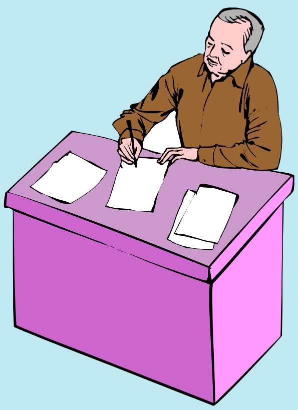
SRCP's ➤ e-senze

Issue No. 3 | Weekly e-Magazine | 15th January 2009

Editorial ....✍



Dear Readers,

- *Change is "inevitable" in the world*
- *"Be the change" made American's to think*
- *Change makes us to think, it helps us to grow.*
- *We change so that changing world accepts us.*
- *Through E-senze we wish to change the way we are learning.*
- *To innovate we learn, through learning we innovate.*
- *Innovation brings change - "Change is inevitable:*

Happy learning

L. Muralidharan
& Editorial Team of e-senze

Designed by: **Mr. G. Natarajan**

Index

Prof: Kamal Garg Classes for CA - Final Advanced Auditing and Professional Ethics
Details in Page 5 and 6

For Details Contact

Mr. C.K. Bhalaji,
Address: No. 7, Sree Flats, 4/3,
Krishnaswamy Street,
Next to Jain Car Shoppe,
North Usman Road,
T. Nagar, Chennai - 600 017.
Phone: 98409 54207/
044-28142616
visit:
www.sreeramcoachingpoint.com

e-senze Wishes its readers "A very Happy Pongal" and "Makara Sankaranthi"

Do you have articles for sharing?
Do send to
joinsreeram@gmail.com
Best articles will be published.

How to resolve the conflict between NPV and IRR

Modified IRR

When the NPV and IRR ranking provide conflicting results, then it becomes difficult to make selection amongst the projects. NPV assumes reinvestment of intermediary funds at cost of capital rates while IRR assumes reinvestment of intermediary funds at IRR. NPV is superior to IRR as regards assumption relating to reinvestment of intermediary funds to IRR. Ranking given by NPV basis will prevail in the acceptance or rejection of a project .

If the reinvestment assumption is modified similar to that of NPV, then such IRR computed can never be in conflict with NPV. Such an IRR shall be referred to as Modified IRR. A harmonious expression will pave way for greater confidence on discounted cash flow basis of workings.

Steps involved in the computation of MIRR:

(1) Find the maturity value of each years of cash flow by compounding at cost of capital rates to the end of the projects' life.

