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The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events



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INSIDE

03 President's Communication

04 Vice-President's Communication

05 Chairman's Communication

06 CA Final: International Taxation

18 CA: Intermediate: Economics for Finance

28 CA: Foundation: Business Corresponding and Reporting

33 News Update

35 Announcement

36 Crossword

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SWACHH BHARAT - A STEP TOWARDS CLEANLINESS



My Dear Students,

In the backdrop of rising awareness level about the precautions, improved healthcare facilities and concerns about the economy, it is satisfying to note that the government has announced relaxation in a phased manner, with regard to lockdown norms. With movement resumed by reinstating public transport, albeit in a restricted manner, you can venture out sparingly with your safety gear of mask and gloves. I am sure that you will use this little freedom responsibly and continue to abide by the guidelines imposed by the government as well as judiciously adhere to precautions prescribed to prevent the spread of COVID-19. In fact the true test of our tenacity has begun now when we need to impose self-regulations amidst further moderation in norms. It is critical for you to maintain good health as you need to devote long hours to prepare for the forthcoming July 2020 exams.

Recent Initiatives – Let us Continue to Learn from home

In pursuance of our true spirit of service and commitment towards our students, we have initiated many steps and measures during the past one month towards facilitating the best resources to make learning truly an **interesting, engaging and a pleasant experience**. These measures have been thoughtfully conceived and carefully implemented to deliver knowledge and supplement preparation keeping in mind your learning requirements, your safety and health amidst unprecedented circumstances. As we strive together to accelerate our efforts in your best interest, you must participate in all our endeavors readily and wholeheartedly. This will forge a sense of belonging and strengthen the bond that you share with your alma mater ICAI.

Recently, we have concluded **Free Live Revision Classes for Intermediate and Final levels for July 2020 exams**, delivered by eminent academicians and mentored by our colleagues from Central Council themselves. Further, **Mock Test Papers Series-1** was conducted from May 11, 2020 online for all levels that was a good exercise to self-assess your performance. I hope that you must have attempted all the papers with utmost sincerity and honesty.

Special Live Counseling Sessions: We have scheduled these sessions from **1st June till 10th June, 2020**, wherein the Board of Studies (BOS) of ICAI faculties will resolve all your queries regarding preparation and presentation about the various subjects/papers at the Intermediate and Final levels. You should attend these to gauge the time and effort required to prepare a topic and streamline your preparation.

Free Live Virtual Classes: As part of our continuing Online initiatives, BOS will commence Live Virtual Classes from July onward for all our students. These classes will cover the entire syllabus and target November 2020 exams for Foundation and

Intermediate levels and May 2021 and November 2021 exams for the Final level. These classes will be available **free of cost** and rendered by renowned subject experts from across India through webcast. Further details and schedule will be announced shortly.

As I mentioned earlier, we are seized of the problems faced by the Students and I am pleased to inform that considering the hardships being faced by our students due to lockdown situation in various parts of the country, the Article Registration Date and ICITSS completion date have been further extended to 31st July, 2020 and 31st October, 2020 respectively. All of you complying to these dates will be permitted to appear in CA Final November 2022 examination.

Webcast: ICAI in conversation with its students

With an objective to initiate a dialogue with our students, we have recently organized a live session with you, our students on 23rd May, 2020. This was arranged with an objective to apprise you about the recent initiatives and measures taken by ICAI and to hear from you directly. I along with my esteemed council colleagues, Vice President, ICAI CA. Nihar Niranjana Jambusaria; Chairman, BOS CA. (Dr.) Debashis Mitra; Chairman SSEB (Student Skill Enrichment Board) CA. Jay Chhaura; Vice-Chairman BOS CA. Sushil Kumar Goyal and Vice-Chairman, SSEB CA. Pramod Kumar Boob attended the session. It was pleasing to note that you all joined in good numbers to hear us and participated enthusiastically in the interactive session to get solution to your queries.

This issue includes comprehensive capsules on **Business Correspondence for Reporting** for Foundation, **Economics for Finance** for Intermediate and **International Taxation** for Final. These capsules present a succinct version of the subject contents appropriate for revision, retention and recall during the final stages of your preparation.

Visualize your goal!

As students of this coveted profession, you should desire to not only achieve your goal of joining the profession as a member at the earliest but also to become a holistic professional having comprehensive knowledge serving all stakeholders with best of your ability and competence keeping national interest in mind. You have to visualize your goal to achieve it. Visualizing the desired outcome promotes positive thinking and makes you believe it is attainable. It propels you to commit completely to your objective and infuses the much needed positive energy to stay on track, increasing the possibility of achieving your goal.

As Eleanor Roosevelt puts it: The future belongs to those who believe in the beauty of their dreams! So dream big and strive to make it happen!

All the Best!
Stay Healthy, Stay Safe!

CA. ATUL K. GUPTA
PRESIDENT, ICAI, NEW DELHI

VICE PRESIDENT'S COMMUNICATION



My Dear Students,

I hope, you are in good health and taking good care of yourself and your loved ones' in these difficult times. With the July 2020 examinations just a step ahead, I am confident that you all must be busy with the preparations to reach your much awaited target and achieve the anticipated goal. This is a very crucial phase of your life, so get fully engrossed in your studies and inculcate an integrated approach to resolve the problems. You need to capitalize on your strengths and bolster your weaknesses. You must spend quality time in understanding the concepts and make sure that you particularly focus on the topics that you find it difficult to understand to sort out all the loose ends. Self-study and Self-confidence are the master keys to unfold the doors of success in any sort of examination.

The COVID19 pandemic has largely impacted our lives and it is imperative that we quickly adapt to this changed environment by reinventing the ways as to how we think and work - by becoming more digitally agile and innovative. Keeping this change in mind, ICAI, Board of Studies (Academic), introduced several new and innovative digital solutions to our students which are as follows:

- Making **E-books** available on digital learning hub to bridge distance learning gap. These e-Books are video embedded and students can annotate, make notes and highlight text while studying through these e-Books. They can also find the meanings of terms through Wikipedia.
- Making **E-capsules** available at the Institute's learning hub for facilitating **quick revision**. These e-Capsules are a compilation of subject-wise capsules published in the monthly Students' Journal since April, 2017. These are available group-wise with index showing location of particular topic in the file.

Students may use of these handy e-Capsules for quick revision before the examination as topics are explained in an understandable pictorial manner.

- **Free Live Virtual Classes** - The next Batch of Live Virtual Classes targeting November, 2020 exams for Foundation and Intermediate levels and for May and November 2021 exams for Final level will also be started from first week of July, 2020 onwards.

- **Free Live Revision Classes** were organised for Intermediate and Final students appearing for July 2020 examination at convenient timings.
- Conducted 1st Series of **Online Mock Tests** for students who would be appearing for the forthcoming July examination from 11th May, 2020 onwards for all the levels.
- **Special Counselling Sessions** would be conducted from 1st June to 10th June, 2020 to resolve students' queries and provide specific guidance with respect to each paper in IIPC & Intermediate; Final Old & New examinations.

Chartered Accountancy is regarded as a very prominent and worthy profession in the Society. Our Institute plays a very vital role in giving good infrastructure, learning facilities and technical skills in the key areas of Accounting Profession. In the changing scenario, roles and responsibilities of Chartered Accountants are not only restricted to auditing and accounting but also expected to have an expert knowledge in areas like business finance, information technology, corporate management, etc. Being a part of this dynamic profession, you as a student require a well-defined and a serious approach to achieve success. If you are passionate to fulfill your dreams, then nobody can stop you to make your dreams a reality. You have to make constant and sincere efforts in your pursuit of academic excellence. Hard work, dedication and commitment to achieve your goals are the key ingredients that you require for sailing through your examinations successfully.

On behalf of the Institute, I assure you that we will do our best to provide you with best of opportunities to explore your horizons in the right perspective. Further, we would like to expand our academic and administrative activities to facilitate you with the value added professional services within the country and abroad as well.

The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.

-by Vince Lombardi

Before concluding, I would like to convey my best wishes to all my dear students appearing in the July examinations. Stay safe and healthy.

Yours sincerely

CA. NIHAR NIRANJAN JAMBUSARIA
VICE PRESIDENT, ICAI, NEW DELHI



My Dear Students,

I extend my best wishes to you! With the lockdown being extended in various parts of the country, I urge you to remain careful about your safety. Whenever you step outside you should cover your face properly with mask and if possible face shield. We will have to take utmost care of ourselves and our families as the pandemic persists and even afterwards as our health, hygiene, diet and holistic wellness will affect our immunity and well-being.

It is heartening to note that you are getting increasingly active on the BOS social media page, posting your comments, feedback and even queries. We at BOS are ensuring that we respond to your queries and take care of your concerns regarding studies, articleship, preparation and examination.

At BOS, We care!

We at BOS, are fully aware of your challenges and anxieties. We are committed to standing by you, ensuring the best resources possible and rendering the best services feasible to help you to sail through current times and scale up your preparation for the forthcoming July 2020 examination. We recently introduced many initiatives and will continue to implement many more to prep up your learning and inspiring you to *do your best to achieve the best*.

The recently conducted initiatives comprise the **free of cost Live Revision Classes for CA Intermediate and Final for July 2020 exam**, having been organized to let you revise the subjects in the best possible manner, while staying home and to give you valuable tips from the examination stand point.

We would like to reiterate that the entire study material for CA Foundation, Intermediate and Final has been digitized as **E-Books**, available at the **Digital Learning Hub**. Replete with rich audio/video content and annotations, these offer complete agility and mobility. For those of you who do not have access to hard copies can study through E-Books. You may also download the complete study material available in PDF at the BOS Knowledge Portal for studies.

You should also refer to Compilation of Subject Capsules featured till date for CA Intermediate and Final, groupwise, available as **Referencer for Quick Revision** uploaded at the BoS Knowledge Portal at: https://www.icai.org/post.html?post_id=16431 and https://www.icai.org/post.html?post_id=16430 for CA Intermediate and Final respectively, presenting important concepts succinctly.

Mock Test Papers Series-1 conducted online in the last month, lets you assess your performance, check your preparedness and make you realize your mistakes so that you can mend these in time to improve your performance considerably.

We have extended the dates of registration for articleship and completion of ICITSS to 31st July and 31st October respectively for the November 2022 CA Final exam.

Forging a Connect: At BOS, we are mindful of your needs and value your comments, suggestions and feedback. In order to reach out to all our students across the nation, we organized a Webcast titled, *'ICAI in Conversation with its Students'* on 23rd May, 2020. Besides me, the event had eminent presence of **Hon'ble President, ICAI CA. Atul Kumar Gupta, Vice President, ICAI CA. Nihar Niranjan Jambusaria, Chairman SSEB(Student Skill Enrichment Board) CA. Jay Chhaura, Vice Chairman BOS CA. Sushil Kumar Goyal and Vice Chairman, SSEB CA. Pramod Kumar Boob**. While the Hon'ble President gave you a holistic view of the recently launched and upcoming initiatives and motivated you to give your best. Vice President spoke about transforming yourself to adapt to the change and make the most of the extended time period provided due to postponement of exams. Chairman and Vice Chairman SSEB spoke about the recent and upcoming initiatives introduced by their committee. Towards the end was an open session with all of you posing your queries for the dignitaries. As many as five thousand queries were received. We have tried to address all your concerns and continue to do so. On behalf of BOS of ICAI I would like to express my pleasure for your overwhelming response. I assure you that we shall come up with similar events to bridge the gap and strengthen this bond.

The ongoing **Special Counseling sessions** are being conducted between 1st till 10th of June, 2020. These sessions are being rendered by our faculty to give you complete guidance on the subjects including discussions on the mock test paper solutions and vital elements of the underlying concepts along with tips and cues to present your answers in exams. I am sure that you are attending these sessions to get a detailed perspective to enhance your preparation to maximize your results.

Current issue comprises Capsule on Business Correspondence and Reporting in CA Foundation; Economics for Finance in Intermediate and International Taxation in Final. I advise you to go through these intently to comprehend the vital points entailing significant concepts that have been duly summarized in these capsules.

Lastly I would like to thank you for your generous contribution towards the COVID Relief Fund. With exams coming up in the next month, I urge you to just commit yourselves to studies and excel in your efforts.

Always remember the words of Past President of our nation, **Dr. A.P.J. Abdul Kalam,**

'To succeed in your mission, you must have single-minded devotion to your goal.'

With All my Good Wishes,

Stay Safe, Stay Healthy,

CA. (DR.) DEBASHIS MITRA
CHAIRMAN, BOARD OF STUDIES (ACADEMIC), ICAI

INTERNATIONAL TAXATION: A CAPSULE FOR QUICK RECAP

Over the years, consequent to globalisation, international taxation has become a key concern area for the business entities engaged in cross border transactions and the tax administration of the countries. Hence, considering its importance to the economy, a dedicated paper on international taxation was included in the syllabus of the CA course at the Final level as an elective paper under the New Scheme of Education and Training. It is noteworthy that at the Final level, the core Paper 7 on Direct Tax Laws and International Taxation also comprises of a separate part on international taxation for 30 marks.

In this capsule, we have extensively used tables, flow charts and diagrams to help you recap the significant provisions, concepts and principles of international taxation. The capsule covers select chapters in international taxation. For comprehensive study, read the September, 2019 edition of the Study Material of Paper 6C: International Taxation and the webhosted Statutory Update and thereafter, solve the case studies webhosted at the BoS Knowledge Portal and the Mock Test Paper.

