricultural land. The possession of the said land was also taken by the assessee. It is not the case that the sale proceeds were used for other purposes or beyond the stipulated period. The only objection raised by the Revenue was that the land was registered in the name of his son. Therefore, it cannot be said that the capital gains were in any way misused for any other purpose contrary to the provisions of law.

In this case, the High Court concurred with the Tribunal's view that merely because the assessee's son was shown in the sale deed as co-owner, it did not make any difference. It was not the case of the Revenue that the land in question was exclusively used by the son. Therefore, the assessee was entitled to deduction under section 54B.

Illustrations from Published Accounts - Auditing

Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of NTPC Limited, New Delhi, For the Year Ended 31 March 2009 and Management Replies Thereon

The preparation of financial statements of NTPC Limited, New Delhi, for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 22 May 2009. I, on behalf of the Comptroller and Auditor General of India, have

conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of NTPC Limited, New Delhi, for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under section 619 (4) of the Companies Act, 1956, which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report

Comment	Management Reply
<p>Comment on Profitability Profit & Loss Account Sales (Schedule 17): ₹42145.40 crore</p>	
<p>A reference is invited to Comment A *** of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 2008 wherein income recognition to the extent of ₹938.30 crore was commented upon. The Company in the current year has again recognised income to the extent of ₹105.70 crore in respect of issues disputed by CERC before the Hon'ble Supreme Court of India. As the Company, through its counsel, had submitted before the Hon'ble Supreme Court of India that it would not press for determination of the disputed issues, the income recognition of ₹1044.00 crore (previous year ₹938.30 crore and current year ₹105.70 crore) should have been postponed as required under AS-9 prescribed under Section 211(3C) of the Companies Act, 1956. As a result, Reserves and Surplus (accumulated profits) of the Company are overstated by ₹1044 crore.</p>	<p>The Company appealed before the Appellate Tribunal for Electricity (ATE) against the tariff orders issued by the Central Electricity Regulatory Commission (CERC) for determination of tariff for its power stations. The ATE, during the previous financial year 2007-08, upheld the appeals of the Company and directed the CERC to revise the tariff for the concerned stations as provided in its order. CERC filed an appeal before the Hon'ble Supreme Court of India on some of the issues decided by the ATE, mainly on the grounds that ATE's order is contrary to the provisions of Tariff Regulations, 2004 notified by the CERC. Since, in the opinion of the management, duly supported by independent legal advice, the ATE's order was entirely in conformity with the Tariff Regulations, 2004 and it was reasonable to expect ultimate collection, the Company recognized sales of ₹938.30 crore pending disposal of the appeal in the previous financial year 2007-08.</p> <p>In view of the comment 'A' of the Comptroller and Auditor General of India referred alongside, the Company reviewed the matter and sought opinion from a former Chief Justice of India who was of the view that the possibility of interference by the Hon'ble Supreme Court with the order of ATE is remote and opined that the Company is right in recognizing the revenue in its books of accounts as per the order of ATE pending disposal of appeal before the Hon'ble Supreme Court of India notwithstanding the</p>

	<p>undertaking given not to press for fresh determination of the issues under appeal for the time being. Such undertaking neither affects the right of the Company nor does it call for postponement of recognition of revenue which has been done as per the provisions of Accounting Standard (AS) 9. Thus the sales of ₹ 1,044 crore (previous year ₹ 938.30 crore) and current year ₹ 105.70 crore) have been correctly accounted for based on ATE's order, duly supported by independent legal opinions, in accordance with Accounting Standard (AS) 9 'Revenue Recognition' prescribed under Section 211 (3C) of the Companies Act, 1956 and accounting policies of the Company and thus there is no over statement of Reserves and Surplus</p>
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*** [Extracts from Annual Report 2007-2008]

A. Comment on Profitability

Profit & Loss Account

Sales (Schedule 18): ₹37050.10 crore

A reference is invited to note no. 2 (b) of Notes on Accounts (Schedule 27). Pending disposal of the appeal filed by the Central Electricity Regulatory Commission (CERC) before the Supreme Court of India, the Company accounted sales for the year amounting to ₹30701.30 crore based on the provisional tariff as per the methodology and directions given by the Appellate Tribunal for Electricity.

These sales include a sum of ₹938.30 crore (including ₹621.80 crore pertaining to previous years 2004-05 to 2006-07) on account of certain parameters which have been disputed by CERC. As the case was sub-judice, the income recognition should have been postponed to the extent of ₹938.30 crore as required by the Accounting Standard -9 prescribed under section 211 (3C) of the Companies Act, 1956.

CASE LAWS

1. Does the Settlement Commission have jurisdiction to settle cases relating to the recovery of drawback erroneously paid by the Revenue?

Union of India v. Cus. & C. Ex. Settlement Commission 2010 (258) ELT 476 (Bom.)

The above question was the issue for consideration in a writ petition filed by the Union of India to challenge an order passed by the Settlement Commission in respect of a proceeding relating to recovery of drawback. The Commission vide its majority order overruled the objection taken by the Revenue challenging jurisdiction of the Commission and vide its final order settled the case. The aforesaid order of the Settlement Commission was the subject matter of challenge in this petition.

