

Editorial

Dear Readers,



*H a p p i n e s s
everywhere every
time!!*

*Being happy is the
essence of living.
The secret of 'being
happy' lies in
finding happiness
in what we do we
are happy when we*

*accomplish something. We are happy when
we start doing new things.*

*So we can find happiness only we being and
when do when we accomplish.*

Be happy" Happy learning.

**L. Muralidharan
& Editorial Team of e-senze**

Designed by: Mr. G. Natarajan



Index

CA - Final Page.....	2
CA - CPT Page.....	3
Mera Bharat Mahaan	4
Novelty.....	5
CA - PCC page	6 & 7
Dart Board	8
Through the lens.....	9

Classes for

**CA - CPT
CA-PCC
CA-Final
commencing from
4-2-2009**

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

**Do you have articles
for sharing?**

Do send to

joinsreeram@gmail.com

**Best articles will be
published.**

Sensitivity Analysis in Capital Budgeting by CA. L. Muralidharan



NPV of a project is based upon the series of cash flows and the discount factor. These determinants depend upon so many variables such as sales revenue, input cost, competition etc., Given the level of all these variables, there will be a set series of cash flows and hence there will be a NPV of the proposal. However, if any of these variables changes then the value of the NPV will also change. It means that the value of NPV is sensitive to all these variables. However, in most of the cases, the value of NPV will not change in the same proportion for a given change in anyone of these variables. For some variables the NPV may be less sensitive while for others the NPV may be more sensitive. The Sensitivity Analysis (SA) deals with the consideration of sensitivity of the NPV in relation to different variables contributing to the NPV.

➤ In general, the SA is a theoretical procedure whereby values of the variable parameters (inputs) are changed to denote different situations/assumptions, and the effect of these changes is measured on the expected value of the outcome

(result). When applied to the capital budgeting situations, the SA is a technique to evaluate the effect of changes in factors contributing to cash flows on the value of the NPV of the proposal.

➤ The 'single point' estimates of cash flows or the expected results are based on the judgment of the analyst and the information available. In fact, these are the averages of the possible outcome, implicitly weighed by their respective probabilities. By introducing a range of high, low and expected levels of cash inflows and outflows, the analyst can use a form of sensitivity analysis to indicate the consequences of expected fluctuations, and thus the degree of risk. At times, the past experience can provide clues to the range of future outcomes, but essentially the projection of future cash flows has to be judgmental and based on specific estimates. The following steps are required to apply the SA to capital budgeting proposals:

- 1 Based on the expectations for the future, the cash flows are estimated in respect of the proposal.
- 2 To identify the variables

which have a bearing on the cash flows of a proposal. For example, some of these variables may be the selling price, cost of inputs, market share, market growth rate etc.,

- 3 To establish the relationship between these variables and the output value i. e., the effect of these variables on the value of NPV of the proposal.
- 4 To find out the range of variations and the most likely value of each of these variables, and
- 5 To find out the effect of change in any of these variables on the value of NPV. This exercise should be performed for all the factors individually. For example, in case of a project involving the product sale, the effect of change in different variables such as number of units sold, selling price, discount rate etc., can be taken up on the NPV or IRR of the project. This information can be used in conjunction with the basic capital budgeting analysis to decide whether or not to take up the project.

The author can be reached at his ID:
calmuralidharan@gmail.com

Sale of Goods Act, 1930 - by Mr. S. Ramasubramanian

Unpaid Seller

The seller of the goods is deemed to be an unpaid seller, when

- the whole of the contract price has not been paid
- a bill of exchange or any other negotiable instrument has been received as conditional payment; the condition on which it was received has not been fulfilled as instrument got dishonoured or otherwise.
- the buyer refuses or neglects to accept delivery



without reserving the right of disposal of the goods;

- When the buyer or his agent lawfully obtains possession of the goods
- By waiver thereof.

Where a property has been lawfully transferred to a person by the buyer,

He transfers the document to another person who takes the document in good faith and for a valuable consideration by way of sale Then the unpaid sellers' right of lien or retention or stoppage in transit is defeated

Note: The unpaid sellers' right of lien or retention or stoppage in transit is not affected by any sale or other disposition of the goods that the buyer may have made unless the seller has agreed thereto.