CHAPTER 1: TRANSFER PRICING

FIG 1.1

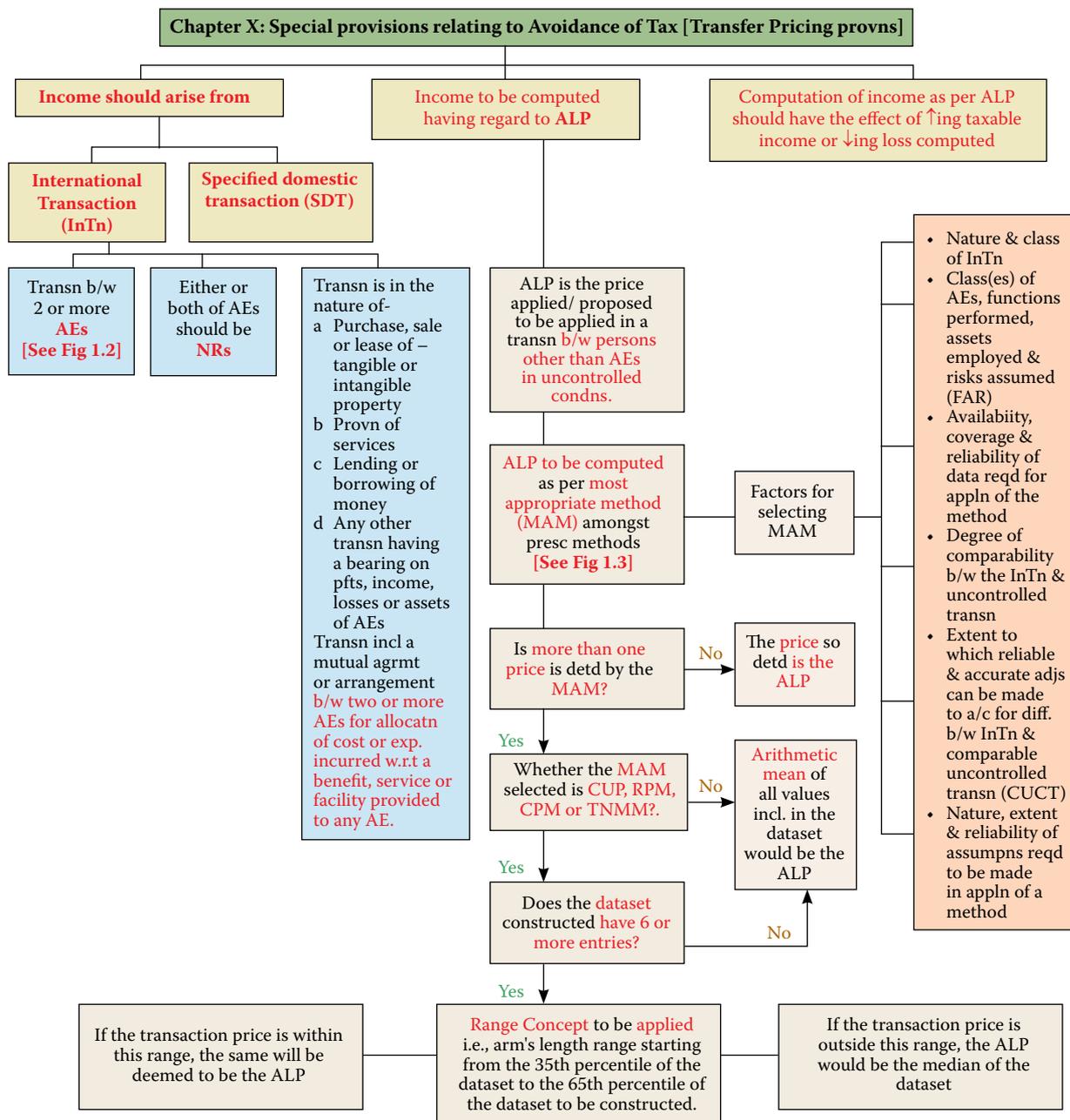


FIG 1.2

Associated Enterprises (AEs) [Section 92A]		
	Condition	Example
(1)	An enterprise (entr) which participates , directly (DP) or indirectly (IDP), or through one or more intermediaries, in: <ul style="list-style-type: none"> • Management (mgt) of the other entr (OE), or • control of OE, or • capital of OE 	<p>Where A Ltd. DP in mgt of B Ltd. and B Ltd. DP in mgt of C Ltd. In such situation, A Ltd. has DP in mgt of B Ltd. but has an IDP in mgt of C Ltd.</p> <div style="text-align: center;"> <pre> graph LR A[A Ltd.] --> B[B Ltd.] B --> C[C Ltd.] </pre> </div> <p>In such scenario, both B Ltd. and C Ltd. would be AEs of A Ltd.</p>
(2)	If one or more persons participates, directly or indirectly , or through one or more intermediaries in: <ul style="list-style-type: none"> • mgt of the two different entr • control of two different entr • capital of two different entr Then, those two entr are AEs.	<p>Mr. A directly has control in A Ltd. and B Ltd. In such a scenario, both A Ltd. & B Ltd. are AEs since they have a common person i.e. Mr. A, who controls both entities A Ltd. & B Ltd.</p>
Deemed Associated Enterprises [Section 92A(2)]		
Condition	Situation	Example
Substantial Voting Power (VP)	One entr holds 26% or more of the VP , directly or indirectly, in the other entr (OE) .	<p>A Ltd. holds 33% of VP in B Ltd. and B Ltd. holds 80% VP in C Ltd.</p> <div style="text-align: center;"> <pre> graph LR A[A Ltd.] -- 33% --> B[B Ltd.] B -- 80% --> C[C Ltd.] </pre> </div> <p>In above situation, A Ltd. holds more than 26% VP in B Ltd. directly and in C Ltd. indirectly (i.e. through B Ltd.). Therefore, both B Ltd. & C Ltd. are deemed AEs of A Ltd.</p>
Substantial VP in two entities by common person	Any person or entr holds 26% or more of the VP , directly or indirectly, in each of two different entr .	<p>Mr. A holds 40% of shareholding in both X Ltd. and Y Ltd. where neither X Ltd. has any holding in Y Ltd. nor Y Ltd. has any holding in X Ltd.</p> <div style="text-align: center;"> <pre> graph TD A[Mr. A] -- 40% --> X[X Ltd.] A -- 40% --> Y[Y Ltd.] </pre> </div> <p>In this situation, since Mr. A directly holds 40% of shareholding in both X Ltd. and Y Ltd., X Ltd. & Y Ltd. will be deemed AEs.</p>
Advancing of substantial sum of money	One entr advances loan to the OE of an amt of 51% or more of the book value (BV) of the total assets of OE	<p>BV of total assets of Y Ltd. is ₹ 100 crores. X Ltd. advances loan of ₹ 60 crores to Y Ltd. Since, in this case, X Ltd. advances loan which is 60% of the BV of total assets of Y Ltd., X Ltd. & Y Ltd. are deemed AEs.</p>
Guaranteeing borrowings	One entr guarantees 10% or more of the total borrowings of the OE .	<p>P Inc. has total loan of 1 million dollars from XYZ Bank of America. Out of that, A Ltd., an Indian company, guarantees 20% of total borrowings. In such case, P Inc. and A Ltd. would be deemed AEs.</p>
Appointment of majority directors of OE	One Entr appoints more than half of the BoD or members of the governing board (GB), or one or more executive directors (EDs) or executive members (EMs) of the GB of OE .	<p>X Ltd. has 15 directors on its Board. Out of that, Y Ltd. has appointed 8 directors. In such case, X Ltd. and Y Ltd. would be deemed AEs.</p>
Appointment of majority directors of two different entr by same person(s)	More than half of the directors or members of the GB, or one or more of the EDs or members of the GB of each of the two entr are appointed by the same person(s) .	<p>Mr. A appointed 9 directors out of 15 directors of X Ltd. and appointed 2 EDs on the board of Y Ltd. In such case, since a common person i.e. Mr. A appointed more than half of the directors in X Ltd. and appointed 2 EDs in Y Ltd., both X Ltd. and Y Ltd. are deemed AEs.</p>
Dependence on intangibles w.r.t which OE has exclusive rights	The manufacture (mfre) or processing of goods or articles or business carried out by one entr is wholly dependent (i.e. 100%) on the know-how , patents, copyrights etc., or any data, documentation, drawing or specification relating to any patent, invention, model etc. of which the OE is the owner or in respect of which the OE has exclusive rights.	
Dependence on raw material (RM) supplied by OE	90% or more of RMs and consumables required for the mfre or processing of goods or articles or business carried out by one entr, are supplied by the OE , or by persons specified by the OE, where the prices and other conditions relating to the supply are influenced by such OE.	
Dependence on sale	The goods or articles mfrd or processed by one entr, are sold to the OE or to persons specified by the OE, and the prices and other conditions relating thereto are influenced by such OE .	
Control by common individual (indvl)	Where one entr is controlled by an indvl , the OE is also controlled by such indvl or his relative or jointly by such indvl and his relatives.	<p>Mr. A and Mr. B are relatives. Mr. A has control over X Ltd. and Mr. B has control over Y Ltd. In such a case, both X Ltd. and Y Ltd. would be deemed AEs.</p>

INTERNATIONAL TAXATION

<p>Control by HUF or member thereof</p>	<p>Where one entr is controlled by an HUF and the OE is controlled by a member of such HUF or by relative of a member of such HUF or jointly by such member and his relative.</p>	
<p>Interest in a firm, AOPs or BOIs</p>	<p>Where one entr is a firm, AOPs or BOIs, the OE holds 10% or more interest in firm/HUF/BOI.</p>	
<p>Mutual interest relationship</p>	<p>There exists b/w the two entrs, any relationship of mutual interest, as may be prescribed.</p>	

FIG 1.3

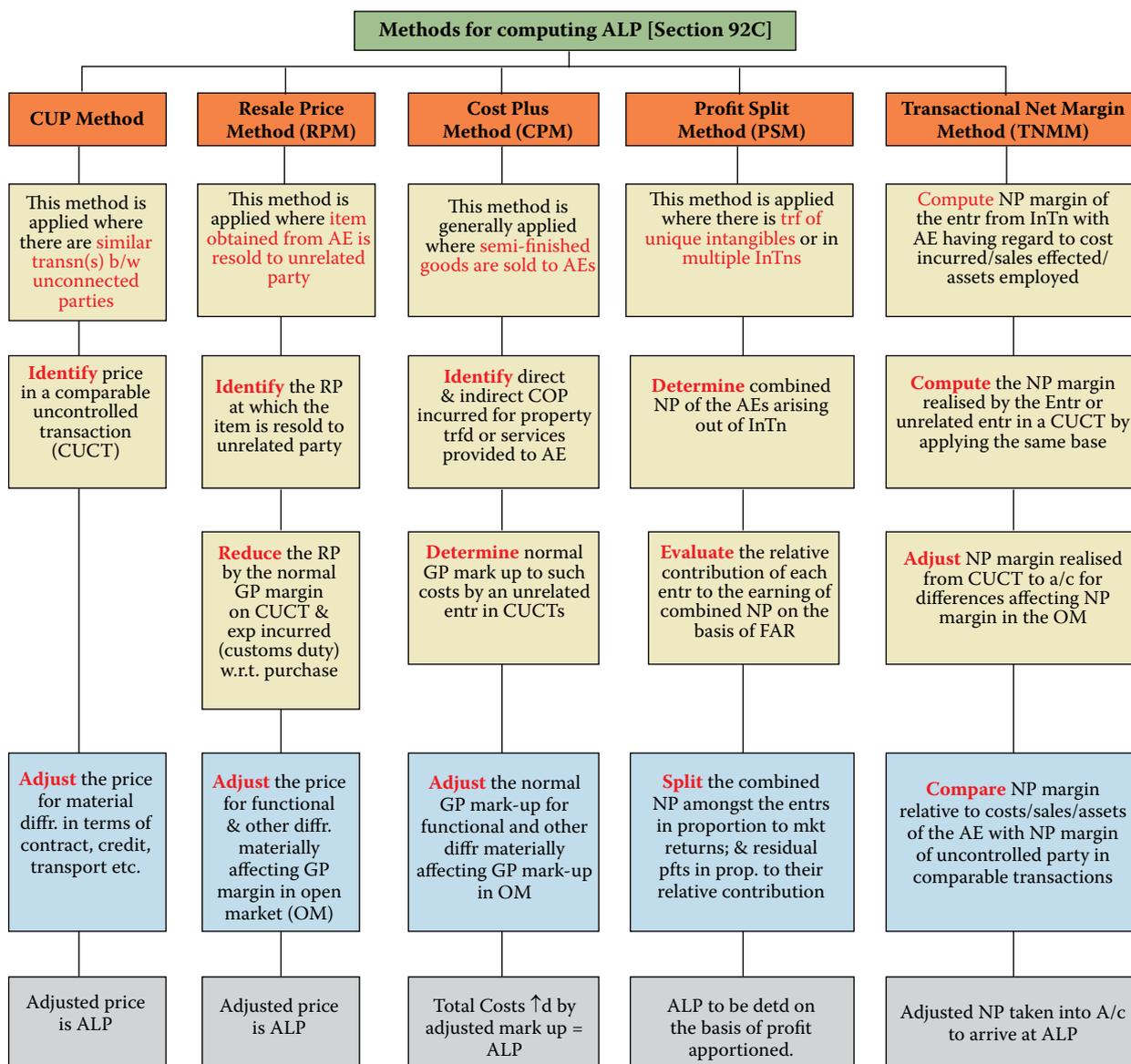


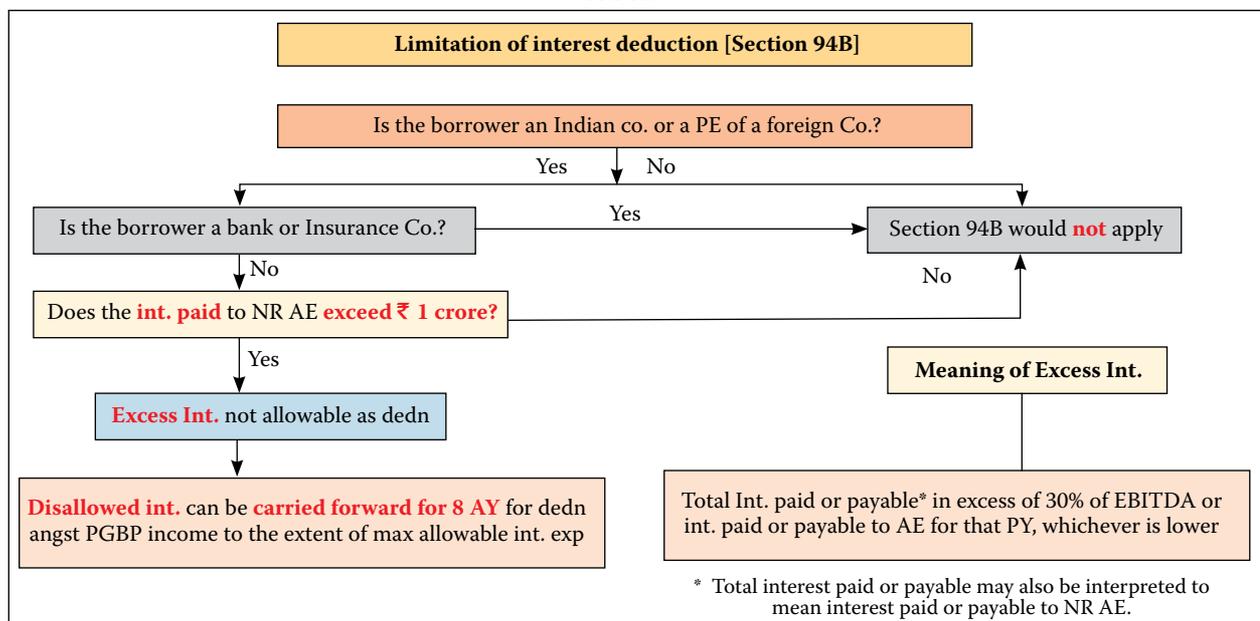
FIG 1.4

Penalty for failure to comply with TP provisions		
Section	Nature of default	Penalty
270A(9)	Failure to report any InTn or Deemed InTn to which the provns of Chap X applies would constitute 'misreporting of income'	200% of the tax payable on under-reported income
271BA	Failure to furnish a report from an accountant as required by sec 92E	₹ 1 lakh
271G	Failure to furnish info or doc as required by AO or CIT(A) u/s 92D(3) within 30 days from the date of receipt of notice or extended period not exceeding 30 days, as the case may be..	2% of the value of the InTn for each failure
271AA	(1) Failure to keep and maintain any such doc and info as required by sec 92D(1)/(2); (2) Failure to report such InTn which is required to be reported; or (3) Maintaining or furnishing any incorrect info or doc.	2% of the value of each such InTn

Notes:

- The penalty u/s 271AA shall be in addition and not in substitution of penalty u/s 271BA.
- If the assessee proves that there was reasonable cause for the failure, no penalty would be leviable u/s 271BA, 271G and 271AA.

FIG 1.5



CHAPTER 2: NON RESIDENT TAXATION

FIG 2.1

Income exempted specifically in the hands of Non-Residents (NRs) [Section 10]		
Section	Income	Available to
10(4)(ii)	Int. on money standing to the credit in a NRE A/c of an individual (indvl) in any bank in India as per the FEMA Act, 1999	Indvl resident outside India (under FEMA Act) or an indvl who has been permitted to maintain said a/c by RBI
10(4C)	Int. payable by an Indian co. or Business Trust (BT) in respect of moneys borrowed from a source outside India by way of issue of rupee denominated bond (RDB) during the period from 17.9.2018 to 31.3.2019	A non-corporate NR or foreign co.
10(4D)	Income on trf of a capital asset, being a bond of an Indian co. or a public sector company [sold by the Govt. and purchased by the specified fund ¹ in foreign currency (FC)], GDR or RDB or derivative or any other notified security, on a RSE located in any IFSC is exempt. Conditions: 1. Where the consideration is paid or payable in convertible foreign exchange; 2. To the extent such income accrues or arises to, or is received in respect of units held by a NR	A specified fund

¹ For the definition of specified fund, refer the September 2019 edition of the study material.

INTERNATIONAL TAXATION ||

10(6)(ii)	Remuneration (remn) recd by Foreign Diplomats/ Consulate and their staff Conditions: 1. The remn recd by our corresponding Govt. officials/member of staff resident in such foreign countries should be exempt. 2. The member of staff should be the subjects of the respective countries and should not be engaged in any other business or profn or employment in India.	Indvl (not being a citizen of India)
10(6)(vi)	Remn recd as an employee of a foreign enterprise (FE) for services rendered by him during his stay in India, if: a) FE is not engaged in any trade or business in India ; b) His stay in India does not exceed 90 days in aggregate in such P.Y.; and c) Such remn is not liable to be deducted from the income of employer chargeable under IT Act	Indvl - Salaried Employee (not being a citizen of India) of a FE
10(6)(viii)	Salary recd by or due for services rendered in connection with his employment on a foreign ship if his total stay in India does not exceed 90 days in the P.Y.	Indvl - Salaried Employee (NR who is not a citizen of India) of a foreign ship
10(6)(xi)	Remn recd as an employee of the Govt. of a foreign State during his stay in India in connection with his training in any Govt. Office/ State Undertaking/ corporation/ registered society etc.	Indvl - Salaried Employee (not being a citizen of India) of Govt. of foreign State
10(6BB)	Tax paid by Indian Co. , engaged in the business of operation of aircraft, which has acquired an aircraft or an aircraft engine on lease , under an approved [by Central Government (CG)] agrmt, on lease rental/income derived (other than payt for providing spares or services in connection with operation of leased aircraft) by the Govt. of a foreign State or FE .	Govt. of foreign State or FE (i.e., a person who is a NR)
10(6C)	Royalty income or FTS under an agrmt with the CG for providing services in or outside India in projects connected with security of India	Foreign Co. (notified by the CG)
10(6D)	Royalty income from or FTS rendered in or outside India to, the National Technical Research Organisation (NTRO)	Non-corporate NR and foreign Co.
10(15)(iiiia)	Int. on deposits made by a foreign bank with any scheduled bank with approval of RBI.	Bank incorporated outside India and authorised to perform Central Banking functions in that Country.
10(15)(iv)(fa)	Int. payable by scheduled bank on deposits in FC where the acceptance of such deposits is duly approved by RBI. [Scheduled bank does not include co-operative bank]	a) NR or b) Indvl or HUF, being a resident but not ordinarily resident
10(15)(viii)	Int. on deposit made on or after 01.04.2005 in an Offshore Banking Unit	
10(15)(ix)	Int. payable by a unit located in IFSC in respect of monies borrowed by it on or after 1.9.2019	NR
10(48)	Income recd in India in Indian currency on a/c of sale of crude oil or any other goods or rendering of services as may be notified by the CG in this behalf. Foreign Co. and agrmt should be notified by the CG in national interest.	Foreign Co. on a/c of sale of crude oil, any other goods or rendering of services. It should not be engaged in any other activity in India.
10(48A)	Income accruing or arising on a/c of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India . Foreign Co. and agrmt should be notified by the CG in national interest.	Foreign Co.
10(48B)	Income from sale of leftover stock of crude oil from facility in India after the expiry of agrmt ref u/s 10(48A) or on termination of the said agrmt	Foreign Co.

FIG 2.2

Presumptive Income provisions applicable to NRs				
Particulars	44B	44BBA	44BB	44BBB
Nature of business	Shipping business	Operation of aircraft	Business of providing services or facilities in connection with, or supplying P & M on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils	Business of civil construction or the business of erection of P & M or testing or commissioning thereof, in connection with turnkey power projects approved by the CG.
Eligible assessee	NR	NR	NR	Only Foreign Co.
Presumptive income	7.5% of specified sum	5% of specified sum	10% of specified sum	10% of specified sum
Specified sum	(i) Amt. paid or payable on a/c of carriage of passengers, livestock, mail or goods shipped at/ from any port/place in India; and (ii) Amt. recd or deemed to be recd in India on a/c of the carriage of passengers, livestock mail or goods shipped at/ from any port/place outside India		(i) Amt. paid or payable on a/c of the provn of such services or facilities for the aforesaid purposes in India; and (ii) Amt. recd or deemed to be recd in India on a/c of the provn of services or facilities for the aforesaid purpose outside India.	Amt. paid or payable on a/c of such civil construction, erection, testing or commissioning
Option to declare lower profits	Not available		Lower profits may be claimed u/s 44BB and u/s 44BBB provided the assessee maintains BOA u/s 44AA and gets them audited u/s 44AB.	

