

The Articled....

Because u r Altitude is determined by u r Attitude

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From the Director's Desk :-

At the very outset, let me congratulate the Family of "The Articled" on the successful launch of their first edition. It is remarkable to see the magazine cover an entire gamut of Financial World and also a good dose of entertainment thrown in. I must also congratulate each team member who has contributed to this.

I wish the publication continues for a very long time and gives its readers the latest and the most useful information which they can implement.

I hope everyone in the DNS Family has enjoyed the pollution free weather and appreciated nature at its best during the off-site entertainment trip to Kabini Jungle Resorts. I appreciate the co-operation of everybody during the trip and their contribution in making the trip a memorable one. I wish many more such events will follow in the years to come.

I am happy to inform that the "Learning Saturday's Programme" has kicked off on Jun 29, 2007. I request all the family members to take the best advantage of this in improving their skill sets. I am sure that this initiative of the DNS will help in creating World Class Professionals.

Sreenivas Babu, P



Editorial

The attainment of success brings along with it a feeling of euphoria, a sense of achievement and self belief, the feeling echoes from within before it settles down. But it's the flame of knowledge that makes the element of success visible. "Knowledge is the linchpin around which the wheel of success revolves".

So let the pursuit for success entail within itself a quest for knowledge, a never-ending struggle to enrich ourselves with what every single opportunity has to offer. "Lets burn ourselves and keep this flame alive till eternity".

Words of Gratitude:

After the the maiden venture of our very first newsletter "The Articled", and the tremendous feedback & encouragement recieved from our seniors, clients and wellwisher from within industry and outside, we are glad to present before you the second edition of our newsletter.

We would like to take this opportunity to specially thank Mr. Sanjay Dhariwal, Mr. Sreenivas Babu, Mr Sunil Surana, the team of "The Articled" & all those who have directly or indirectly contributed to the making of this newsletter.

We hope to get the continued support and assistance from all our wellwishers in the near future also.

-Editorial Board

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Professional Ethics - An Introductory Course in Value Education

Ethics generally means the science of conduct or morality. Ethics are a blend of customs and cultures followed by people and are important in all kind of work we do, be it business or profession.

Equally it applies even to our profession and we cannot grow as professionals without having professional ethics. And thanks to the ICAI and the Parliament, we have our code of ethics in form of an Act.



Section 22 of the Chartered Accountants Act defines and describes what constitutes 'professional misconduct'. Under Section 22 of the Act, the expression 'professional misconduct'

shall be deemed to include any act or omission specified in any of the schedules. However, during the last 50 years since the Act came into force, the members of the profession, which have enhanced, have voluntarily established certain conventions the respect and confidence enjoyed by the profession. The Council of the Institute has been adhering to these principles strictly and scrupulously in order to maintain the reputation of the profession.

Part I of Schedule I of CA Act, 1949 deals with professional ethics to be followed by CA, Member of Institute in Practice. This part contains 13 clauses. The following are the professional misconduct in relation to Chartered Accountants in Practice updated with the latest amendments that had taken place as per CA Amendment Act 2006.

Clause (1) - A CA will be guilty of professional misconduct, if he allows any person to practice in his own name or firms name provided such person is not his partner. This is intended to safeguard the public against unqualified accountant practicing under the cover of qualified accountant.

Clause (2) - A CA will be guilty of professional misconduct if he shares his fee with other professional who are not members of institute. However a CA can always share his income or profit with Partner, retired partner, any other member of institute, and the widow of deceased partner.

However, as per CA Amendment Act 2006 a CA can share his profits or professional income with certain notified professional as prescribed by central

council. The CA is allowed to share with CS, CWA, and Lawyer etc.

Clause (3) - A chartered accountant is prohibited to accept or agree to accept any part of the profits of the professional work of a lawyer, auctioneer, broker or other agent who is not a member of the institute.

Whereas, as per CA Amendment Act 2006 a CA can accept profit or fee from lawyer, CS, CWA, or any other person notified by central council from time to time

Clause (4) - Any Practicing member is prohibited to enter into partnership with any person other than a Practicing Member or members of recognized foreign professional bodies

However, as per CA Amendment Act 2006 a CA can enter into partnership with non-members as notified by council. A CA is also given right to share his income either in India or outside India (as per agreement with Singapore government a practicing CA can also practice in Singapore)

Clause (5) - A practicing member is prohibited to secure either through the services of a person not qualified to be his partner or by means which are not open to a Chartered Accountant, any professional business. The CA must seek work through the respect he enjoys, professional skill and talent, his confidence etc and not through any agency. All forms of canvassing on that accounts are regarded unethical.

Clause (6)-A Practicing member is prohibited from soliciting clients or professional work by circular, advertisement, personal communication or interview or by any other means. This restraint must be practiced so that members may maintain their independence of judgment and may be able to command the respect of their prospective clients. It is only quality service, which attracts and retains clients.

Clause (7) -A Practicing member is prohibited from advertising his professional attainments or services or using any designation or expressions other than chartered accountant on professional documents, visiting cards or signboard, except permitted degree or title.

Clause (8) -A Practicing member is prohibited from accepting a position previously held by another chartered accountant without first communicating with him in writing.

Clause (9) -A Practicing member is prohibited from accepting an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 in respect of such appointment have been duly complied with.

Clause (10) -A Practicing member is prohibited from charging or offering to charge, accepting or offering to accept in respect of any professional employment fees, which are based on a percentage of profits or contingent upon the findings, or results of such employment, except permitted by the regulations

Clause (11) -A Practicing member is prohibited from engaging in any business or occupation other than the profession of chartered accountants unless permitted by the Council so to engage, except being a director of a

company, unless he or any of his partners is interested in such company as an auditor.