But if that person has pledged the goods instead of selling it, then unpaid sellers' right of lien or retention or stoppage in transit can be exercised subject to the rights of the transferee.

Rights of an Unpaid Seller

[Subject to the provisions of this Act, and of any Act in this behalf]

- A right to retain the goods for the price. This right can be exercised only when goods are in his possession
- A right to stoppage the goods in transit. This right can be exercised only when the buyer is insolvent and he has parted the goods

For e.g. A, in Chennai, sends goods to a buyer in Ahmadabad through a carrier, the goods are in transit when it leaves A's possession and B or his agent has not taken possession. If A becomes insolvent, then B gives immediate instructions as not to deliver the goods in A's godown

- A right to resell the goods. This right can be exercised when goods are perishable in nature; there is express provision in the agreement and the Seller gives notice regarding resale to the buyer but he failed pay the price
- A right to withhold delivery in addition to his other remedies. This right can be exercised when the property in goods has not passed to the buyer

Note: Where an unpaid seller has made part delivery of the goods he may exercise his right of lien or retention on the remainder unless there is a provision to the contrary.

The unpaid seller of goods loses his lien or right of retention thereon

- When he delivers the goods to a carrier or other bailee for the purpose of transmission to the buyer

Effect of lien or stoppage in transit

- A contract of sale is not rescinded by the mere exercise by an unpaid seller of his right of lien or retention or stoppage in transit.
- Where an unpaid seller who has exercised his right of lien or retention or stoppage in transit and he resells the goods to another person who acquires a good title as against the original buyer.
- Where the goods are of a perishable nature or where the unpaid seller gives notice to the buyer of his intention to resell and the buyer does not pay or tender the price within a reasonable time, then the unpaid seller may resell the goods and recover damages for any loss occasioned by his breach of contract from the original buyer.
- Where the seller expressly reserves a right of resale if the buyer makes default. On buyer making a default, the unpaid seller resells the goods by which the original contract of sale will be rescinded. Without prejudice to any claim, the seller may recover the damages.

Part - I

Continued from previous issue.

Business:

Even in our way of functioning as good business men we have failed but for the scattered success stories of the Tatas, Infy, Wipro, and other techie and niche companies. How Reliance became a success, how many people in North and South Block in Delhi amended, deleted, introduced new laws in Excise, Customs, Income, Sales Tax laws in the early 80's to make RIL working is something that you will never find in any of the Dale Carnegie's, CK Prahlad, Peter Drucker books. Where are the answers to Ram Jethmalani & Gurumurthy's Questions of 1987 is for any one to ponder. Till date no answers have been given. Similarly Coomer Narain, PA to the then Personal Sec. to Rajiv Gandhi was arrested on a Spy Scandal the SPIES were linked to Maneklal a Chemical Manufacturing Co. having export contacts with Russia. Till date the men and matter behind the Spy Scandal . Where are the 3000-4000 companies that were started during the 1990's when the share market boom started which ended along with Harshad Mehta's arrest. NO bank Executive has been arrested for the offences committed along with Harshad Mehta till date only a Class I Officer of SBI was suspended for a few day before the Mangement was booed to revoke the same due to his non-involvement. The Manohar Pherwanis, Nadkarnis of IDBI,NHB,ANZGrindlays Bank (Peshi Nath) were directly involved with HM. But our Bank found them innocent were concisous in arresting M Gopalakrishnan for the Loans that were not paid in time by borrowers who belong to Congress at that point of time.

Even today Manmohan Singh kept a Estoic silence during the Singur Tata Affair as they are in alliance with Anil & Mukesh who do not any one other than them to be India's Richest. Now today one sees the way Satyam has fallen down. But unfortunately some of the bluest of the blue software companies do the same style of accounting in collusion with their auditors who receive a big cut for such mis reporting.

But let me assure the readers neither Raju nor the auditor will be penalized by the Govt. or by any other agencies but they will be in lime lite for another 2-3 weeks and all channels will be reporting the mis deeds in full volume only when the action is completed.

