SRCP's ➤ e-senze

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Editorial ....

Dear Readers,

Hope for the new world.

'You must be born again', science has not understood the mystery of life (or) solved the riddle of human relationship. World is distracted with anxiety and we feel helpless before the march of events, What we need at this hour is social re-engineering, there should be freedom of human spirit and a sense of humility. We need disciplined behaviour and co-operative spirit to make a new world.

Hope the new world has its birth soon.

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

For more Details refer page No. 6 and 7

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Interest Rate Swap

Illustration

A, B and C are three companies, which are not finding suitable interest rates offered for their funds requirement, have approached a bank for arranging interest rate swap.

Company	A	B	C
Objective	Fixed Rate (%)	T-bill rate based funds (%)	PLR based funds (%)
Fixed Rate	14	12	15
T-bill rate based funds	T-Bill + 4	T-Bill + 3	T-Bill + 5
PLR based funds	PLR + 2	PLR + 3	PLR + 4

The Bank wants to arrange swaps between the three parties in such a way so that it can retain 25% of the total gain. The rest of the gain is to be distributed equally among the three parties.

You are required to show how the bank will structure the swap.

Solution:

One company one method choice is similar to assignment model in quantitative techniques. Assignment model technique is used to solve the problem

Company	A	B	C
Fixed Rate	14	12	15
T-bill rate based funds	T-Bill + 4	T-Bill + 3	T-Bill + 5
PLR based funds	PLR + 2	PLR + 3	PLR + 4

Row operation

Company	A	B	C
Fixed Rate	2	0	3
T-bill rate based funds	1	0	2
PLR based funds	0	1	2

Column operation

Company	A	B	C
Fixed Rate	2	0	1
T-bill rate based funds	1	0	0
PLR based funds	0	1	0

Test of optimality by drawing minimum of lines to connect all zeros

Company	A	B	C
Fixed Rate	2	0	1
T-bill rate based funds	1	0	0
PLR based funds	0	1	0

Three lines drawn to connect all the zeros of 3 x 3 matrix, hence optimal solution can be drawn the following way:

Company	A	B	C
Fixed Rate	2	0	1
T-bill rate based funds	1	X	0
PLR based funds	0	1	0

Company	With interest rate swap	Without interest rate swap
A	B's fixed rate of 12%	14%
B	C's T bill rate of + 5%	+ 3%
C	A's PLR rate of +2%	+ 4%
Total cost	12 + T + PLR + 7%	14 + T + PLR + 7%

There is a saving of 2% available for 4 parties including swap dealer. Swap dealer takes 25% of the savings working out to 0.5% and the remaining 1.5% is equally divided amongst A , B and C @ 0.50% each.

A's final rate is 13.5% = 14 - 0.5%; B's final rate is T Bill + 2.5% = T Bill + 3 % - 0.5%;
C's final rate is PLR + 3.5% = PLR + 4 - 0.5%

Legal World - Corporate Laws - LW 18-02-2009 - by Mr. Kamal Garg

Continued from previous edition...

LW 18.02.2009

SUPERINTENDENT OF CENTRAL EXCISE & CUSTOMS v. SRI VISHNUPRIYA INDUSTRIES LTD. (IN LIQUIDATION) & ORS [(2008) 147 COMP CAS 172 (AP-FB)] B. Prakash Rao, L. Narasimha Reddy & G.V. Seethapathy JJ. [Decided on 26.08.2008]

Companies Act read with Customs Act - Respondent Company failed to pay the customs duty and the imported goods were auctioned by the Department - Meanwhile, the company was wound up - The auction sale was declared void by the company court – Whether correct - Held, No. Brief Facts : The respondent company had imported machinery in three different consignments from Italy and the goods were stored in private customs godowns. The goods were to be cleared subject to payment of the duty but the company failed to pay its customs duty within the stipulated time. The amount payable towards customs duty was determined and sale of the imported goods, by an auction, was attempted to recover the dues. Before the sale could take place, the company was ordered to be wound up. The official liquidator in an application under section 468 of the Companies Act, 1956, sought directions to the Customs Department to hand over the imported goods detained under the provisions of the Customs Act, 1962. The single judge held that the detention of goods by the Customs Department and the proceedings initiated thereafter under the Customs Act, 1962 were void ab initio and that the official liquidator was entitled to take custody of all assets of the company, including the goods in question under section 456 of the Companies Act, 1956. On appeal by the Customs Department the matter was referred to a Full Bench in view of conflicting views expressed by two different High Courts as regards to priority of claims in the context of winding up.

