SRCP'S ➤ e-senze

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Editorial ....

Dear Readers,

Perseverance, commonly called urge/determination is the first element required for any task.

Perseverance eliminates fear and generates confidence.

It generates positive attitude and leadership qualities and enables abstract thinking.

Though perseverance dreams are converted into thoughts, thoughts into action, action into results.

Dream high with perseverance and be a leader.

L. Muralidharan
& Editorial Team of e-senze

Designed by: Mr. G. Natarajan

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WORKSHOP ON Auditing Final in Chennai by CA. Kamal Garg
For more Details refer page No. 9 and 10

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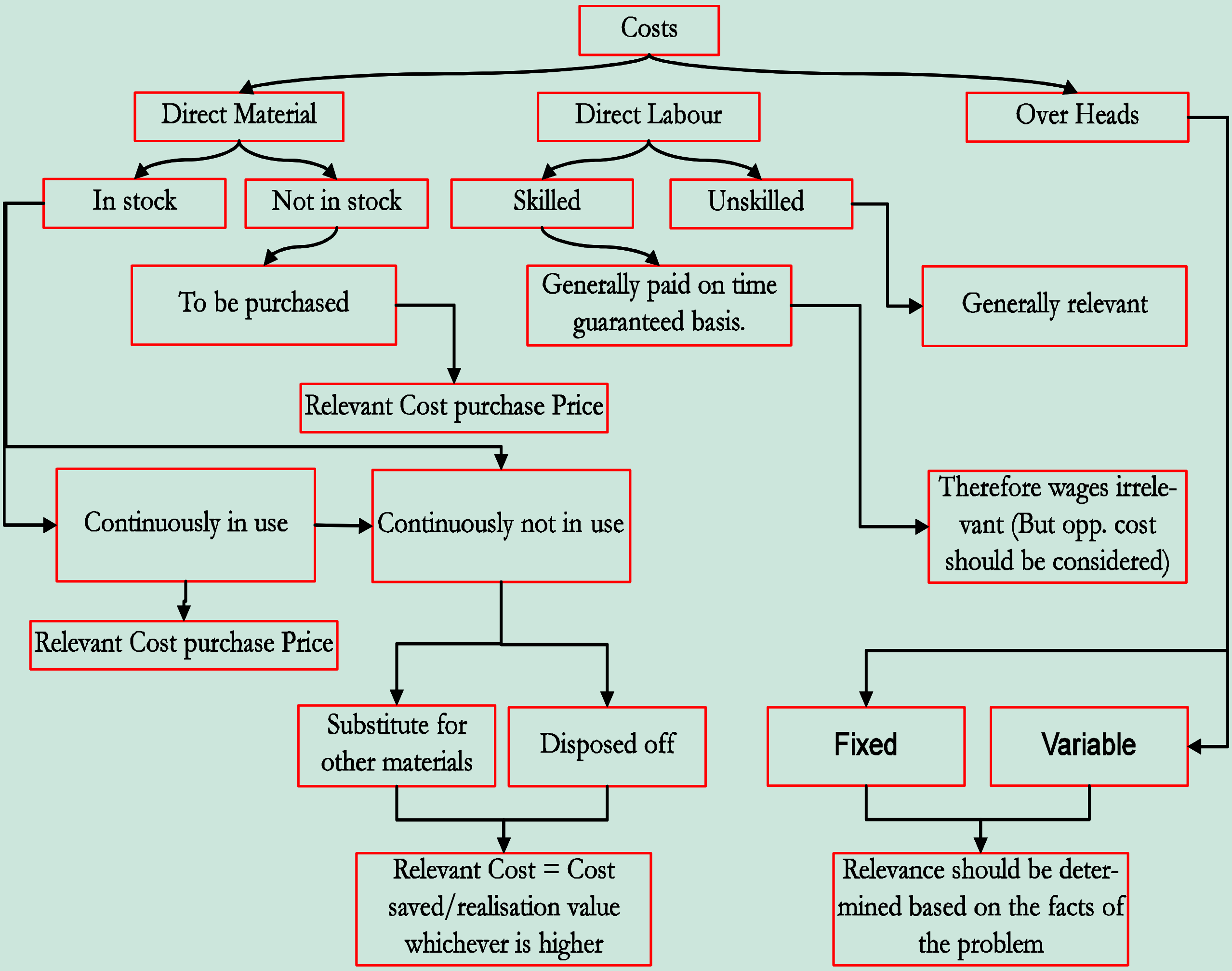
Relevant Costing

- Considering only relevant items for decision making and ignoring the irrelevant items are the main areas of focus in this topic.
- Opportunity cost is the opportunity forgone by the enterprise by choosing the particular alternative. In simple expression, opportunity lost is the opportunity cost.
- Opportunity gain is the opportunity generated because of choosing that particular alternative.
- The former becomes cost of the alternative and the latter is to be taken as income
- Sunk cost is the cost remaining unaltered for various alternatives. Since it is not altered for various alternatives, it is not relevant for decision making at all.

