SRCP's ➤ e-senze

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Editorial ....✍

Dear Readers,

☞ Modern world ☞

Highly competitive, inevitable performances. Whenever I find the key to success, someone changes the lock. The road to success .... is always under construction. The formula is different for each person and it is a ever changing one. So let's find the most complicated way of succeeding instead of waiting for the way to come.

Jai Hind! Jai Hind!! Jai Hind!!!

L. Muralidharan
& Editorial Team of e-senze
Designed by: Mr. G. Natarajan

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WORKSHOP ON
Advanced Auditing Final in Chennai
by CA. Kamal Garg
from 14th August to 17th August 2009
Details in page No. 5 and 6

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Overseas investment - Capital Budgeting Applications

Funding from domestic source to carry out overseas investments would be better than borrowing overseas. Borrowings overseas would call far more rigors, compliance etc and overseas bankers assuming greater risk in funding the project. This will reflect in higher cost of capital into the project. Hence borrowing locally would be a better option.

Evaluation of overseas investment is done in the same way as domestic investments. However, in such cases, inflows are denominated in foreign currency while borrowings are to be repaid in local currency. Foreign currency inflows are to be converted into local currency before discounting with local cost of capital." Since the cash inflows would result for a fairly longer period, it would be a difficult task to get a

forward rate from dealers to convert foreign cash flows into local currency. Forward quotes are available in exceptional cases for a period of One year and not beyond. Therefore forward rate quote in the market will be extinct. The company has to estimate on reasonable basis either with the help of interest rate or inflation or PP index etc the forward to convert the inflows into local currency. This approach is referred to as domestic approach.

There is also another approach to the above overseas investment proposal. One is expected to estimate contemporary cost of capital as if the project is undertaken by a local person in a foreign country. The expected cost of capital is to be ascertained and consequently NPV can be ascertained. It is to be understood that such NPV shall be denominated in foreign currency. As a final step in the process, foreign currency NPV shall be converted at Spot rate which will enable easier comparison of such proposal with any other domestic proposals. In case there is no such comparative domestic proposal, the overseas investment can be accepted or rejected based on positive or negative NPV denominated in foreign currency

Capaital Budgeting with IFM

Home Currency Approach

1. Forward rate (use interest rate parity)
2. Conversion
3.Local cost of capital
4. NPV

Foreign Currency Approach

1. Ko (Foreign currency) 3.Spot
2. NPV (Foreign currency)
3. Spot Rate
4. NPV (Home Currency

Legal World - Corporate Laws - LW 23-02-2009 - by Mr. Kamal Garg

Continued from previous edition...

LW 23.02.2009 COMMISSIONER OF INCOME-TAX v.BHARTI CELLULAR LTD. [(2008) 175 TAXMAN 573 (DEL)] Badar Durrez Ahmed & Rajiv Shakhdher, JJ. [Decided on 31.10.2008]

Income tax Act, 1961 - Sections 9(1)(vii) and 194J - Interconnect services provided by BSNL/MTNL to cellular phone operators - Whether technical services - Held, No - Whether TDS to be deducted therefrom - Held, No.

Brief Facts: The assessee-companies were engaged in the business of providing cellular telephone facilities to their subscribers. They had been granted licences by the Department of Telecommunication for operating in their respective specified circles. They were required to set up their own equipment and necessary infrastructure for operating and maintaining their networks. The licenses granted to the assesses stipulated that the Department of Telecommunication/ MTNL/BSNL would continue to operate in the service areas for which the licenses were issued. In respect of subscribers, which fell within the specified circles of the assesses, the calls would be handled exclusively through the assesses' own networks. However, where calls were to be made by subscribers of one network to another network, such calls were necessarily to be routed through MTNL/ BSNL. The interconnection between the two networks was provided by MTNL/BSNL at interconnection, the assesses had entered into agreements with MTNL/BSNL, etc., under which they were required to pay interconnection access charges and port charges. According to the revenue, the interconnect/port access charges paid by the assesses to MTNL/BSNL or other companies were in the nature of fees for technical services and, hence, the said charges were liable for tax deduction at source in view of provisions of section 194J. However, on appeal, the Tribunal held that the payments for use of services of MTNL/ other companies via the interconnect/port access toll by the assesses would not fall within the purview of payments as provided for under section 194J, so as to be liable for tax deduction at source. The matter then came up before the High Court.

Decision: Appeal dismissed.