FIG 2.3

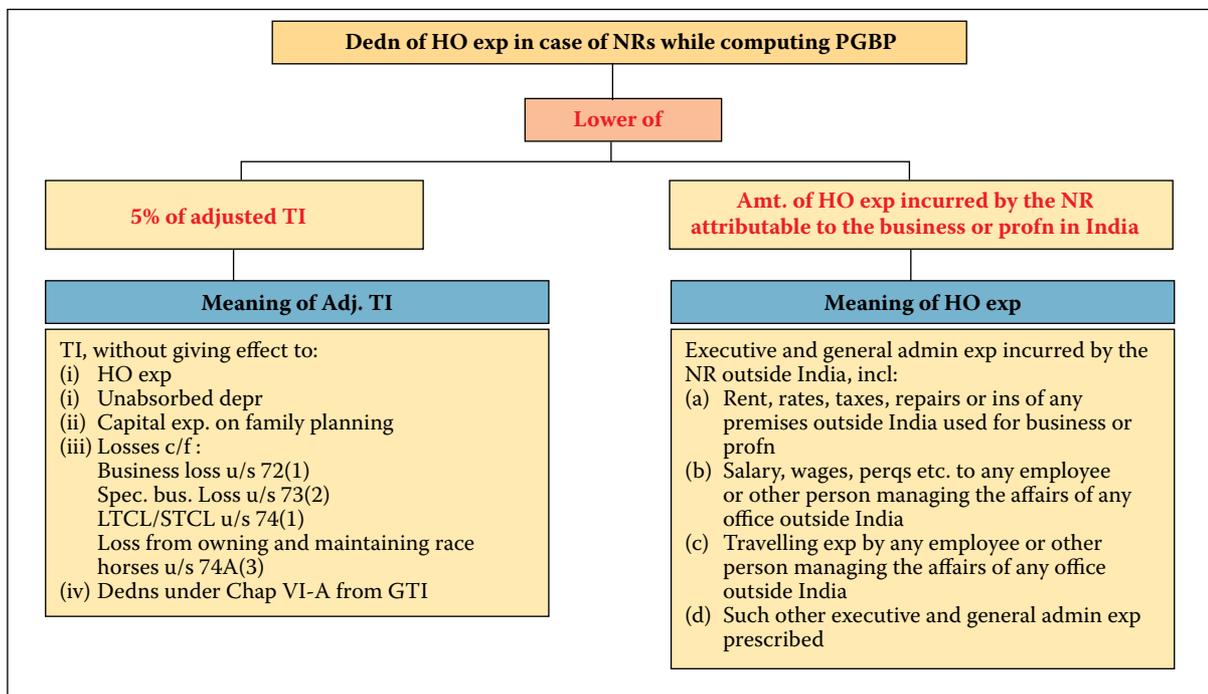
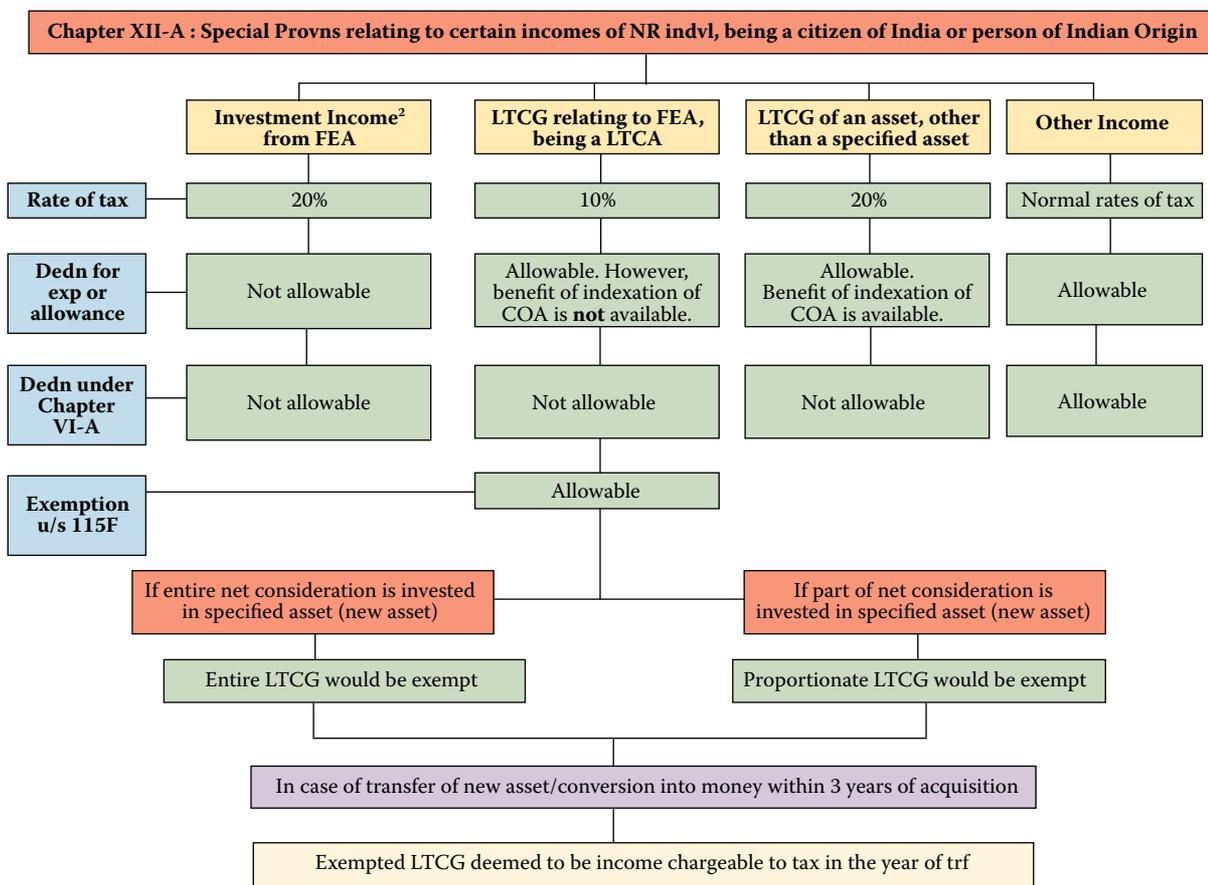


FIG 2.4



² Other than dividend referred to in section 115-O

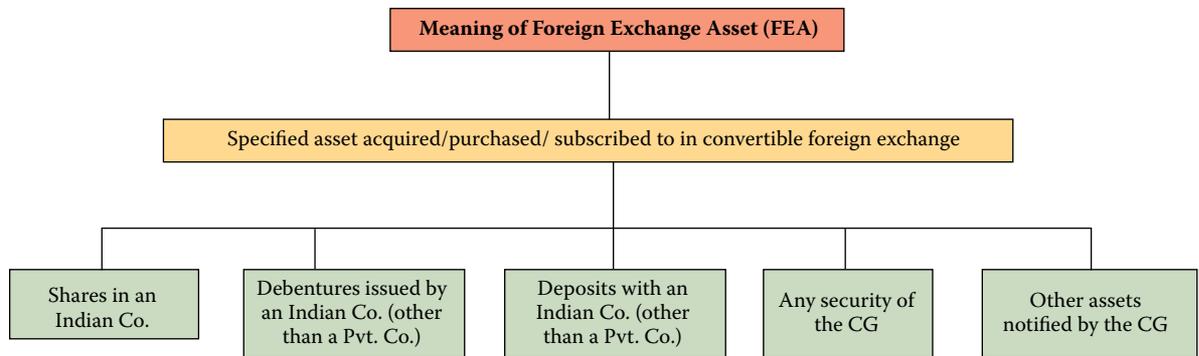


FIG 2.5

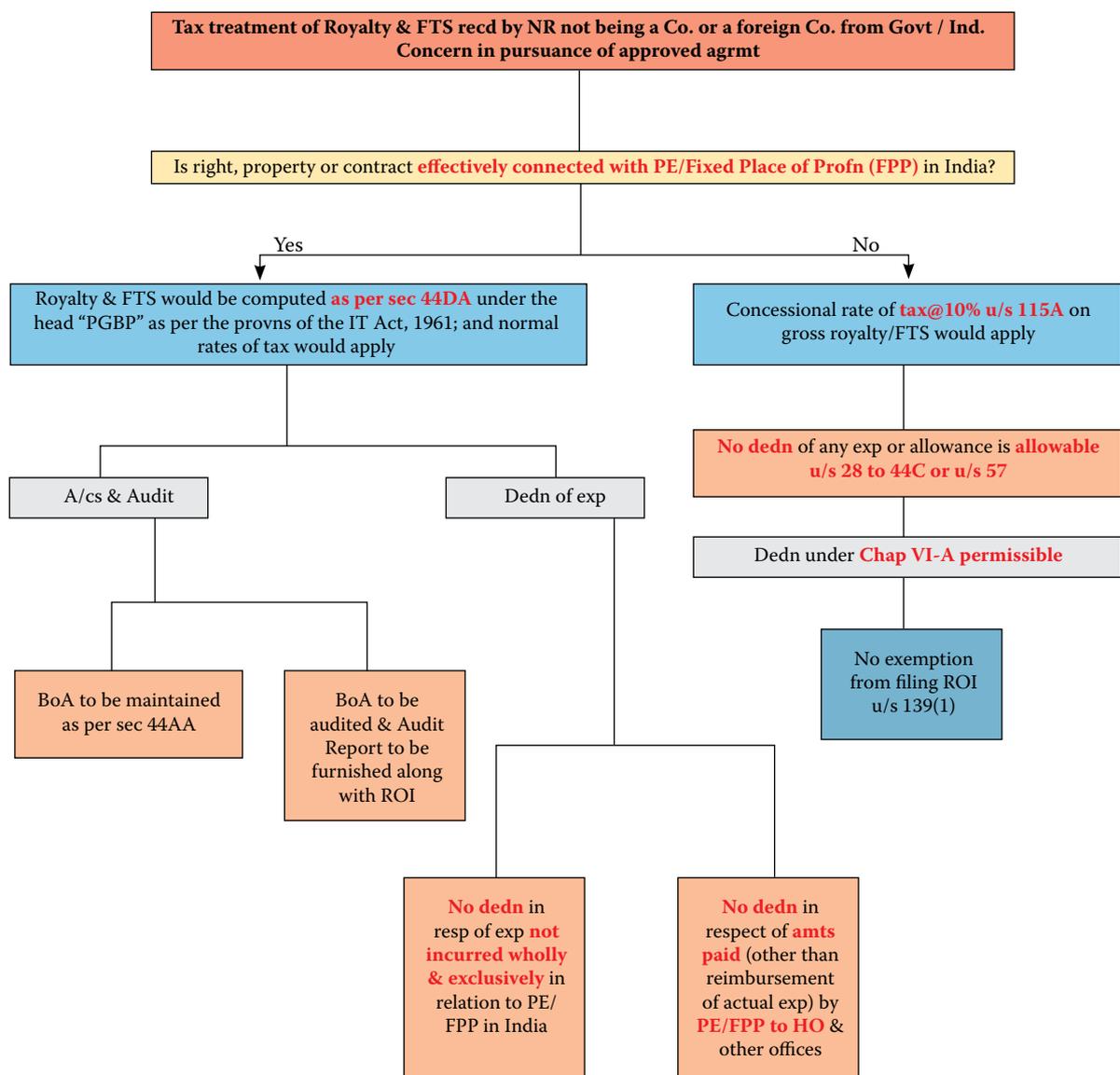


FIG 2.6

Special provns for computing tax on income by way of int. and dividend [Section 115A]	
Where the total income of a NR, not being a Co. or a foreign Co., includes any income by way of	Rate of Tax
(1) Dividends [other than dividend ref u/s 115-O]	20%
(2) Int. recd from the Govt. or an Indian concern on moneys borrowed or debt incurred by the Govt. /Indian concern in FC, other than (3), (4), (5) and (6) mentioned below	20%
(3) Int. received from an infrastructure debt fund ref u/s 10(47)	5%
(4) Int. ref u/s 194LC [Refer Fig 2.7]	5%
(5) Int. ref u/s 194LD [Refer Fig 2.7]	5%
(6) Int. ref u/s 194LBA(2) [Refer Fig 2.7]	5%
(7) Income recd in respect of units purchased in FC of a mutual fund (MF) specified u/s 10(23D) or UTI	20%

Notes:

- **No dedn** in respect of any exp or allowance shall be **allowed u/s 28 to 44C and 57.**
- **Dedn under Chapter VI-A is not available**
- **The assessee is not required to furnish a return of his income** if the following conditions are satisfied:
 - (a) The TI consists of only the abovementioned incomes and
 - (b) TDS has been deducted from such income.

FIG 2.7

Withholding Tax Provisions in Respect of Payts to NRs		
Section	Nature of payment	Rate of TDS
192	Salary	Normal Slab rates
192A	Premature withdrawals from EPF , aggregating to ₹ 50,000 or more	10%
194B	Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort, where pay to a person > ₹ 10,000	30%
194BB	Income by way of winnings from horse races , where pay to a person > ₹ 10,000	30%
194E	Specified payts referred u/s 115BBA to NR sportsmen/sports association or an entertainer, who is not a citizen of India	20%
194G	Commission etc. on the sale of lottery tickets , where pay > ₹ 15,000	5%
194LB	Payment of int. on infrastructure debt fund	5%
194LBA(2)	Distribution of any int income , recd or receivable by a BT from a SPV, to its unit holders	5%
194LBA(3)	Distribution of any income recd from renting or leasing or letting out any real estate asset directly owned by the BT, to its unit holders	At the rates in force
194LBB	Invnt fund paying income to a unit holder [other than income chargeable under PGBP which is exempted u/s 10(23FBB)].	
194LBC(2)	Income in respect of invnt made in a securitisation trust (specified in Explanation to section 115TCA)	
194LC	Payt of int. by an Indian Co. or a BT to a non-corporate NR or foreign co.– <ul style="list-style-type: none"> - in respect of monies borrowed by an Indian Co. or BT in FC from sources outside India <ul style="list-style-type: none"> • under a loan agrmt between 1.7.2012 and 30.6.2020 or • by way of issue of long-term bonds including long term infrastructure bond between 1.10.2014 and 30.6.2020, as approved by the CG or - in respect of monies borrowed from sources outside India by way of RDB before 1.7.2020 	5%
	Int. payable by an Indian co. or a BT to a NR, including a foreign co., in respect of RDB issued outside India during the period from 17.9.2018 to 31.3.2019	Nil [Since such int. is exempt u/s 10(4C) , no tax is deductible u/s 194LC]
194LD	Int. payable between 1.6.2013 and 30.6.2020 to a FII or QFI on investment made in – <ul style="list-style-type: none"> - RDB of an Indian Co. - Govt. security 	5%
194N (w.e.f. 1.9.2019)	A bank, a co-operative society engaged in banking business or a post office has to deduct TDS on withdrawal of cash in excess of ₹ 1 crore	2% on amt exceeding ₹ 1 crore
195	Payt of any other sum chargeable to tax in the hands of Non-corporate NR or Foreign Co.	At the rates in force
196B	Income from units of a MF or UTI purchased in FC (including LTCG on trf of such units) payable to an Offshore Fund	10%
196C	Income by way of int. on bonds of an Indian Co. or public sector Co. sold by the Govt. and purchased by a NR in FC or dividend on GDRs referred to u/s 115AC (including LTCG on transfer of such bonds or GDRs) payable to a NR	10%
196D	Income of FII from securities referred u/s 115AD(1) (not being income by way of interest u/s 194LD, dividend u/s 115-O or capital gain arising from such securities)	20%

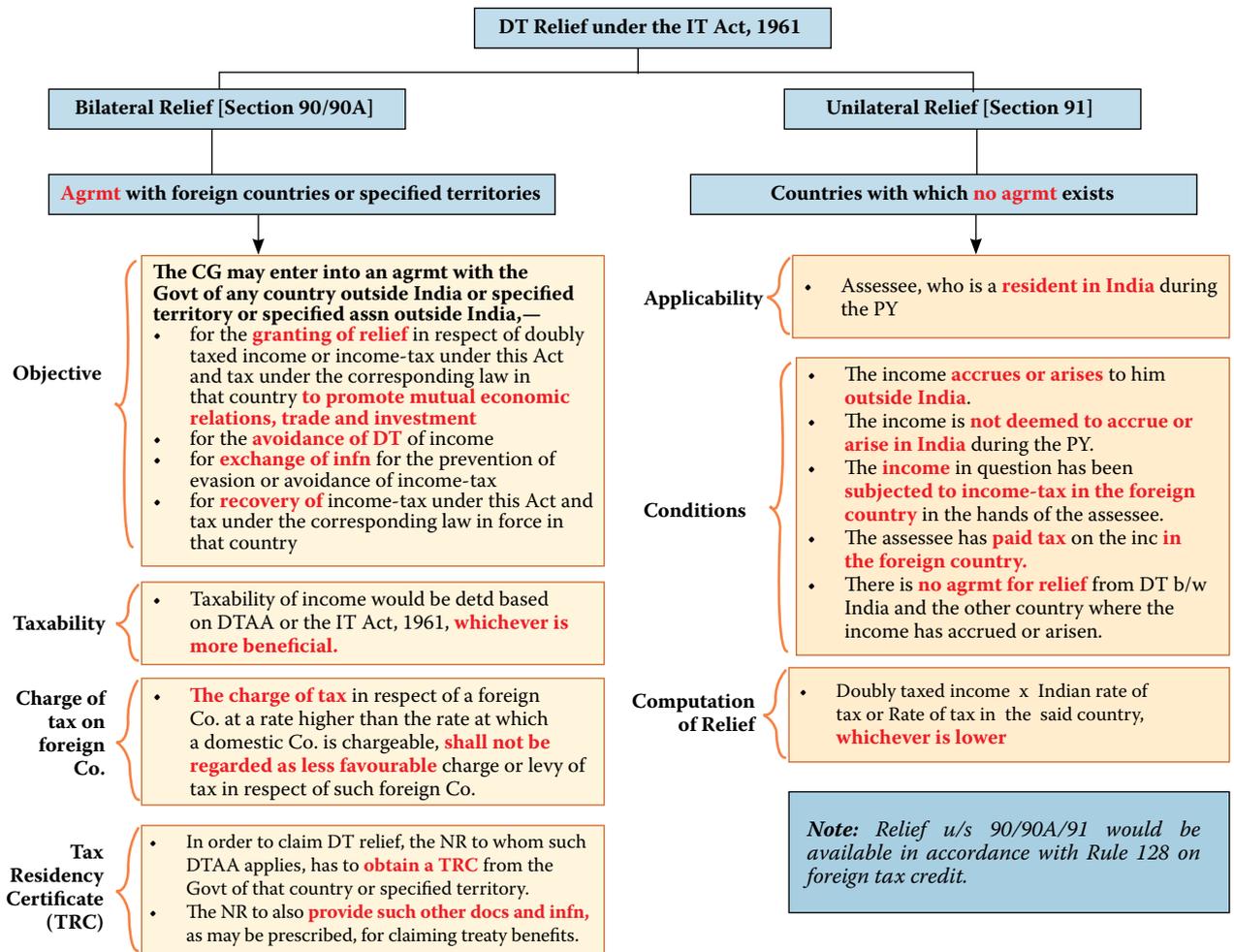
Notes –

(i) **In all the above cases, the rate of tax would be increased by surcharge, wherever applicable, and HEC @4%.**

(ii) **The rates in force are specified in Part II of the First Schedule to the Finance (No. 2) Act, 2019 or in the DTAA entered into u/s 90 or 90A, as the case may be.**