  Ignore sunk cost for decision making purposes.
- It becomes a basic thing to convey matters which are ignored for decision making purposes rather than ignoring it by silence.
- The popular belief is that variable costs are relevant and fixed costs are irrelevant. This belief is not true.

  Additional fixed costs are relevant and labour cost may turn out to be irrelevant if paid on time guaranteed basis.



Average Due Date

$$\text{Average Due date} = \text{Base Date} \pm \frac{\text{Products Total}}{\text{Total Amount}}$$

Steps in Solving Problems

- Take any date as base date
- For convenience, base date shall be the earliest date
- Identify number of days upto each due date from base date
- Multiply number of days x corresponding amount
- Summation of amount and products
- Divide product total by total amount
- Apply formulae

Points to be Noted

- While calculating no of days from base date, either include the starting date or due date. Don’t include both of them
- If transaction date is given and maturity period is represented in terms of months, just add the due period to transaction month. If it is a bill of exchange, add 3 days of grace to the date of transaction
- Example: 18th of June month is the date of bill and 1 month is the credit period would mean, 6 + 1 = 18th July will be the maturity. If it is a bill of exchange, then 21st July will be the maturity date
- While calculating due date,
  a. If product divided by total amount is 48.56, then take it is as 49 days
  b. If product divided by total amount is 48.36, then take it is as 48 days

Due Date

- **Given** → Take the same date
- **Not Given**
  - **Loan transaction** → Calculate the due date depends upon the credit period
  - **Bill/Promissory Note** → Calculate the due date depends upon the credit period Plus 3 days of grace

If due date is a Holiday

- **Public holiday/ Government Holiday / Sunday** → Take the Preceding day as due date
- **Sudden/ Emergency/ Unforeseen Holiday** → Take the Next day as due date

Legal World - Corporate Laws - LW 17-02-2009 - by Mr. Kamal Garg

Continued from previous edition

However, many matters had been decided ex parte due to lack of proper representation by the official liquidator and the official liquidator failed to take any action in the matters which were decided against the company in liquidation. The official liquidator had not objected to the application in its entirety and invited the assistance of the applicant especially when the official liquidator was overburdened with work. The application could not be rejected at the very threshold on the ground of res judicata and it could be considered on the merits because it was moved in totally changed circumstances.

LW 17.02.2009 CHEMBRA ORCHARD PRODUCE LTD. v. REGIONAL DIRECTOR OF COMPANY AFFAIRS [(2009) 1 COMP LJ 1 (SC)] S.H.Kapadia & Aftab Alam, JJ. [Decided on 04.12.2008]

Rule 67 of the Companies (Court) Rules, 1959 read with section 391 of the Companies Act - Application seeking court's direction for convening class meetings - Whether should be heard ex parte - Held, Yes.

Brief Facts: The appellant company moved a company application under sections 391 to 394 of the Companies Act, 1956 in the form of judge's summons for directions supported by an affidavit to hold a meeting of shareholders and members to consider the proposed scheme of amalgamation. In accordance with rule 67, Companies (Court) Rules, 1959, judge's summons for directions regarding holding of meetings was moved ex parte. When the company application regarding holding of meeting came before the Company Judge, a query was raised as to whether it was not necessary to hear shareholders and creditors before issuing directions for holding meeting of shareholders and creditors. Appellant contended that rule 67 did not contemplate the hearing of any person, including shareholders and creditors, before issuing directions for holding of meetings. By impugned judgment, the Division Bench of the Karnataka High Court, on reference, answered the above question of law stating that hearing of all parties was necessary before the Company Court could issue directions to convene a meeting under section 391(1) of the Companies Act and that an ex parte order in that connection could not be passed. The appellant company appealed to the Supreme Court.

Decision: Appeal allowed.