The contention of the Revenue was that the recovery of duty drawback does not involve levy, assessment and collection of customs duty as envisaged under section 127 A(b) of the Customs Act, 1962. Therefore, the said proceedings could not be treated as a case fit to be settled before the Settlement Commission. However, the contention of the respondent was that the word "duty" appearing in the definition of "case" is required to be given a wide meaning. The Customs Act provides for levy of customs duty as also the refund thereof under section 27. The respondent contended that the provisions relating to refund of duty also extend to drawback as drawback is nothing but the return of the customs duty and thus, the proceedings of recovery of drawback would be a fit case for settlement before the Commission.

The High Court noted that the Settlement Commission while considering the aforesaid question of its jurisdiction for taking up the cases relating to drawback had considered the definition of "drawback" as defined in rules relating to drawback as also the definition of the word "case" as defined in section 127A(b) and after referring to the various judgments of the Tribunal came to the conclusion that

the Commission had jurisdiction to deal with the application for settlement. The High Court stated that the reasons given by the Settlement Commission in support of its order are in consonance with the law laid down by the Supreme Court in the case of *Liberty India v. Commissioner of Income Tax (2009) 317 ITR 218 (SC)* wherein the Supreme Court has observed that drawback is nothing but remission of duty on account of statutory provisions in the Act and Scheme framed by the Government of India.

The High Court thus, concluded that the duty drawback or claim for duty drawback is nothing but a claim for refund of duty may be as per the statutory scheme framed by the Government of India or in exercise of statutory powers under the provisions of the Act. Thus, the High Court held that the Settlement Commission has jurisdiction to deal with the question relating to the recovery of drawback erroneously paid by the Revenue.

2. Can CENVAT credit be taken on the basis of private challans?

CCEx. v. Stelko Strips Ltd. 2010 (255) ELT 397 (P & H)

The issue under consideration before the High Court in the instant case was that whether private challans other than the prescribed documents are valid for taking MODVAT credit under the Central Excise Rules, 1944.

The High Court placed reliance on its decision in the case of *CCE v. M/s. Auto Spark Industries CEC No. 34 of 2004* decided on 11.07.2006 wherein it was held that once duty payment is not disputed and it is found that documents are genuine and not fraudulent then the manufacturer would be entitled to MODVAT credit on duty paid on inputs.

The High Court also relied on its decision in the case of *CCE v. Ralson India Ltd. 2006 (200) ELT 759 (P & H)* wherein it was held that if the duty paid character of inputs and their receipt in manufacturer's factory and utilization for manufacturing a final product is not disputed, then credit cannot be denied.

Thus, the High Court held that MODVAT credit could be taken on the strength of private challans as the same were not found to be fake and there was a proper certification that duty had been paid.

Note: Though, the principle enunciated in the above judgement is with reference to erstwhile Central Excise Rules, 1944, the same may apply in respect of CENVAT Credit Rules, 2004.

3. Can a software be treated as goods and if so, whether its supply to a customer as per an "End User Licence Agreement" (EULA) would be treated as sale or service?

Infotech Software Dealers Association (ISODA) v. Union of India 2010 (20) STR 289 (Mad.)

The High Court observed that the law as to whether the software is goods or not is no longer res integra as it has been settled by the Supreme Court ruling in *TCS case [2004 (178) ELT 22 (SC)]*. The High Court reiterated that software is goods as per Article 366(12) of the Constitution. A software programme may consist of various commands which enable the computer to perform a designated task. The copyright in that programme may remain with the originator of the programme. Goods could be tangible property or an intangible one. A software, whether customized or non-customised, would become goods provided it has the attributes thereof having regard to (a) utility (b) capable of being bought and sold (c) capable of transmitted, transferred, delivered, stored and possessed.

On the issue as to whether the transaction would amount to sale or service, the High Court was of the view that it would depend upon the nature of individual transaction. The High Court stated that as a transaction could be exclusive sale or exclusive service or composite one i.e., where the element of sales and service both are involved; the nature of transaction becomes relevant for imposition of tax. The High Court explained that when a statute, particularly a taxing statute is considered with reference to the legislative competence, the nature of transaction and the dominant intention on such transaction would be relevant.

In the instant case, the terms of EULA indicated the dominant intention of parties whereby the developer retained the copyright of each software, be it canned, packaged or customised, and only the right to use with copyright protection was transferred to the subscribers or the members. The High Court opined that in the transactions taking place between the members of ISODA with its customers, the software is not sold as such, but only the contents of the data stored in the software are sold which would only amount to service and not sale. Further, the High Court was of the view that such transactions could also not be treated as deemed sale under Article 366(29A)(d) of the Constitution of India as that requires a transfer of right to use any goods and in the instant case, the goods as such are not transferred.

