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The Management Accountant

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"ICWAI Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

VISION STATEMENT

"ICWAI would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

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Ref. Exam/264/8/2009 August 17, 2009

NOTIFICATION

The Examination Committee of the Council of ICWAI at its 264th meeting decided to fix the new examination dates as follows :

December Term	10	to	17	December
June Term	11	to	18	June

Accordingly, The December 2009 examination of ICWAI will be conducted from 10 to 17 December 2009.

C Bose
Sr. Director - Examinations

Editorial

Banking on banks

The last two years have indeed been a tumultuous period for the globe as it was struck by a financial tsunami of epic proportions. And banks have been at the epicenter of this crisis. While the surfeit of easy liquidity and global imbalances prepared the ground for a disaster at the scale just witnessed, the irresponsible and reckless banking practices provided the necessary fuel to the impending inferno. Excessive competition was the compelling factor while latest financial innovations provided the means for the unbridled expansion of the banks.

However Indian banks have been fairly resilient in the midst of this storm. Adherence to prudent banking practices mandated by RBI and relatively limited exposures to risky financial products are what saved the day for banks in India. Banks irrespective of their age and origin have harnessed the benefits of technology to improve efficiency and customer service. The average Indian bank is well capitalized (10-12%), non-performing assets are modest (2.5%) and most banks are profitable.

However, there are a few disappointing issues that will lull the banking system from complacence. A recent ranking of top 50 safest banks by the prestigious Global Finance has revealed that there is no Indian bank in that coveted list. Even in terms of size, the Indian behemoth, State Bank of India is the lone entry; ranked 82nd in a list of the top "1000 World Banks". Further, the current volatile situation has placed banks into a queer position. They are preferring to use the excess liquidity in the system (injected by RBI as a stimulus measure) to hoard and park the funds in liquid avenues rather than lend to the cash-starved big corporates and small scale sector. This sort of lazy banking is also what is perhaps dampening the desired effect on stimulating demand and slowing down recovery. Banks will have to shake off their jitters and start doing what they are essentially meant to do lend and not depend on investment income and fee based income for their profits. But the trick is to keep lending without forsaking their pre and post credit supervision, which might otherwise endanger the viability of their assets. Banks will have to resort to effective cost management as huge government borrowings threaten to push up the cost of funds, thereby reducing their interest margins. Further, in an age with an increasing threat of terror funding, strict adherence to Know your Customer (KYC) norms is imperative to prevent banking channels being used as a conduit for money laundering.

In a unique country like India, banks today have to reconcile the expectations of its demanding and discerning high net worth clients on one hand and on the other hand strive for greater financial inclusion that meets the basic banking needs of the vast proportion of unbanked populance on the other. However, as some banks are discovering to their satisfaction, reaching out to the unbanked either through the direct channels of lending and accepting deposits or through the indirect routes (for example through the microfinance units) is not a totally unprofitable proposition after all. Additionally, banks will have to face twin major challenges in the near future- the migration to International Financial Reporting Standards (IFRS), which will increase the complexity of financial disclosures; and possibly more stringent capital and leverage requirements prescribed by Basel, which will impact their growth targets and their ability to compete in the domestic and international arena.

In such a scenario, special praise must be reserved for the Reserve Bank of India. Its deft management of the burgeoning forex reserves and hawkish stance on the emergence of a real estate bubble helped stave off the sub prime crisis in India. Whatever tremors of the meltdown were felt here in India was successfully quelled by timely and calibrated stimulus measures by the central bank. Today RBI's insistence on multiple objectives (of growth, price stability and financial stability) as guiding principles of a central bank as against the single-point objective of inflation targeting (followed in the developed world with such disastrous consequences) has come in for singular appreciation from all nations.

Whether our banking system is able to rise up to the occasion and stand out in the league of global banks will depend on the extent to which the banks are able to meet the challenges mentioned above and the exit strategy adopted by RBI as it gears up for new problems of inflation and higher growth.

The current issue highlights different facets of the Indian banking sector. It is hoped that readers will be enriched by such articles.

• President's Communique •

My dear professional friends,

The herald of the Festive season, Navarathri and Durga Pooja brings in lot of mirth and happiness. My good wishes to all of you and your families for health, joy and happiness.

September 11, 2009 was indeed a path breaking and significant date, when for the first time in the history of our Institute, even for that matter in the annals of the history, the Hon'ble Minister for Corporate Affairs, Mr. Salman Khurshid addressed our Council at New Delhi and more than that, spent considerable amount of time clarifying and assuring that Government was seized with the several issues facing the profession, particularly the name change of the Institute which he clarified to the press, has lot of support from Government. This has given a new life and will bring cheers to the members, as this has been pending for quiet some time due to several reasons.

The Companies Bill 2009 which has some anomalies to the provisions on Cost Audit has been refereed to a Parliamentary Committee for a reference. The Council is taking all steps to safeguard the interest of the profession.

It is planned to have discussion groups to elicit opinions and present the same before the Parliamentary Committee. I personally urge upon the members to devote time and thoughts to offer suggestions to the Institute to strengthen our efforts.

The Profession is eagerly awaiting the implementation of the recommendations of the Expert Group on Cost Audit. The Institute will organize seminars at different centers and invite leading policy makers to percolate the issues contained in the Expert Group Report and get endorsements to facilitate acceptability of the report for Implementation.

Wherever I went and met the members, there is a new enthusiasm and assurance that the profession is moving to get the best out of the opportunities borne out of the slowing down of the economy. Already India has responded well with growth in the manufacturing sector triggering all round revival. The Infrastructure Industry is well poised to meet the massive demands arising out of holding the Commonwealth Games in New Delhi. Massive investments and new facilities are in the offing and this will be the biggest event taking place after the Asian Games in the 1980's. This event gives a big growth to Indian tourism and hospitality sector which will contribute further growth.

Economic growth is always related to global events and focus on demands. I would consider 6th Commonwealth Games 2010 as a blessing in disguise to lay the road to recovery.

The Institute's core competence lies in its ability to upgrade the knowledge of the members to scale newer heights in our specialized area of Management Accountancy. This can be achieved by setting new standards and meeting the requirements to set higher levels of Competence. The Cost Accounting Standards Board has finalized for release two of the CAS which were in the pipeline, the one on 'Employee Cost' and other on 'Cost of Utilities'. Two more are being finalized shortly. In addition, two Exposure Drafts have been released and I am sure members will respond well to these releases. With this I am confident shortly ICWAI would have completed 12 Cost Accounting Standards which will strengthen Cost and Management Accountancy.

• President's Communique •

The Quality Review Board of ICWAI (QRB) is taking several measures to improve the Quality of services rendered by Practitioners, and towards this the Institute will be addressing a response sheet, to all the members in practice, soliciting certain basic information, which will pave the way for a plan of action in the future. Members in practice are requested to provide the information when called for, and ensure we build up a strong profession to face the challenges in the future.

I am glad to inform you that recently the Karnataka Government has recognized the Cost Accountants also in corporate VAT Audit by amending Karnataka Value Added Tax. The Government is releasing the amendment of Rule 34 (Third Amendment Rules, 2009). We are extremely grateful to the Hon'ble Chief Minister of Karnataka, Shri B.S. Yeddyurappa for recognizing Cost Accountants to shoulder this responsibility.

A happy news to our practitioners about new area which is being opened for Cost Accountants in setting up of certified filing system under ACES by Director General (Systems) and Audit, New Delhi. I am sure, with the recognition of Cost Accountant to set up this filing center about one lakh Central Excise and fifteen lakh Service Tax assesses, registered with the department will be served in filing their various statutory returns on monthly, quarterly, half-yearly, yearly etc with the Central Excise and Service Tax departments. You will have more information about this shortly.

We had an occasion to meet CVC and represented that our profession will be in a position to help banks and financial institutions to get the valuation of inventory as well as related party transactions, certified by our members, before lending any money to the borrowers. We will be pursuing with some more information so that our profession would be recognized to render this important service to the nation in safeguarding several crores of losses to the banks.

The Indian Institute of Corporate Affairs (IICA), an institution wholly owned by the Ministry of Corporate Affairs, Government of India had invited me recently for a discussion among the heads of professional bodies and experts from ICAI, CII, FICCI, ASSOCHAM, ICWAI, SEBI and various big firms to discuss on Due Diligence by Auditors during company audit. The points of ICWAI were well received in the forum and we have lot of opportunities to contribute to IICA.

Lastly, all professional peoples including our profession are disturbed to the SEBI's announcement of professional qualifications requirement / financial literacy for Chief Financial Officers as per clause 49 of the Listing Agreement. We have taken up the matter to safeguard the interest of our profession and we will be pursuing with SEBI in this direction.

Once again wishing you all the best for the coming happy Pooja Days.

Regards,

(GN Venkataraman)

President

Date : 30th September, 2009

Visit of Mr. Salman Khurshid, Hon'ble Minister of State (Independent Charge) Ministry of Corporate Affairs at Delhi Office

September 11, 2009 was a red lettered day for ICWAI when Mr. Salman Khurshid Hon'ble Minister of State (I/C) Ministry of Corporate Affairs graced the Institute's Delhi Office. The Central Council of members was present to greet the Hon'ble Minister. Shri G.N. Venkataraman, President, ICWAI welcomed the Hon'ble Minister with a bouquet and a shawl.

Shri Chandra Wadhwa, Past President gave a presentation profiling the background of ICWAI since 1959. The Institute stands on the four pillars of Strategy, Management, Accounting and Regulatory functions. Shri Wadhwa informed that the profession was performing a yeoman's job by helping the Government in various priority areas of physical, social and economic infrastructure, economic and social inclusive growth, reforming financial sectors, environmental issues, globally competitive issues etc. by project cost management, cost benchmarking, cost control, plugging Income linkages by quality cost information etc. The Institute was enhancing its focus from corporate governance to enterprise governance, increasing competitiveness of the enterprises and strengthening regulatory mechanism, which will be beneficial to the 'aam aadmi'.

Shri Wadhwa ended his presentation by expressing before the Hon'ble Minister, the expectations of the profession and other avenues where the profession can contribute to the nation:

- Valuation of Inventory - Shift from existing system of Management Certification to Cost Accountants' Authentication
- Segment Reporting - Based on Cost Accounting Principles - to be certified by a Cost Accountant
- Valuation of Related Party Transactions under Transfer Pricing - Cost Accounting Standard on Arm's Length Price under issue
- Maintenance of Cost Accounting Records U/S 209 (1)(d) under CARO by Cost Accountant only.
- Removing discriminatory & discretionary ordering of cost audit even in respect of Industries already covered u/s 233 B of the Companies Act.

- Redrafting the proposed provisions for cost accounting & cost audit under clause 131 of the Companies Bill 2009.
- Acceptance & Implementation of Expert Group recommendations constituted by MCA
- Renaming the Institute name as Institute of Cost Management Accountants of India in tune with global trend
- Allowing Cost Accountant to attest and certify statement under Revised Schedule VI
- Including ICWAI representative in the Expert Group for IFRS constituted by MCA
- Including Cost Accountant in the audit of LLP Accounts
- Support for inclusion of Cost Accountant under Clause 284(2) of the Direct Tax Code Bill 2009
- Inclusion of the name of Cost Accountant in Form I under MCA-21

After the presentation, the Hon'ble Minister addressed the Council. He commended the Institute and the Profession for the significant role played in the economy. Mr. Khurshid stressed on the need for value addition and cost consciousness. He reiterated the need to have sound regulatory practices that can not only help fight unfavourable situations but can also serve as an example for other nations to follow. He assured of fair and level playing field for our profession. He informed that the change in name of the Institute was under consideration of Government. Mr. Khurshid also assured that the Profession's expectations would be looked into.

Mr Khushid's talk was followed by a question and answer session with the Council and a press meet, which was attended by large number of Media Persons from TV, news papers etc.

The Institute sincerely thanks the Hon'ble Minister for spending his valuable time with us.

ICWAI - announces - Essay Competition

TERMS AND CONDITIONS FOR PARTICIPATION IN ESSAY WRITING COMPETITION

For Indian Nationals

(a) students of ICWAI between the age of 17 to 25 years

AND

(b) General - for students above 25 years, Grad. CWAs and Members of ICWAI

First Prize - Rs. 20,000/- Second Prize - Rs. 15,000/- Third Prize - Rs. 10,000/- in each category.

Subject of the Essay -

COST MANAGEMENT KEY TO SURVIVAL IN CURRENT GLOBAL MELTDOWN

1. Entries may be submitted by individuals or jointly to the Deputy Director (Research and Journal), ICWAI, 12, Sudder Street, Kolkata - 700 016.
2. Essay should be in English only.
3. The essay should be original, not has been published earlier and reference must be quoted where ever required.
4. Entries should not exceed 5000 words.
5. Kindly send your name, age, status - student / member, address, email, phone number, one photograph along with the paper.
6. Matter should be type written on one side of the page in 1.5 space. Each page should be signed by authors.
7. Last date of submission is 25th December 2009.
8. Entries delayed / received after the last date will not be considered.
9. Entries received shall be property of ICWAI and may be used freely.
10. We may periodically send promotional email / literature to you about our organization from time to time.
11. We shall not be liable for any loss or damage of any nature incurred by you as the result of your participation in the competition.
12. You warrant that all information about yourself that you supply to us at any time is true, current and complete.
13. You will inform us of any changes of information about yourself till the competition is over.
14. You will comply with all national and international laws pertaining to Intellectual Property Rights.
15. Any or all of the terms of competition may be changed by us at any time without prior notice.
16. We reserve the right to stop or suspend the competition without assigning any reasons.
17. The award winners will be intimated by email / post.
18. You indemnify us against any damages howsoever arising from your participation in the competition.
19. In case of dispute or difference of opinion for any reason, the decision of the Organizers will be final.
20. Prizes will be given at a function organized by ICWAI. The winners will be provided second class AC return train fare or air ticket at the discretion of ICWAI. Lodging and boarding will also be provided as per Institute's rules.

G-20 INITIATIVES

In the wake of the ensuing global crisis, the meeting of the G-20 nations held at Pittsburg assumes considerable significance. G-20 is an international forum to discuss issues of global economic stability and includes the G-7 developed nations (US, UK, France, Canada, Germany, Italy and Japan) and 13 of major developing nations (BRIC- Brazil, Russia, India and China besides Argentina, Australia, Indonesia, Mexico, South Africa, Saudi Arabia, South Korea, Turkey and Italy). Considering that G-20 nations constitute 90% of the world GNP, two-thirds of world population and 80% of world trade, any consensus emerging from such a forum to tackle the global economic meltdown is vital for the well being of the globe. Leaders at G-20 agreed on the urgent need (i) to bring about a systemic rebalancing of the world economy (read Americans learn to save more and Chinese turn more profligate); (ii) not to turn off the stimulus tap till there are definitive signs of global recovery; (iii) to recast the IMF and World Bank in the changed world order by giving greater voting rights to emerging giants like India and China; (iv) to recapitalize the multilateral institutions like IMF, World Bank.

These measures are a continuation of the efforts started by the G-20 at London in April 2009. The London summit had then taken the following steps to alleviate the economic pain: (i) providing a one trillion dollar loan to IMF, (ii) starting of a Flexible Credit Line that provides assistance to well performing nations that are temporarily beleaguered (iii) setting of a Financial Stability Unit, a part of Basel to now focus on surveillance based on cross border information rather than mere information sharing. (iv) greater scrutiny of tax havens. (v) insisting on counter cyclical capital requirements, overhaul of compensation of top executives, consistent regulation of any institution capable of disrupting stability, crackdown on rating agencies, central clearing and settlement for Over the Counter Derivatives (OTC) derivatives etc.

Despite the wide areas of agreement, there are many issues on which agreement is yet to be achieved. For example, US administration wants banks to hold more capital, a move that has been opposed by the European Union (EU). Similarly, EU wants a cap on executive pay by tying the compensation to bank's revenue, which has not been acceptable to the Americans. Much also needs to be thought and done on the matters relating to regulation of OTCs and to overhaul the financial market regulation. It is in the interest of world economy that the issues agreed upon are implemented quickly and concurrence is achieved on the remaining pending areas.

Contributed by : Ms Anamika Mukherjee,
Deputy Director, R&J, ICWAI, Kolkata

Pandemic of Frauds in Banks : The Nitty-Gritty

The frauds in the corporate and banking sectors have become a universal phenomenon and are on the rampant rise in India. It is a cause of much concern because of the involvement of resources of the public. The paper is aimed at providing an anatomy of bank frauds besides the raisons detre and the measures for control.

By 2007 the number of frauds in banks stood at 22,280 involving an amount of Rs. 1077.84 crores. Of the total bank frauds the credit card frauds accounted for between 71.03 per cent (2005) to 79.62 per cent (2006)" of the total bank frauds but with regard to the amount involved the credit card frauds assume a minor share ranging between 1.33 per cent (2005) to 3.57 per cent (2007). But the bank frauds, other than the credit card frauds, which accounted for around 20.38 to 28.97 per cent of the total bank frauds during 2005-07 contributed to 96.43 to 98.67 per cent of the total amount involved in bank frauds. This speaks volumes about the incidence of frauds in banks.

The loopholes in the system and procedures of banks are the potential reasons for frauds. Scams, frauds, inaccuracies and malpractices eat into the vitals of the banking system and tarnish the confidence of customers and image of the public sector banks in particular and of the financial system in general. No doubt, the Reserve Bank of India issued a number of guidelines for controlling and counteracting frauds. Still there is a long way to go on the road to minimize the incidence of frauds. In this regard the banks must ensure that the system and procedures laid down are followed at the operating level.

Prof. B. Apparao*
Dr. J. Chandra Prasad**
S. Hari Babu***

FRAUDS - THE QUIDDITY AND THE CONCERN:

The frauds in the corporate and banking Sectors have become a universal phenomenon and on the rampant rise in India. The multi-crore Harshad Mehta security scam in 1992, involving the stock brokers and top brass of the banking sector, was a bolt from the blue and still stands fresh as an indelible black mark and a biggest ever bank fraud in India. The CANFINA, the subsidiary of Canara Bank suffered the greatest brunt of the scam. The episode in Andhra Pradesh of Sarasadevi-Subrahmanyam duo who colluded and exploited the bank accounts to embezzle crores of rupees of Sarvasikshabhiyan funds under the very nose of the Government, speaks volumes of frauds in Government. Corporate frauds are countless and the Satyam Maytas Rs 700 Crore fraud stands as a testimony. Bribery, corruption, insider trading in the stock market, falsifying export-import documents, evading income tax have all been a regular feature of the'Indian Corporate frauds and the black money. Frauds can be committed by employees, external parties and management. The approaches of fraudsters are sector specific and differ widely. In the corporate sector, banking sector or Government administration frauds raise their ugly head because the processes and controls are over-ridden, and more often than not, by the most trusted people.

It is absolutely unfortunate that frauds have been accepted as part and parcel of the corporate operating environment. Today 34 per cent of the Indian Companies have insurance cover for losses due to fraud as against 45 per cent globally (Anurag Prasad and Ashish Gupta 2007). Leaving alone the corporate and governmental frauds, the frauds in the financial institutions and banks are more costlier. It is widely perceived that the incidence and exposure to fraud is high in the financial sector, comprising banking, insurance and mutual, funds, which is attributed with 50 per cent of incidence, followed by energy and telecommunication sectors.

The present paper attempts to analyze the extent of the incidence of financial frauds in Indian public sector banks besides diagnosing trie root causes and prescribing the measures for locking up the fraud pores.

Banking is based on trust whether it is the customers with the bank or the employees who handle the business. Dishonesty is contrary to the very concept of banking. Acting as the trustees of the economic liquid resources of the people and as the clearing houses, through which the business transactions of the community are settled, banks must display the highest degree of integrity. Without confidence, fidelity and integrity there would be no banks.

In the recent years, the incidences

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of bank frauds have increased in an amazing proportion sending shock through the spines of the stakeholders and the concerned.

Fraud - A Conceptual Focus

Section 17 of the Indian Contract Act explains the act of fraud to include any of the following acts committed by a party to a contract or by his agent with his connivance with intent to deceive or to induce a person to enter into a contract.

(i) the suggestion as fact of that which is not true by anyone who does not believe it to be true;

(ii) the active concealment of a fact by one having knowledge or belief of the fact;

(iii) a promise made without any intention of performing it;

(iv) any other act fitted to deceive;

(v) any such act or omission as the law specially declares to be fraudulent.

According to section 25 of the Indian Penal Code a person is said to do a thing fraudulently if he does that thing with intent to defraud. In frauds the important components are intention, motive and opportunity, where intention is subjective and opportunity objective (Anil Kumar Sharma 2002).

Corner, M.J. observes that fraud is any behaviour by which one person intends to gain a dishonest advantage over another. The term 'Fraud' in relation to banks generally refers to manipulation in the books of accounts, fraudulent enactment of the negotiable instruments, unauthorized handling of securities pledged or hypothecated to the banks, embezzlement by the bank employees, misappropriation of funds, pilferage of cash, etc. In fact an exhaustive list can't be given to cover all types of frauds. The term includes all the acts of omission and commission which involve a breach of trust, misrepresentation or misfeasance.

Areas Susceptible to Bank Frauds

Frauds normally occur in banks at the time of deposits, withdrawals, remittances, operations involving foreign exchange or other transactions. The culprits may use various methods like forgery, impersonation, misappropriation of funds, manipulation of remittances and withdrawals or fraudulent operations of dormant accounts or even normal accounts. Deposit accounts of all categories are most vulnerable to frauds, other areas being cash. Government transactions, remittances and purchases. Frauds in the deposit accounts are generally committed by the staff, who are aware of the system prevalent in the bank and the loopholes in the existing control procedures. Generally the pilferage of cash is made by the branches and crediting the same to the personal accounts. The case of Ketan Parekh in Harshad Mehta scam is illustrious in this regard. Frauds in the area of inter-branch accounts are committed by the staff members by fraudulently debiting the amounts to the branches and crediting the same to the personal accounts.

The frauds in the area of advances are very common in cash credit, overdraft or loan accounts. In cash credit account the frauds are generally committed by depriving the bank of its security, for example by creating a false platform and accounts of stocks. It is done by making a hallow square in the middle of the stocks, dumping deteriorated and obsolete stocks etc. In pledge accounts the borrowers sometimes remove the goods fraudulently in cojlusion with the bank staff. In such cases the party not only removes the goods but also files a suit against the bank for the loss of pledged goods, for which the bank may be held liable. In case of term loans there may be over invoicing also. Forged demand draft, fraudulent entries to the nominal accounts, overstating the expenses etc., are also the areas of frauds.

The latest phenomenon of committing frauds in banking sector is phishing attacks on the banks and also the customers especially credit card holders. Phishing is a form of internet fraud that aims to steal valuable information such as credit card details, social security numbers, user IDs and passwords by the fraudsters for financial gains. This fraud is exercised through spoof emails and fake websites that prompt users to disclose the personal details. No doubt, banks put in the best possible security but it is the unsuspecting user on whose back the phisher enters the system. As the phishing attacks on banks have gone up to 120 by January 2008, the RBI had advised the Public not to succumb to the temptation of fictitious offer of large funds through emails from unknown entities.

Modus Operandi of Bank Frauds

The R.B.I classifies the frauds as frauds arising from misappropriation and criminal breach of trust, These include fraudulent encashment through forged instruments/manipulation of books of accounts or through fictitious accounts and conversion of property, frauds through unauthorized credit facilities extended for reward/illegal gratification, frauds due to negligence and cash shortage, frauds through cheating and forgery, Irregularities in foreign exchange transactions with intent to commit frauds and other types of frauds.

The Modus Operandi of bank frauds differ from fraudster to fraudster and situation to situation. Frauds can be engineered by outsiders or employees. They exploit the weaknesses in the organization, its system and procedures. Collusion between employees in perpetrating a fraud constitutes a more serious threat as books, records and vouchers are tampered rendering detection difficult, if not impossible. The frauds may be intentional or incidental and can be committed by: (i) the bank employees themselves, (ii) the staff members of the banks in collusion or connivance with the customers or outsiders, and (iii) the customers or outsiders. To have a more clear and analytical view of the modus operandi of bank frauds specific case studies, which can be a potential area for further research, need an analytical focus.

The rising trend and analysis of Bank frauds, during 2005-07, is presented in Table-1. It can be visualized that in 2005me total number of banks frauds were 12377 involving an amount of Rs.1385.91 crores. By 2007 the number of frauds and the amount involved respectively increased to 22280 and Rs. 1077.84 crores. But the average amount involved per fraud declined to Rs.4.84 lakhs from Rs.l 1.20 lakhs in 2005. The number of credit card frauds, which were 8789 involving an amount of Rs.l 8.36 lakhs in 2005, increased to 17294 in number and Rs.38.44 crores in amount by the year 2007. The average amount involved per credit card fraud increased only marginally from Rs.0.21 lakhs in 2005 to Rs.0.22 lakhs in 2007. It can also be observed that the Bank frauds, other than the credit card frauds, have also been on the rise over the years under reference. But the average amount involved in such frauds declined from Rs.38.15 lakhs in 2005 to Rs.20.85 lakhs in 2007. It is because of the credit card shocks and the incidence of frauds on the rampant rise, some airlines started not accepting credit cards and maintains a data base of fraudulent cards.

It deserves a special note that of the total bank frauds, during the years under reference, the credit card frauds accounted for between 71.03 to 79.62 per cent standing major with respect to number. But with regard to the amount involved, these frauds assume a minor share ranging between 1.33 to 3.57 per cent. Vice versa is the case with respect to Bank frauds, other than the credit card frauds, which constituted around 20.38 to 28.97 per cent of the total number of frauds but accounted for 96.43 to 98.67 per cent of the total amount involved in bank frauds. In the case of credit card frauds, the number has gone up from 8,789 in 2005 to 17,268 in 2006 and further to 17,294 in 2007. The rising trend in the number of credit card frauds by 80 per cent, over the years under review, is in consonance with the increasing use of plastic money.

Cognizing this alarming menace, the banks in particular and the Reserve Bank of India in general have to initiate steps to educate customers about frauds that may happen via internet and while using credit cards. Banks have to introduce additional safety measures and security net in the use of plastic money to weed out the cactus of frauds which if left unbridled will certainly be a stake to the integrity of the banking sector.

Intensity of Frauds in Public Sector Banks

The intensity of frauds in Public Sector Banks, in 2005, 2006 and 2007, is presented in Table-2. As evident from the table during 2005 the total amount involved in frauds in Public Sector Banks (PSBs) was Rs.1129 crores which came down to Rs.779.26 crores in 2006 and Rs.400 crores by June 2007. But the total amount involved in frauds that took place in PSBs in India for the three years ending with June 2007 stood at Rs.2373.26 crores. For the three years, as a whole, the relative financial intensity of frauds is recorded higher in the case of State Bank of India (Rs.266.03 crores) followed by Canara Bank (Rs.217.15 crores), Bank of India (Rs.141.33 crores), Oriental Bank of Commerce (Rs. 139.89 crores) and UCO Bank (Rs. 138.11 crores). The top five PSBs in fraud intensity accounted for 38 per cent of the total amount involved in fraud (Rs.2373.26 crores) in PSBs for the three years under review.

BANK FRAUDS - THE RISING MENACE

TABLE-1: Rising trend and Analysis of Bank Frauds 2005-07

Year	Credit Card Frauds			Other Bank Frauds			Total Banks Frauds		
	No.	Amount (Rs. crores)	Amount involved per Fraud Rs. lakhs	No.	Amount (Rs. crores)	Amount involved per Fraud Rs. lakhs	No.	Amount (Rs. crores)	Amount involved per Fraud Rs. lakhs
2005	8789 (71.03)	18.36 (1.33)	0.21	3885 (28.97)	1367.55 (28.97)	38.15	12374 (100.00)	1385.91 (100.00)	11.20
2006	17268 (79.62)	30.00 (2.50)	0.17	4419 (20.38)	1170.87 (97.50)	26.50	21687 (100.00)	1200.87 (100.00)	5.54
2007	17294 (77.62)	38.44 (3.57)	0.22	4986 (22.38)	1039.40 96.43)	20.85	22280 (100.00)	1077.84 (100.00)	4.84

Note : Figures in parenthesis indicate percentage to total.
Source: Ministry of Finance, Government of India, New Delhi.

Table-2 : Amount involved in Frauds in Public Sector Banks in 2005, 2006 and 2007.