Clause (12) -A Practicing member is prohibited from accepting a position as auditor previously held by some other chartered accountant in such conditions as to constitute under- cutting.

Clause (13) -A Practicing member is prohibited from allowing a person not being a member of the Institute or a member not being his partner to sign on his behalf or on behalf of his firm, any balance-sheet, profit and loss account, report or financial statements.

In the ultimate analysis we can say that we need to think of professional ethics if we want to tackle effectively the current challenges we face in our professional life. Ethics is not definable, is not implementable, because it is not conscious, it involves not only our thinking but also our feeling.

- Komal, Shilpa, Bherulal, Nikhil

SUPPORTIVE E- GOVERNANCE ...

No one can deny that the prosperity of a country largely depends on prosperity of its corporate world and the prosperity of its corporate world is facilitated through a simple and hassle free Company Law and its Practices. Unless comprehensive **e-governance** embracing all aspects of Company Law administration is introduced, rule of law for the corporate sector will remain a distant dream.

Any environment of change strikes one with a very vital need for unlearning what one has learnt so far. Under **e-governance** we have to unlearn handling of papers, unlearn visiting offices, unlearn physical interaction with departments etc but we have to learn most important thing i.e., language of computer to work upon & deal with it. This is perhaps the first time a government in independent India has moved swiftly to put in place a mechanism that is imaginative, technologically savvy and stakeholder friendly.

Definition of E-GOVERNANCE: -

“The use of **information** and **communication technologies** in **public administrations** combined with organisational change and new skills in order to **improve public services** and **democratic processes** and **strengthen support to public policies**”.

Significance of E-GOVERNANCE: -

Keeping in tune with **e-governance** initiatives world wide Ministry of Corporate affairs, Government of India has initiative MCA 21 project. This project is designed to

fully automate all the processes related to proactive enforcement & compliance of the legal requirements.



The **e-governance** system should enable quick disposal of the registration and incorporation processes with the use of self operating e-systems, minimizing physical interface and use of discretionary statutory powers by registering authorities. There is scope for reducing corruption through **e-governance**, making company law administration transparent, accountable and effective by building up a centralized database repository of corporates operating in India.

To accord sanctity to the **e-governance**, Chapter III of the Information Technology Act provides for electronic governance and at the same time Indian Penal Code, The Indian Evidence Act, bankers Book Evidence Act have been extensively amended to recognize electronic records. The Documents retained electronically have been given the same footing as paper document.

CONCLUSION: -

It is said that change is the only permanent thing in the world. Any change brings with it lot of practical problems & requires initial adjustments by user. E-governance no doubt, will go a long way in helping the overall efficiency of the system & will be appreciate better by one & all with more usage & refinement.

- Abhishek, Swapna, Puneeth, Tanuja

You can have the cake n eat it too....

How about getting bonus without having to pay up any tax on it? Sounds interesting. Wondering whether it can be possible? Perhaps, you have not heard of Bonus Stripping. What might sound, as Bonus extravaganza in layman's term is "Bonus Stripping" under the taxman's lenses.



Bonus stripping is buying of a financial asset like shares/mutual fund units on which bonus is declared before the record date of declaration of bonus to the investor and later selling the original quantity of financial asset bought, to book a loss for income tax purpose.

Legally you would be booking a loss whereas it's a major gain. Quite legal of course, it can be called tax avoidance or deferring tax payments.

For instance let's say an individual buys 10,000 units of a fund at a Net Asset Value of Rs.10/- per unit for a total amount of Rs.1,00,000. Now, the individual, after bonus, would be having a total of 20,000 units and the NAV of the fund post bonus would approximately dropdown to Rs.5.50/- per unit. Which means his total amount would be Rs.1,10,000/- .On the sale of the original 10,000 units, the investor would be booking a loss i.e. a short term loss, as the mutual fund units are held for a period not exceeding one year.

Thus, for income tax purpose you will be registering a short-term loss but financially you have made a gain.

Hence, to prevent the practice of bonus stripping, a new sub-section (8) is inserted in section 94. Under this sub-section, it is proposed to curb the practice of Bonus Stripping through issue of Bonus units by mutual funds.

Provisions of sec 94(8)

Sec 94 subsection 8 restricts setting off loss arising out of transfer of **units** if the following conditions are satisfied: -

- ✍ **Units** are purchased within three months prior to the record date.
- ✍ On such units, the purchaser is allotted or is entitled to additional units, in other words **bonus units** without payment.
- ✍ Such units i.e. the original units are sold within a period of nine months after the record date.

✍ The purchaser continues to hold the additional units, i.e. bonus units allotted.

Thus, the loss arising on sale of such original units is not to be considered at all while computing the taxable income of the purchaser, i.e. the loss if any will be ignored for computing the income chargeable to tax. However, the amount of loss so ignored shall be deemed to be the cost of purchase or acquisition of the bonus units.

Let us take up few illustrations to understand it better:

	Case-1	Case-2	Case-3	Case-4
Purchase Date	05/01/06	05/01/06	01/12/06	01/12/06
Record Date	31/03/06	31/03/06	31/3/06	31/12/06
Sale of Original Units	02/04/06	02/08/06	02/06/06	02/11/06

Case-1

Here, Units are purchased within 3 months prior to record date and sold within 9 months after record date. All the conditions laid out by sec 94(8) are being satisfied, consequently the loss would not be allowed for set off.

Case-2

It is the same as case-1 and hence the provisions of Sec 94(8) would be applicable.

Case-3

Here, we notice that 1st condition i.e purchase of units within 3 months prior to record date is not satisfied and hence, the provisions of sec 94(8) is not attracted.

Case-4

In this case we see that sale is taking place well after the elapsing of 9 months after the record date. Hence, sec 94(8) is not attracted.