As regards constitutional validity of service tax levy on information technology software service, the High Court did not agree with the contention of the assessee that since software is goods, all transactions between the members of ISODA and their customers would amount to sales and be liable to sales tax/VAT and that State Government alone would be competent to enact law therefor. The High Court observed that though software is goods, the transaction may not amount to sale in all cases and it may vary depending upon the terms of EULA. The High Court stated that the relevant test for this purpose would be whether section 65(105) (zzzze) of the Finance Act, 1994 can be brought under Entry 97 of List I of Schedule VII of Constitution as the Parliament has the legislative competence to make laws for service tax in terms of the said entry. Entry 97 is a residuary entry and relates to taxable service. The High Court referred to the case of *Tamil Nadu Kalyana Mandapam Association v. Union Of India 2006 (3) STR 260 (SC)* wherein it was held by the Apex Court that the Parliament is empowered to make law for service tax under said residuary powers in the absence of entry under List II. Thus, the High Court held that amended provisions to levy service tax on IT software service are not unconstitutional by virtue of the residuary power available to the Parliament under Entry 97.

Global Pursuit of Bharti Airtel

Solutions

Manoj C, SRO 0248330

1. Do you agree with the pace of expansion plans of Bharti?

Organizations ranging from small at one end to multinationals on the other would like to expand their businesses and diversify so as to increase their level of operations and to earn higher returns for the shareholders. However, it is always not possible for the entities to achieve the same due to various reasons like scarce capital, managerial ability, risk taking capabilities, etc.

Bharti, being a well-established and financially sound Indian company, is not hindered by any of the aforesaid factors to expand. However, the speed in which the company is implementing its expansion strategy is very risky. It is quite evident that the company has insatiable desire to have its presence felt in the global market by expanding its wings across the globe in various sectors. But one thing is to be borne in mind by the Bharti and other organizations going for expansion is that each and every time expansion strategy is applied; it results in entering risky path as there is huge capital outflow. Even for considering an acquisition involve a lot of time spent by the managerial personnel and other costs relating to due diligence.

If envisaged expansion plan does not materialize, all the efforts put in, money spent go in vain and it also results in fall in the goodwill of the company. At a macro level, these type of expansion strategies may also impact the economic condition of the country. When a new expansion plan is announced by a company like Bharti, its share prices also witness unnecessary turbulence. Sudden rise and fall in the share prices increases the risks for the investors and affect the 'barometer of economic progress' stock exchange indices (NSE Nifty/BSE Sensex).

Hence, I do not agree with the speed in which the expansion strategy is being implemented and executed by Bharti. Before implementing expansion strategy every company need to look into various factors like indepth environmental analysis, due diligence, etc. The plan between Bharti and MTN did not materialize due to certain factor that the company was not able to foresee resulting in wastage of time and money. Before implementing expansion strategy, the entities need to carry out environmental analysis. Environmental analysis is the process through which an organization monitors and comprehends various environmental factors such as society, competition, technology, legal, political, psychological and cultural framework.

2. What precautions Bharti Airtel must take while entering global markets?

Companies look for global markets for various reasons such as insufficient domestic market, surplus funds, cheaper source of raw materials, tax benefits, etc. Generally every company, looking for global prospects need to consider the following points:

- (i) Demand for the products proposed to be produced/delivered in global markets.
- (ii) Prospective competitors and their strategies.
- (iii) Tastes and preferences of customers and their buying habits.
- (iv) The possible ways in which the firm can raise finance in case of need.
- (v) Economic conditions.
- (vi) Climatic conditions.
- (vii) Availability of resources.
- (viii) Presence of suppliers.
- (ix) Price sensitivity.
- (x) Stock market trends.
- (xi) Tax exemptions / liabilities.
- (xii) Inflation / Deflation trends.
- (xiii) Import/export factors.
- (xiv) Trade agreements between the home country and the proposed business place.

As far as Bharti Airtel, Telecom Company, is concerned the following precautions, in addition to aforementioned factors, should also be taken while entering global markets:

- (i) In India we have Telecom Regulatory Authority of India (TRAI) which regulates the telecom sector. Similarly, other countries also have similar regulatory organizations that regulate their telecom sector. So when Bharti Airtel wishes to expand into a specific market, it should adhere to the norms and regulations of such authoritative organizations of the respective countries as regards its products, services, operations. etc. So proper care should be taken in its operations, product developments so as to conform to the rules and regulations made by such authoritative organizations.
- (ii) Economic downturn – it is a word which has been bothering different segments all over the globe. Several western countries have witnessed unprecedented hit on their economy due to recession. But fortunately, the resilient Indian economy did not get any major hit.
- (iii) A company while entering into global markets or developing a new product or taking out new projects should conduct SWOT analysis. SWOT analysis helps in studying Strength, Weakness,

continued from page 31...

Shifting of Board of Studies of the ICAI to its new premises.