Name of the Bank	2005	2006	June 2007	Three years Total up to June 2007
Canara Bank	41	117.15	59	217.15
State Bank of India	137	72.03	57	266.03
United Bank of India	17	62.47	9	88.47
Indian Overseas Bank	57	56.37	23	136.37
Union Bank of India	40	56.03	10	106.03
Central Bank of India	56	53.92	22	131.92
Dena Bank	29	48.74	13	90.74
UCO Bank	75	43.11	13	90.74
Vijaya Bank	48	41.87	24	113.87
Andhra Bank	4	32.70	2	38.70
Bank of India	84	29.33	28	141.33
IDBI Bank	29	28.17	3	60.17
Punjab National Bank	65	25.67	16	106.67
Syndicate Bank	21	25.58	13	59.58
Indian Bank	52	22.38	1	75.38
State Bank of B & J	2	20.96	13	35.96
Corporation Bank	43	17.05	8	68.05
Oriental Bank of Commerce	121	16.89	2	139.89
Bank of Maharashtra	5	14.11	4	23.11
Bank of Baroda	41	13.91	16	70.91
Punjab & Sind Bank	5	9.26	2	57.20
Allahabad Bank	34	8.20	15	57.20
State Bank of Mysore	18	8.02	24	50.02
State Bank of Indore	40	5.26	3	48.26
State Bank of Hyderabad	2	5.16	2	9.16
State Bank of Patiala	26	3.68	2	31.68
State Bank of Suarashtra	34	3.34	5	42.34
State Bank of Travancore	3	2.90	4	9.90
Total	**1129**	**779.26**	**400**	**2373.26**

Source: Ministry of Finance, Government of India, New Delhi.

In 2005 the top five positions are occupied by State Bank of India (Rs.137 crores), Oriental Bank of Commerce (Rs.121 crores), Bank of India (84 crores), UCO Bank (Rs.75 crores) and Punjab National Bank (Rs.65 Crores). In the following two years, Canara Bank stood at the top with Rs.117.15 crores and Rs.59 crores followed by State Bank of India with Rs.72.03 crores and Rs.57 crores respectively in 2006 and 2007. In 2005 the United bank of India, Indian Overseas Bank and Union Bank of India stood in the third, fourth and fifth positions respectively with Rs.62.47 crores, Rs.56.37 cores and Rs.56.03 crores. In 2007 Bank of India (Rs.28 crores), Vijaya Bank and State Bank of Mysore (Rs. 24 crores each) and Indian Overseas Bank (Rs.23 crores) assumed the third, fourth and the fifth places. The State Bank of Hyderabad registered the least (Rs.9.16 crores) for the three years as a whole and also in 2005 and 2006 (Rs.2 crores each). Further, in 2006 the State Bank of Travancore stood at the tail end in the intensity of frauds with only Rs.2.90 crores.

The analysis helps to observe that the intensity of frauds in Public Sector Banks (PSBs) has been on the decline over the years. It further shows that the State Bank of India and the Canara bank stood with a greater incidence of frauds among the Public Sector Banks. They are followed by Bank of India, Oriental Bank of Commerce. Moreover, huge amounts of money of PSBs is involved in frauds which need be arrested to maintain depositor / customer confidence and also foster responsibility banking with good Governance. This requires an anatomy of frauds to identify the reasons.

Raisons Detre of Bank Frauds - A Dredge

There are many reasons for the incidence and increase in bank frauds in the recent years. Man, by nature, is an addict to money. The lust for money leads to frauds which may occur in interactions wherein one party intentionally seeks to gain a dishonest advantage. Nationalization of commercial banks forced the banks to expand their business and Banks have increased their subsidiary functions, changed their priorities in investments without concrete plan of security net. In recent times, there has been a decline in work ethics and cultural values among all the employees. The Banking sector is not an exception.

Today about 80 per cent of the data in the Corporate World is in electronic form. As the technology makes the top managements complacent, in banks technology is leveraged to commit fraud. The advent of core banking systems has put concurrent audit on the backwash and which led many foreign and local banks being duped. Collusion between employees in such environments can lead to large amounts being siphoned off. Increasing competition in the banking sector is also adding fuel to the fire of greater incidence of fraud. The emergence of new concepts and innovative financial instruments/products has widened the scope of various activities; it has increased the probability of commitment of fraud. (Anil Kumar Sharma 2002)

The fraud involves two components: (i) the intention of the person to commit fraud and (ii) the opportunity available to facilitate such fraud. These two components are therefore important from the view point of detecting and preventing the frauds.

The loopholes in the systems and procedures of banks are also the potential reasons for frauds. These include a) Lack of proper supervision, b) Absence of checks and controls, c) Inadequate built-in safeguards, d) inordinate delay in recognizing the crimes and finding the culprits, e) Failure to take up follow-up action.

Dealing with Frauds - The Guidelines and Initiatives

Frauds and malpractices in banks tarnish the confidence of customers and image of commercial banks in particular and of the financial system in general. Therefore, no stone should be left unturned to find and prescribe the measures for the prevention and cure of the frauds in financial institutions.

Recognizing the growing incidence of fraud, the RBI has issued the following guidelines to the commercial banks as early as in 1983. Some of guidelines issued are:

i. There should be proper investigation about the borrowers and their credit requirements.

ii. Advances should not ordinarily be granted beyond policy prescriptions. Factor confirmation should be obtained.

iii. Internal inspection and audit machinery should be strengthened and there should be surprise inspections.

iv. Officials must be transferred at reasonable intervals to prevent creation of vested interests.

v. Affluent living of officials beyond their means should be taken note of as a warning and a close watch should be kept on them.

The RBI has been taking systematic efforts in collecting information relating to frauds. The information received is classified, analyzed for follow-up action by the RBI. The main objective is to find out whether there is any system failure or human failure.

The RBI has introduced, since 1986, a form of reporting by way of questionnaire known as 'Long Form Audit Report' (LFAR) separately for branches and head office. When the bank employees know pretty well about the definite review of their work in the near future by an appropriate group of auditors systematically, frauds will be minimized as it would create a restraint on them.

With an objective to introduce improvements, the RBI has been advising the commercial banks to introduce:

i) A system of concurrent internal audit at all larger branches with special attention to transactions involving certain limits; and

ii) Surprise and short inspections of the advances portfolios with adequate frequency in respect of all major advance-oriented branches.

The Reserve Bank of India has also been suggesting the commercial banks for the transfer of officials at reasonable intervals, insisting on staff going for periodical leave and rotation of clerks at reasonable intervals. The primary responsibility of preventing frauds rests with management. The banks have been advised to review the incidents of frauds annually. The bank management should check whether their system is adequate to detect the"frauds in short span of time. Another suggestion is that deterrent punishment should be meted out to the staff who indulges in such frauds. The RBI also insists upon the follow-up action in order to plug the loopholes in the system.

Further the RBI has set up a vigilance cell at its central office to investigate the major frauds by experienced officials and initiate follow-up action. The cell also monitors implementation of various guidelines issued by the RBI.

Ghosh Committee on Frauds and Malpractices in Banks

The Reserve Bank set up a high level Committee in October 1991 under the Chairmanship of Sri A. Ghosh, the Deputy Governor, to enquire into various aspects of frauds and malpractices in banks. The committee submitted its report in June 1992. The Reserve Bank has advised banks to implement some of the recommendations of the Committee.

Pursuant to the recommendations of the Ghosh Committee, on frauds and malpractices in banks and to introduce a system of concurrent audit at large and exceptionally large branches, an informal Group of bankers and chartered accountants was constituted by the Reserve Bank to go into the detailed modalities of introduction of such a system. Based upon the deliberations of the Group, the Reserve Bank has circulated a note to banks setting out broad features of concurrent audit system such as scope of such an audit, coverage of business/branches, types of activities to be covered under such audit and reporting system. The banks have been advised to work out details of concurrent audit system with these broad parameters/guidelines and take steps to introduce the system.

Measures for the Prevention of Bank Frauds

Inaccuracies, frauds and malpractices eat into the vitals and values of the banking system. They create suspicion in the minds of customers and public towards the banks. So as to instill confidence and to project a better image the banks should adopt some measures for detection and prevention of frauds.

‘Forgery' being a widely used modus operandi, the only defiance against it is a careful examination of the signatures on cheques, withdrawals, letters of authority, etc., with those on record. Digitalization may help much in this regard. In the case of literate depositors, in addition to recording of thumb impressions, photographs could also be affixed alongside and a comparison be made while effecting payments. Care should be exercised in verifying the signatures while permitting withdrawals on dormant accounts. In the ease of non cheque-book type savings bank accounts, production of pass books should be insisted upon. It is also very necessary to balance the day's books and the savings bank ledgers in the manner laid down. Procedures laid down for the opening and conduct of savings accounts need to be carefully adhered to. Careful enquiries should be made before recording fresh specimen signatures. Equipment such as ultra violet lamps and path finder's should be used when in doubt, especially for large amounts.

Periodical job rotation and transfer of employees from one branch to another, up-to-date Book keeping help detect frauds quickly and discourages fraudulent practices. Personal accounts of staff should be maintained in the same branch where they work and should be scrutinized carefully at stipulated intervals. Verification of introducer's signature and sending a letter of .thanks to him go a long way. Where cheques are returned due to discrepancies in the signature, customer should be advised by a letter and wherever necessary, fresh specimen signatures should be recorded immediately. Unused cheque leaves surrendered by customers should be effectively destroyed and where these are used, proper records must be maintained. Careful verification of drawing officials' signatures and scrutiny of main transfer advises/drafts etc., is essential.

Screening and verification of credentials of borrowers, proper custody of bank instruments, documents, and accounts, general security and efficient locking arrangements need to be monitored and periodically reviewed. The bank management should arrange for the internal audit in a systematic manner to prevent and detect errors and frauds by continuous examination of the accounting records.

Since the commercial banks are dealing with other people's money it is essential that they should administer the funds carefully, keep proper records and accounts and arrange for suitable scrutiny of external audit. In banks the volume of transactions has multiplied to the extent that it would be virtually impossible to continue with the manual system of accounting. So it would be logical and inevitable to introduce complete mechanical system of accounting under logical human surveillance.

Inoperative accounts are the pores of frauds. Banks must make an annual review of such accounts and inform the customers of the same. The segregation of the inoperative accounts is from the point of view of reducing the risk of frauds by bringing to the attention of dealing staff, the increased risk in the account. The transaction, if any in inoperative accounts, may thus be monitored at a higher level both from the point of view of preventing fraud and making a suspicious transactions report. The RBI also initiated issue of these instructions in view of the increase in the amount of unclaimed deposits with banks and the inherent risk associated with such deposits.

The customer should exercise reasonable care in executing his written orders so that forgery is made difficult. Any alteration including the cancellation of the crossing should be confirmed by the full signature of the drawer.

In the prevention of frauds the constitution of a surveillance committee would prove to be fruitful. The committee inter-alia must look into the grey areas of discretionary actions and examine clear cut evidence (Anil Kumar Sharma 2002). In the adoption of preventive measures, the Banks and the surveillance committee's need be guided by -

a) identification of weak or fraud susceptible areas;
b) establishment of sensitive areas and alarming signals;
c) setting up of fool-proof procedures and their uninterrupted, equal application and enforcement along with consistency in decision making;
d) monitoring of rules and procedures;
e) proper and unbiased inspection and monitoring.

Frauds can neither be prevented in toto nor eliminated forever because of the human, psychological malafides and institutional and procedural lacunae. But the menace can always be detected and minimized. To counteract frauds, banks must ensure that the system and procedures laid down are followed at operating levels. All the reported frauds need be investigated quickly and audit is carried out periodically. Employees and borrowers should be screened beforehand. The employees must be educated by codifying and circulating current instructions. The customers should also be created due awareness of the modus operand! of fraudsters, especially with regard to credit cards, to guard against the carcinomatous incidence of frauds.

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Analysis of Investment Portfolio of Scheduled Commercial Banks

The reforms have unleashed tremendous changes in the banking sector. The Government of India issued guidelines to the banks by permitting and encouraging them to diversify their activities and contributing to the equity of companies by offering financial services.

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Introduction:

The changes which have been taking place in India since 1969 have necessitated banking companies to give up their conservative and traditional system of banking and take to new and progressive functions. The Government of India issued guidelines to the banks under section 6 of the Banking Regulation Act, 1949 by permitting and encouraging them to diversify their activities into a host of financial services by setting up Subsidiaries/Mutual Funds or contributing to the equity of companies by offering financial services. The Investment Portfolio of Scheduled Commercial Banks (SCBs) can be grouped in to;

(i) Central and State Government Securities.

(ii) Securities other than Central and State Government Securities approved for the purpose of investments under the Indian Trusts Act, 1882.

(iii) Shares, bonds and debentures of Indian joint stock companies,

(iv) Fixed Deposits with banks,

(v) Domestic securities which are not eligible as trustee securities, such as initial contribution to the UTI, share capital in Regional Rural Banks,

(vi) Foreign securities and other foreign investments.

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Objectives of the Study:

An attempt is made in this article to analyse the investment portfolio of SCBs at aggregate level from 2001 to 2005. The objectives of the study are;

i) To present the selected macro-economic and financial indicators of the commercial banks with a view to highlighting their pattern and diversities,

ii) To examine the aggregate investments of SCBs according to types of securities and bank group-wise investments to point out the changing pattern of investments.

iii) To discuss the pattern of investments in the instruments of capital market to pinpoint the variations, if any, as well as to bring out the influencing factors for such position.

iv) To analyse the investments of SCBs in public sector enterprises to make changes, if any, in their pattern.

v) To identify the investments of SCBs in central and state government securities, according to different interest rates with a view to pinpointing the interest rate variations.

Methodology:

In this study SCBs covered 90 banks from State Bank Group, Nationalised Banks, other Indian Scheduled Commercial Banks operating in India and abroad, and Foreign Banks operating in India. Of these reporting banks, 57 banks were Indian banks which include 27 public sector banks and 30 private sector banks and the remaining 33 were foreign banks. The Regional Rural Banks had been excluded from the study, since, their share of investments insignificant in approved securities for statutory liquidity ratio purposes of all scheduled commercial banks.

The study covers domestic investments as well as foreign investments in respect of domestic banks, whereas for foreign banks operating in India, only their investments made in India through their domestic branches are covered. The analysis presented in the article is based on data furnished by SCBs in the Basic Statistical Return-5. The investment data presented in this article is referred to by their face value, in general, though in certain cases the market value is also indicated along with the face value.

Macroeconomic and Financial Indicators of SCBs:

The investment portfolio of SCBs could be influenced by general macroeconomic conditions of the country. Therefore, a brief review of the macro-scenario of the economy has been presented in this section. Table-l presents the relevant data of Macroeconomic and Financial Indicators of SCBs.

The real GDP registered a growth of 8.5 per cent during 2003-04 as compared to 4.0 per cent in 2002-2003. The high rate of growth attained during the year was due to sharp recovery in agriculture, marginal increase in the growth of industry and high growth in service sector. However, due to improved performance of industrial sector and double digit growth attained by service sector, the GDP growth was sustained at 7.5 per cent during 2004-05, although at a lower level than during 2003-04.

Aggregate deposits of SCBs recorded lower increase of 12.8 per cent in 2004-05 as compared to 17.5 per cent growth in 2003-04. Bank credit registered a substantially higher growth of 27.0 per cent as compared to 15.3 per cent in the previous year. Non-food credit grew by 27.6 per cent as against 18.4 per cent in 2003-04. The growth of commercial banks investments in Government Securities in 2004-05 at 8.0 per cent, which was substantially lower than 27.3 per cent growth registered in 2003-04. With the sharp increase in credit growth of SCBs, there had been a slow down in their incremental investments in Government Securities.

In the rising interest rate scenario, the decline in bond prices adversely affected the banks trading gains in Government Securities in secondary market transactions. The trading income of public sector banks declined from Rs.15,354 crore which is accounted for 39.1 per cent in 2003-04 to Rs.8,122 crore in 2004-05 and accounted for 21.0 per cent of operating profit.

The Central Government issued securities amounting to Rs.88,350 crore of gross and Rs.46,034 crore of net with weighted average maturity of 14.13 years during 2004-05 as compared to 14.94 years in 2003-04. The weighted average yield of 6.11 per cent registered in 2004-05 as against 7.34 per cent in 2002-03, reflecting marginal decline of maturity period and hardening of yield. The Central Government raised lesser amount Rs.88,350 crore of gross and Rs.46,034 crore of net during 2004-05 than Rs. 1,25,000 crore of gross and Rs.97,580 crore of net in 2002-2003. The major reasons for lower gross issuance of securities in 2004-05 were as follows;

i) No prepayment of high cost external debt in 2004-05.
ii) No private placements of securities with the RBI.
iii) Increase in surplus cash balances of Central Government.
iv) Repayment of high cost debt by states under Debt Swap Scheme.

Table -I : Selected Macroeconomic and Financial Indicators

Item	2002-03	2003-04	2004-05
I. Growth rate (per cent) of Real GDP at Factor Cost (Base Year: 1999-2000) of which:	4.0	8.5	7.5
(i) Agriculture & allied activities	(-) 5.2	10.0	0.7
(ii) Industry	6.2	6.6	7.4
(iii) Services	7.2	8.5	10.2
II. Growth of Resources/Utilisation of funds of SCBs (per cent)			
(i) Aggregate Deposits	13.4	17.5	12.8
(ii) Bank Credit	16.1	15.3	27.0
(iii) Non-food Credit	18.6	18.4	27.6
(iv) Investment in Government Securities	27.3	25.1	8.0
III			
(i) Trading income (from Sale and Purchase operations of investments) of Public Sector Banks (PSBs) (Rs. Crore)	13,211	15,354	8,122
(ii) Operating Profit of PSBs (Rs. Crore)	40,682	39,290	38,691
(iii) Share of trading income to operating profit of PSBs (Per cent)	32.5	39.1	21.0
IV Market Borrowings of Central Government;			
(i) Gross Borrowings (Rs. Crore)	1,25,000	1,21,500	88,350
(ii) Net Borrowings (Rs. Crore)	97,580	88,816	46,034
(iii) Weighted Average Maturity (in years)	13.83	14.94	14.13
(iv) Weighted Average Yield (per cent)	7.34	5.71	6.11
V Market Borrowings of State Governments;			
(i) Gross Borrowings (Rs. Crore)	30,853	50,521	39,101
(ii) Net Borrowings (Rs. Crore)	29,064	46,376	33,978
(iii) Weighted Average Maturity (in years)	10.00	11.01	10.01
(iv) Weighted Average Yield (per cent)	7.49	6.13	6.44

Source: Report on Trend and Progress of Banking in India, Annual Reports of the RBI and RBI Bulletins.

State Governments issued securities for Rs.39,101 crore during 2004-05 as against Rs.50,521 crore in 2003-04 to meet the gross market borrowing programme. The weighted average maturity of securities issued by State Governments in 2004-05 was at 10.01 years as compared to 11.01 years in 2003-04. The weighted average yield increased from 6.13 per cent in 2003-04 to 6.44 per cent in 2004-05.

Aggregate Investments of SCBs:

Now, it is proposed to analyse the aggregate investments of SCBs according to types of securities and bank group-wise instruments. The analysis is presented in two sections, viz.,

Section-l presents an analysis of aggregate investments of SCBs according to types of securities.

Section-ll presents bank group-wise analysis of investments by types of securities.

Section-l:

The analysis of aggregate investments of SCBs according to types of securities is made by grouping the securities into the following categories;

I. Investments by Offices in India.

A. Indian Government Securities

B. Other Domestic Securities (Bonds, Shares etc.)

C. Foreign Securities

II. Investments by Foreign Offices at Indian Banks:

A. Indian Securities

B. Foreign Countries Securities

C. Other investments,

The relevant data of Investments of SCBs according to types of securities is presented in Table-ll.

The data reveals that the total investments of SCBs increased by 77.2 per cent to Rs.8,51,555 crore during the year 2004-05 from Rs.4,80,486 crore in 2000-01. The investments of banks offices in India continued to dominate the total investments portfolio and their share as marginally improved to 98.4 per cent in 2004-05 from 97.8 per cent in 2000-01. The rest 1.6 per cent of total investments was held by foreign offices of Indian banks in the form of securities of foreign countries, shares and debentures of joint stock companies registered abroad.

Government Securities comprising of Central Government Securities, State Government Securities and others including postal saving deposite certificates and other postal obligations, accounted for 76.7 per cent of total investments of banks during 2004-05, as compared to 71.4 per cent during 2000-01. Consequently, the share of other domestic securities moved down from 26.4 per cent of the total investments of banks during the year 2000-01 to 21.5 per cent in 2004-2005. The investments in foreign securities by domestic branches of SCBs also declined to 0.1 per cent in total investments in 2004-05 from 0.4 per cent a year ago.

Section-ll:

It is decided to analyse the investments of SCBs according to bank group-wise share of investments by type of securities. For this purpose the SCBs classified as follows;

i) State Bank of India & Associates ii) Nationalised Banks

iii) Other Scheduled Commercial Banks

iv) Foreign Banks

The relevant data of SCBs group-wise investments by types of securities is presented in Table-Ill.

The Nationalised Banks accounted for the highest share of 48.2 per cent in the total investments of Rs. 8,51,555 crore of SCBs, followed by SBI and its Associates at 29.4 per cent during the year 2004-05. The share of other scheduled Commercial Banks and Foreign Banks were 17.4 per cent and 5.0 per cent respectively. The share of foreign banks in total investments in 2004-05 indicated a marginal decline over 2003-04, while the share of other three bank groups showed an increase. The Central Government securities continued to constitute major part of investment made by SBI and its Associates registered a rise in their share from 69.3 per cent during 2000-01 to 69.6 per cent in 2004-05. The investments in State Government Securities accounted for 16.3 per cent of their total investments followed by shares and debentures of joint stock companies at 7.7 per cent, other domestic securities at 2.6 per cent and other trustee securities at 2.1 per cent. Investments by Indian offices of this bank group indicated a rise in the share of investments in Government securities and a resultant fall in relative share of other categories of investments taken together. Investments of foreign offices of SBI and its Associates increased by 10.7 per cent to Rs.4,348 crore during the year 2004-05 from Rs.3,929 crore in 2000-01. Central Government Securities accounted 58.3 per cent of total investments of Rs.4,10,056 crore of Nationalised Banks during the year 2004-05 as against 55.6 pr cent of their total investments followed by shares and debentures of joint stock companies at 13.2 per cent and other domestic securities at 6.4 per cent. This bank group's holdings of other trustee securities declined by 7.9 per cent to Rs.11,318 crore with their share moving down from 7.0 per cent during the year 2000-01 to 2.8 per cent in 2004-05. In the case of Nationalised Banks investments made by foreign offices recorded a marginal decline in their share from 2.8 per cent in 2000-01 to 2.2 per cent in 2004-05.

The investments of other scheduled commercial banks significantly increased by 135.0 per cent to Rs. 1,48,226 crore in 2004-05 over 2000-01. The investments in the Central and State Government Securities increased by

Table – II: Security-wise Investments of Scheduled Commercial Banks

(Rs. in Crore)

Investment Category	2000-01	2001-02	2002-03	2003-04	2004-05
I. Investments by Offices in India	4,70,102 (97.8)	5,54,668 (97.6)	6,57,605 (97.8)	7,67,873 (98.3)	8,37,559 (98.4)
A. Indian Government Securities	3,42,933 (71.4)	4,08,762 (71.9)	5,02,497 (74.8)	5,84,421 (74.8)	6,53,497 (76.7)
i) Central Government	2,89,634 (66.3)	3,45,321 (60.8)	4,23,089 (62.9)	4,75,521 (60.8)	5,38,091 (63.2)
ii) State Government	52,704 (11.0)	62,723 (11.0)	78,505 (11.7)	1,07,253 (13.7)	1,15,216 (13.5)
iii) Others*	595 (0.1)	718 (0.1)	904 (0.1)	1,648 (0.2)	189 (-)
B. Other Domestic Securities	1,27,064 (26.4)	1,45,856 (25.7)	1,53,967 (22.9)	1,80,326 (23.1)	1,83,245 (21.5)
i) Other Trustee Securities (excluding units of UTI)	25,222 (5.2)	23,329 (4.1)	20,459 (3.0)	20,502 (2.6)	18,865 (2.2)
ii) Fixed Deposits	2,104 (0.4)	3,222 (0.6)	12,472 (1.9)	19,127 (2.4)	19,631 (2.3)
iii) Shares and Debentures of Joint Stock companies (Market value)	79,874 (16.6)	98,068 (17.3)	1,03,470 (15.6)	1,05,635 (13.5)	1,03,531 (12.2)
IV) Initial contribution to share capital of UTI	4 (-)	10 (-)	70 (-)	- (-)	4 (-)
V) Units of UTI	692 (0.1)	595 (0.1)	283 (-)	17 (-)	19 (-)
VI) Certificate of Deposits and commercial Papers	4,955 (1.0)	6,693 (1.2)	2,940 (0.4)	2,296 (0.3)	3,450 (0.4)
VII) Mutual Funds	4,230 (0.9)	3,772 (0.7)	5,246 (0.8)	9,545 (1.2)	10,480 (1.2)
VIII) Others**	9,983 (2.1)	10,168 (1.8)	9,027 (1.3)	23,203 (3.0)	27,266 (3.2)
C. Foreign Securities	105 (-)	49 (-)	1,141 (0.2)	3,126 (0.4)	818 (0.1)
i) Foreign Government Securities	- (-)	- (-)	77 (-)	82 (-)	- (-)
ii) Other Foreign Investments	104 (-)	48(-)	1,064 (0.2)	3,044 (0.4)	8.17 (0.1)
II) Investments by Foreign Offices of Indian Banks	10,385 (2.2)	13,678 (2.4)	14,558 (2.2)	13,621 (1.7)	13,995 (1.6)
A. Indian Securities	92 (-)	-	-	-	-
B. Foreign Countries Securities	2,463 (0.5)	3,390 (0.6)	3,213 (0.5)	2,920 (0.4)	3,353 (0.4)
C. Other Investments	7,831 (1.6)	10,289 (1.8)	11,345 (1.7)	10,701 (1.4)	10,642 (1.2)
Total	4,80,488 (100.0)	5,68,346 (100.0)	6,72,163 (100.0)	7,81,495 (100.0)	8,51,555 (100.0)

Source: RBI Bulletins.

Note: Figures in brackets indicate Percentages to Total.
(-) Indicate Nil or Negligible
* Includes Postal Saving Deposits Certificate and Other Postal Obligations.
** Includes Investments in Debentures and Bonds of Quasi – Government Bodies, Venture Capital Funds, etc.

176.2 per cent and 37.3 per cent to Rs.92,214 crore and Rs.3,994 crore in 2004-05 respectively, while, those in other trustee securities declined by 64.2 per cent to Rs.624 crore. The investments of foreign offices declined by 20.8 per cent in 2004-05 and stood at Rs.798 crore in 2004-05.

