



The Chartered Accountant Student

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CHAIRMAN'S COMMUNICATION

My dear Students,

Many thanks for your positive, spontaneous and valuable feedback which has truly motivated me. The exams are behind you and most of you must be taking a well deserved break from your studies. Relax and Enjoy yourselves but always keep in sight your goal of becoming a Chartered Accountant. Hence, don't get too complacent but get back to your books for the assault on the next step towards your goal.

POINT TO PONDER

Abraham Lincoln told a law aspirant **"If you are resolutely determined to make a lawyer of yourself, the thing is more than half done already. Always bear in mind that YOUR OWN RESOLUTION TO SUCCESS is more important than any other thing."** When Lincoln said this he reiterated the need to have focus in life. Aimless drifting will never help because the secret of success lies hidden in our daily routine. The best possible way to prepare for tomorrow is to concentrate with all your intelligence, all your enthusiasm in doing today's work superbly today itself. The great thinker Thomas Carlyle said **"Our main business is not to see what lies dimly at a distance, but to do what lies clearly at hand."**

STUDENT COUNSELLING IS THE NEED OF THE HOUR

Pragmatic, down-to-earth student counselling is the need of the hour. The month of May is the period during which the results of Class X and XII are being declared. I am disturbed to read in the newspapers about the increasing rate of student



CA. V. Murali
Chairman,
Board of Studies

suicides when their Class Ten and Class Twelve results are not up to their expectations. I feel strongly for the misguided students who have given into pressure and taken their precious lives. Students must have the mental tenacity to take exam results in their stride. We have no right to destroy our God given Life. This message must go out not only to the students,

but also to those who are vexed with life for some reason or the other. **Mother Theresa's** immortal words about 'LIFE' are indeed relevant in this context which I quote:

" Life is an opportunity, benefit from it.
Life is beauty, admire it.
Life is bliss, taste it.
Life is a dream, realize it.
Life is a challenge, meet it.
Life is a duty, complete it.
Life is a game, play it.
Life is a promise, fulfill it.
Life is sorrow, overcome it.
Life is a song, sing it.
Life is a struggle, accept it.
Life is a tragedy, confront it.
Life is an adventure, dare it.
Life is luck, make it.
Life is too precious, do not destroy it.
Life is life, fight for it."

(Continued on page 3)



CA. V. Murali Chairman, Board of Studies discussing with Shri K Rahman Khan in his chamber after his re-election as Deputy Chairman, Rajya Sabha at the Parliament House



Proceedings of the Study Group for finalisation of the contents of the new Syllabus at Chennai on 29.05.06



CA. S. Santhanakrishnan, Council Member, making a point to the Faculty at the Study Group meeting held at Chennai on 29.05.06.



GMCS Course – Valedictory function held at Chennai on 29.05.06. (Seen in picture – from L to R): CA. S.V. Parthasarathy, Executive Vice-President, Indus Ind Bank Ltd., CA. V. Murali, Chairman, Board of Studies, ICAI, CA. P. Rajendra Kumar, Regional Council Member, SIRC of ICAI.



GMCS Course – Valedictory function held at Chennai on 29.05.06. CA. V. Murali, Chairman, Board of Studies lighting the lamp.



GMCS Course - Valedictory Function held at Chennai on 29.02.06. Group Photograph of the participants along with the Dignitaries.



CA. S.V. Parthasarathy, Chief Guest for the Valedictory Session of the GMCS Course being presented with a bouquet.



GMCS Course – Valedictory function held at Chennai on 29.05.06, organizing Committee Member giving a Floral Bouquet and memento to CA. V. Murali, Chairman, Board of Studies. Also seen CA. S.V. Parthasarathy, Executive Vice-President, Indus Ind Bank Ltd. and CA. P. Rajendra Kumar, Regional Council Member, SIRC of ICAI.

Chairman's Communication *(Continued from page 1)*

CHARTERED ACCOUNTANCY COURSE CURRICULUM – AN UPDATE

The new Chartered Accountancy Course Curriculum which is expected to be introduced on clearance by the Government, will restore the advantage of blending theoretical education with practical training, upgrade the syllabus and reduce the duration to 4 years after 12th standard. Hopefully, Common Proficiency Test (CPT), an objective mode of examination to be held once in 3 months to screen the students prior to entering into practical training may be launched in November '2006. Mechanism to facilitate the existing students of PE-I, PE-II and Final levels for smooth transition into the new curriculum will also be taken care in the best possible manner and announced in the near future.

ROLE MODELS

Students should adopt Role Models whom they can emulate. There are many Chartered Accountants who have opted for the sphere of practice, others have opted for a career in industry. There are a few Chartered Accountants who have diversified into various fields and have made their mark therein. **Hon'ble Mr.K.Rahman Khan, Deputy Chairman, Rajya Sabha** is one of the stalwarts from our Chartered Accountancy profession who has made his mark in the field of public service. He had preferred

servicing the social causes of our great Nation rather than serving the needs of his clients. He had given up his lucrative practice and applied himself totally for serving the needs of the common men, the weaker sections of society and the downtrodden. His selfless, dedicated services have won him acclaim from various quarters.

It is a matter of great pride for our entire profession that **Hon'ble Mr.K.Rahman Khan has been re-elected as Deputy Chairman of the Rajya Sabha on 12th May, 2006.** I had the privilege of attending the Rajya Sabha Session when he was re-elected as the Deputy Chairman of the Rajya Sabha. The accolades, laurels and appreciative words bestowed on him by our Hon'ble Prime Minister of India, Dr. Manmohan Singh and the leaders of all the political parties cutting across party affiliations made me feel so proud and elated as one of the veterans our Chartered Accountancy profession could occupy this prestigious constitutional position. I was overwhelmed with emotion and felicitated him in his parliamentary chamber on behalf of all of you. He is truly a role model to be emulated.

INAUGURATION OF COMPULSORY COMPUTER TRAINING CLASSES AT CHENNAI

I had participated in the inauguration of the Compulsory Computer Training (CCT) classes for CA Students organized by the Southern India Regional Council of the Institute of Chartered Accountants of

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DIRECTOR OF STUDIES

Dr. T. P. Ghosh

India at Chennai. I have interacted with the students who have appreciated the efforts taken by the Board of Studies in sanctioning the conduct of CCT classes at Chennai which is bestowed with excellent infrastructural facilities.

IMPARTING EDUCATION THROUGH VIDEO CDs

You are well aware that ours is a distance education programme. The Institute is aware of some of the shortcomings associated with the distance education programme. Our Institute evolves various ways and means to minimize these shortcomings. It holds not only revisionary classes in various regions and branches, but also organizes seminars, conferences, quiz contests and elocution contests. In fact, with Information Technology making inroads into various fields, the Institute even holds virtual classes from time to time. Reputed faculty from across the country is invited to deliver lectures. Students from all over the country are informed about the lectures before hand and they attend the lectures without moving out from their respective cities. The learned speaker answers the queries of the students also. Now, the institute has taken a step further and has come out with a novel way of imparting education. This is by way of bringing out High Tech Video CDs in selected topics at all levels, i.e. PE I, PE II and Final.

The Institute's students' network is widespread. It is spread across the length and breadth of the entire country. In many places students may not have the fortune of having the benefit of oral coaching classes as their places might not have been covered by our Institute's Network. Even where there are oral coaching classes, in some of the subjects expert faculty may not be available. To provide the benefit of coaching by experienced and excellent faculty to students studying anywhere in India and abroad, the Institute has brought the scheme of imparting education through video CDs. Bringing out video CDs in various selected topics will mitigate these problems to a great extent. Students would get the benefit of listening to nationally renowned faculty in the comfort of their drawing rooms. These CDs would

be pre-recorded lectures by reputed and experienced faculty who are experts in their respective subjects. They would explain the topics in a simple and lucid language and would also take care of most of the probable difficulties which an average student faces. You can always send in your feedback, difficulties and queries to us which we will forward to the expert faculty and effective interaction could be organized. Moreover these CDs would be very economically priced, keeping in mind the interests of the students at large. To begin with, we have launched the video CD project on 24th May, 2006 at our NOIDA Office and the first subject taken for discussion was **"CAPITAL GAINS" which was delivered by CA. Girish Ahuja from New Delhi.**

FORMATION OF STUDY GROUP TO DISCUSS THE CONTENTS OF THE SYLLABUS OF THE NEW CHARTERED ACCCOUNTANCY COURSE CURRICULUM

The CA curriculum is being revised so as to empower, equip the C.A. students with the necessary knowledge by upgrading the syllabus to meet the ever increasing expectations and fast changing needs of Trade and Commerce. For getting a wider perspective of the contents of the New Syllabus, we are interacting with the faculty from various parts of the country and eliciting their views, ideas, suggestions and on the basis of this interaction, we hope to provide our students the best knowledge advantage possible with the reduced duration of the course. I had the privilege of participating in the interactions at Chennai and Kolkata along with the Director of Studies, Dr. T.P.Ghosh. We had extremely fruitful pro-active discussions with the faculty about the contents of the syllabus which we are sure would stand in good stead.

CONFERENCE, QUIZ AND ELOCUTION CONTESTS

'Learning is not attained by chance, it must be sought for with ardour and attended to with diligence.' - **Abigail Adams.** The theoretical education and practical training are edifice of wholesome learning. However, in the present competitive environment, they may not be enough.

Students of Chartered Accountancy have to look beyond the study material, books and practical training to possess valuable worldly knowledge. The students should make it a point to participate in seminars, conferences, quiz, elocution contests and other programmes. You can contribute as paper writer, presenter, contestant or as management Committee or organizing Committee Member. This will also help you in developing your personality, communication and other interpersonal skills. Participation also reduces the inhibitions and stage fear.