Reasons: Rule 67 of the Companies (Court) Rules, 1959, in unequivocal terms, states that an application under section 391(1) for an order for convening a meeting of creditors and/or members or any class of them shall be by a judge's summons supported by an affidavit. Rule 67 further requires the proposed compromise or arrangement to be annexed to affidavit as an exhibit. Rule 67 is, however, subject to rule 68 (which deals with a case where the company is not the applicant). If one reads rule 67 with Form 33 and Form 34, one finds that essentially the court while issuing such summons is required to apply its mind to checklist indicated in rule 69 and it needs to be prima facie satisfied about the genuineness and bona fides of the application. One aspect needs to be highlighted. Hearing of the motion ex prate does not mean that the court had not to apply its mind or that the court is not required prima facie to be satisfied about the genuineness or bona fides. However, it is a preliminary step. One more aspect needs to be mentioned. If hearing is required to be given to contributors, creditors and shareholders, then the entire scheme of section 391 (which is a code by itself) would become unworkable. Further, when rule 67 categorically states that summons for directions shall be moved ex parte, the question of prejudice or rule of natural justice does not come into play.

However, there is a rationale for stating that the Summons shall be moved ex parte and that rationale is that it is an application for an order for meeting as a preliminary step at the threshold stage and at that stage it is not necessary for the company to give notice of hearing to the creditors, members and shareholders. Further, if one examines rule 67 in the context of rule 73, one finds that after summons for direction are issued as and when the meeting is ordered to be convened, the notice of the meeting is required to be given to the creditors and/or members or such other classes enumerated in rule 73. Similarly, under rule 74 advertisement of the notice of meeting is also required to be published in such newspapers and in such manner as the judge may direct. This is to be supported by affidavit of service under rule 76. The analysis of the above rules indicates that there is a clear dichotomy between the threshold stage of issuance of directions to convene a meeting and the subsequent stage of a notice of meeting which is contemplated by rule 73 and for that precise reason rule 67 states that the summons shall be moved ex parte.

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Continued in next edition

Indian Economy – Inflation, Deflation & Stagflation

- **Inflation is a rise in the general level of prices of goods and services in an economy over a period or a decline in the real value of money causing adverse effects on the economy.**
- They add inefficiencies in the market, and make it difficult for companies to budget or plan long-term.
- Each unit of currency buys fewer goods and services. {i.e. you may have bought 10 kg for Rs. 50 but now you will be able get on 5kg for Rs. 50}
- The effect of inflation is not distributed evenly, and as a consequence there are hidden costs to some and benefits to others from this decrease in purchasing power.

COST-PUSH INFLATION

A type of inflation caused by substantial increases in the cost of important goods or services where no suitable alternative is available.

It is argued that this inflation resulted from increases in the cost of petroleum imposed by the member states of OPEC.

Since petroleum is so important to industrialized economies, a large increase in its price can lead to the increase in the price of most products, raising the inflation rate.

DEMAND-PULL INFLATION

It arises when aggregate demand in an economy outpaces aggregate supply. It involves inflation rising as real gross domestic product rises and unemployment falls.

This would not be expected to persist over time due to increases

in supply, unless the economy is already at a full employment level.

Example I with inflation lenders or depositors who are paid a fixed rate of interest on loans or deposits will lose purchasing power from their interest earnings, while their borrowers benefit.

Example II uncertainty about future inflation may discourage investment and saving. High inflation may lead to shortages of goods if consumers begin hoarding out of concern that prices will increase in the future.

Where fixed exchange rates are imposed, rising inflation in one economy will cause its exports to become more expensive and affect the balance of trade.

- Hyperinflation is a stage at which inflation is very high or "out of control", a condition in which prices increase rapidly as a currency loses its value.
- Normal inflation is always reported per year, but hyperinflation is often reported for much shorter intervals, often per month.
- Hyperinflation is "an inflationary cycle" without any tendency to move towards equilibrium.
- When there is an unchecked increase in the money supply (or drastic debasement of coinage) usually accompanied by a widespread unwillingness to hold the money for more than the time needed to trade it for something tangible to avoid further loss.
- **Hyperinflation is often associated with wars (or their aftermath), economic depressions, and political or social upheavals.**
- A low (as opposed to zero or negative) steady rate of inflation may reduce the severity of economic recessions by enabling the labor market to adjust more quickly in a downturn, and reducing the risk that a liquidity trap prevents monetary policy from stabilizing the economy.
- The task of keeping the rate of inflation low and stable is usually given to monetary authorities.
- Generally, these monetary authorities are the central banks that control the size of the money supply through the setting of interest rates, through open market operations, and through the setting of banking reserve requirements.
- **Deflation is a sustained decrease in the general price level of goods and services.**
- Deflation occurs when there is a sustained fall in prices below zero percent, resulting in an increase in the real value of money (i.e. Negative inflation)
- This should not be confused with disinflation, a slow-down in the inflation rate (i.e. when the inflation decreases, but still