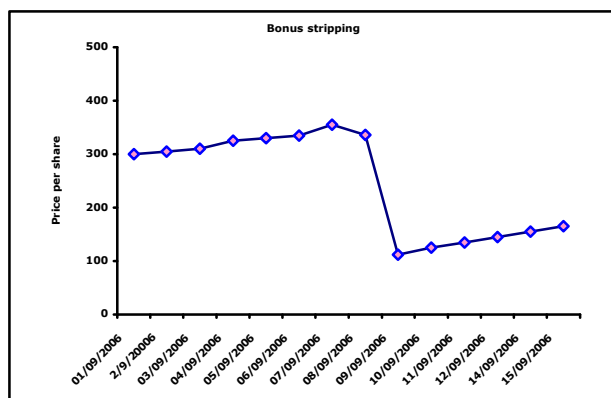
The above analysis gives a good grip on the ramifications of the provisions of bonus stripping. An investor can plan out his investment scheme in a safe manner so that the provision of the said section becomes impotent.

"But its not over till the fat lady sings" That's because the **equities** are not covered within the brackets of the said section, as the provision covers only mutual fund units and not equities.

When a corporate decides to issue bonus share the price of the share falls proportionately.

When bonus is declared, the share prices of the company do rise if it meets the, market expectations. However, the prices may remain unaffected or even fall after a bonus is declared.

This concept can be well understood with an example:



Here, the bonus is declared on the 2nd, the investor buys 100 shares on 4th at Rs.325/-. On 9th the stock goes ex-bonus and thus the share price falls in the ratio 1:2. i.e. 2 bonus share received for 1 share held. Thus, now the share price is Rs.112/- exactly $\frac{1}{3}$ rd of the price of the previous day Rs.336/-. Thus, now the investor sells the original shares i.e. 100 shares at a loss of Rs.213/- per share. Here, we see that the investor can get himself stripped of the capital gain of Rs.21,300/- by investing Rs.32,500/- and not

loosing anything in the process. Hence, an investor can safeguard himself from the provision of bonus stripping by investing in shares and claim the loss. In the above example, the investor can hold the bonus share for a year and earn long term capital gain, which is however exempted u/s 10(38) of the Income Tax Act.

The only concern here is that the investor has to tie himself with the bonus shares of the company for a year i.e to say that the company must be stable and has good long-term prospects. Tax Evasion is not the way to Wealth Creation, have a happy time investing. ***“Save and Earn rather than Evade and Earn”.***

Word meanings:

Record Date: It is a date as may be fixed by a company/mutual fund/UTI for the purposes of entitlement to receive bonus (or income).

Units: A combination of multiple securities, such as common stock and warrants, sold together as a single product.

Quick Bites:

PAN Card is now mandatory to operate a demat account. Investors have to provide a copy of their PAN Card to their DP

- Mithila, Soumitra, Chetan, Udaya

Service Tax on Works Contract and Renting of Immovable property - An Analysis

Works Contract Service

The insertion of the new category 'Works contract Service' has brought in the service component involved in the execution of works contract liable to service tax where the transfer of property in goods is liable to sales tax/ VAT. In other words, only those works contract where sales tax/ VAT is leviable is liable to service tax.



1. The 'taxable service' is works contract in relation to construction of a new building or a civil structure for commercial or industrial purpose, construction of residential complexes, erection, commissioning or installation and turnkey projects, including Engineering, Procurement and Construction or Commissioning (EPC) projects. since some of the services like erection, commissioning or installing, construction of residential complexes, commercial/industrial

building/structure have specific category and also appear first among the sub-clauses of section 65 of the finance act, the specific category will prevail over the general category being works contract.

2. The law has introduced two schemes under the category of Works contract Service. They are Regular Scheme and Composition Scheme.

Regular Scheme

3. As per the above scheme 'value of works contract service' is equivalent to the gross amount charged for the works contract less the value of transfer of property in goods as well as VAT/Sales Tax paid thereon. This option is available only when there is documentary evidence to prove the actual value of goods involved in works contract. The same is explained with an example as next

Eg:

Gross Amount Charged* ¹	1,000
Less: Exemption towards goods involved in the works contract and VAT/Sales tax paid	<u>650</u>
Taxable Service (Actual Labour portion)	350
Service Tax at 12%	42
Educational Cess @ 2% on ST	0.84
Secondary and Higher Education Cess @ 1% on ST	0.42
Total Service Tax payable (A)	43.26
Less:	
CENVAT Credit	
Service Tax @ 12%	30.00
Educational Cess @ 2% on ST	0.60
Secondary and Higher Education Cess @ 1% on ST	0.30
CENVAT Credit (B)	30.90
Net Service Tax payable	12.36

*¹Gross Amount Charged = Material value + VAT+ Labour and other charges + Service Tax + Gross Profit

Value of works contract service shall include labour charges for execution of works, **amount paid to sub-contractor***² for labour and services, charges for planning, designing and architect's fees, charges for obtaining on hire or other wise, machinery and tools used for the execution of the works contract, cost of consumables, cost of establishment, other similar expenses and profit in relation to supply of labour and services.

*²In case the works contract service is sub-contracted, service tax charged by sub-contractor is allowed as CENVAT Credit against the service tax payable by main contractor.