The investments pattern of Foreign Banks indicated that the share of investment in Central Government Securities in their total investments increased from 65.2 per cent in 2000-01 to 76.5 per cent in 2004-05. The contribution of shares and debentures

TABLE-III: BANK GROUP-WISE INVESTMENTS BY TYPE OF SECURITIES

(Rs. in Crore)

Bank Group	Year	Investments of Indian Offices							Invest-ments of Foreign Offices	Total Invest-ments
		Indian Govt. Securities		Other Trustee Securities		Shares and Deben-tures of Joint Stock Compa nies (Market Value)	Other Domes-tic Securi-ties	Fore-ign Secur-ities		
		Central Govt. Sec.	State Govt. Sec.	Total	Of which All India Bodies					
1. State Bank of India & Associates	2000-01	1,08,036 (69.3)	15,163 (9.7)	7,976 (5.1)	4,179 (2.7)	15,883 (10.2)	4,913 (3.2)	- (-)	3,929 2.5	1,55,900 (100.0)
	2001-02	1,27,199 (70.9)	18,603 (10.4)	6,935 (3.9)	3,695 (2.1)	17,025 (9.5)	4, 978 (2.8)	- (-)	4,653 2.6	1,79,393 (100.0)
	2002-03	1,55,307 (73.0)	26,704 (12.6)	6,215 (2.9)	3,109 (1.5)	16,885 (7.9)	3,222 (1.5)	8 (-)	4,291 (2.0)	2,12,632 (100.0)
	2003-04	1,57,266 (66.3)	38,747 (16.3)	5,748 (2.4)	2,915 (1.2)	21,653 (9.1)	9,397 (4.0)	526 (0.2)	3,783 (1.6)	2,37,120 (100.0)
	2004-05	1,74,164 (69.6)	40,893 (16.3)	5,223 (2.1)	2,765 (1.1)	19,180 (7.7)	6,561 (2.6)	- (-)	4,348 (1.7)	2,50,369 (100.0)
2. Nationalised Banks	2000-01	1,25,943 (55.6)	34,590 (15.3)	15,793 (7.0)	9,447 (4.2)	34,515 (15.2)	9,245 (4.1)	29 (-)	6,342 (2.8)	2,26,457 (100.0)
	2001-02	1,40,228 (53.8)	40,966 (15.7)	14,309 (5.5)	8,381 (3.2)	45,397 (17.4)	10,906 (4.2)	35 (-)	8,950 (3.4)	2,60,791 (100.0)
	2002-03	1,75,941 (56.6)	48,909 (15.7)	12,889 (4.1)	7,217 (2.3)	51,702 (16.6)	9,870 (3.2)	1039 (0.3)	10,268 (3.3)	3,10,618 (100.0)
	2003-04	2,04,038 (55.6)	64,627 (17.6)	12,287 (3.3)	6,914 (1.9)	51,945 (14.2)	23,259 (6.3)	1,991 (0.5)	8,829 (2.4)	3,66,976 (100.0)
	2004-05	2,39,062 (58.3)	70, 319 (17.1)	11,318 (2.8)	6,523 (1.6)	53,934 (13.2	26,400 (6.4)	174 (-)	8,849 (2.2)	4,10,056 (100.0)
3. Other Scheduled Commercial Banks	2000-01	33,386 (59.3)	2,908 (4.6)	1,742 (2.8)	1,171 (1.9)	18,628 (29.5)	6,220 (9.9)	75 (0.1)	115 (0.2)	63,074 (100.0)
	2001-02	56,349 (52.9)	3,124 (3.3)	2,301 (2.4)	1,694 (1.8)	26,317 (27.7)	6,917 (7.3)	13 (-)	76 (0.1)	95,097 (100.0)
	2002-03	64,415 (64.1)	2,869 (2.9)	1,234 (1.2)	783 (0.8)	25,551 (25.4)	6,404 (6.4)	96 (0.1)	- (-)	1,00,569 (100.0)
	2003-04	85,190 (63.5)	3,869 (2.9)	1,160 (0.9)	762 (0.6)	25,443 (19.0)	17,059 (12.7)	496 (0.4)	1,009 (0.8)	1,34,225 (100.0)
	2004-05	92,214 (62.2)	3,994 (2.7)	624 (0.4)	315 (0.2)	24,875 (16.8)	25,076 (16.9)	645 (0.4)	798 (0.5)	1,48,226 (100.0)
4. Foreign Banks	2000-01	22,865 (65.2)	42 (0.1)	403 (1.1)	273 (0.8)	10,848 (30.9)	898 (2.6)	- (-)	- (-)	35,056 (100.0)
	2001-02	22,263 (67.3)	30 (0.1)	379 (1.1)	333 (1.0)	9,328 (28.2)	1,066 (3.2)	- (-)	- (-)	33,066 (100.0)
	2002-03	28,329 (73.7)	22 (0.1)	258 (0.7)	243 (0.6)	9,331 (24.3)	493 (1.3)	- (-)	- (-)	38,433 (100.0)
	2003-04	30,674 (71.1)	9 (-)	1324 (3.1)	1,324 (3.1)	6,595 (15.3)	4,457 (10.3)	114 (0.3)	-	43,173 (100.0)
	2004-05	32,841 (76.5)	10 (-)	1,718 (4.0)	1,716 (4.0)	5,543 (12.9)	2,793 (6.5)	- (-)	- (-)	42,905 (100.0)
5. All Scheduled Commercial Banks	2000-01	2,90,230 (60.4)	52,704 (11.0)	25,914 (5.4)	15,070 (3.1)	79,874 (16.6)	21,277 (4.4)	104 (-)	10,385 (2.2)	4,80,488 (100.0)
	2001-02	3,46,039 (60.9)	62,723 (11.0)	23,924 (4.2)	14,103 (2.5)	98,068 (17.3)	23,865 (4.2)	49 (-)	13,678 2.4	5,68,346 (100.0
	2002-03	4,23,993 (61.1)	1,07,253 (13.7)	20,597 (3.1)	11,353 (1.7)	1,03,470 (15.6)	19,988 (3.0)	1,140 (0.2)	14,558 (2.2)	6,62,251 (100.0)
	2003-04	4,77,169 (64.0)	78,505 (11.9)	20,519 (2.6)	11,915 (1.5)	1,05,635 (13.5)	54,173 (6.9)	3,125 (0.4)	13,621 (1.7)	7,81,495 (100.0)
	2004-05	5,38,281 (63.2)	1,15,216 (13.5)	18,884 (2.2)	11,319 (1.3)	1,03,531 (12.2)	60,830 (7.1)	818 (0.1)	13,995 (1.6)	8,51,555 (100.0)

Source: RBI Bulletins.
Note: Figures in brackets indicate Percentages to Total.
(-) indicate Nil or Negligible.

of joint stock companies witnessed a reduction in their share from 30.9 per cent to 12.9 per cent in the corresponding years. The growth pattern of investments of Foreign Banks during 2004-05 indicated that the investments in Central Government Securities increased by 43.6 per cent to Rs.32,841 crore, their investments in shares and debentures of joint stock companies registered a decline by 48.9 per cent. Foreign Banks investments in other domestic securities increased substantially from Rs.898 crore in 2000-01 to Rs.4,457 crore in 2003-04, later it was declined to Rs.2,793 crore in 2004-05.

Investments Pattern of SCBs in the Instruments of Capital Market:

The instruments of capital market mainly comprise shares and debentures of joint stock companies, units of UTI and other mutual funds, initial contribution to share capital of UTI, Certificate of Deposits (CDs), Commercial Papers (CPs), Fixed Deposits with banks and shares of Deposit Insurance & Credit Guarantee Corporation (DICGC). The relevant data of SCBs investments in the instruments of capital market is presented in Table-IV.

The data reveals that the investments of SCBs in the instruments of capital market stood at Rs. 1,64,380 crore and registering an increase of 61.4 per cent during the year 2004-05. Investment of banks in shares of joint stock companies increased substantially by 201.8 per cent to Rs.17,712 crore during the same period and accounted for 17.1 per cent of total investments in shares and debentures in terms of market value. Similarly, the investments of banks in debentures issued by joint stock companies constituted the major component as 82.9 per cent in terms of market value of total investments in shares and debentures during the year 2004-05.

The SCBs investments in units of UTI and other capital market instruments increased by 177.0 per cent from 21,968 crore in 2000-01 to Rs.60,849 crore in 2004-05. Further, it was observed that the SCBs investments continued to show marked preference for debentures over shares and varied from 82.9 per cent to 92.7 per cent in terms of market value. Whereas, the market value of shares varied only from 7.3 per cent to 17.1 per cent have increased over the year across during the period under review.

Investments of SCBs in Public Sector Enterprises:

Public sector enterprises are autonomous or semi-autonomous corporations and companies established owned and controlled by the Government and engaged in industrial and commercial activities. Public sector enterprises are financed by Government. They are either fully owned by the Government or majority shares are hold by the government. In some undertakings private investments are also allowed but the dominant role is played by the Government only. The scheduled commercial banks are also investing in bonds of public sector

TABLE-IV: INVESTMENTS IN THE INSTRUMENTS OF CAPITAL MARKET

(Rs. in Crore)

Year	Shares		Debentures		Sub Total		Units of UTI and others Face Value	Total
	Face Value	Market Value	Face Value	Market Value	Face Value	Market Value		
2000-01	4,371 (5.3)	5,869 (7.3)	78,267 (94.7)	74,005 (92.7)	82,638 (100.0)	79,874 (100.0)	21,968	1,01,842 (100.0)
2001-02	7,009 (7.2)	8,499 (8.7)	90,011 (92.8)	89,569 (91.3)	97,020 (100.0)	98,068 (100.0)	24,460	1,22,528 (100.0)
2002-03	8,506 (8.1)	8831 (8.5)	96,034 (91.9)	94,639 (91.5)	1,04,540 (100.0)	1,03,470 (100.0)	20,271	1,23,741 (100.0)
2003-04	8,845 (8.8)	12,353 (11.7)	92,167 (91.2)	93,281 (88.3)	1,01,012 (100.0)	1,05,634 (100.0)	54,189	1,59,823 (100.0)
2004-05	12,547 (12.6)	17,712 (17.1)	87,167 (87.4)	85,819 (82.9)	99,714 (100.0)	1,03,531 (100.0)	60,849	1,64,380 (100.0)

Source: RBI Bulletins.

Note: 1) Investments in shares and debentures are estimated realizable value where market value is not available.

2) Units of UTI and others includes securities such as initial contribution to share capital of UTI, Shares of DICGC, Fixed Deposits with banks and Mutual Funds, CDs and CPs.

3) Figures in brackets indicate Percentages to Total.

enterprises. In order to analyse the investments pattern of scheduled commercial banks in public sector enterprises the relevant data is presented in the Table-V.

The investments of SCBs in bonds of public sector enterprises witnessed a decline of 15.4 per cent to Rs.13,532 crore from Rs.16,003 crore during the period under review. As regard their composition, banks invested as much as about 22.1 per cent in the bonds of Indian Railway Finance Corporation, followed by Housing and Urban Development Corporation at 21.6 per cent in the year 2000-01. Rural Electrification corporation attracted continuously the scheduled commercial banks investments as much as 25.3 per cent, 32.0 per cent, 32.6per cent and 37.1 per cent in the year 2001-02, 2002-03, 2003-04 and 2004-05 respectively. It can be observed that the scheduled commercial banks investments in public sector enterprises reducing gradually in year to year due to on going policy of privatization/ disinvestment.

Investments in Central and State Government Securities:

Maintenance of adequate liquid assets is a basic principle of sound banking system. Hence commercial banks in India were required by the Banking Regulation Act, 1949, under Section 24 to maintain liquid assets in the form of cash, gold and un-encumbered approved securities - that is Government Securities and Government Guaranteed Securities. Therefore, it is a obligation to the SCBs to invest in Central and State Government securities. The distribution of SCBs investments in Central and State Government securities (excluding Treasury Bills, Postal obligations, etc.) is set out according to different interest rates. The relevant data is presented in the Table-VI.

It reveals that the proportion of banks holdings of Central Government Securities with high interest rates of 11 per cent and above decreased from 81.7 per cent in 2000-01 to 33.3 per cent in 2004-05 on account of new issues with low coupon and maturity of high coupon securities. Among these, securities with interest rate of 12 per cent and above which accounted for 27.4 per cent of banks holding in Central Government Securities in 2000-01, decreased to 11.5 per cent in 2004-05.

TABLE-V: INVESTMENTS IN PUBLIC SECTOR ENTERPRISES

(Rs. in Crore)

Public Sector Enterprises	2000-01	2001-02	2002-03	2003-04	2004-05
1. Indian Railway Finance Corporation	3,540 (22.1)	2,259 (13.1)	1,994 (11.3)	2,151 (13.8)	1,679 (12.4)
2. National Thermal Power Corporation	110 (0.7)	167 (1.0)	656 (3.7)	679 (4.3)	511 (3.8)
3. National Hydro-Electric Power Corporation	178 (1.1)	328 (1.9)	338 (1.9)	147 (0.9)	24 (0.2)
4. Nuclear Power Corporation	1,184 (7.4)	1,141 (6.6)	1,340 (7.6)	1,780 (11.4)	1,261 (9.3)
5. Power Finance Corporation	1,944 (12.1)	2,763 (16.0)	2,691 (15.3)	2,160 (13.8)	2,780 (20.5)
6. Indian Telephone Industries	131 (0.8)	120 (0.7)	233 (1.3)	238 (1.5)	257 (1.9)
7. Neyvelli-Lignite Corporation	-	175 (1.0)	73 (0.4)	73 (0.5)	30 (0.2)
8. Indian Petrochemical Corporation Ltd.	191 (1.2)	493 (2.9)	194 (1.1)	67 (0.4)	4 (-)
9. Mahanagar Telephone Nigam Ltd.	1,934 (12.1)	1,944 (11.3)	1,254 (7.1)	10 (0.1)	- (-)
10. Rural Electrification Corporation	3,239 (20.2)	4,360 (25.3)	5,639 (32.0)	5,106 (32.06)	5,016 (37.1)
11. Hindustan Photo Film Manufacturing Co. Ltd.	95 (0.6)	3 (-)	17 (0.1)	17 (0.1)	3 (-)
12. Housing & Urban Development Corporation	3,457 (21.6)	3,493 (20.3)	3,213 (18.2)	3,213 (20.5)	1,967 (14.5)
Total	16,003 (100.0)	17,246 (100.0)	17,642 (100.0)	15,641 (100.0)	13,532 (100.0)

Source: RBI Bulletins.
Note: Figures in brackets indicate Percentages to Total.
(-) Indicate Nil or Negligible.

The share of securities with interest rate of 11 per cent to 12 per cent declined from 54.3 per cent in 2000-01 to 21.8 per cent in 2004-05. The Central Government Securities with interest rate 6 per cent to 8 per cent increased from 5.4 per cent to 31.2 per cent during the period under review and accounted for the major share. Noticeably, the share of securities with interest rate less than 6 per cent significantly increased from 0.2 per cent in 2000-01 to 17.0 per cent in 2004-05.

The similar trend was observed in respect of banks holdings in State Government Securities. The proportion of State Government Securities in the interest rate range of 12 per cent and above decreased from 62.5 in 2000-01 to 21.7 per cent in 2004-05. The proportion of holdings in State Government Securities with interest rate of 8 per cent to 12 per cent also decreased from 37.4 per cent in 2000-01 to 21.7 per cent in 2004-05. The share of State Government Securities held by banks, which had coupon range of 6 per cent to 8 per cent went up from 23.6 per cent in 2002-03 to 41.3 per cent in 2004-05. Further, 17.0 per cent of the State Government Securities held by banks had interest rate below 6 per cent in 2004-05 as against the lower share of 9.4 per cent in 2003-04.

Conclusions:

On the basis of above analysis the study reveals the following broad conclusions;

1) The growth of commercial banks investments in Government Securities in 2004-05 at 8.0 per cent was substantially lower than 27.3 per cent growth registered in 2003-04. With the sharp increase in credit growth of scheduled commercial banks, there had been a slow down in their incremental investments in securities.

2) The trading income of public sector banks declined from Rs.15,354 crore which is accounted for 39.1 per cent

TABLE-VI: INVESTMENTS IN CENTRAL AND STATE GOVERNMENT SECURITIES

(Rs. in Crore)

Interest Rate	Less than 6%		6% to 8%		8% to 10%		10% to 11%		11% to 12%		12% to 13%		13% and above		Total	
Year	Central Govt.	State Govt.	Central Govt.	State Govt.	Central Govt.	State Govt.	Central Govt.	State Govt.	Central Govt.	State Govt.	Central Govt.	State Govt.	Central Govt.	State Govt.	Central Govt.	State Govt.
2000-01	468 (0.2)	- (-)	14,993 (5.4)	- (-)	5,933 (2.1)	- (-)	29,088 (10.5)	5,871 (11.1)	1,50,358 (54.3)	13,861 (26.3)	59,490 (21.5)	18,531 (35.2)	15,357 (5.9)	14412 (27.3)	2,76,707 (100.0)	52,695 (100.0)
2001-02	350 (0.1)	- (-)	12,111 (3.7)	2 (-)	31,351 (9.6)	7,974 (12.7)	45,655 (14.0)	9,651 (15.4)	1,55,049 (47.6)	12,541 (20.0)	66,706 (20.5)	18,119 (28.9)	14,308 (4.4)	14428 (23.0)	3,25,530 (100.0)	62,716 (100.0)
2002-03	4,420 (1.2)	- (-)	59,372 (15.7)	17,125 (23.6)	46,681 (12.9)	7,419 (10.2)	45,149 (11.9)	8,553 (11.8)	1,46,423 (38.7)	9,880 (13.6)	62,616 (16.5)	16,568 (22.8)	11,685 (3.1)	13028 (18.0)	3,78,345 (100.0)	72,572 (100.0)
2003-04	39,210 (9.0)	10,131 (9.4)	1,21,080 (27.7)	4,05,461 (37.8)	52,041 (11.9)	7,733 (7.2)	39,872 (9.1)	9,011 (8.4)	1,23,316 (28.2)	10,408 (9.7)	49,647 (11.4)	17,577 (16.4)	11,731 (2.7)	11838 (11.0)	4,36,898 (100.0)	1,07,246 (100.0)
2004-05	82,273 (17.0)	19,553 (17.0)	1,51,219 (31.2)	47,586 (41.3)	52,676 (10.9)	6,586 (5.7)	37,282 (7.7)	6,892 (6.0)	1,06,007 (21.8)	9,653 (8.4)	37,901 (7.8)	12,999 (11.3)	17,987 (3.7)	11934 (10.4)	4,85,325 (100.0)	1,15,212 (100.0)

Source: RBI Bulletins.
Note: Figures in brackets indicate Percentages to Total.
(-) Indicate Nil or Negligible.

in 2003-04 to Rs.8,122 crore in 2004-05 and accounted for 21.0 per cent of operating profit.

3) The investments of banks offices in India continued to dominate the total investments portfolio and their share as marginally improved to 98.4 per cent in 2004-05, from 97.8 per cent in 2000-01. The rest 1.6 per cent of total investments was held by foreign offices of Indian Banks in the from of securities of foreign countries and shares and debentures of joint stock companies registered abroad.

4) The nationalized banks accounted for the highest share of 48.2 per cent in the total investments of Rs.8,51,555 crore of scheduled commercial banks, followed by SBI and its Associates at 29.4 per cent during the year 2004-05.

5) The growth pattern of investments of Foreign Banks during 2004-05 indicated that the investments in Central Government Securities increased by 43.6 per cent to Rs.32,841 crore, their investments in shares and debentures of joint stock companies registered a decline by 48.9 per cent

6) The investments of scheduled commercial banks in the instruments of capital market stood at Rs. 1,64,380 crores and registering an increase of 61.4 per cent during the year 2004-05.

7) It was observed that the scheduled commercial banks investments continued to show marked preference for debentures over shares and varied from 82.9 per cent to 92.7 per cent in terms of market value during the period under review.

8) Investments of scheduled commercial banks in bonds of public sector enterprises witnessed a decline of 15.4 per cent to Rs.13,532 crore from Rs.16,003 crore during period under review. It can also be observed that the scheduled commercial banks investments in public sector enterprises reducing gradually in year to year due to on going policy of privatization/ disinvestment.

9) The Central Government securities with interest rate 6 per cent to 8 per cent increased from 5.4 per cent to 31.2 per cent during the period under review and accounted for the major share. Noticeably, the share of securities with interest rate less than 6 per cent significantly increased from 0.2 per cent in 2000-01 to 17.0 per cent in 2004-05.

10) The proportion of State Government Securities in the interest rate range of 12 per cent and above decreased from 62.5 per cent in 2000-01 to 21.7 per cent in 2004-05. Further, the share of State Government Securities held by banks, which had coupon range of 6 per cent to 8 per cent went up from 23.6 per cent in 2002-03 to 41.3 per cent in 2004-05.

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PEOPLE IN THE NEWS

It is a proud moment for CMA fraternity that one of our members CMA Sanjay Mundade has been promoted as Director Commercial & CFO of Skoda Auto India Pvt. Ltd. w.e.f. June 1, 2009.

Shri Mundade is 37 Years old and the youngest Indian Director from Finance side to be on the Board of this Czech MNC.

Sanjay joined Skoda Auto India Pvt. Ltd. in February 2005 as a Manager and with his outstanding performance rose to the position of Director Commercial & CFO in short span of four & half years.

With this change Shri Mundade will be responsible for entire commercial operations of Skoda Auto India Pvt. Ltd. including IT, Legal, Procurement, Finance, Taxation and Controlling.

Before joining Skoda Auto India Shri Mundade has worked with MNC's like Bosch and Sandoz.

Financial Restructuring of Non Performing Assets of Indian Banks: An Analysis

The presence of Non Performing Assets has had an adverse impact on the productivity and efficiency of Indian banks which has resulted in the erosion of profits. Their continued amelioration in absolute terms proved the survival of Indian banks very difficult. The Non- Performing Assets are the bad debts and non recovered loans of the banks which now stand at over 50,000 crores. It originates primarily due to the inability of the borrowers to repay their contractual obligations of interest and principal to the banking system, therefore eroding profits and capital of the banking system. The Narasimham committee report (II) on banking sector reforms recommended the establishment of Assets Reconstruction Companies to check the non performing assets and consequently, Assets Reconstruction Company India Limited (ARCIL), the pioneer Assets Reconstruction of India, commenced its operation from August 29, 2003.

This paper traces the various aspects related to Non Performing Assets of Indian Banks along with the genesis, mode and operational performance of ARCIL.

Dr. Manoj Pillai*

The Indian Banking system is considered to be one of the crucial facets of Indian Economy, and has played commendable role in the overall socio economic development of India. Even though the Banking Sector in India has shown spectacular progress since nationalization, there has been significant decline in productivity and efficiency resulting in erosion of profits. The presence of non performing assets (NPAs) has had an adverse impact on the banking system of India. Their continued amelioration in absolute terms proved survival extremely difficult. Banks which functions as intermediaries have to be financially sound and stable and they should enjoy public confidence to be able to impact an efficient and effective service role1. It was in the early nineties these non performing assets emerged in the financial domains of India because by that time a significant number of loan assets involving uncertainty with respect to ultimate collection had piled up, plaguing the Indian banking industry.

The non-performing assets reflect natural waste in any economy are the bad debts and non recovered loans of the bank which now stands at over Rs.50, 000 crores. Table-1 shows the volume of non performing assets of the scheduled commercial banks operating in India.

Table 1 highlight that there is a marginal declining trend in the gross non performing assets (both opening and closing balances) but the additions during the year shows a constant increase which is critical, as it has seriously affected the profitability and operational efficiency of scheduled commercial banks in India.

Table -2 shows the frequency distribution of Net Non Performing assets to Net Advances of Scheduled Commercial Banks.

The frequency distribution analysis shows that in all the scheduled commercial banks the net non performing assets to net advances is maximum up to 2 percent. The most striking phenomenon of the frequency distribution is that even the new generation private sector and foreign banks are affected by the non performing assets.

Defining Non-performing Assets

The Non Performing Assets can be divided into the following three broad groups.2

(a) Sub-Standard

(b) Doubtful

(c) Loss

The Reserve Bank of India has not prescribed clear and objective definitions for these categories to ensure uniform, consistent and logical basis for classification of assets. Broadly stated, substandard assets would be those which exhibits problems and would include assets classified as non-performing for a period not exceeding eighteen months.

Doubtful assets are those which include assets classified as non performing and would also include loans

Table -1

Non Performing Assets of Scheduled Commercial Banks (Rs in Crores)

All Scheduled Commercial Books	F.Y 2005	F.Y 2006	F.Y 2007	TOTAL
Gross NPAs-year Beginning	64439	59124	50299	173867
Additions	20396	21408	34420	76224
Reductions and write off	25320	28717	29090	83127
Gross NPAs-Year closing	59515	51815	55629	166929

(Source: Compiled from "Reports on Trends and progress of Banking in India" published by Reserve Bank of India) 2008

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Table 2: Net NPAs to Net Advances of Scheduled Commercial Banks

(Frequency Distribution)

YEAR	PUBLIC SECTOR BANKS		PRIVATE SECTOR BANKS		
	SBI GROUPS	NATIONALIZED BANKS	OLD	NEW	FOREIGN
2005 – 2006					
Up to 2 percent	7	15	11	6	26
Above 2 percent and less than 5 percent	1	5	7	2	0
Above 5 percent and less than 10 percent	0	0	0	2	0
Above 10 percent	0	0	0	0	3
2006 – 2007					
Up to 2 percent	8	18	14	7	27
Above 2 percent and less than 5 percent	0	2	2	1	1
Above 5 percent and less than 10 percent	0	0	1	0	0
Above 10 percent	0	0	0	0	1
2007 – 2008 (P)					
Up to 2 percent	7	19	15	7	25
Above 2 percent and less than 5 percent	1	1	0	1	2
Above 5 percent and less than 10 percent	0	0	0	0	0
Above 10 percent	0	0	0	0	1

P: Provisional.

Note: Date as on March 31, 2008 are un audited and provisional.

Source: RBI Annual Report 2007 - 2008

in respect of which instruments are overdue for a period exceeding eighteen months.

Loss assets are those accounts where the loss has been identified but the amount of loss has not been written off.

Causal Dynamics of Non-performing Assets

There are numerous reasons for the high level of NPAs ranging from both policy and environmental factors.3 According to the Reserve Bank of India's statistics 40 percentage of the total banking credit is given to the priority sector viz. Agriculture, Small Industry, Transport, Poverty Alleviation Programmes etc. and as much as 47% of non performing assets originates from this sector. Reservation of major sector for investment by the government of India in the public sector structure became a necessity particularly due to the non availability of private credit. Many of these public sector organizations became loss making sick entities causing loss of banking investment. The banks were not in a position to price the risk premium resulting in cross subsidization across the risk profile of the loan assets. There are other forms of direct credit whether it is through pressure from the Government and institutions such as Board of Industrial and Financial Reconstructions for Banks to continue nursing sick accounts. The controlled interest rates further aggravated the NPA scenario. The populist 'Loan-Melas' and cancellations of debts granted to large proportion of peasants, artisans and rural poor also result in mounting NPAs. Similarly sizable amount of Non Performing assets have also originated as a result of unreturned corporate debts and loans outstanding with the medium and small entrepreneurs.

The High level of NPAs can also be attributed to the inherent weakness prevalent in our legal system. The legal procedures in India are tardy and torturous and it takes years to settle a case. The absence of a conducive legal system made it extremely difficult for the banks to realize value from the collaterals of risky loans.

No doubt part of the NPAs may have been the result of banker's inaptitude or bonafide decisions going wrong but a substantial chuck can be

Table 3 - SECTOR WISE NON PERFORMING ASSETS (In Crores)

SECTORS	PUBLIC SECTOR BANKS		OLD PRIVATE BANKS		NEW PRIVATE BANKS		ALL SCBs	
(A)PRIORITY SECTOR	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008
(I)Agriculture	6,506	8268	249	243	612	1225	7367	9735
(II)Small Scale Industries	5,843	5805	490	359	155	292	6488	6456
(III)Others	10,604	11214	667	747	702	563	11983	12514
(B)PUBLIC SECTOR	490	299	0	0	3	0	493	299
(C) Non Priority Sector	15,158	14163	1553	1219	4800	8339	21510	23721
TOTAL	38602	39749	2969	2557	6271	10418	47841	52725

(Source: Compiled from "Reports on Trends and Progress of Banking in India" published by Reserve Bank of India) 2008

perhaps attributed to political meddling which polluted the repayment ethos.[4]

Table 3 clearly indicates that the major chunk of non performing assets originates from the priority sector lending and financial assistance to the public sector units.

Table No. 4 highlights the operating as well as net profits, which clearly indicates that the net profit of scheduled commercial banks have considerably reduced because of the provisions made for non performing assets.

Thus if one closely analyze all the statistical information it can be easily inferred that the non performing assets are alarmingly high in the scheduled commercial banks in India. Similarly the statistics also reveal that the constant rise in the volume of non performing assets has adversely affected the net profitability of the commercials banks of India.

Table No. 4 (Rs. In Crores)

All Scheduled Commercial Banks	FY 03	FY 04	FY 05	FY 06
Provisions for NPAs-Year beginning	30,749	32,254	36,199	34,484
New Provisions during the year	13,181	18,473	11,630	8,968
Write off back during the year	12,049	14,031	12,297	12,916
Provisions for NPAs-year closing	31,881	36,696	35,532	30,536
Operating Profit	40,682	52,593	51,023	56,560
Net Profit	17,077	22,270	20,959	24,592

Source: www.arcil.co.in(Newsletter) Nov. 2006)

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, (Sarfaesi), 2002.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, came into effect from June 21, 2002. Under this act the Reserve Bank of India has formulated specific plans to establish Assets Reconstruction Companies and Assets Management Companies to acquire non performing assets of any bank or financial institution. The act lays emphasis on the recovery of money, even without the intervention of the court. Section 13(4) of the act empowers the bank to take possession of the secured assets of the borrower including the right to transfer by way of lease, assignment, or sale for realizing the secured assets. The SARFAESI Act is a detailed set of laws relating to the registration and other important policy matters like prudential norms relating to income recognition, classification of assets, provisioning, accounting standards, capital adequacy norms, deployment of funds and acquisition of financial assets which has to be followed by the Assets Reconstruction Companies. Reserve Bank of India believes that since assets reconstruction activity mainly revolves around non performing loan assets, the whole process of assets reconstruction and other related matters have to be evolved with great care and professionalism so that there can be smooth transfer of Non Performing Assets from the scheduled commercial banks to these assets reconstruction companies.