The Board of Studies' Secretariat has been shifted from Sector-58 Noida to Sector-62, Noida, w.e.f 1st November, 2010. For quick redressal of students related queries the Board of Studies can be reached:

1. By Visit between(3PM to 5PM)on all working days or through Correspondence:

The Institute of Chartered Accountants of India

"ICAI Bhawan", Plot No A- 29, Sector- 62, NOIDA - 201309, U.P

2. Through Phone -lines:

- Toll Free Number 1800-200-2502
- Landline Numbers: 0120-3986930,0120-3986931,0120-3986908, 0120-3986959

3. Through E-Mails:

- General queries: bosnoida@icai.org
- Academic queries : guidance@icai.org
- Subject Specific E-Mail IDs of the faculties as under :

<p>Accounting: CA. Seema Gupta, Assistant Director seema@icai.org CA. Shilpa Aggarwal, Assistant Secretary shilpa@icai.org</p>	<p>Financial Management : CA. Ashish Gupta, Senior Assistant Director ashish.gupta@icai.org Ms. Nidhi Singh, Assistant Secretary nidhi@icai.org</p>
<p>Auditing : CA. Karuna Bhansali, Assistant Director karuna.bhansali@icai.org Mrs. Srishti Gupta, Executive Officer srishti@icai.org</p>	<p>Information Technology: Ms. Indu Arora, Additional Director indu@icai.org Mr. Manna Dey, Senior Education Officer mannadey@icai.org Mr. Santosh Pandey, Executive Officer Santosh.pandey@icai.org</p>
<p>Direct Tax: CA. Priya Subramanian, Senior Assistant Director priya@icai.org Indirect Tax : CA.Smita Mishra, Assistant Secretary smita@icai.org CA.Shefali Jain, Senior Executive Officer shefali.jain@icai.in</p>	<p>Economics: Ms. Prem J Bhutani, Deputy Director prem@icai.org S. Manikandan, Executive Officer s.manikandan@icai.org</p>
<p>Laws : Dr. P.T. Giridharan, Joint Director giridharan@icai.org Ms. Megha Goel, Section Officer megha.goel@icai.in Ms. Nisha Gupta, Executive Officer nisha.gupta@icai.org</p>	<p>Strategic Management: Mr. Shaleen Suneja, Senior Assistant Director ssuneja@icai.org Dr. Ruchi Gupta, Executive Officer ruchi.gupta@icai.org</p>
<p>Cost Accounting / Management Accounting : Mr. A.P. Kar, Senior Joint Director ap.kar@icai.in Dr. N.N. Sengupta, Assistant Director nnsengupta@icai.org Ms. Anu Munjal, Section Officer anu.munjal@icai.in</p>	<p>Quantitative Aptitude : Dr. N. V. Ravi, Senior Executive Officer drnv ravi@icai.org</p>

Students are advised to avail of this facility and be in touch with the concerned faculty for their subject related problems/queries through visit/email/telephone. In case the query is not addressed within 3 days, the same can be brought to the notice of the Director, Board of Studies at psdos@icai.org .

Director, Board of Studies

National Convention for CA Students: Indore

Theme "Enlightening Minds.....Discovering the Future".

Date: 18th & 19th December, 2010

Venue: ICAI Auditorium, Indore

Students are invited to register for the Conference at the earliest. Interested students are also invited to submit paper of 6-7 pages on any of the following topics:

Technical Session 1

IFRS - Fair value accounting challenges ahead
Corporate accounting disclosures : Recent trends

Technical Session 2

Auditing in Computerized environment
Understanding of Cyber Laws
XBRL a new business language
Tax audit - Areas generally ignored

Technical Session 3

GST - Integration of Indirect Taxes
DTC- a new era of taxation
LLP v/s Company - Preferable business Model.

Technical Session 4

Issues in CENVAT credit in service tax
Tax Deducted at Source - Critical Issues

One paper will be selected for each topic. Paper writers are exempted from payment of registration fee. They will be reimbursed the railway fare by shortest possible route for AC3 Tier/First Class. Interested Students may submit a soft copy of the paper for approval so as to reach positively by November 30th, 2010 to the Chairman, CICASA, Indore branch of CIRC by E-Mail at manojpgupta@rediffmail.com. Also mail your recent photograph with complete address, phone number and e-mail id.

SICASA Regional Conference 2010-" Thiru Vidya"

Organised by Southern India Chartered Accountants

Students Association(SICASA). Host Tirupathi Branch of SIRC of ICAI

Date : 15th and 16th December,2010

Venue: Mahathi Auditorium, Tirupati

December 15,2010

Inaugural Session

Presided by Hnbl.Amarjit Chopra,
President ,ICAI

Guest of Honour : Babu Abraham,
Chairman of SIRC of ICAI

Technical Session-1

Accounting & Auditing Standards
. AS-22

. Audit Documentation & Materiality

Technical Session-2 Direct Taxes

. Business income -intangible Assets
. Wealth tax - Liability

Special Session:

Mission of CA student

Cultural Events followed by dinner

Students are invited to contribute papers on the above topics in technical sessions. A student can not send more than one paper. Soft copy with his photo postal address, email id, Regn. No Ph. No .The paper should reach by 30th Nov,2010.