Decision : Appeal allowed. Company court has no jurisdiction to decide the validity of action taken by the customs department under the Customs Act.

Reasons : Section 468 of the Companies Act, 1956, empowers the company court to require the "contributory" to pay, deliver, surrender or transfer, any money, property, or books and papers in his custody, or control. The word "contributory" is defined under section 428 of the 1956 Act and the "Customs Department" cannot be brought under the definition of "contributory".

The importer of goods, whether an individual or a company, would be entitled to take possession of the goods only after clearing the customs duty. The importer cannot claim delivery of the goods unless he clears the customs duty. When the company could not have got possession of the goods without payment of the customs duty, it is unthinkable that the person who represents the company can do so. The customs duty is more an incidence or consequence of import of the goods than the liability of the importer to pay it. A liquidator can take possession of only such property of the company, which the company itself could have obtained. The liquidation proceedings bring about any change as to rights, in this respect. The liability to pay the customs duty on goods imported by a company does not get wiped out, or altered; on the company being brought under liquidation and the custody of the imported goods can be secured only by paying the customs duty and in no other manner.

The application under section 468 of the Companies Act, 1956, vis-a-vis the Customs Department was not tenable. The company court had assumed jurisdiction not conferred on it by the Companies Act, 1956. If the proceedings initiated by the Department were defective, the aggrieved party was entitled to pursue its remedies before the appellate forum constituted under the Customs Act, 1962, or in any other forum. The company court did not have jurisdiction to pronounce upon the legality of the proceedings arising under the 1962 Act. That the liability of a company to pay customs duty on the imported goods remained unaffected by the proceedings of winding up initiated against the company. That the claim of a secured creditor against imported but uncleared goods shall not have precedence over the rights of the Customs Department, to proceed against such goods, to recover the dues of customs duty.

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Continued in next edition

Population - Indian Economy - b y T. Venkataramanujam

Population of India means the total number of people residing in India. In India, once growth in population was desirable but now it is not so. The size represents the number of persons within the present boundary of India.

(In 2001 ➥ Size ➥ 102.70 crores)

Rate of growth of population usually calculated per decade or per annum.

(1991 to 2001 ➥ Rate of growth of Population ➥ 21.34)

Birth Rate and Death Rate

Number of births/deaths per thousand of population is referred to as Birth/Death rate.

[2001 ➥(Birth Rate ➥25.4), (Death Rate ➥ 8.4)

Number of persons per square kilometer gives you the density of Population

(2001 ➥ Density of Population ➥ 324)

Generally industrially well developed regions are densely populated.

Number of females per thousand males gives you the sex ratio.

(2001 ➥ Sex ratio '933)

Only Kerala has favourable sex ratio in India. Sex ratio of Kerala is 1055.

Mean expectation of life at birth is known as life expectancy.

Life expectancy has increased

considerably due to expanded medical facilities, and improvement in nutritional value.

Literacy ratio refers to number of literates as a percentage of total population. Literacy ratio of India in 2001 was 65.38. Literacy ratio among males was 75.85 and among females was 54.16.

The Eighth 5 year plan aimed at complete eradication of illiteracy among people in the age group of 15 to 35 years by the end of the plan. Seeing the overall progress, this seems to be difficult and it is es6timated that it would take more than 30 years for the Indian population to be fully literate.

India's population has mainly increased because of high birth rate and relatively low death rate.