Composition Scheme

The service providers executing works contract find it difficult to keep a track of the material and labour expenses. To provide relief to such works contract dealers a composition scheme has been introduced wherein the works contractor can pay 2% on **Gross amount charged***² plus education and higher and secondary education cess on the same. This option is exercisable only before commencement of works contract and no withdrawal from the scheme is permitted till the said project is completed. As per the rules specified **duty paid on inputs** and cess on the inputs is not allowed as service tax credit as per CENVAT

Credit rules. It means the service tax credit can be availed for the duty paid on capital goods and tax paid on input services. The same is explained with an example as below

Eg:

Gross Amount Charged* ¹	1,000
Less: Exemption VAT/Sales tax paid on material	<u>070</u>
Taxable Service (Labour portion-Balance)	930
Service Tax at 2%	18.60
Educational Cess @ 2% on ST	0.37
Secondary and Higher Education Cess @ 1% on ST	0.19
Total Service Tax payable (A)	19.16
Less:	
CENVAT Credit	
Service Tax @ 12%	30.00
Educational Cess @ 2% on ST	0.60
Secondary and Higher Education Cess @ 1% on ST	0.30
CENVAT Credit (B)	30.90
Net Service Tax refundable (A-B)	11.74

The services providers getting registered under the Works Contract service are given the option to opt either for regular scheme or the composition scheme. We analyze that, the composition scheme seems to be more beneficial as compared to the regular scheme.

If the service provider has multiple works contracts, he can opt for composition scheme for some of the works contracts provided such scheme will not be withdrawn before the completion of such contracts.

The emergence of the entry Works contract service can be traced back to the case of **M/s Daelim Industrial Co Ltd vs. CCE, Vadodara [1994-2006] STT 438** where the Tribunal held that a works contract cannot be vivisected i.e., bifurcated into material and labour portion and part of it subjected to tax. The tribunal further held that there cannot be any service tax levied on a works contract. The petition filed by revenue against this decision was dismissed by the Supreme Court.

In this backdrop we can say that there is big chance of the entry works contract will be disputed in the court of law with the argument that liability to works contract is brought into the service tax net from 01.06.2007 and services provided earlier were not taxable.

1. Renting of Immoveable property service – The most controversial category



The service tax law **defines** the above service as 'renting, leasing, letting, licensing or similar arrangements of immoveable property for use in the course of furtherance of business or commerce' which is exigible to service tax. Specific exclusion is given to renting by or to a religious body and renting to an educational body other than a commercial training or coaching center or for the purpose of residence and holding of sports completion and entertainment programs. For furtherance of business or commerce includes immoveable property used as factories, warehouses, office building, theatres, exhibition halls and multiple-use buildings.

In case a immoveable property is let out/ leased etc partly for commercial purpose and partly for residential purpose, then the property shall be treated as let out **wholly** for commercial purpose.

There is no deduction provision against such taxable service. Only vide notification 24/2007, deduction to the extent of **property tax** paid in relation to immovable property is allowed. For Example: If rent charged is Rs.50,000/- and property tax is Rs.1000/-. The service tax is payable on Rs.49,000/-. Self-adjustment is allowed within one year from the date of payment of property tax i.e, to say in case service tax paid before payment of property tax, the adjustment can be done within one year.

It is a question as to how renting of a space is a taxable service. By referring the case of TAMIL NADU KALYAN MANDAPAM ASSOCIATION Vs UNION OF INDIA AND OTHERS (2006) 5 STT 231..., where it is held that the mere providing of premises on a temporary basis for organizing any official, social or business function is a taxable service and also the facilities provided thereto. It was further held that a mandap keeper apart from letting of space also provides the lighting arrangements, furniture and fixtures, floor coverings. The government has also given an abatement of 60% of the gross amount charged by the mandap-keeper to the customer. But **no such relief** is given to the person renting out a immoveable property for commercial/ business purpose.

Only the CENVAT credit in relation to this service can be availed on the expenses incurred by the owner of the immovable property in relation to the property like maintenance and repair expenses etc.

The constitutional validity of the levy of service tax on rent payable for renting of commercial immovable property is highly doubtful. This is because Entry 49 of List II of the Seventh Schedule refers to land and building. List II being for state levy, only state government can levy tax on land and building eg. Property tax, stamp duties are state levies. The Central Government cannot levy a Central tax on state subject. We believe that it is not valid under the constitution and thus the levy of service tax on immoveable property is to be challenged in the court of law.

- Priya Ranjani, Harish Parmar, Sumana

Answers to Lateral Thinking

1. The helper is in the butchers shop weighs meat.
2. The two people in the room are the Siamese twins or conjoined twins so when one of the twins is found dead by the second one, he realizes he too will die soon as they share each others organs.
3. The man who walked into the bar and asked for water had Hiccups. So when the barman pointed a gun at him, he got frightened and the hiccups vanished. Hence he said thank you and walked out.
4. A surgeon can be of either gender that is male or female. Here the surgeon was the boy's mother.
5. The woman works as a target in a circus. The knife thrower has practiced throwing
- knives at the woman when she does not wear high heeled shoes. Hence, the day she wears high heeled shoes and goes to work, the knife thrower kills her as his target is taller.
6. The children in Canada used the coal, carrot and scarf to make a snowman. The snow has melted hence these things are lying on the lawn.
7. Sometimes animals are given human names. Anthony and Cleopatra are 2 fish who lived in the glass bowl in the villa in Egypt until the wind blew and broke the glass bowl.
8. POST BOX
9. The woman has triplets. Her two sons are from the set of triplets.
10. The two players never played against each other. Both played against other players.

Exposure draft on AS 12

A comparative study of AS 12 and exposure draft.

The Institute of Chartered Accountants of India (ICAI) has come up with the exposure draft on AS 12(revised). AS 12 (exposure draft) deals with accounting for Government grants and disclosure of Government assistance. AS 12 deals with the accounting of Govt. grants. Such grants are also referred to as subsidies, cash incentives, duty drawbacks etc. It is necessary to understand the following terms for having a better hand on the comparatives.

Government refers to government, government agencies and similar bodies whether local, national or international.

Government Assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria.

Government Grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Fair Value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arms length transaction.