CHAPTER 3: DOUBLE TAXATION RELIEF

FIG 3.1



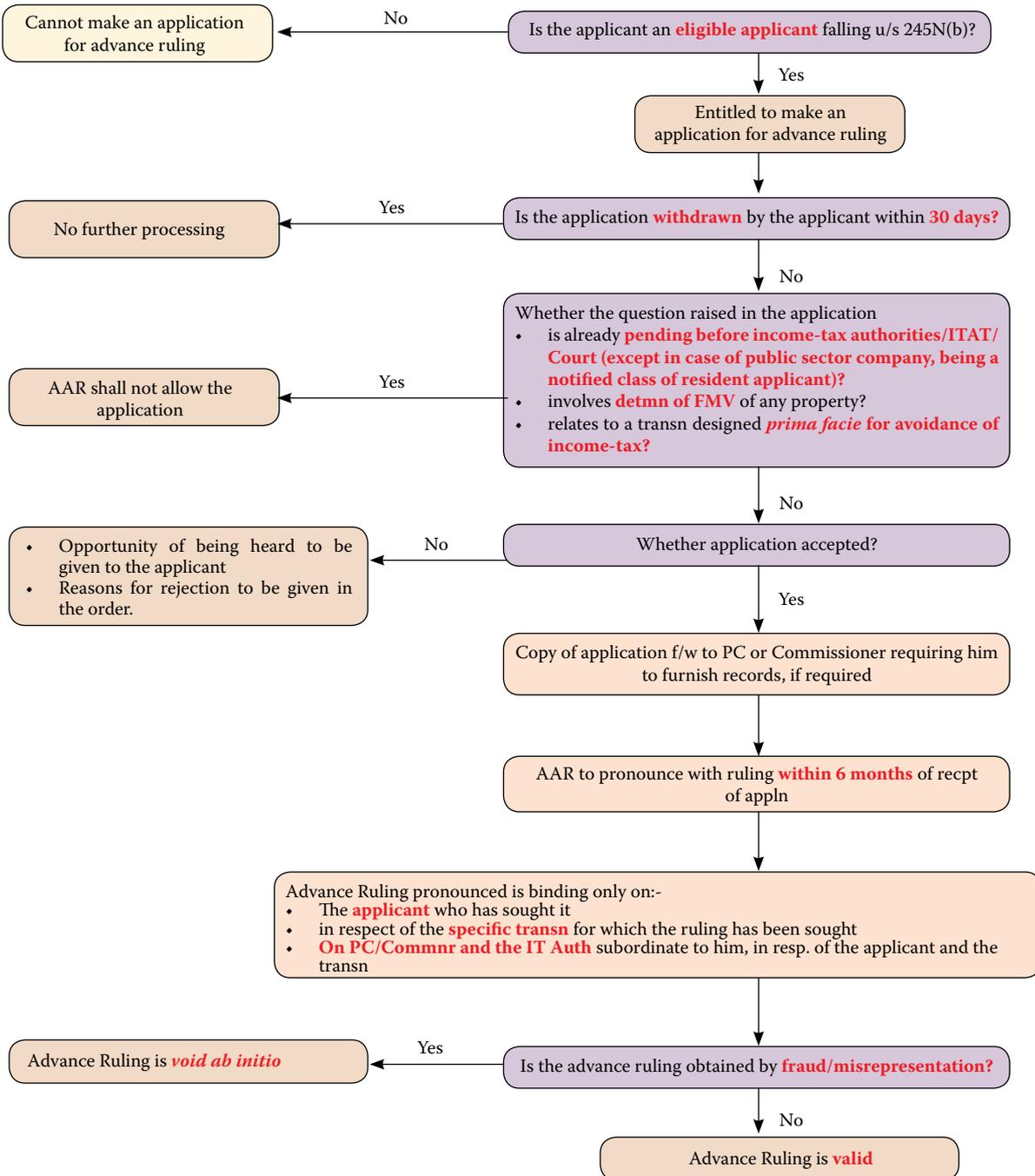
CHAPTER 4: ADVANCE RULINGS

FIG 4.1

Applicant for Advance Ruling		
S.No.	Applicant u/s 245N(b)	Advance Ruling u/s 245N(a) means determination by the AAR in relation to
(i)	NR	a transn which has been undertaken (u/t) or is proposed to be u/t by him .
(ii)	Resident	the tax liability of a NR arising out of a transn which has been u/t or is proposed to be u/t by him with such NR and such detmn shall incl. the detmn of any question of law or of fact specified in the application.
(iii)	Resident of class or category of persons notified by CG	the tax liability of a resident applicant , arising out of a transn which has been u/t or is proposed to be u/t by such applicant and such detmn shall incl the detmn of any question of law or of fact specified in the application.
		<i>Note: CG has notified a resident, in relation to his tax liability arising out of one or more transns, valuing \geq ₹ 100 crore in total</i>
(iv)	Resident of class or category of persons notified by CG	an issue relating to computation of TI which is pending before any IT Authority or the ITAT and such detmn or decision shall incl the detmn or decision of any question of law or fact w.r.t. such computation of TI specified in the application.
		<i>Note: A Public sector undertaking has been notified by the CG</i>
(v)	Resident or NR	whether an arrangement, which is proposed to be u/t by such applicant, is an impermissible avoidance arrangement as referred to in Chapter X-A or not.

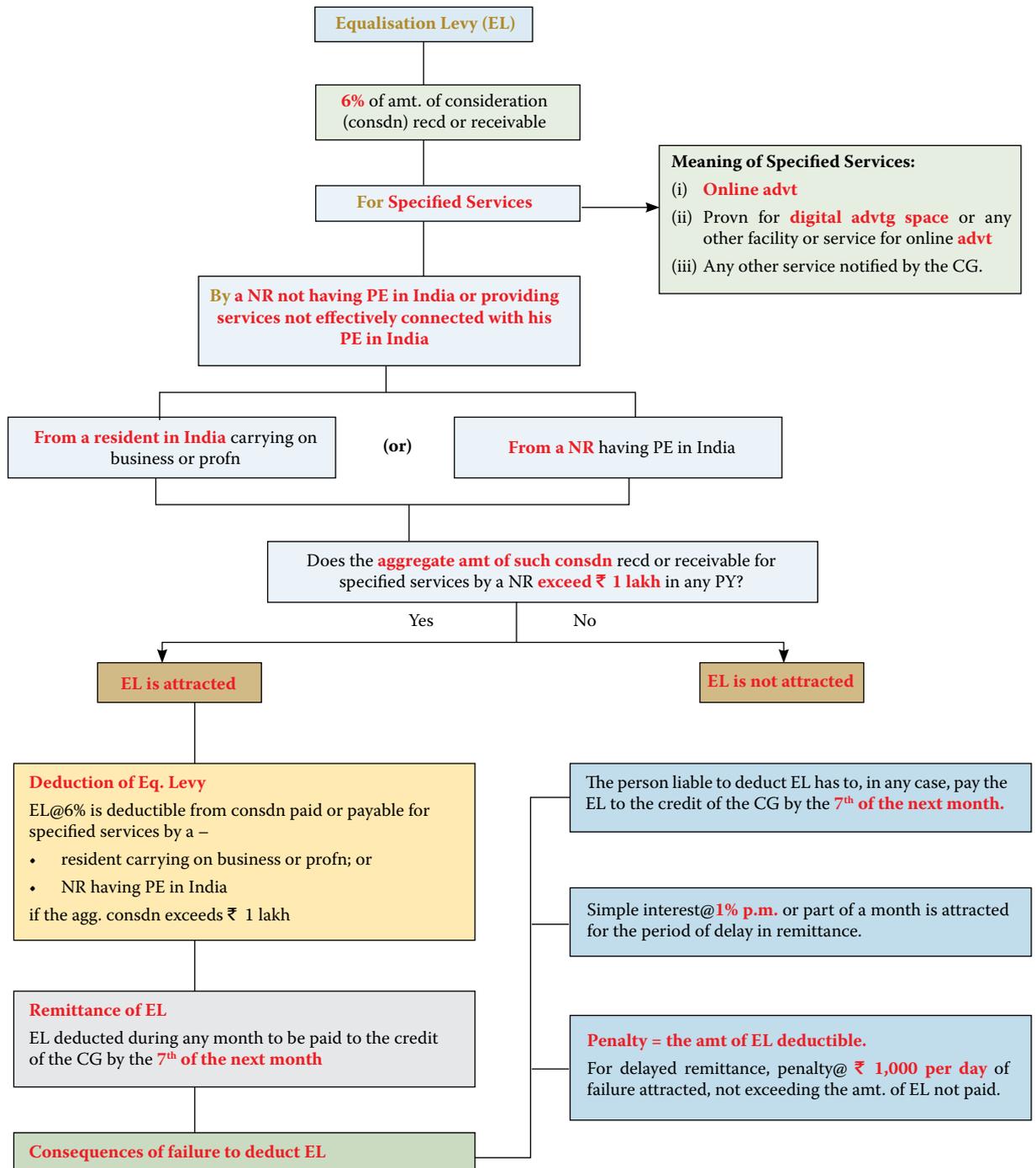
FIG 4.2

Overview of Advance Ruling Procedure



CHAPTER 6: TAXATION OF E-COMMERCE TRANSACTIONS

FIG 6.1



CHAPTER 7: TAX TREATIES: OVERVIEW, FEATURES, APPLICATION AND INTERPRETATION

FIG 7.1

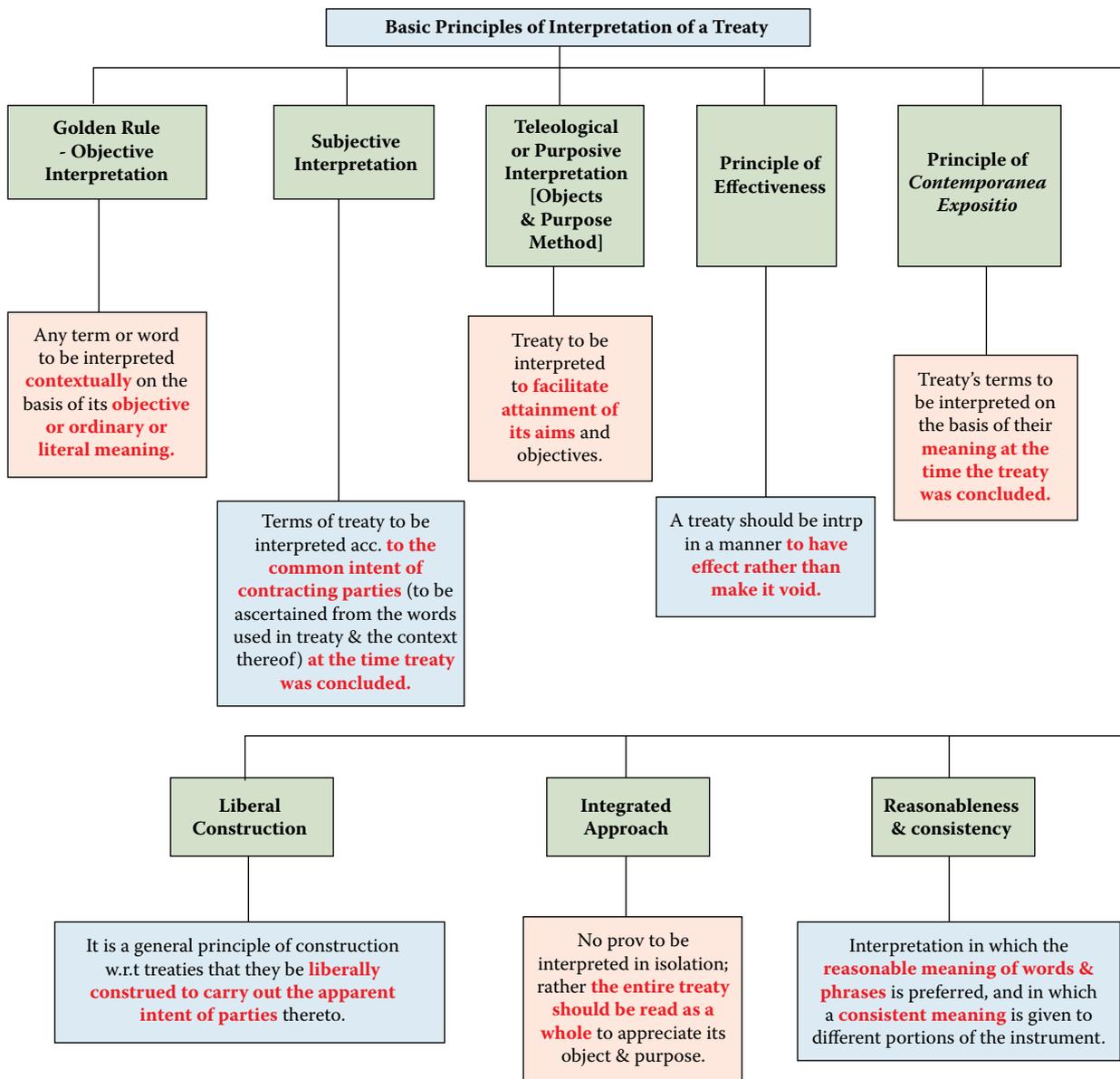
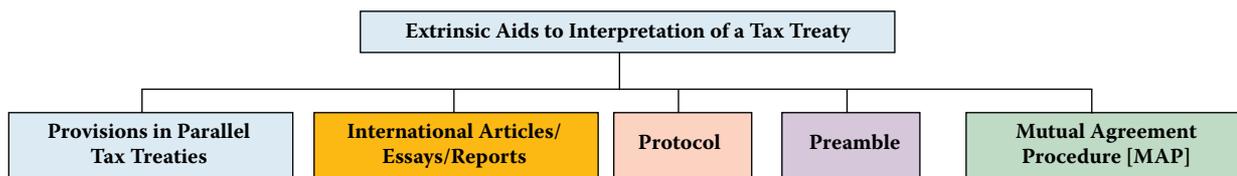


FIG 7.2

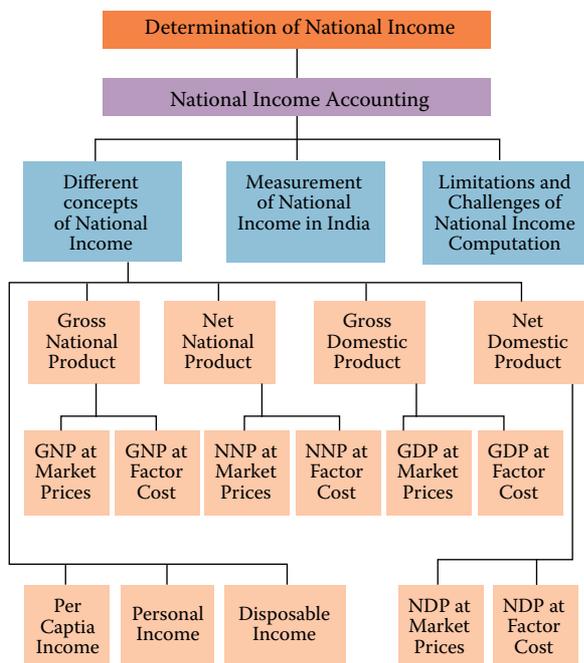
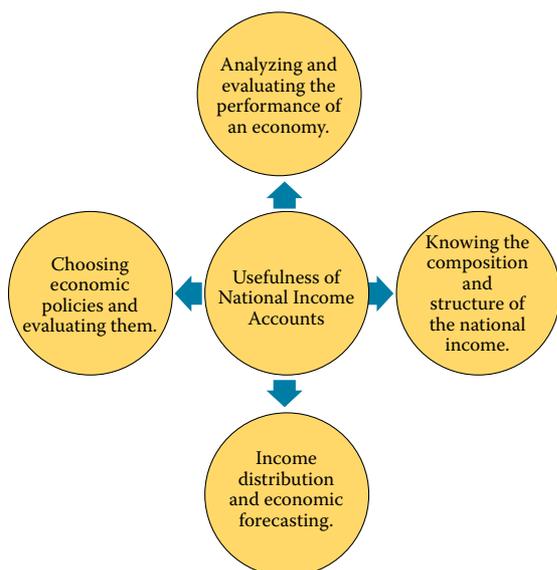


ECONOMICS FOR FINANCE: A CAPSULE FOR QUICK RECAP

At the intermediate level, students are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. In this capsule, an attempt has been made to capture the significant and important of the topics covered under this paper of Economics for Finance. In this issue, we have discussed the important aspects related to National Income and on Fiscal functions and Market failure covered under Public finance.

National Income

- National Income is defined as the net value of all economic goods and services produced within the domestic territory of a country in an accounting year plus the net factor income from abroad.
- National Income Accounting was pioneered by the Nobel prize-winner economists Simon Kuznets and Richard Stone.



Gross National Product (GNP_{MP})

- Gross National Product (GNP) is a measure of the market value of all final economic goods and services, gross of depreciation, produced within the domestic territory of a country by normal residents during an accounting year including net factor incomes from abroad.
- Gross National Product (GNP) is evaluated at market prices and therefore, it is in fact, Gross National Product at market prices (GNP_{MP}).

$$GNP_{MP} = GDP_{MP} + \text{Net Factor Income from Abroad}$$

Gross National Product at Factor Cost (GNP_{FC})

- Gross National Product at Factor Cost is the difference between gross national product at market price and net indirect taxes. It is also called gross national income.
- Gross national income is the sum total of compensation of employees, operating surplus, mixed income, depreciation and net factor income from abroad.

$$GNP_{FC} = GNP_{MP} - \text{Net Indirect Taxes}$$

$$GNP_{FC} = GNP_{MP} - \text{Indirect Taxes} + \text{Subsidies}$$

Net National Product at Market Prices (NNP_{MP})

- Net National Product at Market Prices (NNP_{MP}) is a measure of the market value of all final economic goods and services, produced by normal residents within the domestic territory of a country including Net Factor Income from Abroad during an accounting year excluding depreciation.

$$NNP_{MP} = GNP_{MP} - \text{Depreciation}$$

$$NNP_{MP} = NDP_{MP} + \text{Net Factor Income from Abroad}$$

$$NNP_{MP} = GDP_{MP} + \text{Net Factor Income from Abroad} - \text{Depreciation}$$

Net National Product at Factor Cost (NNP_{FC}) or National Income

- National Income is defined as the factor income accruing to the normal residents of the country during a year.
- It is the sum of domestic factor income and net factor income from abroad. In other words, national income is the value of factor income generated within the country plus factor income from abroad in an accounting year.

$$NNP_{FC} = \text{National Income} = \text{FID (factor income earned in domestic territory)} + \text{NFIA}$$

Gross Domestic Product (GDP_{MP})

- Gross Domestic Product (GDP) is a measure of the market value of all final economic goods and services, gross of depreciation, produced within the domestic territory of a country during a given time period.
- It is the sum total of 'value added' by all producing units in the domestic territory and includes value added by current production by foreign residents or foreign-owned firms.

$$GDP_{MP} = \text{Value of Output in the Domestic Territory} - \text{Value of Intermediate Consumption}$$

$$GDP_{MP} = \Sigma \text{ Value Added}$$

Gross Domestic Product at Factor Cost (GDP_{FC})

- It is called so because it represents the total cost of factors viz. labor, capital and entrepreneurship.

$$GDP_{FC} = GDP_{MP} - \text{Indirect Taxes} + \text{Subsidies}$$

$$GDP_{FC} = \text{Compensation of employees} + \text{Operating Surplus (rent + interest + profit)} + \text{Mixed Income of Self-employed} + \text{Depreciation}$$

Net Domestic Product at Market Prices (NDP_{MP})

- Net domestic product at market prices (NDP_{MP}) is a measure of the market value of all final economic goods and services, produced within the domestic territory of a country by its normal residents and non residents during an accounting year less depreciation. The portion of the capital stock used up in the process of production or depreciation must be subtracted from final sales because depreciation represents capital consumption and therefore a cost of production.

$$NDP_{MP} = GDP_{MP} - \text{Depreciation}$$

$$NDP_{MP} = NNP_{MP} - \text{Net Factor Income from Abroad}$$

Net Domestic Product at Factor Cost (NDP_{FC})

- Net Domestic Product at Factor Cost (NDP_{FC}) is defined as the total factor incomes earned by the factors of production.
- In other words, it is sum of domestic factor incomes or domestic income net of depreciation

$$NDP_{FC} = NDP_{MP} - \text{Net Indirect Taxes}$$

$$NDP_{FC} = \text{Compensation of employees} + \text{Operating Surplus (rent + interest + profit)} + \text{Mixed Income of Self-employed}$$

Per Capita Income

- The GDP per capita is a measure of a country's economic output per person. It is obtained by dividing the country's gross domestic product, adjusted by inflation, by the total population. It serves as an indicator of the standard of living of a country.

