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Values Virtues Vision



President's Communication

Dear Budding Professionals,

May 2013 examinations are over. So you all must be having a breathing time before gearing up to learn new subjects and topics in the next level of this course. Well, some of you may take this next level as just another task and the some of you would take it as an opportunity to learn completely new. Some of you may take it as yet another sack of books to be gulped in and some may be excited to learn new things and apply it practically during their articleship. Now this is what exactly makes the difference, between the rank holders and the pass outs, the attitude & approach towards our education. But, this does not mean that pass outs of the Chartered Accountancy course are any less than the rank holders in terms of their qualification. However, let me state it boldly that people with right approach and attitude in life, be it professional or personal, cent percent emerge as leaders and shining stars.

So now the question arises as to what is the right attitude & approach. For this phase of your life, right attitude would be to feel that "Studies are not difficult and excelling in the examinations in the first attempt is achievable." Right approach would be to think positive about yourself, dwell on your strengths, logically plan studies, learn to be assertive and do not give all credit to luck, give yourself credit too. You should act SMART, i.e., Specific, Measurable, Attainable, Realistic & Timely while strategizing your study plan. You should be specific in what you are going to study. Being specific does not mean being selective. Cover all subjects holistically and have measurable targets. These targets should be attainable and realistic. You should be aware of your potential. Do not make plans that are not attainable. Being realistic will also involve finding your weak areas and working on them. For example, many students are not able to

properly express themselves, writing answers under simulated examination conditions can help you. Lastly you should stick to the planned time schedules. In the professional course of Chartered Accountancy you cannot afford to leave even a single day unutilized. Complete your studies well in time and have a sufficient time for the revisions. If you have the right attitude & approach, you would definitely have full confidence in yourself which will help you to fructify your dreams. Believe me, you need nothing more to be successful.

Our course is unique in the sense that it gives you us practical exposure through three years of practical training along with theoretical knowledge. I would like to advise the articled assistants completing their second year of article training to pursue Industrial Training with the consent of their respective principals. The Industrial Training facilitates the articled assistants with real life exposure in office workings in industry/ and service organizations and helps to develop their professional acumen. The list of registered organizations permitted to impart Industrial Training is hosted on the Institute's website.

I hope that a large number of students must have been benefitted by the online e-Learning facility. The response received from the students across the country is highly inspiring.

The popularity and the demand of the Chartered Accountancy Course as well as of the Accountancy Profession have witnessed a paradigm shift. As opportunities for the students have now become multidimensional, the responsibilities have also become multileveled and diversified. I am sure that our students will be able to face these challenges and see success in their endeavours.

Best Wishes,

CA. Subodh K. Agrawal
President

The Institute of Chartered Accountants of India



Vice President's Communication

Dear Students,

May 2013 examinations are over and you must be feeling relaxed now. I am sure you must have attempted your papers meticulously. It is a very apt time for you to analyse what difficulties you faced in the examination so that you could work on them and start taking sufficient remedial measures.

You should make a plan for the coming months. Planning and Prioritizing are two faces of the same coin. Once you plan, you can begin to work on your objectives and develop a precise programme. Prioritization helps you to reduce stress and move towards a successful conclusion. Those who will be completing IPCC and enrolling for Final should start studying the subjects of the Final course in right earnest. Those who have not fared quite well in the examinations and consequently not very hopeful of positive results should continue to keep in touch with their subjects rather than waiting for the results. Quite a few students lose precious time on this count. They should instead go through the subsequent developments concerning Taxation and Corporate Laws, Institute's pronouncements like Statements and Standards, Guidance Notes, which would be relevant for the upcoming examinations.

The Chartered Accountancy course expects the students to study with utmost sincerity and seriousness. You must have the willingness to learn and improve continuously throughout the period of articles, whether you are working under a practicing chartered accountant or as an industrial trainee, and thereafter during your professional career. A student, who develops the skill of application of mind and continues to work with honesty and integrity, is sure to pass the examination. It is also necessary for you to keep in mind that knowledge and experience earned by you during the period of your training will stand you in good stead during your entire future career.

To become a thorough professional, start questioning yourself and all your assumptions and knowledge that you have. Whatever you do, do it like a professional. Make a move when you decide to do so, and when you are ready for that. All your moves must originate from your efforts and preparation, which will help you in surviving the global competitive time. Maintain a curve of knowledge and give it a rising flow. Keep track of new accounting and auditing standards, and other technical developments in accountancy profession. I am sure such an attitude will impact your vision as well as your career graph suitably.

The Institute has always been very proactive in its approach, especially in providing its students with multiple opportunities for professional development. It is your turn now to utilize all those opportunities. I have always believed that participation in academic and professional conventions and conferences will eventually enrich all its participants as they offer you a chance to interact and learn from others. The Institute's Board of Studies is organizing National Conventions for CA Students in Cuttack on 21st and 22nd June 2013, and in Guwahati on 22nd and 23rd June 2013. Go ahead and actively participate. You will get an opportunity to meet a galaxy of professionals. Apart from that, you can share your experiences and insights with the experienced professionals and get their constructive feedback too. The benefit of such close interaction with your colleagues and seniors is something that transcends what a normal experience can provide. Of course, you should also present papers and participate in the debate. This will help you to develop rhetoric skills and remove your stage fear. Participate and learn from such opportunities.

Once again, I wish you a nice cheerful and fruitful time ahead.

Yours sincerely

K. Raghu

CA. K. Raghu

Vice President, ICAI, New Delhi



Chairman's Communication

My Dear Students,

Now that the examinations are over, you would be heaving a sigh of relief. I am sure that you would have all done well and your painstaking efforts are bound to bear fruit sooner or later. Even if you think have not done well, don't get discouraged and disheartened; just press forward patiently, steadily and tenaciously. Everyone encounters impasse at some point in life. Everything rests on whether we allow our inner determination to become deadlocked. When we truly grasp this point and when we strive to challenge things with a willing spirit, the path of victory is already open. I hope you will have the courage to challenge and overcome the obstacles coming your way and be victorious.

Those of you who are students of Common Proficiency Course, you would still be busy revising for June 2013 Test. I am sure you would have appeared or would be appearing for the **CPT Mock Test** organized by your respective region. If you have not or do not intend to appear in CPT Mock Test, then I advise you to take this Test on your known, under examination conditions, when once it is hosted on the Institute's web site. In this regard, I would also like to inform you that the revised booklet on "How to Face CPT" is already published and hosted on the Institute's web site. Go through the booklet and follow the tips given in it - general and subject specific. I am sure you will benefit from the guidance given and pass with flying colours in the CPT. I hope you know that from this attempt onwards it is compulsory to secure a minimum of 30 per cent marks in each subject and a minimum aggregate of 50 per cent in order to pass CPT. Therefore, do not leave any portion or subject untouched while studying, otherwise, you run the risk of not clearing CPT.

The **e-learning programme** of BOS is a great hit amongst students. Since these are explained in a simple style and language, students found them handy and useful especially while revising their respective subjects and chapters. For Intermediate (IPC) course, the work of preparing and uploading e-lectures is almost complete. For CPC, about 12 hours of e-lectures have already been uploaded. Rest will be uploaded soon.

As you know, that **Practical Training** is an important part and parcel of Chartered Accountancy Course. Every student of Chartered Accountancy course has to mandatorily undergo three years of rigorous training under a practicing Chartered Accountant. It has been noticed that many students do not take practical training seriously and consider it to be a burden. Please remember, practical training is not just articleship; it is the process of growing up from a CA student to an

excellent professional. It helps you to understand the fine nuances of practical professional life. Moreover, it assists you in solving practical problems asked in the examination more confidently. A person having mere textbook knowledge may not be able to attempt a question involving application of knowledge acquired in practical training. However, a person who has actually done articleship will be able to answer the question easily keeping in mind all the things which he observed and learnt during his training period. Thus, his answers would not only contain what the textbooks offer but will also bring in the practical dimensions. Therefore, I advise to take practical training. Remember, it is ultimately the quality of practical training which distinguishes an ordinary student from an outstanding student

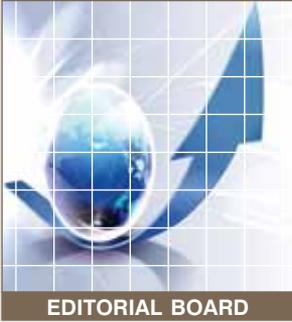
As told before, the BOS through the Regional Councils and branches, is planning to conduct programmes on English Speaking, Writing Skills and Business Communication for the benefit of Articled Assistants. For this, the BOS has brought out a publication titled "**Course Material on English Speaking, Writing Skills and Business Communication**". This publication will help the Regional Councils and branches in their conduct of such programmes. I am sure that Regional Councils and Branches will conduct regular programmes in this area so as to further enhance the overall potential of the profession.

The BOS understands that after examinations, you want some time to relax. Therefore, it has lined up a number of **National Conventions** in June and July 2013 for you. These are at, Chandigarh (8th -9th June), Cuttack (21st - 22nd June), Guwahati (22nd- 23rd June), Ahmedabad (29th - 30th June) Baroda (11th - 12th July) and Nagpur (19th -20th July). I advise you to participate in these National Conventions in great numbers. These will give you a chance of updating yourself on the various topics of CA course curriculum. Also, you will get the chance of interacting with not only your fellow students from all over the country but also the subject experts. You may also present papers in these Conventions and express your opinion on the topic of your professional interest. This will surely help in improving your communication skills and analytical abilities which are so much necessary in our profession. Besides these, an array of other activities are also being organized by BOS, These include, **One Day Seminars, Elocution and Quiz Contests, Education Fairs, Students Festivals** etc. Attend these activities and get a chance to show case your skills and talents. I am sure these will enhance your knowledge and also help improve your overall personality.

With Best Wishes

Yours sincerely,

CA. Vijay Garg
Chairman, BOS



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Audit of Public Enterprises: CAG's Role

K.P. Shashidharan

In ensuring good corporate governance practices in the public sector enterprises, the regulators like the Ministry of Corporate Affairs, The Institute of Chartered Accountants of India, the Securities and Exchange Board of India, the Reserve Bank of India and Comptroller and Auditor General of India (C&AG) have specific individual as well as collective coordinating roles. This article highlights the process of audit of accounts of PSEs and primarily focuses on how the CAG of India as a regulator has responded to some of the challenges emerging from recent corporate governance failures in addressing issues and concerns relating to audit of public sector enterprises.

Role of the C&AG in Audit of PSEs

As per the provisions of the Companies Act, 1956 read with Section 19 of the 'Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971' and the C&AG's Regulations 2007, the C&AG is vested with audit of the financial statements of all the Government companies. In order to discharge this responsibility, he is empowered to appoint the auditors as well as issue directions to the auditors specifying the manner in which the accounts of government companies are to be audited under Section 619(2) and (3) of the Companies Act, 1956, keeping in view his overall responsibility of ensuring public accountability. As the Supreme Audit Institution of the country, the C&AG plays an oversight role ensuring that the statutory auditors discharge their assigned responsibilities with due diligence on his behalf by exercising the power to supplement or comment upon the statutory auditors' report under Section 619(4) of the Act.

Besides financial audit, the C&AG is also mandated to conduct performance audit and compliance audit of the government companies. Performance audit is an independent assessment or evaluation of an entity's programme or activity with reference to the laid down goals, objectives and targets, taking into account relevant criteria for assessment of efficiency, economy and effectiveness of operations. This is done mainly through the Audit Board mechanism, chaired by the Deputy Comptroller and Auditor General (Commercial), with senior officers of the C&AG and two technical experts inducted as special invitees, if necessary. The main objective of 'performance audit' is to assist the people's representatives in exercising effective legislative control and oversight over the policy objectives and their implementation. The elaborate process of performance audit involves understanding the activities of the organisation, risk

assessment, systems and controls and brings out systemic deficiencies, absence of controls or their ineffective functioning and compliance failures. The Audit probe goes into the root causes of the problems and suggests constructive recommendations to the executives for improvement. In Compliance Audit, the C&AG examines the transactions relating to receipts and expenditure, assets and liabilities of government companies and corporations to ensure compliance with all applicable laws, rules and regulations and procedures.



By conducting audit of PSEs according to three frameworks of audit viz. financial audit, performance audit and compliance audit, which are interlinked and complementary to one another, C&AG prepares three distinct audit reports on the functioning of the PSEs, commenting upon their state of financial affairs, operational efficiency, governance and compliance issues. These reports are placed in the Parliament and the selected reports are discussed comprehensively by Committee of Public Sector Undertaking recommending remedial measures for improvement.

The Audit Process in PSEs

The entire gamut of financial attestation functions of the C&AG encompasses appointment of Auditors by CAG, issuing directions to them, preparation of financial statements by the management, audit thereof by the statutory auditors and supplementary audit by C&AG as detailed below:

(i) Appointment of Auditors: Registration, Empanelment and Allocation of Audit

Ensuring expected quality in financial attestation functions of PSEs has all along been a challenging task. In order to ensure quality of audit, it is imperative that competent, capable and upright audit firms are selected for an assignment taking into account its complexity, magnitude of operations and volume of transactions. The powers to appoint the statutory auditors of the Government companies are, therefore, conferred to the C&AG vide Section 619(2) of the 'Companies Act, 1956' as amended in 2000.

In order to select the competent auditors, the basic eligibility criteria for empanelment for PSE audits are determined in consultation with the Institute of

(The author is Director General (Audit), CAG of India)

Chartered Accountants (ICAI) that the firm should be registered with ICAI and should have at least one full time FCA member on the date of registration.

The credibility and brand equity of C&AG empanelment enhances opportunities of audit firms for being considered for varied audit assignments available with different ministries, departments and institutions of the central and state governments and urban local bodies including corporation, municipality, panchayat and other local organs of state administration. The computerised system of empanelment of auditors for PSE audit assignments has been evolved over the years and criteria and process have been continuously improving as per the emerging requirements. The transparency and objectivity of the system has been acknowledged and appreciated by ICAI, which comes out with suggestions for modifications every year as per professional needs. RBI uses the panel for appointment of statutory auditors for public sector banks, central government and state governments call for empanelled auditors for considering for specified accounts and audit assignments including special audits, audit of World Bank aided projects, autonomous bodies and societies.