Delegate Fees: Residential ₹ 500/ Non Residential ₹300/- . ₹ 100/- extra for Balaji Darshan Money should be sent byDD .Regn form can be downloaded from <http://sircoficai.org>, <http://sicasa.sircofia.org>

All Correspondence should be addressed to:

The Convenor, THIRU VIDYA Regional Conference, SICASA,ICAI Bhavan, 122, MG Road,
Nungambakkam,Chennai-600034.Ph. 044-39893989. 09441886303

Email : sirc@iciai.in, sicasa@iciai.in, tirupathi@iciai.in

December 16,2010

Technical Session- 3

Auditing with Informatin Technology

. Auditing in ERP Environment

. Auditing when system collapses (IT disaster)

Special Session

Interaction with Board of studies

Technical Session-4 Indirect Taxes

. CENVAT Credit Rules

. Imports & Exports-treatment in Service tax

Special Session:

Motivation "Yes I Can"

Valedictory Session

National Convention for CA Students : Nagpur

Organized by: Board of Studies, ICAI

Hosted By: Nagpur Branch of WICASA & Nagpur Branch of WIRC of ICAI

Theme: "Striving for Perfection"

Date: 18th & 19th of December 2010

Venue: Rajwada Palace, Mahal, Nagpur

Registration Fee: ₹ 500/-

Program Schedule

Day I: Saturday 18/12/2010

Time	Event
08.00. AM - 09.30 AM	Registration & Breakfast
09:30 AM -12:00 AM	Inaugural Session Chief Guests - Eminent Personality Guest of Honor CA. Amarjit Chopra - President, ICAI CA. G.Ramaswamy - Vice President, ICAI CA. Vinod Jain - Chairman, Board of Studies
12:00 AM - 01:30 PM	Technical Session I Development in Taxation Student Paper Presentations on the following topics: 1. Direct Tax Code 2. Goods & Service Tax
01.30 PM - 02.30 PM	Lunch Break
02.30 PM - 04.00 PM	Special Session
04.00 PM - 05.30 PM	Technical Session II Validate Your Knowledge Student Paper Presentations on the following topics: 1. Alternate Means of Financing (Pvt. Equity vis-à-vis Debt Funding) 2. Cyber Safety

Day II: Sunday 19/12/2010

Time	Event
09.00. AM - 10.00 AM	Breakfast
10:00 AM - 11:30 AM	Technical Session II Accounts & Auditing Student Paper Presentations on the following topics: 1. IFRS 2. Risk Management
11.30 AM - 01.00 PM	Special Session
01.00 PM - 02.00 PM	Lunch Break
02.00 PM - 03.30 Pm	Technical Session IV General Student Paper Presentations on the following topics: 1. Optimizing Articleship Training Period 2. CA - A Complete Business Solution Provider
03.30 PM - 05.00 PM	Special Session
05.00 PM - 06.00 PM	Valedictory Session

The delegate fee may be paid either in cash or by an Account Payee Cheque / Demand Draft in the name of "National Convention for CA Students" payable at Nagpur. The delegate fee is inclusive of Breakfast, Lunch, Dinner on Day 1 and the conference materials.

All correspondence relating to registration may be addressed to:

The Convener

National Convention for CA Students

Nagpur Branch of WIRC of ICAI, ICAI Bhawan, 20/1, Dhantoli, Nagpur - 440012.

Tel No. 0712 - 2443968, 2441196 Fax no. 0712 - 2454166

E-mail: nagpur@icai.org web: www.nagpuricai.org.

Students are invited to contribute papers for the various technical sessions. Two papers will be selected for 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 2 Tier AC railway fare by the shortest route (including service tax paid).

They would also be paid an allowance @ 1,500/- per day which would include expenses on boarding, lodging and conveyance.

Students interested to submitting papers can do so by sending the following details by email to vijaykapur@icai.org with a carbon copy marked to nagpur@icai.org before the 3rd December, 2010. A student cannot submit more than one paper.

1. Soft copy of the paper in 14 point typing in word format in about 7 or 8 pages.
2. Bio data of the student along with registration number, course of study, complete postal address for communication, phone no. (Landline & mobile) & e-mail id.
3. The subject of the mail should be "Paper on 'your topic 'for National Convention of CA Students"
4. One recent Passport Size Scanned Photograph in JPG / PNG format.

Students are also invited to present their performances during the cultural events.

For more details please contact any of the following persons:

Member Convener :-

CA Ashwini Agrawal
Chairman,
Nagpur Branch of WICASA
Mob. No. 0-98231-62968

Students Co-ordinator: -

Nirmal Ojha
Vice Chairman,
Nagpur Branch of WICASA
Mob. No. 0-94231-28611

Member Co-ordinator: -

CA Kavita Loya
Chairperson,
Nagpur Branch of WIRC
Mob. No. 0-98231-01659

Neeraj Batra
Secretary,
Nagpur Branch of WICASA
Mob. No. 0-98228-62686

continuation from page 27...

Opportunities and Threats of the company and relates strength with opportunities and weakness with threats.

3. Do you think that organic growth is better for the company?

An organization's growth depends on the economic and industry conditions and its overall performance, area of operation, resource management, customer satisfaction etc. When a company meets all these requirements in a preferred manner, it grows slowly yet steadily without any need to acquire other businesses. This is what is referred as Organic/Natural Growth.

Normally organic growth can be attained by just operating the existing business effectively and efficiently. It does not demand high risk taking strategy, cross border business dealings, much of fresh investments, constant redefinition of entity's and business structure, mergers etc.