Reasons: In the Explanation 2 to section 9(1) (vii), the word 'technical' is preceded by the word 'managerial' and succeeded by the word 'consultancy'. Since the expression 'technical services' is in doubt and is unclear, the rule of noscitur a sociis is clearly applicable. This would mean that the word 'technical' would take colour from the words 'managerial and consultancy' between which it is sandwiched. On going through the dictionary meaning of the words 'managerial and consultancy', it is apparent that both words 'managerial and consultancy' involve a human element and both, managerial service and consultancy service, are provided by humans. Consequently, applying the rule of noscitur a sociis, the word 'technical' as appearing in the Explanation 2 to section 9(1) (vii) would also have to be construed as involving a human element. The facility provided by MTNL/other companies for interconnection/ portaccess is one which is provided automatically by machines. It is independently provided by the use of technology and that too, sophisticated technology but that does not mean that MTNL/ other companies which provide such facilities are rendering any technical services as contemplated in the Explanation 2 to section 9(1)(vii). This is so because the expression 'technical services' take colour necessarily involves a human element or, what is now a days fashionably called, human 'interface'. In the instant case, the services rendered qua interconnection/port access did not involve any human interface and, therefore, the same could not be regarded as technical services as contemplated under said section.

In the instant cases, the interconnect/port access facility was only a facility to use the gateway and the network of MTNL/other companies. MTNL or other companies did not provide any assistance or aid or help to the assessees in managing, operating and setting up their infrastructure and networks. No doubt, the facility of interconnection and port access provided by MTNL/ other companies was technical in the sense that it involved sophisticated technology. The facility might even be construed as a 'service' in the broader sense such as a 'communication service'. But when one is required to interpret the expression 'technical service', the individual meaning of the words 'technical' and 'service' have to be shed and only the meaning of the whole expression 'technical services' has to be seen. Moreover, the expression 'technical service' is not to be construed in the abstract and general sense, but in the narrower sense as circumscribed by the expressions 'managerial service' and 'consultancy service' as appearing in the Explanation 2 to section 9(1)(vii). Considered in that light, the expression 'technical service' would have reference to only technical service rendered by a human. It would not include any service provided by machines or robots.

Therefore, the interconnect charges/port charges in question could not be regarded as fees for technical services within the meaning of section 194J, so as to be liable for tax deduction at source. Therefore, the appeals are liable to be dismissed.

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Continued in next edition

Simple Interest, Compound Interest and Annuity

When money is borrowed, interest is charged for the use of that money for a certain period of time. When the money is paid back, the principal (amount of money that was borrowed) and the interest is paid back. The amount to interest depends on the interest rate, the amount of money borrowed (principal) and the length of time that the money is borrowed.

Simple Interest	=	$\frac{PNR}{100}$
Amount	=	P + I

Where P - Principal; N - Number of years; R - Rate of Interest and I = Simple Interest

COMPOUND INTEREST

Compound interest is the concept of adding accumulated interest back to the principal, so that interest is earned on interest from that moment on. The act of declaring interest to be principal is called compounding (i.e., interest is compounded).

Amount	$= P\,(1 + i)^n$
Compound Interest	= A – P

Effective rate of interest, when interest is compounded k times in the year

ANNUITY

A sequence of periodic payments of receipts is annuity

Two aspects have to be noticed:

1. Beginning of the instalment period
2. End of the instalment period

If the instalment amount is paid at the end of the period of the instalment, it is called ordinary annuity.

If the instalment amount is paid at the beginning of instalment period, that is annuity due.

The amount of annuity (future value) is of the amount of each instalment.

Similarly, the present value of an annuity is the sum of the present value of the instalments.

Amount (future value) of annuity

1. Ordinary annuity

$$A = \frac{P}{i}\left\{(1+i)^n - 1\right\}$$

2. Annuity due

$$A = \frac{P(1+i)}{i}\left\{(1+i)^n - 1\right\}$$

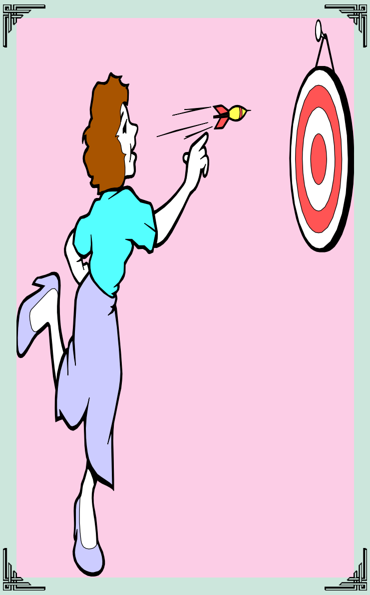
Present value of annuity

1. Ordinary annuity

$$V = \frac{P}{i}\left\{1 - \frac{1}{(1+i)^n}\right\}$$

2. Annuity due

$$A = \frac{P(1+i)}{i}\left\{1 - \frac{1}{(1+i)^n}\right\}$$



Last *Week's* Question:
What do you mean by twisted pair wiring?

Twisted-pair wiring or cabling is the same type of cabling system which is used for home and office telephone system. It is inexpensive and easy to install. Technological improvements over the last few years have increased the capacity of twisted-pair wires so that they can now handle data communications with speeds up to 10 mbps (million of bits per second) over limited distances.

This Week's Question:

How would you manage the diversion in workforce?

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

Jokes

Ram to Sunita: "I want to marry you"

Sunita: "But I am one year elder than you."