Registration of Assets Reconstruction Companies under the Act

The RBI clearly clarifies that a securitization company or assets reconstruction/management company registered with it can undertake both securitization and reconstruction activities. The guidelines further clarify that an unregistered entity may also conduct the business of securitization or assets reconstruction outside the purview of the act. This specific ruling has enabled all the banks and financial institutions engaged in securitization activities prior to the act to continue the same without registration. However

Table - 5 NPA Recovery through various Channels by Scheduled Commercial Banks

RECOVERY CHANNEL	2006 - 2007				2007- 2008			
	No. of Cases	Amount Involved	Amount recovered	Amount Recovered as % of Amount Involved	No. of Cases	Amount Involved	Amount recovered	Amount Recovered as % of Amount Involved
LOK ADALATs	1,60,368	758	106	14	1,86,535	2142	176	8.2
DRTs	4028	9156	3463	37.8	3728	5819	3020	51.9
SARFAESI ACT	60,178	9058	3749	41.4	83942	7263	4429	61

(Source: Compiled from "Reports on Trends and Progress of Banking in India" published by Reserve Bank of India) 2008

the benefits of enhanced enforcement rights under the act will not be available to them.

The Narasimham Committee (II) was appointed to review progress in the banking sector over the past 6 years with particular reference to the recommendation made by the committee on the financial system in 1991.The committee submitted its report to the Government of India on 22nd April 1998. One of the main recommendations was to set up Assets Reconstruction/ Management Companies in India to check the Non Performing Assets.

Table 5 highlights the details relating to the various recovery channels of non performing assets.

Table 5 clearly shows that Lok Adalats, Debt Redressal Tribunals and Assets Reconstruction Companies of the SARFAESI Act are the three major non performing assets recovery channels of which the Assets Reconstruction Companies established on the basis of SARFAESI Act has been most successful in the recovery of non performing assets.

Genesis of Assets Reconstruction Company India Limited (Arcil)

Assets Reconstruction Company India Limited (ARCIL) is a pioneer Assets Reconstruction Company to commence operation in India. It is registered with Reserve Bank of India under sections of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002(SARFAESI Act) and registered as a Securitization and a Reconstruction Company. It commenced operations from August 29, 2003.

Sponsors and Shareholding Pattern of Arcil

ARCIL is sponsored by State Bank of India, Industrial Development Bank of India, ICICI Bank Limited and Punjab National Bank. Table 6 shows the overall shareholding pattern of ARCIL.

Procedure of Npa Transfers to Arcil And Valuation of Npa

ARCIL acquired NPAs by way of "true sale". Once an organization sells NPAs to ARCIL the entire liability of the NPA shifts to ARCIL and the seller has no further interest in that asset. The valuation of NPA and the price offered by ARCIL depends on the nature of the

Table-6

SHAREHOLDING PATTERN (IN RUPEES)

Sr. No.	Name of Shareholder	Amount of Shares Held	% to total paid up to equity capital
	Sponsors:		
1	STATE BANK OF INDIA	64,816,980	19.65
2	IDBI BANK	62,323,800	19.18
3	I.C.I.C.I BANK	43,076,000	13.26
4	LATHE INVESTMENT LTD.	32,164,818	9.90
5	PUNJAB NATIONAL BANK	31,24,0000	9.62
6	INFRA. DEVELOPMENT BANK	27,197,743	8.37
7	FIRST RAND BANK LIMITED	13,358,662	4.11
8	BARKLAYS BANK LIMITED	11,000,000	3.39
9	KARNATAKA BANK LIMITED	8,562,600	2.64
10	ICICI HOME FINANCE LIMITED	7,340,000	2.96
11	KARUR VYSAYA BANK	6,380,000	1.96
12	CITYCORP FINANCE LIMITED	4,400,000	1.35
13	THE SOUTH INDIAN BANK LIMITED	4,139,300	1.27
14	FEDERAL BANK	4,139,300	1.27
15	OTHERS	4,757,937	1.46
16	TOTAL SHARES OUTSTANDING	324,897,140100	100

Source: www.arcil.co.in

security the lender has over the borrower's assets, the value realizable from the security, and the time to realize that value. There are specific guide lines from the RBI regarding the valuation of NPAs. After acquiring an asset, the ARCIL raises resources through the issue of Security Receipts (S.R) to eligible investors who are called Qualified Institutional Buyers (QIBs). The amount collected from the issue of Security Receipts is utilized towards the payment of the assets purchased from the Banks and financial institutions. Thus ARCIL becomes the legal owner of the assets and Security Receipts holder becomes the beneficial owner. The Security receipts represent the individual rights, title and interest of investors in the financial assets held in the fund floated by ARCIL. These are redeemed out of the realization from financial held by ARCIL.7 On detailed analysis of all the cases acquired by ARCIL till March 2005, it is seen that 78 percent of all the units acquired are either fully operating or partly operating, rest 22 percent of the units acquired are non-operating. If we assess the resolution strategy of the units acquired by ARCIL, it can be seen that 57 percent of the acquired units have been made operational through restructuring, 30 percent through merger and acquisition and 13 percent through the sale of assets and settlement.

Operational Performance of Arcil

On August 29, 2008 ARCIL had completed five years of its operations. ARCIL has acquired total dues of Rs. 22,212 crores belonging to a total of 622 cases up to first half of the financial year of 2007. Of this ARCIL has resolved 204 cases involving Rs. 11,592 crores. The total amount recovered and distributed up to first half of the financial year 2007 were Rs. 1157 crores. If one analyzes the percentage of resolved cases then it can be seen that till financial year 2005 ARCIL has resolved 56 percent of the cases it has acquired. Similarly 66 percent of the total dues involved in cases were resolved out financial year 2005.

Table No.7 gives all the relevant statistical information relating to the operational performance of Assets Reconstruction Company India Limited.

Conclusion:

It is evident that the Non-Performing Assets in India has adversely affected the profitability and efficient functioning of the banks. The gravity of the situation forced Government of India to introduce drastic and sweeping reforms in the banking sector and the positive results have started to flow. The new RBI guidelines through the securitization act shall definitely provide a healthy platform and concrete directions for regulating securitization activities. During the last four years the aggregate advances of all public sector banks in India have more than doubled (104 percent) where as gross NPA's was reduced from Rs. 68714 crores in the year 2003 to Rs.52,569 crores in the year 2006. The present scenario shows that NPA levels have come down despite substantial growth in credit thanks especially to innovative regulations, accounting procedures and above all the establishment of ARCIL. ARCIL undertook significant efforts in market seeding, creating awareness, and acquainting banks and financial institutions with the concept of business model, attracting capital to this new class of assets etc. ARCIL has facilitated development of a business environment, which today has attracted many players to set up business in these domains. It has meaningfully engaged the investors through dialogue and decimation of information. This is expected to lead the flow of new capital for the assets class in the near future. Similarly the success of NPA management depends on the speed of recycling these assets and their realization of cash. In order to achieve this it is important to have a favorable legal system, an adequate and empowered structure and support from the government.

ARCIL in India is at its infancy stage and the process is yet to gain momentum in India and the banks are yet to utilize the services of ARCIL fully. Assets Reconstruction Companies have been used world wide with varying degree of success. Only time will tell its viability and practicability in the Indian Financial Environment.

Table No 7

Operational Performance of ARCIL (Amount in Crores)

Particulars	During First Half of FY07	Up to First Half of FY 07
Acquisition No of cases acquired	63	622
Total due	1,286	22,412
No of selling Bank	13	36
Resolution	28	204
Total dues involved in resolved cash	1,741	11,592
% of cases resolved out of cases acquired up to FY05	8%	56%
%of dues involved in cases resolved out of cases acquired up to FY 2005	10%	66%
Exited cases no of exited cases	43	107
Total dues involved in exited cases	759	2,769
Recovery and distribution Amount Recovered and distributed	550	1,157

Source: www.arcil.co.in (Newsletter November 2006)

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Monitoring Services of Borrower's Account for Banks and Financial Institutions

Devarajan Swaminathan*

Cost and Management Accountants can play a pivotal role in Monitoring Services of Borrower's Account by reporting on early warning signals for Banks and Financial Institutions. Here an attempt is made to highlight what are the Objectives of such a service, what areas it should cover along with annexure for reporting. Vital inputs / suggestions in preparing this has been received from Dr. Balu Kenchappa Phd, FICWA, DGM RBI, Mr. K. S. Subramanian seasoned Banker with the SBI, Mr. Abhishek Poddar Ex-ICICI and now AVP Credit Risk at Citibank, Mr. Adithya Bhat Director at Protiviti Consulting (P) Ltd, and Mr. Veeraraghavan Iyengar.

Objective

The Objective of Monitoring Services of Borrower's Account on a continual basis:

- It provides insights into the operational efficiency of the client and its ability to be on the growth trajectory as forecasted in the various budget statements submitted to the Bank.
- It reviews the business processes and internal control systems of the client. This should provide more comfort with the financial numbers as shown in periodic stock / financial statements provided by the client. This would help in the prevention and early detection of frauds.
- Continual monitoring will ensure proper verification and valuation of fixed assets, current assets, current liabilities, loans and advances and inter company/group transfers.
- Monitoring application of funds, ensure that assets hypothecated / provided as security / collateral with the bank are realizable and also at arriving revised drawing power.
- Adherence to all terms, conditions and covenants as stated in the Sanction Letter.
- Critically analyze liquidity and repayment schedule to raise early warnings of any probable defaults in repayments.
- Early warning of accounts that are likely to become NPA.
- Early warning of shift in whole or part of banking transactions to other banks.

KEY RESULT AREAS

KRA - I	:	Operations and Cost Management
KRA - II	:	Review of Business Processes
KRA - III	:	Debtors, Loans, Advances and Deposits
KRA - IV	:	Creditors and Other Liabilities
KRA - V	:	Stock Audit
KRA - VI	:	Fixed Assets and Other Assets
KRA - VII	:	Financial Discipline and Risk Management

KRA - I
Operations and Cost Management

Nature of Service:

Visits to borrower's plant and positioning of review team at site to verify the books of account and other records maintained by the borrower with regard to:

- Quantity Produced
- Quantity Sold
- Capacity Installed
- Capacity Utilized
- Cost of production
- Consumption - raw material, consumables and spares
- Direct costs - power, fuel, labor
- Indirect costs/ Overheads
- Plant Performance Report
- Reconciliation of Sales and Excise Duty paid as per financial accounts and excise records.
- Production and Sales performance vis-à-vis projections
- Product wise turnover with quantities sold and price
- Surplus generated
- Transactions with group concerns and arms length pricing requirements
- Report on evidence of any distress selling of goods.

(Annexure 1)

KRA - II
Review of Business Processes

Nature of Service:

To assess the efficiency and effectiveness of internal control system of various business processes like sales invoicing, purchases, payments etc. from initiation to completion with a view to identifying gaps/weakness if any, in processing, accounting, reporting and analysis.

This would include the following:

- To check purchase / work orders in excess of Rs.(limit as may be determined) .

*Practicing Cost Accountant

- To check purchase / work orders in excess of Rs.(limit as may be determined) placed on a single vendor
- Verify terms of agreement with technology, equipment and raw material suppliers.
- Examine marketing / dealership agreements
- Review of discount policy and discount transactions
- Review of payment schedules.
- Review of cash management policy

(No standard report formats)

KRA - III

Debtors, Loans, Advances and Deposits

Nature of Service:

Critical review of:

- Debtor's ageing analysis
- Bad and doubtful debts and their provisions
- Bad Debts written off during the period under audit.
- Credit limits and credit period vis-à-vis prevailing industry practice / trends
- Dues from group / sister concerns
- Non - LC backed export debtors
- Advances to suppliers, contractors and others
- Follow up procedures / actions
- Factoring services arrangements, if any, with other Banks
- Adequacy of documentation
- Efficacy of MIS reporting prevailing in the Company.

(Annexure 2)

KRA - IV

Creditors and Other Liabilities

Nature of Service:

Review of:

- Liabilities ageing analysis
- Urgent creditors
- Terms of credit for major items
- Dues to sister / group concerns
- Advances received by entities and interest outflow on the same
- Statutory liabilities
- Quantification of payment defaults
- Contingent liabilities
- General liability management techniques / procedures
- Efficacy of MIS reporting prevailing in the company.z

(No standard report formats)

KRA - V

Stock Audit

Nature of Service:

Review of following inventory control procedures from the point of adequacy of controls and documentation:

- Requisitioning
- Ordering
- Receiving
- Issuing
- Consumption
- Wastage
- Physical verification of stock by way of participation in the process
- Reconciliation and adjustment of physical inventory with book inventory
- Critical review of slow/damaged/non moving inventory
- Review of Insurance and its adequacy
- Accounting

(Annexure 3)

KRA - VI

Fixed Assets and Other Assets

Nature of Service:

- Review of fixed assets register
- Review of capital work-in-progress vis-à-vis budgets
- Nature and funding of normal "Capex" vis-à-vis budgets
- Accounting
- Review of capitalization of incidental expenditure, valuation of Fixed Assets and compliance with relevant Accounting Standards.
- Review of insurance cover
- Review of register of charges against fixed assets
- Periodic physical verification of fixed assets
- Other Assets
- Review of deferred revenue and miscellaneous expenditure
- Ageing and recoverability of significant advances and deposits
- Investments and inter corporate loans / deposits

(No standard report formats)

KRA - VII

Financial Discipline and Risk Management

Nature of Service:

- Financial Discipline

Scope of this review includes:

- To correctly calculate drawing power in the manner as agreed by the Bank. Also to ensure that while calculating drawing power only stocks (non - damaged) paid for and debtors (other than those in excess of three months) are included.
- Review of borrower's financial arrangements and related agreements with lender/s.
- Audit of nature, composition and ageing of significant borrowings, including repayment schedule.
- Audit compliance with key covenants (positive and negative) and commitments given to lender/s
- Cash Flow Monitoring and Management
- Risk Management

  Review of Risk Management processes in place for the following critical areas:
- Production
- Sales and Marketing
- Inventory
- Finance
- IT infrastructure

Report Formats

Annexure 1: Operations and Cost Management

1.A. Capacity Details (Quantitative)

Particulars	Plant 1	%	Plant 2	%	Plant 3	%	Total	%
Installed Capacity								
Practical Capacity								
Normal Capacity								
Budgeted Capacity								
Actual Capacity Utilization								
Normal Idle Capacity								
Abnormal Idle Capacity								

Note: Capacity Determination is in accordance with CAS 2 issued by the ICWAI
Auditor's Comments
Management's Comments

1.B. Quantitative Details

Particulars	Product A	Product B	Product C	Total
1. Installed Capacity				
2. Capacity enhanced during the year by leasing arrangements etc.				
3.Total Available Capacity				
4. Production during the year				
(a.) Self Manufactured				
(b.) Third Party on Job Work etc.				
(c.) Loan License Basis				
5. Total Production Quantity				
6. Production as per Excise Records				
7. Capacity Utilization as a %				
8. Opening Stock Finished Goods				
9. Total Available Qty				
10. Qty Captively Consumed				
11.Qty Sold				
(a.) Domestic at controlled price				

(b.) Domestic at market price				
(c.) Export under advance license				
(d.) Export under other obligation				
(e.) Export at market price				
(f.) Total				
12. Closing Stock of Finished Goods				

Auditor's Comments
Management's Comments

1.C. Plant Performance Report (For a Plant: Product wise or in total)

Particulars	Product A			Product B		
	Budget	Actual	Variance	Budget	Actual	Variance
Raw Material Consumed (Qty) Raw Material Consumed (Value)						
Power, Fuel, Utilities (Qty) Power, Fuel, Utilities (Value)						
Direct Labour (hours) Direct Labour (Cost)						
Indirect Labour (hours) Indirect Labour (cost)						
Repairs and Maintenance						
Factory Overheads						
Administration Overheads						
Selling Overheads						
Distribution Overheads						
Research & Dev. Expenses						
Royalty & Tech Know-how chg.						
Quality Control Expenses						
Pollution Control Expenses						
Total Cost of Production						
Total Cost of Sales						
Plant : **Period :**	**a. Actual Production in Standard Hours:** **b. Actual Working Hours:** **c. Budgeted Hours:**					

Control Ratios :	**Efficiency % [a/b*100]** **Capacity % [b/c*100]** **Volume % [a/c*100]**

Auditor's Comments : On the variance, controllable/uncontrollable factors

Management's Comments: Explaining the variance, controllable/uncontrollable factors

1.D.Central Excise Reconciliation (Plant : Product wise)

	Particulars	Chapter Heading	Chapter Heading	Chapter Heading
A	**Quantitative Details**	**Units**	**Units**	**Units**
1	Opening Stock			
2	Add: Production			
3	Less: Closing Stock			
4	Total Sales/Clearances			
	Particulars	**Assessable Value**	**Duty Rate**	**Amount**
B	**Details of Clearances**			
1	Total Clearance (Chapter Heading wise)			
2	Less: Duty free clearance (Factory)			
3	Excisable Clearance (Factory)			
4	Penalty/Fine/Interest Payable (if any)			
5	Total Duty Payable (3+4)			
	Particulars	**Inputs**	**Capital goods**	**Total**
C	**Summary of CENVAT Credit**			
1	Opening Balance			
2	Add: Availed During the Year			
3	Add: Refunds Received during the Year			
4	Less: Closing Balance as per Excise Records			
5	Total CENVAT Credit utilized during the year (1+2+3-4)			
6	Closing Balance as per Financial Accounts			
7	Difference (4-6) (Explanation for Difference)			

1. D. Central Excise Reconciliation (Plant: Product wise) - (continued).

	Particulars	Amount
D	**Reconciliation of Duty Paid**	
1	Excise Duty payable as per 'B'	
2	Total Excise Duty Paid through	
	(a.) CENVAT (inputs)	
	(b.) CENVAT (capital goods)	
	(c.) PLA	
	Total (a+b+c)	

3	Difference (1-2) (Explanation for Difference)	
4	Excise duty as per RT 12	
5	Difference (2-5) (Explanation for Difference)	
E	**Reconciliation of Duty Paid and Recovered**	
1	Excise Duty paid as per financial accounts	
2	Excise Duty recovered as per financial accounts	
3	Difference (1-2) (Explanation for Difference)	
F	**Reconciliation of Turnover**	
1	Turnover as per RT 12	
2	Turnover as per Financial Accounts (net of duties and taxes)	
3	Difference (1-2) (Explanation for Difference)	

Auditor's Comments : On the differences above

Management's Comments: Explaining the difference above

1.E. Related Party Transactions

Particulars of related Party	Purchase/ Sale	Product/Activity	Qty	Rate	Amt	Normal Price
1.						
2.						
3.						
4.						
5.						

1.F.Sales Performance (Plant : Product wise)

Particulars	Product A	Product B	Product C
Budgeted Sales			
Sales revenue (Rs)			
Sales Quantity			
Average Sales Price			
Actual Sales (as per Financial Accounts)			
Sales Revenue (as per accounts)			
Sales Quantity (as per stock records)			
Average Sales Price			
Variance Analysis			
Revenue			
Quantity			
Average Selling Price			

Auditor's Comments : On the variance, controllable/uncontrollable factors

Management's Comments: Explaining the variance, controllable/uncontrollable factors

Annexure 2 : Debtors, Loans, Advances and Deposits

2.A. Debtors Review

1. Market Segment wise Debtors Ageing Analysis

Segment	Up to 60 Days	60-120 Days	120-180 Days	Above 180 Days
Manufacturing				
Infrastructure				
Others				
TOTAL				

2. Segmentwise - Customerwise Ageing Analysis

Manufacturing Segment

Customers	Up to 60 Days	60-120 Days	120-180 Days	Above 180 Days
Customer A				
Customer B				
Customer C				
TOTAL				

Note: Similarly for other Segments. Above Details only for major customers

Auditor's Comments :

Management's Comments:

3. Market Segmentwise Credit Period Analysis

Segment	Total sales (A)	Avg.Sale per Day (B)	Total Outstanding as on (C.)	Avg Credit Period (C/B)
Manufacturing				
Infrastructure				
Others				
TOTAL				

4. Segmentwise - Customerwise Credit Period Analysis

Manufacturing Segment

Customers	Total sales (A)	Avg.Sale per Day (B)	Total Outstanding as on (C.)	Avg Credit Period (C/B)
Customer A				
Customer B				
Customer C				
TOTAL				

Auditor's Comments :

Management's Comments:

5. Dues from Related Parties

Name of Related Party	Op. Bal. as on	Sales during the year	Payments Recd. During the year	Adjustments during the year	Cl.Bal. as on
Party A					
Party B					
Party C					
Party D					
Party E					
TOTAL					

Auditor's Comments :

Management's Comments:

6. Non Letter of Credit Backed Debtors (Exports)

Name of Customer	Op. Bal. as on	Sales during the year	Payments Recd. During the year	Adjustments during the year	Cl.Bal. as on
Customer A					
Customer B					
Customer C					
TOTAL					

Auditor's Comments :

Management's Comments:

2.B. Loans and Advances

1. Advances to Related Parties

Name of Related Party	Op. Bal. as on	Date of Payment	Amount Paid	Purpose	Settlement Date
Party A					
Party B					
Party C					
Party D					
Party E					
TOTAL					

Auditor's Comments :

Management's Comments:

2. Advances to Major Suppliers

Name of Related Party	Op. Bal. as on	Date of Payment	Amount Paid	Purpose	Settlement Date
Party A					
Party B					
Party C					
Party D					
Party E					
TOTAL					

Auditor's Comments :

Management's Comments:

Annexure 3 : Stock Audit

3.A. Physical Verification of Inventory

Sr.No	Particulars	Periodicity of verification	Shortage Value (Rs.)	Excess Value (Rs.)	Net (Rs.)
1	Raw Materials				
2	Chemicals, Additives, Consumables etc.				
3	Stores and Spares				
4	Packing Materials				
5	Tools and Implements				
6	Work In Progress				
7	Finished Goods				
8	Scrap, wastage				
9	**TOTAL**				

Auditor's Comments: On periodicity, shortages and excesses etc.
Management's Comments: Explaining on periodicity, shortages and excesses etc.

3.B. Non Moving Stock during the period under audit

Sr.No	Particulars	For the period (Rs.)	Previous Year (Rs.)
a.1	Total Direct Material Consumption		
a.2	Closing Stock of Direct Material		
a.3	Value of Non Moving Stock of Direct Material		
a.4	**% of a3 to a2**		
b.1	Total Indirect Material Consumption		
b.2	Closing Stock of Indirect Material		
b.3	Value of Non Moving Stock of Indirect Material		
b.4	**% of b3 to b2**		
c.1	Closing Stock of Work in Progress		
c.2	Value of Non Moving Stock of Work in Progress		
c.3	**% of c2 to c1**		
d.1	Closing Stock of Finished Goods		
d.2	Value of Non Moving Stock of Finished Goods		
d.3	**% of d2 to d1**		
e.1	**TOTAL :**		
e.2	**Total Value of Closing Stock**		
e.3	**Total Value of Non Moving Stock**		
e.4	**% of e3 to e2**		

Auditor's Comments: On Non Moving Stocks.
Management's Comments: Explaining on Non Moving Stocks

3.C. Written off Stock during the period under audit

Sr.No	Particulars	For the period (Rs.)	Previous Year (Rs.)
1	Direct Materials (Raw Material and Components etc.)		
2	Indirect Materials		
3	Work In Progress		
4	Finished Goods		
5	**TOTAL**		

Auditor's Comments: On Stocks written off.
Management's Comments: On Stocks written off.

Annexure 4 : Financial Discipline and Risk Management

Financial Risk and Control Matrix

Organisation	
Process	
Process Owner	

Financial Reporting Assertion	Sub Process	Specific Risk	Control Activity	Control	Type	Policy / Procedure (Corporate, Dept, Offline)	Control Owner	General Observations	Process gaps / weaknesses observed
- Accuracy - Existence or Occurence - Completeness - Rights and Obligation - Valuation - Presentation and Disclosure				Preventative/ Detective	Manual/ Automated				
	Receipt of Inventory								
	Issue to production								
	Valuation of inventory								
	Inventory Monitoring								
	Physical control over inventory								
	Disposal of scrap								
	Physical verification								
	Stores management								

Relevancy of Chanakya among today's Accountants

Malay Kumar Paul*

Today we are in the process of converging our Accounting Standards with Global benchmarks. The basic accounting i.e 'debit' and 'credit', 'golden principles' remained unaltered over the ages. Accounting and control function goes hand and glove. The same remains with users to put adequate controls evolved from time to time to cope with requirement. Lack of relevant controls may lead to fraud and embezzlement. Through the following lines, I am trying to take out a leaf from ancient Indian history, where the root of accounting (Part- I) and various types of fraud (Part - II) being dealt with.

PART-I : Pacioli and Double Entry Book-keeping

The first accounting book written by Luca Pacioli in 1494 A.D, actually was one of five sections in Pacioli's mathematics book titled "Everything about Arithmetic, Geometry, and Proportions "(Summa de Arithmetica, Geometria, Proportioni et Proportionalita)". While Pacioli is often called the "Father of Accounting," he did not invent the system. Instead, he simply described a method used by merchants in Venice during the Italian Renaissance period. His system included most of the accounting cycle as we know it today. For example, he described the use journals and ledgers, and he warned that a person should not go to sleep at night until the debits equalled the credits! His ledger included assets (including receivables and inventories), liabilities, capital, income, and expense accounts. Pacioli demonstrated year-end closing entries and proposed that a trial balance be used to prove a balanced ledger. Also, his treatise alludes to a wide range of topics from accounting ethics to cost accounting. The Summa's thirty six short chapters on book-keeping, entitled De Computis et Scripturis (Of Reckonings and Writings) were added "in order that the subjects of the most gracious Duke of Urbino may have complete instructions in the conduct of business, " and to "give the trader without delay information as to his assets and liabilities" (All quotes from the translation by J.B. Geijsbeek, Ancient Double Entry Bookkeeping: Lucas Pacioli's Treatise, 1914).

Accounting practitioners in public accounting, industry and non-profit seeking organizations, as well as investors, lending institutions, business firms and all other users for financial information are indebted to Luca Pacioli for his monumental role in the development of accounting. However, tracing to history of accounting reveals its existence before Christ as evident from the following.

Chanakya,the Politician as Accountant

Chanakya (350-283 BC) was an adviser and prime minister to the first Maurya Emperor Chandragupta (340-293 BC). Born as Vishnu Sharma, Kautilya and Vishnugupta, the names by which the ancient Indian politician was also called. Chanakya has been considered as 'The Indian Machiavelli' in the Western world. Chanakya was a professor at Takshashila Unversity and was responsible for the creation of Maurian empire, the first of its kind on the Indian subcontinent.

Chanakya in his Book "Arthasastra" mentioned about maintenance of Account Books, periodicity of accounting, verification, certification and various avenues to fraud / embezzlement to Govt. fund/exchequer. He cited an example, as it is very difficult to ascertain how much water the fishes are consuming from a pond full of water, similarly it is difficult to stop unauthorized use of funds by King's men unless proper controls are in place.

It is evident that concept of periodical accounting, verification of Cash and equivalents was prevalent during his tenure. Chanakya's Govt. Account was for a period consisting 354 day-nights ending on a Ashar Purnima (full moon) day tentatively 30th June. Accordingly, all payouts to be made in full upto the last date of accounting period. He also suggested for proportionate payment till last date of the accounting period against deployment of a lesser period of the accounting period.(This indicates periodicity of Accounting and completeness through cut-off procedure)

All Accountants are supposed to be present at Headquarter on the said Ashar Purnima day (last date of accounting period). Cash and equivalents alongwith Books of Accounts (and Accounts prepared) to be presented for counting, verification to ascertain correctness. All types of discussion amongst accountants were barred in course of presentation of Accounts. Provision for time extension on failure to prepare accounts was allowed upto maximum one month, cash penalty was levied beyond such extended period.

The accounts to be prepared in such a way so that Income, Expense and resultant Surplus can be ascertained on daily, monthly, quarterly etc. basis instantly (Updation of Books).Any Accountant deviating from laid down process on maintenance of Accounts (Accepted Accounting Principles ?) or Operating Procedure or projecting any other method to ascertain Income, Expenditure and Surplus is liable to punishment. Even Journal (Latin Jour means day), the backbone of modern accounting was also conceptualized, as evident from hereunder -

Any Book-keeper entrusted with the responsibility of maintaining Books of Accounts is subject to criminal and monetary punishment for recording not in chronological order (Journal signifies entry in chronological order of day and

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event) or in a manner not understandable to others and/or falsification of accounts. Progressive penalty was applied for misstatement of Cash and equivalent.