FINANCIAL MANAGEMENT AND STOCK MARKETS

Stock markets are the mystery which should interest any student of finance. The observation of the recent swings in the stock markets provide a lot of opportunities to the students to learn. The decisions to buy and sell depend upon fundamentals and technicals. It is interesting to watch how share prices of fundamentally strong companies are falling and vice-versa. The stock markets will also help you in learning how environment influences the Business. Learning business environment is essential as business functions within a very complex and intricate web of environmental forces. For example, students may study the impact of the recent hike in US federal rate on Indian share prices. Notwithstanding the recent turbulence in the stock markets, the Indian economy is on a high growth path. Students should also try to understand the functioning of commodity exchanges in the country. The size of organised commodity markets in India is increasing at a very fast pace.

SECRETS OF SUCCESS

Those who want to succeed will find a way, those who don't will find an excuse. You are a successful person and hence you will find the way. **'Success' does not mean absence of failures. It means the attainment of your ultimate objective. It means winning the 'war' not every 'battle.'** If you want to be successful, be an optimist. An optimist expects his dreams to come true whereas a pessimist expects his nightmares to come true. If you are an optimist, troubles will not trouble you. Troubles are like a

washing machine, they twist and knock us around, but in the end we come out brighter and better than before. Even for a person who is on the path to success to maintain the success, he must be always on the go. It is said even if a person is on the right track, he will get run over if he just sits there.

Communication skill is one of the key attributes of success. Your speaking ability should make the listener not to see his watch. Lord Birkett once said jovially – **"I do not object to people looking at their watches when I am speaking, but I strongly object when they start shaking them to make sure that they are still going."** When the going gets tough, the tough get going. Successful people are always active. It is said that the busy have no time for tears.

SPREADING THE ADVANTAGE OF THE C.A. COURSE

The Plus two and tenth results are out and the students as usual make a beeline for Medical, Engineering and Computer Science Stream. The importance and worth of the CA course is something which I feel needs further inculcation in young minds. The potential and opportunities available to CA's need to be promoted more vociferously. Perhaps when we look around and think, you will agree that Chartered Accountancy is a Course that is inexpensive on the parents' pocket, which gives Stipend during the period of Articleship, it is an honourable, well respected Professional course, the course content is practical, useful and I personally feel that after qualifying as a Chartered Accountant one can survive in any commercial atmosphere and prosper. If you have any relatives or friends who are keen on pursuing a cost effective Professional course without paying any capitation fee, hefty donations, prohibitive annual fees then you can safely recommend our Chartered Accountancy course where during the Articleship period itself the students can earn while they learn the practical intricacies of the profession. I sincerely request our members to enthuse students to take up this line. The exams may be considered as tough but here the words of Booker T. Washington could fit in. He said and I quote **" I have learned that success is to be measured not so much by the position that one has reached in life, as by**

the obstacles which he has overcome while trying to succeed.”

WRAP UP POINT

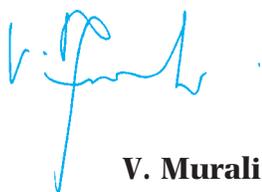
I am ever the optimist who has unshakable faith that there is a great future in store for all of you and the words of Oliver Wendell Holmes come to me “**Greatness is not in where we stand and in what direction we are moving, we must sail sometimes with the wind and sometimes against it, but sail we must and not drift, nor lie at anchor.**”

George Bernard Shaw had an amazing, practical mind and he had the capacity to give incisive comments. He said “**The secret of being miserable is to have the leisure to bother about whether you are happy or not.**” Thus, it is important to be so busy, involved and immersed in whatever we do so that we have no time to brood over small infractions and imperfections which will look like mountains. Happiness is a frame of mind and it is upto you to bring yourself to that state of mind. Good Thinking, healthy living and positive attitude will help you to reach greater heights in life. **It is your attitude that determines your altitude in life.**

Good bye and Good Luck.

With warm professional regards,

Forever, yours in service,



V. Murali
Chairman, Board of Studies

Feedback

In case you have any suggestions, feedback, complaints or any other views on matters relating to Board of Studies and students' newsletter you may also write to **CA. V Murali, Chairman, Board of Studies** at his e-mail address **victorgrace@vsnl.com** or **murali@icai.org**.

3rd National Convention for CA Students

“Discovering New Frontiers”

Dates: August 12 & 13, 2006

Venue: Calcutta University – Centenary Hall, Calcutta University Campus, College Street, Kolkata - 73

Technical Session I : Accounting and Auditing

1. AS 28 – Impairment of Assets.
2. Accounting Standards towards globalisation.
3. Impact of Mutual Funds And Derivatives on Indian Economy and its auditing techniques.

Special Session I : CA : A way to excellence

Technical Session II: Taxation

1. Introduction of VAT
2. Service Tax.
3. Fringe Benefit Tax & Banking Cash Transaction Tax.

Technical Session III: Corporate Law and Information Technology

1. Reforms in company Law – J J Irani committee.
2. Corporate Governance – Case studies of excellence in the Indian Context.
3. Computer Assisted Audit Techniques (CAAT).

Special Session II: Communication and presentation skills.

Technical Session IV: General

1. Students' expectation from the Institute.
2. Emerging fields for CAs.

Interested students should send their papers for technical sessions with a soft copy for approval so as reach positively by 15th July,2006 to the Director of Studies, P.B.No.36, C-1, Section-1, Noida 201301 or by e-mail at psdos@icai.org. Please provide your registration number, complete address with phone number and e-mail id.

Registration fee: Rs.500 per student (*Rs. 150 per day extra for outstation students i.e. Rs.800 for 2 days or Rs,950 for 3 days, Outstation delegates are advised to confirm their participation latest by 5th August,2006 for accommodation arrangement*). Cheques / DD to be drawn in favour of - The Institute Chartered Accountants of India, EIRC, payable at Kolkata.

Students joining for the programme till 31th July,2006 would get their delegate certificate at the Convention.

All correspondence relating to registration may be addressed to:

Convener, 3rd National Convention for C A Students, EIRC of the ICAI, 7,ANANDILAL PODDAR SARANI (RUSSEL STREET), KOLKATA - 700 071,

PHONE: 033 - 3989-3989, 3021-1140, 3021-1141 **Fax:** 033 - 30211145

E-mail: ero@icai.org **Website:** www.eircindia.org

Students are cordially invited at heritage city - Kolkata to participate in the convention.

19th All India CA Students Conference

The 19th All India CA Students Conference will be held on 26th and 27th August, 2006 in Chennai. Details to be announced.

Valuation of Equity Shares

Vinod Kumar Agarwal

I. Introduction

Equity shares can be described more easily than fixed income securities (e.g., bonds, debentures, etc.), but are more difficult to analyse. Fixed income securities typically have a limited life and a well defined cash-flow stream. Equity shares have neither. While the basic principles of valuation are same for fixed income securities as well as equity shares, the factors of growth and risk create greater complexity in the case of equity shares. The valuation of equity share is a subject of considerable controversy, and no one method of valuation is universally accepted.

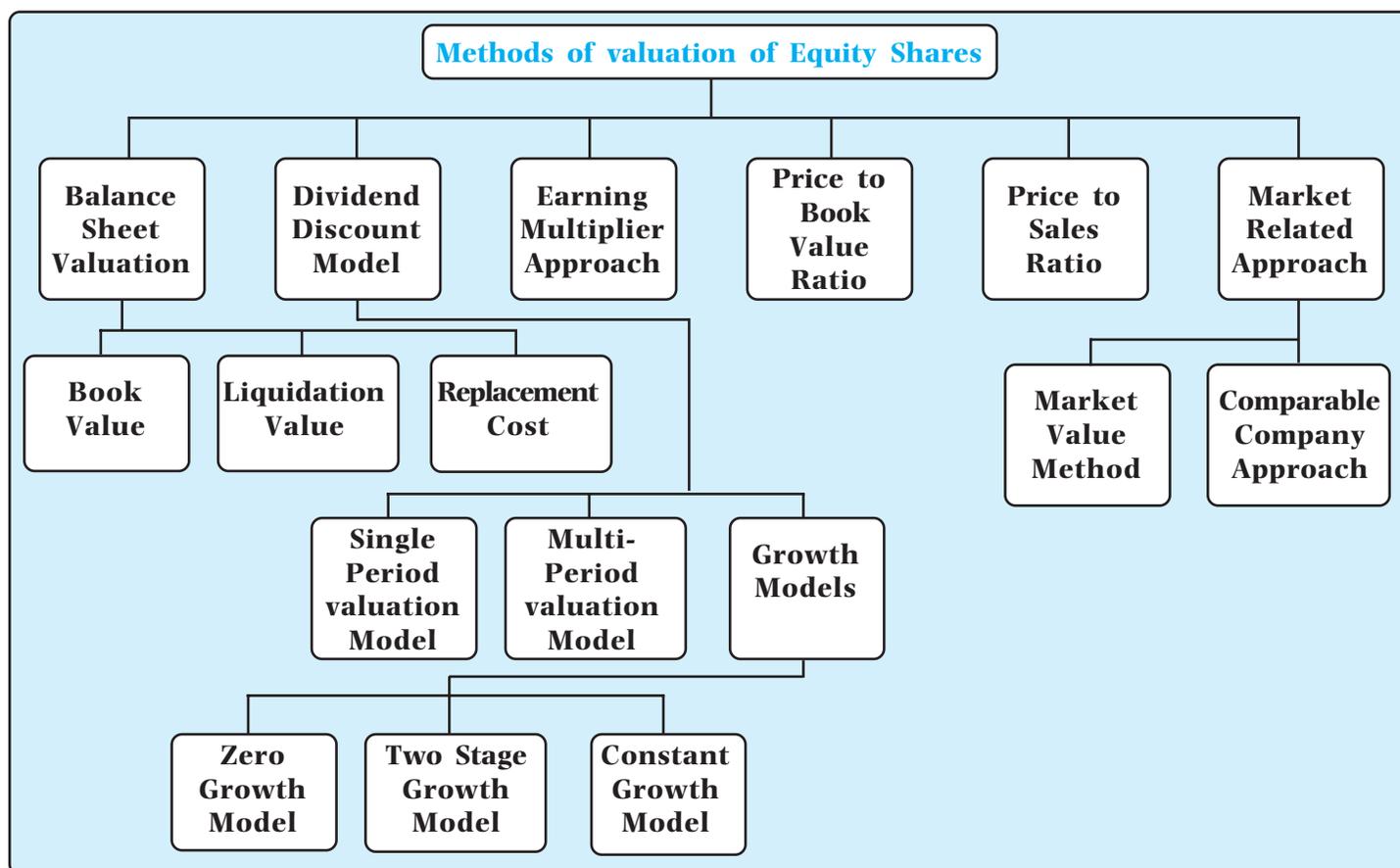
Example: Networth of XYZ Ltd. = Rs. 37 million
 No. of outstanding shares = 2 million
 Then, Book value Per Share = $37/2 =$ Rs. 18.50.