(ii) Initiatives taken to ensure independence of Statutory Auditors

The statutory auditors have a fiduciary duty to provide independent, professional opinion on the financial statements of the company audited by them. In order to ensure independence of the statutory auditors and to obviate any chances of conflict of interest, provisions exist in Section 226 of the Companies Act, 1956 disqualifying certain persons for appointment as auditor of a company. Similarly, the Chartered Accountants Act, 1949 also contains provisions to ensure independence of the statutory auditors. The Naresh Chandra Committee, constituted in 2002 by the Government of India for examining the auditor-company relationship made recommendations prohibiting the statutory auditors of the companies from taking certain assignments like internal audit, accounting and book keeping, actuarial services, management functions, valuation services, etc. and recommended rotation of auditors. These well acknowledged safeguards for ensuring independence of auditors have already been factored into allocation of audit assignments of PSEs by C&AG by appointing joint auditors for major PSEs and listed companies, rotating the auditors after a term of four years subject to case to case evaluation, firms' continuous empanelment during the period and their performance. In order to assess objectively the performance of the audit firms, well structured format with relevant information and parameters has been used and if the performance is found lacking, appropriate penal action is taken against the firm by

the departmental disciplinary committee set up for the purpose. The statutory auditors are either cautioned or debarred for allotment of audit up to three years depending upon the nature and magnitude of professional negligence and misconduct.

(iii) Directions, Sub-directions, Additional-directions to the statutory auditors

Before commencement of audit, expectations from the auditors are spelt out explicitly by C&AG by issuing directions under Section 619(3) (a) of the Companies Act, 1956. These directions contain specific questionnaire to assess the quality of corporate governance, preparedness to meet business risks, status of disinvestment if applicable, operational efficiency and productivity, the system of accounts & financial control, possibilities of fraud, the status of assets, inventory, investments, liabilities and loans, award & execution of contracts, quality of the internal audit system, human resource development, status of legal arbitration cases, reliability of information technology and management information system, measures taken towards environment management and issues relating to Memorandum of Understanding and energy audit. Besides general directions under 619(3)(a), the Member Audit Board entrusted with audit of a particular PSE issues industry specific sub-directions to the statutory auditors and discusses the audit plan and related issues in detail in a tri-party meeting where government auditors, statutory auditors and management executives are present. In the current year, three phased audit system has been introduced in 80 odd Central Public Sector Enterprises including listed companies, Navaratna, Miniratna, and corporations where C&AG is the sole auditor and during the course of the attestation audit, government audit issues additional directions specific to the CPSE under audit for taking corrective action till the accounts are adopted and signed by the Board of Directors and before the Supplementary Audit under 619(4) is undertaken.

(iv) Preparation of Financial statements by the Management and Audit by Statutory Auditors

The preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 1956 or other relevant Act (like IRDA, RBI) is the responsibility of the Management of the PSE. The Statutory Auditors appointed by the C&AG under section 619(2) of the Companies Act, 1956 are responsible for expressing an opinion on the financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by ICAI, the professional body and directions given by the C&AG. The statutory auditors

are required to submit a copy of the audit report to the CAG under Section 619(4) of the Companies Act, 1956.

(v) Supplementary audit of financial statements by the CAG Auditors

The certified accounts along with report of the Statutory Auditors are reviewed by C&AG. On the basis of the review and predetermined parameters, a decision is taken whether to conduct supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of a PSE. This supplementary audit carried out independently is limited primarily to the inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. Based on such a supplementary audit, significant audit observations, if any, are reported under section 619 (4) of the Companies Act, 1956 to be placed before the Annual General Meeting. The supplementary audit by C&AG also oversees any undue observations of auditors, if any, and provides a safeguard to the management of PSEs. The Annual reports of the Central Public Sector Enterprises including financial statements are laid before both the houses of the Parliament. A gist of significant audit observations made on the accounts of CPSEs are compiled in C&AGs' Audit Report and are laid before both the houses of the Parliament. The Committee of Public Sector Undertakings (COPU) discusses selected audit observations with the administrative ministry and the management of the concerned PSE and recommends appropriate corrective measures for improving the functioning of the PSE in question.

Ensuring Public Accountability by Oversight Audit of Financial Statements

While powers of the C&AG in conducting Compliance Audit and Performance Audit have been appreciated by and large, his powers to conduct Supplementary Audit of PSEs have been a subject matter of debate over the years. The Economic Administrative Reforms Commission (Jha Commission), in its report in 1983, favoured double audit of PSEs; first an audit by a firm of Chartered Accountants who are the statutory auditors of the PSE in question, followed by a Supplementary Audit by the C&AG. The Irani Committee set up by the Ministry of Corporate Affairs in 2005 and the Ad hoc Group of Experts (AGE) under the chairmanship of Dr. Arjun Sengupta constituted by the Department of Public Enterprises, opined that since audit of government companies is conducted by the statutory auditors appointed by the C&AG in the manner directed by him, the Supplementary Audit by the CAG is redundant, duplication of audit and superfluous. More recently, in 2008, the Confederation of Indian Industry and Deloitte in a joint study report, "Autonomy with Accountability: Strengthening Public Sector Enterprises" also criticized the C&AG's

supplementary audit functions as an impediment to functional autonomy. The recommendations of the Irani Committee and the Ad hoc Group of Experts on supplementary audit were not eventually accepted by the government like the earlier recommendations of the Jha Commission and Arjun Sengupta Committee.

The C&AG's oversight role is inherently more comprehensive, integrated and in depth than that of the audit responsibility of the statutory auditors appointed by it. As the auditor of PSEs, it conducts audit exercising all the three mandated frameworks of audit viz. compliance audit, financial audit and performance audit to get the totality of the functioning of the enterprises thereby ensuring public accountability and parliamentary control. The fundamental objective of audit of PSEs is to ensure public accountability by improving the quality of audit. Financial audit is an inevitable component of the audit process. The quality of financial statements and audit certificates of PSEs need to be kept at the expected level. While certifying the accounts and formulating an opinion on the financial health of an organization, the basic objective of improving the quality and readability of financial statements is to be kept in mind while taking an objective and balanced view of the conflicting interests of varied stakeholders.

The statutory auditors are appointed by C&AG and they function on behalf of C&AG. It is its fiduciary responsibility to ensure that the statutory auditors do their job with due diligence complying with applicable statutes, rules and standards. As the overall responsibility is vested upon C&AG, it is important not only to guide, direct, monitor, oversee, review, supplement and complement the financial attestation functions of the statutory auditors but also safeguard the independence of auditors against unethical practices and conflicting demands from the management.

The system has withstood years of criticism, ensuring that fraudulent transactions, recurrent creative accounting and auditing irregularities of the type of Satyam and Global Trust Bank quite rampant in private sector companies are not occurring in the PSEs. Financial accountability is an inevitable element of good corporate governance. It was in this context that in 1956 the parliament and the government of the day prescribed supplementary audit of government companies by the C&AG. The C&AG is responsible for ensuring that public business is conducted in accordance with applicable law, rules and regulations apart from compliance with applicable accounting and auditing standards, and that public money is safeguarded, properly accounted for and utilized economically, efficiently and effectively.

The significance of C&AG's supplementary audit can be gauged from the fact that every year several PSEs revise their accounts after supplementary audit and comments are issued to number of PSEs. In 2006-07, twelve Central PSEs revised their accounts after supplementary audit and comments were issued in respect of 72 Central PSEs besides number of state government PSEs as well. The impact of supplementary audit of accounts of these Central PSEs for the year 2006-07 being the last Report placed in the Parliament was over/under-statement of profit/loss of the companies to the extent of Rs.1095.54 crore and over/understatement of assets and liabilities to the extent of Rs.94.89 crore.

Thus, instead of duplicating the work of the statutory auditors, supplementary audit adds value, credibility, ensures uniformity, consistency and objectivity in treatment of similar type of transactions in identical industrial sector as well as complements the initial audit conducted by the statutory auditors by providing an assurance to the Parliament through an independent authority, that public funds are being utilized in an economical, efficient and effective manner. The supplementary audit by the C&AG has deterrent effects on company's management and statutory auditors as well. As the comments are issued by the C&AG on the accounts, the management takes due care in preparation of accounts, puts its best efforts in presentation thereof in accordance with the applicable statutes, accounting standards and principles, and also takes corrective actions. Further, that the arguments advocated against the audit by C&AG does not hold ground is evident from the decision of the government to retain the powers of supplementary audit by C&AG in the Company Amendment Bill 2008.

Disturbing Research Findings on Fraud and Creative Accounting

According to World Bank report on observance of standards and codes-accounting and auditing, the Ministry of Corporate Affairs has the mandate to monitor general purpose financial reporting, which is exercised primarily through statutory audits. SEBI does not proactively monitor compliance with Clause 49 of the Listing Agreement and financial reporting requirements. Bombay and National Stock Exchanges insist on external auditors to monitor compliance with the accounting and disclosure requirements.

In respect of private sector companies, the external auditors are selected by the management and are generally not rotated. Thus, the independence of the auditors becomes a debatable issue. A large number of listed companies in the private sector have been indulging in financial statement frauds. Cases of Global Trust bank and Satyam are most commonly

known. Some of the studies conducted in India revealed that companies have been using techniques of creative accounting.

The joint research conducted by the ICAI and India forensic on "Early Warning Signals of Corporate Frauds" in India revealed that 20-30 percent clients commit the financial statement frauds in India. The major categories of frauds relate to cash, inventory, accounts payable, accounts receivable, payroll, and revenue recognition schemes. The major industrial sectors where frauds were identified include manufacturing including pharmaceuticals, real estate and construction, government and public administration, banks and Non Banking Financial Sector, insurance, oil and gas, services, transport and warehousing, media, IT companies etc. An analysis of 500 companies listed on Bombay Stock Exchange conducted by Noble bank revealed that companies resort to creative accounting at times of heightened economic stress characterised by economic slow down in GDP growth combined with profit margin pressure. Prevalent creative accounting practices of the BSE listed companies were identified as recording revenue ahead of time, booking fictitious sales, expense and cash manipulations, invisible restatements of prior periods. The research findings are briefly the following:

- at least 30 companies had been using aggressive revenue recognition techniques;
- around 60 companies seem to had booked sales which might have arisen from investment income or other income;
- at least 15 companies which had disbursed the bulk of their loans and advances to companies in which Directors have an interest;
- at least 25 companies had profits shown in the full year results significantly lower than the sum of quarterly results.

These studies establish that the system of certification of accounts of private sector companies is deficient. There is increasing need for regulators like Ministry of Corporate Affairs, Registrar of Companies, Ministry of Finance, SEBI, RBI, ICAI and Stock exchanges to gear up their machinery to curb the unethical creative accounting tendencies, unprofessional conduct of auditors, non adherence to corporate governance tenets and fraudulent transactions of private sector companies including those of listed ones and furthering corporate governance principles in their functioning. It is obvious that the system of audit of financial statements of listed companies advocates that there is a need for oversight functions or supplementary audit not only for audit of PSEs but also for other listed companies in the private sector to protect the interests of large number of minority shareholders. ■

Looking Behind A Case Law

V S Datey

Case law as important source of law

Under Article 141 of Constitution, law declared by Supreme Court is binding on all lower courts.

Supreme Court under Article 141, is not mere interpreter of the law but much beyond that. The Court, as a wing of State, is by itself a source of law. The law is what the court says it is - *Nand Kishore v. State of Punjab* - (1995) 6 SCC 614.

Article 227 of Constitution of India confers powers on High Court of superintendence over all courts and tribunals in the territory in which the High Court has jurisdiction. Thus, Courts and tribunals in a State are subordinate to the High Court of that State and decisions of the High Court are binding on them.

In view of aforesaid Constitutional provisions, Case law, which is also termed as 'judge made law' i.e. decision of Supreme Court and High Courts, is surely a very important source of law. Technically, decisions of High Court are binding within the State where High Court has jurisdiction. In other States, the decision of High Court has only persuasive value. However, since Central Government has to implement any law all over India, it cannot afford to ignore decision of any High Court.

However, case law has its own limitations.

Law means any law, ordinance, order, bye-law, rule or regulation passed or made by competent legislature [see Article 366(10) which defines 'existing law']. Thus, the word 'law' is quite wide.

Though the definition is wide, the definition does not talk of 'case law' and rightly so, as really, 'case law' is not a 'law'. In the scheme of Constitution of India, Parliament enacts law, Court interprets the law and Executive implements the law.

Court cannot make a law. If an interpretation of statutory provision made by Supreme Court or High Court is not what Parliament intended, Parliament can always amend the law, even with retrospective effect (of course such amendment cannot go beyond the Constitutional provisions). By 'Retrospective amendment', Parliament, in effect, says that the interpretation done by Supreme Court is not what it had intended when it passed the law, hence it is making its intentions clear by suitable amendment.

Similarly, CBDT & CBEC cannot make a law—they implement the law. Hence, circular issued by CBDT or CBE&C, which are not administrative in nature, have no force of law. The view expressed in circular of CBDT or CBE&C about any statutory provision is only their understanding of the legal provision. Court, Tribunal, or Assessee are not bound by the view expressed in the circular (except where it is only of administrative nature).

How any Court decision is binding?

Some well settled principles of binding nature of any case are summarised below.

- Each and every word in decision of Court is not binding. Only 'law declared' in any judgment is binding.
- Judgments of courts are not to be construed as statutes. They interpret the statutes: their words are not to be interpreted as statutes.
- Each judgment is based on its own context and background. It is neither desirable nor permissible to pick out a word or sentence from the judgment, divorced from the context of the question under consideration, and treat it as a 'law' declared by the Court.
- A case is an authority only for what it decides and not what logically follows from it.
- Every judgment must be read as applicable to the particular facts proved, or assumed to be proved.
- A decision of Court cannot be treated as Euclid's formula and read and understood mechanically.
- Decision *Sub Silentio* is not binding. A decision of Court is said to be '*sub silentio*' when a particular point of law involved is not perceived by Court or it is not present in its mind.
- *Per incuriam* means 'through inadvertence or want of care' e.g. A judgment or ruling given when a statutory provision or a previous binding decisions are not brought to the notice of Court/Tribunal is a judgment '*per incuriam*'. Such judgment is not binding.

Often these principles are lost sight of and decisions of Courts are mechanically applied.

If we see some cases, we can clearly see how has this lead to unintended results.