Unfortunately None of the Prime TV channels does any quality and analytical reporting, particularly the Economic & Commerce channels have not done any worthwhile analytical and threadbare analysis of balance sheets of blue chip companies. In fact majority of the software companies are not worth the price they command in the NSE market as the valuation applied is wrong and inflated but there is no one to point out this anomaly, similarly the boys and girls who are being attracted to this ITES companies are being paid more than they actually deserve when compared to their peers in other sectors and their paychecks are just like the ones in Ad & Media Companies who claim to pay such abnormal paychecks only to retain talent in their Inc. and to forge ahead of future competition. Unfortunately there is no followup by the investigative journalists of our nation and Tehelka does only political investigation not business investigation like Fairfax who did a wonderful job in exposing the Reliance in the late 1980's. But only in a country like ours such companies are allowed to grow, flourish and run a parallel economy with the support and aid of the Government. During the boom of the 1990's and as late as the 2001-2007 the satyam peaked and bottomed out and none of the telugu speaking directors and some imported nri directors have the conscience to talk about these things neither in private nor in public to thwart such breach of corporate governance . In all it sums up to my first philosophy

Are we true in being Indians????

Hence it shows that every Indian (let Hus leave the exceptions, because exceptions can never be examples) can be bought, coerced to do anything. Can any chamber of commerce including Nasscom promise that they pay all taxes

and duties as prescribed in Law. What action have the Chambers of Commerce have initiated against the wrong doers in their own Association. How many have returned back the public money which was collected illegally through various IPOs and how many have returned back the money to the various PSU Banks till date what is the followup action that these Chambers of Commerce such as FICCI, ASSOCHAM, CII , etc have taken. Whenever there is a economic / business / industrial crisis they huddle together and meet the FM, PM to get concessions, benefits but when the PSU banks suffer on account of non servicing of interest, instalments they have never cooperated with the respective banks on account of which thousands of crores of rupees of public money is systematically waived/ sacrificed by PSU banks by written off and One Time Settlement procedures which were invented only during the Manmohan Singhonomics of the the 1990's and subsequently recapitalizing the respective banks by asking the employees to forge an MOU sacrificing hard fought privileges for the saking of protecting their Bank Identity. Now my Second point can be read back

Are we Sincere & Truthful in whatever we do???

How many Export Processing Zones have been started since the 1990's and how many are actually functioning till today . Of those which have been closed what are the reasons for their closure, what happened to their 3-8 years of functioning, the income earned and tax concessions that they enjoyed and what line of activity those promoters are doing now ? no one knows the answer because our economic intelligence depts.. are poorly equipped in terms of staff strength, infrastructure and back up and follow up depts.

To be continued ..

Judging Judgment

by Mr. L.N. Venkataraman

If you judge people, you have no time to love them. - Mother Teresa

We select vegetables and fruits by outward appearance but we know the taste only after eating them. We buy a product based on its look and the sales pitch but we know its value only after using it. We choose a book by its cover and reviews but we know what it is about only after reading it. We go to a movie based on the promotional ads but we know the story only after watching it. We decide our life partner by personal qualities but we know the facts only after marriage. Yet we do not realise the same truth when it comes to judging people.

Let us take a simple example. Mr. Amit is on his way to an important hearing in his chauffeur driven Mercedes Benz. He is clean shaven, spectacled and neatly dressed in formals as usual. He arrives at the destination. He is quick in his bearing with a pleasant smile. He holds the latest Time magazine in his right hand and a briefcase in the other. He is entering the Supreme Court of India.

As you read the above paragraph, you would have



formed a clear image of Mr. Amit. Chances are high that you have judged this man as an educated, decent, polished person with a broad mind. It appears like this man is a business tycoon or a top official. To some he could be a man of sound character. It took only a few seconds to read about Mr. Amit but we have already judged him! What if you come to know that this man is under trial for forgery and fraud? What if you come to know that this man is a drug dealer? What if you come to know that this man was spitting all along the way on the roads cursing the driver with expletives? You would positively reconsider your opinion.

We see people through our own experience, our own circumstances, our own values, our own opinions and our own prejudices. We have a strong tendency to interpret

without enough information. This tendency leads to misunderstandings, speculation, wrong decisions, becoming opinionated, failing to deal with situations, developing prejudice and becoming emotional. Being quick to judge, we fail to act. We generalise based on our thinking, infer based on our experience, react based on our opinions, decide based on our prejudices, argue based on our values and snub based on our circumstances. Such are the symptoms of judging too quickly. Like we judge people, we also judge institutions, ethnic groups, cities or countries.