Ram: "No Problem, then I will marry you next year."

==oo0Ooo==

Krishna on an interview for the post of detective was asked a question -

Interviewer - Who killed Gandhiji ?

Krishna - Thanks

for giving me the job, I will investigate.

==oo0Ooo==

Hari told his servant: Go and water the plants.

Servant: It's already raining.

Hari: So what take an umbrella and go.

==oo0Ooo==

Nipin comes back 2 his car & finds a note saying "Parking Fine"

He writes a note and sticks it 2 pole "Thanks 4 d complement"

Karthi and Haran, both student of I.I.T, Kanpur, were talking about the American Astronauts.

One said to the other, "What's the big deal about going to the moon-anybody can go to the moon. We are students we will go direct to the sun."

"But if we get within 13 million miles from the sun, we'll melt."

And the first answered, "So what, we'll go at night."

==oo0Ooo==

Santa meets Banta

Santa: "so have you moved to a new house"

Banta: "No."

Santa: "Why not? You advertised to sell your old house, didn't you?"

Banta: "Yes, but when I read the ad, I realized it was just the home I was looking for!".

==oo0Ooo==

Boss : am giving u job as a driver. STARTING salary Rs.2000/-, is it o.k

Venkat : U R great sir! Starting salary is o.k.......but? ?

how much is DRIVING salary...?

==oo0Ooo==

Ramanujam was drawing money from ATM, the man behind him in the line said, "Ha! Ha! Haaa! I've seen ur password. Its 4 asterisks (****). "

Ramanujam replies, "Ha! Ha! Haaa! U R wrong, Its 1258"

==oo0Ooo==

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Details of New Success(ive) Batch

CA - IPCC/CA - FINAL
NOV./DEC. 2009 EXAMINATION

S. No.	Subject	Faculty	Commencing on	Venue	Time	Days
1	Advanced Accounts	Mr. L. Muralidharan	16/5/09*	Mylapore	5.30 pm to 8.30 pm 2.00 pm to 5.30 pm	Mon., Wed., Sun Sat.,
2	MAFA/SFM-Batch - 1	Mr. L. Muralidharan	15/5/09	Mylapore	6.00 to 8.30 am 6.00 to 9.30 am	Mon, Wed, Fri, Sun
3	MAFA/SFM-Batch - 2	Mr. L. Muralidharan	14/5/09	Mylapore	5.30 pm to 8.45 pm	Tues, Thurs, Sat
4	Cost Management	Mr. L. Muralidharan	14/5/09	Mylapore	6.00 am to 8.45 am 2.30 pm to 5.30 pm	Tues., Thurs., Sat Sun.
5	Direct Taxation	Mr. P. Subbaraman	8/6/2009	Mylapore	5.30 to 8.45 pm	Mon., Tues., Wed., Thurs.,

*Advanced Accounts: From 16th May to 3rd June: Monday, Wednesday and Weekend classes, thereafter weekend classes only

Advanced Auditing Workshop by Mr. Kamal Garg: 14-8-2009 to 17-8-2009
Accounting Standards Work Shop by Mr. L. Muralidharan 9-8-09 to 13-8-09

IPCC - Nov/ Dec. 2009 Examination

S. No.	Subject	Faculty	Venue
1	Advanced Accounts	Mr. V. G. S. Mani	T. Nagar
2	Law, Ethics & Comn.	Mr. M. Bhaskar & Mr. P. Subbaraman	T. Nagar
3	Cost Management & FM	Mr. Hariharan	T. Nagar
4	Taxation	Mr. P. Subbaraman & Mr. Rafi	T. Nagar

CA - IPCC Class timing:
8.30 am to 12.30 pm & 1.30 pm to 4.30 pm
Days: Monday to Saturday
Classes commencing on 11th June, 2009
Auditing and Assurance:
Workshop by Mr. Kamal Garg: 14-8-2009 to 17-8-2009
Information Technology and Strategic Management Workshop

FEES STRUCTURE	
CA - FINAL - COMBINATIONS	
MAFA	5500
MAFA & Accounts	8000
Cost Management (Direct Tax Free)	7500
MAFA, Costing (Direct Tax Free)	12500
Cost Management, Accounts (Direct Tax Free)	12500
Cost Management, MAFA, Accounts (Direct Tax Free)	15500
Workshop	
Accounting Standards - 10 am to 5 pm	3000
Advanced Auditing - 9.30 am to 4.30 pm	3000

FEES STRUCTURE	
IPCC	
1 Subject	4000
2 Subjects	7500
3 Subjects	9500
4 Subjects	11000
WORKSHOP	
Info-Tech & SM	3000
Auditing & Assurance	3000
BOTH WORKSHOPS	5500

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Class Venue:

Mylapore

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

Class* Venue:

T. Nagar

No. 7, Sree Flats, (Ground floor, Rear Side),
4/3, Krishnaswamy Street,
North Usman Road, T. Nagar,
Chennai - 600 017.

***Hitech - A/c Classroom**