Cost of production and Assessable Value - Fiat Case

As per section 4 of Central Excise Act (as effective from 1-7-2010), transaction value is the basis of assessable value for purpose of payment of excise duty, if price is the sole consideration.

Thus, cost of production is really irrelevant for purpose of excise valuation.

However, lot of confusion has been created in view of the decision of Supreme Court in case of *Fiat India* The

(The contributor is a noted writer and consultant on Indirect Tax)



Fiat case was mainly in relation to old section 4 of Central Excise Act, as existing upto 1-7-2000, where 'normal wholesale price' was the basis of assessable value.

However, part of the period covered in the case also covers period after 1-7-2000 i.e., covered under new section 4.

In *CCE v. Fiat India P Ltd.* (2012) 25.taxmann.com 534 = 283 ELT 161 (SC), it has been held that if goods are sold below the cost of production, the price would not be 'normal price'. The price charged would not be 'sole consideration'. Intention to penetrate the market or meet the competition would be the additional consideration. In that case, excise duty will be payable on the basis of cost of production plus profit and not on basis of transaction value (selling price) - review petition filed by assessee dismissed by SC in November 2012 - (2012) 86 ELT A78.

Facts of the case - Assessee were manufacturers of Fiat UNO model cars. The components were imported in CKD/SKD condition, car was assembled and sold in India. The cost of production was Rs 3.98 lakh whereas assessable value based on sale price was Rs 1.85 lakh. Assessee contended that there was no flow back. They were forced to sell below cost of production due to increased cost of imported components. As the process of indigenization would increase, cost would come down.

The low price was to penetrate the market and to meet fierce competition in the market. Such 'loss making price' was continued for five years.

Department contended that the price at which the cars were sold is not 'normal price'.

Decision - (1) 'Loss making price' which continued for five years cannot be treated as 'normal price'. (2) There could be instances where manufacturer may sell below cost, like switching manufacturing activity or goods could not be sold in a reasonable time. These instances are only illustrative, not exhaustive. (3) When assessee was selling goods at a loss, price was not the sole consideration. 'Penetrating market' was the additional consideration (4) This principle would apply *even under new section 4*, if price is not the sole consideration. (5) Consideration means a reasonable equivalent or other valuable benefit passed on by promisor to promisee or by transferor to transferee. 'Sole consideration' means it should be sufficient and valuable having regard to the facts, circumstances and necessities of the case (6) Mere fact that correct interpretation of law may lead to hardship would not be a valid consideration for distorting the language of statutory provision.

My Comments - The decision has lead to lot of problems to assessee and litigation. My views and comments are as follows -

(a) The concept of 'normal cost' was not brought forward. 'Normal Selling price' is to be based on 'normal cost', i.e. on basis of normal rejection, normal plant utilisation, normal raw material costs etc. For example, if Tata Motors produce only 10,000

Nanos in initial years, the 'actual cost' considering all overheads and initial heavy rejection may even come to Rs. Five crores. This cannot be treated as 'normal cost'.

In case of *Fiat*, the input cost was abnormally high due to heavy cost of imported components on account of adverse foreign exchange rate. Cost of manufacture of those components, if manufactured in India, would have been much lower. Thus, in case of manufacturers who had entered the market earlier, their level of indigenization of components was high and hence cost of production was much lower compared to cost of production of *Fiat*.

Thus cost of *Uno* was not 'normal cost' due to adverse rate of foreign exchange. Since, the cost of the UNO car was not 'normal cost', that really could not be considered for calculating 'normal price'.

- (b) For purpose of fixing price, two types of costs are considered - (i) Marginal cost (which excludes fixed overheads as in any case, these are going to be incurred whether or not you manufacture (ii) Total cost which includes normal overheads considering normal plant utilisation.

There can be instances where the selling price is above marginal cost but below total cost, as such sales also contribute to profit of the company.

This is particularly true where assessee has to offer full range of products where some of the items may be slow moving but still required to ensure presence in market. This is also true in case of subsidiary products or by-products where main profit comes from principal product only.

- (c) Price is what market can bear and not something which is determined on the basis of cost of manufacturer. Further market can be expected to bear only normal price based on normal costs. Market cannot be expected to pay higher price simply because your 'actual costs' are higher.
- (d) In case of *Fiat*, so far as issue relating to new section 4 is concerned, it was held that price was not the sole consideration. Intention to penetrate the market or meet the competition was the additional consideration. Thus, the transaction value can be rejected only if there was 'additional consideration'.
- (e) Supreme Court itself has noted the situations where sale price may be lower than cost of production. It was observed 'There could be instances where manufacturer may sale below cost, like switching manufacturing activity or goods could not be sold in a reasonable time. These instances are only illustrative, not exhaustive'.

In case of *Fiat*, loss making price continued for about five years. If it was for shorter period, then probably, transaction value would have been acceptable.

- (f) Often goods are sold below total cost to survive in market. In many cases, prices are based on the principle of 'follow the leader'. It can be argued that

'To survive in market' cannot be said to be additional consideration during short period.

As per section 2(d) of Contract Act, when, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something, such act or abstinence or promise is called a consideration for the promise.

If price is fixed to survive in the market or on basis of what can be marketed by promisee (the manufacturer), it cannot be said that it is at the desire of promisor (customer). The customer (promisor) had never expressed any such desire. The promisee is done it on his own.

Conclusion - The decision of Supreme Court, which was mainly based on old section 4, cannot be mechanically applied to new section 4 of Central Excise Act. Under new section 4, transaction value can be rejected only if there is additional consideration. Fixing price on what market can bear cannot be said to be additional consideration, considering definition of 'consideration' under Contract Act. Supreme Court itself has noted that there can be instances where sales may be below cost. Further, 'cost' means cost calculated on basis of normal overheads, normal plant utilisation, normal material cost and normal rejection.

Service tax on Developing plots and selling the plots

In *Narne Construction (P) Ltd. v. UOI* (2013) 38 STT 502 = 30 taxmann.com 42 (SC), it has been held that activity of company involving offer of plots for sale to its customers/members with an assurance of development of infrastructure/amenities, layout approvals etc. amounts to 'service'.

Based on this decision, conclusions are being drawn that service tax is payable on activity of developing plots and selling them.

Actually, this decision is in respect of definition of 'consumer' and 'service' under Consumer Protection Act. Section 2(1)(o) of Consumer Protection Act states that 'Service' means service of any description, which is made available to potential users and includes, but not limited to, the provision of facilities in connection with banking, financing, insurance, transport, processing, supply of electrical or other energy, board or lodging or both, housing construction, entertainment, amusement or the purveying a news or other information, but does not include rendering of any service free of charge or under a contract of personal service.

The definition in that Act is quite wide and quite different from definition of 'service' under service tax law. Decision under Consumer Protection Act cannot be applied to service tax law. Further, Consumer Protection Act is a benevolent legislation and hence calls for liberal interpretation. Service tax law is a taxing statute which requires strict interpretation.

In many cases, a developer purchases land, prepares layout, builds internal roads and other infrastructure and sells the plots. Issue is whether this would be 'service'.

Really, he is developing the land for himself. After development, he sells plots without charging separately for such development charges. This is an activity which constitutes merely, a transfer of title in immovable property, by way of sale, which has been excluded from definition of 'service' itself as per section 65B(44) of Finance Act, 1994. Hence, service tax should not apply.

Service tax on Reimbursement of Expenses

The service provider often claims reimbursement of certain expenses incurred by him (like travelling, boarding and lodging, etc.) while providing a taxable service. These are often termed as 'out of pocket' expenses.

Rule 5(1) of Service Tax Valuation Rule provides that where certain expenditure or costs are incurred by the service provider in the course of providing any taxable service, all such expenditure or costs shall be treated as consideration for the taxable services provided or to be provided and shall be included in the 'value' for purpose of charging of service tax on the said service.

This is a general rule, which makes it clear that, even when such expenditure or costs are recovered separately by service provider from service receiver, such expenditure, or costs must be included in the value of taxable service. Rule 5 gives some illustrations also.

Travelling, hotel and other expenses incurred for providing taxable service - Illustration 2.

-In the course of providing a taxable service, a service provider incurs costs such as travelling expenses, postage, telephone, etc., and may indicate these items separately on the invoice issued to the recipient of service. In such a case, the service provider is not acting as an agent of the recipient of service but procures such inputs or input service on his own account for providing the taxable service. Such expenses do not become reimbursable expenditure merely because they are indicated separately in the invoice issued by the service provider to the recipient of service.

Costs incurred in providing service and recovered from service receiver - Illustration 4.

- Company X provides a taxable service of rent-a-cab by providing chauffeur-driven cars for overseas visitors. The chauffeur is given a lump sum amount to cover his food and overnight accommodation and any other incidental expenses such as parking fees by the Company X during the tour. At the end of the tour, the chauffeur returns the balance of the amount with a statement of his expenses and the relevant bills. Company X charges these amounts from the recipients of service. The cost incurred by the chauffeur and billed to the recipient of service constitutes part of gross amount charged for the provision of services by the company X.

Rule 5 held ultra vires section 67 - In *International Consultants and Technocrats P Ltd. v. UOI* (2012) 28

taxmann.com 213 = 38 STT 75 (Del HC DB), it was held that service tax is payable 'for such service'. The reimbursable expenses are not charges for 'such service' and hence are not includible in value. The rule 5(1) providing for inclusion of such expenses is ultra vires and section 67 and 66 of Finance Act, 1994.

In this case, the assessee was providing consultancy services. He was charging separately for travel and other expenses. It was held that these are not for 'such service' and are not includible.

Two types of Reimbursement expenses - Really, reimbursement of expenses are of two types. Some expenses are such that without incurring those expenses, the service cannot be provided. These really part of value of service e.g. market survey cannot be conducted without incurring travelling and hotel expenses, audit service cannot be provided without travelling to client's place and checking the records. An engineer cannot repair a machinery unless he travels and visits the place where the machinery is situated. A cargo handling agent cannot provide service without labour and hiring of vehicle. These are includible even if charged separately (even on actual basis).

Expenses which are not part of value of service - Often, a service provider incurs some expenditure on behalf of service receiver and then recovers the amount from him. Such expenditure is not part of service provided by him to service receiver, but is incurred by him as per business practice or convenience. Following illustrations may clarify the provisions -

- Customs duty, dock dues, demurrage, transport charges etc. paid by Customs Broker on behalf of client, as client cannot go to port and incur these expenses
- Advertisement charges paid by Advertising Agency to newspaper on behalf of clients. The agency collects advertisement charges from client and pays to newspaper. His value of service is only commission.
- Ticket charges paid by Travel Agent and recovered from his customer.

These are not part of service provided and hence are not includible. Rule 5(2) provides that the expenditure or costs that a service provider incurs, as a pure agent of the client, shall be excluded from the value if such service provider fulfills prescribed conditions.

The principle is also discernible from various exclusions as contained in rule 6(2).

Distinction between the two types not brought to notice of Court

- As the distinction between the two types of reimbursable expenses was not brought to notice of the Delhi High Court, the decision is open to further challenges.

Conclusion

Those who are conversant with inter-state sales by transfer of documents can go through the case of A & G Projects and Technologies v. State of Karnataka (2009) 2 SCC 326 = 18 STT 525 = 19 VST 239 (SC) and see what problems it has created to the trade.

There are many such decisions of Supreme Court and High Court, which have created serious problems to industries. Thus, 'case law' is two-sided weapon - it does help in interpreting a legal provision, but sometimes, unless the case is seen in its proper perspective, it can lead to unintended situations. ■

Accounting

New Capital Adequacy Framework- Non-market related Off Balance Sheet Items- Bank Guarantees

Large disparities have been noticed in the application of Credit Conversion Factors (CCFs*) on guarantees issued by banks. As incorrect application of CCFs may have a direct bearing on the capital adequacy, Reserve Bank of India has framed principles for application of CCFs regarding Financial guarantees & Performance guarantees vide circular no.DBOD.No.BP.BC.89.21.04.009 /2012-13 dated April 02, 2013. All Scheduled Commercial Banks (Excluding Local Area Banks & Regional Rural Banks) are advised to keep in view the following principles for application of CCFs regarding:

(a) **Financial guarantees**

An indicative list of financial guarantees, attracting a CCF of 100 per cent is as under:

- (i) Guarantees for credit facilities;
- (ii) Guarantees in lieu of repayment of financial securities;
- (iii) Guarantees in lieu of margin requirements of exchanges;
- (iv) Guarantees for mobilisation advance, advance money before the commencement of a project and for money to be received in various stages of project implementation;
- (v) Guarantees towards revenue dues, taxes, duties, levies etc. in favour of Tax/ Customs / Port / Excise Authorities and for disputed liabilities for litigation pending at courts;
- (vi) Credit Enhancements;
- (vii) Liquidity facilities for securitisation transactions;
- (viii) Acceptances (including endorsements with the character of acceptance);
- (ix) Deferred payment guarantees.

(b) **Performance guarantees**

An indicative list of performance guarantees, attracting a CCF of 50 per cent is as under:

- (i) Bid bonds;
- (ii) Performance bonds and export performance guarantees;
- (iii) Guarantees in lieu of security deposits / earnest money deposits (EMD) for participating in tenders;
- (iv) Retention money guarantees;
- (v) Warranties, indemnities and standby letters of credit related to particular transaction.

[Source: www.rbi.org.in]

Securities and Exchange Board of India Mutual Funds (Amendment) Regulations, 2013

In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board vide notification No. LAD-NRO/GN/2013-14/03/5652 dated April 16, 2013 had made amendment to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These Regulations may be called as the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2013. The SEBI (Mutual Funds) (Amendment) Regulations, 2013 can be downloaded from the link http://www.sebi.gov.in/cms/sebi_data/attachdocs/1366172455558.pdf

Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2013

In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board vide notification No. LAD-NRO/GN/2013-14/01/8129 dated April 5, 2013 had made amendment to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These Regulations may be called as the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2013. The SEBI (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2013 can be downloaded from the link http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365161667044.pdf

(Source: www.sebi.gov.in)

(Contributed by CA. Seema Gupta/ CA. Shilpa Agrawal, BoS)

* Paragraph 5.15.2(iv) (Table 8) of the Master Circular DBOD.No.BP.BC.16/21.06.001/2012-13 dated July 2, 2012 on 'Prudential Guidelines on Capital Adequacy and Market Discipline- New Capital Adequacy Framework (NCAF)' stipulates the applicable credit conversion factor (CCF) for determining the credit equivalent amount with regard to non-market related Off Balance Sheet items.