On the lines of IAS 20 the ICAI has formulated an Exposure Draft and the comparative study of the same is given below –

<u>BASIS</u>	<u>AS 12-EXISTING</u>	<u>EXPOSURE DRAFT OF AS 12</u>
Scope	Only deals with Govt. Grants	Also deals with Govt. assistance which does not fall within the definition of grants.
Accounting of non-monetary Govt. grants	Grants in the form of non-monetary assets to be valued at their nominal value only.	It provides an option to account either at fair value or at nominal value.
Grants in respect of non-depreciable assets.	Prescribes two approach viz. capital approach and income approach. Under capital approach grants are directly credited to shareholders' fund whereas under income approach grants are taken to income over one or more periods	Grants should be recognized as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They should not be directly credited to shareholders funds.
Grants in the nature of promoters contribution	Directly credited to shareholders fund.	Grants should be recognized as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They should not be directly credited to shareholders funds.

It comes into effect in respect of accounting periods commencing on or after the date to be announced by the council of the Institute of Chartered Accountant of India in due course. It becomes mandatory in nature from that date.

- Amarnath, Pavitra, Deepti, Mitesh.

Congratulations:

The team duo of Mukesh and Anil have bagged the award for the Crossword-1

Whereas the Lateral Thinking Award is Jointly Shared by Mr Venkatesh; Mukesh-Anil

We congratulate all the winners.

Tid Bits

1. Longest English word—Praetertranssubstantiationally—has 37 letters
2. GADFY written by Earnest Wright in 1939 is a 50000+ word book which does not contain a single word with 'e' in it
3. Americans spend \$8 billion a year on cosmetics—\$2 billion more than the estimated total needed to provide basic education for everyone in the world.
4. A butterfly has 12000 eyes
5. The three richest people in the world have assets that exceed the combined gross domestic product of the 48 least developed countries.
6. Six Indian ladies have won Miss Universe/ Miss world titles over the past 14 years.
7. There are over 70,000 bank branches in India – among the highest in the world.
8. Typewriter is the longest word that can be made only using one row on the keyboard
9. All babies are colour-blind when they are born
10. If you are struck by lightning, your skin will be heated to 28,000 degrees Centigrade, hotter than the surface of the Sun.

- Shilpa & Rayan

The Information Hotpan

-- providing news for your Business

Now there could be a Post Bank of India!

The Department of Post (DoP), which also provides savings bank services to millions of Indians, is planning to launch a full-fledged bank under the name of Post Bank of India. There are 1, 55,000 post offices in the country with a major presence in the rural areas. The postal network offers a number of financial services but passes on the entire money collected to the finance ministry for a fixed commission. If the post department hives off the financial services arm as a full-fledged banking unit, then it will be able to keep the money collected and take investment decisions. DoP has launched a number of financial services, including a money transfer facility and has also taken up with the finance ministry the issue of lower interest rates for post office products as compared to those of banks



Gold Bonds Coming Soon.

A bond backed by gold, often issued by gold mining companies is termed as Gold Bonds. The Shanghai Gold Exchange is working together with gold producers, securities brokerage houses and banks in preparation for the launch of gold bonds. Gold bonds are issued by gold mining firms and guaranteed by a certain amount of gold they produce within a certain period of time in the future. The interest rate of gold bonds is made up of a basic rate and a floating one. The latter is linked with the gold price of the date of maturity. The maturation of the bonds can be three years, five years or 10 years.



VAT panel to consider giving 'declared goods' status to gas.

The high-powered panel of state Finance Ministers on value-added tax (VAT) is likely to consider giving 'declared



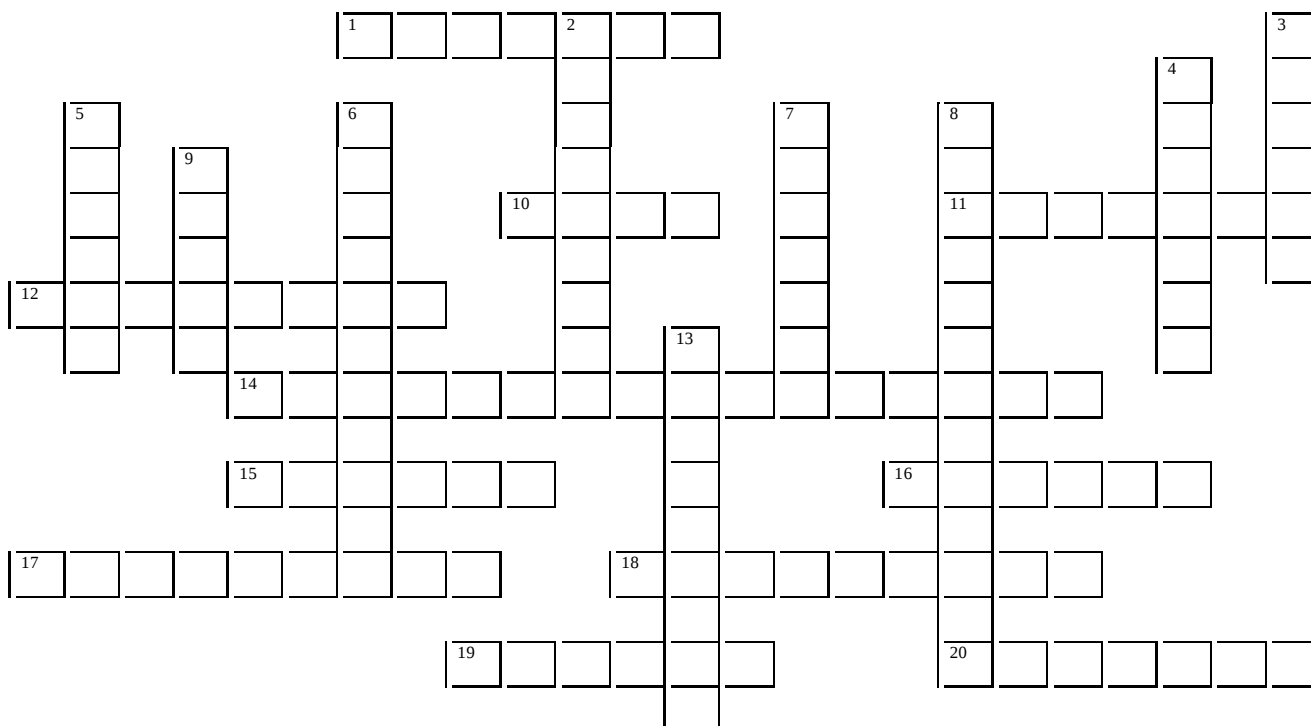
goods' status to natural gas. At present, natural gas attracts different rates of sales tax and is as high as 20 per cent in some states. On the other hand, other fuels such as coal and crude oil already enjoy the 'declared goods' status and attract only up to four per cent sales tax in all states. As a fuel, natural gas has to compete with coal and oil, which enjoy declared goods status under central sales tax act, 1956... Gas should also get same benefits," an official said. Since gas is a key input in sectors such as power and fertilizer, high sales tax adversely affects consumers, the official said, adding reduction in sales tax would boost the natural gas sector and help develop a national gas grid. At the meeting, the vat panel is also expected to work out the exact details of items that would be exempted from service tax to be levied by states, sources said. The panel had in its May 5 meeting decided to exempt 44 services consumed by the poor - such as health services offered by government bodies - and individual performance in education and sports from service tax. As part of the deal with states to cut central sales tax from four per cent to three per cent this year, the centre had earlier decided to give them power to impose tax on 44 items.