PART:II Fraud and embezzlement

The very fundamental of accounting was to put adequate control mechanism to avoid probable misutilization of Govt. fund. Chankya charted out 'forty ways' of embezzlement/fraud as reproduced hereunder:

1. Goods receipted earlier (one accounting period) , but recorded in Books of Accounts at a later period
2. Entered in Books as 'Receipt' ,while actual receipt pertaining to later period
3. Taxes etc. recoverable but not collected due to bribery by Payer to collector
4. Forceful collections against waiver allowed/approved and the same not being accounted for
5. Collection not recorded in Books or recorded as 'not collected'
6. Un-recovered collection entered/ recorded in Books as Collection made
7. Higher than actual collection of Taxes shown in Books of Accounts i.e inflated collection recorded in Books
8. Lower collection of Taxes recorded in Books as compared to actual
9. Receipt of one (precious) goods recorded as something else
10. Receipt from one person booked in the name of another
11. Distribution not made but recorded in Books as distributed /expensed or replacement of item distributable taken place
12. Time fixed for distribution/payment as per record not adhered to
13. Higher than actual payment recorded in Books
14. Actual payment made lower than voucher made/passed/processed
15. Type of goods ordered for and delivered ,booked as delivery of another goods
16. Paid to one entity recorded in the name of another
17. Collection not deposited to exchequer
18. Collection entry made without actual receipt
19. Payment liability recorded as paid for without making payment
20. Payment made shown as liability in Books
21. Collection from multiple entities recorded against one
22. Collection from one entity recorded against multiple entities
23. Over valuation of stock/inventory
24. Undervaluation of stock/inventory
25. Sale at above 'Fixed Price' not accounted for
26. Undercutting against "Fixed Price"
27. Recording higher than actual attendance for payment purposes
28. Considering payment of wages for lower than actual attendance
29. Overlapping of accounting period for recognizing income/expenses
30. Truncated accounting period considered as full accounting period (e.g expenses booked for a shorter period)
31. Creation of "ghost employees" to draw wages on their behalf
32. Income from one source shown against another (taxation purposes)
33. Distribution of goods lower than sanctioned
34. Unauthorized change in tariff/rates resulted in higher/lower Revenue
35. Discrimination against eligible recipient to take away residual stock
36. Discrimination in collection impacting revenue
37. Procurement cost recorded at higher than actual billing rate
38. Use of inaccurate scale for buying and selling transactions
39. Entering wrong quantity (short/ excess) than actual weighment record
40. Use of non-standard yardstick for measurement

By strengthening the oversee function at King's office, the risk of frauds / embezzlement was mitigated.

Punishment was proposed for lower income disclosure, higher than anticipated expenditure and/or resultant lower "Net Wealth". Punishment was also fixed for absence and non-presenting accounts alongwith Vault (Cash Box) on appointed year end day.

For good governance, Chanakya proposed that all key personnel to be rotated with different jobs. Since continuing to a job over a long period of time, the employees may get opportunity to evolve new ideas to cover-up their faults. As a result probability of fraud occurrence will go up. Even in present day world, 'job rotation' is conceived as mechanism for 'Internal Check and Controls' in accounting function.

Looking at the frauds which rocked the global economy over the past decade; the following type of fraud indicators are available:

- Fraudulent Financial Statements
- Employee Fraud
- Vendor Fraud
- Customer Fraud
- Investment Scams
- Bankruptcy Frauds
- Revenue/Accounts Receivable Frauds (Global Crossing, Quest)
- Inventory/Cost of Goods Sold Frauds (PharMor)
- Understating Liability/Expense Frauds (Enron)
- Overstating Asset Frauds (WorldCom)
- Overall Misrepresentation (Bre-X Minerals)
- Miscellaneous Frauds

We can't think of a banking/ investment mechanism in Chanakya's era, hence excepting those related to Investment and Bankruptcy frauds all others are nicely captured in forty ways as indicated by Chanakya. It's really surprising that much before the days of accounting on "bhurjapatra", "marking on walls" , Chankya talked about principle of complete maintenance of Books to ascertain 'true and correct' position of Government Fund with caution for possible ways of defalcation.❑

IAS 21, The Effects of Changes in Foreign Exchange Rates - A Closer Look

K.S.Muthupandian*

International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates, prescribes the accounting treatment for the transactions denominated in a foreign currency. In December 1977, the International Accounting Standards Committee (IASC) issued the Exposure Draft E11, Accounting for Foreign Transactions and Translation of Foreign Financial Statements. In March 1982, the Exposure Draft E11 was modified and re-exposed as Exposure Draft E23, Accounting for the Effects of Changes in Foreign Exchange Rates. In July 1983, the IASC issued IAS 21, Accounting for the Effects of Changes in Foreign Exchange Rates, effective from January 1, 1985. In 1993, the IAS 21 (1983) was revised as part of the 'Comparability of Financial Statements' project based on E32. In May 1992, the IASC issued the Exposure Draft E44, The Effects of Changes in Foreign Exchange Rates. In December 1993, the IASC issued IAS 21, The Effects of Changes in Foreign Exchange Rates, effective from January 1, 1995. On December 18, 2003, the International Accounting Standards Board (IASB) issued the revised version of IAS 21, effective from January 1, 2005. In December 2005, the IASB issued Minor Amendment to IAS 21 relating to net investment in a foreign operation.

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Objective

An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations. In addition, an entity may present its financial statements in a foreign currency. The objective of IAS 21 is to prescribe the basis for selecting an entity's functional currency and the accounting treatment for the recognition of, and subsequent measurement of, transactions denominated in a foreign currency and the process of translating financial statements denominated in a foreign currency. The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.

Scope and Application

IAS 21 applies to:

- Accounting for transactions and balances in foreign currencies except for derivatives within the scope of IAS 39, Financial Instruments: Recognition and Measurement
- Translating the results and financial position of foreign operations
- Translating entity's results and financial position into a presentation currency

But IAS 21 does not apply to hedge accounting for foreign currency items and to foreign currency derivatives that are within the scope of IAS 39.

IAS 21 does not apply to the presentation in a cash-flow statement of cash flows arising from transactions in a foreign currency, or to the translation of cash flows of a foreign operation (IAS 7, Statement of Cash Flows).

Key Definitions

Closing rate is the spot exchange rate at the reporting date.

Exchange difference is the difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

Exchange rate is the ratio of exchange for two currencies.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Foreign currency is a currency other than the functional currency of the entity.

Foreign operation is an entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency is the currency of the primary economic environment in which the entity operates.

A Group is a parent and all its subsidiaries.

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Net investment in a foreign operation is the amount of the reporting entity's interest in the net assets of that operation.

Presentation currency is the currency in which the financial report is presented.

Spot exchange rate is the exchange

rate for immediate delivery.

Prescribed Accounting Treatment

Transactions

A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, including transactions arising when an entity:

(a) buys or sells goods or services whose price is denominated in a foreign currency;

(b) borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or

(c) otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.

All transactions are recognised in the functional currency of the entity. All currencies other than the functional currency are foreign currencies. A legal or economic entity may have more than one functional currency if it has a foreign operation (subsidiary, associate, joint venture or branch with activities based or conducted in a different country or currency).

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The date of a transaction is the date on which the transaction first qualifies for recognition in accordance with International Financial Reporting Standards (IFRS). For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate.

At subsequent reporting dates, any foreign currency denominated monetary items are remeasured using the closing rate. Where any non-monetary items arising from transactions denominated in a foreign currency are subsequently remeasured to fair value, the remeasured amounts are translated using the exchange rate at the date of remeasurement (including remeasurements under IAS 16, Property, Plant and Equipment, IAS 38, Intangible Assets or IAS 40, Investment Property).

The essential feature of a monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include: pensions and other employee benefits to be paid in cash; provisions that are to be settled in cash; and cash dividends that are recognised as a liability. Similarly, a contract to receive (or deliver) a variable number of the entity's own equity instruments or a variable amount of assets in which the fair value to be received (or delivered) equals a fixed or determinable number of units of currency is a monetary item. Conversely, the essential feature of a non-monetary item is the absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include: amounts prepaid for goods and services (e.g. prepaid rent); goodwill; intangible assets; inventories; property, plant and equipment; and provisions that are to be settled by the delivery of a non-monetary asset.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made.

Exchange differences arising when monetary items are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are reported in profit or loss in the period, with one exception. The exception is that exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised, in the consolidated financial statements that include the foreign operation, in a separate component of equity; they will be recognised in profit or loss on disposal of the net investment.

Loan receivable from and payable items to a foreign operation shall be included in the net investment in a foreign operation, if the settlement is neither planned nor likely to occur.

If a gain or loss on a non-monetary item is recognised directly in equity (for example, a property revaluation under IAS 16), any foreign exchange component of that gain or loss is also recognised directly in equity.

Prior to the 2003 revision of IAS 21, an exchange loss on foreign currency debt used to finance the acquisition of an asset could be added to the carrying amount of the asset if the loss resulted from a severe devaluation of a currency against which there was no practical means of hedging. That option was eliminated in the 2003 revision.

Impairment of assets measured in a foreign currency

Some assets are measured at historical cost in a foreign currency and are translated at the exchange rate at the transaction date into the functional currency. Further, all assets are subject to impairment tests such as the recoverable amount test in IAS 36, Impairment of Assets and the net realisable value test in IAS 2, Inventories. The interaction of these two requirements is that non-monetary assets measured in a foreign currency are assessed for impairment by comparing the following:

- the carrying amount translated at the

rate when the carrying amount was determined

- the net realisable value or recoverable amount translated at the rate when that value was determined

The effect of this comparison is that an asset may be impaired in the functional currency but not in the foreign currency or vice versa (since amounts used in impairment testing are translated to the functional currency at current rates, whereas the carrying amount may be translated using historic rates).

Translation

An entity may elect to present its financial report in any currency (referred to as the presentation currency). For this purpose, an entity could be a standalone entity, a parent preparing consolidated financial statements or a parent, an investor or a venturer preparing separate financial statements in accordance with IAS 27, Consolidated and Separate Financial Statements. For operations where the functional currency is not the presentation currency, assets and liabilities are translated to the presentation currency using the closing rate at reporting date and income and expenses are translated using the exchange rate at the transaction date. Any resulting exchange difference is recognised as a separate component of equity (e.g. debit or credit to equity). For groups, translation of each entity within the group to the group's presentation currency is performed before preparing the consolidated financial report. A similar process is also adopted in an individual entity's financial report where, for example, there is a branch operation with a different functional currency.

Determination of Functional Currency

The functional currency of an entity depends on the primary economic environment, which is normally the environment in which the entity 'primarily generates and expends cash'.

An entity considers the following factors in determining its functional currency:

(a) the currency:

(i) that mainly influences selling prices for goods and services (this will often be the currency in which selling prices for its goods and services are denominated and settled); and

(ii) of the main country whose competitive forces and regulations determine the selling prices of its goods and services.

(b) the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

The following may also provide evidence of the functional currency; however the results of these tests do not over-ride the results of the primary factors test:

- the currency in which funds are generated from debt and equity instruments
- the currency in which receipts from operating activities are usually retained
- in determining the functional currency of a foreign operation and whether its functional currency is the same as the reporting entity (the reporting entity in this context being the entity that has the foreign operation as its subsidiary, branch, associate or joint venture):

— whether its activities are an extension of the reporting entity's activities rather than involving significant autonomy (An example of the former is when the foreign operation only sells goods imported from the reporting entity and remits the proceeds to it. An example of the latter is when the operation accumulates cash and other monetary items, incurs expenses, generates income and arranges borrowings, all substantially in its local currency)

— the proportion of its transactions that are with the reporting entity

— whether its cash flows directly affect those of the reporting entity and are readily distributable to it

— whether its cash flows are sufficient to service its existing and normally expected debt obligations without assistance from the reporting entity.

Disposal of a Foreign Operation

When a foreign operation is disposed of, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation shall be recognised in profit or loss when the gain or loss on disposal is recognised.

An entity may dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. The payment of a dividend is part of a disposal only when it constitutes a return of the investment, for example when the dividend is paid out of pre-acquisition profits. In the case of a partial disposal, only the proportionate share of the related accumulated exchange difference is included in the gain or loss. A write-down of the carrying amount of a foreign operation does not constitute a partial disposal. Accordingly, no part of the deferred foreign exchange gain or loss is recognised in profit or loss at the time of a write-down.

Where the foreign entity reports in the currency of a hyperinflationary economy, the financial statements of the foreign entity should be restated as required by IAS 29, Financial Reporting in Hyperinflationary Economies, before translation into the reporting currency.

The requirements of IAS 21 regarding transactions and translation of financial statements should be strictly applied in the changeover of the national currencies of participating Member States of the European Union to the Euro - monetary assets and liabilities should continue to be translated the closing rate, cumulative exchange differences should remain in equity and exchange differences resulting from the translation of liabilities denominated in participating currencies should not be included in the carrying amount of related assets.

Tax Effects of all Exchange Differences

Gains and losses on foreign currency transactions and exchange differences arising on translating the results and financial position of an entity (including a foreign operation) into a different currency may have tax effects. IAS 12, Income Taxes applies to these tax effects.

Prescribed Disclosures

Required disclosures include:

- exchange differences recognised in profit or loss (excluding those for financial instruments measured at fair value through profit and loss under IAS 39)
- net exchange differences classified in a separate component of equity, reconciling the amount at the beginning and end of the period
- if the presentation currency is not the functional currency, that fact shall be stated with the disclosure of the functional currency, and the reason for using a different presentation currency
- where there is a change in functional currency, the fact and reason for the change in functional currency shall be disclosed
- when an entity presents its financial statements in a currency that is different from its functional currency, the financial statements shall be described as complying with IFRS only if they comply with all requirements of standards and interpretations

Convenience Translations

Sometimes, an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency simply by translating all amounts at end-of-period exchange rates. This is sometimes called a convenience translation. A result of making a convenience translation is that the resulting financial information does not comply with all IFRS, particularly IAS 21. In this case, the following disclosures are required:

- Clearly identify the information as supplementary information to distinguish it from the information that complies with IFRS.
- Disclose the currency in which the supplementary information is displayed.
- Disclose the entity's functional currency and the method of translation used to determine the supplementary information.

Contact information

IFRIC Interpretations

The Standards Interpretations Committee (SIC) of the IASC and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB has issued the following Interpretations relating to IAS 21:

- SIC 7, Introduction of the Euro (issued in May 1998, effective from June 1, 1998)
- SIC 11, Foreign Exchange - Capitalisation of Losses Resulting from Severe Currency Devaluations (SIC 11 was superseded and incorporated into the 2003 revision of IAS 21)
- SIC 19, Reporting Currency - Measurement and Presentation of Financial Statements under IAS 21 and IAS 29 (SIC 19 was superseded and incorporated into the 2003 revision of IAS 21)
- SIC 30, Reporting Currency - Translation from Measurement Currency to Presentation Currency (SIC 30 was superseded and incorporated into the 2003 revision of IAS 21)
- IFRIC 16, Hedge of a Net Investment in a Foreign Operation (issued in July 3, 2008, effective from October 1, 2008)

SIC 7

SIC 7 addresses how the introduction of the Euro, resulting from the European Economic and Monetary Union (EMU), affects the application of IAS 21. SIC 7 states that the requirements of IAS 21 should be strictly applied when a country joins the EU's Economic and Monetary Union. Therefore:

foreign currency monetary assets and liabilities resulting from transactions continue to be translated into the functional currency at the closing rate. Any resulting exchange differences are recognised as income or expense immediately, except that an entity continues to apply its existing accounting policy for exchange gains and losses related to hedges of the currency risk of a forecast transaction;

cumulative exchange differences relating to the translation of financial statements of foreign operations continue to be classified as equity and are recognised as income or expense only on the disposal of the net investment in the foreign operation; and

exchange differences resulting from translating liabilities denominated in participating currencies are not included in the carrying amount of related assets.

IFRIC 16

IFRIC 16 clarifies three main issues:

(i) Whether risk arises from (a) the foreign currency exposure to the functional currencies of the foreign operation and the parent entity, or from (b) the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. IFRIC 16 concludes that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

(ii) Which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 concludes that the hedging instrument(s) may be held by any entity or entities within the group.

(iii) How an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. IFRIC 16 concludes that while IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item.

At its January 2009 Meeting, the IASB discussed an issue that had been submitted by a constituent subsequent to the publication of IFRIC 16. The staff had satisfied itself (in consultation with IASB members and an IFRIC member) that the constituent's issue was valid and had not been contemplated by the IFRIC when IFRIC 16 was being developed. The concern raised was that in some circumstances, while the total amounts of foreign exchange differences are indeed the same with and without hedge accounting, the split between the amounts included in profit or loss and foreign currency translation reserve would be different. Without hedge accounting, the foreign exchange difference arising from the hedging instrument would be included in profit or loss while the difference arising from the net investment would be included in the foreign currency translation reserve.

Based on discussions at its January 2009 Meeting, on January 30, 2009 the IASB issued Exposure Draft ED/2009/1 proposes to amend IFRIC 16 paragraph 14 by deleting a parenthetical comment: '(except the foreign operation that itself is being hedged)'.

On April 16, 2009 the IASB amended IFRIC 16 to allow entities to designate as a hedging instrument in a net investment in a foreign operation an instrument that is held by the foreign operation that is being hedged. Effective date is July 1, 2009. The amendment was part of the IASB's annual improvements for 2009.

Minor Amendment to IAS 21 - Net Investment in a Foreign Operation

In June 2005 Meeting, the IASB discussed whether different accounting treatments should apply to exchange differences on monetary items denominated in different currencies. The IASB also discussed whether funding provided to a foreign operation by a group entity that is not the reporting entity may be considered to be part of the reporting entity's net investment in that foreign operation in the context of paragraph 32 of IAS 21.

The IASB agreed that the intention should be to treat third-currency denominated monetary items that form a part of the net investment in a foreign operation similar to when the monetary item is denominated in the functional currency of either the reporting entity or the foreign operation.

The staff proposed to delete paragraph 33 of IAS 21 in order to remove the inconsistency. However the IASB indicated a preference to delete only the last two sentences of that paragraph and include additional guidance. The IASB agreed that the ability to account for exchange differences in equity as provided for by paragraph 32 of IAS 21 should only be available where the lender is in a control relationship (i.e. parent or subsidiary lends to a foreign operation). Monetary amounts outstanding between fellow subsidiaries would qualify for equity treatment, but this would not extend to trade receivables or trade payables. Some IASB members expressed concern whether the above amendment is not sufficiently restrictive to limit its application to a situation where the lender is in a control relationship.

At its November 2005 meeting, the IASB approved certain amendments to IAS 21 that had been proposed in Draft Technical Correction (DTC) 1 Proposed Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation. However, the IASB also decided not to pursue further Technical Corrections but, instead, to adopt editorial corrections as fast-track amendments. The IAS 21 amendment was issued December 15, 2005.

The amendment responds to concerns expressed by the IASB's constituents earlier this year that IAS 21 as amended in December 2003 required different accounting depending on the currency in which a monetary item was denominated where such an item was regarded as part of an entity's investment in a foreign operation. Secondly, IAS 21 was not clear on whether any member of a consolidated group could enter into the monetary transaction with the foreign operation. In response to those concerns, the IASB reviewed IAS 21 and reached the following decisions, which are reflected in the amendment:

- As regards a monetary item that forms part of an entity's investment in a foreign operation, the IASB concluded that the accounting treatment in consolidated financial statements should not be dependent on the currency of the monetary item

- Also, the accounting should not depend on which entity within the group conducts a transaction with the foreign operation.

Comparative Indian Standard

The Accounting Standard issued by the Institute of Chartered Accountants of India (ICAI) comparative to IAS 21 is AS 11, The Effects of Changes in Foreign Exchange Rates. The major differences between these two standards are difference due to level of preparedness:

1. AS 11 is based on the integral and non-integral foreign operations approach, i.e., the approach which was followed in the earlier IAS 21 (revised 1993).

2. The current IAS 21, which is based on 'Functional Currency' approach, gives similar results as that under pre-revised IAS 21, which was based on integral /non-integral foreign operations approach. Accordingly, there are no significant differences between IAS 21 and AS 11.

Indian companies, which were hit by both the rapid appreciation and depreciation of foreign currencies, had demanded for the suspension of the provisions of AS 11 that require recognizing foreign exchange losses in the financial statements. The Confederation of Indian Industry (CII), the Federation of Indian Chambers of Commerce and Industry (FICCI) and ASSOCHAM have been demanding the postponement of the implementation of AS 11 because several companies with foreign exchange earnings will have to take a hit on their profits because the rupee has depreciated by over 25% in the past one year.

On March 24, 2009, the National Advisory Committee on Accounting Standard (NACAS) has postponed the implementation of AS 11 to 2011 after the conclusion of the meeting to take up the matter of how companies should account for foreign exchange losses or gains caused by a wildly swinging Rupee.

On March 31, 2009, the Ministry of Corporate Affairs (MCA) notified in the Official Gazette, the Companies (Accounting Standards) Amendment Rules, 2009 [G.S.R. 225 (E)] for introducing an additional paragraph 46 to AS 11. The rules provide the following amendment:

In the Companies (Accounting Standards) Rules, 2006, in the Annexure, under the heading "B. ACCOUNTING STANDARDS", in the sub-heading "Accounting Standard (AS) 11" relating to "The Effects of Changes in Foreign Exchange Rates", after paragraph 45, the following shall be inserted, namely:-

"46. In respect of accounting periods commencing on or after 7th December, 2006 and ending on or before 31st March, 2011, at the option of the enterprise (such option to be irrevocable and to be exercised retrospectively for such accounting period, from the date this transitional provision comes into force or the first date on which the concerned foreign currency monetary item is acquired, whichever is later, and applied to all such foreign currency monetary items), exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, insofar as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset, and in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond 31st March, 2011, by recognition as income or expense in each of such periods, with the exception of exchange differences dealt with in accordance with paragraph 15. For the purposes of exercise of this option, an asset or liability shall be designated as a long-term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of 12 months or more at the date of origination of the asset or liability. Any difference pertaining to accounting periods which commenced on or after 7th December, 2006, previously recognized in the profit and loss account before the exercise of the option shall be reversed insofar as it relates to the acquisition of a depreciable capital asset by addition or deduction from the cost of the asset and in other cases by transfer to "Foreign Currency Monetary Item Translation Difference Account" in both cases, by debit or credit, as the case may be, to the general reserve. If the option stated in this paragraph is exercised, disclosure shall be made of the fact of such exercise of such option and of the amount remaining to be amortized in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortized."

The above amendment shall be applicable to corporates registered under the Companies Act, 1956 and all non-corporate entities, partnership or otherwise, are still expected to comply with AS 11 as pronounced by the ICAI.

Conclusion

AS 11 dealt with mark-to-market provisioning in corporate profit and loss accounts for foreign exchange related gains and losses. The suspension of AS 11 results domestic firms have the option not to provide for foreign exchange losses or gains till 2011. The postponement of AS 11 to 2011 raises serious questions about the India's convergence with IFRS in 2011.❑

IFRS 1: First-time Adoption of International Financial Reporting Standards

Balwinder Singh*

Objective:

Any shift from accounting principles prescribed by one set of accounting standards to another accounting framework will cause transitional problems to be faced by all entities. IFRS 1 First time adoption of International Financial Reporting Standards prescribes common guidelines and practices for entities preparing their financial statements for the first time in accordance with International Financial Reporting Standards (IFRS). It is essentially a road map of how to move from the preparation of financial statements using local Generally Accepted Accounting Practices (GAAP) to using International Financial Reporting Standards (IFRS).

IFRS 1 applies to the preparation of an entity's first financial statements that are being prepared in accordance with IFRS. In addition, any interim financial reports prepared for part of the period covered by an entity's first IFRS financial statements should also be prepared according to the transitional requirements of IFRS 1.

An entity's first IFRS financial statements are the first annual financial statements in which an entity fully adopts IFRS. An explicit and unreserved statement of compliance with IFRS should be made in those financial statements. IFRS 1 does not apply to enterprises who already apply IAS/ IFRS;

Various Dates referred to in IFRS-1:

- Transition Date
- Convergence Date
- Reporting Date

Example: For the Financial year 2011-12

- Convergence Date is April 1st, 2011
- Reporting Date is March 31st, 2012
- Transition Date is April 1st, 2010 (being reporting of previous year figures in 2011-12)

Reporting requirements in the year of adoption:

An entity should prepare and present an opening IFRS statement of financial position at the date of its transition to IFRSs. This date is the beginning of the earliest period for which comparative financial information is presented and is the starting point for its adoption of IFRS. An entity need not present its opening IFRS balance sheet in its first IFRS financial statements.

How to prepare an opening IFRS statement of financial position at the date of transition to IFRSs?

In its opening statement of financial position, an entity is required to do the following:

(a) Recognise all assets and liabilities as required by IFRS. This may require the recognition of items not previously recognised. Any provision not recognised earlier as per local GAAP may need to recognised as per IFRS.

(b) Derecognition of assets and liabilities that do not meet IFRS recognition criteria but have been recognised under existing GAAP. Development costs earlier capitalised under local GAAP may need to be derecognised if they do not meet IFRS recognition criteria.

(c) Reclassification of items recognised under previous GAAP as one type of asset, liability or component of equity under a different classification. Redeemable preference shares currently classified as equity may need to be reclassified as liabilities.

(d) Measurement of all recognised assets and liabilities should be as per IFRS principles. This may result in the restatement of the carrying amount of assets and liabilities. Value of Fixed Asset as per Local GAAP may differ than required under IFRS due to difference in items to be capitalised like-restoration, decommissioning and depreciation differences.

Exemptions & Exceptions:

An entity in its opening balance sheet is required to follow all IFRS retrospectively, subject to OPTIONAL exemptions and MANDATORY exceptions:

Exemptions:

On the first time adoption of IFRS an entity is required to restate its results as if it had always followed IFRS. A number of exemptions are, however, permitted. The exemptions in IFRS 1 are briefly set out below.

These are Optional

1) Business combinations - an exemption from having to apply IFRS 3 Business combinations to all past business combinations (that occurred before the date of transition to IFRS) is provided.

2) Fair value or revaluation as deemed cost - an entity adopting the cost model for property, plant and equipment under IAS 16 Property, plant and equipment is permitted to use fair value at the date of transition to IFRS. This value is then 'frozen' (becomes deemed cost) within the IFRS financial statements. This approach is also permitted for investment properties and intangible assets. A past valuation may also be used as deemed cost provided that it is broadly similar to fair value (or depreciated cost).

3) Employee benefits - an entity is not required to split out all past actuarial gains and losses in a retirement benefit plan since it was created, even if it is going to use what is essentially a deferral method for future gains and losses (known as the "corridor" approach) in IAS 19 Employee benefits.

4) Cumulative translation differences - IAS 21 The effects of changes in foreign exchange rates requires an entity to identify translation differences that have not been reported in profit or loss, for later recognition. The exemption permits all such translation differences to be deemed to be zero at the date of transition.

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5) Compound financial instruments - a compound financial instrument is one which has attributes of both a liability and equity and these are required to be separated into two elements retrospectively. The exemption does not require the separation into two elements where the liability element is no longer outstanding.
6) Assets and liabilities of subsidiaries, associates and joint ventures - a subsidiary adopting IFRS later than its parent shall measure its assets and liabilities at based on either the parent's date of transition to IFRSs or subsidiary's date of transition to IFRSs. Option also available to an associate or a joint venture.
7) Designation of previously recognized financial instruments - On initial recognition, a financial asset is classified as available for sale or a financial instrument (subject to recognition criteria) designated as Financial Asset or Financial Liability at fair value through profit or loss as per IAS 39 Financial Instruments: Recognition and Measurement. As an exception, these may be classified or designated at the date of transition to IFRSs.
8) Transactions involving share-based payment transactions - For equity instruments granted and vested before the date of transition to IFRSs, an entity may follow IFRS-2. An entity may also apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before date of transition to IFRSs.
9) Insurance contracts - IFRS 4 restricts changes in accounting policies for insurance contracts, including changes made by a first-time adopter. May apply the transitional provisions provided in IFRS 4 Insurance Contracts.
10) Decommissioning liabilities included in the cost of tangible assets - The changes in a decommissioning, restoration or similar liability are required to be added to or deducted from the cost of the asset and depreciation is adjusted over remaining useful life. As an exception, compliance is not required for changes before the date of transition to IFRSs. It should measure the liability as at the date of transition to IFRSs.
11) Leases - A first-time adopter may determine whether an arrangement existing at the date of transition to IFRSs contains a lease on the basis of facts and circumstances existing at that date.
12) Fair value of financial assets or financial liabilities - An entity may apply the requirements prospectively.
13) A financial asset or an intangible asset accounted for in accordance with IFRIC 12 Service Concession Arrangements - If it is impracticable to apply IFRIC retrospectively for any service concession, then recognise financial assets and intangible assets that existed at the start of the earliest period presented using carrying amounts as at that date.
14) Borrowing costs - Apply to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date. An entity may designate any date before the effective date also compliance.