Direct Taxes

Amendments by the Lok Sabha while passing the Finance Bill, 2013: An Overview

The Finance Bill, 2013 was passed by the Lok Sabha on 30th April, 2013. It has subsequently received the assent of the President on 10th May, 2013.

The following are the overview of the amendments made by the Lok Sabha in direct tax laws while passing the Finance Bill, 2013 -

1. Scope of exemption of income received in India in Indian currency by a foreign company to be expanded [Section 10(48)]

Clause (48) was inserted in section 10 by the Finance Act, 2012 w.e.f. A.Y.2012-13 to exempt any income received in India in Indian currency by a foreign company on account of sale of crude oil to any person in India.

The scope of exemption under section 10(48) has now been expanded w.e.f. A.Y.2014-15 so as to include within its ambit, income received in India in Indian currency by a foreign company also on account of sale of any other goods or rendering of services, as may be notified by the Central Government in this behalf, to any person.

2. Trading in commodity derivatives not to be considered as a speculative transaction [Section 43(5)]

The Finance Bill, 2013 had proposed to introduce Commodities Transaction Tax (CTT) by insertion of Chapter VII therein. The Finance Minister, in his budget speech, had clarified that trading in commodity derivatives will not be considered as a speculative transaction. However, no amendment was proposed to this effect by the Finance Bill, 2013 in section 43(5) defining a "speculative transaction". Consequently, in the absence of a specific exclusion provision in section 43(5), there was a risk that trading in commodity derivatives may be treated as a speculative transaction.

In order to give effect to the clarification given by the Finance Minister in his budget speech, section 43(5) has now been amended by inserting clause (e) in its proviso to exclude an eligible transaction in respect of trading in commodity derivatives carried out in a recognized association from the definition of "speculative transaction". *Explanation 2* has also been inserted to define "commodity derivative" and "eligible transaction" in relation to commodity derivatives.

3. Requirement of TRC to contain "prescribed particulars" dispensed with [Sections 90 & 90A]

The double taxation avoidance agreements (DTAAs) under section 90 and section 90A are intended to provide relief to the taxpayer, who is a resident of one of the contracting countries to the agreement. Such tax payer can claim relief by applying the beneficial provisions of either the treaty or the domestic law. However, in many cases, taxpayers who were not residents of the contracting country also resorted to claiming the benefits under the agreement entered into by the Indian Government with the Government of the contracting country. In effect, third party residents resorted to claiming the unintended treaty benefits.

Therefore, sections 90 and 90A were amended by the Finance Act, 2012 by inserting sub-section (4) to provide that the non-resident to whom the agreement referred to in section 90(1) and section 90A(1) applies, shall be allowed to claim the relief under such agreement if a tax residency certificate (TRC) obtained by him from the Government of that country or specified territory is furnished, *containing such particulars as may be prescribed*, declaring his residence of the country outside India or the specified territory outside India, as the case may be.

The Explanatory Memorandum explaining the provisions of the Finance Bill, 2012 clarified that submission of TRC containing the prescribed particulars shall be a necessary but not a sufficient condition for availing benefits of the agreements referred to in these sections. In order to incorporate this explanation in the statute, the Finance Bill, 2013 had proposed to insert sub-section (5) in sections 90 and 90A to provide that submission of TRC shall be a necessary but not a sufficient condition for claiming any relief under a DTAA.

Since this proposal was considered to be restrictive factor which would adversely impact foreign investment in India, the Finance Minister had subsequently clarified, by way of Press Release dated 1st March 2013, that the TRC issued by the Government of a foreign country would be accepted as evidence of tax residency.

In order to incorporate the said clarification in the statute, sub-section (4) of sections 90 and 90A has now been amended to substitute the words “a certificate, containing such particulars as may be prescribed, of his being a resident” with the words “a certificate of his being a resident”. Further, sub-section (5) has been substituted to require the assessee to provide such other documents and information as may be prescribed.

Therefore, a certificate issued by the Government of a foreign country would constitute proof of tax residency, without any further conditions regarding furnishing of prescribed particulars therein. In addition to such certificate issued by the foreign Government, the assessee would be required to provide such other documents and information, as may be prescribed, for claiming the treaty benefits.

4. **Extended time limits for completion of assessment or reassessment under sections 153 and 153B, in cases where reference is made to TPO, to apply irrespective of the date of reference to TPO under section 92CA(1) or the date of passing of order under section 92CA(3)**

Section 153 provides for the time limit for completion of assessments and reassessments.

With respect to income first assessable in the A.Y.2009-10 or any subsequent assessment year, the Finance Act, 2012 had extended the time limit for completion of assessment under section 143 or section 144 from 33 months to 3 years in a case where, during the course of the assessment proceeding, reference is made to the Transfer Pricing Officer (TPO) under section 92CA(1).

Further, where notice under section 148 is served on or after 1.4.2010, and during the course of assessment/reassessment proceedings, a reference is made to the TPO under section 92CA(1), the Finance Act, 2012 had extended the time limit for completion of assessment, reassessment or re-computation under section 147 from 21 months to 2 years from the end of the financial year in which notice under section 148 was served.

However, in both the above cases, the extended time limit was applicable only if the reference under section 92CA(1) is made –

- on or after 1st July, 2012 or
- before 1st July, 2012 but the order of TPO under section 92CA(3) had not been made upto that date.

The said provisions have now been amended, with effect from 1st July, 2012, to provide that the extended time limits of 3 years and 2 years, respectively, will be applicable, irrespective of the

time of making reference to TPO or passing of order by the TPO.

Section 153B which deals with the time limit for completion of assessment in case of search or requisition, has also been amended on the similar lines, to provide that the extended time limits of 3 years and 2 years, as the case may be, would be applicable irrespective of the time of making reference to the TPO or passing of order by the TPO.

5. **No requirement for transferee deducting tax under section 194-IA to obtain TAN**

The Finance Bill, 2013 had proposed to insert section 194-IA, with effect from 1st June, 2013, to provide for deduction of tax at source @ 1% on consideration for transfer of certain immovable property, other than agricultural land, if the consideration for transfer of immovable property is ₹ 50 lakhs or more.

Since this provision required deduction of tax by the transferee, it presupposed that the transferee should have a “tax deduction account number” (TAN) due to the requirement contained in section 203A requiring every person deducting tax under Chapter XVII to obtain and quote TAN in all the relevant documents. This requirement might have resulted in genuine hardship to those transferees who did not possess a TAN. Further, it would also have been an additional burden to require such persons to apply for and obtain TAN for a single transaction.

Therefore, sub-section (3) has now been inserted in section 194-IA to provide that provisions of section 203A containing the requirement of obtaining TAN, shall not apply to a person required to deduct tax in accordance with the provisions of section 194-IA.

6. **Higher TDS under section 206AA not to be applicable in respect of tax deductible under section 194LC**

Section 194LC, inserted by the Finance Act, 2012, provides for a concessional rate of withholding tax @ 5% on interest payment by an Indian company to a non-corporate non-resident or a foreign company. The concessional rate of tax and TDS would be applicable if the borrowing is made in foreign currency between 1.7.2012 and 30.6.2015, from a source outside India, *inter alia*, by way of issue of long-term infrastructure bonds, as approved by the Central Government in this behalf.

Though section 194LC provides for a concessional rate of tax @ 5%, in absence of PAN of the non-resident, section 206AA mandates withholding tax at higher rate of 20%. This would have resulted in genuine hardship to the non-corporate

non-residents/foreign companies, since they would have had to file a return to claim refund of tax, even though section 115A specifically exempts such assesseees from filing return of income where their income comprises solely of specified interest and dividend income [referred to in section 115A(1)(a)], on which tax deductible at source has been deducted and paid to the Government. Hence, these non-residents would have had to obtain PAN for the sole purpose of avoiding the adverse impact of section 206AA.

To address this concern, sub-section (7) has now been inserted in section 206AA to provide that the provisions of section 206AA shall not apply in respect of payment of interest on long term infrastructure bonds, as referred to in section 194LC, to a non-corporate non-resident or to a foreign company.

7. Concessional rate of TDS in respect of interest from Government securities or rupee-denominated bonds of an Indian company payable to a Foreign Institutional Investor (FII) or a Qualified Foreign Investor (QFI) [New section 194LD]

New section 194LD has now been inserted, with effect from 1st June, 2013, to provide that any income by way of interest payable during the period between 1.6.2013 and 31.5.2015 in respect of investment made by an FII or QFI in a rupee denominated bond of an Indian company or a Government security, shall be subject to tax deduction at source at a concessional rate of 5%.

Consequential amendment has been made in section 115AD(1) to provide that such interest received by a FII would be taxable@5% (instead of 20% applicable in respect of income from securities). Section 196D, providing for deduction of tax@20% on income from securities referred to in section 115AD(1)(a) in case of a FII, has been amended to specifically exclude interest referred to in section 194LD, which would be subject to TDS@5%.

Likewise, section 115A, which provides for the special rates of tax on specified interest income of non-corporate non-residents and foreign companies, has been amended to provide that such interest referred to in section 194LD would be taxable@5%. Section 195, providing for deduction of tax at source from payments to non-corporate non-residents and foreign companies at the rates in force, has been amended to specifically exclude interest referred to in section 194LD, which is subject to TDS@5%.

8. TCS provisions under section 206C to also be attracted on cash sale of any coin or any other article weighing 10 gms or less, if the

consideration exceeds ₹ 2 lakh.

The Finance Act, 2012 had inserted sub-section (1D) in section 206C to provide for collection of tax at source@1% by the seller from the buyer, on cash sale of bullion or jewellery, if the sale consideration exceeds ₹2 lakh and ₹5 lakh, respectively.

A coin or any other article weighing 10 gms or less was, however, excluded from the applicability of the provisions of this section.

Since the exclusion was giving an opportunity for misuse, the exemption has now been withdrawn with effect from 1.6.2013. Consequently, the provisions for tax collection at source under section 206C @1% of sale consideration would be attracted even in respect of cash sale of any coin or any article weighing 10 gms or less, if the sale consideration exceeds ₹ 2 lakh.

9. Sitting or Retired Judge of a High Court with at least 7 years of such service eligible for appointment as President of Appellate Tribunal

Section 252(3) provides that the Central Government shall appoint the Senior Vice-President or one of the Vice-Presidents of the Appellate Tribunal to be the President thereof.

Sub-section (3) of section 252 has now been substituted, with effect from 1st June, 2013, to provide that the Central Government shall appoint –

- (i) a person who is a sitting or retired Judge of a High Court and who has completed not less than 7 years of service as a Judge in a High Court; or
- (ii) the Senior Vice-President or one of the Vice Presidents of the Appellate Tribunal to be the President thereof.

10. Reference to Foreign Exchange Management Act, 1999 in the place of Foreign Exchange Regulation Act, 1973/ Foreign Exchange Regulation Act, 1947 under the Income-tax Act, 1961

Even after repeal of “Foreign Exchange Regulation Act, 1973”, the Income-tax Act, 1961 continued to make a reference to the said Act in many of its sections, for example, section 10(4)(ii), 10(4B), etc.

In order to correct this apparent anomaly, the expression “Foreign Exchange Regulation Act, 1973” has now been substituted with “Foreign Exchange Management Act, 1999” wherever it occurs, in the Income-tax Act, 1961.

A specific amendment has also been made in section 138, relating to disclosure of information by the CBDT or any other income-tax authority

in relation to, *inter alia*, dealings in foreign exchange as defined in section 2(d) of Foreign Exchange Regulation Act, 1947, to give reference to section 2(n) of “Foreign Exchange Management Act, 1999” in the place of section 2(d) of “Foreign Exchange Regulation Act, 1947”.

11. “Authorised Person” under Foreign Exchange Management Act, 1999 to be the “person responsible for paying” for the purpose of Chapter XVII and section 285

Section 204 provides for the meaning of “person responsible for paying” for the purpose of Chapter XVII and section 285.

Clause (iia) of section 204 provides that, in case of any sum payable to a non-resident Indian, being any sum representing consideration for the transfer by him of any foreign exchange asset, which is not a short-term capital asset, the “person responsible for paying” would be the authorised dealer responsible for remitting such sum to the non-resident Indian or crediting such sum to his Non-resident (External) Account

maintained in accordance with Foreign Exchange Regulation Act, 1973 and related rules.

Consequent to the substitution of the expression “Foreign Exchange Regulation Act, 1973” with “Foreign Exchange Management Act, 1999”, reference to the term “Authorised dealer” under Foreign Exchange Regulation Act, 1973 has been substituted with the term “Authorised person”, having the meaning assigned to it in section 2(c) of the Foreign Exchange Management Act, 1999.

12. Land classified as agricultural land in the records of the Government and used for agricultural purposes not an asset chargeable to wealth-tax

Section 2(ea) of the Wealth-tax Act, 1957 has been amended to clarify that the land classified as agricultural land in the records of the Government and used for agricultural purposes shall not be considered as urban land even if it falls within the specified urban limits. Consequently, such land would not be chargeable to wealth-tax.

(Contributed by CA. Priya Subramanian, BoS)

Indirect Taxes

Amendment in rate of service tax abatement in respect of residential construction

Prior to March 1, 2013, only one rate of abatement viz., 75% was applicable in respect of all types of construction services with no differentiation between commercial or residential constructions. However, *Notification No. 2/2013 ST dated 01.03.2013* amended *Notification No. 26/2012 ST dated 20.06.2012* to reduce the rate of abatement from 75% to 70% for all types of commercial constructions and high end-residential constructions. High end residential constructions meant the residential unit having carpet area exceeding 2000 sq ft **AND** where the amount charged for the same was ₹1 crore or more. In other words, higher rate of abatement viz. 75% was available in respect of residential units which had carpet area upto 2000 sq ft **OR** where the amount charged was less than ₹1 crore. This amendment became effective from 01.03.2013.

Notification No. 9/2013 ST dated 08.05.2013 has further amended *Notification No. 26/2012 ST dated 20.06.2012* to provide that the higher rate of abatement viz. 75% would be available only in respect of the residential units which fulfil the following **two conditions cumulatively**:

(i) the carpet area of the unit is less than 2000 sq ft; **and**

(ii) the amount charged for the unit is less than ₹1 crore;

This amendment has become effective from 08.05.2013.