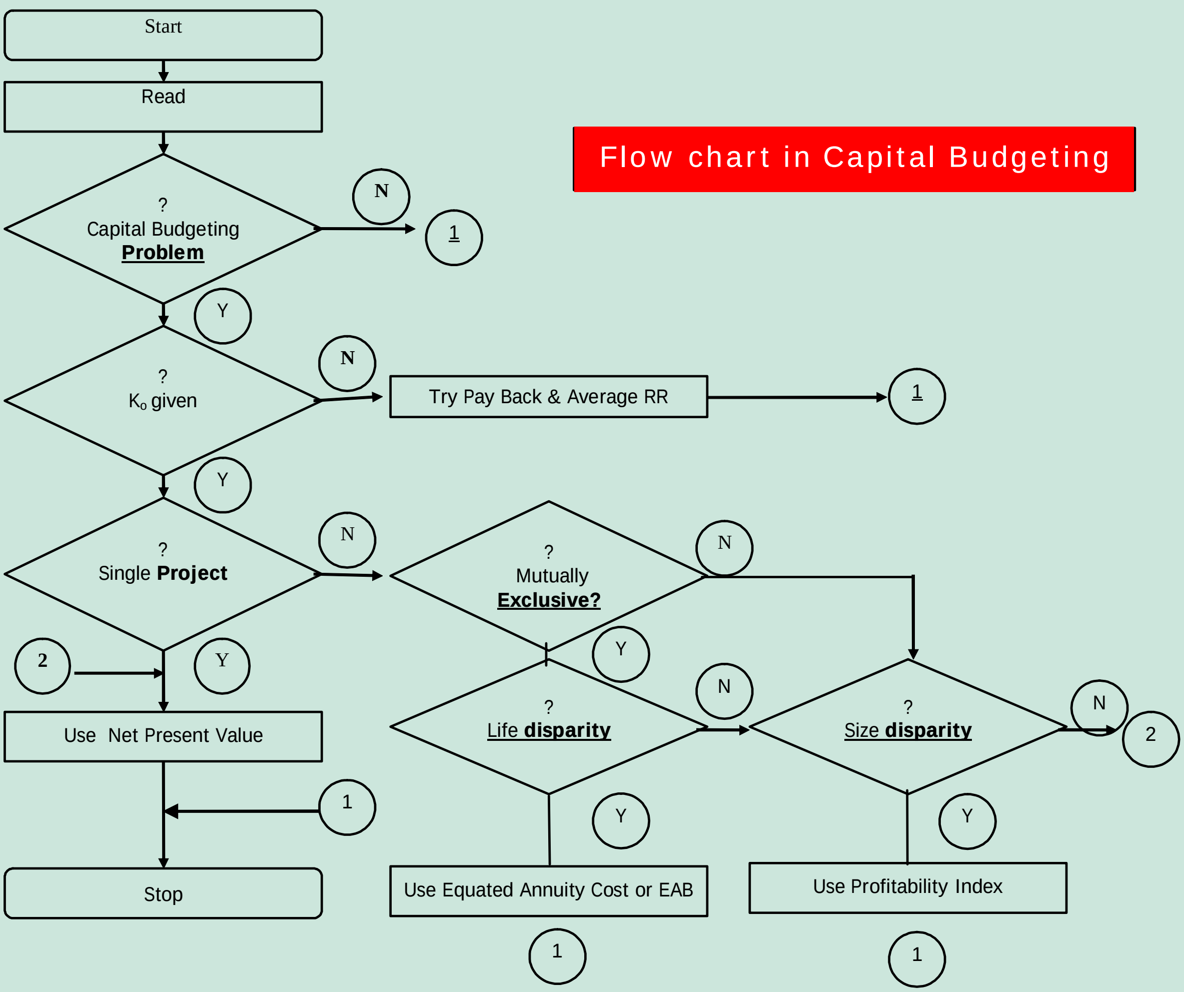
(2) First year of cash inflow shall be reinvested for the (n - 1) years, second year cash inflow shall be reinvested for (n - 2) years.

(3) Sum up all the maturities to the end of the project.

(4) Find out the realized yield with the help of maturities

(5) Such an IRR shall be referred to as modified IRR. (MIRR)

Flow chart in Capital Budgeting



Accounting Concepts & Conventions *by Mr. Mani V G S*

Accounting Concepts are assumptions on the basis of which Financial Statements are prepared. Concept means "Idea" or 'Thought" which has universal application

Accounting Conventions are derived by usage and practice. They need not have universal application.

a. Entity Concept:

- In order to ensure the distinction between business transactions and owners' personal transactions, accountants treat a business as distinct from the persons who own it.
- All the business transactions are recorded in the books of accounts from the view point of the business only.
- However, according to law business and the proprietor are one and the same

b. Money Measurement concept:

- In accounting, only those business transactions and events which are of financial nature [which are measurable in terms of money] are recorded

Limitation of Money Measurement Concept:

a. It does not give a complete account of the happenings in business unit.

Example:

- Strike in the factory

b. It is not capable of recording transactions which cannot be expressed in terms of money.

Example:

- Employees are the assets of the organization

Note: Though this concept has its own limitations, still it is used for accounting purposes, because there is no better measurement scale other than this concept.

c. Accrual concept:

- Income should be accounted on earned basis and not on receipt basis
- Expenses should be accounted on incurred basis and not on paid basis

d. Going concern concept

- The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future.
- It is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations

e. Cost concept

- According to this concept, an asset is ordinarily recorded in the books at the price at which it was acquired i.e. at its cost price.
- It must be remembered that the real worth of the assets changes from time to time. So, it does not mean that the value of such assets is wrongly recorded in the books.
- The idea that the transactions should be recorded at cost rather than at a subjective or arbitrary value is known as Cost Concept.

f. Realisation concept

- This concept emphasizes that profit should be considered only when realized.

g. Dual aspect concept

- Dual aspect principle is the basis for Double Entry System of book-Keeping.
- All business transactions recorded in accounts have two aspects i.e. Debit aspect and Credit aspect.
- For every debit, there must be an equal and corresponding credit

h. Periodicity concept

- In order to know the results of the operation and financial position at appropriate time intervals, the life of the business is divided into appropriate segments/time interval. Each segment/time interval is called as Accounting period.