Exceptions :

IFRS prohibits retrospective application of some aspects of other IFRSs which are set out below.

These are Mandatory exceptions.

1. Derecognition of financial assets and financial liabilities
2. Hedge accounting
3. Accounting estimates
4. Assets classified as assets held for sale and discontinued operations
5. Some aspects of accounting for non-controlling interests

Estimates:

Once an entity has chosen its IFRS accounting policies, it may need to revisit estimates that were made under its previous accounting framework. New estimates may need to be made at the date of transition to IFRS. These estimates should be made based on information that existed at the date of transition.

Explanation of transition:

An entity should explain how the transition from its previous GAAP to IFRS has affected the financial statements in relation to its financial performance and position and cash flows.

Reconciliations:

To assist with the requirement to explain the transition in an entity's first IFRS financial statements, an entity is required to present a number of reconciliations; these include:

1) a reconciliation of equity reported under previous GAAP to that reported under IFRS at the date of transition to IFRS. For example, for an entity that adopts IFRS for the first time in its financial statements for the year to 31st March, 2012 and presents one year of comparative information, a reconciliation of its equity as at 1st April, 2010 should be presented;
2) a reconciliation of equity should be provided for the previously reported figures that were for the latest period presented in the entity's most recent annual financial statements under previous GAAP to IFRS. For example, for an entity that adopts IFRS for the first time in its financial statements for the year to 31st March, 2012 and presents one year of comparative information, a reconciliation of its equity as at 31st March, 2011 should be presented.
3) a reconciliation to its total comprehensive income under IFRSs for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation should be total comprehensive income under previous GAAP for the same period. Using the example above, this will be a reconciliation for the period ending 31st March, 2011.
4) where the entity reported a statement of cash flows under previous GAAP, the main adjustments made to restate the comparatives should be explained; and
5) additional disclosures should be presented in relation to any impairment losses or reversals of impairment losses recognised for the first time when preparing its opening IFRS statement of financial position. ❑

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Admission To Associateship
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9th July 2009

M/27794
Shri Lalan Mishra,
MCOM, LLB, AICWA
1/1, AAstha Vijay, Uliyan
Main Road, Kadma,
Jamshedpur 831005

M/27795
Shri Tanuj Agrawal,
BCOM, LLB, AICWA
A-5, Janta Colony, Opposite
Police Station, Jaipur 302004

M/27796
Shri Vinayak Chandrakant
Chougule, MCOM,
MPHIL, AICWA
At/Post- Alte, Taluka-
Hatkanangale
Kolhapur 416123

M/27797
Shri Pradeep Ashok
Deshpande,
MCOM, AICWA
Flat No. 4, Laxmi Narayan Raj
Park, Near Kokade Park,
Chinchwadgaon, Pune 411033

M/27798
Shri Ram Das,
BCOM(HONS), AICWA
D-60, Ganesh Nagar, Pundar
Nagar Complex,
New Delhi 110092

M/27799
Shri Sandeep Hegde,
BCOM(HONS),AMP,
FCA, AICWA
Flat No. 102, R.K's D.K.
Residency, 1-2-299, Street No.
7, Gaganmahal, Domalguda,
Hyderabad 500029

M/27800
Shri Sachinn Roopnarayan
Joshi, BCOM, LLB,
ACA, AICWA
A-503, Glen Gate, Cliff
Avenue, Hiranandani Gardens,
Powai, Mumbai 400076

M/27801
Shri Veneet Kumar Jain,
BCOM(HONS), AICWA
IIA/120, Balaji Apartments,
Sector-2, Vaishali,
Ghaziabad 201011

M/27802
Shri Sankar Lal Kundu,
MCOM, AICWA
9/1 B, P K Ganguly Road,
Bally, Howrah 711201

M/27803
Shri Suresh Kumar, MA,
ACS, AICWA
H. No. 1326,
Sector-47-B, Chandigarh

M/27804
Shri Sudhanshu Kumar,
BCOM(HONS), AICWA
H. No. M/17(Old) Housing
Colony, Near Durga Puja
Maidan, Adityapur,
Jamshedpur 831013

M/27805
Shri Dinesh Kumar,
BCOM, AICWA
No. B27, 16th Main, 12th
Cross, BTM II Stage,
Bangalore 560076

M/27806
Shri Dhananjoy Mondal,
MCOM, AICWA
1, New Tollygunge P.O.
Purbaputiary,
Kolkata 700093

M/27807
Shri Gautam Mukhopadhyay,
BCOM(HONS), AICWA
6, A.T. Chatterjee Road,
Hemlata Apartment, Flat No.
B-1, P.O. Dhakuria,
Kolkata 700031

M/27808
Shri Debobroto Pal,
BCOM(HONS), AICWA
B-34 Ganesh Nagar, Pandav
Nagar Complex,
New Delhi 110092

M/27809
Shri Anirban Paul,
MCOM, AICWA
Green View Park (Khajurtala)
2 No. Mohishila Colony, P.O.
Ushagram, Asansol 713303

M/27810
Shri Jayanta Kumar Panigrahi,
MCOM, AICWA
C/o. WESCO Ltd., Corporate
Office, Burla, Dist- Sambalpur
Sambalpur 768017

M/27811
Shri Chokkaku Srinivasa Rao,
MCOM, MBA, AICWA
C/o. K. Satyanarayana D. No.
57-25-35/1, Thummadapalem,
Kancharapalem,
Visakhapatnam 530008

M/27812
Ms. Lipsa Tripathy, AICWA
Plot No. L-204,
GGP Colony, Rasul Garh,
Bhubaneswar 751010

M/27813
Shri Salil Kumar Tripathy,
BCOM, AICWA
A-98, Shakti Nagar,
Gandhidham,
Gandhidham 370201

M/27814
Ms. Vijayalakshmi K.R.,
BCOM, AICWA
No. 7/2 (Vedavathy), 9th Cross,
7th Main, Magadi Road Post,
Bhuvaneswari Nagar,
Bangalore 560023

M/27815
Ms. Jyoti S. Ved,
MCOM, AICWA
C/o. Dr. S. V. Mahajan,
Plot No. 47, "Kalpana",
Tilaknagar, Nagpur 440010

M/27816
Shri Santosh Kumar Das,
MCOM, AICWA
D.D.O. Section, Corporate
Office, WESCO Ltd., Burla,
Sambalpur,Burla 768017

M/27817
Shri Sai Pradeepkumar Chebrolu,
MCOM, AICWA
D. No. 57/32, Nr. Manohar
Electricals Bldg., Konappana,
Agraharam, Electronic City,
Phase-II,Bangalore 560100

M/27818
Shri Chittapragada
Venkata Apparao,
MCOM, AICWA
E. Co. Rly. Qrt. No. 602/3, Old
Jail Area, Dondaparthy,
Visakhapatnam 530004

M/27819
Ms. Bothe Vishakha Dattaram,
BCOM, AICWA
3, Deepashree Society, Near
Bhaskar Colony, Opp. Nelco
Times of India Office, Thane
West 400602

M/27820
Shri Asutosh Debata,
BCOM, AICWA
Plot No. 159/A, At/Po.
Nayapalli, Near
Kalinga Stadium,
Bhubaneswar 751012

M/27821
Shri Vinay Kumar Gupta,
MCOM, LLB, AICWA
Flat No. B4F1D, Moon City,
Dimna Road, Mango,
Jamshedpur

M/27822
Shri Sandeep Gupta,
AICWA
113/177, Swaroop Nagar,
Kanpur 208002

M/27823
Shri Sanjeev Kumar Jha,
BCOM(HONS), AICWA
H. No. 5-107/6, Plot No. 148,
R. No. 2, Mallikarjuna
Colony, Old Bowenpally,
Secunderabad 500011

M/27824
Shri R. Jegan,
BCOM, ACA, AICWA
No. 57/7, CPWD Quarters,
Thirumangalam, Nr. Kendriya
Vidyalaya, Anna Nagar
West,Chennai 600040

M/27825
Shri Om Prakash Kasera,
BCOM, MBA, AICWA
Surani Bazar, Shrimadhopur,
Dist- Sikar, Sikar 332715

M/27826
Shri Manoj Kumar,
MCOM, AICWA
Power Grid Corporation of
India Ltd., Dongtieh, Lower
Nongram, Lapalang,
Shillong 793006

M/27827
Ms. Anjana Kuriakose,
MCOM, AICWA
Paliath House, Vadavucode-
PO., Puthencruz,
Puthencruz 682310

M/27828
Shri Kahanoor Masthan Bava,
BCOM, AICWA
Zuari Colony, Krishna Nagar,
E 6/5 Block, Yerragunta,
Kadapa-Dist,
Yerragunta 516311

M/27829
Ms. Ranjana Maharana,
BCOM(HONS), AICWA
C/o. Kishore Ch. Maharana
L-760, Phase-II, Dumuduma,
H B Colony,
Bhubaneswar 751019

M/27830
Shri Shaji Jasmin Manzil,
BCOM, AICWA
Jasmin House, Post- Iringal,
Moorad, Calicut 673521

M/27831
Shri Naresh Dalsukhbhai
Prajapati, BBA, AICWA
345, Mahalaxmi Park, B/H.
Panchsheel Society, Varasia
Ring Road, Vadodara 390022

M/27832
Ms. Poonam ,
BA(HONS), AICWA
Sector IV-F, 6057, Bokaro
Steel City 827004

M/27833
Shri Niranjan Mahendranath
Shastri,
MCOM, AICWA
108, Ramachandra Nagar
(Main), Aerodrome Road,
Indore 452005

M/27834
Shri K. Thelakar,
BSC, MBA, AICWA
Qrt. No. 4125, Sector IV-F,
Bokaro Steel City 827004

M/27835
Shri Susheel Kumar Tanwar,
BCOM(HONS), AICWA
67, 2nd Main, 2nd Stage,
Arakere Mico Layout,
Bannerghatta Road,
Bangalore 560076

M/27836
Shri Pola Sivakumar,
MCOM, AICWA
11-67, Pragathi Nagar Colony,
P & T Colony -PO.,
Dilsukhnagar,
Hyderabad 500060

M/27837
Shri Ramit Bindoria,
BCOM(HONS), AICWA
A-12/B, Sanwal Nagar,
PO- Andrews Ganj,
New Delhi 110049

M/27838
Shri Manoj Kumar Bansal,
BCOM, AICWA
35, Vasant Enclave, Rao Tula
Ram Marg,
New Delhi 110057

M/27839
Shri Subash Chandra Behera,
BSC(HONS), AICWA
At- Ichhapur, PO. Bairoi,
Dist- Cuttack,
Cuttack 754010

M/27840
Shri V. Balasubramanian,
MCOM, AICWA
L-202, # 12, Lavanya
Apartment, Maruthi Nagar,
Kaikondra Halli,
Bangalore 560035

M/27841
Shri Ravi Dutt Dabral,
BCOM, AICWA
SRA-38-D, Shipra Riviera,
Gyankhand-3, Indirapuram,
Ghaziabad 201010

M/27842
Shri Sudipta Ghosh,
MCOM, MBA, AICWA
R-5, Nabinpalli (Near
Lalkuthi), Bidhan Nagar, PO.
Midnapore Dist- Paschim
Medinipur, Midnapore
721101

M/27843
Shri Ajay Gehi,
BCOM, AICWA
8, Balgovind Building,
Balgovind Road, Mahim,
Mumbai 400016

M/27844
Shri Debabrata Gupta,
BA, AICWA
Qrt. No. 1C-54, Gandhi Nagar
Colony, Kanke Road,
Ranchi 834008

M/27845
Shri Hemant Joshi,
BCOM(HONS),
AICWAKumran Guest House,
Room No. 1CC No. 7, 1st
Cross, Venkat Nagar,
Pondicherry 605011

M/27846
Shri Joshi Ashish Padmakar,
BCOM, AICWAS.
No. 33, Kudale Patil Complex,
B-4, Fl. 16, Sinhagad Road,
Opp. Pushpak Mangal
Karyalay, Manikbag,
Wadgaon BK.,
Pune 411051

M/27847
Shri S. Kalyanaraman,
BBA, ACA, ACS, AICWA
Flat-59, 8th Floor, Waterford
Apartments, 72/1, ECR Road,
Thiruvanmiyoor,
Chennai 600041

M/27848
Shri Kumar Shivalingam,
BCOM, AICWA
C/o. Easa Saleh AL Gurg-B.A. T
Divn., P.O. Box : 325, Dubai
United Arab Emirates

M/27849
Shri Rakesh Kumar Mehta,
MCOM, AICWA
195/1, Royal Pupsh Park, Street
No. 4, Khodiyar Colony,
Jamnagar

M/27850
Shri S. Prabhakar,
BCOM, AICWA
No. 8/1 (Old No. 6/1),
"Mahalakshmi Colony",
11th Avenue, Ashok
Nagar,Chennai 600083

M/27851
Shri Vivek Sheel Pandey,
BCOM, AICWA
E-46, Staff Colony, Maihar
Cement, Sarla Nagar, Maihar,
Dist- Satna,Maihar 485772

M/27852
Shri V. Ramarathnam,
BSC(HONS), ACA, AICWA
Flat No. A412, Knights
Bridge Apartments, ITPL Main
Road, Kundana Halli,Bangalore

M/27853
Shri G Ravi,
MCOM,MPHIL,MBA,
PHD, AICWA
New No. 43, Old No. 14A,
3rd Main Road, Nanganallur,
Chennai 600061

M/27854
Shri Vikas Kumar Singh,
BCOM, AICWA
75/H/1 (C/o. Raj Jaiswal)
Kailash Bose St
Kolkata 700006

M/27855
Shri Mohit Gajanan Shukla,
BCOM(HONS), AICWA
265, Becharam Chatterjee
Road, Behala, Nutanpara,
Meghmala Housing Complex,
Kolkata 700061

M/27856
Shri Gurmeet Singh,
BCOM(HONS), AICWA
WZ-245 (1st Floor), Street
No. 14, Shiv Nagar, Jail Road,
New Delhi 110058

M/27857
Shri Satpute Sagar
Harischandra, MCOM,
AICWA
393, Navi Peth, Near Vitthal
Mandir, Pune 411030

M/27858
Shri Brijendra Shekhar
Tripathi,
MCOM, AICWA
Flat No. 103, Rossary
Enclave, Near St. James
Church, Fatehganj, Vadodara
390002

M/27859
Ms. Janaki Venkatesh,
BCOM, AICWA
10373, Mary Avenue,
Cuperlino, California-95014
U S A

M/27860
Shri Manu Varghese,
BSC, AICWA
E 10, Alacrity Sangath Apts.,
MGR Nagar, II Main Road,
Velachery, Chennai 600042

M/27861
Ms. S. Swati Snehalatha,
MCOM, MPHIL, PHD,
AICWA
17/13, Seventy Feet Road,
Jawahar Nagar,
Chennai 600082

M/27862
Shri Amiya Kumar Bal,
BCOM(HONS), AICWA
AP-959, 66th Street, 11th
Sector, K K Nagar,
Chennai 600078

M/27863
Ms. Madhuri Ghanashyam
Phadke,
MCOM, AICWA
406, Prarthana Co-op. Hsg.
Soc., Pandit Malharrao
Kulkarni Marg, Opp. Don
Boscoe School, Vazira,
Borivali West,
Mumbai 400097

M/27864
Shri Ajay Bhartia,
MCOM, AICWA
100, Girish Ghosh Road,
Belurmath, Howrah 711202

M/27865
Shri Rajinder Kumar Ahuja,
BCOM, AICWA
K-5A, Lajpat Nagar-II,
New Delhi 110024

M/27866
Shri Mandava Chandra Sekhar
Bab, MCOM, AICWA
301, Siva Residency, Reddy
Enclave, Prasanth Nagar,
Alool,Secunderabad 500010

M/27867
Shri Ayush Dimri,
BCOM(HONS), MBA,
AICWAC
3/314, Janakpuri,
New Delhi 110058

M/27868
Shri Naimish Venilal Ganatra,
BCOM, AICWA
Thakkar Premji Chatrabhuj
Gandhi, Spices & Dryfruits
Merchant, Raneshwar Road,
Mandvi-Kutch,Kutch 370465

M/27869
Ms. Geetha T N,
BSC(HONS), MA, AICWA
Plot-I, No. 3/115, Pratish
Avenue, Manavalan Street,
Gerugambakkam,
Chennai 602101

M/27870
Shri Nitin Goyal,
BCOM, MBA, AICWA
H. No. 1456, Nr. Idiscoveri
Pre-School, Sector-46,
Gurgaon 122003

M/27871
Shri V. Harihara Prasad,
BCOM, AICWA
Room No. 214, Kowsika
Mansion, Vadalhku Vaasal, S S
Colony, Madurai 625013

M/27872
Shri G. Krishnasamy,
MCOM, MPHIL, MED,
AICWAPlot No. 6, Vasugi
Nagar Second Street, Valluvar
Colony, (Near Reliance
Tower)
Madurai 625017

M/27873
Shri Ramanathan V. AL.,
MCOM, AICWA69,
Katta Bomman Street,
Alwarthiru Nagar,
Chennai 600087

M/27874
Shri R.S. Rajan,
BCOM, AICWA
TC No. 20/3170, 1st Floor,
D.B. Street, Karamana,
Trivandrum 695002

M/27875
Shri Somaiah Paladugu,
MCOM, AICWA
C/o. G. Manga Devi,
H. No. 5-5-52/4, Seshadri
Nagar, Kukatpally,Hyderabad

M/27876
Shri Senapathi Rama Rao,
MCOM, AICWA
D. No. 55-14-81/1, A.P.S.E.B.
Colony, Suthammadhara,
Visakhapatnam 530013

M/27877
Shri Vanama Naga Venkata
Subba Rao, MCOM, AICWA
Flat No. 102, Sai Leela Resi-
dency, Plot No. 1830 & 188, Sri
Satyanarayana Swamy Colony,
Hydernagar, Hyderabad 500085

M/27878
Shri G. Lakshmi Narayana
Sarabhayya,
BCOM, AICWA
Vishnu Residency,
C-Block, Flat-402,
St. No. 11, Gandhinagar,
Hyderabad 500080

M/27879
Ms. Radhika Srinivasan,
MCOM, MPHIL, AICWA
B-101, Taj Apartments,
Gazipur, New Delhi 110096

M/27880
Shri V. Narasimha Shenoy,
BCOM, AICWA
"Asheerwad" No. 138, 43rd
Cross, 3rd Main, 8th Block,
Jayanagar,Bangalore 560070

M/27881
Shri Bhavik Girish Chandra
Shah, MCOM, AICWA
Room No. 3, Khadayta Bhuvan,
Raja Rammohan Rai Road, Nr.
By Girgaon Church,
Girgaon,Mumbai 400004

M/27882
Shri J. Veera Raju,
MCOM, AICWA
H. No. 12-10-590/27/4,
Post Office Lane, Warasiguda,
Secunderabad 500061

M/27883
Shri Tapan Chowdhury,
BCOM(HONS), AICWA
1/25A Bijay Garh, Jadavpur,
Kolkata 700032

M/27884
Shri Arun Khodpia,
BCOM, AICWA
2, New Ahinsapuri, Shikshak
Nagar, Fetehpura,
Jaipur 313001

M/27885
Shri N. Krishna Kumar,
BCOM, AICWA
158-Kambar St., "Krishna Illam", ST. Joseph Nagar,
Kondur, Cuddalore 607002

M/27886
Shri Kondapalli Madhu Kumar, BCOM, AICWA
LIG B-378,
A S Rao Nagar,
Hyderabad 500062

M/27887
Shri Rahul Suresh Nimkar,
MCOM, LLB, AICWA
C-15, Gokul Vihar Complex,
Tokarkhada, Silvassa 396230

M/27888
Shri Prasanjit Mohanty,
BCOM(HONS), AICWA
C/o. Pradipta Kumar Mohanty, Plot No. 466,
Nayapalli,
Bhubaneswar 751012

M/27889
Shri B. Jayendra Naik,
BSC, LLB, AICWA
Senior Manager, Canara Bank, Recovery Section, Head Office, 112 J C Road,
Bangalore 560002

M/27890
Shri Apurbo Pandit,
BCOM, AICWA
E-38, Cement Park, City Centre, Dist- Burdwan,
Durgapur 713216

M/27891
Shri Rajan S.,
BCOM, AICWA
Plot No. 294, First Floor, K K Nagar, Madurai 625020

M/27892
Ms. Deepti Tallam,
MCOM, MBA, AICWA
C/o. K V Narayana Rao D. No. 11-44-56, II Floor,
Kummari Street,
Vijayawada 520001

M/27893
Ms. Anuradha H. N.,
MBA, AICWA
"Satyashree", C.H.22, V Main, III Cross, Saraswathipuram
Mysore 570009

M/27894
Ms. S. Anuradha,
MCOM, MBA, AICWA
"Sai Graha" No. 8,
Visveswarayya Street,
Srinivasapuram,
Guduvancheri 603202

M/27895
Shri Deep Agrawal,
BCOM(HONS),
ACS, AICWA
F-94B, Ground Floor, Gali No. 5, Mangal Bazar, Laxmi Nagar,
New Delhi 110092

M/27896
Shri Manish Aggarwal,
BCOM, AICWA
House No. 484, Sector-9,
Panchkula 134113

M/27897
Shri Sanjib Kumar Basak,
MCOM, AICWA
Reserve Bank Staff Quarters, Flat No. D-24, Telenkhedi Road, Civil Lines,
Nagpur 440001

M/27898
Shri Kiran Dubey,
BCOM, AICWA
C/o. Raj Jaiswal 75/H/1,
Kailash Bose Street,
Kolkata 700006

M/27899
Shri Samir Ghosal,
BCOM(HONS), AICWA
C/o. Late Adhir Kr. Dey
184/A, Regent Colony,
Tollygunge, Kolkata 700040

M/27900
Shri Saji Joseph,
MCOM, AICWA
Pappaly House, Asokapuram,
Near Cashewnut Factory,
Aluva,Ernakulam 683101

M/27901
Shri Ramanuj Chandrashekhar Kankani,
BCOM, ACA, AICWA
101, Devashish Apartments,
Near Reena Park, Tithal Road,
Valsad 396001

M/27902
Shri Navin Kumar,
BCOM, AICWA
C-8/D-3, I.I.T. Campus, Hauz Khas, New Delhi 110016

M/27903
Shri Tarun Kumar,
BCOM, AICWA
E-1/14, S.M. Nagar Govt. Hsg. Estate, Phase - I, P.O. Sarkarpool, Kolkata 700143

M/27904
Shri Ullas Karkare,
BCOM, AICWA
C-39, Chandravadan Co-op. Hsg. Soc. Ltd. Ganeshwali, Panchpakhadi,
Thane (West) 400601

M/27905
Shri Alok Mani,
BCOM, AICWA
C/o. R K Sharma A-18, Patel Nagar, Sector-9, Indira Nagar,Lucknow 226016

M/27906
Shri Manjunatha T.R.,
BCOM, AICWA
35th Ward, Parwathi Nagar, Sandar Road, Bele Barmappa Godown,Hospet 583201

M/27907
Shri Amit Kumar Pathak,
MCOM, AICWA
LC-50, ADA Colony, C-Block, Naini,
Allahabad 211008

M/27908
Shri Jagannatha Panda,
BCOM(HONS), AICWA
Power Grid Township, B-II/10, Karbighaiya,
Patna 810001

M/27909
Ms. Gauri Hrushikesh Patankar,
BCOM, AICWA
Flat No. 102, D-61, Sundar Sahawas, Anand Nagar,
Singhgad Road,Pune 411051

M/27910
Shri Ramesh Kumar M.N.,
BSC, AICWA
Thapasya, Mooleppadom Apartments, Mooleppadom Nagar, Kalamasserry 683104

M/27911
Shri Srinivas Chintada,
MCOM, LLB, AICWA
H. No. 30-265/8/4/4/1, Plot No. 70 & 71, Old Safilguda,
Hyderabad 500056

M/27912
Shri Jatindranath Sahu,
BCOM, AICWA
14/19, 2nd Floor, 3rd Street,
T.G. Nagar, Nanganallur,
Chennai 600061

M/27913
Ms. Meenu Sharma,
BCOM, AICWA
D-56, Lalita Marg, Shakarpur Extension, Vikas Marg,
New Delhi 110092

M/27914
Shri Santosh Kumar Sarkar,
BCOM(HONS), AICWA
Power Grid Township, Qrt No. B-II/07, Karbighia, Patna
800001

M/27915
Shri Sathya Murthy A,
BCOM, AICWA
No. 8, Thagarajan Street,
T.S. Ramanujam Nagar,
Tiruvottyur, Chennai 600019

M/27916
Shri Thirumoorthi V,
MCOM, AICWA
93, Saravana Nagar, 14th Ward,
Kannankurichi,
Dist- Salem,
Kannankurichi 636008

M/27917
Shri Varinder Pal Singh Anand, BCOM(HONS), ACS, AICWA
Anand Motor Stores, S.C.F. 520, Motor Market, Manimajra, Chandigarh 160101

M/27918
Shri Kasi Venkat Sai Vithal, BCOM(HONS), ACA, AICWA
House No. A/39, First Floor, LIC Colony Mehadipatnam, Hyderabad 500028

M/27919
Shri Vikas Kishanwal, BCOM(HONS), AICWA
506, Jessore Road, Sunil Roy Choudhury Setu, Lila Apartments, 3rd Floor, Flat No. 10,Kolkata 700055

M/27920
Shri Ajoy Baidya, BCOM(HONS), AICWA
Qrt No. MED-2, Panchet Colony, DVC Panchet, Dist-Dhanbad, Dhanbad 828206

M/27921
Ms. Adnika Colaco, BCOM, AICWA#
1139,Maddicotto, Cuncolim, SalcetteSalcette 403703

M/27922
Shri Bratin Das, BSC, AICWA
D-5/47, Green Fields Rocks' End C.H.S. Ltd., Jogeshwari Vikhroli Link Road, Opp. Fantasy Land, Andheri (E),Mumbai 400093

M/27923
Shri Harishchandra B, MCOM, LLB, AICWA
Shree Vihaa # 5-12/30, Near H P Gas Godown, Shantinagar Padil, Mangalore 575007

M/27924
Shri Pankaj Kaushal, BCOM, AICWA#
912/2, Bhindian Street, Near Arnabarna Chowk, Patiala 147001

M/27925
Ms. Rajshree Dilipbhai Kasa, BSC, AICWA
2271, Suthar Vas, Near Water Tank, G.E.B. Road, Pethapur, Gandhinagar 382610

M/27926
Shri Tripati Patro, MFM, AICWA
Saud Bahwan Automotive LLC PO Box 3168, PC-112, Audit Dept., Wattaya, Muscat, OmanMuscat

M/27927
Shri P Ravi, MCOM, AICWA
No. 920, 4th Cross, I "A" Main, Banashankari IIIrd Stage, 3rd Block, 3rd Phase, Bangalore 560085

M/27928
Shri Shah Kaushil Maheshbhai, MCOM, AICWA
696, Sector-12, Panchkula

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DATE OF ADMISSION : 4th August 2009

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DATE OF ADMISSION : 1st September 2009