Thus, residential units having carpet area of 2000 sq ft or more **OR** where the amount charged is ₹1 crore or more would be considered as high-end construction eligible for lower rate of abatement of 70%.

The amendment has been made to give effect to the real intention of the Finance Minister, who in his budget speech, had stated that “Homes and flats with a carpet area of 2,000 sq. ft. or more or of a value of ₹ 1 crore or more are high-end constructions where the component of ‘service’ is greater”. The Finance Minister had proposed to reduce the rate of abatement for this class of buildings from 75% to 70%. However, *Notification No. 2/2013 ST dated 01.03.2013* could not give effect to this intention of the Finance Minister correctly and thus, *Notification No. 9/2013 ST dated 08.05.2013* has been issued to rectify the position. It may, however, be noted that the period between March 1, 2013 and May 7, 2013 will be governed by the provisions of *Notification No. 2/2013 ST dated 01.03.2013*.

(Contributed by CA. Smita Mishra, BoS)

Applicability of Pronouncements/Legislative Amendments/Circulars etc. for November 2013 - Final Examination

Paper 1: Financial Reporting

A. Pronouncements

I. Statements and Standards

1. Framework for the Preparation and Presentation of Financial Statements.
2. Accounting Standards - AS 1 to AS 32.

II. Guidance Notes on Accounting Aspects

1. Guidance Note on Treatment of Reserves created on Revaluation of Fixed Assets.
2. Guidance Note on Accrual Basis of Accounting.
3. Guidance Note on Accounting Treatment for Excise Duty.
4. Guidance Note on Terms Used in Financial Statements.
5. Guidance Note on Accounting for Depreciation in Companies.
6. Guidance Note on Availability of Revaluation Reserve for Issue of Bonus Shares.
7. Guidance Note on Accounting Treatment for MODVAT/CENVAT.
8. Guidance Note on Accounting for Corporate Dividend Tax.
9. Guidance Note on Accounting for Employee Share-based Payments.
10. Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961.
11. Guidance Note on Measurement of Income Tax for Interim Financial Reporting in the context of AS 25.
12. Guidance Note on Applicability of Accounting Standard (AS) 20, Earnings per Share.
13. Guidance Note on Remuneration paid to key management personnel - whether a related party transaction.
14. Guidance Note on Applicability of AS 25 to Interim Financial Results.
15. Guidance Note on Turnover in case of Contractors.
16. Guidance Note on the Revised Schedule VI to the Companies Act, 1956.

B. Announcements

1. Presentation of Foreign Currency Monetary Item Translation Difference Account (FCMITDA)

In the Revised Schedule VI format, no line item has been specified for the presentation of "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)". Therefore, the Council of the Institute at its 324th meeting held on March 24-26, 2013 at New Delhi, decided that debit or credit balance in FCMITDA should be shown on the "Equity and Liabilities" side of the balance sheet under the head 'Reserves and Surplus' as a separate line item.

2. Criteria for Classification of Entities and Applicability of Accounting Standards

Due to recent changes in the enhancement of tax audit limit, the Council of the ICAI has recently decided to change the 1st criteria i.e. determination of SME on turnover basis for Level II entities from ` 40 lakhs to ` 1 Crore with effect from the accounting year commencing on or after April 01, 2012.

Notes:

1. Students are expected to have thorough knowledge of the Accounting Standards (AS 1 to AS 29) and Guidance Notes on various aspects issued by the ICAI.
2. As far as AS 30, 31 and 32 are concerned, in view of the complexities involved, the questions involving conceptual issues (not involving application issues) may be asked. Since a separate topic of 'Financial Instruments' is included in the curriculum, simple practical problems based on AS 30, 31 and 32 may be asked.

(Text of all applicable Accounting Standards and Guidance Notes are available in the Appendices, Volume II of Financial Reporting Study Material.)

Non-Applicability of Ind ASs for November 2013 Examination

3. The Core Group was constituted by the Ministry of Corporate Affairs (MCA) for convergence of Indian Accounting Standards with International Financial Reporting Standards (IFRS). This Core Group decided that there will be two separate sets of Accounting Standards viz.

EXAMINATION

(i) *Indian Accounting Standards converged with the IFRS (Known as Ind AS)*

The MCA has hosted on its website 35 converged Indian Accounting Standards (Ind AS) without announcing the applicability date. These are the standards which are being converged by eliminating the differences of the existing Indian Accounting Standards vis-à-vis IFRS.

(ii) *Existing Accounting Standards*

The companies not falling within the threshold limits prescribed for Ind AS converged with IFRS compliance in the respective phases shall continue to use these standards in the preparation and presentation of financial statements.

Students may note that Ind ASs are not applicable for the students appearing in November, 2013 Examination.

Paper 3: Advanced Auditing and Professional Ethics

I. Professional Topics/Subjects

1. Code of Ethics

II. A. Framework for Assurance Engagements

II. B. Engagements and Quality Control Standards on Auditing (SQC/SA/SRS/SRE/SAE)

S.No	SA	Title of Standard on Auditing	Effective Date*
1	SQC 1	Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements	April 1, 2009
2	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	April 1, 2010
3	SA 210	Agreeing the Terms of Audit Engagements	April 1, 2010
4	SA 220	Quality Control for Audit of Financial Statements	April 1, 2010
5	SA 230	Audit Documentation	April 1, 2009
6	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements	April 1, 2009
7	SA 250	Consideration of Laws and Regulations in An Audit of Financial Statements	April 1, 2009
8	SA 260	Communication with Those Charged with Governance	April 1, 2009
9	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	April 1, 2010
10	SA 299	Responsibility of Joint Auditors	April 1, 1996
11	SA 300	Planning an Audit of Financial Statements	April 1, 2008
12	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment	April 1, 2008
13	SA 320	Materiality in Planning and Performing an Audit	April 1, 2010
14	SA 330	The Auditor's Responses to Assessed Risks	April 1, 2008
15	SA 402	Audit Considerations Relating to an Entity Using a Service Organization	April 1, 2010
16	SA 450	Evaluation of Misstatements Identified during the Audits	April 1, 2010
17	SA 500	Audit Evidence	April 1, 2009
18	SA 501	Audit Evidence - Specific Considerations for Selected Items	April 1, 2010
19	SA 505	External Confirmations	April 1, 2010
20	SA 510	Initial Audit Engagements-Opening Balances	April 1, 2010
21	SA 520	Analytical Procedures	April 1, 2010
22	SA 530	Audit Sampling	April 1, 2009
23	SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	April 1, 2009
24	SA 550	Related Parties	April 1, 2010
25	SA 560	Subsequent Events	April 1, 2009
26	SA 570	Going Concern	April 1, 2009
27	SA 580	Written Representations	April 1, 2009
28	SA 600	Using the Work of Another Auditor	April 1, 2002
29	SA 610	Using the Work of Internal Auditors	April 1, 2010
30	SA 620	Using the Work of an Auditor's Expert	April 1, 2010
31	SA 700	Forming an Opinion and Reporting on Financial Statements	April 1, 2012
32	SA 705	Modifications to the Opinion in the Independent Auditor's Report	April 1, 2012
33	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	April 1, 2012

34	SA 710	Comparative Information - Corresponding Figures and Comparative Financial Statements	April 1, 2011
35	SA 720	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	April 1, 2010
36	SA 800	Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Framework	April 1, 2011
37	SA 805	Special Considerations-Audits of Single Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	April 1, 2011
38	SA 810	Engagements to Report on Summary Financial Statements	April 1, 2011
39	SRE 2400	Engagements to Review Financial Statements	April 1, 2010
40	SRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity	April 1, 2010
41	SAE 3400	The Examination of Prospective Financial Information	April 1, 2007
42	SAE 3402	Assurance Reports on Controls At a Service Organisation	April 1, 2011
43	SRS 4400	Engagements to Perform Agreed Upon Procedures Regarding Financial Information	April 1, 2004
44	SRS 4410	Engagements to Compile Financial Information	April 1, 2004

* 'Effective date' means that the SA is effective for audits of the financial statements for periods beginning on or after the specified date.

III. Statements

1. Statement on Reporting under Section 227 (1A) of the Companies Act, 1956
2. Statement on the Companies (Auditor's Report) Order, 2003

IV. Guidance Notes/Study Guide/Monograph

1. Guidance Note on Independence of Auditors.
2. Guidance Note on Audit Reports and Certificates for Special Purposes.
3. Guidance Note on Audit under Section 44AB of the Income-tax Act.*
4. Guidance Note on Audit of Abridged Financial Statements.
5. Guidance Note on Audit of Inventories.
6. Guidance note on Audit of Debtors, Loans and Advances.
7. Guidance note on Audit of Investments.
8. Guidance note on Audit of Miscellaneous Expenditure.
9. Guidance Note on Audit of Cash and Bank Balances.
10. Guidance Note on Audit of Liabilities.
11. Guidance Note on Audit of Revenue.
12. Guidance Note on Audit of Expenses.
13. Guidance Note on Sections 227(3)(e) and (f) of the Companies Act, 1956.
14. Guidance Note on Certificate of Corporate Governance
15. Guidance Note on Computer Assisted Audit Techniques (CAATs).
16. Guidance Note on Audit of Payment of Dividend.
17. Guidance Note on Audit of Capital and Reserves.
18. Guidance Note on Provision for Proposed Dividend.
19. Guidance Note on Auditing of Accounts of Liquidators.
20. Guidance Note on Section 293A of the Companies Act and the Auditor.
21. Guidance Note on Audit of Consolidated Financial Statements.

* Guidance Note on Audit under section 44AB of the Income-tax Act, 1961 (2005 edition) alongwith the Supplementary Guidance Note on Tax Audit under section 44AB (forming part of the publication "Guidance Note on Fringe Benefit Tax" published in September, 2006). It may be noted that the Guidance Note on Fringe Benefit Tax is not relevant for the examination.

Paper 4: Corporate and Allied Laws

Applicability of relevant Circulars/Notifications/Regulations etc.

Subject	Amendment	Content	Links For Reference
The Companies Act, 1956	Appointment of Cost Auditor by companies	The Ministry of Corporate Affairs vide General Circular No. 36/2012 dated 6th November, 2012 has provided some changes in the procedure for the appointment of cost auditor under section 233B of the Companies Act, 1956 to be followed by the companies and the cost auditor.	http://www.mca.gov.in/Ministry/pdf/GeneralCircular_36_2012.pdf
The Companies Act, 1956	Filing of Cost Audit Report and Compliance Report in XBRL mode	The Ministry of Corporate Affairs vide General Circular No. 43/2012 dated 26th December, 2012 has decided that all cost auditors and the companies concerned are allowed to file their Cost Audit Reports and Compliance Reports for the year 2011-12 with the Central Government in the XBRL mode, without any penalty, within 180 days from the close of the company's financial year to which the report relates or by January 31, 2013, whichever is later.	http://www.mca.gov.in/Ministry/pdf/GeneralCircular_43_2012.pdf
The Companies Act, 1956	Companies (Directors Identification Number) Rules, 2006	The Ministry of Corporate Affairs vide Notification No. G.S.R. 173(E) dated 15th March, 2013 has issued Companies Directors Identification Number (Amendment) Rules, 2013 by amending the Companies (Directors Identification Number) Rules, 2006.	http://www.mca.gov.in/Ministry/pdf/Gaz_noti_GSR173-E_dated_15mar2013.pdf
The SEBI Act, 1992	SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009	SEBI vide Notification No. LAD-NRO/GN/2012-13/32/4947 dated 27th February, 2013 has issued SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2013 by amending SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009.	http://www.sebi.gov.in/cms/sebi_data/attachdocs/1361965458649.pdf

Non-Applicability of the following Circulars/Notifications for November, 2013 examination

S.No.	Subject Matter	Content
1.	Companies (Second Amendment) Act, 2002 [relating to Winding up]	Not Applicable [Only General Provisions of winding up as covered under Paragraph 9.4 of the study material is applicable for the examination.] Since, new provisions as introduced by the Companies (Second Amendment) Act, 2002, have not yet been completely notified so such provisions are not applicable from the examinations point of view. However, certain problems have been covered under para 9.4 of the study material which are applicable for the students in the relevant examination.
2.	Provisions relating to Revival and Rehabilitation of Sick-Industrial Companies	Not Applicable

Paper 7 : Direct Tax Laws & Paper 8 : Indirect Tax Laws

Applicability of Finance Act, Assessment Year etc. for November, 2013 Examination

(1) The amendments made by the Finance Act, 2012 in Direct Tax Laws & Indirect Tax Laws;
(2) The provisions of Direct Tax Laws as applicable for the assessment year 2013-14 ;
(3) The significant notifications and circulars issued upto 30th April, 2013 (DTL and IDTL).

(The Study Materials of Direct Tax Laws and Indirect Tax Laws relevant for May, 2013 and November, 2013 examinations are updated based on the provisions of law as amended by the Finance Act, 2012 and significant circulars and notifications issued up to 30.6.2012. The amendments made by the Finance Act, 2012 and notifications and circulars issued between 1.7.2011 and 30.6.2012 are also separately discussed in the publication "Supplementary Study Paper-2012". The publication "Select Cases in Direct and Indirect Tax Laws" relevant for November 2013 examination contains a discussion of recent significant select cases in Direct and Indirect Tax Laws.)

Applicability of Pronouncements/Legislative Amendments/Circulars etc. for November 2013 - Intermediate (IPC) Examination

Paper 1: Accounting

A. Pronouncements

Accounting Standards 1, 2, 3, 6, 7, 9, 10, 13 and 14 are covered in the syllabus.

(Text of all applicable Accounting Standards are available in the Appendix I of Volume I of 'Accounting' Study Material revised in November, 2012.)

B. Announcement relevant for November, 2013 examination

Criteria for Classification of Entities and Applicability of Accounting Standards

Due to recent changes in the enhancement of tax audit limit, the Council of the ICAI has recently decided to change the 1st criteria i.e. determination of SME on turnover basis for Level II entities from ` 40 lakhs to ` 1 Crore with effect from the accounting year commencing on or after April 01, 2012.