Normally the Accounting period is "one year" [12 months].

i. Matching Concept

- As per this concept, all expenses matched with the revenue of that period should only be taken into consideration.
- It is not necessary that every expense identify every income. Some expenses are directly related to the revenue and some are time bound.

j. Materiality Concept:

- Materiality is highly subjective and it cannot be exactly defined
- It all depends upon the facts and circumstances of the case
- This principle permits other concepts to be ignored
- Example: Stationary purchased by the organization though not used fully in the accounting year purchased still shown as an expense of that year because of the materiality concept.

Accounting Conventions

a. Consistency

- As per this principle, accounting policies should remain unchanged from one period to another
- Example: Depreciation can be provided in different methods. Inventory can be valued in different method. The method followed should be regular and consistent

b. Full Disclosure

- As per this principle, the financial statement should act as a means of conveying information and not as a means of concealing information
- This doctrine however does not express that the trade secrets or other necessary information should also be disclosed.

c. Conservatism [Prudence Concept]

- This concept emphasizes that profit should never be overstated or anticipated.
- To be precise, anticipated profit should not be accounted and anticipated loss should be accounted.

History of Cricket *by Mr. Aneesh Dey*

The origins of cricket are obscure, and there are several theories on how it started. One is that shepherds used to play it - one would stand in front of the wicket gate to the sheep fold, and another would bowl a stone or something at him, and he would have to hit it with his crook, which was known as a cricce.

Other theories are that it derives from a game called club-ball, or a game played in churchyards ...

The first reference to cricket being played is thought to be in 1300, between Prince Edward and his friend Piers Gaveston and the first recorded match took place at Coxheath in Kent in 1646. The first match between counties on 29th June 1709, when Surrey played Kent at Dartford Brent.

The earliest known cricket photographs were taken in 1857, by Roger Fenton at the Artillery Ground, when the Royal Artillery played Hunsdonbury.

As well as shepherds' crooks, early bats were clubs and sticks. These gave way to long, thin battes, which looked a bit like straightened-out hockey sticks, because the ball was bowled under-arm, and the batters swung their bats like clubs!!

By the 18th century, the batte had developed into a longer, heavter, curved version of the one we know now, carved out of a single piece of wood.

Today's bat was invented around 1853, with the blade made of willow, and a cane handle, which is layered with strips of rubber, tied with twine, and covered with rubber to make a grip. The 'V' shaped extension of the handle into the blade is the splice. The early balls were stones and other missiles. Rather dangerous really, and not surprising that someone came up with an alternative! They're now made of cork, and covered with hand-stitched leather quarters dyed red.

The wicket - the stumps are the three posts. Originally there were two, and at one point, four. The size has varied too - in the 17th century, were up to two metres wide!! The bails are the two bits of wood on the top, and if they fall off, it's all over!!

Jokes

==ooOOoo==

A police officer in a small town stopped a motorist who was speeding down Main Street.

"But officer." the man began, "I can explain,"

"Just be quiet," snapped the officer. "I'm going to let you cool your heels in jail until the chief gets back..."

"But officer, I just wanted to say...."

"And I said to keep quiet! You're going to jail!"

A few hours later the officer looked in on his prisoner and said, "Lucky for you that the chief is at his daughter's wedding. He'll be in a good mood when he gets back."

"Don't count on it," answered the fellow in the cell. "I'm the groom.

==ooOOoo==

Man : Sir all items in my house are missing except the TV.

Police : Why the thief did not take the TV?????

Man : I was watching TV !!!.

Police: ???

==ooOOoo==

Traffic Police: "When I saw you driving down the road, I guessed 55 at least."

Man: "You're wrong, officer, it's only my hat that makes me look that old."