Personal Income

- Personal income is a measure of actual current income receipts of persons from all sources which may or may not be earned from productive activities during a given period of time.
- It is the income 'actually paid out' to the household sector, but not necessarily earned.

$$PI = NI + \text{income received but not earned} - \text{income earned but not received.}$$

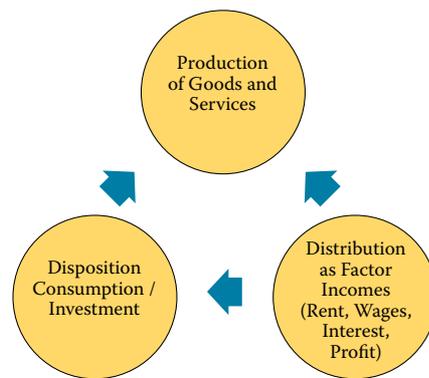
Disposable Personal Income (DI)

- Disposable personal income is a measure of amount of the money in the hands of the individuals that is available for their consumption or savings.
- Disposable personal income is derived from personal income by subtracting the direct taxes paid by individuals and other compulsory payments made to the government.

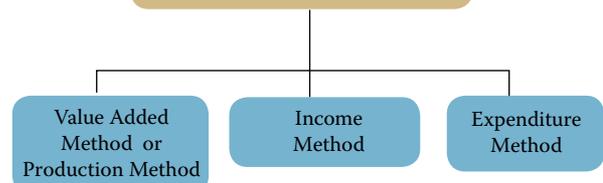
$$DI = PI - \text{Personal Income Taxes}$$

Circular Flow of Income

- Circular flow of income refers to the continuous circulation of production, income generation and expenditure involving different sectors of the economy.



Measurement of National Income



Value Added Method or Production Method

- Product Method or Value Added Method is also called Industrial Origin Method or Net Output Method.
- It entails the consolidation of the production of each industry less intermediate purchases from all other industries.

Measurement of NI using Value Added Method

Gross Value Added by all producing enterprises in primary, secondary and tertiary sector minus Depreciation = NDP_{MP}

$$NDP_{MP} - NIT = NDP_{FC}$$

$$NDP_{FC} + NFIA = NNP_{FC} \text{ or NI}$$

Income Method

- Under income method, national income is calculated by summation of factor incomes paid out by all production units within the domestic territory of a country as wages and salaries, rent, interest, and profit. Transfer incomes are excluded.

ECONOMICS FOR FINANCE

Measurement of NI using Income Method

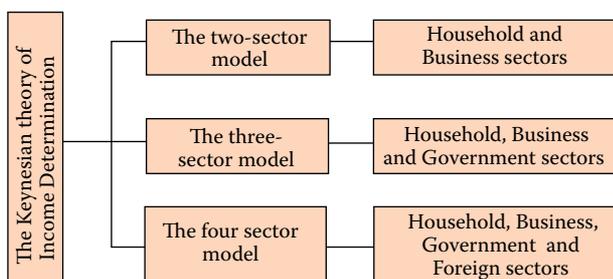
Compensation of Employees + Operating Surplus + Mixed Income + NFIA = NNP_{FC} or NI

Expenditure Method

- It is also called Income Disposal Approach.
- National income is the aggregate final expenditure in an economy during an accounting year composed of final consumption expenditure, gross domestic capital formation and net exports.

Measurement of NI using Expenditure Method

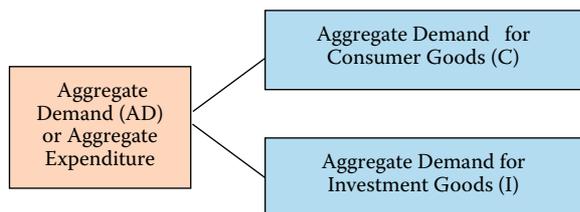
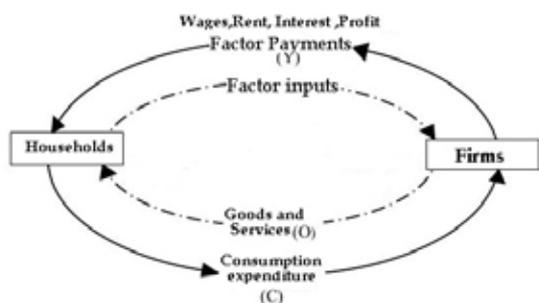
Final Consumption Expenditure + Gross Domestic Capital formation + Net Exports - Depreciation - NIT + NFIA = NNP_{FC} or NI



Two Sector Economy Model

- There are only two sectors in the economy viz., households and firms, with only consumption and investment outlays.
- Households own all factors of production and they sell their factor services to earn factor incomes which are entirely spent to consume all final goods and services produced by business firms.
- The business firms are assumed to hire factors of production from the households; they produce and sell goods and services to the households and they do not save.
- There are no corporations, corporate savings or retained earnings.
- All prices (including factor prices), supply of capital and technology remain constant.
- There are no taxes, government expenditure or transfer payments.
- The economy is a closed economy.
- All investment outlay is autonomous.

Circular Flow in Two Sector Economy

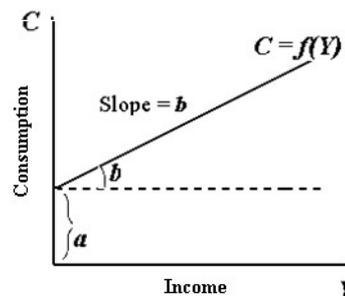


Consumption Function

- Consumption function expresses the functional relationship between aggregate consumption expenditure and aggregate disposable income, expressed as: $C = f(Y)$

The Keynesian Consumption Function

- The specific form of consumption-income relationship termed the consumption function, proposed by Keynes is as follows: $C = a + bY$
 - ✓ where C = aggregate consumption expenditure; Y = total disposable income; a is a constant term which denotes the (positive) value of consumption at zero level of disposable income; and the parameter b , the slope of the function, $(\frac{\Delta C}{\Delta Y})$ is the marginal propensity to consume (MPC) i.e. the increase in consumption per unit increase in disposable income.
- The consumption function shows the level of consumption (C) corresponding to each level of disposable income (Y) and is expressed through a linear consumption function. When income is low, consumption expenditures of households will exceed their disposable income and households dissave.
- The intercept for the consumption function, a , can be thought of as a measure of the effect on consumption of variables other than income.



Keynesian Assumption

Consumption increases with an increase in disposable income, but that the increase in consumption will be less than the increase in disposable income ($b < 1$). i.e. $0 < b < 1$.

Marginal Propensity to Consume (MPC)

- MPC describes the relationship between change in consumption (ΔC) and the change in income (ΔY). The value of the increment to consumer expenditure per unit of increment to income is termed the Marginal Propensity to Consume (MPC).
- $MPC = \frac{\Delta C}{\Delta Y} = b$

Average Propensity to Consume (APC)

- The ratio of total consumption to total income is known as the average propensity to consume (APC).
- $APC = \frac{C}{Y}$

Saving Function

- The saving function shows the level of saving (S) at each level of disposable income (Y). The intercept for the saving function, (—a) is the (negative) level of saving at zero level of disposable income at consumption equal to 'a'.

The Marginal Propensity to Save (MPS)

The marginal propensity to save is the increase in saving per unit increase in disposable income.

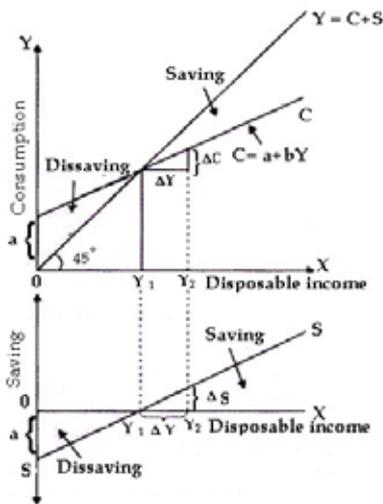
$$MPS = \Delta S / \Delta Y = 1 - b$$

Average Propensity to Save (APS)

The ratio of total saving to total income is called average propensity to save (APS). Alternatively, it is that part of total income which is saved.

$$APS = S / Y$$

Consumption and Saving Function

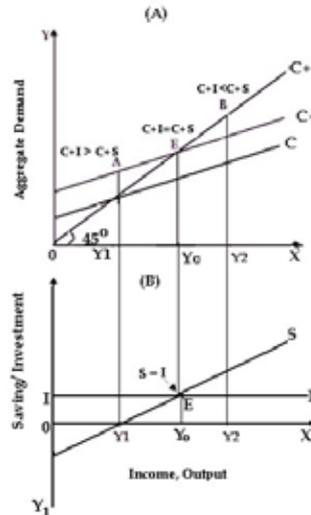


All points on the 45° line indicate that aggregate expenditure equal aggregate output. Because aggregate expenditures equal total output for all points along the 45-degree line, the line maps out all possible equilibrium income levels.

Equilibrium Level of National Income

- According to Keynesian theory of income determination, the equilibrium level of national income is a situation in which aggregate demand (C+ I) is equal to aggregate supply (C + S)
- $C + I = C + S$ or $I = S$

Determination of Equilibrium Income: Two Sector Model

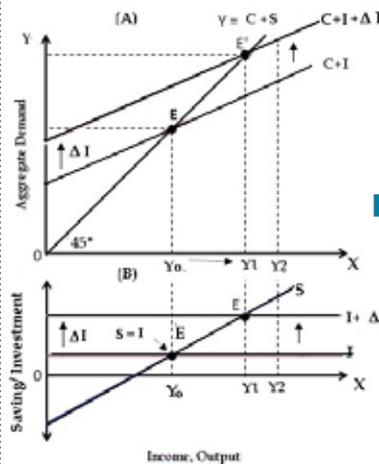


The aggregate demand curve is linear and positively sloped indicating that as the level of national income rises, the aggregate demand (or aggregate spending) in the economy also rises. The aggregate expenditure line is flatter than the 45-degree line because, as income rises, consumption also increases, but by less than the increase in income.

Determination of Equilibrium Income: Two Sector Model

- According to Keynes, aggregate demand will not always be equal to aggregate supply.
- Aggregate demand depends on households plan to consume and to save. Aggregate supply depends on the producers' plan to produce goods and services.
- For the aggregate demand and the aggregate supply to be equal so that equilibrium is established, the households' plan must coincide with producers' plan.

Effect of Changes in Autonomous Investment



An increase in autonomous investment by ΔI shifts the aggregate demand schedule from $C+I$ to $C+I+ \Delta I$. Correspondingly, the equilibrium shifts from E to E1 and the equilibrium income increases more than proportionately from Y_0 to Y_1 . This occurs due to the operation of the investment multiplier.

ECONOMICS FOR FINANCE

Multiplier

- The multiplier refers to the phenomenon whereby a change in an injection of expenditure will lead to a proportionately larger change (or multiple change) in the level of national income.
- Multiplier explains how many times the aggregate income increases as a result of an increase in investment. When the level of investment increases by an amount say ΔI , the equilibrium level of income will increase by some multiple amounts, ΔY .
- The ratio of ΔY to ΔI is called the investment multiplier, k. i.e., $k = \Delta Y / \Delta I$
- The size of multiplier effect is given by $\Delta Y = k\Delta I$

Leakages

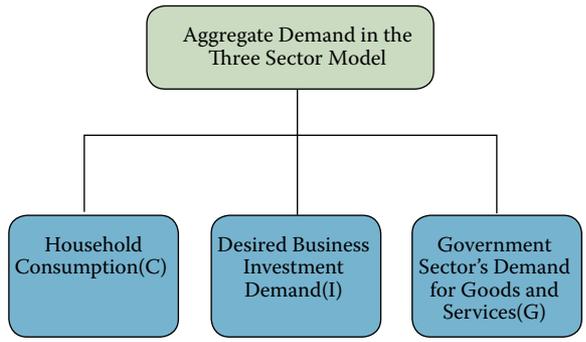
- Causes responsible for the decline in income are called leakages.
- The leakages are caused due to:
 - Progressive rates of taxation which result in no appreciable increase in consumption despite increase in income.
 - High liquidity preference and idle saving or holding of cash balances and an equivalent fall in marginal propensity to consume.
 - increased demand for consumer goods being met out of the existing stocks or through imports.
 - Additional income spent on purchasing existing wealth or purchase of government securities and shares from shareholders or bond holders.
 - Undistributed profits of corporations .
 - Part of increment in income used for payment of debts
 - Case of full employment - additional investment will only lead to inflation, and
 - Scarcity of goods and services despite having high MPC

Leakages and injections in the circular flow of income.

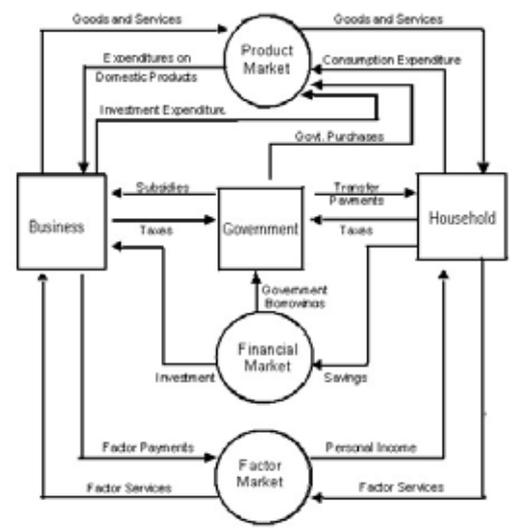
Leakages are money leaving the circular flow and therefore, not available for spending on currently produced goods and services. Leakages reduce the flow of income.

Injections are exogenous additions to the circular flow and add to the total volume of the basic circular flow.

- In the two-sector model**
 - With households and firms, household saving is the only leakage and investment is the only injection.
- In the three-sector model**
 - Which includes the government, saving and taxes are the two leakages and investment and government purchases are the two injections.
 - In the four-sector model
 - which includes foreign sector also, saving, taxes, and imports are the three leakages; investment, government purchases, and exports are the three injections.
- The state of equilibrium occurs**
 - When the total leakages are equal to the total injections that occur in the economy
 - $Savings + Taxes + Imports = Investment + Government Spending + Exports$



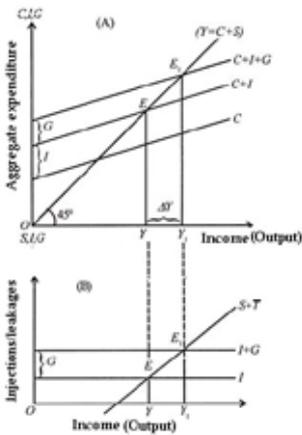
Circular Flow in Three Sector Economy



Government sector adds the following key flows to the three sector model:

- Taxes on households and business sector to fund government purchases.
- Transfer payments to household sector and subsidy payments to the business sector.
- Government purchases goods and services from business sector and factors of production from household sector.
- Government borrowing in financial markets to finance the deficits occurring when taxes fall short of government purchases.

Determination of Equilibrium Income: Three Sector Model

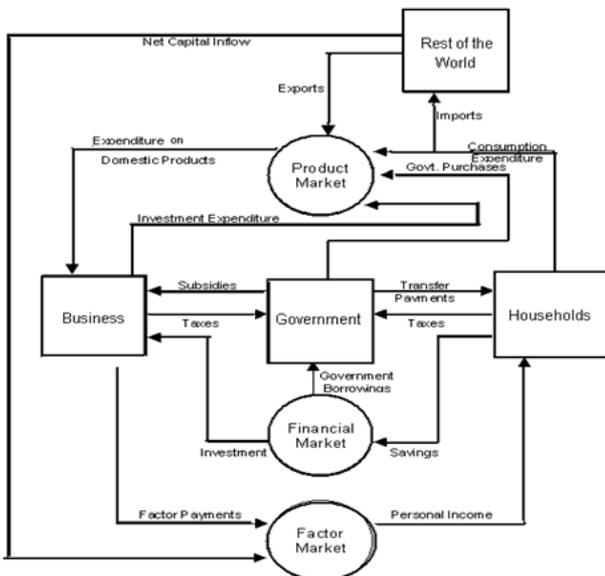


The equilibrium level of income is shown at the point E 1 where the $(C + I + G)$ schedule crosses the 45° line, and aggregate demand is therefore equal to income (Y). In equilibrium, it is also true that the $(S + T)$ schedule intersects the $(I + G)$ horizontal schedule

Determination of Equilibrium Income: Four Sector Model

- The four sector model includes all four macroeconomic sectors, the household sector, the business sector, the government sector, and the foreign sector.
- In equilibrium, $Y = C + I + G + (X - M)$

Circular Flow in a Four Sector Economy



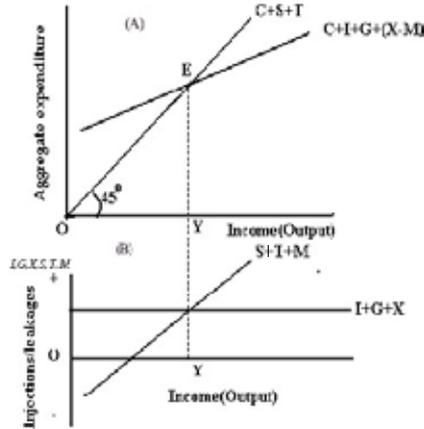
In the four sector model, there are three additional flows namely: exports, imports and net capital inflow which is the difference between capital outflow and capital inflow.

The domestic economy trades goods with the foreign sector through exports and imports. Exports are the injections in the national income, while imports act as leakages or outflows of national income.

Exports represent foreign demand for domestic output and therefore, are part of aggregate demand. Since imports are not demands for domestic goods, we must subtract them from aggregate demand.