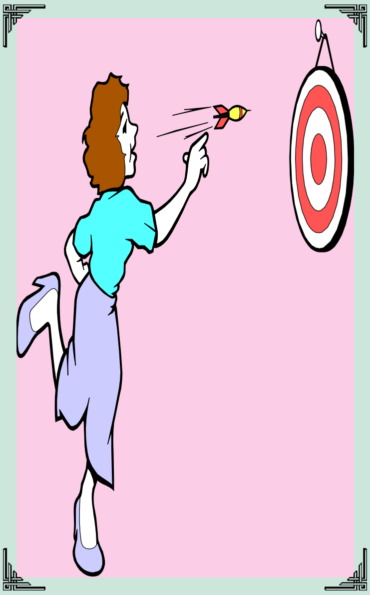
Population growth and its effect on Indian economy:

- Growth of National income is affected.
- As population increases, demand for food grains increases, which necessitates the increase in production.
- Unproductive consumers i.e. population of children and old people will tend to increase, which adds additional burden on resources like Schools and Hospitals.
- Problem of unemployment will increase.
- Capital formation is affected, investments made are used to maintain existing standard of living.
- Ecological degradation takes place.

Tenth Plan targets: The tenth five year plan targeted a reduction in Infant Mortality Rate (IMR) to 45 per 1000 by 2007 and 28 per 1000 by 2012, reduction in Maternal Mortality rate (MMR) to 2 per 1000 live births by 2007 and 1 per 1000 live births by 2012 and reduction in decadal growth rate of the population between 2001 - 2011 to 16.2 per cent.

The demographics of India is remarkably diverse. India's population of approximately 1.17 billion people (estimate for July, 2009) comprises approximately one-sixth of the world's population. India

Important Estimates	2009 Estimates
POPULATION:	1,166,079,217
GROWTH RATE:	1.548%
BIRTH RATE:	22.22 births/1,000
	Population
DEATH RATE:	6.4 deaths/1,000 population
LIFE EXPECTANCY:	69.89 years
- MALE:	67.46 years
- FEMALE:	72.61 years
FERTILITY RATE:	2.76 children born/ woman (NFHS-3, 2008)

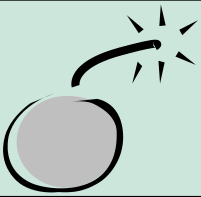


Last *Week's* Question: What do you mean by Double Option Bonds?

These have also been recently issued by the IDBI. The face value of each bound is Rs. 5,000. The bond carries interest at 15% per annum compounded half yearly from the date of allotment. The bond has maturity period of 10 years. Each bond has two parts in the form of two separate certificates, one for principal of Rs. 5,000 and other for interest (including redemption premium) of Rs. 16,500. Both these certificates are listed on all major stock exchanges. The investor has the facility of selling either one or both parts anytime he likes.

This Week's Question: What do you mean by Double Precision?

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



Jokes

AMMANJI got into a bus on 1st April when conductor asked for ticket.
He gave Rs.10/- & took the ticket and said April fool
I have a pass..!@

= =oo0Ooo= =

Teacher: You made a mistake - change into passive voice!
Student: You were made by a mistake!

= =oo0Ooo= =

Patient: This is my first operation. I'm terribly scared, doctor.
Doctor: Coward. This is even my first operation. Look. Am I scared?

= =oo0Ooo= =

Rasika 1: Why do they call this musician? As soon as he starts singing, people get bored & rush to the canteen.
Rasika 2: Arre, don't you know? His concert itself is sponsored by the canteenwallas.

= =oo0Ooo= =

Babu: How about your studies my dear?
Sabu: I am an all rounder in studies
Babu: Oh!!!! That's great, what does it mean?
Sabu: All rounder: One who gets zero in all the subjects.

= =oo0Ooo= =

Teacher: What do you mean by CAPITAL letters in English?
Student: Those letters which arrived from New Delhi

= =oo0Ooo= =

Patient: Doctor, wat does my medical report say???
Doc: Your kidney failed!
Patient: I dint send my kidney for any exams....then how did it fail???

= =oo0Ooo= =

A: Why is u wearing Ur specs when i come?
B: Doctor advised me to wear it when headache comes

= =oo0Ooo= =

Patient - Doctor, am unable to see things at a long distance.
Doctor brings him out of his clinic and asks -
Doctor: Can u see the moon there???
Patient: Yes.
Doctor: Beyond this distance what u wants to see???

= =oo0Ooo= =

Patient: I have swallowed a key.
Doctor: When?
Patient: 3 months back!
Doctor: What were you doing till now?
Patient: I was using duplicate key, now I have lost it too.

= =oo0Ooo= =

Doctor: Practice walking for 10 days for about 2 kms a day from your home.
Patient: (After 10 days), Now, I am 20 kms away from my home. Now what should I do?