b. Liquidation Value

Liquidation value per share is equal to:

$$\frac{\text{Value realised from liquidating all the assets of the firm} - \text{Amount to be paid to all the creditors and preference shareholders}}{\text{No. of outstanding equity shares}}$$



II. Balance Sheet Valuation

a. Book Value Approach: Book value per share is simply the net worth of company divided by number of outstanding shares. Networth is equal to paid-up equity capital plus reserves and surplus minus losses.

The author is a member of the Institute.

XYZ will realise Rs. 45 million from the liquidation of its assets and pay Rs. 18 million to its creditors and preference shareholders in full settlement of their claims. Number of outstanding equity shares is 1.5 million.

Then, Liquidation value per share = $\frac{45 - 18}{1.5} =$ Rs. 18.

a. Replacement cost – This method takes into account the replacement cost of its assets less liabilities. The use of this measure is based on the premise that market value of a firm cannot deviate too much from its replacement cost.

III. Dividend Discount Model

The value of equity share is equal to the present value of dividend expected from its ownership plus the present value of sales price expected when the equity shares are sold.

a. Single Period Valuation Model

Assuming the investor expects to hold the equity share for one year,

$$\text{Price of equity share } (P_0) = \frac{\bar{c}_1}{1 + r} + \frac{\bar{c}_1}{1 + r}$$

Where, D1 = Dividend expected a year hence

P1 = Price of share expected a year hence

r = Rate of return required on equity share

Example: XYZ Ltd.'s equity share is expected to provide a dividend of Rs. 2.00 and fetch a price of Rs. 18.00 a year hence. What price would it sell for now if investors' required rate of return is 12%?

Solution

$$P_0 = \frac{2}{1.12} + \frac{18}{1.12}$$

$$P_0 = \text{Rs. } 17.86$$

b. Multi-Period Valuation Model

Since equity shares have no maturity period, they may be expected to bring a dividend stream of infinite duration. Hence the value of an equity share may be put as :

$$P_0 = \frac{\bar{c}_1}{1 + r} + \frac{\bar{c}_2}{(1 + r)^2} + \dots + \frac{\bar{c}_\alpha}{(1 + r)^\alpha}$$

$$P_0 = \sum_{\alpha=1}^{\infty} \frac{\bar{c}_\alpha}{(1 + r)^\alpha}$$

Where, P₀ = Price of equity share today

D₁ = Dividend expected a year hence

D₂ = Dividend expected two years hence

Da = Dividend expected at the end of infinity

r = expected return

The above equation will be applied for an infinite horizon. In case of finite horizon, the value of equity share will be calculated as follows :

$$P_0 = \frac{\bar{c}_1}{1 + r} + \frac{\bar{c}_2}{(1 + r)^2} + \dots + \frac{\bar{c}_\alpha}{(1 + r)^\alpha} + \frac{\bar{c}_\alpha}{(1 + r)^\alpha}$$

$$\sum_{\alpha=1}^{\infty} \frac{\bar{c}_\alpha}{(1 + r)^\alpha} + \frac{\bar{c}_\alpha}{(1 + r)^\alpha}$$

Where, P_n = Price of the share at the end of the finite period.

a. Growth Model

i. Zero Growth Model: Here, we assume that the dividend per share remains constant year after year. The price per equity share will be calculated as follows :

$$P_0 = \frac{\bar{c}}{1 + r} + \frac{\bar{c}}{(1 + r)^2} + \dots + \frac{\bar{c}}{(1 + r)^\alpha}$$

On simplification,

$$P_0 = \frac{\bar{c}}{r}$$

Where, D = Constant Dividend Amount

r = expected return percentage

Example: X Ltd. pays a dividend of Rs. 2 per share every year. The investor's required rate of return is 10%. Value of equity share will be –

$$P_0 = \frac{2}{0.10} = \text{Rs. } 20$$

i. Constant Growth Model (Gordon Model): This model assumes that the dividend per share grows at a constant rate 'g'. This model was originally proposed by Myron J. Gordon. The value of equity share will be calculated as follows :

$$P_0 = \frac{\bar{c}_1}{(1 + r)} + \frac{\bar{c}_1 (1 + g)}{(1 + r)^2} + \dots + \frac{\bar{c}_1 (1 + g)^\alpha}{(1 + r)^{\alpha+1}} + \dots$$

The above series is a geometric progression series.

On simplification,

$$P_0 = \frac{\bar{c}_1}{r \cdot \bar{g}}$$

Example: XYZ Ltd. is expected to grow at the rate of 6% per annum. The dividend expected on XYZ Ltd.'s share a year hence is Rs. 2.00. The required rate of return is 14%. The price of equity share would be :

$$P_0 = \frac{2}{0.14 \cdot 0.06} = \text{Rs. } 25.$$

The growth rate depends on Retention ratio (i.e. 1 – Dividend Payout ratio) and Return on Equity 'r'.

Example: If a company earns a return on equity of

20 percent and pays 40% of its equity earnings and ploughs back 60% of its equity earnings.

The growth rate would be =
Retention Ratio × Return on equity
i.e. 0.6 x 20% = 12%

i. Two stage growth model: This model assumes two stages of growth, the first phase in which the growth rate is high and the second phase in which the growth rate is assumed to be stable. According to this model, the value of stock is given by,

Value of stock = PV of Dividends during super normal growth + PV of Terminal Price.

$$P_0 = \frac{\bar{d}_n (1 + g)^n \left[1 + \frac{(1 + g)^n}{(1 + r)^n} \right]}{r - g} + \frac{\bar{d}_n (1 + g)^n}{(r - g_n)(1 + r)^n}$$

- DPS = Expected dividend per share
- r = Required rate of return
- g = Extraordinary growth rate for first n years.
- g_n = Growth rate forever after year n.
- n = Period of extraordinary growth

Example: The current dividend on equity share of XYZ Ltd. is Rs. 2.00. XYZ Ltd. is expected to enjoy an above normal growth rate of 20% for a period of 6 years. Thereafter, growth rate will stabilise at 10%. Equity investors require a return of 15 percent. What is the intrinsic value of equity share?

Solution:

Phase 1: Present value of Dividends to be Received over first 5 years.

Year	Dividend	Present value factor @ 15%	Present value of Dividend (Rs.)
1	2 (1.20) ¹ = 2.40	0.8696	2.09
2	2 (1.20) ² = 2.88	0.7561	2.18
3	2 (1.20) ³ = 3.46	0.6575	2.27
4	2 (1.20) ⁴ = 4.15	0.5718	2.37
5	2 (1.20) ⁵ = 4.98	0.4972	2.48
6	2 (1.20) ⁶ = 5.97	0.4323	2.58
			13.97

Phase 2: Present value of constant Growth component

◆ Dividend at end of year 7 = 5.97 (1.10) = 6.57

◆ Value of stock at the end of year 6 = $\frac{d_7}{r - g}$
= $\frac{6.57}{0.15 - 0.10} = 131.40$

◆ Present value of Rs. 131.40 = $\frac{131.40}{(1.15)^6} = 56.80$

PV of stock = 13.97 + 56.80 = Rs. 70.77

Why do companies that pay no dividend have high values?

This is because the investors expect to sell the stock in the future at a price higher than they paid for it. Instead of dividend income and a terminal value, they rely only on the terminal value. The ultimate expectation is that the firm will eventually pay dividends, either regular or liquidating. In the meantime, the investors expect that they will be able to sell their stock at a subsequent time, because there will be a market for it. In the meantime, the company is reinvesting earnings and the investors hope that the company is enhancing its future earning power and ultimately higher dividend would be paid to them.

IV. Earnings multiplier approach

Under this approach, the value of equity share is estimated as follows :

$P_0 = \text{EPS} \times \text{P/E Ratio}$

Where, EPS = Earnings per share
P/E Ratio = Price Earning Ratio.