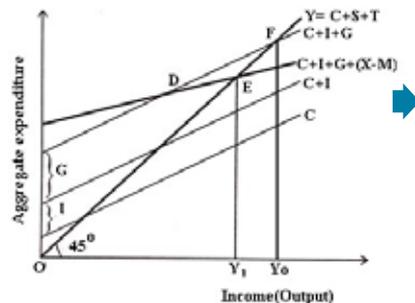
Imports depend upon marginal propensity to import which is the increase in import demand per unit increase in GDP. The demand for exports depends on foreign income and is therefore exogenously determined. Imports are subtracted from exports to derive net exports, which is the foreign sector's contribution to aggregate expenditures.

Determination of Equilibrium Income: Four Sector Model



Equilibrium is identified as the intersection between the $C + I + G + (X - M)$ line and the 45-degree line. The equilibrium income is Y. From panel B, the leakages $(S + T + M)$ are equal to injections $(I + G + X)$ only at equilibrium level of income.

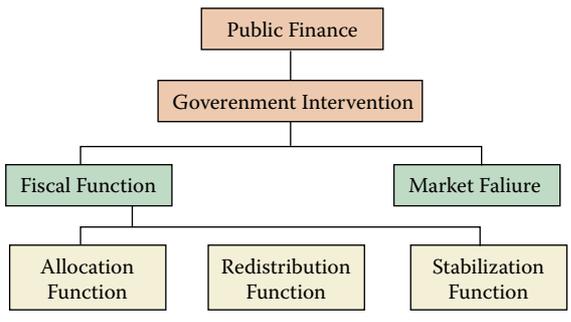
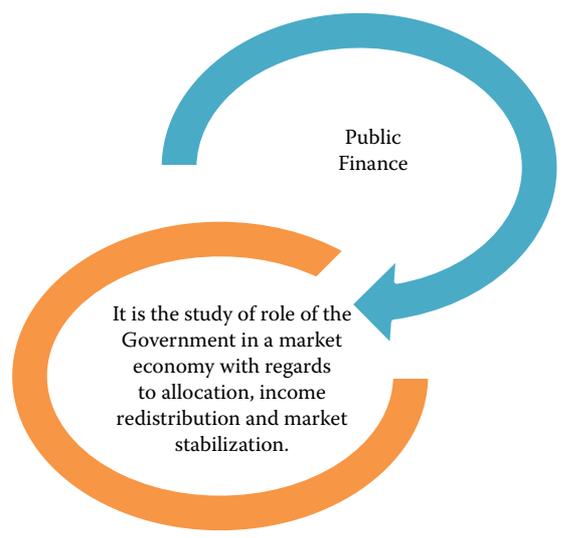
Effects on Income When Imports are Greater than Exports



When $M > X$, the aggregate demand schedule $C + I + G$ shifts downward with equilibrium point shifting from F to E. This causes a reduction in national income from Y_0 to Y_1 . Nevertheless, when $X > M$, the aggregate demand schedule $C + I + G$ shifts upward causing an increase in national income.

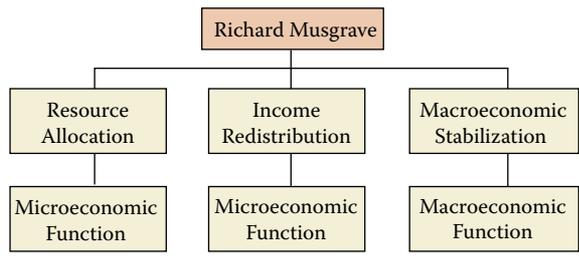
The Autonomous Expenditure Multiplier in a Four Sector Model

- It includes the effects of foreign transactions and is stated as $\frac{1}{(1-b+v)}$ where v is the propensity to import which is greater than zero.
- The greater the value of v , the lower will be the autonomous expenditure multiplier.
- An increase in the demand for exports of a country is an increase in aggregate demand for domestically produced output and will increase equilibrium income just as would an increase in government spending or an autonomous increase in investment.



Economic System

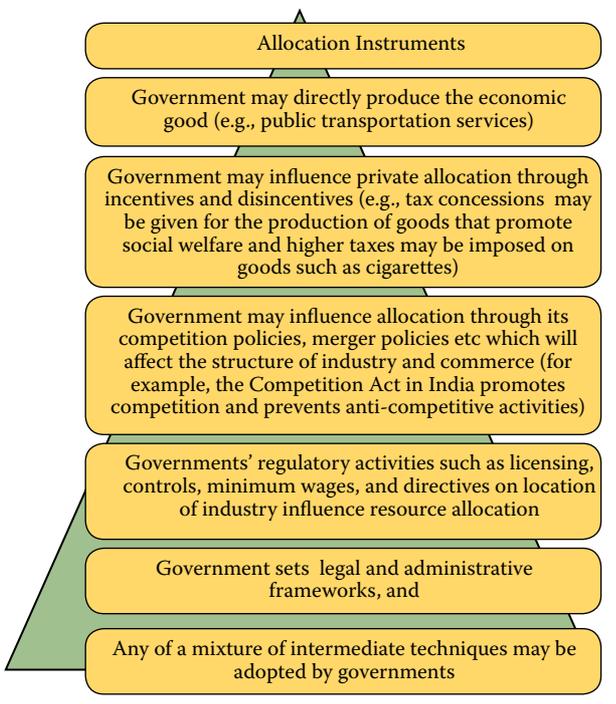
- An economic system should exist to answer the basic questions such as what, how and for whom to produce and how much resources should be set apart to ensure growth of productive capacity.



Allocation Function

- Resource allocation refers to the way in which the available factors of production are allocated among the various uses to which they might be put. It determines how much of the various kinds of goods and services will actually be produced in an economy.

- Market failures occur mainly due to the following reasons:
- Imperfect competition and presence of monopoly power in different degrees leading to under-production and higher prices than would exist under conditions of competition.
- Markets typically fail to provide collective goods which are, by their very nature, consumed in common by all the people.
- Externalities which arise when the production and consumption of a good or service affect people and they cannot influence through markets the decision about how much of the good or service should be produced e.g. pollution.
- Factor immobility which causes unemployment and inefficiency.
- Imperfect information.
- Inequalities in the distribution of income and wealth.



Distribution Function

- The distributive function of budget is related to the basic question of for whom should an economy produce goods and services. The distribution function aims at redistribution of income so as to ensure equity and fairness to promote the wellbeing of all sections of people and is achieved through taxation, public expenditure, regulation and preferential treatment of target populations.

Stabilization Function

- The stabilization function is one of the key functions of fiscal policy and aims at eliminating macroeconomic fluctuations arising from suboptimal allocation.
- The stabilization function is concerned with the performance of the aggregate economy in terms of: labour employment and capital utilization, overall output and income, general price levels, balance of international payments, and the rate of economic growth.

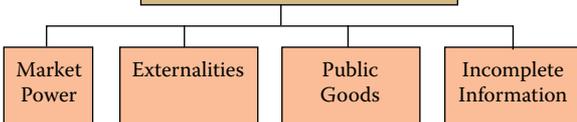
Government's Stabilization Intervention

- Government's stabilization intervention may be through monetary policy as well as fiscal policy. Monetary policy has a singular objective of controlling the size of money supply and interest rate in the economy, while fiscal policy aims at changing aggregate demand by suitable changes in government spending and taxes.

Market Failure

- Market failure is a situation in which the free market leads to misallocation of society's scarce resources in the sense that there is either overproduction or underproduction of particular goods and services leading to a less than optimal outcome.

Market Failure are due to

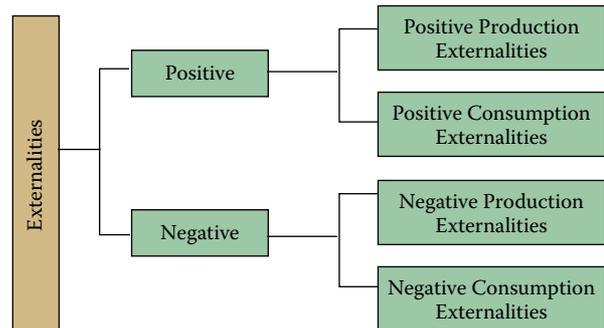


Market Power

- Market power or monopoly power is the ability of a firm to profitably raise the market price of a good or service over its marginal cost. Firms that have market power are price makers and therefore, can charge a price that gives them positive economic profits.
- Excessive market power causes the single producer or a small number of producers to produce and sell less output than would be produced in a competitive market.
- Market power can cause markets to be inefficient because it keeps price higher and output lower than the outcome of equilibrium of supply and demand.

Externalities

- Externalities, also referred to as 'spillover effects', 'neighbourhood effects' 'third-party effects', or 'side-effects', occur when the actions of either consumers or producers result in costs or benefits that do not reflect as part of the market price.
- Externalities cause market inefficiencies because they hinder the ability of market prices to convey accurate information about how much to produce and how much to buy. Since externalities are not reflected in market prices, they can be a source of economic inefficiency.



Positive Externalities

Positive externalities occur when the action of one party confers benefits on another party.

Negative Externalities

Negative externalities occur when the action of one party imposes costs on another party.

Positive Production Externalities

- A positive production externality is initiated in production. It confers external benefits on others which may be received in production or in consumption.
- An example is the case of a beekeeper who locates beehives in an orange growing area enhancing the chances of greater production of oranges through increased pollination.

Positive Consumption Externalities

- A positive consumption externality is initiated in consumption. It confers external benefits on others which may be received in consumption or in production.
- For example, if people get immunized against contagious diseases, they would confer a social benefit to others as well by preventing others from getting infected.

Negative Production Externalities

- A negative externality is initiated in production. It imposes an external cost on others may be received by another in consumption or in production.
- As an example, a negative production externality occurs when a factory which produces aluminum discharges untreated waste water into a nearby river and pollutes the water causing health hazards for people who use the water for drinking and bathing. Pollution of river also affects fish output as there will be less catch for fishermen due to loss of fish resources. The former is a case where a negative production externality is received in consumption and the latter presents a case of a negative production externality received in production.

Negative Consumption Externalities

- Negative consumption externalities are initiated in consumption which produce external costs on others and which may be received in consumption or in production.
- Examples are smoking cigarettes in public place causing passive smoking by others, creating litter and diminishing the aesthetic value of the room and playing the radio loudly obstructing one from enjoying a concert.

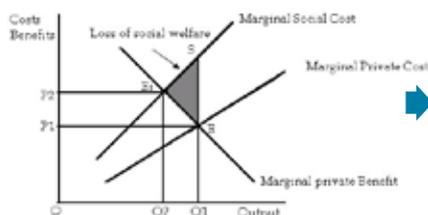
Private Cost

Private cost is the cost borne or faced by the producer or consumer directly involved in a transaction and includes direct cost of labour, materials, energy and other indirect overheads and does not incorporate externalities.

Social Cost

Social cost is the entire cost which the society bears. $\text{Social Cost} = \text{Private Cost} + \text{External Cost}$.

Negative Externalities and loss of Welfare



When there is negative externality, a competitive market will produce too much output relative to the social optimum. This is a clear case of market failure where prices fail to provide the correct signals.

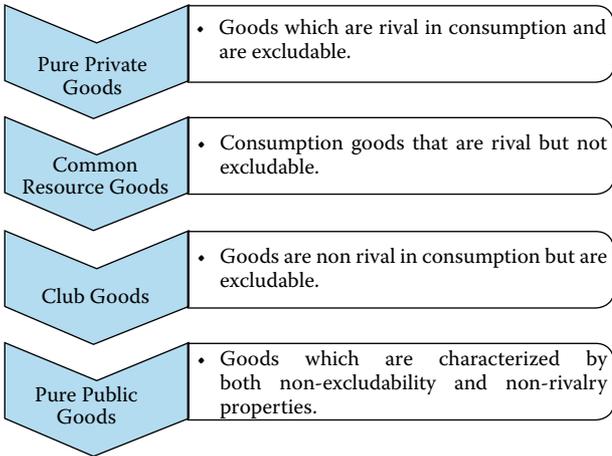
Private Goods and its Characteristics

- Private goods refer to those goods that yield utility to people. Anyone who wants to consume them must purchase them.
- Owners of private goods can exercise private property rights and can prevent others from using the good or consuming their benefits.
- Simultaneous consumption of a rivalrous good by more than one person is impossible.
- Private goods are 'excludable' i.e. it is possible to exclude or prevent consumers who have not paid for them from consuming them or having access to them.
- Private goods do not have the free rider problem. This means that the private goods will be available to only those persons who are willing to pay for it.
- Private goods can be parceled out among different individuals and therefore, it is possible to refer to total consumption as the sum of each individual's consumption.
- All private goods and services can be rejected by the consumers if their needs, preferences or budgets change.
- Additional resource costs are involved for producing and supplying additional quantities of private goods .
- Since buyers can be excluded from enjoying the good if they are not willing and able to pay for it, consumers will get different amounts of goods and services based on their desires and ability and willingness to pay.
- Normally, the market will efficiently allocate resources for the production of private goods.

Public Goods and its Characteristics

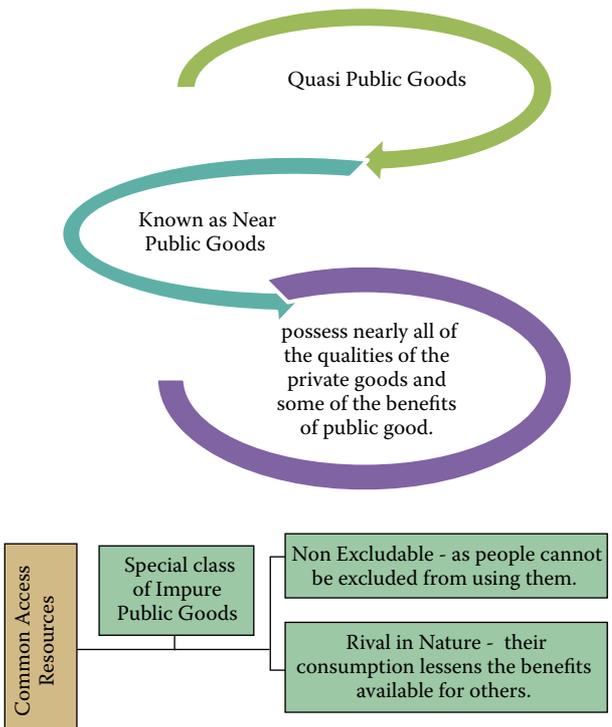
- A public good (also referred to as a collective consumption good or a social good) is defined as one which all individuals enjoy in common .
- Public goods yield utility to people and are products (goods or services) whose consumption is essentially collective in nature. No direct payment by the consumer is involved in the case of pure public goods.
- Public good is non-rival in consumption. It means that consumption of a public good by one individual does not reduce the quality or quantity available for all other individuals.
- Public goods are non-excludable. Consumers cannot (at least at less than prohibitive cost) be excluded from consumption benefits.
- Public goods are characterized by indivisibility.
- Public goods are generally more vulnerable to issues such as externalities, inadequate property rights, and free rider problems.

Classification of Public Goods		
	Excludable	Non-excludable
Rivalrous	Private goods food, clothing, cars	Common resources fish stocks, forest resources, coal
Non-rivalrous	Club goods cinemas, private parks, satellite television	Pure public goods national defence



Pure and Impure Public Goods

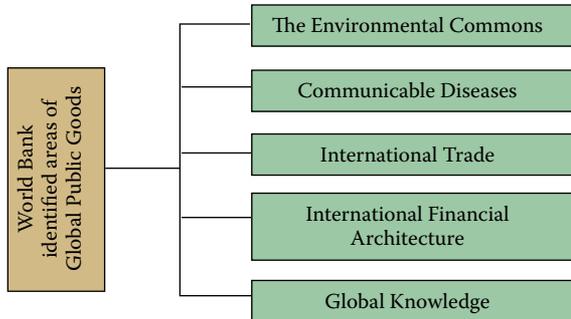
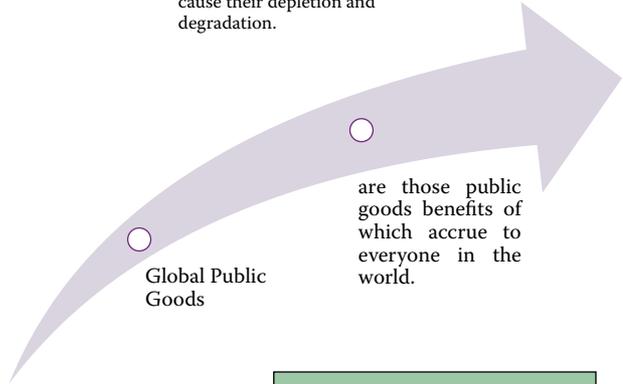
- A pure public good is non-rivalrous and non excludable.
- Impure public goods are partially rivalrous or congestible. Because of the possibility of congestion, the benefit that an individual gets from an impure public good depends on the number of users.



Common Access Resources

Since price mechanism does not apply to 'common resources', producers and consumers do not pay for these resources and therefore, they overuse them and cause their depletion and degradation.

Economists use the term 'tragedy of the commons' to describe the problem which occurs when rivalrous but non excludable goods are overused to the disadvantage of the entire universe .



Free Rider Problem

- The incentive to let other people pay for a good or service, the benefits of which are enjoyed by an individual is known as the free rider problem.
- If every individual plays the same strategy of free riding, the strategy will fail because nobody is willing to pay and therefore nothing will be provided by the market.

Asymmetric Information

- It occurs when there is an imbalance in information between buyer and seller i.e. when the buyer knows more than the seller or the seller knows more than the buyer. This can distort choices.
- With asymmetric information, low-quality goods can drive high-quality goods out of the market.

Adverse Selection

- A situation in which asymmetric information about quality eliminates high-quality goods from a market. Buyers expect hidden problems in items offered for sale, leading to low prices and the best items being kept off the market.

Moral Hazard

- Opportunism characterized by an informed person's taking advantage of a less-informed person through an unobserved action.

BUSINESS CORRESPONDING AND REPORTING

PAPER-2 SECTION-B BUSINESS CORRESPONDENCE AND REPORTING

The capsule presents a brief overview of the topics entailed and vital aspects about concepts covered in all four parts of the curriculum. It also discusses the various kinds of questions asked in the examination from each of these parts. Handy tips have been provided with each topic to enable the students to prepare and present their answers in an effective manner. A concise list of Do's and Don'ts is prescribed towards the end to reinforce important points to be remembered from examination's perspective.

The syllabus has been divided into 4 Parts or Sections:

S.No	Part/Section	Chapters Covered	Weight-Age in marks
1.	Part-I Communication	1	5-6
2.	Part-II Sentence Types and Vocabulary	2,3	9-10
3.	Part-III Comprehension and Note Making	4,5	10
4.	Part-IV Developing Writing Skills	6 till 13	15

Each Part emphasizes upon one of the aspects of Business Correspondence.