Police: [to robber] Are you not ashamed? You come to jail so often?

Robber: [to police] Why should I be sir. You also come here everyday

==ooOOoo==

Sreeram Coaching Point

[An Exclusive place for Professional Studies]

27/15, Rajunaicken Street, West Mambalam, Chennai - 600 033

visit us at: www.sreeramcoachingpoint.com

SINCE 1989

Prof: Kamal Garg

Classes for CA - Final

Advanced Auditing and Professional Ethics

Credits of Prof. Kamal Garg:

✔ **He is the Author of**

a. Accounting Standards and IFRS

b. Handbook on Company Balance Sheet and Profit & Loss Account

c. Handbook on Internal Auditing

d. Professional Approach to Auditing & Assurance for PCC

✔ **Faculty member in various branches of ICAI**

✔ **Faculty member in leading professional Institutions**

Feature of Prof. Kamal Garg's Class:

✈ **Coverage of all important topics in just 40 hours**

✈ **Lucid presentation of concept and principles**

✈ **A model exam paper at the end of the course**

✈ **Power point presentation using Laptops**

✈ **High-tech class room facilities**

Class details

Date	24-1-2009 to 28-1-2009
Timing	9.00 am to 5.00 pm

Class Venue

Address:

P.S. High School (North),
Mundakanni Amman Koil Street,
Behind Sanskrit College,
Mylapore, Chennai - 600 004.

Course fee

Rs. 3,500 only (Inclusive of registration fees and material)

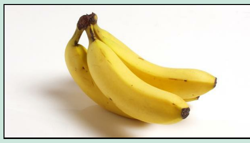
For More Details & Registration:

Contact:

Mr. C.K. Bhalaji,

Phone: 98409 54207/044-28142616

visit our web site: www.sreeramcoachingpoint.com



Go Bananas!

by Mr. L.N. Venkataraman

Continued .... from previous edition

I am used for desert as well as culinary purposes. My personalities like Poovan, Rasthali, Robustra, Dwarf Cavendish are grown for table purpose. Nendran is grown mainly for table purposes and for making 'Chips'. The Monthan fruits, both immature and mature ones, are used for culinary purposes as it mixes well with other vegetables in delicious 'curry' preparations of South Indian house holds. In South India, no festive decoration is said to be complete unless the entrance gates are decorated with full grown plants having attractive bunches. In all auspicious occasions in the life of a South Indian, I have an important place either as a table fruit or as an offering to God in temples.

The banana male buds are harvested soon after the female phase is over and are sold as a vegetable in the markets. Similarly, the tender stem, which bears the peduncle, is extracted by removing the leaf sheaths of harvested pseudo stem is sold as vegetable. The laminas of my leaves are still widely used as a substitute for dinner plates. The dried leaves are used for cup and hat makings by small scale industries. The pseudo stem is used for paper manufacture.

As I said at the beginning, I do not grow on a tree. I am a giant herb of the same family as lilies, orchids and palms. If you have never seen me growing, you might be puzzled that I appear to be growing upside-down (don't laugh:) with the stems connected to my family bunch at the bottom and the tips pointing upward. I possess a unique scientific phenomenon called "negative geotropism." To know more, Google on this! As the plant becomes heavier with maturing fruit, it must be supported with poles. The stems are made of layers and layers of leaves that are wrapped around each other. Though quite large and thick, the stems are not strong and woody like most fruit trees and can break under the weight of many bunches of bananas. Each stem consists of 10 to 14 hands each of them carrying from 18 to 20 siblings of mine including me! You know, all my brothers, sisters and cousins are named banana. No wonder we are treated equally! When transported, I and my whole family are loaded into refrigerated cargo vessels and shipped green at a controlled temperature of 14.5°C (58°F) to avoid any premature ripening.

Like a child I am hard to handle when young. With time I become soft, sweet and loyal. And if you trample on me, you will slip and have a great fall!

Phew! I hope you found my long discourse informative, interesting and fruitful. I am sure you will remember it whenever you hold me and go bananas!