To prevent the disease of quick judgment, we need to be in the other person's shoes. The way to do it would be to assume that we lack the faculty to judge. The only choice then would be to interact, question and gather information before coming to conclusions. Human nature would probably be better off without the ability to judge. On that note I end this article. Let it be analysed before being judged!

The author can be reached at his ID: lnvraman@gmail.com



**LW 162.12.2008
COMMISSIONER OF
INCOME-TAX v.
AATUR
HOLDINGS P.
LTD. [(2008) 146
COMP CAS 152**

**(BOM)] F.I. Rebello & R.S.
Mohitre JJ. [Decided on
12.03.2008]**

Companies Act, 1956 - Section 206 - Entitlement to dividend - hether de facto shareholder is entitled to receive dividend - Held, No. Brief Facts : The Assessing Officer added an amount of Rs.16, 84,150 on account of dividend to the income of the assessee. The shares belonged to a notified person and were in the custody of the Special Court. Some of the shares had not been received by the notified party. The Commissioner (Appeals) held that if the shares were not registered in the name of the notified person, the dividend income had to be received by the registered shareholders only. The Tribunal held that such dividend in the hands of the owner of shares which were not registered in his name in the book of the company could not be assessed as income in the hands of the assessee and dismissed the appeal. The appellant appealed to the High Court.

Decision : Appeal dismissed.

Reasons : Merely because a person may have purchased or been in receipt of shares, in the absence of the shares being registered in his name in the books of account of the company, such a person is entitled to receive the dividend. The dividend has to be paid by the company in the name of the registered shareholders and it is the registered shareholders alone who claim dividend under section 27 of the Securities Contracts (Regulation) Act, 1956. Under section 206 of the Companies Act, 1956, dividend must be paid to the registered holder of such share or to his order or to his bankers. Under section 27(1) of the Securities Contracts (Regulation) Act, 1956, also the registered shareholder alone would be entitled to receive the dividend subject to the

limitation set out under section 27(1) and (2). Nothing was brought to show that under the provisions of the Companies Act or the provisions of the Securities Contracts (Regulation) Act, 1956, there were any other standard or statutory rules under the Income-tax Act by which such dividend could be taxed in the hands of the assessee. Moreover, the burden of proving that an amount received in the year of account was taxable lies upon the Department. The Assessing Officer had noted that the dividend had not been received by the custodian but had been received by some other person. There was nothing brought on record to show that the assessee in terms of section 27(1) of the Securities Contracts (Regulation) Act, 1956, had lodged the shares for transfer. There was no reason to interfere with the order passed by the Commissioner (Appeals) as confirmed by the Tribunal.

**LW 163.12.2008 DR. L.P. PRABHU
v. OFFICIAL LIQUIDATOR,
Legal World Digest of Legal Cases
HIGH COURT OF KERALA
[(2008) 146 COMP CAS 157
(KER)] J.B.Koshy & Mrs.K.Hema
JJ. [Decided on 30.01.2008]**

Companies Act, 1956 - Section 125 - Registration of charge - Winding up of company - Directors taking over of the bank loan to company - Charge against the property of the company not registered in favour of directors - Whether directors can claim that they should be put in the place of the bank which was the first lender - Held, No. Brief Facts : The appellant was a director of a company, which had availed of financial facilities from the C bank against mortgage of the entire assets of the company and execution of personal guarantee by all its directors, who stood as sureties for the loan. The appellant claimed that he had advanced a sum of Rs.18, 38,852.58 to the company for discharging its liabilities to the C bank. The company again hypothecated its entire assets to another bank, S, for obtaining a fresh loan. The title deeds were deposited

by the company with the S bank as security and release of charge in respect of the company's assets registered with the Registrar of Companies obtained under section 138 of the Companies Act, 1956, was produced before the S bank to show that the assets of the company were free from encumbrance. The directors of the company including the appellant signed a declaration that the properties of the company were free from charge, alienation, or encumbrances. A petition for winding up the company was filed by the appellant and his brother claiming that Rs.10, 00,000 was due from the company and that Rs.18, 38,852 advanced to the company had been reduced to Rs.10, 00,000 by way of an agreement and a supplementary agreement. The S bank, as secured creditor filed a suit for recovery of the amounts due from the company. Steps were in progress for the recovery of the decreed amount through the Debts Recovery Tribunal. The company petition filed by the appellant and his brother was admitted by the company court. The appellant submitted before the official liquidator that he was a secured creditor who had been subrogated to the C bank's position upon satisfaction of its dues by him. The official liquidator in an adjudicated award dismissed the claim of the appellant. In an appeal before the company court the appellant claimed that he had been subrogated to the position of the C bank by operation of law and that the properties mortgaged to the C bank were mortgaged to him and sought to adduce evidence before the court. The appeal was dismissed by the company court. Appellant appealed to the Division Bench.