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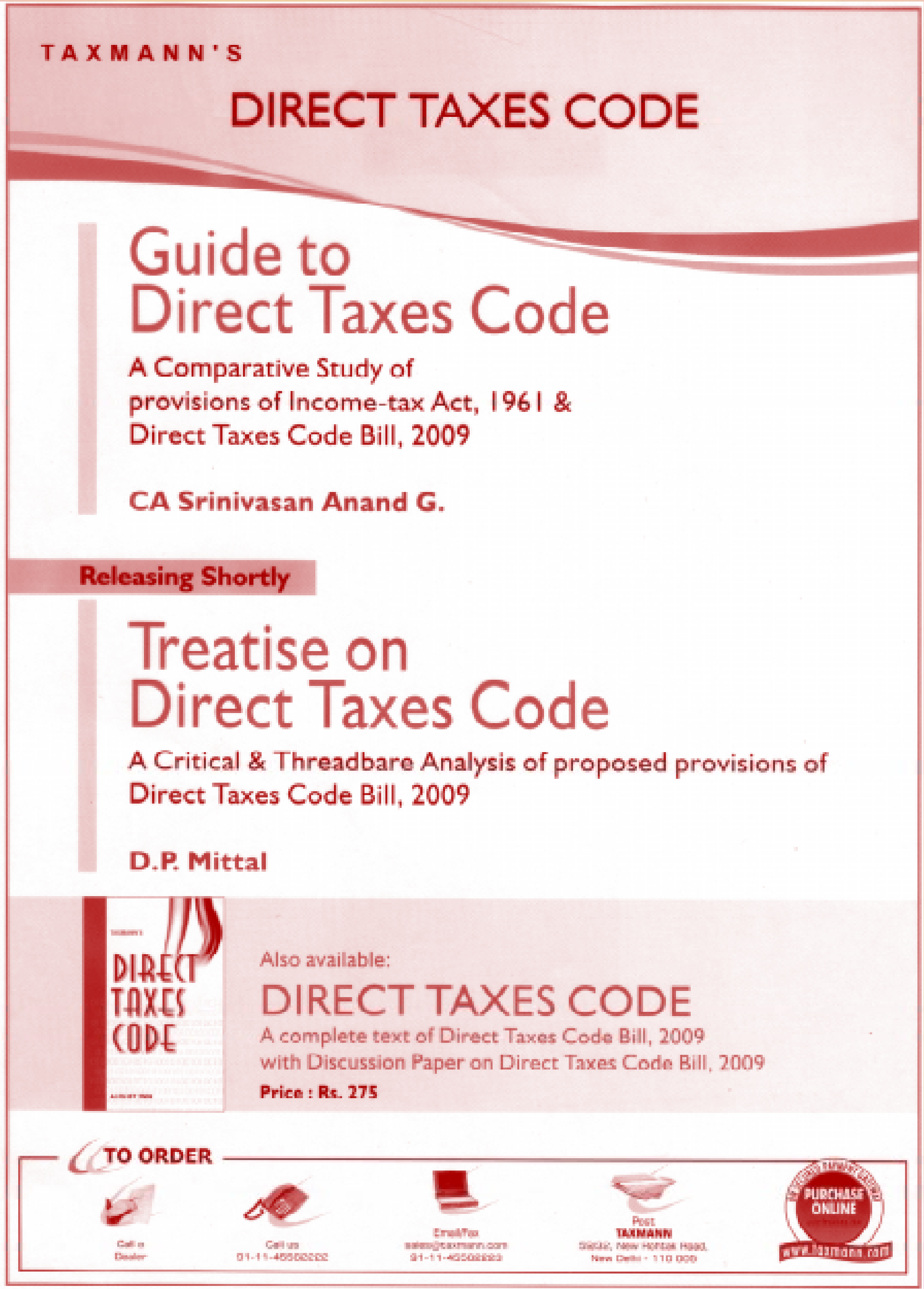
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THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

EXAMINATION TIME TABLE & PROGRAMME - DECEMBER 2009

	PROGRAMME FOR SYLLABUS 2002		PROGRAMME FOR SYLLABUS 2008 (REVISED)		
Day, Date & Time	Final - 2002 9.30 A.M. to 12.30 P.M.	Intermediate - 2002 2.00 P.M. to 5.00 P.M.	Intermediate - 2008 9.30 A.M. to 12.30 P.M.	Final - 2008 2.00 P.M. to 5.00 P.M.	Foundation 2.00 P.M. to 5.00 P.M.
Thursday, 10th December, 2009	Operation and Project Management and Control	Cost and Management Accounting	Financial Accounting	Capital Market Analysis & Corporate Laws	—
Friday, 11th December, 2009	Advanced Financial Management and International Finance	Information Systems and Technology	—	Financial Management & International Finance	—
Saturday, 12th December, 2009	Strategic Management and Marketing	Business Laws and Communication Skill	Commercial and Industrial Law & Auditing	Management Accounting– Strategic Management	—
Sunday, 13th December, 2009	Strategic Tax Management	Business Taxation	Applied Direct Taxation	Indirect & Direct– Tax Management	—
Monday, 14th December, 2009	Management Accounting– Design Making	Management Accounting– Performance Management	Cost & Management Accounting	Management Accounting-Enterprise Performance Management	Organisation and Management Fundamentals
Tuesday, 15th December, 2009	Management Accounting-Financial Strategy and Reporting	Advanced Financial Accounting	—	Advanced Financial Accounting & Reporting	Accounting
Wednesday, 16th December, 2009	Cost Audit and Management Audit	Auditing	Operation Management and Information Systems	Cost Audit & Operational Audit	Economic and Business Fundamentals
Tursday, 17th December, 2009	Valuations Management and Case Study	Quantitative Methods	Applied Indirect Taxation	Business Valuation Management	Business Mathematics and Statistics Fundamentals

PROGRAMME FOR MANAGEMENT ACCOUNTANCY COURSE - DECEMBER 2009 EXAMINATION

Thursday, 10 th December, 2009 9.30 A.M. to 12.30 P.M.	Thursday, 10 th December, 2009 2.00 P.M. to 5.00 P.M.	Friday, 11th December, 2009 9.30 A.M. to 12.30 P.M.	Friday, 11 th December, 2009 2.00 P.M. to 5.00 P.M.	Saturday, 12 th December, 2009 9.30 A.M. to 12.30 P.M.
Management Accountancy	Advanced Management Techniques	Industrial Relations & Personnel Management	Marketing Organisation & Methods	Economic Planning & Development

EXAMINATION FEES

Stage (s)	Final Examination	Intermediate Examination	Foundation Course Examination	Management Accountancy Examination
One Stage (Inland Centres) (Overseas Centres)	Rs.800/- US $ 100	Rs.700/- US $ 90	Rs.700/- US $ 60	Per Group Rs. 2500/-
Two Stages (Inland Centres) (Overseas Centres)	Rs.1600/- US $ 100	Rs.1400/- US $ 90		

1. Application Forms for Foundation Course, Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of Rs. 30/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US $ 10 per form.
2. Last date for receipt of Examination Application Forms without late fees is 25th October, 2009 and with late fees of Rs. 200/- is 4 th November 2009.
3. Examination fees to be paid through Bank Demand Draft of requisite fees drawn in favour of the Institute and payable at Kolkata.
4. Students may submit their Examination Application Forms along with the fees at ICWAI, 12 Sudder Street, Kolkata -700016 or Regional Offices or Chapter Offices. Any query can be sent to Sr. Director (Exam.) at H. Q.
5. For December 2009 term of Examinations questions on the subjects - "Business Taxation" and "Strategic Tax Management" for Syllabus 2002 & "Applied Direct Taxation", "Applied Indirect Taxation" and " Indirect & Direct Tax Management" for Syllabus 2008 will be set considering the Finance Act, 2008 involving Assessment Year : 2009-2010.
6. Examination Centres : Agartala, Ahmedabad, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Bhilai, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Berhampur(Ganjam), Calicut,Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Neyveli, Panaji(Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Shillong, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Dubai and Muscat.
7. A candidate who is completing all conditions will only be allowed to appear for examination.
8. Probable date of publication of result : Foundation - 1st February 2010 and Inter & Final - 20th February 2010.

C. Bose
Sr. Director (Examination)

The institute of Cost and Works Accountants of India

Examination Time Table & Programme - December 2009

CERTIFICATE IN ACCOUNTING TECHNICIANS [CAT]

Day & Date	Time	Foundation Course (Entry Level) Part - I
Monday, 14th December, 2009	02.00 P.M. to 05.00 P.M.	Organisation and Management Fundamentals
Tuesday, 15th December, 2009	02.00 P.M. to 05.00 P.M.	Accounting
Wednesday, 16th December, 2009	02.00 P.M. to 05.00 P.M.	Economics and Business Fundamentals
Thursday, 17th December, 2009	02.00 P.M. to 05.00 P.M.	Business Mathematics and Statistics Fundamentals

Day & Date	Time	Competency Level Part – II
Thursday, 10th December, 2009	09.30 A.M. to 12.30 P.M.	Financial Accounting
Friday, 11th December, 2009	09.30 A.M. to 12.30 P.M.	Applied Statutory Compliance

Examination Fees

Inland Centres	Foundation Course (Entry Level) Part – I	Rs. 700/-
	Competency Level Part – II	Rs. 700/-

1. Application Forms for CAT Examination will be available from Directorate of CAT at "ICWAI Bhawan", 3, Institutional Area, Lodi Road, Delhi - 110 003. Cost of Form Rs. 30/- per Form.
2. Last date for receipt of Examination Application Forms without late fee is 25th October, 2009 and with late fee of Rs. 100/- is 4th November, 2009.
3. Examination Fees to be paid through Bank Draft of requisite fees drawn in favour of "ICWAI A/C CAT" payable at New Delhi.
4. Student will send their Examination Application Forms along with the fees to Directorate of CAT at "ICWAI Bhawan", 3, Institutional Area, Lodi Road, Delhi - 110 003.
5. Examination Centres : Agartala, Ahmedabad, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Bhilai, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Berhampur(Ganjam), Calicut,Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Neyveli, Panaji(Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Shillong, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vellore, Vijayawada, Vindhyanagar, Waltair.
6. A candidate who is fulfilling all conditions will only be allowed to appear for examination.
7. Probable date of publication of result : Foundation Course (Entry Level) Part - I is 1st February 2010 and Competency Level Part - II is 20th February 2010.

C. Bose
Sr. Director (Examination)

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
50TH ANNUAL REPORT, 2008-2009

The Council of the Institute of Cost and Works Accountants of India (ICWAI) takes pleasure in presenting the 50th Annual Report of the ICWAI. The Council started its journey from 22nd July 2008 with Shri Kunal Banerjee as President, Shri A.S. Durga Prasad as Vice-President and other Central Council Members.

I. **National Events**

Golden Jubilee Commemoration of Institute :

Dr. A.P.J Abdul Kalam, Former President of India delivered his Golden Jubilee Commemorative address at Pune on the 15th January, 2009 to our members on the occasion of the 50th year of enactment of the Cost and Works Accountants Act. The key message of Dr. Kalam to the Professionals was "Promote Profit with Integrity - Work with integrity and succeed with integrity".

2. **National Convention:**

Western India Regional Council and Pune Chapter of Cost Accountants at Pune organized The Golden Jubilee National Convention during January 29-31, 2009. The theme of National Convention was "Towards Inclusive Growth- Vision Of Cost and Management Accountant".

3. **Seminar to commemorate Silver Jubilee of South Asian Federation of Accountants (SAFA):**

A Seminar was organized by the Institute on Target Costing in Knowledge Partnership with CII and ACMA at New Delhi on 17th January 2009 as a part of Celebration of Silver Jubilee of SAFA.

4. **ICWAI National Award For Excellence In Cost Management-2008:**

The 6th ICWAI National Awards for Excellence in Cost Management was given on 13th March 2009 at Vigyan Bhawan, New Delhi. Shri Anurag Goel, IAS, Secretary, Ministry of Corporate Affairs graced the Occasion. The awards were decided by the jury under the chairmanship of Hon'ble Justice Shri J.S. Verma, Former Chief Justice of India.

5. **Golden Jubilee Celebration of Statutory Enactment:**

A function was organized on 19th May, 2009 to celebrate the completion of 50 years of the enactment of the Cost and Works Accountants Act, 1959. IT Minister for West Bengal, Shri Debasis Das inaugurated the function. Shri U.C. Nahata, Regional Director (East), Union Ministry of Corporate Affairs and Shri B.B. Goyal, Advisor (Cost) were guest of honour.

6. **Expert Committee on Cost Audit:**

The Expert Committee on Cost Audit chaired by Shri B.B. Goyal, Advisor (Cost), submitted its Report to the Government in December, 2008. The Committee recommended for covering all companies under the Cost Audit.

7. **International Seminar on "Lean Enterprise and Accounting:**

An International Seminar on "Lean Enterprise and Accounting" as part of SAFA Silver Jubilee Celebrations was held at Hyderabad on 15th November, 2008.

8. **ICWAI Management Accounting Research Foundation :**

The Institute has taken steps to promote a company under Section 25 to undertake research activities and other related assignments.

9. **Area of Certification for Practicing Members:**

A] RBI has included Cost Accountant for certification under "Multiple Banking Arrangements/ Lending under consortium Arrangement".

B] SEBI has authorized Cost Accountants for the internal audit of brokers' accounts.

10. New Chapters:

New Chapters were notified at Belapur- Navi Mumbai & Siliguri.

II. **International Events**

1. **MOU with Management Institute of Oman:**

ICWAI signed the Memorandum of Understanding with Oman Zawawi Establishment LLC for establishing Institute of Management Accountants of Oman.

2. **MOU with CIMA, UK:**

   Institute has signed an MOU with The Chartered Institute of Management Accountants (CIMA), UK on 3rd December 2008 for the benefit of members and students.

3. **MOU with Institute of Management Accountants (IMA), USA :**

   ICWAI signed an MOU with Institute of Management Accountants (IMA), USA for mutual recognition of membership and co-operation in areas of management accounting and research.

4. **Understanding with AICPA, USA:**

   The Institute entered into an arrangement with AICPA (American Institute of Certified Public Accountants) whereby the Institute has been accorded permission to reproduce the latter's publication in India for the benefit of members, students and industry.

5. **Steps for Strategic Partnership with CMA, Canada:**

   The Institute held further discussions with CMA, Canada for strategic partnership for mutual co-operation in areas of management accounting and research.

Organizational Growth:

A) **STUDENTS**

18466 students registered with the Institute during the year under review. The number of registered students at the end of the year stood at 175579. During the year 33681 students enrolled themselves for coaching. Coaching status and De novo status was regularly up-loaded in the website to facilitate communication to the students. ICWAI also initiated the process of implementation of Internet-based education processing system by which instant Registration, Coaching, Examination application etc will be possible.

B) **COURSE FOR ACCOUNTING TECHNICIANS (CAT):**

The formal launch of CAT course was held on 9th January 2009 at New Delhi. Till date the total admission to CAT Course has exceeded 700 students. Recently, an MOU has been signed with Tally for providing 60 hours computer training for students enrolling for this course.

C) **EXAMINATIONS**

In view of high demand from various quarters for having only one examination per day, the Institute's Examination Committee decided to increase the number of examination days from 4 to 8 days. Accordingly for December, 2008 term, examination was held from 26th December, 2008 to 2nd January 2009. The examinations were conducted at 76 inland and 2 overseas centers. The first examination under revised syllabus 2008 started from December 2008 term simultaneously with the existing syllabus 2002

D) **MEMBERSHIP**

During the year, 683 candidates were admitted as Associate members, 159 Associate Members were elevated as Fellow Members compared to admission of 678 as Associate members and elevation of 169 as Fellow Members respectively during the previous year. By virtue of MoU between IMA USA & ICWAI, IMA's CMA and ICWAI are recognized as equivalent. A certificate holder of one of these certifications can obtain the other by approved waiver of examination. Hence, an Associate or Fellow member of ICWAI can apply for IMA's CMA certification without appearing for any examination of IMA. CIMA (The Chartered Institute of Management Accountants) and ICWAI have signed a historic agreement to allow mutual advanced entry for students into professional examinations of both the accountancy bodies. List of Members have been made available to the membership CD. Further, List of Members Holding Certificate of Practice has been made available in printed books as well as CD.

E) **Journal Division:**

The Journal Division continued publication of monthly journals 'The Management Accountant' - General and Students' edition for the benefit of members, students and readers alike. Each issue of the journal contained informative and interesting topics on a wide area, interspersed with practical applications. The Journal Division also published two Research Bulletins during the year containing illuminating articles in the areas of finance.

Research Division:

The Research Division successfully completed the Project titled " Report on Cost of Production of Green Leaf By Small Growers and Cost of Manufacturing of Made Tea (CTC) By Bought Leaf Factories, Co-operative Factories, State Government

Factories, and Tea Estates In the Terai, Dooars & Darjeeling districts of West Bengal". The study was undertaken in the tea producing belt spread over 10 states in India.

F) **INFORMATION TECHNOLOGY**

Apart from investment in hardware at both Delhi and Kolkata offices, ICMS (Integrated Collection Management System) has been set up to computerize the activities of Studies, Membership, Research & Journal Department. The Website of the Institute has been upgraded in terms of design, layout and information architecture. The domain has been changed to www.icwai.org .The website is being maintained in-house and is regularly updated. A 512 KBPS leased line internet connectivity from BSNL has been installed at HQ.

G) **The Continuing Education Programme Committee**

The Continuing Education Programme Committee of the Institute organized 75 programmes during the year throughout India and abroad. The Committee organized seven training programmes jointly with Department of Public Enterprises, Government of India during the year, where large number of executives from various PSUs participated. For the first time, Indian Air Force has organized a programme for its officers on Cost Management.

H) **Report of the Benchmarking Committee**

During the year, four industries were selected for study: Cement, Paper, Steel Industry and Fertilizer. A Publication was released on "Benchmarking in Cement Industry".

I) **Cost Accounting Standards Board**

1. **Cost Accounting Standards Board (CASB)**

During the year the CASB met six times and finalised the Cost Accounting Standards on Material Cost, Employee Cost and Cost of Utilities. The CAS on Material Cost has already been released by the Institute as CAS-6. CASB also released the exposure drafts of Direct Expenses and Packing Material Cost. Two more drafts of CASs on Administrative Overheads and Repairs & Maintenance Costs have been finalised by the CASB for release as Exposure Draft. The core committee of the CASB has finalised the revised draft of CAS-3 on Overheads. The Institute constituted a Task Force to prepare a report examining the feasibility and appropriate methodology of treating interest charges, finance charges, derivatives, hedging and imputed cost under the ambit of cost. The Institute has also passed a resolution for mandatory application of Cost Accounting Standards (CAS) 1 to 6 with effect from 1st April 2010 for the preparation and certification of General Purpose Cost Accounting Statements.

2. **Quality Review Board (QRB)**

The QRB met twice to create awareness among the members for improvement in the quality of the services rendered by them. It was decided that QRB would finalize a manual containing the procedure to be followed for conducting the Cost Audit. During the year an exclusive website of the QRB of ICWAI has been made operational.

J. **Professional Development Committee**

The committee released following four Management Accounting Guidelines:

1. Implementing Benchmarking
2. Implementing Corporate Environmental Strategies
3. Tools and Techniques of Environmental Accounting for Business and
4. Valuations Management - A tool of Management Accountant

Committee also released the following two Guidance Notes:

1. Cost of Production for Captive Consumption
2. Internal Audit

During the year, a seminar was organised on 25th June, 2009 at Pune for Practicing members and executives on issues related to MVAT and MVAT Audit.

K. **Taxation, Corporate and Allied Laws Committee (TACL Committee)**

1. Representations were made to Ministry of Corporate Affairs, Government of India on The Companies Bill, 2008, schedule VI of the Companies Act, 1956 and LLP Act/Rules for expanding the scope of Cost Accountants.
2. Representation to Chairman, CBEC/DG (Audit), Central Excise, Customs and Service Tax, Government of India for compulsory tax audit under section/s 14A/14AA of The Central Excise Act, 1944.
3. Submission of Pre-Budget Memorandum 2009 to Ministry of Finance, Government of India.

IV. Regions and Chapters Activities

i. Western India Regional Council (WIRC)

WIRC organized 17 CEP Training Programmes for the benefit of the Practicing as well as general members. Regional Cost Conference 2008 of WIRC of ICWAI was held on 5th and 6th December 2008 at Ahmedabad. The theme of Conference was "Key Challenges to Sustainable Corporate Growth". WIRC has seven Learning Centres spread in the City. WIRC is providing on the spot registration to the Postal Coaching students and study material and registration numbers are issued on the same day. Surat South Gujarat Chapter organized the first ever 'Students Regional Conference' in the history of Western Region with the theme 'Competencies for Management Accountant' on 15th February 2009. Students Association have been formed at Surat, Pune and Nashik in WIRC. WIRC organized Campus Interviews and soft skill programmes for the benefit of students. Several training programmes were organized by WIRC for different private and government companies. WIRC was assigned three Applied Research Project for India Government Mints - Costing of the Products, Developing Product structure of all products of Currency Note Press and Costing of India Security Press, (ISP).

ii. Southern India Regional Council (SIRC)

The Third S. Ganapathisubramanian Memorial Lecture was organised on 20th December, 2008 at Bangalore to coincide with the Regional Cost Convention scheduled on 19th and 20th December, 2008. A National Seminar on 'Performance Management' was jointly organised by ICWAI, CII and Ernst & Young Pvt. Ltd., on 14th May, 2008 at Chennai. SIRC organised a Joint Programme with Indian Statistical Institute, Coimbatore on 'Lean Six Sigma Manufacturing Practices - Proving and Improving Current Business Process' on 9th March, 2009 at its Premises. SIRC organised Refresher Course for the benefit of Postal Coaching Students of Intermediate Course in and around Chennai with the objective of improving their performance in the Institute examination. Around 166 candidates received offers out of 300 participated in the Campus recruitment arranged on 19th April, 2009 for the students qualified in December 2008 ICWAI examination. A meet on 'Expert Committee Report on Cost Audit, Cost Accounting Records and Cost Accounting Standards' was organised on 4th April, 2009 at SIRC Premises. A Members' Meet was organised on Saturday the 6th June, 2009 at Chennai, to commemorate the Golden Jubilee Celebrations of the Enactment of the ICWAI Act. Senior members of the Institute including Past Presidents/Chairmen (SR), Leaders of Industry and Members of Repute were honoured during the occasion. An exclusive programme for the Post Graduate Commerce Teachers at Madurai Schools was organised by SIRC on 20th June, 2009 at Madurai for career guidance and CAT awareness.

iii. Eastern India Regional Council (EIRC)

The Institute has granted recognition to the EIRC Computer Centre for imparting compulsory Computer Training to ICWAI students. A Programme on "Accounting Standard & IFRS"-A Roadmap for convergence was held on 13th September, 2008 at EIRC. A Programme on "Discussion on Company Law" was held on 1st November, 2008 at EIRC premises. A Management Development Programme on "Cost Audit for Social Benefit & Internal Audit in SEBI" was held on 29th November, 2008. A Management Development Programme was held on "Discussion on Report of Expert Group as Company Bill" 23rd and 24th April, 2009 at EIRC premises. A Management Development programme on "International Financial Reporting Standards (IFRS)" was held at EIRC for 3 days from 29th May, 2009 to 31st May, 2009. A one day Seminar on "Environmental Statistics and Planning" was held on 7th February, 2009 at EIRC premises. A Road Rally was organized on 19th May, 2009 from HQ to EIRC to celebrate 50 years of CWA Act, 1959. During the year EIRC orgnaized campus interviews for students. Durgapur Chapter of Cost Accountants organized Regional Cost Conference on 7th and 8th March 2009. The theme of the conference was "Innovation for Accelerated Growth". The topics discussed were: "Global Down Turn-Its impact on Indian Economy", "Effect of Global downturn on core Industries in India-remedial measures" "Enterprise Risk Management and Driving through Recession-Bankers perspective" and "Role of Cost and Management Accountant in Indirect Tax under the Global meltdown"

iv. Northern India Regional Council (NIRC)

The NIRC of ICWAI organized a workshop on 'Excise- Opportunities for Cost Accountants' on 29th August, 2008 at New Delhi. NIRC of ICWAI organized an Interactive Programme on "Companies Bill 2008 & LLP Bill" on 30th November, 2008, at New Delhi. A two days conference was held on 3rd & 4th January, 2009 by NIRC of ICWAI in association with Chandigarh-Panchkula Chapter. NIRC of ICWAI organized an Interactive Seminar on "Stock Audit" on 26th February, 2009 at New Delhi. A Seminar on IFRS was organised by NIRC of ICWAI on 21st March, 2009 which was well attended by middle and senior level finance executives from various companies. A workshop on recommendations of the Expert Group on CARR was organised at NIRC on 13th April, 2009. Chandigarh -Panchkula Chapter of ICWAI organized a Joint Seminar with Chandigarh Branch of ICAI and ICSI on Limited Liability Partnership on 23rd January, 2009. Placements for ICWAI Inter passed and Final passed students were arranged by the Chapter.

Gupta & Co.
Chartered Accountants

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Auditor's Report on Consolidated Financial Statements

To the Council of the Institute of Cost and Works Accountants of India

1. We have audited the attached Consolidated Balance Sheet of the Institute of Cost and Works Accountants of India ('the Institute') and its four Regional Councils and ninety Chapters as at 31st March, 2009, and the Consolidated Income and Expenditure Account for the year ended on that date annexed thereto, which we have signed under reference to this report (together comprising the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the management of the Institute and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. (a) We did not audit the financial statements of four Regional Councils, whose financial statements reflect total assets of Rs. 11,64,38,816 as at 31st March, 2009, and total revenues of Rs. 8,40,90,968 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports, have been furnished to us by the management of the Institute, and our opinion, in so far as it relates to the amounts included in respect of these Regional Councils is based solely on the reports of the other auditors.

(b) We did not audit the financial statements of forty Chapters, whose financial statements reflect total assets of Rs. 9,99,53,077 as at 31st March, 2009, and total income of Rs. 8,21,22,341 have been audited by other chartered accountants. We also did not audit the financial statements of twenty seven chapters whose financial statements reflect total assets of 8,89,90,831 and revenue of 5,63,81,405 have been certifed by other chartered accountants (without any report) and cost accountants. In so far as it relates to the amounts included in respect of these Chapters, are based solely on these certified financial statements and we have relied upon these financial statements as provided by the management of the Institute for the purpose of our examination of Consolidated Financial Statements of the Institute.

(c) We did not audit the financial statements of twenty three Chapters, whose financial statements reflect total assets of Rs. 6,16,56,663 as at 31st March, 2009, and total income of Rs. 2,12,91,694. We further report that in respect of the financial statements of these Chapters we have relied upon the unaudited financial statements as provided by the management of the Institute. Our opinion, so far as it relates to the amounts included in respect of these Chapters is based solely on these certified financial statements. Since these financial statements for the financial year ended 31st March, 2009, which were compiled by management of these Chapters, any adjustments to their balances could have consequential effects on the consolidated financial statements.

4. We report that the Consolidated Financial Statements have been prepared by the Institute in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India (after making certain adjustments by head office) and on the basis of separate audited/ certified financial statements of the Institute of Cost and Works Accountants of India and its above mentioned Regional Councils and Works Accountants of India and its above mentioned Regional Councils and Chapters included in the Consolidated Financial Statements.

5. In so far as it relates to the results of operations and the financial statements of the Institute included in these Consolidated Financial Statements, we draw attention to the following:

i) Title deeds/documents for lease hold land of Rs. 0.11 lakhs, free hold lands of Rs. 151.82 lakhs and buildings of Rs. 157.41 lakhs were not available for our examination.

ii) As explained to us, physical verification and updating of fixed assets records are in progress subsequent to major renovation work undertaken by the Institute. Accordingly, the discrepancies, if any, between the book records and physical inventory could not be ascertained.

iii) Investment in shares of Rs. 500 in Jai Brindaban Premises Trust Fund, Mumbai, for an ownership flat, was not available for our examination.

iv) Confirmations for paper stock of Rs. 1.79 lakhs lying with the printers at year end are awaited.

v) The maintenance of books of account by the Delhi Unit of the Institute, which is incorporated in these accounts, needs to be improved and the internal control system also needs to be strengthened.

vi) In our opinion and according to the information and explanations given to us, the internal control system for reconciliation of sale of study notes and suggested answers to Regional Councils and transactions with Regional Councils and Chapters requires to be strengthened.

6. Confirmation of balances from Regional Councils and certain Chapters are awaited. These balances are subject to reconciliation and consequent adjustments as may be necessary, on recepit of such confirmation.

7. In our opinion and according to the information and explanations given to us, the internal control system for reconciliation of sale of study notes and suggested answers to Regional Council and transactions with Regional Councils and Chapter requires further improvement.

8. On the basis of information and according to the explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Institute and its aforesaid Regional Councils and the certified financial statements of Chapters included in the Consolidated Financial Statements, in our opinion, the Consolidated Financial Statements, subject to the matters referred to in paragraph 5 and 6 above, give a true and fair view in conformity with the accounting principles generally accepted in India :

(a) in case of the Consolidated Balance Sheet, of the state of affairs of the Institute and its Regional Councils and Chapters as at 31st March, 2009; and

(b) in the case of the Consolidated Income and Expenditure Account, of the consolidated results of operations of the Institute and its Regional Councils and Chapters for the year ended on that date.