ING Vysya Bank to raise Rs.150 crores through 'Orange' accounts

Private lender ING Vysya Bank expects to open one lakh new accounts and accumulate Rs 150 crores this fiscal through 'Orange Salary Accounts' that offers zero balance facility. Aimed at high net worth income groups, the account gives a host of personal banking services, apart from zero balance facility, free of cost. The key features of this account will include free international debit card, access to over 20,000-ATM network of all major banks including SBI, ICICI Bank at no extra cost, besides free issue and usage of multi-city cheques. "The new product will be targeted at employees of corporate sector especially those working in the IT sector in Bangalore, Hyderabad and Delhi," The low-cost deposits of the bank increased by 24 per cent from Rs 3,602 crores in 2005-06 to Rs 4,458 crores last fiscal. The net profit of the bank increased to Rs 89 crores in 2006-07 from Rs 9 crores in the previous year.



CROSSWORD - 2



ACROSS

- 1 The official body of tax laws and regulations.(3,4)
 10 The founder of this TV channel is a CA.Name the channel.(4)
 11 The act of following the crowd into an investment that will inevitably head for disaster.(7)
 12 Term used to describe loans held by borrowers with below average credit scores.(8)
 14 "Equals should be taxed equally." The concept is called....?(10,6)
 15 A legal mechanism for local government to regulate the use of privately owned real property that limits the type of development permitted.(6)
 16 A ratio comparing change in option price to a 1% change in option volatility.(6)
 17 A reduction from the full amount of a property tax usually due to revitalization or redevelopment in a poorly developed area.(9)
 18 A secret agreement between two or more parties for fraud or deceit.(9)
 19 A warning or caution.(6)
 20 The headquarters of world's largest pharmaceutical company.(7)

DOWN

- 2 The withdrawal of more money than an account actually has on deposit.(9)
 3 "The colour of music" is the tag line of which radio station.(6)
 4 The result of the government taking in less money than it spends.(7)
 5 The minimum acceptable level of individuals with a vested interest in a company needed to make the proceedings of a meeting valid under the corporate charter.(6)
 6 Any right to or interest in land that affects its value, includes outstanding mortgage loans, unpaid taxes, and easements.(11)
 7 To divide or distribute proportionally.(7)
 8 A state's refusal to recognize or obey a federal law.(13)
 9 The ratio of the dollar price change in the price of an option to a 1% change in the expected price volatility.(5)
 13 A control total that has no meaning in itself except for control.(4,5)

Shilpa & Pavitra

Answers: Crossword -1**Across**

1. Infosys 4. Officers 7. Horizontal 9. Pegging 13. Regression 15. Sin Tax 17. Bootstrap
 19. Black Tuesday 20. Revolving Credit

Down

2. Sedan 3. Depletion 5. Expired 6. Corporations 8. IBM 10. Green Sheet 11. Yield
 12. Compensation 14. FASAB 16. Trace 18. Parity

D N S Family (The Lighter Side) TRAVELOGUE



Date: 22nd June, Friday

Time: 6.30 AM

Location: DNS Consulting, Sheshadripuram

The Air was crisp with the early monsoon chill but it appeared that the Entire team was unmindful of the biting cold & there was an atmosphere brimming with high level of excitement & anticipation, after all this was the day when the DNS “Bindaas Bunch” bundled outside the office to set out on a fabulous trip to Kabini Jungle Camp.

It was hard to believe that the day had finally arrived, Unending debate on the venue for the trip, made it seem highly impossible to visualize this journey to the famous scenic Delight.

The journey was marked with non-stop entertaining games like Antakshari, DC, picking up the chits and enacting and many more, not to miss the delicacies that we savoured through out the trip.

Time: 4.30

Venue: Kabini River Jungle Resort

The skies looked Threatening with dark clouds hovering scarily above. But wait a min... We were there to have fun & even Mother Nature couldn't undermine our spirits. This was the perfect moment for the gang to unwind, relax & let their hair loose, pushing back to the deepest corners of their mind the pressures & hectic work schedules back home.

What followed was long long hours of wholesome fun & laughter.

Despite the showers, everyone enjoyed the game of Soccer, passing the hat which turned out to be like “Walking on the line of fire”, American Auction, “one liners”

It seemed like “Lage Raho” was the unwritten rule that was observed throughout.