Determinants of P/E Ratio

The determinants of the P/E Ratio can be derived from the dividend discount model. Let us start with constant growth dividend discount model:

$P_0 = \frac{d_1}{r - g}$

In this model,

- $D_1 = E_1 (1 - b)$
- E_1 = Expected EPS next year
- b = Retention ratio
- r = Return on equity

Tax paid by Employer vis-à-vis Claiming the Benefit of Exemption under Section 10(10CC)

K.U. Sancar

Introduction

1. Salary denotes the consideration, for the service rendered by an employee, under the contract of service, from the employer. It is normally paid in cash. However, there are several instances where salary is paid by the employer as non-monetary benefits, which is normally termed as 'Perquisites' and sometimes 'Fringe Benefits'.

2. Though no money is received by the employee for enjoying such non-monetary benefits, the need to tax the value of perquisite or fringe benefits, is essential. Otherwise, such non-taxation would create discrimination between persons receiving remuneration in cash and those who receive remuneration in kind. For example: An employee who receives Children Education Allowance would be liable to pay tax, but the employee, whose children are educated directly in a school run by the employer need not pay any tax.

3. This Article discusses the following, in this regard:

- Implication of taxing Non-monetary benefits
- Can the employer pay tax on behalf of the employee?
- What amount should be paid by the employer, in order to nullify the liability in the hands of the employee, in a case—
 - ◆ Where the benefit under section 10(10CC) is not available, and
 - ◆ Where the benefit under section 10(10CC) is available.

Implication of Taxing Non-monetary Benefits

4. Owing to the taxing of non-monetary benefits, a complication arises, which I have tried to illustrate in this following example: -

Particulars	Rs.
Basic Salary, DA & Bonus	42,000
Taxable Value of Perquisites	90,000
Taxable Income	1,32,000
Tax Payable	3,200
Expenditure incurred	39,000

The author is a member of the Institute.

5. In this case, the employer might undertake to pay the tax liability of the employee as the tax liability is more than the cash left with the employee after meeting his necessary expenditure. It may be noted that the tax payable by the employer on non-monetary benefits is exempt u/s 10(10CC) in the hands of employee but the tax payable on monetary benefit is taxable in the hands of the employees.

6. In yet another case, let us assume no cash is paid to the employee. His food, cloth, shelter, basic and luxury needs are all paid by the company directly and nothing is paid to the employee in cash, there would be a situation wherein the employee would not have any cash to pay his tax liability (if the value of his total non-monetary benefits exceeds the basic exemption limit).

Can the employer pay the tax on behalf of the employee?

7. Can the employer pay tax on behalf of the employee? The answer is 'Yes'. However, such payment, being obligation of an employee met by the employer would once again become a 'Perquisite' and is liable for taxation.

8. The next important question is whether the tax so paid would form part of non-monetary benefit or monetary benefit. I am of the personal opinion that it should be treated as a 'Monetary' perquisite, and this article provides solution on such assumption.

9. There arises an interesting situation, wherein, what amount should be paid by the employer, in order to nullify the liability in the hands of the employee. The following two options are evaluated in this regard: -

- Where the benefit under section 10(10CC) is not available, and
- Where the benefit under section 10(10CC) is available.

Note: Section 10(10CC) states that, any tax paid by the employer on behalf of the employee, on the perquisite provided to him (otherwise by way of



monetary payment), would be exempt at the average rate. [See para No. 3.3 of circular no. 9/ 2005 dated 30-11-05]

Where Benefit Under Section 10(10CC) is not Available

10.Let us take for example, Mr. Idea receives a sum of Rs.1,48,500 (provided by the way of monetary benefit) as salary from his employer. The amount that should be paid by the employer towards tax on behalf of the employee would be as under:

Original Total Income Rs.	Revised Total Income* Rs.	Tax on Total Income Rs.
1,48,500	1,48,500	4,947
1,48,500	1,53,447	5,803
1,48,500	1,54,303	5,978
1,48,500	1,54,478	6,013
1,48,500	1,54,513	6,021
1,48,500	1,54,521	6,022
1,48,500	1,54,522	6,022

* Original Total Income + Tax on Total Income (in the preceding row)

11.When the difference between previous tax calculation and current tax calculation is less than Rs.5, there is no need to proceed further. Therefore, the tax to be paid by the employer would be Rs.6,022. When this amount is paid by the employer, the total income and tax liability of the employee would be as under:

	Rs.
Taxable salary (other than Tax)	1,48,500
Taxable value of Income-tax liability	6,022
Total Income	1,54,522
Tax on Total Income	5,904
Add: Education Cess	118
Tax Payable by Employee	6,022
Less: Already paid by Employer on his behalf	6,022
Net Amount payable by Employee	Nil

Where Benefit Under Section 10(10CC) is Available

12.Under section 10(10CC), any tax paid by the employer on behalf of the employee, on the perquisite (not provided by way of monetary payment) provided to him, would be exempt, computed at the average rate of tax on the said non-monetary benefit.

13.In case, the employer chooses to pay the tax on 'non monetary benefits' only the computation would be simple.

14.Take for example: In the case of Mr. Idea, whose salary before including tax payment is Rs.1,48,500 (out of which say Rs.48,500 is 'non monetary benefit), his tax liability would be Rs.4,947, out of which the employer would pay Rs.1,616 (Rs.4,947 / Rs.1,48,500 x Rs.48,500).

15.If this amount is paid, the computation of the total income and tax liability of Mr.Idea would be as under:

	Rs.	Rs.
Taxable Salary (other than Perquisite & Tax)		1,00,000
Taxable Perquisite		48,500
Taxable Tax Payment		
Tax Paid by Employer	1,616	
Less: Exempt u/s 10(10CC)	1,616	Nil
Total Income		1,48,500
Tax on Total Income		4,850
Add: Education Cess		97
Tax Payable by Employee		4,947
Less: Already paid by Employer on his behalf		1,616
Net Amount payable by Employee		3,331

16.If the employer chooses to pay the total tax liability of the employee and within which some portion is exempt u/s 10(10CC) of the Income-tax Act, 1961, then a detailed working would be required.

17.Take for example - in the case of Mr.Idea, whose total salary is 1,48,500 (of which 'non monetary benefit' is Rs.48,500), the following would be the calculation required:

Total Income	Non Monetary Benefit	Tax on Total Income	Average Rate of Tax	Exemption u/s 10(10CC)	Net Taxable Tax Payment
(1)	(2)	(3)	(4)	(5)	(6)
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,48,500	48,500	4,947	3.33	1,616	3,331
1,51,831	48,500	5,474	3.61	1,748	3,725
1,52,225	48,500	5,554	3.65	1,770	3,784
1,52,284	48,500	5,566	3.66	1,773	3,793
1,52,293	48,500	5,568	3.66	1,773	3,795
1,52,295	48,500	5,569	3.66	1,773	3,796

Notes for filling the table

- Col. (1) in each row (from the second row) is filled by adding the total salary of Rs.1,48,500 with the Col. (6) of the row preceding the row of entry.
- Col. (3) is the tax liability for the total income in Col. (1) – including education cess.
- Col. (4) – Col. (3) / Col. (1) x 100
- Col. (5) – Col. (2) x Col. (4) / 100
- Col. (6) – Col. (3) minus Col. (5)

18.Hence, the employer would pay a sum of Rs.5,569 as tax, out of which Rs.1,773 would be exempt under section 10(10CC). Now, the computation of total income and tax liability of Mr.Idea would be as under:

	Rs.	Rs.
Taxable Salary (other than Perquisite & Tax)		1,00,000
Taxable Perquisite		48,500
Taxable Tax Payment:		
Tax Paid by Employer	5,569	
Less: Exempt u/s 10(10CC)	1,773	3,796
Total Income		1,52,296
Tax on Total Income		5,460
Add: Education Cess		109
Tax Payable by Employee		5,569
Less: Already paid by Employer on his behalf	5,569	
Net Amount payable by Employee		Nil

Conclusion

19.Paying tax on behalf of the employee is really 'Taxing'. Isn't it.

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Geeta Das

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The author is a member of the Institute.

Appeal to Create Endowment Funds

Invitation to individuals, trusts, societies and others to create endowments to award scholarships.

The Institute of Chartered Accountants of India grants liberally scholarships to meritorious and needy students. Scholarships are also awarded with external participation under different endowment schemes. Individuals and organizations can create endowments by contributing a minimum sum of rupees one lakh only. Returns from the Corpus will be used to grant monthly scholarship. Extend your helping hands to meritorious students to become Chartered Accountants.

Interested persons may write to:

Director of Studies

ICAI Bhawan, The Institute of Chartered Accountants of India

C-1, Sector-1, Noida 201 301 ☎(0120) 3989398, E-mail: psdos@icai.org

Limited Liability Partnerships

Sanjay Dhamija

Background

In India the business firms are traditionally organized as sole proprietorship and partnership firms or as limited companies. Sole proprietorship and partnership are subject to little regulations whereas limited companies are regulated by the Companies Act, 1956. The former offers organizational flexibility where as the later offers the advantage of limited liability for its members. A new form of organization – limited liability partnership (LLP) – combines the features of a partnership firm on the one hand and limited company on the other. A LLP is a hybrid legal entity somewhere in between a partnership firm and a limited company, combining features of both. The Ministry of Company Affairs has recently issued a concept paper for the introduction of LLP in India. It is expected that this alternative business structure would especially foster growth of service sector by providing a platform to professional firms to conduct their business/profession efficiently which would in turn increase their global competitiveness.