Decision : Appeal dismissed.

from contending that he had the first charge over the property which was mortgaged to the S bank. Decision of the single judge affirmed.

**The author can be reached at his
gmail ID: cakamalgarg@gmail.com
Continued in next edition**

PARTNERSHIP - GOODWILL VALUATION AND TREATMENT By Mani V G S

**Synopsis**

- ✓ Meaning
- ✓ When Goodwill be calculated/valued

- ✓ When Goodwill need not be recorded in the books
- ✓ Methods of Calculation of Goodwill
- ✓ Treatment of Goodwill
- ✓ Proportionate Capital and Payment of Goodwill

☛ Goodwill - Meaning:

- ✓ Goodwill is the money value of reputation of business

☛ When Goodwill will be calculated?

- ✓ Change in profit sharing ratio among partners

- ✓ On admitting a new partner

- ✓ Retirement of a new partner

- ✓ Death of partner

- ✓ Dissolution of partnership [sale of firm to a firm/company]

☛ Goodwill need not be recorded in the books of accounts:

- ✓ When no money or moneys worth is brought in for goodwill

- ✓ Self-generated goodwill shall not appear in the books of account.

Only purchased goodwill shall appear in the books of account as per AS-26 [Intangible Assets]

- ✓ When the incoming partner pays any goodwill privately to existing partners, no entry is required in the books of the firm.

☛ Methods of calculation of goodwill:

- a) Average profit [Simple average or Weighted average]

- b) Super profit

- c) Capitalization basis

- d) Annuity basis

a) Average Profit**Simple Average method**

- ➔ Goodwill = Average profit x Number of years of purchase

- ➔ If there is no clear increasing or decreasing trend in the profits then we should follow simple average method

Weighted average profit method

- ➔ Weighted average profit method to be followed only in case of clear increasing or decreasing trend in the profits

- ➔ Goodwill = Weighted profit x Number of years of purchase

- ➔ Weights shall be given to us in the problem. If weights are not provided then given more weights for latest year

- ➔ Weighted average profit = Total weighted profit/Total weights

b) Super Profit Method

- ➔ Goodwill = Super profit x Number of years of purchase

- ➔ Super Profit = Future profit - Normal Profit

- ➔ Normal profit = Capital Employed x Normal rate of return

- ➔ Future profit = Average profit + Adjustments relating to future

c) Capitalization method

- ➔ Goodwill = Normal Capital Employed - Actual Capital Employed

- ➔ Normal Capital Employed = Future profit/Normal rate of return.

d. Annuity Method

- Goodwill = Super profit * Annuity factor

☛ Treatment of goodwill

Cash/Premium Method	Memorandum Revaluation Method
	A) If Goodwill a/c should not appear
1. For bringing goodwill in the form of cash Cash a/c Dr. To Goodwill a/c	1. For Raising Goodwill To Goodwill a/c To Old partners [Old ratio]
2. For sharing of goodwill by sacrificing partners Goodwill a/c Dr. To Sacrificing partners a/c [Sacrificing ratio]	2. For Writing off of Goodwill All partners [including new partners] capital a/c Dr. To Goodwill a/c
	B) If Goodwill a/c is not to be raised New Partner's capital a/c Dr To Sacrificing partners a/c [Sacrificing ratio]

☛ PROPORTIONATE CAPITAL AND INFERENCE OF GOODWILL

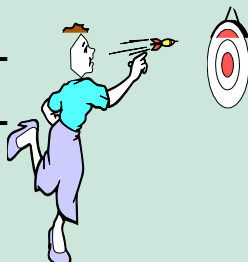
The question of inferring goodwill arises only in case of proportionate capital. If the newly admitted partner brings capital more than what is required as per profit sharing ratio, then it is to be presumed that he has contributed the excess for goodwill.