Organic growth is always better for the company but not sufficient in today's world as there exists a soaring competition in the business sphere across the globe, which demands the companies to surpass their respective competitors in terms of product development, decision making, cross border agreements, performance, prospective investments, mergers, etc.

4. How far Governments should influence the decisions of commercial organizations?

Government should always keep an eye on decisions, taken by commercial organizations, which directly or indirectly influence country's growth, economy of the country, public welfare etc. Nowadays, government indirectly influences the decision of the commercial organizations by creating Special economic zones, by giving tax holidays and tax exemptions, by providing grants and subsidies etc.

Commercial organizations also choose the nature of business, place of business, level of operations based on the said privileges given by the government with a view to avail such grants/subsidies and also to reduce tax burden in the initial stages of their business. The main reason for government providing all these factors is achieving social objectives such as growth of a region considered as backward. It is also done to create more employment opportunities and also make use of the resources available.

Government should also take different steps to protect consumers, monitor inflation. Nevertheless, Government should always maintain a thin line so that it does not hamper the independence of the business.

National Conference for CA Students : Mumbai

Theme: "Unleashing the Change"

Date	3rd & 4th December 2010		
Venue	Birla Matoshree Sabhagriha, New Marine Lines, Mumbai		
Time	09.00 a.m. to 6.00 p.m. (Registration 08.30 a.m. to 09.00 a.m.)		
Fees	₹ 750/- for Members (Inclusive of course material, breakfast & lunch)		
Conference Directors	CA Sanjeev Lalan, Chairman-WIRC,	CA Rajesh Shah, Chairman-WICASA	
Chief Co-ordinators	CA Mangesh Kinare Secretary-WIRC CA Neel Majithia CA Julfesh Shah Regional Council Members		
Co-ordinator	Mr. Hardik Shah	9029477741	Ms. Prapti Doshi 9769832783
	Mr. Pulkit Bachhawat	9320102231	Ms. Premeeta Rathi 9773488068
	Mr. Varun Agarwal	9322790850	Mr. Mohit Choudhary 9702526303
	Mr. Yugantar Kumawat	8080613024	

Topics	Speakers
Friday, 3rd December, 2010 Chief Guest Guest of Honour First Technical Session Economy	Eminent Personality CA Amarjit Chopra, President - ICAI CA G. Ramaswamy, Vice President - ICAI Ms. Usha Thorat, Deputy Governor, RBI
Special Session I International Taxation Second Technical Session Shift towards IFRS	CA Vispi Patel CA Rajkumar Adukia, CCM
Special Session II Changing role of CA in different fields Saturday, 4th December, 2010 Third Technical Session Taxation	CA Arun Giri CA T. N. Manoharan, Past President-ICAI
Special Session III Opportunities in Corporate Finance Fourth Technical Session Mock PMS	CA Ramdeo Agarwal CA Nilesh Shah, CA Nilesh Vikamsey, CCM
Special Session IV Panel discussion on issues relating to syllabus, training, exams, etc	Mr. Vijay Kapur, Director, Board of Studies CA Pankaj Jain, CCM CA Atul Bheda, CCM

For Conference inquiry and registration contact Mr. Vijay on 022-3980 2923 & Ms. Pallavi on 022-3980 2922
 To Register Online for event visit <http://wirc-icai.org/onlineevents.aspx>
 Hosted by WIRC of ICAI & WICASA

National Convention for CA Students : Kochi

Organised by
Board of Studies, The Institute of Chartered Accountants of India
Hosted by
Ernakulam Branch of SIRC and Ernakulam Branch of SICASA
Date 10th and 11th December, 2010
Venue: Fine Arts Hall, Foreshore Road, Kochi

Programme Chairman

CA. Vinod Jain

Chairman Board of Studies, ICAI

Programme Co-ordinators

CA. Vivek Krishna Govind

Chairman Ernakulam Branch of ICAI

Programme Director

CA. Babu Abraham Kallivayalil

Chairman SIRC of ICAI

Programme Convener

CA. V X Jose

Member, SIRC
Conference Co-ordinator

CA. E Phalguna Kumar

Chairman SICASA, SIRC of ICAI

CA. Saji Mathew

Chairman SICASA Ernakulam Branch.

Programme:

Day 1 - Friday, 10th December 2010

Time & Session

08.30 - 09.30 a.m.

09.30 - 10.30 a.m.

First Technical Session

10.30 - 11.45 a.m.

11.45 - 01.00 p.m.

Second Technical Session

01.00 - 2.00 p.m.

2.00 - 3.00 p.m.

Third Technical Session

3.00 - 4.15 p.m.

Fourth Technical Session

4.30 - 5.30 p.m.

Fifth Technical Session

5.45 - 7.30 p.m.

Day 2 - Saturday, 11th December 2010

08.00 - 9.00 a.m.

09.00 - 10.30 a.m.

Fifth Technical Session

10.30 - 11.45 a.m.

Sixth Technical session

11.45 - 01.15 p.m.

Seventh Technical Session

01.15 - 2.15 p.m.