Paper 5: Advanced Accounting

A. Pronouncements

Accounting Standards 4, 5, 11, 12, 16, 19, 20, 26 and 29 are covered in the syllabus.

(Text of all applicable Accounting Standards are available in the Appendix II of Volume I of 'Advanced Accounting' Study Material revised in November, 2012.)

B. Notification/Announcement relevant for November, 2013 examination

1. Presentation of Foreign Currency Monetary Item Translation Difference Account (FCMITDA)

In the Revised Schedule VI format, no line item has been specified for the presentation of "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)". Therefore, the Council of the Institute at its 324th meeting held on March 24-26, 2013 at New Delhi, decided that debit or credit balance in FCMITDA should be shown on the "Equity and Liabilities" side of the balance sheet under the head 'Reserves and Surplus' as a separate line item.

2. Criteria for Classification of Entities and Applicability of Accounting Standards

Due to recent changes in the enhancement of tax audit limit, the Council of the ICAI has recently decided to change the 1st criteria i.e. determination of SME on turnover basis for Level II entities from ` 40 lakhs to ` 1 Crore with effect from the accounting year commencing on or after April 01, 2012.

3. Clarification on Debenture Redemption Reserve (DRR)

Ministry of Corporate Affairs vide Circular no. 04/2013 dated 11 February, 2013 has clarified the adequacy of DRR for various institutions/companies as follows:

All India Financial Institutions (AIFIs) regulated by Reserve Bank of India and Banking Companies for both public as well as privately placed debentures	Nil
Other Financial Institutions and NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997	
if debentures issued through public issue	25%
if privately placed debentures	Nil
Other companies including manufacturing and infrastructure companies (including listed and unlisted companies)	25%

Every company required to create/maintain DRR shall before the 30th day of April of each year, deposit or invest, as the case may be, a sum which shall not be less than fifteen percent of the amount of its debentures maturing during the year ending on the 31st day of March next following year.

4. Maintenance of Cash Reserve Ratio at 4.00 per cent for all banks vide circular DBOD. No. Ret. BC. 76/12.01.001/2012-13 dated January 29, 2013.

5. Statutory Liquidity Ratio for Local Area Banks be reduced from 25 per cent to 23 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning August 11, 2012.

6. Review of the Prudential Guidelines on Restructuring of Advances by Banks/Financial Institutions

Reserve Bank of India has reviewed the prudential guidelines on restructuring of advances by banks/financial institutions vide **circular no. DBOD.No.BP.BC.63/21.04.048/2012-13**

applicable for all scheduled commercial banks excluding RRBs dated November 26, 2012 and has decided:

- i) To enhance the provisioning requirement for restructured accounts classified as standard advances from the existing 2.00 per cent to 2.75 per cent in the first two years from the date of restructuring. In cases of moratorium on payment of interest/principal after restructuring, such advances will attract a provision of 2.75 per cent for the period covering moratorium and two years thereafter; and that
- ii) Restructured accounts classified as non-performing advances, when upgraded to standard category will attract a provision of 2.75 per cent in the first year from the date of upgradation instead of the existing 2.00 per cent.

In accordance with the above, loans to projects under implementation, when restructured due to change in the date of commencement of commercial operations (DCCO) beyond the original DCCO as envisaged at the time of financial closure and classified as standard advances would attract higher provisioning at 2.75 per cent as against the present requirement of 2.00 per cent as per the details given below:

Infrastructure projects

Particulars	Provisioning Requirement
If the revised DCCO is within two years from the original DCCO prescribed at the time of financial closure	0.40 per cent
If the DCCO is extended beyond two years and upto four years or three years from the original DCCO, as the case may be, depending upon the reasons for such delay (Ref.: DBOD.No.BP.BC.85 /21.04.048/2009-10 dated March 31, 2010)	2.75 per cent - From the date of such restructuring till the revised DCCO or 2 years from the date of restructuring, whichever is later.

Non-infrastructure projects

Particulars	Provisioning Requirement
If the revised DCCO is within six months from the original DCCO prescribed at the time of financial closure	0.40 per cent
If the DCCO is extended beyond six months and upto one year from the original DCCO prescribed at the time of financial closure (Ref.: DBOD.No.BP.BC.85 /21.04.048/2009-10 dated March 31, 2010)	2.75 per cent - From the date of such restructuring for 2 years.

All other extant guidelines on Income Recognition, Asset Classification and Provisioning pertaining to advances will remain unchanged.

Note: (Common for Intermediate (IPC) Paper 1 and Paper 5)

Non-Applicability of Ind ASs for November, 2013 examination

The MCA has hosted on its website 35 converged Indian Accounting Standards (Ind AS) without announcing the applicability date. These are the standards which are being converged by eliminating the differences of the Indian Accounting Standards vis-à-vis IFRS.

(Students may note that Ind ASs are not applicable in November 2013 Examination. However, Accounting Standards as specified in the syllabus are applicable for them in November 2013 Examination.)

Paper 4: Taxation

Applicability of Finance Act, Assessment Year etc. for November, 2013 examination

(1) The amendments made by the Finance Act, 2012 in income-tax and service tax;
(2) The provisions of income-tax law as applicable for the assessment year 2013-14 ;
(3) The significant notifications and circulars issued upto 30th April, 2013 (income-tax and service tax)

(The Study Materials relevant for May, 2013 and November, 2013 examinations are updated based on the provisions of law as amended by the Finance Act, 2012 and significant circulars and notifications issued up to 30.6.2012. The amendments made by the Finance Act, 2012 in income-tax and service-tax and notifications and circulars issued between 1.5.2011 and 30.4.2012 in income-tax are also separately discussed in the publication "Supplementary Study Paper-2012".)

Paper 6: Auditing and Assurance

I. Standards on Auditing (SAs)

S.No	SA	Title of Standard on Auditing	Effective Date
1	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	April 1, 2010
2	SA 210	Agreeing the Terms of Audit Engagements	April 1, 2010
3	SA 220	Quality Control for Audit of Financial Statements	April 1, 2010
4	SA 230	Audit Documentation	April 1, 2009
5	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements	April 1, 2009
6	SA 250	Consideration of Laws and Regulations in An Audit of Financial Statements	April 1, 2009
7	SA 260	Communication with Those Charged with Governance	April 1, 2009
8	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	April 1, 2010
9	SA 299	Responsibility of Joint Auditors	April 1, 1996
10	SA 300	Planning an Audit of Financial Statements	April 1, 2008
11	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment	April 1, 2008
12	SA 320	Materiality in Planning and Performing an Audit	April 1, 2010
13	SA 330	The Auditor's Responses to Assessed Risks	April 1, 2008
14	SA 402	Audit Considerations Relating to an Entity Using a Service Organization	April 1, 2010
15	SA 450	Evaluation of Misstatements Identified during the Audits	April 1, 2010
16	SA 500	Audit Evidence	April 1, 2009
17	SA 501	Audit Evidence - Specific Considerations for Selected Items	April 1, 2010
18	SA 505	External Confirmations	April 1, 2010
19	SA 510	Initial Audit Engagements-Opening Balances	April 1, 2010
20	SA 520	Analytical Procedures	April 1, 2010
21	SA 530	Audit Sampling	April 1, 2009
22	SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	April 1, 2009
23	SA 550	Related Parties	April 1, 2010
24	SA 560	Subsequent Events	April 1, 2009
25	SA 570	Going Concern	April 1, 2009
26	SA 580	Written Representations	April 1, 2009
27	SA 600	Using the Work of Another Auditor	April 1, 2002
28	SA 610	Using the Work of Internal Auditors	April 1, 2010
29	SA 620	Using the Work of an Auditor's Expert	April 1, 2010
30	SA 700	Forming an Opinion and Reporting on Financial Statements	April 1, 2012
31	SA 705	Modifications to the Opinion in the Independent Auditor's Report	April 1, 2012
32	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	April 1, 2012
33	SA 710	Comparative Information - Corresponding Figures and Comparative Financial Statements	April 1, 2011
34	SA 720	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	April 1, 2010

II. Statements

- Statement on Reporting under Section 227 (1A) of the Companies Act, 1956.
- Statement on the Companies (Auditor's Report) Order, 2003.

III. Guidance Notes

- Guidance Note on Audit of Inventories.
- Guidance Note on Audit of Debtors, Loans and Advances.
- Guidance Note on Audit of Investments.
- Guidance Note on Audit of Miscellaneous Expenditure.
- Guidance Note on Audit of Cash and Bank Balances.
- Guidance Note on Audit of Liabilities.
- Guidance Note on Audit of Revenue.
- Guidance Note on Audit of Expenses.
- Guidance Note on Provision for Proposed Dividend.



ICAI Online e-Learning

For Intermediate (IPC) Course and Common Proficiency Course

<http://StudentsLMS.icaai.org>

Introduction

The Board of Studies of the Institute has made available e-Learning facility for (a) Intermediate (IPC) Course and (b) Common Proficiency Course on the Students Learning Management System (LMS).

Objective

Provide quality education for learning, re-learning and revising anytime and anywhere in an affordable manner through a self learning/ development facility.

Salient Features

- Anytime/ Anywhere Online Learning
- Foundation for understanding concepts and Self Study of Study Materials
- Examination Oriented
- Online Self-Assessment Quiz
- Quality Lectures by leading Faculty
- Uniform training across the country
- Multimedia Lectures
- Presentation & Podcast Download

Anytime/ Anywhere Learning

This e-Learning facility takes learning and development to the doorsteps of students and they can now learn at their convenience from their homes/ offices/ cyber cafes even in smaller cities and mofussil towns.

How to Access?

Students of the Common Proficiency Course and Intermediate (IPC) Course of the Institute interested in pursuing the e-Learning can register themselves on the Students LMS using their Student Registration Number and start using the e-Learning facility.

Students with temporary Student Registration Numbers or belonging to earlier courses or those who are not able to register are required to contact their concerned Regional Offices.

Requirements

Multimedia Computer/ Laptop with Internet Connection and Adobe Flash Player, which is available for free download at www.adobe.com.

ANNOUNCEMENT

All India CA Students Conference-Bangalore

Bangalore Branch of SIRC of ICAI jointly with Bangalore Branch of SICASA is hosting All India CA Students Conference organised by the Board of Studies, ICAI on Saturday, 31st August, 2013 & Sunday, 1st September, 2013 at Christ University Auditorium, Hosur Road, Bangalore .

Complete Details and the programme itinerary will be announced shortly.

Students are requested to block these dates in their calendars to be part of this knowledge stimulating Two-Day Conference at the Garden City "Bangalore"

ANNOUNCEMENT

National Convention for CA Students-Nagpur

Nagpur Branch of WIRC of ICAI jointly with Nagpur Branch of WICASA is hosting National Convention for CA Students organised by the Board of Studies, ICAI on 19th & 20th July, 2013 at Nagpur.

For details please contact Nagpur Branch, ICAI BHAWAN, 20/1, Dhantoli, Nagpur - 440012, Tel No. 0712 - 2443968, 2441196 Fax no. 0712 - 2454166, E-mail: nagpur@icaai.org or visit at www.icaai.org

ANNOUNCEMENT

National Convention for CA Students-Cuttack

21st and 22nd June 2013

Venue:- Sahid Bhawan, Cuttack

Organized by: Board of Studies,ICAI

Hosted by: Cuttack Branch of EIRC of ICAI & Cuttack Branch of EICASA

Theme: "CA Career -Beyond All Limits"

Day-1 Date: 21st June 2013

Timing	Particular of the session
10.00 am to 11.00 am	Inaugural Session -Chief Guest: CA. Subodh Kumar Agrawal, President ICAI CA. K. Raghu, Vice-President ICAI CA. Vijay Garg, Chairman, BoS ICAI CA. Ranjeet Kumar Agarwal, Chairman, EIRC
11.00 am to 12.10 pm	Institute's Initiatives
12.10 pm to 02.20 pm	1st Technical Session : Audit & Accounts - Audit planning -Materiality Concept - Overview on Accounting Standards
03.00 pm to 05.00 pm	2nd Technical Session : Indirect Taxes - Service tax- Taxability & Scope - Concept of Marketability & Manufacture of Goods under Central Excise
7.30 pm cultural programme	

Day-2 Date: 22nd June 2013

10.00 am to 12.00 pm	3rd Technical Session : Direct Taxes - Transfer Pricing & T.D.S Provisions. - Taxation of Capital Gains
12.00 pm to 01.30 pm	4th Technical Session : Corporate Laws - Appointment of Auditors - Revised Schedule-VI
02.00 pm to 04.00 pm	5th Technical Session : Information Technology & Communication Skill - Excelling in Excel - Challenges in Effective Communication
04.00 pm to 05.00 pm	6th Technical Session : De-Stressing & Motivation
05.00 pm to 05.30 pm	Valedictory Session

Students are requested to register for the Convention at the earliest as per details as under:-

Registration fees	₹300 per student
Payment Mode	Registration fees can be paid in Cash/Demand Draft drawn in favour of "Cuttack Branch of EIRC of ICAI" payable at Cuttack

For Registration Queries contact-

Cuttack Branch of EIRC of ICAI, ICAI Bhawan, plot No. 8-4-1/521(P), Sector-8, C.D.A, Cuttack, Odisha-753014
Phone no. 0671-2506368, 2505348, Email : cuttack@icai.org, mobile:-9692195921

Students are invited to contribute papers for presentation (1500 to 2000 words) for topics in technical sessions and submit for approval a soft copy of the paper at cuttack@icai.org by 31st May, 2013 and hard copy of the same along with students photo (with name in the back of the photo), registration number, course pursuing, complete postal address, mobile, landline numbers and e-mail ID be also sent to the Cuttack Branch.

Outstation students selected for paper presentation shall be reimbursed actual traveling expenses equivalent to 2 tier train fare and DA @ ₹1500 per day for lodging etc.

Student who are interested to participate in the cultural program are requested to register before 31st May, 2013 at cuttack@icai.org or contact CA. Pawan Udaypuria, Chairman EICASA- 9937166049.