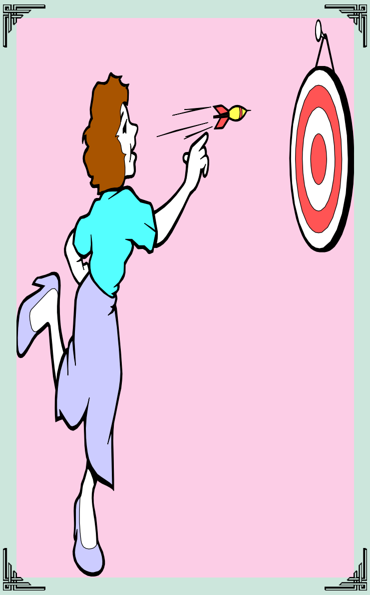
Indian Economy – Inflation, Deflation & Stagflation

remains positive).

- Inflation reduces the real value of money over-time; conversely, deflation increases the real value of money.
- Deflation is generally regarded negatively, as it causes a transfer of wealth from borrowers and holders of illiquid assets, to the benefit of savers and of holders of liquid assets and currency.
- In this sense it is the opposite of inflation (or in the extreme, hyperinflation), which is a tax on currency holders and lenders (savers) in favor of borrowers and short term consumption.
- Deflation, when compared to Inflation, is more disastrous.
- Deflation discourages both investment and expenditure.
- In contemporary economic conditions, the penalties associated with Deflation have increased.
- This escalation results from lengthy loan terms, essential for the continuation of general commercial activities and building of a country.
- In fact, Deflation brings with it, a fall in the aggregate demand.
- Emergence of deflationary spiral is considered to be one of the primary impacts of Deflation.
- In this case, there is fall in the prices, resulting in the creation of a vicious circle.
- This makes a problematic situation to worsen, rather than reaching any amicable solution.
- Perhaps, the greatest instance of deflationary spiral is the Great Depression, occurring in the United States of America during the Civil War.
- Deflation affects an economy by decreasing the velocity of money or the number of commercial transactions more or less permanently. This leads to the emergence of a remarkable contraction in the supply of money.
- **Stagflation is an economic situation in which inflation and economic stagnation occur simultaneously and remain unchecked for a period of time.**
- Stagflation has generally proven to be difficult and costly to eradicate once it gets started.
- First, stagflation can result when an economy is slowed by an unfavorable supply shock, such as an increase in the price of oil in an oil importing country, which tends to raise prices at the same time that it slows the economy by making production less profitable.
- This type of stagflation presents a policy dilemma because most actions to assist with fighting inflation worsen economic stagnation and vice versa.
- Second, both stagnation and inflation can result from in-appropriate macro-economic policies.
- Example 1, central banks can cause inflation by permitting excessive growth of the money supply, the government can cause stagnation by excessive regulation of goods markets and labor markets; together, these factors can cause stagflation. The recent rates of inflation effect in India during 2008-09

11.99 %	03-Oct-2008
12.14 %	26-Sep-2008
12.14 %	19-Sep-2008
12.34 %	12-Sep-2008
6.50 %	Dec 2008

- The headline inflation rate dropped to an average of 6.5% in December 2008 compared to 8.66% posted in the same month of previous year.
- This can raise the normal or built-in inflation rate, reflecting adaptive expectations and the price/wage spiral, so that a supply shock can have persistent effects.
- i.e., rising unemployment and falling gross domestic product. It is the cost of such a recession that is likely to cause the government and central bank to allow a supply shock to result in inflation.
- Rising inflation can prompt employees to demand higher wages, to keep up with consumer prices.
- Rising wages in turn can help fuel inflation.
- When the balance between supply and demand spirals out of control, buyers will change their spending habits as they meet their purchasing thresholds and producers will suffer and be forced to cut output.

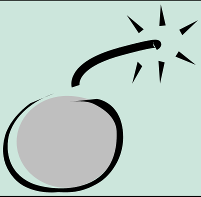


Last *Week's* Question:
What is Euro Market?

The market comprised of the member countries of the European Union (EU). The Euromarket includes countries that have fixed external tariffs and no internal tariffs, and follow the monetary policy set by the European Central Bank. While many member states do use the Euro as their common currency, the Euromarket applies to all states in the EU.