Part-I Communication

Overview:

Communication is basic to any interaction. It is the process of exchange of ideas, thoughts and opinions through a verbal or non-verbal medium, between two or more people intending to communicate or correspond with each other or in a group.

Chapter-1 broadly discusses the essential aspects of the process of communication, its types, mediums, characteristics of effective communication and barriers.

Types of Questions

The questions mainly asked from this chapter are generally direct in nature pertaining to any one topic/concept mentioned above for 1 or 2 marks.

One mark questions should be answered very precisely with clarity. Two mark questions may include brief description of the topic/concept covering major points with illustrations, if necessary.

Tips for Preparation

Students are advised to read, comprehend and memorize definitions, concepts and nuances of each topic. Understanding the concepts is essential in order to make out what is being asked as questions can sometimes be paraphrased in a manner to examine the expression. Students can ask themselves simple definitions, pointers, examples while studying the chapter to reinforce the concept.

Part-II Sentence Types and Vocabulary (Word Power)

Overview:

Sentences and Vocabulary are the basic building blocks of all formats and language constructs. While sentence construction determines and enhances the coherence and progression of any piece of writing; vocabulary lends a meaning, describes its connotation, precision and clarity along with enriching the language.

Chapter 2 Sentence Types comprises the basic sentence structure, subject, predicate, dependent and independent clauses, types of sentences: simple, compound, complex and compound-complex, types of speech: direct-indirect; active-passive.

Chapter 3 Vocabulary includes synonyms-antonyms, prefix-suffix, root words, phrases, collocations and idioms.

Types of Questions

All questions carry one mark, include:

- Rewrite a sentence from direct to indirect speech and vice versa
- Rewrite a sentence from active to passive and vice versa
- Identify the type of sentence (compound/complex/compound-complex)
- Multiple Choice Questions on synonyms, antonyms
- Multiple Choice Questions on meanings of common idioms, phrases and collocations.

Tips for Preparation

For the topic Sentence Types, students may go through newspaper articles on myriad themes and subjects. Students can try to identify different sentence structures, dependent and independent clauses and observe the writing style used to state/describe ideas, opinions and suggestions. This will help them tremendously to hone their expression during group discussions and presentation while answering questions during examination.

Vocabulary can be gradually enhanced by following a simple habit of learning at least 5 new words daily with their meaning both in English and Hindi or native language from different sources such as newspapers, magazines, books and online material. This helps to remember the precise meaning of the word, its origin, different connotations and gives more clarity on the usage with respect to the context.

Students must inculcate the habit of noting unfamiliar/new words they come across while reading books, studying, attempting questions from exercises or watching any audio/video content. They must use these words during conversations and communications. This exercise helps to create a personalized lexicon for ready reference.

Part-III Comprehension and Note Making

Overview:

Comprehension passages are an integral part of most language exams. These examine not only basic language skills like reading but also analytical skills. The Comprehension passages have academic content and style and include topics from a variety of fields including arts, sciences, social sciences, etc. Students need not have specific knowledge about the topic to answer the questions.

Note Making is an essential skill students must develop in order to prepare skimmed, and summarized text for revision without omitting the vital details about any topic, concept or text. It is highly relevant for students as they are required to retain and recall voluminous subject contents in all professional courses. This topic enables students to prepare extensive notes in a structured manner spanning through the text without skipping any detail.

Chapter 4 Comprehension Passages describes strategies for attempting these passages in a step wise manner covering :

- Enhancing reading skills by improving reading speed
- Developing higher order thinking skills through Bloom's Taxonomy to improve comprehension skills.

Chapter 5 Note Making highlights the significance of the topic for students and elucidates a step wise process to prepare notes for a given text material in a sequential manner comprising:

- Strategies of effective Note Making
- Difference between Note Making and Note Taking
- Linear Note Making
- Steps for Linear Note Making
 - ✓ Format
 - ✓ Indentation
 - ✓ Abbreviations/Acronyms

Types of Questions

Part-III is important because there is a compulsory question from the section having two parts with one question each on Comprehension passage and Note Making.

In Comprehension Passages, the questions all for (1 mark each) asked primarily include:

- Multiple Choice Questions
- Subjective questions to be answered in 1-2 sentences

These can be :

Main idea questions: Test the understanding of the whole passage rather than the individual paragraphs/sections of the passage.

Specific detail questions: Based on the facts/details/events presented in the passage.

Inference questions: Ask to draw a logical conclusion from what is said in the passage.

Vocabulary questions: Ask the meaning of a word or phrase within the context of the passage.

Question in Note Making has 2 parts

- To prepare Notes
- To write Summary

Tips for Preparation

Comprehension Passages

Students after cursory reading of the passage should try to comprehend the passage verbatim Thereafter they should:

- Identify the central idea or the subject of the passage. This has to be a noun i.e. a person, place, idea, or a thing. Mostly, the main idea of a passage is stated in the first sentence of the paragraph. Sometimes the main idea or topic sentence comes at the end of the paragraph and, on occasion, anywhere in the paragraph. They may not be stated at all, but simply implied.
- Read the opening and closing statement of each paragraph.
- Differentiate between the relevant and irrelevant information in the passage.
- Mark keywords, these can be subjects or entities (nouns), about which something is described, procedures (action verbs) explained, conjunctions between clauses, event/incident narrated.
- Identify logical sequence of events and supporting details across the entire passage describing the central theme.
- Mark specific words and phrases. They help to understand the relationship between the ideas in a paragraph or paragraphs.
Cause-and-effect words -- as a result, therefore
Time words -- meanwhile, before
Contrast words -- in contrast, conversely
Addition words -- also, in addition
Emphasis words -- more important, remember
- Note the context and sentence structure for clues in case of vocabulary based questions specifically if the answer is not known.
- Identify logical sequence of events and supporting details across the entire passage describing the central theme.
- Read through the passage and identify statements, arguments and inferences or conclusions.
- Ask questions like What, When, Where, How and seek answers in the passage about the keywords, subjects or procedures identified earlier. Record the answers.

Note Making

Students are required to:

- Read the passage carefully and thoroughly
- Select an appropriate heading based on the central theme of the passage.
- Mark the key-sentences developing the main idea or the central theme containing entities (nouns), activities (verbs), details (in case of descriptions) and other ideas to prepare subheadings and sub sub headings and give these a logical sequence according to the passage.

- Not write complete sentences, just related keywords
- Ensure that the indentation is maintained
- Abbreviate long words and prepare the key
- Collate the aforesaid points and ideas in a logical sequence to prepare the summary of the passage.

Part-IV: Developing Writing Skills

Overview:

This section comprising 8 chapters forms the biggest and the most important portion having maximum weight-age in the curriculum. It encompasses major writing constructs such as Précis, Article Report, Letter, Mail, and documenting constructs such as Resume and Meeting. These constructs are readily used in the process of information exchange, and formal correspondence in day to day business operations. It is therefore important to familiarize students to these constructs to enable them to communicate effectively.

Chapters 7 to 13 present each one of these constructs complete with their formats, types, forms and versions supplemented with illustrations and exercises.

Types of Questions

- Write a Précis for the given passage / Article or Report about a subject or event / Letter or Mail to a recipient
- Prepare a Resume / Agenda OR Minutes of a Meeting

Tips for Preparation

(I) Generic

Students must be conversant with the basic format and essential details corresponding to each of these constructs. While attempting, students can

- Prepare a skeleton structure or a rough template of the format,
- List down pertinent details with respect to each format such as date, subject, time, salutations, item code / order number/ cheque details/ name and main body, concluding message/para, designation and names of participants etc.
- Prepare the main body and sub sections of the construct and vital pointers with respect to the subject matter to be included for these.
- Fill in the details to complete it.

(II) Specific

(A) Writing a Précis

- Read the text carefully to understand its central theme/idea.
- Suggest/give a suitable title around the central theme
- Mark keywords such as nouns, verbs, adjectives for descriptions as specified above.
- Skim out any redundant and insignificant details from the passage/text.
- Write in third person, indirect reported speech in past tense.
- State the relevant details briefly around the central theme, without any loss of data.
- Ensure that the sequence of events is maintained as narrated in the passage.
- Adhere to the thought process/view-point of the author in the given passage/text.
- Ensure that the précis does not exceed more than one third of the given passage.
- Re-iterate the complete process to further omit unnecessary words/sentences, or re-frame the sentences to prepare a final edited version.

(B) Writing an Article

Format

Title illustrating the idea/subject - In the first line

By: Name of the author –Second line

Tips for Writing

- Delineate the article into 2-3 paragraphs, each with a different idea.
- **Introduction (Para-1):** Begin with a striking first sentence followed by brief introduction about the title; a quote in line with the theme or subject/topic/title of the article
- **Main Body (Para-2):** Mention related facts/figures/practices; Major options; Key stakeholders; Comparison with a similar concept (major similarities/dissimilarities);Origin/Source; Nature, Types and Forms; Past/Present/Future perspectives, Major Causes and Effects on different entities;
- **Main Body (Para-3):** Mention proposed precautions measures/ solution; Merits/demerits; Advantages/Disadvantages; Conclusion/Inference; Final comment/opinion/recommendations.

(C) Writing a Report

Format

Title : Brief description of the incident/event In the first line

By: Name of the author –Second line

Tips for Writing

- Delineate the report into 2-3 paragraphs, comprising different set of details in each para.
- **Main Body (Para-1):** Describe the incident /event as a live viewer. Begin with a striking opening sentence followed by brief description. This description must include date, time and place of the incident/event; name of the event; name of institution/people who organized the event or are involved/affected by it ; objective of the event; ambience/environment;
- **Main Body (Para-2):** List down the sequence of programmes/ activities entailed and brief description of each of them / Causes of the incident, related facts/figures; Include audience feedback/ description by eye witnesses.
- **Main Body (Para-3):** Future perspectives, plans; important implications, major repercussions; concluding remarks/ comments.
- Write in third person, indirect reported speech and in past tense.
- Adhere to the word limit.

(D) (i) Writing a Letter (Formal)

Format with tips

Sender's Address

Date:

Addressee's Address

Salutation

Subject: A one line statement crisply citing the purpose of the letter that catches the attention of the recipient and makes the intent aptly clear.

Introduction (Para-1)

Briefly mention the reason/objective for writing in 2-3 sentences.

Main Body (Para-2)

Pertinent details about the subject matter and key points to be conveyed in 3-4 sentences. These include Item/cheque/order/complaint number; specifications about the product/order/cheque/complaint or any other entity or document

Conclusion (Para-3)

Re-iterate the objective; state action to be taken if, any by the recipient; expectations from him (timely delivery, quality, specific requirements). Essential terms and conditions to be adhered to Close the letter on a positive note, hoping for a favourable response within the designated time period.

Complimentary Close: Warm Regards/Thanking You/Yours truly/
Yours sincerely

Sender's Name & Designation

(D)(ii) Circulars: These are formal communications(One to many) to be propagated amongst a large target audience such as office employees, students in an institution or members of a club/ organization

Format

Circular No. xxxxx

Date:

Title in 2-3 words : Office Transport Rules/
Working Hours;School Vacations/ Trip;
Club timings/rules; Party Meetings etc.

For all employees/students/members,

Main Body Para(1) Objective of the communication should be clearly stated unambiguously, with relevant details.

Para(2) If any action or response is requested, name with department of the employee/teacher/member OR contact details should be specified.

Name of the Person (Optional)

Designation with Department

(D)(iii) Memos OR Memorandums: These are reminders, formal communications (One to many) to be communicated amongst a limited target audience of a particular office departments/staff members of an institution or a specific group of members of a club or organisation, informing/apprising them about a specific decision.

Format

Name of the organization/institution/club

Inter Departmental Memo

Date:

To: Employees of a Department/ Teachers of a class or department/
Senior Members of a club

From: Name with Designation and Department

Subject: Objective clearly stated such as: Purchase/Issuance of equipment such as Laptops Mobile Phones/ Tablets; Suspension/ Dismissal of Mr. X;

Main Body Para(1) Information/Decision with stringent norms/ penal action if required, clearly stated.

(E) Writing Formal Mails

These are most commonly used means of instant one to one OR one to many communication through messages to share information, elicit response, request details or any other purpose where some interaction is required.

Format

To: E-mail address(es) of the recipient(s).

Cc: Copy to : E-Mail addresses of the other stakeholders concerned with the communication

Subject: Purpose of sending the mail clearly stated such as: Payment to a vendor for bill number xxx; Confirmation of Order Number xxx; Status of application for registration to CA Foundation/ Intermediate/Final etc.

Main Body

Salutations: Dear/Respected Sir/Madam

Para(1) Brief description in 1-2 sentences, about the purpose of the mail with reference to the subject.

Para(2) Pertinent details complete with attachments and past details(decision/data) about the issue if, any informing/apprising them and specific action expected from the recipient. Instructions should be stated clearly and concisely.

Par(3) Hoping for a favourable response from the recipient within the stipulated time period.

Complimentary Closure: Regards/Warm or Best Regards

Name and designation of the sender

Telephone Number: Landline, Mobile (optional)

(F)(i) Preparing a Chronological Resume: Resume per se is a formal document to be presented to the prospective employer that collates complete information/details about the incumbent both personal and job/training related according to the purpose of application in a specific chronological sequence. Chronological resume is most commonly used by students who intend to apply for formal training programmes as part of professional courses such as article-ship as part of the CA Course.

Format (Chronological Resume)

- Name and Contact Details
- Career Objective
- Academic achievements/antecedents in a chronological sequence
- Co-curricular Achievements
- Previous trainings conducted
- Technical/soft skills
- Interests/Hobbies (optional)
- Personal Details

(F) (ii) Combination Resume: This presents a combination of the incumbent's skills along with professional and academic antecedents. This format is used to highlight past employment history and specific skill-sets suitable for a given job profile while applying for the same.

Format

- Name and Contact Details
- Career Objective
- Summary of experience gained
- Experience details in reverse chronological sequence
 - ✓ Name of the Organisation/Company
 - ✓ Position/Designation held
 - ✓ Responsibilities
 - ✓ Appreciation/Promotions/Rewards if, any
- Technical/soft skills
- Academic achievements/antecedents in a chronological sequence
- Co-curricular Achievements
- Previous trainings conducted
- Personal Details
- Declaration about the details mentioned in the resume document being true.
- Date:

Name and Signature

(F)(iii) Cover Letter: It is a formal letter to apply for a specific job profile/position advertised by an organization. It must highlight the reason for applying, strengths and requisite skill set vis a vis the position so as to evoke employer's interest in the incumbent.

Format

Sender's Address

Date

Designation/Name of the Addressee

Address

Salutation

Subject:

Main Body (Para-1) : Introduction with name and position against which applied; mention the source of information

(Para-2): Highlight relevant skills and experience most suited for the job profile. Make specific associations between capabilities and job requirements as mentioned in the job description. Project the skills and experience to make the incumbent most suitable for the job.

Explain the incumbent's interest in the job profile as well as his awareness about the organization's affairs.

(Para-3): Conclusion: Hoping for a favourable response and asking for follow up details and tentative dates for the subsequent interview/interaction.

Complimentary Close: Yours Sincerely/Thanks & Regards/Best Regards/Warm Regards

Signature

(Name)

(G) Meetings:

It can be defined as an assembly of individuals in a formal environment such as corporate set-up to discuss/debate upon certain issues/problems and to take decisions. Meetings are mostly preordained to be held at a fixed time, date and venue with a fixed agenda entailing issues/items to be discussed.

Agenda(s): These are prepared in advance amongst the participants/attendees. These determine/ensure:

- Objective of a meeting
- Issues/topics to be discussed
- Specific time slot is allocated to each speaker
- Sequence in which the issues will be taken up by the respective speakers will
- Meeting is focused and speakers do not deviate from the issues.

(G)(i) Tabular Agenda

Format

Time	Topic/Item	Attendees	Speaker	Duration
10 AM	Strategy for launch of a new product/service/initiative	Name and designations of participants such as Head of Production, Head of Sales, Head of marketing, Head of Finance, Managing Director etc.	Name of the official who presents the issue/item	Time(in minutes) allotted for presentation/discussion for eg. 30 minutes
10:30 AM	Market Trends			30 minutes
11 AM	Tea Break			15 minutes
Subsequent Items				

BUSINESS CORRESPONDING AND REPORTING ||

(G)(ii) Minutes of a Meeting: These entail comments/opinions/suggestions put forth on a particular item/issue and the subsequent decision taken, stated unambiguously in a sequence. These are documented and maintained as a compilation for future reference.

Format

Date:

Time:

Venue:

Meeting started in time

Mr. X, Director Operations (Convenor) gave an Introduction

Mr. Y, the Product Head explained the new product and its salient features.

Mr. Z, the Marketing Head gave a detailed presentation about the marketing strategy for various media. The details have been captured in Annexure-A. Suggestions were sought from the members. Individual reports to be submitted by (specified date)

Mr. A the Sales Head along with a team member explained the sales strategy in upcoming as well as existing markets. Details are provided in Annexure-B. Suggested to recruit more staff to scale up the sales operations.

Mr. B the HR Head, proposed for a separate meeting to be held within a week's time to discuss the modalities of the recruitment process.

Mr. C The Managing Director declared the house open for suggestions and thanked the participants.

Concluding Remarks:

Proposal for fresh recruitments

Marketing Team to collate the suggestions from participants and prepare a detailed report.

Marketing Team to initiate the tendering process to identify media partners to advertise the new product.

Action Taken Report to be submitted by the Marketing and Sales Team by (specified date)

(G)(iii) Action Taken Report: Detailed Report to be submitted by an official or team on the ground work done/action taken arising out of the discussions held during a meeting. It is important to gauge the progress on the respective item/issue discussed during the previous meeting.

Format

Action Taken Report nth Meeting of Department Heads
XYZ Ltd.

As per the meeting held on date, at : venue, the following have been reported:

- Marketing team compiled the suggestions and tendering process initiated the tendering process Annexure-I
- The HR team prepared the modalities for the recruitment process. Detailed report submitted as Annexure-II

Undersigned

Director, Operations (Convenor)

Dos and Don'ts

- Learn synonyms and antonyms of frequently used words and expressions to enrich your vocabulary.
- Prepare your own lexicon of words explaining their meanings, usage and origin
- Do not use unfamiliar words, meaning of which is not clear
- Do not write overtly long sentences with multiple clauses.
- Do not write the same point more than once to increase the length of the answer
- Practise questions in Part-III and Part-IV in the prescribed time limit (15-18 min each) to improve your reading and writing skills.
- Do not exceed the word limit
- Opt for questions requiring minimum word limit
- Avoid using the same word multiple times in an answer; instead use synonyms of the word to highlight your vocabulary.
- Write complete words, do not use abbreviations unless required (in Note Making)
- Write grammatically correct sentences. Use different types(Simple, Compound and Complex) of sentences((Simple, Compound and Complex); Direct/Indirect; Active /Passive) while attempting questions form Part-IV
- Go through the answer, after attempting a question to edit it for a final version.