Concluded

THE ACCOUNTANT'S PRAYER

THE STUDENT'S PRAYER

by Mr. Aneesh Dey

OUR BOSS IN HIS CABIN
OVERVALUED BE THY NAME
THY BUSINESS RUN
THY ACCOUNTS BE WELL WRITTEN
ON AUDIT AS ON IT RUN
GIVE US TODAY OUR DAILY WAGE FORGIVE US
OUR MISCALCULATION
AS WE FORGIVE THOSE WHO MISCALCULATE
OUR SALARIES DO NOT PUT US TO THE
DEPRESSION
BUT DELIVER US FROM GOVT.INTERVENTION
Yes

OUR PRINCIPAL IN SOME CONVENTION
FEARED BE THY NAME
THY COLLEGE RUN IN DECORUM
THY WILL BE DONE
IN CLASS AS IN DETENTION
GIVE US TODAY OUR DAILY ATTENDANCE
FORGIVE US OUR BANKING
AS WE FORGIVE THOSE WHO GIVE PROXY
AGAINST US DO NOT BRING US TO ANY TEST
BUT DELIVER US FROM CONUNDRUMS.
Yes.

Reporting Under Clause 4 (III) and (V) of CARO, 2003 *by Mr. Kamal Garg*

Continued from Previous edition...

As mentioned earlier, transactions covered under section 297 and Section 299 are required to be entered in the register under section 301. In case loan transactions or other contracts/arrangements are out of the scope of Section 299 by virtue of sub-section (6) of Section 299, then there will be a case where parties listed in general notice under section 299(3) are listed in terms of Section 301(3), whereas loans given to or taken from such parties, are not entered in the register under section 301 as Section 299 is not applicable. In such cases, the question is whether the auditor will be required to report loan transactions even when they are not registered under section 301.

Under clause 4(iii), one has to report whether a company has granted or taken any loan from companies, firms or other parties 'covered' in the register maintained under section 301. If the use of the word 'covered' is interpreted to mean, 'listed', then all loans given or taken to parties listed under section 301(3) will be required to be reported, even if such loan transactions are not registered under section 301.

In such a case, a statement giving the number of parties involved and the amount of transactions will have to be obtained.

If the auditor takes a stand that loan transactions entered with parties listed under section 301(3) on the basis of general notice given under section 299(3), but not registered under section 301 because the transactions fall out of the scope of Section 299 on account of section 299(6), will not be required to be reported, then the auditor may report that:

"There are loans granted or taken from parties listed under section 301(3), however, such loans transactions are not entered in the register under section 301 as provisions of neither section 297 nor 299 are applicable to such transactions and, therefore, the number of parties involved and the amount of such transactions are not reported."

In the absence of any clear observation, comment or guidelines in the statement on CARO, it is conservative to report on all loans given to or taken from parties covered under section 301, irrespective of the fact whether loan transactions are entered in the register under section 301 or not. ***Concluded***

Legal World - Corporate Laws - LW 158.12.2008

SAHA v. SPECIAL DIRECTOR, ENFORCEMENT DIRECTORATE & ANR. [JT 2008 (1) SC 146] Dr. Arijit Pasayat &Dr.Mukundakam Sharma, JJ. [Decided on 21.08.2008]

FERA - Section 50 - Appeal to the Tribunal-Pre-deposit of Penalty - Tribunal directing to deposit 60% of the penalty - High Court dismissed the appeal - Whether High court was right - Held, No.

Brief Facts : On the basis of certain statements recorded, a show cause notice was issued alleging that M/s.Godsons (India) and its proprietor, the present appellant had acquired foreign exchange contravening the provisions of Section 8(1) of the Foreign Exchange Regulation Act, 1973 (in short the 'Foreign Exchange Act') thereby rendering him liable to be proceeded under Section 50 of the Foreign Exchange Act. The reply to the show cause notice was filed by the appellant. The Special Director, of Foreign Exchange Act passed an order on 13th May, 2005 imposing penalty of Rs.25 lakhs on the appellant. The appellant preferred an appeal before the Appellate Tribunal and filed an application for dispensing with the requirement of pre - deposit. The Tribunal passed an order directing to deposit of 60% of the penalty amount for the purpose of entertaining the appeal. The appeal against the above order was also dismissed by the High Court holding that no case for hardship was made out either before the Tribunal of before it and, therefore, there was no scope of interference with the order of the Tribunal. The appellant appealed to the Supreme Court.