Key Features

This paper aims to examine the salient features of the concept paper on LLP and highlight the difference between a LLP and a partnership firm and a limited company. The main features of a LLP as detailed in the concept paper are set out below:

1. An LLP would be a body corporate with a perpetual succession and legal existence of its own. Once incorporated, a LLP would have a legal entity separate from that of its partners, capable of holding assets and liabilities in its own name, capable to sue and be sued and have a common seal. The law applicable to partnerships shall not apply to a LLP.
2. A LLP could be incorporated with a minimum of two partners. There would be no upper limit on the number of partners a LLP can have. Any individual or body corporate could be a partner in a LLP. The partnership must be to carry on a lawful business with a view to earn profit.
3. The partners must subscribe their name to an 'incorporation document' and the same must be

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registered with the Registrar of Companies. The incorporation document must contain information such as the name of LLP, proposed business, address of registered office and name, address and photographs of the partners. Once incorporated the LLP would have the words 'Limited Liability Partnership' or acronym 'LLP' as the last word of its name.



4. Every LLP would be required to appoint a person as a manager to ensure compliance by the LLP of all acts, matters and things that are required to be done by the LLP.
5. The mutual rights and duties of the partners of a LLP and the mutual rights and duties of a LLP and its partners shall be governed by the agreements between the partners and between the LLP and the partners.
6. Every partner of a LLP would be the agent of the LLP but not of other partners. Hence a partner of a LLP would be personally liable for his own wrongful acts or omission but will not liable for the wrongful act or omission of any other partner. A LLP being a separate legal entity would be liable for an obligation arising in a contract or otherwise and the liabilities of the LLP would be met out of its property. Likewise a partner would not be liable directly or indirectly for an obligation of the LLP.
7. A partner of a LLP may contribute by way of tangible or intangible property or other benefits to the LLP including money, services performed, promissory notes, other agreements to contribute cash or property and contract of services performed or to be performed. A partner's obligation to contribute shall be as per the partnership agreement.
8. The LLP shall maintain proper books of accounts on accrual basis and according to double entry book keeping system of accounting. The LLP shall file an annual declaration of solvency with the Registrar.
9. For the purposes of income tax and capital gain tax, the approach applicable to the partnership firms would be applicable notwithstanding that a LLP is a body corporate. For tax purposes, any activity carried on by

a LLP would be treated as carried on in partnership by its partners. Likewise for capital gain computations, the property of the LLP would be treated as the property of the partners.

10. A partner's economic rights in the LLP would be freely transferable however non-economic rights of a partner would not be transferable unless specified by the LLP agreement. Thus the right of the partner to a share in the profit and losses of the partnership is freely

transferable. However it would not entitle the assignee to participate in the management or conduct of the LLP.

11. An exiting partnership firm, private company or unlisted public company may convert to a LLP by complying with the requirements as to conversion.

12. The LLP would not stand dissolved due to the death, retirement or insolvency of one or more partner. A former partner would continue to be liable for the acts done in his tenure. The LLP may be wound up or dissolved either

Annexure: Comparison with other forms of organizations

Feature	Partnership Firm	Limited Company	Limited Liability Partnership
Registration	Not compulsory	Compulsory under the Companies Act. Time consuming and elaborate legal formalities for registration.	Compulsory. Simple and quick.
Incorporation Documents	Not Required	Memorandum of Association Articles of Association	Simple incorporation document and Partnership Agreement.
Number of members/ partners	Minimum 2, Maximum 20	Private Limited Company: • Minimum 2 and Maximum 50 Public Limited Company: • Minimum 7 and Maximum No limit	Minimum 2, Maximum No Limit
Separate Legal Entity	No existence apart from its members.	Yes	Yes
Duration	Limited. Stands dissolved on the death, retirement or insolvency of a partner.	Perpetual	Perpetual
Liability of members/ Partners	Unlimited personal liability for the debts of the firm.	Limited Liability	Limited Liability
Agency	Every partner is an agent of the firm and also an agent of other partners	No agency relationship between the members and the Company	Every partner is an agent of the firm. No agency relationship between partners.
Decision Making	Partnership Agreement	Board of Directors and passing of resolutions at the general meeting of members	Partnership Agreement
Transferability of interest	Not transferable without the consent of all other partners.	Freely transferable	Economic Interest • Freely transferable Non-Economic Interest • Subject to Partnership Agreement
Taxability of Income/ Capital Gains	Taxed in the hands of partners	Taxed in the hand of the Company Dividend subject to dividend distribution tax	Taxed in the hands of partners
Maintenance of accounts and records	No specific requirement	Maintain accounts on accrual basis and according to double entry system of book keeping	Maintain accounts on accrual basis and according to double entry system of book keeping
Filing requirements	None	Elaborate requirements in the Companies Act	Annual Declaration of Solvency
Dissolution and Winding Up	Simple	Difficult and time consuming	Simple

voluntarily or by the National Company Law Tribunal constituted under the Companies Act, 1956. Appropriate regulations making provisions about the winding up and dissolution of LLP would be made.

The comparison between a LLP, a general partnership and a limited company is set out in the Annexure.

Advantages of LLP

The advantages of a LLP include:

- (i) **Limited Liability for the partners:** the liability does not extend to the personal wealth of the partners.
- (ii) **Flexibility:** Complete flexibility regarding the organizational structure. There is no requirement to have a Board of Directors or Annual General Meeting or decision making by passing resolution.
- (iii) **Less cumbersome:** There is no need to have an Articles of Association or a Memorandum of Association for incorporating a LLP. The LLP is also saved from extensive filing requirements applicable to a limited company.
- (iv) **Taxation:** A LLP is taxed like a partnership rather than as a company. It would enjoy the benefits of 'pass-through' taxation.

LLP Agreement

A LLP does not require the constitution of a Board of Directors or decision making by passing resolution at the general meeting of the members. Nor is there any requirement to have a Memorandum of Association or Articles of Association for a LLP. A comprehensive LLP agreement governing the duties and responsibilities of the partners is therefore a necessity. The LLP agreement must provide for

- (i) The day to day management of the LLP including the decision making process;
- (ii) Capital contribution by the partners;
- (iii) Division of profits;
- (iv) Mutual rights and obligation of the partners;
- (v) Dispute resolution;
- (vi) Transfer of economic and non-economic rights of partners;
- (vii) Dissolution of LLP

Limited Liability Partnerships in other Countries

In UK, the Limited Liability Partnership Act 2000 came into effect on 6th April 2001. The Act provides that any two or more persons associated for carrying on a

lawful business with a view to profit can form them as a Limited Liability Partnership. The structure proposed in India as outlined in the concept paper aforesaid is more or less in line with the UK legislation.

In US many states restrict the use of LLP only to professionals in practice for example in the area of accountancy, law or architecture. Many other states permit the use of LLP form of organization for carrying on any business for profit.

Likewise Partnership Act in Canada was amended in 1998 to permit professionals to practice in the form of limited liability partnership subject to the following conditions:

- (i) The act governing the profession must expressly permit practice as an LLP;
- (ii) The professional governing body must establish minimum liability insurance requirement for the LLP. The LLP shall be required to maintain professional liability insurance coverage for each partner as stipulated.

Conclusion

As a new business structure LLP aims at to bridge the gap between partnership firms on one hand and limited company on the other. LLP would be simple to incorporate and dissolve and would be subject to must simpler requirements as to filing and disclosures. The partners of a LLP still would enjoy the benefits of limited liability. For income tax and capital gain tax, the LLP and the partners would be taxed on the same basis as any other partnership firm notwithstanding that the LLP is a body corporate.

It is expected that this new structure would be useful for small and medium enterprises (SMEs) and they would be able to attract funds from non-active partners who would enjoy the benefits of limited liability.

The professional firms of company secretaries, chartered accountants, advocates etc. also would find LLP useful as it protects the partners from unlimited liability. Especially in cases involving litigations for professional negligence where the size of the claim exceeds the sum of assets of the partnership.

Even the large corporate could use this form of organization to start joint ventures for a limited purpose or for a limited period. The corporate may become a partner in a LLP restricting its liability to the capital contributed to LLP. □

“CA exams: Turn repeat failures to a “Grand Success.”

Sanjay Diwakar

A story

Once upon a time in a faraway land, there was a learned preacher. A poor peasant used to travel long distances from his village to hear him preach the good things in life. One fine day, the poor peasant humbly invited the preacher to have lunch at his village home. Accepting his invitation the preacher asked his host to escort him to his village. The poor peasant could not afford a bullock cart so they had to go walking towards the village. They walked and walked, passing hundreds of fields and scores of villages along a river till they reached the foothills of a mountain range. The preacher was tired. He asked the peasant of how far were they from the village. The peasant replied that it was just after a couple of hills. The preacher continued to walk. After a while the preacher got exhausted. He enquired again of the distance to reach his village. The peasant replied that it was just after a couple of hills away. The preacher got angry and blasted at the peasant.

The peasant calmly replied – Sir, I had desired to gain knowledge from you, for which I have patiently travelled all these days from my village on foot to hear you preach. It is by continuing walking that we will reach the village, the village by itself will not come to us. Walking it is which will shorten the distance, our talking will not.

So please continue walking till we reach the destination and lunch can be served.

Moral of the story

To reach your destination you have to work hard and walk towards it. Continue to walk till you reach there. It is foolish to expect it to reach you without your attempt to walk towards it. So continue walking till you reach success in life and not merely ponder or brood or expect to arrive of its own.

“Deserve it then desire it”

Growth of an individual happens when he **develops an Internal vision** of his future, **dreams it daily** and then **works hard to deserve it** and then **claims desire for it**. This is the natural sequence of progress.