02.15 - 3.30 p.m.

Eighth Technical Session

3.30- 4.30 p.m.

Delegate Fee :

Till December 3rd

From December 4th

Spot Registration

Delegate fee should be paid by Local Cash / Cheque / Demand Draft, in favour of "Ernakulam Branch of SICASA " payable Ernakulam and may be remitted / send to :

Ernakulam Branch of SIRC of ICAI, "ICAI Bhawan", Diwan's Road, Kochi - 682 016.

Phone : 0484 2369238, 2369258, 2372953 Fax : 0484 2372953

Email : ernakulam@icai.org Website : www.kochiicai.org

Topic

Registration

Education & Learning

About Board of studies

Session Chairman :

Speaker :

Inaugural Session

Topic: Lessons from

Sathyam fiasco

Lunch Break

Motivation Session

Indirect Taxes

Session Chairman :

Student Speaker :

Information Technology

Session Chairman :

Students Speakers :

Entertainment and dinner

Breakfast at venue

Topic: Activity Based Costing

Chairman :

Student Speaker :

Direct Taxes

Chairman :

Student Speaker :

Corporate Governance.

Chairman :

Student Speaker :

Lunch break

Accounting Standards / IFRS

Chairman :

Student Speaker :

Valedictory Session

- ` 250 /-

- ` 400 /-

- ` 500 /-

Speaker

CA. V.Murali, Vice Chairman,
Board of Studies
Shri. Vijay Kapur, Director,
Board of Studies

Padmashri. CA. T.N.
Manoharan, Past President,
ICAI

Vijay Menon,
Soft skills Trainer

Adv. Vaitheeswaran, Chennai

CA. Gopalakrishna Raju

CA. Saravana Prasath, Chennai

CA. R. Bupathy,
Past President, ICAI

CA. Venugopal C. Govind, Kochi.

CA. M.P. Vijaya Kumar, Chennai /
CA. Sampath Kumar, Bangalore.

National Convention for CA Students : Coimbatore

Organized by: Board of Studies, ICAI
Hosted By: Coimbatore Branch of SICASA
& Coimbatore Branch of SIRC of ICAI

Theme: "A Strong Foundation for the Young Pillars"

Date: 29th & 30th of December 2010

Venue: PSG College of Arts and Science Auditorium, Coimbatore

Registration Fee: `300/-

Program Schedule

Day I: Wednesday 29/12/2010

Time	Event	Topic
09:00 AM -11:00 AM	Inaugural Session	
Guest of Honour	An Eminent Person of National Importance	
Chief Guests	CA. Amarjit Chopra - President, ICAI CA. G.Ramaswamy - VicePresident, ICAI CA. Vinod Jain - Chairman, Board of Studies	
11:00 AM - 11:20 AM	Tea Break	
11:20 AM - 01:00 PM	Technical Session I	Development in Financial Reporting
Chairman	CA. Santhanakrishnan - Chairman, Corporate Laws and Corporate Governance Committee	
Key note Speaker	CA. M.P.Vijaykumar, Chennai	
	Student Paper Presentations on the following topics:	
	1. Presentation of Financial Instruments	
	2. Fair Value Accounting	
	3. Financial Reporting requirements for non-corporate entities	
01:00 PM - 02:00 PM	Lunch	
02:00 PM - 03:00 PM	Special Session I	Accounting Profession - International Perspective
Special Address by	Dr. T.V. Somanathan, Joint Secretary, Ministry of Corporate Affairs	
03:00 PM - 04:45 PM	Technical Session II	Developments in Auditing Standards
Chairman	CA. Abhijit Bandyopadhyay - Chairman, Auditing & Assurance Standards Board	
Key note Speaker	Shri. Vijay Kapur - Director, Board of Studies	
	Student Paper Presentations on the following topics:	
	1. Forensic Audit and Fraud Deduction	
	2. Audit Evidence and Documentation	
	3. Internal Audit Function	
04:45 PM - 05:00 PM	Tea Break	
05:00 PM - 07:00 PM	Cultural Events	
Day II: Thursday 30/12/2010		
09:30 AM - 10:15AM	Special Session II	Winning Strategies
	CA. V. Murali - Vice Chairman, Board of Studies	
10:15 AM - 11:30AM	Technical Session III	Issues in Taxation
Chairman	CA. Jayant Gokhale - Chairman, Direct Taxes Committee	
Key-Note Speaker	CA. Girish Ahuja, New Delhi	
	Student Paper Presentations on the following topics:	
	1. Direct Tax Code Bill, 2010	
	2. Issues in Capital Gains	
	3. International Taxation	
11:30 AM - 12:00 PM	Tea Break	
12:00 PM - 01:30 PM	Technical Session IV	General Awareness