(Author may be contacted at: manivgs@rediffmail.com)

Dart-Board

Last Week's Question: What is the difference between Contract of Service and Contract for Service
Answer

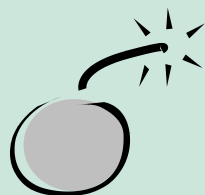
Basis of Distinction	Contract of Service	Contract for Service
Relationship	Employer- Employee	Employer-Independent Contractor
Continuity of Relationship	Usually a continuous relationship	A relationship organized around the completion of a once-off piece of work
Liability of the employer	Employer is generally liable for the explicit acts of employee	The employee is generally not liable for the explicit acts of independent contractors
Remuneration	Wages/Salary payment method	Various methods including lump sum is possible
Direction	Employer will give directions to employee "What to do" and he will also direct him "How to do"	Employer will give directions to contractor "What to do". But "How to do" is generally decided by Contractor in most occasions



This Week's Question:

Whether profit on sale of a division should be credited to profit and loss account or capital reserve account?

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



J o k e s

Man 1: What is the present tense of "SAMSUNG"?

Man 2: I don't know!

Man 1: It's "SAMSING"

==oo00oo==

Teacher: Why you are not studying properly?

Student: In a year, there are 365 days. Out of 365 days, 52 days are Sundays. Sundays are meant for rest. Days left are 313. Out of 313 days, summer vacations are 60 days. At this time, weather is very hot. So it is very difficult to study. Days left are 253. Out of 253 days, eight hours of daily sleep accounts for 122 days. It is necessary for every human being. Days left are 131. Out of 131 days, one hour we should play. It is good for health. It is working out to 15 days. Days left are 116. Two hours daily food amounts to 30 days. Only if you chew the food properly, digestion problem will not come. Days left are 86. Examination in a year is for 30 days. Days left are 56. Winter vacations are 25 days. At this period, weather is cold. It is very difficult to study. Days left are 31. Other holidays are 20. These are meant to enjoy. Days left are 11. Illness at least

once a year is for 8 days. It is very difficult to study during illness. Days left are 3. Examination result will be for 3 days. Talking about result is necessary. Days left are "0". Then, please tell me when will I study?

==oo00oo==

Once three persons decided to go for picnic. When they reached the picnic spot, they realised that they forgotten the soda. Man 1 said that he would go home and get the soda if the others promised not to eat the sandwiches until he got back.

After a couple of hours, Man 2 and Man 3 got very hungry. Finally Man 2 said to Man 3, "Oh, come on, Man 1 is not going to come back. Let's eat the sandwiches".

Suddenly, Man 1 popped up from behind a rock and said "If you do, I won't go."

==oo00oo==

Mr.Zen joined a new job. On the very first day, he worked till late evening on the computer. His Boss was very happy and asked him what he did till evening. Mr.Zen replied "Sir, Keyboard alphabets were not in order. So I made it alright."

==oo00oo==

A person newly learning Hindi went to a party. He introduces his wife and kid in the party "Hi Everybody! She is my PATHNI" and She is my "KIDNEY"

==oo00oo==

A person had a glove on one hand and not on other hand. His friend asked him why he did so.

The person replied that the weather forecast announced that "On one hand it would be cold and on the other hand it would be hot"

==oo00oo==

Man: [After returning from a foreign trip] "Do I look like a foreigner?"

Wife: No! Why?

Man: Because, in America, one lady asked me "Are you a foreigner?"

Wife: ???!!!

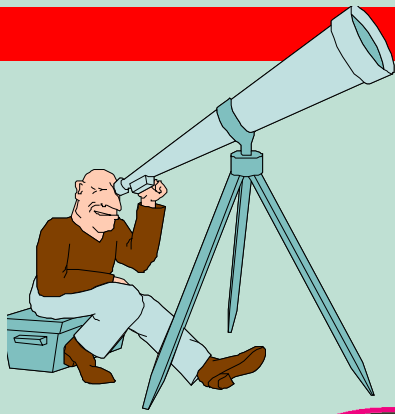
==oo00oo==

Lady to Repairer: I called you four times for repairing the door bell. You didn't attend my call

Repairer: I'm coming daily since 4 days. I press the bell. But no one comes out.

Lady: ???!!!

Through the Lens - K. Sridher Style



The artist may be contacted at his website: www.sridher.110mb.com & mail id: sksridher@gmail.com