About CA Exams

CA exams are not merely an examination, *per se*, it is a curriculum that builds a personality, helps a person to identify his intrinsic strength and ability to meet the

The author is a member of the Institute.

opportunities thrown while overcoming his weaknesses and challenging the threats by optimized use of one's strengths in a given set of circumstances.

The student comes across stress, fun, joy and tears, the exultations and the sorrow, the thrill and the fear, the passion, the love – in a nutshell – all aspects of experiences in life. That is packaged and encapsulated in a manner that would build learning in a very short spell of time.

The curriculum design ensures a good training to meet the needs of life in totality. You are thrown to the difficult cliff-hangers to appreciate its values and try and triumph by resolving complex situations.

Psychosomatic state of a CA student's life

This value is targeted and normally meant to explain to a CA student who, in general, age-wise, is at the crossroads of life – moving from teenage to adulthood. So while undergoing training in CA, the student not only has to grapple with the needs of the curriculum but also address the needs of the psychosomatic changes that one is undergoing.

In particular, the psychosomatic needs in an independent young group environment coupled with a free share of emotions, wants and desires - emotional and physical in the natural circumstance makes a student vulnerable to temptations, and if these are not consciously controlled act as a major distraction – the key reason for “makes or breaks ” on the career front.

There is also the issue of the BIG EGO which builds around the student during this phase whereupon they fail to recognize their own mistakes and succumb to natural tempting perils. The cause is more often the peer pressure whereby unknowingly students are found trying to prove being second to none and move around with a false pride. They out of desperation hide their weaknesses and are found wanting in taking early corrective measures and initiatives to improvise themselves. They prefer living out the hardships with a mask on the face. A fear remains within of not getting caught on the wrong foot. So the person wastes a lot of valuable time in trying to assert to the peer group that everything is fine, while the fact is that deep within



one is shattered, tattered and torn. Other reason to neglect studies could be economic in nature whereupon, neglecting the time required to be given for study preparation; emphasis is given to the personal short term economic enhancement. In that case, the personal income is strengthened at the cost of technical preparation for the exams. The critical phase is the post exam period till the results are announced which needs proper management (Refer circle in Exhibit 1).

With the lack of balance between the time required to do preparatory studies and the scheduling of the job related matters, failure is certain. On the contrary, success would have been delayed but not denied had he instead of committing time on social acts takes efforts to again burn midnight oil and overcome his failure.

Time is money.

The CA exam cycle

Examinations are held twice a year, generally in the first week of May and November every year. The load of the curriculum can be well compared to constructing a multistoried apartment which needs to be built with placing brick and mortar layer by layer within a scheduled period giving due care for the drying time.

Similar is the case for preparing for the CA exams. It needs that minimum period of 4-5 months of intensive preparation to complete at least one round of complete initial coverage and at least another round of revision. Experience shows that there are shortcut trainings which bypass the indepth understanding of the curriculum content and focuses to address examination situations and succeed in exams. Even to do that there is a methodology which requires a fair amount of preparation time.

Drawing conclusion from the illustration provided above, you would require reasonable time to construct floor on floor, if you hasten and try to crash the “drying and settling” time, you would compromise on the quality of construction and surely on that eventual day, the entire building will collapse like a pack of cards.

The same applies to preparation of CA exams. You cannot take the load of preparation in a short span of time and be a winner. If you can, that constitutes an exceptional luck.

In pursuance to the understanding of the examination cycle, the average student may start his preparation later than expected and as on the examination day may fall short of the desired level of confidence, measured in terms of the coverage of the syllabus.

After the examinations are over, his approach towards studies determines his probability of success in future

examinations. With his inherent problems due to lack of awareness of the right direction, he enters into a phase of a relaxed mindset till results are announced and loses on the chance to sustain his level of confidence being out of touch with studies. Eventually, with every failure, he suffers a setback, loses further time to recoup and reassemble and falls into a vicious circle of under-preparation again till the next examinations arrive (See Exhibit 1). The line depicting such normal practice (in black) depicts the fate of such an attitude, whereupon students continuously fail.

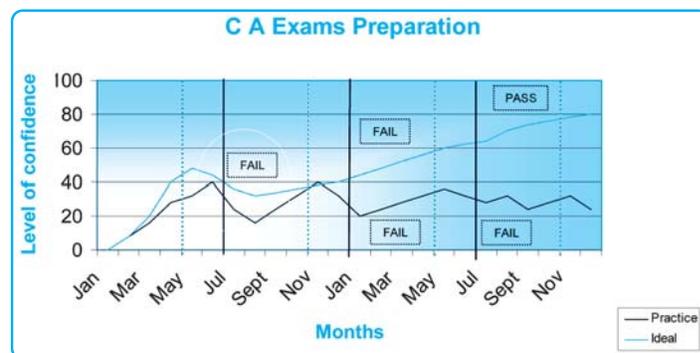


Exhibit-1

In order to turn failure into success, it is a strong recommendation that the student change the post exams approach till the exam results are announced.

The ideal approach is to continue with the same pace of the technical preparation and practice, if not more. As a result, with a failure announced the shock of the setback is not large enough to hold him back from an early start and with the continuum maintained in the pace of the preparation, the level of confidence multiplies manifold, the number of revisions required are more and the next examinations, the probability to success is more certain (See Exhibit – 1). The line depicting such ideal practice depicts the fate of such an attitude, whereupon students may fail, but in the next exams the success is made certain.

Even in case, the student has passed, God willing, the preparation will help in preparation for the job interview. That is always a Win-Win situation.

Conclusion

The key words to remember are:

- ◆ Early start
- ◆ The critical control point is post exams to result announcement date.
- ◆ Correct your post exam approach towards studies.
- ◆ Practice & practice to gain perfection – speed, time & accuracy.
- ◆ Sustain your study discipline till you succeed - No commercial breaks.

Important Guidelines – 250 Hours Compulsory Computer Training Programme

1. Students should register for 250 Hours Compulsory Computer Training Programme while undergoing PE - I or PE - II. It is advised that students may plan the computer training in such a manner that they are able to complete it well in advance of declaration of results of PE-II
2. Students are first required to get themselves registered at their respective regional offices. Once the application is found to be complete in all respects, a registration letter will be issued for undergoing the computer training. The students may note that the concerned Regional Office takes minimum 15 days to issue this letter. After receiving the letter, students can register at any of the accredited computer training institutes for undergoing the training. In case a student first registers with Computer Training Institute and commences training before registration with the appropriate regional office, such training period shall not be counted. He/she has to undergo fresh training after registration with the Regional Office.
3. Students are advised to take admission only in the listed accredited training institutes/centres. The updated list of accredited training institutes/centres is available in the Reference Manual and also hosted on the website of the Institute, <http://www.icai.org/students/courses>.
4. The minimum duration to complete the computer training is three months. Two options for undergoing the programme are as follows:

Option I : Duration - Three months (classes may be conducted 4 hours / day, 5 days / week)

Option II: Duration - 4 months (classes may be conducted 7 hours / day, on Saturday and Sunday)
5. Training will be organized in a batch system. A batch will be started only in the first week of each month. Students are advised to register with the authorized accredited institutions in advance.
6. A student is required to start his training with the accredited institution within six months from the date of registration for the Compulsory Computer Training Programme with ICAI. In case a student fails to do so, he/she is required to take fresh registration by paying Rs. 250 to the ICAI.
7. A student is required to complete the training uninterruptedly.
8. There shall be four module tests. The student is required to pass each module test by securing at least 50% marks.
9. A student becomes eligible to appear for online examination only after completion of minimum duration of the course as well as all curriculum given in the prospects and reference manual i.e., after clearing the four Module Tests, submission of project and adherence to minimum attendance criteria of ninety percent. Once a student becomes eligible, he/she has to appear for the online examination within four months.
10. Online examinations will be conducted on second Sunday of every month. Students fulfilling all the criteria stated above could appear for the final online examination. The examinations are generally conducted from 10 a.m., duration of which is 3 hours. Students are advised to contact their accredited training centres for further details in this regard.
11. The CCT Completion Certificate will be issued by the concerned Regional Office within 25 days from the date of final online examination.
12. Completion of the computer training is a prerequisite for registration of the articleship. It is



suggested that students may plan the computer training in such a manner that they are able to complete it well in advance of declaration of results of PE - II. In case they fail to do so, there is a delay of at least 3 months if not more. Students should also keep in mind that the final online test is conducted once in a month. Thus, the time loss on account of non-completion of the computer training in time will be much more. In case of any doubt or clarification, you may contact the concerned Regional Offices or Board of Studies at the given e-mail id: bosnoida@icai.org.

Students are advised to lodge complaints for difficulties faced in pursuing 250 Hours Compulsory Computer Training Programme with the accredited institutes/delay in getting Compulsory Computer Training Programme Completion Certificate/difficulties faced for appearing in the online examination at e-mail id indu@icai.org.

Grant of Accreditation - For conducting 250 hours Compulsory Computer Course

- ◆ Southern India Regional Council, ICAI Bhawan, 122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034

No admission to 250 hours Compulsory Computer Training Programme by NIIT Centres

NIIT Ltd. has temporarily stopped taking admission for 250 Compulsory Computer Training Programme for C.A. students at its accredited centres across the country. Students are hereby advised not to visit NIIT centres for 250 hours Compulsory Computer Training Programme and look for alternative accredited centres in their city. We are removing the names of all NIIT centres from the list of accredited centres given in the Reference Manual as well as from the website to avoid confusion amongst the students.

Students may note that in all those cities where NIIT centres have stopped taking admission, other centres are available. Hence, students will not face any problems.