This Week's Question: **What do you mean by Double Option Bonds?**

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



J o k e s

A man went to apply for a job. After filling out all of his applications, he waited anxiously for the outcome. The employer read all his applications and said, "We have an opening for people like you." "Oh, great," he said, "What is it?" "It's called the door!"

= =oo0Ooo= =

An young man was standing in front of the mirror with his eyes closed.

His wife asked what you are doing?

He said-I'm seeing how I look while sleeping

= =oo0Ooo= =

Passenger: should I buy tickets to my children.

Conductor: yes only if they are above 8.

Passenger: Thank god I have only 6 children.

= =oo0Ooo= =

Teacher: In this box, I have a 10-foot snake.

Mandela : You can't fool me,

Teacher... snakes don't have feet.

= =oo0Ooo= =

Teacher: How can you prevent diseases caused by biting insects?

Bose: Don't bite any.

= =oo0Ooo= =

Songi was filling up application form for a job.

He was not sure as to what to be filled in column "Salary Expected".

After much thought he wrote : Yes!

= =oo0Ooo= =

Nandu was writing something very slowly.

Friend asked: Why r u writing so slowly?

Nandu: "I'm writing 2 my 6 yr old son, he can't read very fast.

= =oo0Ooo= =

Why are you feeling so tired?

For the past 3 days, I was taking rest and because of which I am tired now.

The Telly Troubles

by Mr. L.N. Venkataraman

Television news is like a lightning flash. It makes a loud noise, lights up everything around it, leaves everything else in darkness and then is suddenly gone.

- Hodding Carter

From 41 sets in 1962 to over 70 million now, the television market continues to grow rapidly in India. From one channel to more than 100 channels, broadcasting has been nothing short of a revolution in India. Many of these channels are news channels which project the events of the world, 24 hours a day. Media has power over the masses and it has gripped the Indian mind like never before. People see and understand the nation through the daily dose of TV news. There is so much information beamed at us that it is too much to take in.

The television news channel as a medium has the power to shape people's opinions, present critical information, gain support for a cause, spread awareness, and open our eyes to people's lives that we never know. This is the only medium that can reflect facts to the common person for him to get in touch with the real world. Truth is tough to show or even tell. It is this gray area on which news channels compete with one another. Each channel tries its best to come closest to the truth. However truth is best arrived at by analysis and deduction from the facts. Instead news channels try to do this for us, to gain advantage over other channels. Sometimes they get closer and sometimes they overdo in their attempts at it.

News channels do contribute positively using their power on the viewing population. However, they are fraught with certain problems. The first problem is they risk providing a distorted view of the nation and the world. They bring trivial news into the limelight. They exaggerate irrelevant news beyond proportion. Opinions are projected as facts. If some sportsperson calls another a "monkey" it comes as headline news. How is it relevant to our lives? The second problem is the obsession with negativity and problems. The only positive news comes from the area of sports. This gives the wrong notion of life "worsening" in the real world and can bring in a pessimistic attitude. The third problem is of damaging some people by unwanted publicity. When people would rather cope with their life's troubles, media dives into their life and puts everything into public. The fourth problem is the prying into private lives and opinions of popular figures. Why should their opinions and lives hog so much attention? The sweeper in the neighbourhood is probably more relevant to our life. The fifth problem is in causing dullness of mind in the viewers. The expert opinions beamed at us constantly, has made us mechanical and passive. Interviews focus on opinions of interviewee instead of getting into factual detail. We are crippled and use our fingers on the remote than our heads to analyse. The sixth problem is the diversion from relevance to the audience. Anything becomes "breaking news", loud colours attract us, huge fonts hit the eyes and news reporters are melodramatic. This is to increase the channel's popularity ratings. To top it they miss the details. While the farmer suicides are prominent, there are no details on the real daily life of the farmer. Also, news channels forget that they are just a medium to highlight reality and not the sole owners of it.

The ideal news channel would allow the viewers to analyse and infer on their own instead of thrusting opinions on them. It would broadcast less on matters of unimportance. It would keep away from private lives of people. Newsreaders and reporters would be neutral in body language and voice intonation. The channel would show more positive news, local events and keep relevance to the viewer's lives. While all this may sound utopian, it is the only way to make people look at the happenings of the nation and world in the right perspective.

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Class Timings & Venue

SUBJECT	DATE	TIMINGS	VENUE
Auditing	11th April to 15th April, 2009	9.00 am to 5.00 pm	P.S. High School, Behind Sanskrit College, Mylapore, Chennai-600 004

Registration in full swing

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