Decision: Appeal allowed and deposit of Rs.10 lakhs considered being the pre deposit.

Reasons: It is true that on merely establishing a prima facie case, interim order of protection should not be passed. But if on a cursory glance it appears that the demand raised has no leg to stand, it would be undesirable to require the assessee to pay full or substantive part of the demand. Petitions for stay should not be disposed of in a routine manner unmindful of the consequences flowing from the order requiring the assessee to deposit full or part of the demand. There can be no rule of universal application in such matters and the order has to be passed keeping in view the factual scenario involved. Merely Corporate Laws because this Court has indicated the principles that does not give a license to the forum/authority to pass an order which cannot be sustained on the touchstone of fairness, legality and

public interest. Where denial of interim relief may lead to public mischief, grave irreparable private injury or shake citizens' faith in the impartiality of public administration, interim relief can be given.

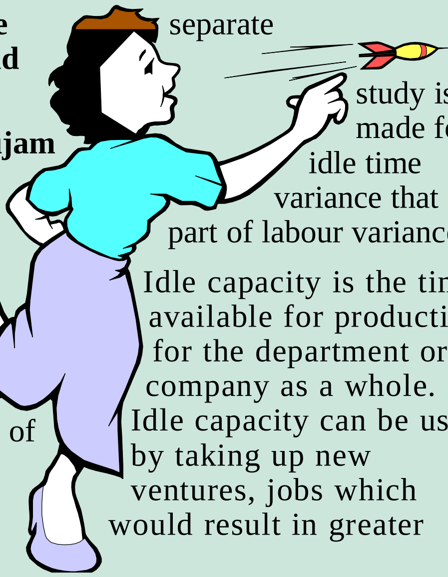
Two significant expressions used in the provisions are "undue hardship to such person" and "safeguard the realization of penalty". Therefore, while dealing with the application twin requirement of considerations i.e. consideration of undue hardship aspect and imposition of conditions to safeguard the realization of penalty have to be kept in view. ***To be continued next page***

Dart-Board

1. What is the difference between Idle Time and Idle Capacity?

T. Venkataramanujam

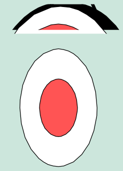
SRO 0248089



Idle time is the time for which workers are paid with no job done/ extracted.

This would result because of machinery break down, power failure etc. In variance analysis, a separate study is made for idle time variance that is part of labour variances.

Idle capacity is the time available for production for the department or company as a whole. Idle capacity can be used by taking up new ventures, jobs which would result in greater



profits provided, the new venture/jobs are profitable and not affecting the existing operations.

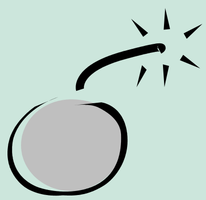
S. Ramasubramaniam

SRO 0109972

This week question?

1. What do you mean by free cash flow?
2. Can calendar variance turn adverse?

Send your queries and suggestions to: joinsreeram@gmail.com



Jokes

==ooOOoo==

Policeman: Stop, stop, your headlights are not working !!!

Man: Move, move, even the brakes are not working !!!

Police: ???

==ooOOoo==

There were three friends, Mad, Nobody and Somebody. One day, Somebody fought with Nobody and killed him. At once Mad called the police and said, "Somebody killed Nobody." The police asked him, "Are you mad?" and Mad said, "How did you guess?."

==ooOOoo==

Once there was a man, whose servant didn't remember anything properly. One day in that man's house there was a robbery.

The man told his servant to inform the police that- Last night, the stars were shining, dogs were barking, one thief came and took my master's cow.

The servant went to the police station and said- Last night, the dogs were shining, the stars were barking, one cow came and stole my master's thief.

==ooOOoo==

The police sent a set of pictures of a wanted criminal to all stations within 100 kilometres.

The set contained a front shot and two side shots.

A week later they got a fax saying, "We've caught the fellow in the middle but we're still looking for the other two."

==ooOOoo==

Man (seeking to lodge a complaint at the police station): "I have lost my dog

Police Inspector: "Why dont you place an advertisement in the newspaper?"