De-accreditation from the list of Accredited Institution

M/s Shayok Computers, Udhna, Surat is de-accredited from the list of Accredited Institutions engaged in imparting 250 Hrs. Compulsory Computer Training Programme which will be effective on and from 1st July, 2006. This Computer Training Centre has been instructed not to admit the students on or after 31st March, 2006. Accordingly, the students are advised to take note of this Announcement.

250 Hours Compulsory Computer Training Programme - Online Examination

The next online Examination for 250 Hours Compulsory Computer Training Programme will be conducted on 11th June, 2006 at 10.00 AM. All those students who fulfil following requirements are eligible to appear for this examination :

1. Completed minimum three months computer training
2. Cleared all module tests
3. Submitted the project
4. Attained 90% attendance

It is observed that even those students who do not fulfil the conditions stated above are appearing for the online examination. It is reiterated that only those students who fulfil all the four aforesaid criteria are eligible to appear for the online exam. Ineligible students will not be issued CCT completion certificates even if they are allowed to appear for the online examination by their concerned training institute. Students are advised to contact their concerned accredited training institutes for further details. In case you face any difficulty regarding conduct of online examination at your training centre, please contact the concerned Regional Office. Alternatively, you can contact Mrs. Indu Arora at NOIDA office at e-mail address indu@icai.org.

New publications of Board of Studies

For the benefit of students following new publications are released or in the course of being released. Students are advised to acquire a copy of the same at the earliest.

Publication	Price (Rs)
1. Compilation of questions set in previous examinations with answers	
Professional Education (Course - I)	
<i>Paper 1: Fundamentals of Accounting</i>	40
<i>Paper 2: Mathematics and Statistics</i>	40
<i>Paper 3: Economics</i>	40
<i>Paper 4A: Business Communication</i>	25
<i>Paper 4B: Organisation and Management</i>	25
Professional Education (Course - II)	
<i>Paper 1: Accounting</i>	40
<i>Paper 3: Business and Corporate Laws</i>	40
<i>Paper 4 A: Cost Accounting</i>	40
<i>Paper 4 B: Financial Management</i>	40
<i>Paper 6: Information Technology</i>	40
Final	
<i>Paper 1: Advanced Accounting</i>	60
<i>Paper 2: Management Accounting and Financial Analysis</i>	60
<i>Paper 4: Corporate Laws and Secretarial Practice</i>	60
<i>Paper 5: Cost Management</i>	60
<i>Paper 6: Management Information and Control System</i>	60
2. Compilation of questions set in previous examinations	
Professional Education (Course - I)	40
Professional Education (Course - II)	40
Final	40
3. Supplementary Study Paper - 2006	
Professional Education (Course - II) : Income-tax and Central Sales-tax	<i>Available from 20th June</i>
Final : Direct Taxes and Indirect Taxes	<i>Available from 20th June</i>
4. Suggested Answers to Questions set in November, 2005 Examination	
Professional Education (Course - I)	40
Professional Education (Course - II) : Group I & II	40 each
Final Course : Group I & II	40 each
5. Self-development Booklet 6 : Audit Documentation	25
6. Professional Education Course : A Guide for Students	80
	<i>For free distribution at the time of registration</i>
7. Training Guide	
	<i>Also for free distribution to new members</i>

Announcements

1. Video CD Project

In the distance education pedagogy followed in the Institute, students often feel a lingering need for interacting with the subject experts. Good faculty members are not uniformly available in all the cities. Many a times students also travel to other cities to attend the classes of reputed teachers. However, the Institute endeavours to provide learning at the doorsteps of the students. Audio recording of lectures and E-learning modules in CDs on different topics are already available. The project on E-learning is under progress. Another project of providing video recordings of the lectures of subject experts of national repute is now envisaged. These lectures will be made available to the students. Students would be able to attend the lectures by seeing the video at their convenience.

To begin with, video lectures in the area of Taxation for the students of Final course and Business and Corporate laws for the students of Professional Education (Course - II) will be made available by the end of this month.

2. Online Eligibility Test Scheme

The Board of Studies is conducting Online Eligibly Tests in the month of May and June in Kolkata and Mumbai for the students appearing for November, 2006 Examination. The facility is available for the students of Professional Education (Course-I) & (Course-II) and Final Course in all subjects. However, a student of Professional Education (Course-I) can appear and pass a maximum of one test paper and those of Professional Education (Course-II) and Final Course can appear and pass a maximum of two test papers under Online Eligibility Test Paper Scheme. Each paper comprises of multiple-choice questions covering the entire syllabus of the subject. Qualifying marks under online Eligibility Test Paper Scheme is 50 per cent.

Schedule for on-line eligibility test at Kolkata Computer Centre

Professional Education (Course - I)

17.05.06 Wednesday	28.05.06 Sunday
03.06.06 Saturday	07.06.06 Wednesday

Professional Education (Course - II)

20.05.06 Saturday	24.05.06 Wednesday
31.05.06 Wednesday	14.06.06 Wednesday

18.06.06 Sunday	21.06.06 Wednesday
24.06.06 Saturday	25.06.06 Sunday

Final Course

21.05.06 Sunday	27.05.06 Saturday
04.06.06 Sunday	17.06.06 Saturday

The detailed schedule & the registration timings are available on the notice board of ICAI-Kolkata office from 1st May 2006.

Schedule for online eligibility test at Mumbai Computer Centre

The schedule for conducting the online exams commencing from 22nd May, 2006 is as follows:

Course	Day	Time
PE-1	All Wednesdays	2 pm to 5:30 pm
PE-2	All Mondays & Fridays	2 pm to 5:30 pm
Final	All Sundays	10 am to 1:30 pm

These tests will be held at the ICAI Computer Centre, 27, ICAI Bhawan, Cuffe Parade, Mumbai. There will be 2 sessions of one and a half hour each and there will be a half hour break between each session.

Students may please note that in May, 2006 issue of the Students' Newsletter, qualifying marks have been wrongly mentioned as 45%. Further, number of papers which a PE-I student can qualify under this scheme is wrongly mention as 2 papers. Students are advised to follow the scheme given on the Web Site.

3. Response to general queries regarding transition to New Education and Training System

Enquiries are received about the impact of the proposed curriculum on the existing students. In this regard, it is clarified that the proposed scheme of curriculum is pending before the Government for consideration and will be notified only after due approval. Thereafter, the transition provisions will be known as to how the existing students will be accommodated and allowed to converge with the new curriculum over a period of time. Students are informed that the transitional provisions will take care of smooth convergence of existing and proposed curriculum.

There have been specific queries from students undergoing

practical training about preponement of eligibility to appear in final examination. This matter is receiving attention of the Council and ultimately requires Government approval. Therefore, students are required to continue their preparation without entertaining rumours. As and when a decision is taken for implementation, the students will be duly notified.

4. General Management and Communication Skills Course

It is a mandatory requirement for the chartered accountancy students who have passed the Final Examination, partly or entirely under the new syllabus specified by the Council under Regulation 31 of the Chartered Accountants Regulations, 1988 to attend the Course on General Management and Communication Skills (GMCS) under Regulations 51A/72A of the said Regulations, before applying for membership of the Institute.

It is planned to provide an opportunity to such students who have passed the Final examinations earlier but could not enrol themselves as members because they are not able to fulfil the requirements of GMCS course and are finding it difficult to do so as the schedules of the courses clash with office timings. As an exception such students will be given a special concession to join weekend courses in GMCS. All such students are requested to provide following details latest by 30th June, 2006 to Ms. Aruna Bhosle, Assistant Director, Board of Studies, ICAI, C-1, Sector-1, NOIDA-201 301, Phone: 0120-3054827, preferably through e-mail gmcscourse@icai.org or abhosle@icai.org

- a. Name:
- b. Registration No.:
- c. Contact Address:
- d. Phone :
- e. E-mail id:
- f. Date of passing CA final Examination (both groups):
- g. Name of city where you intend to attend GMCS Course

5. Quiz and Elocution Contest

The Chartered Accountants of today require multifarious skills to succeed in their professional lives. To assist the students to adequately prepare for the future, the Board of Studies provides opportunities to learn beyond theoretical education. Apart from emphasis on the practical training, the Board conducts several other programmes at branch, regional and

national level. Conducting conferences, conventions, seminars, contests go a long way in helping the students in their wholesome learning. For the current year, different kind of programmes are being planned in different cities. Students should keep an eye for them and participate wherever opportunities exist.

Quiz contests and Elocution Contests are being planned in the months of May and July as per the schedule given below.

City	Quiz Contest	Elocution Contest
Aurangabad	25 th June, 2006	24 th June, 2006
Ernakulam	5 th July, 2006	5 th July, 2006
Gwalior	24 th June, 2006	24 th June, 2006
Jaipur	19 th June, 2006	26 th June, 2006
Kolkata (Branch level)	1 st July, 2006	1 st July, 2006
Mumbai	28 th July, 2006	28 th July, 2006
Mysore	4 th June, 2006 (9.30 a.m.)	4 th June, 2006 (9.30 a.m.)
Nagpur	27 th May, 2006	17 th June, 2006
Raipur	24 th June, 2006	17 th June, 2006
Rajkot	2 nd June, 2006 (6 p.m.)	2 nd June, 2006 (4 p.m.)
Siliguri	1 st July, 2006	1 st July, 2006
Tiruchirappalli	13 th May, 2006 (5 p.m.)	13 th May, 2006 (5 p.m.)
Trivandrum	10 th June, 2006	10 th June, 2006
Udaipur	8 th July, 2006	8 th July, 2006
Vijaywada	11 th June, 2006 (10.00 a.m.)	11 th June, 2006 (10.00 a.m.)