Every one retired to bed with a close up smile dreaming of the day ahead.

Date: 23rd June

Time: 11:30 AM

The group, fresh and revived from the night of fun was all set to sail in the boat safari. Though Kabini is a haven for wild animals, unluckily we could not catch a glimpse of any animal. But who is complaining??? All were wild enough to compensate for the loss.



And why not! The way the boyz got into action drenched in rain, but enthusiastic enough to bring alive all the action that was missing in this season of Copa América.

Nobody was in a mood of complaining the Indian debacle of the world cup because hey, we had our very own Dravid take a complete somersault to do the Dhoni heroics. Yes it was Vasanth once again to the rescue

Then there was “Saath Phere” for the couples, around the bonfire, which was truly the test of compatibility (Our apologies to the fights later back home) which was won by Mr & Mrs Tejuram, Housie game where our DNS Queen

Komal won the full house, Crazy times where 2 in a team were made to perform wacky things and the joint winners were the teams of Rayan - Priya and Chetan – Pavithra.

A quick mention of the place itself (i.e. in case We forgot to do so reliving all the fun moments), Nestled amidst the forests this pristine piece of land is a perfect get away for nature lovers. The breathtaking locale, long walks near the river were all worth the trip.

Days: 24th June, Sunday

Time: 11.30

The return journey though saddening, was nevertheless the best, when there was a war of Songs between Sandalwood (Kannada) and Bollywood (Hindi) and there was Banana Eating competition which was hard to digest but our great champs Vasanth & Gopal gave a tough fight and finally the trophy went to Vasanth. We hope the journey was memorable & these are the memories that everyone will cherish for lifetime.

Our Heartfelt thanks for all the partners & organizers for putting in so much effort & despite all the obstacles to have made it a successful & memorable trip. Three cheers for the DNS team...Hip Hip Hurrah!

-Udaya

3RD INNINGS IN DNS:

We are delighted to welcome back Mr. Kantha M to DNS. Mr. Kantha is an associate member of the Institute of Chartered Accountants of India since 2003. He joined DNS in 1995 and was the first Article under Mr. Sanjay Dhariwal and as well as DNS.

He is well experienced in the area of Audit Compliance, Company Law & Regulatory services. He left DNS in 2003 and worked in a professional accounting team and hotel industry. In his previous employment he also lead the team of Corporate Taxation, Transfer pricing, Accounting and Compliance Divisions.

It is great to remember that under his captaincy DNS won the SICASA cup in 2002 and runner-up place in 2003.

DNS welcomes Mr. Kantha and wishes him all the very best for his future.

For a Social Cause:

DNS has been actively involved in social activities. When an emergency call for blood requirement came from Ramaiah hospital for a child suffering from dengue, our kind-hearted members of DNS - Sunil Surana, Kanta, Pawan and Vasant were ready to act out and donated blood. We are extremely proud of you and hope DNS is involved

in such good causes in the future also.

Wedding bells to ring on 5th July:

Yes it True! Swapna & Venkatesh are tying the knot. We wish them a lifetime of love & happiness.

Hearty Congratulations on your wedding!!!

MASTERMIND:

It is indeed a moment of pride when our very own Vishy of DNS “Mr. Mukesh Kothari” added another feather to his cap when he won all the games in the Chess Tournament on 24th June conducted by KSCA, playing & defeating every other participant. Bravo... We hope he continues the winning streak and makes us all proud.

CHARTERED’S DAY OUT:

July 1st is the day of Celebration for the CA’s all across India.

“It is not how much you do, but how much love you put in the doing”.

To everyone who’s pursuing this wonderful profession, to the greats who have already achieved this status, this is the day to join together and celebrate it with great pride.

An Interview with Sanjay Dhariwal



Shilpa: *Was taking up C.A. a dream or was it incidental?*

Sanjay Sir: Neither was it a dream nor incidental, it was more like I always wanted to be a lawyer & it so happened that one of the lectures from a leading faculty which changed the entire thing. That was really impressive! Four of my friends backed out from doing CA; therefore I found it even more challenging.

Shilpa: *What inspired you to take C.A. as a profession & make it big thereafter?*

Sanjay Sir: We have not yet made it big; there is still a long way to go. But yes, basically whatever you do today should be done with a purpose & with an aim. This was one of the reasons why we started this firm. We had plans of having five to six people as partners but it didn't work out and only two of us joined together. Then the split happened. But again new people are coming. We are still going with the same purpose what we started off- "having a single window service". But still we require lot of people to join us & take up the dream, to really be a single window, which we are not today.

Ravan: *What was the intention behind taking up indirect taxes as your specialization?*

Sanjay Sir: The frank intention was that there was no competition. When I was a student I saw that there were hardly one or two consultants who were specializing in Indirect Taxes and so the opportunity to speak was more. The second was Mr. Ravi Shankar, who insisted I leave Direct tax and come to indirect tax like Excise. That time it was called as FERA and he had specialized it. As a student when he saw me presenting the paper at Mangalore, he had insisted that I work under him. Due to family circumstances I could not work under him, but I went for the lesser virtuous law, sales tax & fortunately we got the right breaks & we were able to prove that we were doing a technical job rather than the normal practices.

Ravan: *Do you have any influences at the personal level (God Father or idols as such)?*

Sanjay Sir: We do have people whom we consider as idols, who have inspired us to take up the profession. They were among our senior professionals, including my principal Mr. Kiran Chand Nahar & Padam Chand Khincha - my Guru. There were quite a few other people like Mr. Vittal - who always inspired us to achieve something. Even people like Mr. Mohandas Pai, Rajendra Rao, K.S Ravishankar, they were the faculties of our days and we used to trouble them a lot with questions. They actually inspired us to try & achieve at least something in the technical front.