	CA. Jaydeep Narendra Shah - Chairman, Ethical Standards Board	
	Student Paper Presentations on the following topics:	
	1. Practical Training: Essence of CA Profession	
	2. Developments in capital markets	
	3. Interpretation of Statutes	
01:30 PM - 02:30 PM	Lunch	
02:30 PM - 03:45 PM	Special Session III	Importance of Physical & Mental Strength
	Importance of Physical Exercise - Doctor	
	Stress Management and Yoga - Yoga Teacher	
03:45 PM - 04:15 PM	Tea Break	
04:15 PM - 05:15 PM	Special Session IV	Indirect Tax - Opportunities
	CA. P. Rajendra Kumar, Central Council Member	
05:15 PM - 06:30 PM	Valedictory	
	CA. Babu Abraham Kallivayalil - Chairman, SIRC of ICAI.	
	CA K.Shanmugasundaram - Vice-Chairman, SIRC of ICAI	
	CA. E.Phalguna Kumar - Chairman, SICASA	
	CA S.Murali SIRC Member	
The delegate fee may be paid either in cash or by an Account Payee Demand Draft in the name of "The Coimbatore Branch of SICASA" payable at Coimbatore. The delegate fee is inclusive of Lunch, Dinner and the conference materials.		
Outstation students, who require accommodation, are requested to inform & register well in advance so that the organizers can arrange accommodation. The Students shall personally bear the cost of accommodation separately. All correspondence relating to registration may be addressed to: The Coimbatore Branch of SICASA, C/o. Coimbatore Branch of SIRC of ICAI		
ICAI Bhawan, M.S.S. Memorial Building, No: 08, D. B. Road, R. S. Puram, Coimbatore - 641 002. Website: http://coimbatoresicasa.org		
E-mail: mail@coimbatoresicasa.org ; chairman@coimbatoresicasa.org .		
Students are invited to contribute papers for the various technical sessions. Two papers will be selected for 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 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 @ ₹ 1,500/- per day which would include expenses on boarding, lodging and conveyance.		
Students interested to submitting papers can do so by sending the following details by email to vijaykapur@icai.org with a carbon copy marked to mail@coimbatoresicasa.org before the 5th December, 2010. A student cannot submit more than one paper.		
	1. Soft copy of the paper in 14 point typing in word format in about 7 or 8 pages	
	2. Bio data of the student along with registration number, course of study, complete postal address for communication, phone no. (Landline & mobile) & e-mail id.	
	3. The subject of the mail should be "Paper on 'your topic ' for National Convention of CA Students"	
	4. One recent Passport Size Scanned Photograph in JPG/PNG format	
Students are also invited to present their performances during the cultural events.		
For more details please contact any of the following persons:		
Member	CA. P.Viswanathan, Chairman	CA. S.I.Vijay Sundar, Chairman
Co-ordinators	Coimbatore Branch of SICASA	Coimbatore Branch of SIRC of ICAI
	Mobile: 09047017006	Mobile: 09443052200
	CA. R.Kandasamy, Vice-Chairman	CA. K.Jalapathi, Secretary
	Coimbatore Branch of SIRC of ICAI	Coimbatore Branch of SIRC of ICAI
	Mobile: 09842224802	Mobile: 09842896673
Student	Mr. P.Aravind Thangam	Mr. R.Sivanesh
Co-ordinators	Mobile: 09003436391	Mobile: 09003436146

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		21		22				23						
24			25											

◀ CROSSWORD

ACROSS

1. It is empowered to frame regulations under Customs Act, 1962
3. -----is a defined benefit plan.
7. It was earlier called UTI bank.
8. The basic unit of information in computers and tele-communications.
10. The ----- is a mathematically based network for scheduling a set of project activities.
11. A rate of return used in capital budgeting to measure and compare the profitability of investments.
13. An option agreement that puts a lower limit on the interest rate.
14. The Finance Act, 2010 has extended the deduction under Section 80 D to contribution made to-----.
15. A simple derivative with standard features.
18. A project management tool used to schedule, organize, and coordinate tasks within a project.
21. An elevated line of the suburban railway in Chennai, India.
23. A financial instrument that gives the holder the right to acquire equity shares.
24. A tax being levied on all transactions done on the stock exchanges.
25. If payment for a service is received in convertible FOREX, it qualifies as _____ of service.

DOWN

1. Goods, other than imported goods, transported in a vessel from one port in India to other.
2. The amount paid every month as long as the loan amount is outstanding, which goes towards both the interest & principal.
4. An Act which mandates timely response to citizen requests for government information.
5. The only grant-giving agency in the country which provides funds and coordinates, determines and maintains standards in institutions of higher education.
6. Deferred tax is the tax effect of ----- differences.
9. The Assessing officer may refer the computation of the Arm Length Price in relation to an international transaction to a _____.
12. A seller of an option.
13. A person is eligible to receive gratuity where he has rendered continuous service for at least---- years.
14. An option agreement that puts an upper limit on interest rates.
15. A government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.
16. A bank's account with its correspondent banker abroad, ordinarily in the home currency of that country.
17. Cost formula not allowed in AS 2.
19. A bank set up for the purpose of financing, facilitating, and promoting foreign trade of India.
20. The contribution paid by the employer to the Fund shall be----- % of the basic wages.
21. Tax on zero profit companies.
22. ----- sigma is a business management strategy originally developed by Motorola which seek to improve the quality of process outputs by identifying and removing the causes of defects.