Students are advised to contact the Chairman of the respective Branches/Regional Councils for further details and participate in large numbers & take the benefit. Students may note that the first round competition at Branches and Regional Headquarters level shall be completed on or before July 31, 2006. The winners of Branches/Regional Headquarters level competition will participate in a Regional Level Competition which will be held in each Regional Head-quarters on or before August 31, 2006. The winners of Regional Level Competition will participate in All India Contest.

Schedule for Quiz and Elocution contests to be conducted in other cities will be announced from time to time. Students

are advised to visit this site on regular basis for the latest information.

6. WIRC Students' Regional Conference, Baroda

'Exploring the future'

Dates: July 8 & 9, 2006

Venue: C C Mehta Auditorium, M S University, Baroda

Fees: Rs. 500 per delegate registering on or before 30th June, 2006

Rs. 600 per delegate registering on or after 1st July, 2006

There are sessions on Accounts and Audit, Future Avenues, Art of Creating Health and Fitness, Direct and Indirect Taxes and Personal Effectiveness. Student are invited to write papers and participate. For details contact:

- ◆ CA. Durgesh Kabra, Secretary, WIRC of ICAI, 27, Anveshak, Cuffe Parade, Mumbai 400 005. Phone 022-5637500, 9323575801, Fax: 022-22162441, E-mail: durgeshkabra@hotmail.com
- ◆ Shri Ashok Thakkar, Secretary, Baroda Branch of WIRC, 2-B, Ramakrishna Chambers, Productivity Road, Vadodara 390 007. E-mail: artshs@icenet.co.in

7. 8th Central India CA Students' Regional Conference

The 8th Central India CA Students' Regional Conference is proposed to be held in Agra in the month of July, 2006

8. Sub-Regional Student Conference

Shining Future of our Profession

Date: June 3, 2006

Venue: Hotel Sagar International, Opp Railway Station, Durg

Organised by: Bhilai Branch

8. Grant of Accreditation

For conducting oral Coaching classes for Professional Education (Course – I)

- ◆ Tiruppur Kumaran College for Women, S.R.Nagar, Mangalam Road, Tiruppur - 641687

For conducting oral Coaching classes for Professional Education (Course – I) and Professional Education (Course – II)

- ◆ Quilon Branch, ICAI Bhawan, Pallithottam, Kollam-691006

Revisionary Classes

As in the past, Revisionary Classes for the students pursuing and eligible to appear in the Chartered Accountants Professional Course-I Examination, Professional Course-II Examination and Final Examinations to be held in November, 2006 will commence from 12th June, 2006. These Revisionary Classes will be conducted in the premises of the Northern Regional Office *at "ICAI Bhawan", 52-53-54, Vishwas Nagar, Shahdra, Delhi-110032 and will be of the duration of about 4 (four) months. Timing of these Classes and the Special Classes on Income-tax and Central Sales Tax (in PE-II), and on Direct Taxes (in Final) and fee will be as under :

Course	Timing*	Fee (Rs)
Final	7.00 AM–9.30 AM	Group - I : 1000 Group - II: 700 (except Direct Taxes) Group - Both:1500 (except Direct Taxes)
PE-II	10.00 AM–12.00 Noon 12.30 PM–2.30 PM**	Group - I : 600 Group - II: 400 (except IT & ST) Group - Both : 850 (except IT & ST)
PE-I	3.00 PM–6.00 PM	900
Final : Special Classes*** on Direct Taxes		700
PE-II : Special Classes*** on Income Tax		500

* While every effort will be made to maintain these timings, the same may change in exigencies

** Depending upon the number of applications received, second batches may be conducted.

***The Timing and Venue of these classes is under finalisation and will be announced shortly on the website : **nirc-icai.org**

- ◆ Fee by way of a DD drawn in favour of "NIRC of the ICAI" and payable at New Delhi only
- ◆ The venue of the Special Classes – Income Tax and Direct Taxes will be announced in due course
- ◆ As seats are limited, registration will be done on First-Come-First-Served basis
- ◆ Those interested (and eligible to appear in the captioned examinations in November, 2006) may obtain the application form from the office of the NIRC of the ICAI at "ICAI Bhawan", 5th Floor, Indraprastha Marg, New Delhi-110002, and submit the same duly filled, signed and accompanied with remittance
- ◆ The application form can also be **downloaded** from the **website : nirc-icai.org**

Announcement for PE-II & Final Students for November, 2006 exams

For the papers ITCST (PE-II), Direct Taxes (Final) and Indirect Taxes (Final), the applicable assessment year for November, 2006 Examinations would be 2006-07. Accordingly, the amendments made by the Finance Act of the previous year namely Finance Act, 2005 would be applicable.

The Finance Act, 2006 received the assent of the President on 18th April, 2006. Thus, even though the Finance Act, 2006 would be in force for a period of 6 months prior to November, 2006 Examinations, the provisions of the Act would not be applicable for November, 2006 Examinations because the amendments contained in the Finance Act, 2006 are generally applicable w.e.f. A.Y. 2007-08. Even if some of the provisions of the Finance Act, 2006 are effective retrospectively they are not applicable for November, 2006 Examinations.

The same position would apply for indirect taxes also. Accordingly, amendments made by the Finance Act, 2006 and circulars/notifications issued in terms of the power derived from the provisions of the Finance Act, 2006 would not be applicable for November, 2006 Examinations even though they might be in force for a period of more than 6 months prior to November, 2006 Examinations.

As regards other legislative amendments, the cut off period of 6 months would continue to be applicable as at present.

No.13-CA (Exams)/PE-II/M2K5/SPT-0023309/Roll No.20605:-
In exercise of the powers conferred by Regulation 41 read with Regulation 176 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India has decided that the appearance of Ms. Seema V., D/o Mr. Venkoba, Ganesh Nagar, near Primary School, Sirsi – 581 401, bearing Roll No.20605 in the Professional Education- II Examination held in May, 2005 be cancelled.

(G. Somasekhar)
Joint Secretary (Exams)



Dr. T.P. Ghosh, Director, Board of Studies explaining the contents of the new syllabus at the Study Group Meeting held at Chennai.



Inauguration of Study Group meeting in Calcutta. (Seen in picture – from L to R): CA. Abhijit Bandyopadhyay , Council Member, Dr T. P Ghosh, Director of Studies, CA. V Murali, Chairman, Board of Studies, CA. K P Khandelwal, Council Member



Student Representative from Calcutta discussing with the CA. V. Murali, Chairman, Boards of Studies (Centre). (Others seen in picture – Right side): CA. Abhijit Bandyopadhyay , Council Member, Dr T. P Ghosh, Director of Studies



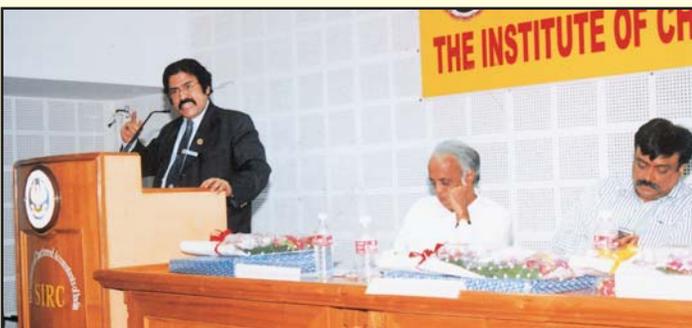
CA. V. Murali, Chairman, Boards of Studies and CA. Abhijit Bandyopadhyay, Council Member, with the faculty in Study Group meeting in Kolkata.



1st batch of CCT students along with CA. V. Murali, Chairman, Board of Studies and staff of SIRC



Study Group meeting in Kolkata. CA. V Murali, Chairman, Board of Studies, CA. Abhijit Bandyopadhyay , Council Member, Dr T. P Ghosh, Director of Studies are seen in the picture



CA. V. Murali, Chairman, Board of Studies addressing the participants of the GMCS course at Chennai. Also seen CA. S. Santhanakrishnan, Council Member and CA. S.V. Parthasarathy, Executive Vice-President, Indus Ind Bank Ltd.



CA. V. Murali, Chairman, Board of Studies and CA. M Kandasami, Chairman, SIRC discussing issues relating to Compulsory Computer Training

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Overseas : U.S. \$ 20 p.a.

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Hon'ble Shri K Rahman Khan on being reelected as the Deputy Chairman, Rajya Sabha on 12th May, 2006. CA. V. Murali Chairman, Board of Studies felicitated Shri K Rahman Khan in the Chamber of Deputy Chairman, Rajya Sabha at the Parliament House

CA. T.N. Manoharan, President, ICAI and CA. V. Murali, Chairman, Board of Studies interacting with the participants.



Dr P. L. Sanjeev Reddy, Director, Indian Institute of Public Administration, Formerly Secretary of the Ministry of Company affairs, New Delhi in discussion with CA. V Murali, Chairman, Board of Studies

18th May, 2006. Inauguration of Compulsory Computer Training (CCT) for the students undergoing the Chartered Accountancy Course organised by the SIRC of ICAI. CA. V Murali, Chairman, Board of Studies, along with CA. M Kandasami, Chairman, SIRC.



Check your Address : All students should check their mailing address printed here. In case, there is any change or the PIN Code (Postal Index Code) is either missing or incorrect, kindly inform immediately the concerned Regional Office giving full particulars of your address along with correct PIN Code. This would enable us to ensure smooth and prompt delivery of the Newsletter.

Editor : V Murali

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