Announcement

Students may please note that the Live Virtual Classes (LVC) for all levels- Foundation, Intermediate and Final will be commenced from the first week of July 2020. While Foundation and Intermediate LVC will target November 2020 examination, Final LVC will target May and November 2021 examinations. Detailed announcement in this regard will be uploaded on ICAI Website soon.

FINANCE UPDATES

Loan securitization by NBFCs, MFIs hit by quality concerns

Securitization of loans by small Non-Banking Financial Companies (NBFCs) and Microfinance Institutions (MFIs) has seen a sharp fall as the impact of covid-19 and moratorium rules is keeping investors away.

<https://www.livemint.com/news/india/investors-stay-off-mfi-nbfc-loan-securitization-deals-on-asset-quality-concerns-11587378629623.html>

SEBI relaxes valuation criteria for MF debt securities

The Securities and Exchange Board of India (SEBI) provided certain relaxations on valuation of money and debt market instruments held by Mutual Funds (MFs) in view of the coronavirus pandemic and subsequent loan moratorium announced by the Reserve Bank of India (RBI).

<https://economictimes.indiatimes.com/markets/stocks/news/covid-19-crisis-sebi-relaxes-valuation-criteria-for-mfs-debt-securities/articleshow/75324006.cms>

Three RBI measures to provide liquidity in these tough times

The RBI has been adopting unconventional tools to manage liquidity and yields to support growth and provide ease of functioning for markets in times of financial stress.

<https://www.livemint.com/money/personal-finance/three-rbi-measures-to-provide-liquidity-in-these-tough-times-11588096678486.html>

BSE allows trading commodity derivatives in negative after oil price collapse

The Bombay Stock Exchange (BSE) has made changes in its system to allow for trading in commodity derivatives at negative prices, following the collapse of US crude oil futures.

<https://www.livemint.com/news/india/bse-allows-trading-commodity-derivatives-in-negative-after-oil-price-collapse-11588070208639.html>

RBI opens ₹ 50,000-crore special liquidity window to support mutual funds

The RBI opened a ₹ 50,000-crore special liquidity window for Mutual Funds (MFs) to give a line of credit to the industry in the light of heightened redemption pressure after the closure of six

schemes by Franklin Templeton Mutual Fund.

https://www.business-standard.com/article/finance/rbi-opens-rs-50-000-crore-special-liquidity-window-to-support-mutual-funds-120042800081_1.html

SEBI slashes fees on trading, filing documents to boost market activity

The SEBI has announced a sharp cut in the fees it levies on market activity, such as trading and filing of offer documents to boost market activity, which has been hit by the coronavirus disease (Covid-19) pandemic.

https://www.business-standard.com/article/markets/sebi-slashes-fees-on-trading-filing-documents-to-boost-market-activity-120042701186_1.html

SEBI tightens scrutiny of debt funds' risk exposure, liquidity

India's markets regulator has sought several details from the nation's asset management companies and is considering limiting sectoral exposures in credit risk funds to ensure that they are more diversified.

<https://www.livemint.com/news/india/sebi-raises-scrutiny-of-redemption-pressure-and-concentration-risk-in-debt-funds-11588162658772.html>

SEBI eases compliance norms for listed firms

The SEBI eased compliance requirements for listed companies, with a prolonged lockdown continuing to hamper business operations.

The markets regulator scrapped, for 2020, the requirement of companies to dispatch to holders of securities in all cases physical copies of annual reports and proxy forms mentioning that a holder may vote for or against a resolution. It also clarified on proxies and their right to vote.

<https://www.livemint.com/news/india/sebi-eases-compliance-norms-for-listed-firms-11589313303727.html>

SEBI relaxes public float norms for Indian firms

The SEBI scrapped fines on listed companies unable to meet the minimum public holding norms, continuing its efforts to help businesses navigate the current turmoil.

The market regulator said it will not impose fines on companies that are unable to achieve the Minimum Public Shareholding (MPS) of 25% between 1 March and 31 August.

<https://www.livemint.com/news/india/lockdown-3-sebi-eases-public-float-norms-for-india-inc-11589462642707.html>

ECONOMIC UPDATES

PM Modi announces economic relief package worth ₹ 20 lakh cr during Covid 19 crisis

Prime Minister announced a special economic package and gave a clarion call for Atmanirbhar Bharat. PM Modi noted that this package, taken together with earlier announcements by the government during covid-19 crisis and decisions taken by RBI, is to the tune of ₹ 20 lakh crore, which is equivalent to almost 10% of India's GDP.

<https://www.livemint.com/news/india/pm-narendra-modi-address-to-nation-live-updates-coronavirus-latest-news-lockdown-extension-11589292010924.html>

FM Sitharaman announcement highlights: First part of the ₹ 20 lakh crore economic stimulus unveiled

Finance minister Nirmala Sitharaman shared the first instalment of the mega ₹ 20 lakh crore package with the focus being on the relief to the MSME sector. The finance minister said that the Aatmanirbhar Bharat rests on five pillars: Economy, Infrastructure,

Technology-driven systems, Demography, and Demand. The focus will be on factors of production: Land, Labour, liquidity and Laws. The intention is to make local brands global. Finance Minister announce many measures for relief and credit support related to businesses, especially MSMEs to support Indian Economy's fight against COVID-19.

Some of them are-

- ₹ 3 lakh crore Emergency Working Capital Facility for Businesses, including MSMEs
- ₹ 20,000 crore Subordinate Debt for Stressed MSMEs
- ₹ 50,000 crore equity infusion through MSME Fund of Funds
- ₹ 30,000 crore Special Liquidity Scheme for NBFC/HFC/MFIs
- ₹ 45,000 crore Partial credit guarantee Scheme 2.0 for Liabilities of NBFCs/MFIs
- ₹ 90,000 crore Liquidity Injection for DISCOMs
- Relief to Contractors given by extension of up to six months for completion of contractual obligations, including in respect of EPC and concession agreements

<https://economictimes.indiatimes.com/news/economy/>

NEWS UPDATES

policy/nirmala-sitharaman-latest-announcements-today/articleshow/75714346.cms
<https://pib.gov.in/PressReleasePage.aspx?PRID=1623601>

₹ 20 lakh cr Covid package's 2nd chunk delivered: Total economic package in numbers

Finance minister Nirmala Sitharaman's second installment of the ₹ 20 lakh crore Atma Nirbhar Bharat economic relief package focused on farmers, migrant labourers and street vendors. Apart from free food grain to migrant workers to credit facility for street vendors to concessional credit for farmers, the finance minister not only revealed new measures but also highlighted the steps taken by the NDA government in the last two months to assist the vulnerable class hit by the economic slump triggered by coronavirus pandemic.

Here's a list of the some of the economic relief measures announced by the finance ministry are-

- ₹ 5,000 crore special credit facility for nearly 50 lakh street vendors with initial working capital of up to ₹ 10,000.
- ₹ 3,500 crore for supply of food grains to migrants who are neither NFSA nor state card beneficiaries in the states they are stationed in. About 8 crore migrants to be given 5 kg of grains and 1 kg of chickpeas per family for two months under this scheme.
- ₹ 1,500 crore worth of interest subvention for small businesses under Mudra-Shishu loans for a period of 12 months. The government will pay 2% interest for loan account holders making regular payments.

<https://www.hindustantimes.com/india-news/rs-20-lakh-cr-covid-package-s-2nd-chunk-delivered-here-s-total-economic-pkg-in-numbers/story-eNdYBHL12Pcr704DWJzmXJ.html>

3rd tranche of economic relief package to focus on agriculture sector: Finance Minister

Finance Minister Nirmala Sitharaman said that the third tranche of economic package will deal with giving relief to agriculture and allied industries. Speaking to media, she said the package would focus on infrastructure and building capacities in the agriculture and allied activities. She said in the last two months several measures have been taken to support farmers, including minimum support price (MSP) purchases of ₹ 73,300 crore during the two months of lockdown. Also,

- ₹ 18,700 crore in cash dole out under the PM Kisan Fund transfers have been done and

- ₹ 6,400 crore of payment in crop insurance have been made. <https://economictimes.indiatimes.com/news/economy/policy/3rd-tranche-of-economic-relief-package-to-focus-on-agriculture-sector-finance-minister/articleshow/75757768.cms>

Nirmala Sitharaman's 4th tranche of measures: Govt opens up coal sector, hikes FDI limit in defence manufacturing, and more

Unveiling the fourth set of the 20-lakh crore Covid economic package as part of the "Atmanirbhar Bharat Abhiyan (Self-reliant India campaign)", Union Finance Minister Nirmala Sitharaman's latest announcements on Saturday were targeted towards eight sectors—coal, minerals, defence production, civil aviation, power distribution, social infrastructure, space and atomic energy.

The key announcement made by Finance Minister are-

- An easing of limits on foreign direct investment in defence manufacturing
- privatisation of six more airports
- opening up of more airspace and
- allowing private sector in commercial coal mining

<https://indianexpress.com/article/business/economy/finance-minister-nirmala-sitharaman-fourth-tranche-economic-package-announcements-6412870/>

Reforms to be focus of 5th and final tranche of economic stimulus package: FM Nirmala Sitharaman

Finance Minister Nirmala Sitharaman said reforms will be the focus of the fifth and final tranche of economic stimulus package to deal with the economic fallout of the COVID-19 pandemic.

She said the package would focus on MGNREGA, healthcare and education, businesses, de-criminalisation of the Companies Act, ease of doing business, public sector undertakings, and resources related to state government.

- Govt allocates additional ₹ 40,000 cr over and above ₹ 61,000 cr budgeted for MGNREGS to generate more jobs.
- No fresh insolvency to be initiated for 1 yr; COVID-19 related debt to be excluded from definition of default.
- The Finance Minister said that minimum threshold to initiate insolvency proceedings raised to ₹ 1 crore from ₹ 1 lakh to benefit MSMEs

<https://www.thehindubusinessline.com/news/reforms-to-be-focus-of-5th-and-final-tranche-of-economic-stimulus-package-fm-nirmala-sitharaman/article31606005.ece>

CROSSWORD SOLUTION – MAY 2020

1R	2E	3C	O	4R	5D		6P	7R	8O	F	9I	10T
11E	L	I	M	I	N	12A	T	E	D		13N	O
14A	M	T		15D	A	R	K	E	D		16V	I
D			17L	E		C		F		18P	O	L
	19F	20O	E						21R	O	I	
22R	O	B	O	23T	24I	25C		26V	O	I	C	27E
	R	J		28I	N	A	29N	E		30S	E	E
31D	E	E	M	E	D		32O	N	C	E		L
33L	I	C			34I	35R	R		36T	D	37S	
38A	G	T		39P	R	I	M	E			40H	E
	N				41E	L	A	N			42E	T
43G					44C	E	L		45R	46D		
O		47C	48O	49S	T			50Q	U	I	C	K
	51C	R	I	B		52M	O	U	S	E		
53Q	U	A	L	I	T	Y		54O	T	T	E	R



IMPORTANT ANNOUNCEMENT

POSTPONEMENT OF CHARTERED ACCOUNTANT EXAMINATIONS, MAY 2020*

In continuation to the Important Announcement dated 27th March, 2020, it is hereby notified for general information that in view of the ongoing spurt of the COVID-19 pandemic and in the interest of the well-being of students, the Chartered Accountant Examinations scheduled from 19th June 2020 to 4th July, 2020* stand rescheduled and the said examinations shall now be held from 29th July 2020 to 16th August, 2020 as per details given below.

FOUNDATION COURSE EXAMINATION – Under NEW SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 25 F (3) of the Chartered Accountants Regulations, 1988.]

7th, 9th, 11th & 14th August 2020

INTERMEDIATE (IPC) COURSE EXAMINATION – Under OLD SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 28 E (3) of the Chartered Accountants Regulations, 1988]

Group-I: 30th July 2020, 2nd, 4th & 6th August 2020

Group-II: 8th, 10th & 13th August 2020

INTERMEDIATE COURSE EXAMINATION – Under NEW SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 28 G (4) of the Chartered Accountants Regulations, 1988.]

Group-I: 30th July 2020, 2nd, 4th & 6th August 2020

Group-II: 8th, 10th, 13th & 16th August 2020

FINAL COURSE EXAMINATION - Under OLD SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 31 (ii) of the Chartered Accountants Regulations, 1988.]

Group -I: 29th, 31st July 2020, 3rd & 5th August 2020

Group -II: 7th, 9th, 11th & 14th August 2020

FINAL COURSE EXAMINATION - Under NEW SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 31 (iv) of the Chartered Accountants Regulations, 1988.]

Group -I: 29th, 31st July 2020, 3rd & 5th August 2020

Group -II: 7th, 9th, 11th & 14th August 2020

INTERNATIONAL TRADE LAWS AND WORLD TRADE ORGANISATION (ITL & WTO), Part I EXAMINATION

Group A: 30th July 2020 & 2nd August 2020

Group B: 4th & 6th August 2020

INTERNATIONAL TAXATION – ASSESSMENT TEST (INTT – AT)

7th & 9th August 2020

It may be emphasized that there would be no change in the examination schedule in the event of any day of the examination schedule being declared a Public Holiday by the Central Government or any State Government / Local Holiday.

Candidates may note that two of the papers viz. Paper(s) 3 & 4 of Foundation Examination are of 2 hours duration. Similarly, Elective Paper - 6 of Final Examination (under New Scheme) is of 4 hours. However, all other examinations are of 3 hours duration, and the examination wise timing(s) are given below:

Examination	Paper(s)	Exam. Timings (IST)	Duration
Foundation	Paper 1 & 2	2 PM to 5 PM	3 Hours
	Paper 3 & 4*	2 PM to 4 PM	2 Hours
Intermediate (IPC)	All Papers	2 PM to 5 PM	3 Hours
Intermediate (New Scheme)	All Papers	2 PM to 5 PM	3 Hours
Final (Old Scheme)	All Papers	2 PM to 5 PM	3 Hours
Final (New Scheme)	Paper 1 to 5 & Paper 7 & 8.	2 PM to 5 PM	3 Hours
	Paper 6 (Elective)	2 PM to 6 PM	4 Hours
Post Qualification Course Examinations i.e. (ITL & WTO), Part I and (INTT – AT)	ALL	2 PM to 5 PM	3 Hours

*In Paper 3 and 4 of Foundation Examination and all papers of Post Qualification Course Examinations there will not be any advance reading time, whereas in all other papers / exams mentioned above, an advance reading time of 15 minutes will be given from 1.45 PM (IST) to 2 PM (IST).

Foundation Course Examination is to be held along with Final Group –II Examinations on 7th, 9th, 11th & 14th August 2020 and the Post Qualification Course Examination i.e. INTT - AT is to be held along with Final Group – II Examination on 7th & 9th August 2020, whereas ITL & WTO examination is to be held along with 4 papers, Group – I of Intermediate (IPC) / Intermediate Examinations.

(S. K. Garg)

Additional Secretary (Examinations)

CROSSWORD - JUNE 2020

1		2		3		4	5	6	7		8	9	10
		11	12			13					14		
15	16					17							
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38							39						
40			41	42	43			44			45	46	47
			48							49			
50	51	52				53				54	55		
56				57				58					
59				60				61					

electronically retrieve data.

26. Audit ____ is a function of the risks of material misstatement and detection risk.

27. Microsoft was founded by Bill Gates and ____.

31. Rampage.

33. A German electric utility company

35. ____ Pathshala is an initiative of the MHRD under its National Mission on Education.

39. Definite article

41. Peculiar

42. Irritates

43. ____ compression is a type of data compression applied to digital images, to reduce their cost for storage or transmission.

44. Guys

46. Any resource owned by the business

47. ____ is the joint capital and largest town of the union territory of Ladakh in India.

48. A negotiable instrument similar to a bill of exchange

49. The Government of India in consultation with ____ decided to converge and not to adopt IFRSs.

51. A shareholder meeting called other than a company's scheduled annual general meeting. 52. Before

53. Received

55. A computing system vaguely inspired by the biological neural networks that constitute animal brains.

ACROSS

- An error, flaw, failure, or fault in a computer program that causes it to produce an incorrect result in unintended ways.
- ____ assurance is an audit of financial statements, a high, but not absolute, level of assurance.
- ____ issues driving licences sells personalised registrations and maintains the collection of excise duty such as road tax.
- A computer application for instant communications
- Unwell
- Burning
- The ____ market is a public financial market in which financial instruments or commodities are traded for immediate delivery.
- The ____ index is a statistical measure of distribution.
- Transitive verb
- First person plural-personal pronoun
- Uses device to blend digital content into the real world.
- A web ____ is a software application for accessing information on the World Wide Web.
- The term ____ analysis is used to describe a framework for analyzing the Macro Environment.
- For each
- A 2019 American horror film
- ____ India Limited : An Indian media conglomerate and a wholly owned subsidiary of the Walt Disney Company India.
- Abducts
- A country in the West Asia
- A fixed payment amount made by a borrower to a lender at a lender at a specified date each calendar month.
- A fictional superhero
- A partnership in which some or all partners have limited liabilities.
- A fancy word for 'Plan' used in computer science is ____
- An Indian aerospace company
- A space in memory where the variable is stored.
- A ____ compensator is a component in a control system that improves an undesirable frequency response in a feedback and control system.
- As per Ind AS 38, if payment for an intangible asset is deferred beyond normal credit terms, its cost is ____ price equivalent.

56. ____ network is a Malaysian pay television channel.

57. An individual 'focal' node.

58. Curse

59. A central nervous system disorder that primarily affects the eye nerves and the spinal cord.

60. An interface which extends collection in Java.

61. A ____ audit is an audit of financial statements of an entity by two or more auditors appointed with the objective of issuing the audit report.

DOWNWARD

- Boast
- Smirk
- A measure of the profitability of a business in relation to the equity.
- Too
- A signalling protocol used for initiating, maintaining, modifying and terminating real time sessions that involve communications applications and services IP networks.
- Good tasting, delicious
- Evaluating the worth of a business is determining its ____
- Tender
- An ____ parser is a top-down parser for a subset of context-free languages.
- A common standard file format for executable files, object code, shared libraries, and core dumps.
- A resource for learning about toxic chemical releases and pollution prevention activities reported by industrial and federal facilities.
- A part of computer system or network that is designed to block unauthorized access while permitting outward communication.
- Fantasy
- An unconditional govt. grant related to a biological asset is measured at its Fair value less costs to ____.
- ____ is an association of language test providers who work together to promote the fair and accurate assessment of linguistic ability across Europe and beyond
- A software architectural style that defines a set of constraints to be used for creating Web services.
- ____ word describes how we would

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