CA. Rajesh Kumar Agarwal
Chairman, Cuttack Branch
9861207210

CA. Pawan Udaypuria
Chairman, Cuttack Branch EICASA
9937166049

CA. Vijay Garg
Convention Chairman &
Chairman, Board of Studies

ANNOUNCEMENT

National Convention for CA Students-Guwahati

22nd & 23rd JUNE 2013

Venue: Royal Group of Institution, Guwahati

Organized by: Board of Studies, ICAI

Hosted by: Guwahati Branch of EIRC of ICAI & Guwahati Branch of EICASA

Theme: "Transcript of Transformation"

Day-1 : 22nd June 2013

Timing	Particular of the session
9:30 am to 10:30 am	Inaugural Session - Chief Guest: CA. Subodh Kumar Agrawal, President, ICAI Guest of Honour: CA. Vijay Garg, Chairman, BOS
10:45 am to 12.45 pm	1st Technical Session - Corporate & Business Laws Expert Speaker - CS. Mamta Binani, Kolkata • Revised Schedule VI : Raising Presentation Level by Indian Corporates • Companies Bill 2012 : Enhancing Corporate Governance
1:00 pm to 2:00 pm	Special Session - Interaction with President, ICAI & Chairman, BOS
3:00 pm to 5:00 pm	2nd Technical Session - Indirect Taxes Expert Speaker - CA. V Raghuraman, * Bengaluru • Negative List under Service Tax • Cenvat Credit

"Wake Your Dreams"
Cultural Evening-7.00 pm to 9:00 pm

* Confirmation awaited

Day-2: 23rd June 2013

9:30 am to 11:30 am	3rd Technical Session - Information Technology Expert Speaker - CA. Babu Jayendran, Bengaluru • IT & Information System Audit - Future Benefits, Opportunities as a CA • SAP & ERP Implementations
11:45 am to 1:45 pm	4th Technical Session - Direct Taxes Expert Speaker - CA. (Dr.) Girish Ahuja, Delhi • Section 56 : Broadening of Scope by the successive Annual Finance Acts • Tax Incentives : Investment linked vs. Profit linked
2:45 pm to 4:45 pm	5th Technical Session - Economics & General Topics Expert Speaker - CA. Amarjit Chopra, Delhi • Inflation in Emerging Economies • Balancing of time by an Articled student : Training/Study/Co-Curricular
5:00 pm to 6:00 pm	Valedictory Session - Mr. Vijay Kapur, Director, Board of Studies

Students are requested to register for the Convention at the earliest as per details as under:-

Registration fees	₹ 500/- per student
Payment Mode	Registration fees can be paid in Cash/Demand Draft drawn in favour of "Guwahati Branch of EIRC of ICAI" payable at Guwahati

For Registration Contact:

Guwahati Branch of EIRC of ICAI, ICAI Bhawan, 2nd Bye Lane, Manik Nagar, R G Baruah Road, Guwahati - 781 005 (Assam),
Phone No.: +91 361- 2207660; Mobile: +91 9707078491; Email : icai.guwahati@gmail.com, Website: www.icaiguwahati.org

Students are invited to contribute papers for presentation (1500 to 2000 words) for topics in technical sessions and submit for approval a soft copy of the paper at icai.guwahati@gmail.com by 31st May, 2013 and hard copy of the same along with students photo (with name on the back of the photograph), registration number, course pursuing, complete postal address, mobile, landline numbers and e-mail ID be also sent to the Guwahati Branch.

Outstation students selected for paper presentation shall be reimbursed actual traveling expenses equivalent to 2 tier train fare and DA @ ₹1,500/- per day for lodging etc.

Student who are interested to participate in the cultural program are requested to register on or before 31st May 2013 at icai.guwahati@gmail.com or contact CA. Dhiraj Kumar Jain, Chairman, EICASA, Guwahati Branch.

CA. Dhiraj Kumar Jain

Chairman, EICASA, Guwahati Br.&
Convention Coordinator
9435013867

CA. Kaberi Bhuyan

Chairperson, Guwahati Branch &
Convention Coordinator
9864095563

CA. Vijay Garg

Convention Chairman &
Chairman, Board of Studies

ANNOUNCEMENT

National Convention for CA Students-Ahmedabad

29th & 30th June, 2013

Venue: Gujarat University Convention Hall, Near Helmet Circle, Navrangpura, Ahmedabad

Organized by: Board of Studies, ICAI

Hosted by: Ahmedabad Branch of WIRC of ICAI jointly with Ahmedabad Branch of WICASA

Theme: "Unlock Potential- Create Value-Accept Challenges"

Day-1 Saturday 29th June 2013

Timing	Particular of the session
9.30 AM -11.30 AM Inaugural Session	Chief Guest - Hon'ble Shri Narendrabhai Modi, Chief Minister, Govt of Gujarat CA. Subodh Kumar Agrawal, President, ICAI CA. K. Raghu, Vice President, ICAI CA. Vijay Garg, Chairman, BOS
11.30 AM- 1.30 PM Technical Session - 1: Direct Tax	Session Chairman - Dr. Girish Ahuja & CA. Dhinal Shah, Central Council Member Topics: - TDS - Payment to Non-residents; Payment to Residents; Arms Length Price Concept in Transfer Pricing; Domestic Transfer Pricing
2.30 PM - 4.00 PM Special Session - 1	Challenges Under Changes- CA. T. N. Manoharan, Past President of ICAI Changing Role of an Auditor-CA. N .P. Sarda, Past President of ICAI
4.15 PM- 6.15 PM Technical Session- 2 : Service Tax	Session Chairman - CA. Madhukar Hiregange Topics: - Service Tax - Negative list based Regime; Point of Taxation Rule; Reverse Charge Mechanism; Works Contract Services
7.00 PM Onwards	"Cultural Extravaganza"

Day-2, Sunday 30th June, 2013

9.30 AM - 11.30 AM Technical Session - 3 Corp. Gov. & Corp. Laws	Session Chairman - CS. K. R. Chandratre, Past President of ICSI Topics: - Due Diligence; Business Valuation; Managerial Remuneration under Companies Act; Corporate Governance - Challenges
11.30 AM- 01.00 PM Theme Session	Guest of Honour - Hon'ble Past President of India Dr. APJ Abdul Kalam (Subject to confirmation)
2.00 PM - 3.00 PM Technical Session - 4: Indian Economy	Session Chairman: Eminent Industrialists Topics: BPO - KPO Recent Experience in India; Merger & Acquisition; Cloud Computing - Indian Scenario; Forex Market in India
3.15 PM- 4.30 PM Special Session - 2	Professional Opportunities - CA. Sunil Talati, Past President of ICAI Effective Communication - CA. V Murli , Vice-Chairman, BOS
4.30 PM- 6.00 PM Technical Session - 5: Accounts & Audit	Session Chairman-CA. Yogen Vaidhya & CA. Rakesh Agarwal Topics: - Forensic Audit; Audit Under ERP Environment; Revised Schedule - VI; IFRS and Carve outs under Ind AS
6.00 PM Onwards	Valedictory Session

Students are hereby requested to register for the Convention at the earliest. The details for registration are as follows:-

Registration fees	₹400/-per student till 10-6-2013, there after ₹500/- per student	Accommodation @ ₹ 750/- per student on Triple sharing basis
Payment Mode	Cash/DD/Cheque to be drawn in favour of "Ahmedabad branch of WIRC of ICAI", payable at Ahmedabad. Students can also make Online Payment at www.icaiahmedabad.com	

For registration queries contact:-

Ahmedabad Branch of WIRC of ICAI, "ICAI BHAWAN" 123, Sardar Patel Colony, Nr.Usmanpura Underbridge, Naranpura, Ahmedabad - 380014, Ph:- 079 3989 3989, 2768 0537, 2768 0946, E-mail : wicasaahmedabad@icai.org
Website: www.icaiahmedabad.com

Students are invited to contribute papers for presentation (Maximum up to 2000 words) for topics in Technical Sessions and submit for approval - a soft copy of the Paper at wicasaahmedabad@icai.org and hard copy at Ahmedabad Branch by 15th June, 2013 [along with Student's Photograph with name, Regn. No., address, Mobile No and E-mail ID]. Outstation students presenting papers, shall be reimbursed actual travelling expenses equivalent to 2 Tier AC Train fare shortest route and DA @ 1500 per day for lodging etc. Interested students for cultural program can register before 10th June, 2013.

CA. Purushottam Khandelwal
Chairman, Ahmedabad branch
98250 20844

CA. Subodh Kedia
Chairman, Ahmedabad Branch of
WICASA, 98792 67750

CA. Dhinal Shah
Central Council Member
98250 29950

CA. Vijay Garg
Convention Chairman &
Chairman, Board of Studies

ANNOUNCEMENT

National Convention for CA Students-Baroda

11th & 12th July 2013

Venue: Sir Sayaji Rao Nagar Gruh, Akota, Baroda

Organized by: Board of Studies, ICAI

Hosted by: Baroda Branch of WIRC of ICAI and Baroda Branch of WICASA

Theme: "Arise, awake"



Day-1 Thursday July 11, 2013

Timing	Particular of the session
Inaugural Session	Chief Guest : Shri Bharat Goenka, MD, Tally Solutions Pvt. Ltd. Guest of Honor : - CA. Subhodh Kumar Agrawal, President ICAI , CA. K. Raghu, Vice-President ICAI , CA. Vijay Garg, Chairman, Board of Studies
First Technical Session - Direct Taxes	Chairman:- CA. Dr. V. K. Singhania, New Delhi Topics:- (i) Taxation of Gift under Income Tax Act, 1961, (ii) Responsibilities of Non-Residents in India - Taxation of Expatriates & Non Residents in India, (iii) Re - Assessment provisions under the Income Tax Act, 1961, (iv) Sec 14A of the Income Tax Act, 1961
First Special Session	Secrets of Success Speaker: Dr. Bharath Chandra, Bangalore, Asia's No 1 Success Coach
Second Technical Session-Accounting & Financial Reporting	Chairman: CA. Jay Chhaira, CCM, Surat Topics :- (i) Revised Schedule VI - Divergent Practices observed from Published Accounts, (ii) IND AS - Fixed Assets and Investment Property, (iii) Accounting for Financial Instruments - AS 30, 31,32, (iv) AS-11 - The effects of changes in foreign exchange rates
	Cultural Evening (Students' Performances)

DAY 2 - Friday, July 12, 2013

Third Technical Session-Debate on Technical and Contemporary Topics	Moderators:- CA. Anil Bhandari, RCM, Mumbai; CA. Manish Baxi, Baroda , Mr. Animesh Bhatt, Times of India, Baroda Round 1:- Technical topic:- GST Road Ahead or Road Blocked? Round 2: Contemporary topic:- Will be given on the spot to Winners of Round 1
Second Special Session -	Challenges before CA Students Speaker: CA. G. Sekar, CCM, Chennai
Fourth Technical Session-Information Technology and Auditing	Chairman: CA. Nilesh Vikamsey, CCM, Mumbai Topics:- (i) Use of Information Technology in Auditing, (ii) Application of Standards on Auditing in Day to Day Audit, (iii) Case Studies on Risk Assessment and Internal Controls in IT enabled environment, (iv) Auditors Report (including CARO) - Analysis of modified opinions and basis thereof from Published Accounts
Third Special Session	Study of Logistics and Supply Chain Management with Practical Case Study & Demonstration of Dabbawala in Mumbai Speaker : Dr. Pawan G. Agrawal, Mumbai, CEO, Mumbai Dabbawala Education Centre
Valedictory Session	Valedictory Session and prize distributions Guest- Eminent Personality

Students are requested to register for the Convention as per the following details:-

Registration fees	₹800 per student	Accommodation (if required) - Contact Registration Committee
Payment Mode	Cash/DD/Cheque	To be drawn in favour of "Western India Chartered Accountant Students Association" payable at Baroda.

For registration contact:-

Baroda Branch of WIRC of ICAI, ICAI BHAWAN, Kalali - Tandalja Road, Atladra, Baroda - 390 012 (Gujarat)
Phone 0265-2680593/ 2681115 & Email wicasa.baroda@gmail.com

Students are invited to contribute papers for presentation (1500 to 2000 words) for topics in Technical -Sessions. Students can also take part in Debate in a team of 3. Interested Students are requested to submit a soft copy of the Paper / submission for debate (points in favor and against of the topic) along with regn no., bio-data, photograph and one minute video recording (link) at wicasa.baroda@gmail.com by June 17, 2013. Outstation students shall be reimbursed actual travelling expenses equivalent to 2 tier AC and DA @ 1500 per day for lodging etc. Interested students for cultural programme may send their particulars before June 17, 2013 at wicasa.baroda@gmail.com

CA. Abhishek Nagori,
Regional Council Member, Baroda

CA. Mangesh Kinare,
Chairman, WIRC of ICAI

CA. Vijay Garg
Convention Chairman &
Chairman, Board of Studies

CA. Mahesh Madkholkar
Chairman, WICASA

CA. Ashish Parikh,
Chairman, Baroda Branch of WIRC of ICAI

CA. Nayan R. Kothari,
Chairman, Baroda Branch of WICASA
09824433445

ANNOUNCEMENT

National Convention for CA Students-Chandigarh

8th and 9th June, 2013

Venue: Shivalik Public School, Mohali

Organized by: Board of Studies, ICAI

Hosted by: Chandigarh Branch of NIRC of ICAI

Theme: Passing the Baton of Knowledge

Time	DAY-1
10:00-11:30 am	Inaugural Session
11:30-1:00 pm	Technical Session 1: Financial management a) Basics of Capital Market b) CA's as Financial planners c) Equity research-Fundamental valuation of a Company
2:00-3:00 pm	Special Address-Power of association
3:00-4:30 pm	Technical Session 2: Direct & Indirect Taxation a) Recent development in service tax b) Issues in Tax audit c) Analysis of Vodafone Case
5:00-8:00pm	Cultural evening
	DAY-2
10:00-12:00pm	Technical Session 3: Information technology and Corporate governance a) Leverage IT for CA Profession b) Use of CAAT in audits c) Due Diligence
12:00-1:00 pm	Special Address-Nontraditional Professional Opportunities for CA
2:00-4:00 pm	Technical Session 4: General a) Forensic Accounting b) Corporate social responsibility c) CA- A complete Business solution provider
4:30-6:00pm	Valedictory Session

Students are hereby requested to register for the Convention at the earliest. The details for registration are as follows:-

Registration fees	₹300/- per student	Accommodation ₹500/- per student
Payment Mode	Cash/DD/Cheque to be drawn in favour of "Chandigarh Branch of NIRC of ICAI" payable at Chandigarh.	