Man: "Don't be silly, inspector! My dog can't read!"

==ooOOoo==

A prisoner in jail received a letter from his wife:

"I have decided to plant a mango tree in the back garden. When is the best time to plant them?"

The prisoner, knowing that the prison guards read all the mail, replied in a letter:

"Dear Wife, whatever you do, DO NOT touch the back garden! That is where I hid all the gold."

A week or so later, he received another letter from his wife:

"You wouldn't believe what happened. Some men came with shovels to the house, and dug up the whole back garden."

The prisoner wrote another letter:

"Dear wife, NOW is the best time to plant the mango tree!"

Love Please *by Mr. Mani V G S*

Continued from last Issue.

The reason/ logic is very simple. General people always compare their existing situation/environment with the successful people's life. Mind that, the situation/environment differs from person to person, time to time, place to place etc.

Why general people want information from successful people? Why? Just think!!!

General people's intention is to simply copy the information given the successful person in their day to day life. They have an impression that when the follow the instructions given by successful person, they will also succeed.

It may work out for one or two situations. But if you want to be successful in each and every activity/work whatever you do, "Cut, Copy, Paste" will not work.

Ok. Then what should we do to be successful?

For a change, let us discuss from successful person point of view.

Whether successful people might have asked all these questions to their elders/mentors? Whether they [successful people] implemented the answers given by their mentors in their day to day work/activity?

Absolutely no! Then, what is the strategy used by them to attain success in their work/activity? How do they succeed?

The simple and simplest reason is **"SUCCESSFUL PERSON LOVE THEIR WORK/ACTIVITY".**

Can't accept or can't able to understand? Read the following scenario.

From the following example, kindly understand the basic concept. Please do not go very much beyond to the example.

All of us might have gone to cinema atleast once in our life. Forget about the language of the movie. It may be Tamil / Hindi / Malayalam / Telugu /Kannada / English etc. Around 95 out of 100 movies, without the concept "love", no movie will have the story. Take a movie where a hero has fallen in love with heroine.

Now answer following questions:

With respect to "Time:"

Question: Once fallen in love, whether the hero will look after his watch?

Answer: He may look at his watch and that too only for the heroine's arrival.

Question: Will the hero take rest?

Answer: No. Certainly not!

Question: How many times he visits or wants to visit the heroine?

Answer: Frequently [very often]

Question: How many minutes/hours he would like to talk with that heroine?

Answer: More number of minutes/hours as possible.

With respect to "Food"

Question: Once fallen in love, whether the hero will think about food?

Answer: No. Once fallen in love, he will not feel hungry at all.

With respect to "Sleep"

Question: Once fallen in love, will he be sleeping for more hours?

Answer: No not at all. He doesn't know when it is day and when it is night?

Question: By what time, he will wake up in the morning?

Answer: Before the love attack, he will be the last person in that family to wake up. After the love attack, he will be first person to wake up in that particular colony/area.

Question: Will he sleep for normal 6-8 hours?

Answer: Yes. But even in dreams, he will think about heroine.

With respect to "Diversions"

Question: Once fallen in love, will he be watching televisions/reading magazines/chatting with friends?

Answer: No not at all. He will always see the picture of that heroine only.

Question: Whether he will have any diversions?

Answer: Irrespective of the situation going on [even in case of tsunami/twin tower blasts/Mumbai blast etc.], he will think about that heroine only. He will not have any type of distraction/diversion.

What could be the reason for all the above?

The one and only reason is "Love". Once the hero fallen in love with heroine, everything in this world will become dark except for that girl. Isn't it?

Friends! Just take that beautiful concept from the movies and leave the rest.

Replace the work/activity in the place of the Heroine and replace you in the place of Hero. You will get the answer for secret of success.

Apply the concept of love in any work/activity. Then you will not think about food. You will never sleep. You won't have any distraction. You will never see your watch.

If you feel that a particular work/activity is very difficult, just love it and do. You will find the difference.

People will tell secret of success is "Hard Work". It is partially wrong. Only if you love the work/activity you will work hard. Only if you work hard, you will succeed. That's what every successful person does also!

Do you want to succeed in work/activity [whatever you are doing]?

Kindly "Love Please!" - **Concluded**