Soumitra: *Your views on Articles then and Articles now?*

Sanjay Sir: If you see the difference, earlier the articles were too focused on getting through the exams. There were a lot of ethics which they used to maintain. They would even after qualifying always respect their principals, greet them with respect etc; today the respect has changed in a scenario, it is not an article that respect the boss, wish him, stand up when he comes etc. its more if you like him, you respect him otherwise you say it is only work, what ever it is.

Secondly, earlier students if you see were more towards studies, but the present generation is not towards studies only; they want a complete personality to be grown differently. It is not only that he develops into Income Tax or Audit; it is all over personality. One thing that is consistent is, they want to develop overall & they have the infrastructure and the knowledge and they are well focused as far as these aspects are concerned. But there is also a lot of diversions. You see, most of them are spending at least an hour or less on things which they are not suppose to do during the office hours like talking on the phone, internet etc. Probably if they avoid the diversions and focus themselves, they would be much more successful, much more larger than probably what our generation was or earlier to our generation. And with the changing scenario if you see the aptitude of the people is much better in the articles, towards IT, towards understanding the amount of knowledge well. The only thing what they require is consistency, perseverance, patience and a little bit of more tight focus on their job.

Soumitra: *What message do you have for the aspiring Chartered Accountants?*

Sanjay Sir: The first message would be that don't focus towards what you will earn later. This profession is a mix of reputation, of knowledge & money. You have all the three but don't be so focused only to earn money because always remember one thing that a good reputation & a sincere effort will get you lots of money in future. But you have to try & prove that first, & I'm sure what is your ultimate objective of making money would be successful. But if you directly go into making money it is not what this profession will give you in real terms. But it gives you lot of good friends, well wishers, lot of contacts & definitely lot of respect. Today anywhere you go in society even in your friend circle you can see that the moment you say that your doing CA you are looked into as a different person not like a common breed of students. It is a very respectful profession. Learn to be admired & learn to admire the profession & have zeal for the profession & definitely you will get it & you will get what you have been looking out for.

Lateral Thinking

Are you open minded, flexible and creative in your questioning and able to put lots of different clues and pieces of information together. This is lateral thinking.

So lets see if you can find solutions to the following puzzles.

1. A man is replacing a wheel on his car, when he accidentally drops the four nuts used to hold the wheel on the car, and they fall into a deep drain, irretrievably lost. A passing girl offers him a solution which enables him to drive home. What is it?
2. A man is lying dead in a field. Next to him there is an unopened package. There is no other creature in the field. How did he die?
3. Whilst in a balloon floating stationary off the coast of France, I dropped two wine bottles over the side. If one was empty and the other full, which hit the ground first?
4. A man rode into town on Friday. He stayed for three nights and then left on Friday. How come?
5. A man lives on the tenth floor of a building. Every day he takes the elevator to go down to the ground floor to go to work or to go shopping. When he returns he takes the elevator to the seventh floor and walks up the stairs to reach his apartment on the tenth floor. He hates walking so why does he do it?
6. A man went to a party and drank some of the punch. He then left early. Everyone else at the party who drank the punch subsequently died of poisoning. Why did the man not die?
7. Two men went into a restaurant. They both ordered the same dish from the menu. After they tasted it, one of the men went outside the restaurant and shot himself. Why?

Rayan Sequeira

Answer the above questions and Mail it across to newsletter@dnsconsulting.net
Hurry, Last date for the submission of your Answers is 15th July.
Answers will be published in the newsletters August edition.

General Insights IN A NUTSHELL: -Closings on 29th June 2007

MARKET CAP

	CURRENT (In Rs. Crores)	Equity
RELIANCE	236938.51	1393.51
ONGC CORPN	192958.16	2138.87
BHARTI ARTL	158592.25	1897.15
NTPC LTD	125619.58	8245.46
TCS LTD.	112465.61	97.86
INFOSYS TECH	110195.90	285.60
REL COM LTD	105717.08	1022.31
ICICI BANK	86264.55	903.01
STATE BANK	80276.54	526.30
WIPRO LTD.	75651.74	291.81
BHEL	75300.41	489.52
LARSEN & TOU	62323.90	56.76
ITC LTD.	58201.23	376.22
STEEL AUTH.	54149.54	4130.40
INDIAN OIL	52845.84	1192.37

Markets:

Sensex	14650.51
Nifty	4318.30
Dow	13446.75
FTSE	6547.00
Nasdaq	2618.33
Nikkei	18138.36

Rates:

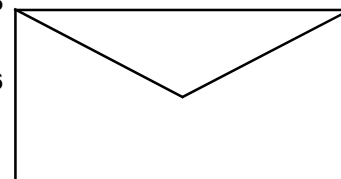
Rs/Dollar	40.70
Rs/Pound	81.63
Rs/Euro	55.00

Crude:

Brent	72.02
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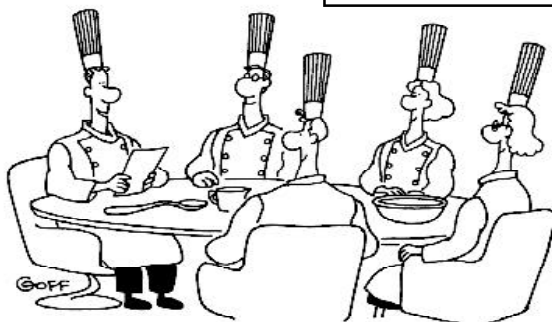
Bullion:

99.9 Purity Gold:	Rs. 8761
Silver (Kg):	Rs. 18400



Send in your comments and suggestions at newsletter@dnsconsulting.net

Business Cartoon



"Our eggs are all in one basket, no milk has been spilt, and we have plenty of dough."

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