For Gupta & Co.
Chartered Accountants

S. K. Ganguli
Partner
Membership No. 6622

Place : Kolkata
Date : 4th September, 2009

The Institute of Cost and Works Accountants of India
Consolidated Balance Sheet as at 31st March,2009

Last year 2007-2008 Rs.	PARTICULARS	SCH. NO.	This year 2008- 2009 Rs.	Rs.
	INSTITUTE FUND :			
291,846,901	General Fund	**(1)**		448,877,006
4,828,145	Employees' Gratuity Fund	**(2)**		5,285,261
1,848,367	Employees' Benevolent Fund	**(3)**		2,183,418
3,285,506	Misc. Prize & Other Fund	**(4)**		3,738,196
58,666,388	Other Funds			64,548,871
360,475,307	**TOTAL** **REPRESENTED BY :**			**524,632,752**
	Fixed Assets :	**(5)**		
167,628,387	a) Gross Block		197,168,957	
81,394,226	b) Less Depreciation		97,152,933	
86,234,161	c) Net Block			100,016,024
10,136,912	Capital Work In Progress			9,365,901
542,181	Investment	**(6)**		389,740
300,641,591	Current Assets	**(7)**	512,624,922	
12,814,571	Loans & Advances	**(8)**	13,946,858	
313,456,162			**526,571,780**	
52,934,467	Less : Current Liabilities & Provisions	**(9)**	114,040,599	
260,521,695	**NET CURRENT ASSETS**			412,531,181
3,040,358	Miscellaneous Expenditure (to the extent not written off)			2,329,906
360,475,307	**TOTAL**			**524,632,752**
	Notes on Accounts	**(15)**		
Schedules referred to above form part of the Accounts				

As per our report attached.

For Gupta & Co.
Chartered Accountants

S. K. Ganguli
Partner
Membership No.6622

Kolkata
Dated : 04th Sept., 2009

B.M.Sharma
Vice President

G.N.Venkataraman
President

R. N. Pal
Sr.Director (F&A)

S.M.Galande
C.E.O.

Consolidated Income And Expenditure Account
for the year ended 31st March,2009

Last year 2007-2008 Rs.	PARTICULARS	SCH. NO.	This year 2008- 2009 Rs.	Rs.
	INCOME :			
7,881,421	Membership & Other Fees	**(10)**		11,178,675
193,602,311	Tuition & Other Fees	**(11)**		377,234,799
46,885,108	Examination & Other Fees	**(12)**		61,447,227
20,914,059	Continuning Education Programme Receipt			30,351,649
10,501,199	Global Summit Receipt			61,583
2,147,080	National Award for Cost Excellence Receipt			8,110,083
472,253	Journal Subscription			625,810
162,100	Advertisement for Journal			1,040,648
948,446	Rent Receipt			677,352
2,202,981	Sale of Publication			1,022,716
16,392,745	Interest			26,595,154
5,120,983	Other Income			4,088,159
307,230,686	**Total :**			**522,433,855**
	EXPENDITURE :			
62,087,126	Establishment	**(13)**		117,304,604
33,131,167	Office Expenses	**(14)**		43,442,742
248,923	Statutory Audit Fees			318,496
135,977	Internal Audit Fees			406,363
6,544,579	Travelling & Conveyance			6,131,891
13,700,489	Examination Expenses			19,352,372
8,191,712	Council & Committee Meeting Expenses			13,532,601
1,027,767	Election Expenses incl. Tribunal			1,329,629
5,018,825	Journal Expenses			4,570,659
1,027,597	Membership Subscription To Foreign Bodies			1,291,848
934,657	Conference & Meeting International			910,368
14,163,442	Continuning Education Programme Expenses			20,979,991
9,603,698	Global Summit Expenses			73,750
1,339,524	National Award for Cost Excellence Expenses			5,635,977
1,574,516	Professional Development Expenses			3,429,543
43,686,128 7,669,285	Coaching Expenses Study Materials & Prospectus Consumed			86,509,349 20,242,694
150,143	Publication Stock Consumed			574,775
94,934	Non Moving Stock Written Off			1,014,270
1,848,232	Sundry Debtors - Written Off			1,223,359

20,866,335	Depreciation	(5)		15,758,707
233,045,056	**TOTAL**			**364,033,988**
74,185,630	**Balance being excess of Income over Expenditure c/d**			158,399,867
74,185,630	**Balance being excess of Income over Expenditure b/d**			**158,399,867**
2,132,138	Silver Jubilee Grant written off			-
122,884	Prior Period Adjustment			1,470,925
72,176,376	**Balance being surplus of Income over Expenditure transferred to General Fund**			**156,928,942**
Schedules referred to above form part of the Accounts				

As per our report attached.

For Gupta & Co.
Chartered Accountants

S. K. Ganguli
Partner
Membership No.6622

Kolkata
Dated : 04th Sept., 2009

B.M.Sharma
Vice President

G.N.Venkataraman
President

R. N. Pal
Sr.Director (F&A)

S.M.Galande
C.E.O.

SCHEDULE FORMING PART OF ACCOUNTS

SCHEDULE NO.1 :

GENERAL FUND
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.	Rs.
231,716,136	Balance as per Previous Balance Sheet		**291,846,901**
	Add :		
12,961,575	i) Capitalization of Chapter's Land	-	
14,968,337	ii) Capitalization of Chapter's Building	1,475,499	1,475,499
259,646,048			
	Less :		
	iii) Adjustment against		
9,517,919	Land	-	
32,067,143	Building	-	
1,987,461	Stock of Study Material & Prospectus	6,177,732	6,177,732
216,073,525			
542,895	Add : Entrance Fees (Member)	796,110	
3,054,105	Registration Fees (Student)	4,007,286	4,803,396
219,670,525			
72,176,376	Add : Net Surplus for the year as per		**156,928,942**
	Income & Expenditure Account		
291,846,901	**Total**		**448,877,006**

SCHEDULE FORMING PART OF ACCOUNTS

SCHEDULE NO.2 :

EMPLOYEES' GRATUITY FUND
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
20,654,254	Balance as per Previous Balance Sheet	**4,828,145**
894,960	Add : Contribution for the year	457,116
21,549,214		**5,285,261**
163,047	Add : Interest earned on Fixed Deposit of Fund for the year	-
21,712,261		**5,285,261**
14,265,380	Less : Amount Paid to Trust	-
2,072,703	Less : Transferred to General Fund	-
546,033	Less : Gratuity paid to Employees' during the year	-
4,828,145	**Total**	**5,285,261**

SCHEDULE NO. 3 :

EMPLOYEES' BENEVOLENT FUND
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
1,443,375	Balance as per Previous Balance Sheet	**1,848,367**
379,418	Add : Contribution during the year	317,600
36,390	Add : Interest earned on Fixed Deposit of Fund for the year	39,740
10,816	Less : Paid to Employees during the year	22,289
1,848,367	**Total**	**2,183,418**

SCHEDULE NO. 4 :

MISC. PRIZE & OTHER FUND
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
3,167,631	Balance as per Previous Balance Sheet	3,285,506
279,054	Add : Addition during the year	511,902
130,766	Add : Income credited during the year	150,995
(252,862)	Less : Cost of the prize	(210,207)
(39,083)	Less : Prize fund refunded	-
3,285,506	**Total**	**3,738,196**

The Institute of Cost and Works Accountant of India

SCHEDULE FORMING PART OF ACCOUNTS

SCHEDULE NO. 5 :

FIXED ASSETS
as at 31st March,2009

Description of Assets	Gross Block				Depreciation/Amortisation			Net Block	
	Opening Cost 01.04.08	Addition during the period	Less : Sale/ Adjustment of Fixed Assets during the period	Total as on 31.03.2009	Upto 01.04.08	For the year	Upto 31.03.2009	This year 2008-2009	Last year 2007 - 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
FREEHOLD LAND	18,531,761	-		18,531,761	-	-	-	18,531,761	18,531,761
LEASEHOLD LAND	6,505,802	-		6,505,802	1,217,733	99,865	1,317,598	5,188,204	5,288,069
FREEHOLD BUILDING	81,002,084	6,522,677	-	87,524,761	36,196,887	5,250,397	41,447,284	46,077,477	44,805,197
FURNITURE & FITTINGS	15,188,820	9,484,307		24,673,127	8,969,519	1,876,771	10,846,290	13,826,837	6,219,301
LIBRARY BOOKS	7,086,012	861,738		7,947,750	7,086,012	861,738	7,947,750	-	-
OFFICE EQUIPMENTS	15,956,297	5,249,890		21,206,187	9,354,130	2,048,541	11,402,671	9,803,516	6,602,167
GENERATORS	965,546	421,012	519,308	867,250	699,124	168,126	867,250	-	266,422
LIFT	416,062	-		416,062	367,698	7,255	374,953	41,109	48,364
MOTOR CAR	496,939	-		496,939	92,682	60,639	153,321	343,618	404,257
COMPUTER & SOFTWARE	21,476,354	7,517,436		28,993,790	17,407,733	5,382,557	22,790,290	6,203,500	4,068,621
CYCLE	2,710	2,818		5,528	2,708	2,818	5,526	2	2
	167,628,387	**30,059,878**	**519,308**	**197,168,957**	**81,394,226**	**15,758,707**	**97,152,933**	**100,016,024**	**86,234,161**

SCHEDULE NO. 6 :

INVESTMENT (AT COST)
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
	SHARES OF CO-OPERATIVE TRUST :	
500	5 Shares of Rs.100/- each in Jai Brindaban Premises Trust Fund, Bombay	500
11	- Coimbarore	11
250	- Surat South	-
	MUTUAL FUND (UTI 64 & TATA OPPORTUNITY FUND)	
315,500	- Pune Chapter	242,629
19,320	- Madurai Chapter	16,100
81,500	- Nellai Pearl City Chapter	81,500
125,100	- Cuttack Bhubeneswar Chapter	-
-	- Ranchi Chapter Chapter	49,000
542,181	**TOTAL**	**389,740**

SCHEDULE FORMING PART OF ACCOUNTS

SCHEDULE NO.7 :

CURRENT ASSETS
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.	This year 2008- 2009 Rs.
3,151,820	**Stock :** - Publication Stock (at Cost)		2,522,886
564,172	- Paper Stock (at Cost)		527,742
1,968,110	- Study Material incl.Prospectus Stock (at Cost)		8,623,147
564,923	- Stock of Other Material (at Cost)		880,399
7,265,938	Other Receivables		13,146,445
11,440,212	Current Account with Rc's & Chapters (Net)		2,017,672
	Cash and Bank Balances :		
591,617	In hand (including Cash and Postage Stamps)	1,250,038	
	Balances with Scheduled Banks :		
16,187,222	On Current Account	21,083,292	
14,601,155	On Savings Account	23,381,118	45,714,448
244,306,422	**Fixed Deposits with Banks :**		439,192,183
300,641,591	**Total**		**512,624,922**

SCHEDULE NO. 8 :

LOANS AND ADVANCES
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
1,620,260	Building Loan to Chapters :	-
376,888	Computer Loan to Chapters	-
1,470,000	Advance to Regional Councils & Chapters for Building Construction	-
811,101	Loan to Regional Council - EIRC	-
1,399,683	Building Loan to Employees	1,230,320
38,600	Vehicle Purchase Advance to Employees	29,000
3,365,521	Other Advances	6,794,072
498,780	Festival Advance to Employees	615,722
696,530	Advance Membership Subscription to Foreign Bodies	875,086
570,061	TDS Receivable	1,399,760
466,392	Prepaid Expenses	571,612
1,500,755	Deposit	2,431,286
12,814,571	**Total**	**13,946,858**

SCHEDULE NO. 9 :

CURRENT LIABILITIES AND PROVISIONS
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
	Current Liabilities :	
5,590,525	Library Deposit	7,384,495
4,774,210	Sundry Creditors	5,772,304
34,281,296	Other Liabilities	95,515,575
4,677,370	Advance against RC/& Chapters	-
111,447	TDS Payable	121,478
3,499,619	Provisions	5,246,747
52,934,467	**Total**	**114,040,599**

SCHEDULE NO. 10 :

MEMBERSHIP & OTHER FEES :
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
6,296,996	Annual Membership Fees	9,295,180
748,965	Members Certificate of Practice Fees	761,430
833,520	Grad C.W.A. Fees	1,121,185
940	Members Complaint / Restoration Fees	880
1,000	Certified Facilitation Centre Fees	-
7,881,421	**Total**	**11,178,675**

SCHEDULE NO. 11 :
TUITION AND OTHER FEES :
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
4,567,320	Student Registration Fees	6,062,829
-	Practical Training Registration incl. Exemption Fees	10,653,350
126,156,618	Tuition Fees	229,212,169
-	CAT Course Income	317,200
33,466,166	Computer Training Fees	57,669,269
12,366,520	Service Fees incl. Annual Recurring Fees	56,649,010
2,230,105	Revalidation of Coaching Completion Certificates Fees	2,752,785
5,120,299	Sale of Prospectus	6,810,197
9,052,248	Sale of Study Notes	6,032,990
584,285	Library Subcription	989,045
58,750	Sale of Postal Coaching,Revalidation & Denovo Forms	85,955
193,602,311	**Total**	**377,234,799**

SCHEDULE NO. 12 :
EXAMINATION AND OTHER FEES :
as at 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
42,981,741	Examination Fees	56,462,019
397,790	Verification of Answers Paper Fees	855,406
2,066,684	Sale of Suggested Answer including Scanner	1,486,905
1,438,893	Sale of Exam. Forms	2,642,897
46,885,108	**Total**	**61,447,227**

SCHEDULE NO. 13 :
ESTABLISHMENT
for the year ended 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
49,884,758	Salaries & Allowances	96,722,701
1,251,923	Employer's Cont. to Employees' Gratuity Fund	6,112,914
3,761,228	Employer's Cont. to Employees' Provident Fund	5,705,434
76,612	Employer's Cont. to Employees' Benevolent Fund	114,900
871,884	Employer's Cont. to Employees' Leave Encashment	3,660,883
1,567,340	Employees' Leave Encashment - Existing	1,309,460
1,629,000	Medical Expenses	2,353,969
840,100	Leave Travel Allowance to Employees	478,300
214,395	RPFC Adminitration & E.D.L.I. Inspection Charges	291,081
489,886	Training & Development (H.R.D.)	554,962
1,500,000	Provision for Employee Allowances	-
62,087,126	**Total**	**117,304,604**

SCHEDULE NO. 14 :
OFFICE EXPENSES
for the year ended 31st March, 2009

Last year 2007-2008 Rs.	PARTICULARS	This year 2008- 2009 Rs.
4,428,367	Printing & Stationery	4,898,981
5,054,275	Postage,Telegrams,Telephones & Fax	5,615,384
2,667,991	Electricity Charges	3,674,079
126,917	Generator Expenses	114,715
601,496	Rates & Taxes	433,558
1,148,678	Insurance	1,828,094
5,739,744	Repair & Maintenance	5,595,809
1,190,113	Car Expenses	1,750,865
33,685	Interest on Caution Money Deposit	70,258
1,294,330	Study Material Distribution Expenses	3,367,540
462,193	Legal Charges	868,601
278,748	Bank Charges	380,737
878,879	Computer Maintenance Expenses	2,043,496
900,927	Public Relation Expenses	1,299,829
139,984	Watch & Ward Expenses	478,435
217,115	Books & Periodicals	357,129
176,213	Delegate Fee	115,750
432,338	Gazette Notification	422,661
881,437	Staff Welfare	1,130,103
1,132,698	Rent	1,508,184
3,497,595	Administrative Charges	4,760,946
1,847,444	Sundry Expenses	2,727,588
33,131,167	**Total**	**43,442,742**

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
NOTES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH,2009

Schedule - 15

A. Significant Accounting Policies :

1. **Basis for preparation of Financial Statements :**

The Consolidated Financial Statements are prepared under the historical cost convention, the applicable Accounting Standards, the relevant provisions of the Cost and Works Accountants Act, 1959, as amended by the Cost and Works Accountants (Amendment) Act, 2006 and are on accrual basis unless otherwise stated.

2. **Entrance Fee**

Entrance Fee from members is capitalized.

3. **Registration Fee**

Registration Fee received from students to the extent of 2/5th thereof is capitalized.

4. **Revenue Recognition :**

The Institute recognizes significant items of income on the following basis :-

(a) Members' Subscription

Revenue in respect of Members' Subscription and Certificate of Practice Fee is recognized where there is certainty with respect to the receipt of such amount.

(b) Tuition and other Fees

Revenue in respect of Postal and Oral Coaching Tuition Fees are recognized as and when the student is enrolled.

(c) Sale of Publication

Revenue in respect of sale of publications is recognized when such publications are transferred to a user for a price.

(d) Examination Fees

Revenue in respect of Examination Fees is recognized as and when received.

(e) Others

Revenue from Continuing Education Programme is recognized as and when such activity is undertaken.

(f) Interest

Income from interest on Investment is recognized on time proportion basis taking into account the amount outstanding and the applicable rate.

(g) Income from Investments is recognized as and when the right to receive the payment is established.

5. **Expenditure :**

The expenditure is recognized on accrual basis and the expenses incurred for Elections which are recognized proportionately over the term of the Council.

6. **Fixed Assets :**

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any cost, attributable to bringing the asset to its working condition for its intended use. Assets under creation are shown as capital work-in-progress.

7. **Depreciation/Amortization :**

(a) Depreciation on Fixed assets is provided on written down value method for the full year, irrespective of the date of purchase, at the rates specified under the Income tax Rule, 1962

(b) Leasehold land is amortized over the Lease period. The premium paid for acquisition of Lease Hold Land is amortized over the period of lease. The ground rent, if any is recognized as expense in the year for which such charges are due or payable.

(c) Library books are depreciated at 100% in the year of purchase.

(d) Computer software is amortized over a period of three years.

(e) Individual low cost assets acquired for Rs. 5,000/- or less are fully depreciated in the year of purchase.

8. **Investments :**

Long term investments are stated at cost. However when there is a decline other than temporary, in the value of long term investments, carrying amount is reduced to recognize the decline.

9. **Inventories :**

Publication stock, Study Materials and Paper Stock including Prospectus stock etc. are valued at Cost or Net Realizable Value, which is lower. Cost of Publications and that of Study Materials is determined on weighted average basis and cost of paper is determined on first-in-first-out basis.

10. **Provisions :**

(i) A provision is recognized :-

(a) when there is present obligation as a result of past event;

(b) it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of obligation.

(ii) A disclosure of contingent liability is made when a possibility of an outflow of resources embodying economic benefit is remote.

11. **Foreign Currency Transactions :**

Transactions in foreign currency are denominated at the exchange rate prevailing on the transaction date. Monetary items are reported by using the closing rate. Exchanged items arising on the settlement of monetary items or reporting the monetary items at rate different from those at which they were initially recorded or reported, are recognized as income or as expenses in the period in which they arise.

12. **Employee Benefit**

(i) Head Quarters :

(a) Provident Fund contributions are made to the Institute of Cost and Works Accountants of India Employees' Provident Fund Trust and the same is charged to revenue of the year when the contributions to the fund is due.

(b) The liability in respect of Gratuity is recognized on the basis of contribution to an Approved Gratuity Trust which has taken a comprehensive Group Gratuity Policy from Life Insurance Corporation of India to cover the entire liability in respect of Gratuity payable to the employees. The contribution to the Trust is made on the basis of intimation by LIC.

(c) The liability in respect of leave encashment is recognized on the basis of contribution to an Approved Leave Encashment Trust which has taken a comprehensive Group Leave Encashment Policy from Life Insurance Corporation of India to cover the entire liability in respect of Leave Encashment payable to the employees on super annuation or cessation of service for any other reason. The contribution to the Trust is made on the basis of intimation by LIC.

(ii) WIRC

(a) The liability in respect of Gratuity is recognized on the basis of contribution to an Approved Gratuity Trust which has taken a comprehensive Group Gratuity Policy from Life Insurance Corporation of India to cover the entire liability in respect of Gratuity payable to the employees. The contribution to the Trust is made on the basis of intimation by LIC.

(iii) SIRC

(a) Contribution to P.F., F.P.F. and EDLI are accounted for on accrual basis.

(b) The liability in respect of Gratuity is recognized on the basis of contribution to an Approved Gratuity Trust which has taken a comprehensive Group Gratuity Policy from Life Insurance Corporation of India to cover the entire liability in respect of Gratuity payable to the employees. The contribution to the Trust is made on the basis of intimation by LIC.

(c) The liability in respect of leave encashment is recognized on the basis of contribution to an Approved Leave Encashment Trust which has taken a comprehensive Group Leave Encashment Policy from Life Insurance Corporation of India to cover the entire liability in respect of Leave Encashment payable to the employees on super annuation or cessation of service for any other reason. The contribution to the Trust is made on the basis of intimation by LIC.

(iv) EIRC

(a) The liability in respect of Gratuity is recognized on the basis of contribution to an Approved Gratuity Trust which has taken a comprehensive Group Gratuity Policy from Life Insurance Corporation of India to cover the entire liability in respect of Gratuity payable to the employees with a ceiling of Rs.1,00,000/-. The contribution to the Trust is made on the basis of intimation by LIC.

(b) The Provident Fund contribution is deposited in Public Provident Fund Account with State Bank of India under the Public Provident Fund Scheme.

13. **Prior Period income/expenditure**

Prior period items which arise in the current period as a result of errors or omissions in the preparation of financial statements in one or more prior periods are separately disclosed in the Income & Expenditure Account.

B. NOTES FORMING PART OF ACCOUNTS :

1. The consolidated financial statement is prepared considering Head Quarters, four Regional Councils and all the Chapters in accordance with the Accounting Standards and on the following basis :

- The financial statement of the Institute and its Regional Councils and Chapters have been consolidated after adjustment at H.O. level, wherever necessary on a line by line basis by adding together Book Value of like items of assets, liabilities, income and expenses, after fully eliminating intra unit balances and intra unit transactions.
- The financial statements of the Regional Councils and Chapters, are drawn up to the same reporting date as that of the Institute, i.e. year ended up to March 31, 2009 and audited or certified.
- As far as possible Consolidated financial statements are prepared using uniform Accounting Policies for like transactions and other events in similar circumstances and are presented, to the extent

possible, in the same manner, as the Institute's financial statement.

2. Exemption in respect of Income Tax has been granted u/s 10(23A) read with Section 11 of the Income Tax Act, 1961. Accordingly, no provision for Income Tax has been made.

3. All Prize Funds and Students' Benevolent Fund maintained by the Institute have been incorporated in the accounts together with relevant investments in Fixed Deposit thereof in terms of the decision of the Council. The funds have been sponsored by the different donors and the shortfall of Income amounting to Rs.73,050/- was made good by the H.Q. in the current year.

4. Miscellaneous Expenditure (to the extent not written off) includes :

   (i) Election related expenses of Rs.20,26,906/- (2007-2011) to be recognized in the next years as per Accounting Policy after charging Rs.13,29,629/-(1/4 portion) including Tribunal Expenses of Rs. 3,16,177/- in the current year's Income & Expenditure Account.

   (ii) Lease Rent of Rs.3,03,000 (Kalyan - Ambernath Chapter Rs.1,63,200/- & Jaipur Rs.1,39,800/-) to be recognized in the remaining years of lease period.

5. Other Advances include Rs.2,88,384/- due from certain Past Council Members owing to disallowances by the MCA, Govt. of India and presently the matter is sub-judice.

6. As at 31st March,2009 there is no amount including interest payable to Micro, Small and Medium Enterprises as defined under "The Micro, Small and Medium Enterprises Development Act, 2006 ", based on the information available with the Institute.

7. As decided by the Council, the entire liability of Rs.2,90,19,471/- on account of Revision of Pay Scales of the Employees of Head Quarters in line with the Recommendations of the 6th Pay Commission has been provided under the head Establishment in the current year. However, the payment schedule would be spread over three financial years (2008-2009, 2009-2010 and 2010-2011) and in three equal installments.

   The arrear for the year 2007-08 on account of Staff Agreement of WIRC for the period 1st April 2007 to 31st March 2011, have been paid during the current year.

8. NIRC provided depreciation on all Fixed Assets other than building (as the depreciation on the same is charged in the books of Head Quarter) on straight line method@10%.

9. Tuition and Training fees accounted by WIRC on receipt basis, except Income from Oral Coaching classes from January to June Every year. 75% of the fees received is treated as Income pertaining to current financial year and balance 25% is treated as Fees received in Advance.

10. Expenditure on ongoing Renovation Work as per following details amounting to Rs.93,65,901/- (Previous year Rs.1,01,36,912/-) has been shown as Capital Work - in - Progress.

   - Hyderabad Chapter - Rs.76,70,528/-
   - Dhanbad -Sindri Chapter - Rs. 3,91,905/-
   - Kota Chapter - Rs.13,03,468/-

11. There is foreign exchange gain of Rs.1525/- during the year on account of cancellation of Demand Draft paid towards SAFA subscription.

12. `Employees' Benevolent Fund as on 31st March, 2009 is Rs. 4,53,544/- (Previous Year Rs. 4,27,993/-) as against the investment in Fixed Deposit of Rs. 5,00,000/- (Previous Year Rs. 5,00,000/-).

13. `In terms of the decision of the 250th Council Meeting following seven chapters were dissolved :

   - Mankapur Chapter of Cost Accountants
   - Gangtok-Siliguri Chapter of Cost Accountants
   - Ramgarh Chapter of Cost Accountants
   - Kalyani Chapters of Cost Accountants
   - Farakka Chapter of Cost Accountants
   - Pennar Chapter of Cost Accountants
   - Kolar Goldfields Chapter of Cost Accountants

14. Contingent Liability on account of Suspended Employee of NIRC could not be ascertained and not provided for.

15. Balances of Current Account with RC's & Chapters (Net) amounting to Rs.20,17,672/- (Previous year 1,14,40,212/) are subject to reconciliation.

16. Figures, pertaining to Regional Councils and Chapters have been re-grouped, re-classified, wherever considered necessary to bring them in line with the Institute's financial statements.

B.M.Sharma Vice President	G.N.Venkataraman President
R. N. Pal Sr.Director (F&A)	S.M.Galande C.E.O.

Kolkata
Date : 04th September,2009.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
LIST OF NAME OF THE REGIONAL COUNCILS AND CHAPTERS CONSIDERED FOR CONSOLIDATION OF ACCOUNTS FOR THE F.Y. 2008-09

WIRC & ITS CHAPTERS

SL.NO.	NAME
1	WIRC
2	AHMEDABAD
3	AURANGABAD
4	BARODA
5	BHILAI
6	BHOPAL
7	BILASPUR
8	CHANDRAPUR
9	GOA
10	INDORE-DEWAS
11	JABALPUR
12	JHAGRAKHAND-CHIRIMIRI
13	KALYAN AMBARNATH
14	KOLHAPUR-SANGLI
15	KORBA
16	KONKAN
17	KUTCH-GANDHIDHAM
18	NAGPUR
19	NASIK-OJHAR
20	PUNE
21	RAJKOT
22	SURAT-SOUTH GUJARAT
23	VINDHYANAGAR
24	RAIPUR

SIRC & ITS CHAPTERS

SL.NO.	NAME
1	SIRC
2	BANGALORE
3	BHADRAVATI -SHIMOGA
4	COCHIN
5	COIMBATORE
6	GODAVARI
7	HYDERABAD
8	KOTHAGUDEM
9	KOTTAYAM
10	MADURAI
11	MANGALORE
12	METTUR SALEM
13	MYSORE
14	NELLAI PEARL CITY
15	NEYVELI
16	PALAKKAD
17	PONDICHERRY
18	RANIPET VELLORE
19	TIRUCHIRAPALLI
20	THRISSUR
21	TRIVANDRUM
22	UKKUNAGARAM
23	VIJAYAWADA
24	VISAKHAPATNAM

EIRC & ITS CHAPTERS

SL.NO.	NAME
1	EIRC
2	AGARTALA
3	ASANSOL
4	BOKARO STEEL CITY
5	CUTTACK-BHUBANESWAR
6	DHANBAD-SINDRI
7	DURGAPUR
8	GUWAHATI
9	HOWRAH
10	JAJPUR-KEONJHAR
11	JAMSHEDPUR
12	KHARAGPUR
13	NAIHATI-ICHAPUR
14	PATNA
15	RAJPUR
16	RANCHI
17	ROURKELA
18	SAMBALPUR
19	SERAMPORE
20	SILCHAR
21	TALCHER-ANGUL
22	SOUTH ORISSA
23	SILIGURI-GANGTOK

NIRC & ITS CHAPTERS

SL.NO.	NAME
1	NIRC
2	AJMER-BHILWARA
3	ALLAHABAD
4	CHANDIGARH-PANCHKULA
5	DEHRADUN
6	FARIDABAD
7	GHAZIABAD
8	GORAKHPUR
9	GURGAON
10	HARDWAR-RISHIKESH
11	JAIPUR
12	JALANDHAR
13	JAMMU-SRINAGAR
14	JHANSI
15	JODHPUR
16	KANPUR
17	KOTA
18	LUCKNOW
19	LUDHIANA
20	NANGAL
21	NOIDA
22	PATIALA
23	UDAIPUR