For registration queries contact:-

Chandigarh Branch of NIRC of ICAI, ICAI BHAWAN, Institutional Area, Opp. Community Center, Sector-35-B, Chandigarh- 160 022, Phone: 0172-5067756, Email: chandigarh@icai.org, Website: www.icaichandigarh.org

Students are invited to contribute papers for presentation (1500 to 2000 words) for topics in Technical -Sessions and submit for approval a soft copy of the Paper at chandigarh@icai.org along with their bio-data and Audio/Video recording of their presentation on CD's/DVD's on the above mentioned topics (any one) by 30th May, 2013. Students speakers who have already participated in 3 or more conventions/conferences organized by BOS in this year, need not to apply for paper presentation. Outstation students shall be reimbursed actual travelling expenses equivalent to 2 tier AC and DA @ 1500 per day for lodging etc. Paper writers selected for presentation of paper at convention are exempted from payment of registration fees.

CA. Krishan Kumar Joshi
Chairman, Chandigarh Branch
9814014175

CA. Vijay Garg
Convention Chairman &
Chairman, Board of Studies

International Conference for CA Students-Kolkata

14th & 15th September, 2013

Venue: Science City Auditorium, Kolkata

Organized by: Board of Studies, ICAI

Hosted by: EIRC & EICASA

Theme: Accounting Professional- ACE, ASTUTE & ADAPTABLE

Day-1		Day-2	
Timing	Particular of the session	Timing	Particular of the session
9 - 10AM	Registration	9 - 10AM	Registration
10AM- 11.30AM	Inaugural Session	10AM - 11.30AM	Technical Session 3 : Taxation : New Dimension a) Recent Changes in Non - Resident Taxation b) Transfer Pricing c) Goods & Service Tax (GST)
11.30AM - 1 PM	Technical Session 1 : Financial Reporting & Analysis a) Financial Reporting - Paradigm Shift Internationally b) Reforms in Government Accounting & Public Finance c) Convergence of Accounting Standards	11.30AM - 12:30 PM	Special Session 3 : Practical Training: An Important Ingredient of a Successful CA
2 PM - 3.30 PM	Special Session 1 : Corporate Quiz	1.30 PM - 3.00 PM	Technical Session 4: Impact of IT on CA Profession a) Cloud Computing - Opportunities, Risks & Challenges b) Online Filing & Reporting c) ERP Implementation - CA's role
3.30PM - 5.00 PM	Technical Session 2 : Audit : Dynamic Shift a) Risk Based Audit b) Audit Tools & Data Analysis c) Audit Reporting - Recent Developments	3:00 PM - 03:30 PM	Valedictory Session : Certificate & Prize Distribution
5.30 PM - 7.30 PM	Special Session 2 : Life Transforming Talk by Mahatria, Ra Diviner of the Path	4:00 PM - 07:00 PM	Talent Hunt & Cultural Program & Closure
	INFINITHEISM"		

Students are hereby requested to register for the Conference at the earliest. The details are as under:-

Regn. Fees	₹ 600 per student (Early bird discount of ₹ 100 is applicable for registrations on and before 5th July, 2013, i.e. Fees Payable upto 5th July, 2013 will be ₹ 500)
Accommodation	₹ 400 per day over & above delegate fees of ₹ 500. (For outstation students, if required)
Payment Mode	DD to be drawn in favour of "Institute of Chartered Accountants of India, EIRC", payable at 'Kolkata'. Fee can also be paid in cash at EIRC office during office hours in person (not through Post / Courier).

For Registration Contact:-

Chairman, EIRC, ICAI, 7, Anandilal Poddar Sarani (Russell Street), Kolkata, 700 071, Phone: 033-39893989/3021-1120 to 23
Fax: 033-30211146; E-mail: erobos@icai.in; website: www.icai.org, www.eircicai.org

Students are invited to contribute papers for presentation (1500 to 2000 words) for topics in the four Technical -Sessions. One paper on each topic will be selected. Interested students may submit the papers by sending soft copies to Shri Rajesh Balla, Deputy Secretary, Board of Studies, ICAI at rajeshbhall@icai.in by July 15, 2013 and hard copies may also be addressed to Shri Vijay Kapur, Director, Board of Studies, ICAI along with complete address, phone no., Regn. no., course pursuing, email ID and scanned passport size photograph. Paper writers selected for presentation of paper at the Conference are exempted from payment of registration fee. All selected outstation paper-writers of the International Conference shall be reimbursed actual travelling expenses equivalent to 2 tier AC and DA @ 1500 per day (maximum upto 5 days) for lodging etc. Outstation delegates are requested to confirm their participation latest by 15th July, 2013 for accommodation arrangement.

CA. Ranjeet Kumar Agarwal
Chairman, EIRC
09830140211

CA. Subhash Chandra Saraf
Vice Chairman, EIRC &
Chairman, EICASA
9831087579

CA. Vijay Garg
Convention Chairman &
Chairman, Board of Studies

Revision of Fee for all GMCS Course(s)

13th May, 2013

The Council at its 324th Meeting held in April, 2013 decided that with effect from 1st July, 2013 fee for the General Management and Communication Skills (GMCS) Course i.e. existing GMCS Course, GMCS - I and GMCS - II courses shall be ₹ 5,500/- per participants for each course.

It is clarified that students who have already registered by paying ₹ 4,000/- and will be undergoing the relevant GMCS classes starting on or after 1st July, 2013 are required to pay the balance amount of ₹ 1,500/- to the organising centres before commencement of the batch of GMCS or GMCS - I Course.

**Director
Board of Studies**

Revised Scheme of Revalidation of Registration in CA course

The Council in order to streamline the period of validity of registration for Common Proficiency Course (CPC), Intermediate (Integrated Professional Competence) Course and Final Course decided as under:

- Revised Scheme of Revalidation of Registration for CA courses shall be effective from 1st January, 2013 onwards.

Common Proficiency Course (CPC):

- Initial registration for Common Proficiency Course (CPC) is valid for 3 years.
- Fee for revalidation is ₹ 300/- for 3 years period.

Intermediate (Integrated Professional Competence) Course:

- Initial registration for Intermediate (IPC) Course is valid for 4 years.
- Validity period for students converted from erstwhile Intermediate/ Professional Education (Course-II)/ Professional Competence Course is counted from the date of conversion to Intermediate (IPC) Course.
- Fee for revalidation is ₹ 400/- for 4 years period.

Final Course:

- Initial registration for Final Course is valid for 5 years.
- Fee for revalidation is ₹ 500/- for 5 years period

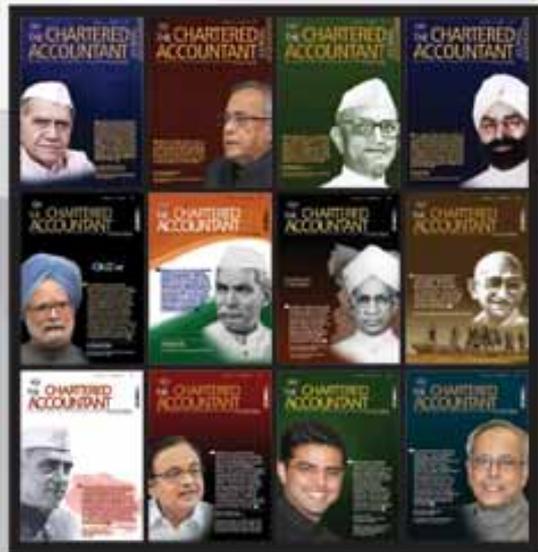
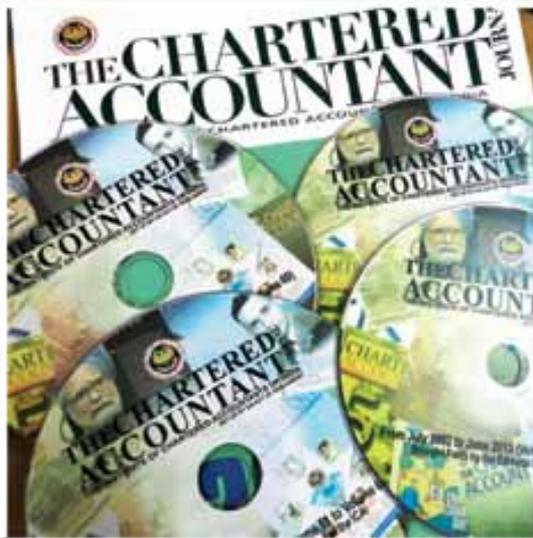
Students of respective course can revalidate their registration any number of times as per the scheme applicable and should have valid registration before applying for the relevant level of examination.

Student who have completed/completing prescribed registration period on or before December 31, 2013 in Common Proficiency Course (CPC), Intermediate (IPC) Course and Final Course may revalidate their registration without paying revalidation fee till 31st December, 2013, failing which effect from 1st January, 2014 onwards all students are required to pay prescribed revalidation fee for revalidation of their registration in the respective courses.

For format of application and further details, please visit www.icai.org

**Director,
Board of Studies**

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The Institute of
Chartered Accountants of India

'ICAI Bhawan', Post Box Number 7100,
Indraprastha Marg, New Delhi - 110 002



CA. Subodh Kumar Agrawal, President, ICAI lighting the auspicious Lamp to inaugurate the Convocation 2013 in Chennai. CA. K. Raghu, Vice President, ICAI, Prof. R. Thandavan, Vice Chancellor, University of Madras, Mr. R.C.Mishra, Chief Commissioner of Income tax, Tamilnadu, CA. VMurali, Vice Chairman, Board of Studies and Central Council Members, CA. Naveen N.D.Gupta, CA. M. Devaraja Reddy and CA. Babu Abraham Kallivayalil also seen in picture.



CA. Subodh Kumar Agrawal, President, ICAI with the newly qualified Chartered Accountants at the Convocation 2013 in Chennai. CA. K. Raghu, Vice President, ICAI, Prof. R. Thandavan, Vice Chancellor, University of Madras, Mr. R.C.Mishra, Chief Commissioner of Income tax, Tamilnadu, CA. VMurali, Vice Chairman, Board of Studies and Central Council Members, CA. Naveen N.D.Gupta, CA. M. Devaraja Reddy and CA. Babu Abraham Kallivayalil also seen in picture.



CA. Subodh Kumar Agrawal, President, ICAI addressing the Chairmen Meet and Orientation Programme 2013 organized by the Central India Regional Council of ICAI in Bhopal. Also seen in picture (L-R) CA. Suresh Wadhvani, Secretary, Bhopal Branch, CA. Sunit Baheti, Chairperson, Bhopal Branch, CA. Mukesh Singh Kushwah, Central Council Member, CA. Vikas Jain, Chairman, CIRC, Central Council Members, CA. Manoj Fadnis, CA. Shyam Lal Agarwal, Secretary, CIRC, CA. Manish Borad and CA. Abhay Chhajed, Chairman, CICASA.



A Group photograph of Students of Ahmedabad Branch of WICASA taken on the occasion of the Industrial visit to Vadilal Icecream Factory on 27th April 2013.

May, 2013
Solution

CROSSWORD

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CROSSWORD

ACROSS

2. A form of computer data storage which allows stored data to be accessed directly in any random order.
4. TCS provisions under section 206C to also be attracted on sale of or articles weighing 10 gms.
8. Asia's first stock exchange.
10. Largest Indian state owned electric utilities company based in New Delhi.
12. Code for UAE currency.
13. Political prisoner
16. The UN Security Council gives ___ power to its five permanent members enabling them to prevent the adoption of any "substantive" draft Council resolution.
17. A system which integrates all data and processes of an organization into a single unified system in a real time environment.
19. Surrender
20. The New Economics Foundation (NEF) ranked Costa ___ first in its 2009 and 2012 Happy Planet Index.
22. If bill purchased and discounted remain overdue for a period exceeding 90 days, it becomes -----
27. Excisable good chargeable to nil rate of duty in India.
28. An outstanding person or thing.
29. An abbreviation for latin phrase *exempli gratia*.
31. One of the eight new institutes established by the Ministry of Human Resource Development, Government of India for imparting knowledge on information and technology.
32. ___ is the usual term for a motor vehicle or trailer equipped with living space and amenities found in a home.
33. One of the factors of production.
35. Tim Elmore's book: Generation ___.
36. In case of ___ contracts, the present obligation under the contract is recognized and measured as provision.
39. A computer network interconnects computers in a limited area.
40. A socially awkward or tactless act, especially one that violates accepted social norms, standard customs, or the rules of etiquette: Faus ___.
41. Formerly known as Federation of Insurance Institutes, established in the year 1955.
44. India's major item of exports after Independence.
45. A ___ is a software system, or software/hardware combination, that supports transaction processing.
46. Transferee deducting tax under section 194-IA need not obtain.....
47. ----- is a compact disc which contains data and computers can read but cannot write on them.

DOWN

1. A person responsible for the design, implementation, maintenance and repair of an organization's database.
2. An international NGO whose stated mission is to "rebuild lives in times of disaster by training, supporting and providing aid workers to relief programmes across the world.
3. In India, a shop keeper cannot sell products more than this.
5. Goods for sale is _____.
6. Refers to a term in contract negotiations which shows the commitment by the vendor that the value of an interim estimate (plus contingency allowances) will not exceed the amount of the firm proposal and estimates to be submitted at a later date.
7. A society for the study of philosophical issues in science and technology.
9. A web crawler starts with a list of URLs to visit, called the _____.
11. The convention of _____ will have the effect of understatement of assets.
14. Supernatural
15. Land classified as agricultural land in the records of the Government and used for agricultural purposes is not an asset chargeable to..... tax.
18. Sitting or Retired Judge of High Court with at least 7 years of service eligible for appointment as of Appellate Tribunal.
21. An accounting body that regulates the accounting profession in India.
23. ----- is the post office numbering used by Indian post.
24. To declare positively.
26. A computer key.
30. Jail
34. SEBI is the ___ responsible for issuing ISIN as described by the ISO 6166 standard and the Classification of Financial Instruments code as described by the ISO 10962 standard.
35. Sir _____ Newton: Author of "Mathematical Principles of Natural Philosophy".
37. Choose
38. One of the major trade partners of India.
41. ----1 is referred to as SAHAJ.
42. The first sale of stock by a private company to the public.
43. 100 hours ___ training is one of the requisites of CA course in India.

