

There is no end to the adventures
that we can have if only we seek
them with our eyes open.

- Jawaharlal Nehru

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The Chartered Accountant Student

STUDENTS' NEWSLETTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

YOUR MONTHLY GUIDE TO THE CA NEWS, INFORMATION AND EVENTS.

PRESIDENT'S COMMUNICATION



Dear Students,

The monsoon marks the beginning of a new phase of life. It has a direct correlation to India's economic growth as it is the lifeblood of our agro based economy and a delay or failure can be very damaging. The impact of global warming is also clearly visible in the vagaries of the monsoon. So, we hope for a good monsoon this year.

issues of global recession. The whole world is looking at India's role in this changed international scenario. We hope that the Union Budget will provide impetus to the growth of our GDP. Our institute has already submitted pre-budget memoranda on direct and indirect taxes based on the suggestions from our members nationally & internationally. The current global economic concerns will also have bearing on the budgetary decision. For students and budding professionals, understanding the intricacies of the annual budget is a step in the right direction.

Chartered Accountancy course outside India.

I define globalization as sourcing material from where it is cheapest, talent from where it best available, producing where it is most cost-effective, and selling where the markets are – without being constrained by national boundaries.

- N R Narayana Murthy

Many foreign educational organizations are opening their centres in India. In this scenario, you will be glad to know that we are in the process of launching ICAI programme in Middle East countries. In the programme foreign nationals will also be able to undergo ICAI programme. The procedural requirements are being completed and initial difficulties are being evened out. The programme will be launched very soon.

Articleship Training

An important element of the chartered accountancy course is the rigorous training. It has been found that some of the students of Professional Competence Course are terminating their training to appear in the examinations. Under the regulations a student should undergo training for not less than 15 months, 3 months prior to the first day of the examinations. A break in training is not desirable for holistic training and development of students. Accordingly, it is being proposed that suitable amendments be made in the regulations to ensure that students are in training on the first day of the examinations.

Chartered Accountancy Examinations

Your exams are over and after all the hard work and late nights you can relax and take a break. At this time it would be a good idea to review your performance, shore up the weak areas and come back strong for next year. You can always rely on us at ICAI to provide you with the latest information to assist you in your quest for excellence.

This time, on account general elections in the country, the chartered accountancy examinations were held in the month of June instead of usual month of May. We are now working hard to bring out the results at the earliest.

The delay in last examinations has put pressures on scheduling the next examinations. It has been decided that we shall take all the pressures and schedule the forthcoming examinations in usual month of November.

Union Budget 2009

The Union Budget one step further for economic stability is the blueprint of proposed income and expenditure of the central government. It specifies, inter alia, the changes in tax structures and explains how the overall funds of the Government will be utilized within the financial year.

India, a fast developing country, is successfully tackling the

(Continued on Page 4...)



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Invitation to Contribute Articles in the Newsletter

Articles are invited from members, academicians, students and others for inclusion in the Newsletter. An article should comprise of 2000 to 4000 words. Articles written by the students are especially encouraged. Every year, the Institute selects two best articles contributed by the students in the Newsletter and Cash prize and a certificate is awarded to the winners at the Annual function of the Institute.

The articles received are reviewed by the faculty and, if found suitable, are published in the Newsletter. The authors are advised to enclose the following along with the articles:-

1. A formal & signed undertaking in the form of a letter stating that the article is original in all respects and does not infringe any copyright and has not been published elsewhere or has been sent for publication.
2. A latest passport size colour photograph (with full name and registration number written on the back of the photograph).
3. A soft copy of the article with complete communication and E- mail address.

Articles received without the details/enclosures specified above will not be considered.

All correspondence in this regard should be addressed to The Board of Studies, ICAI, A-94/4, Sector-58, Noida – 201301 with the full name, complete address and the membership/registration number if applicable.

Correspondence with regard to subscription, advertisements, contribution of articles, other written materials and non-receipt of Newsletter should be made at the above address.

MESSAGE FROM THE PRESIDENT

(Continued from page 1)



Classes for the students of Common Proficiency Test

A large number of students are registering for the Common Proficiency Test. It is important that in order to provide them with proper guidance, for the preparation of the test, the students may be required to attend compulsory coaching classes. Thus coaching classes are proposed across the country in different cities and regions to help the students to prepare well for the examinations.

Go Green Run: Running for a Greener Tomorrow

As part of our Green initiative, the "Planet Alert" campaign has been taken up by the Institute in the Diamond Jubilee Year. We successfully organized a Radiothon on World Environment Day (June 5, 2009). This event was broadcast across 45 cities in India in which a number of celebrities aired their concern about global warming, followed by interviews, skits, activation drives and awareness messages. To increase awareness of climate change we have scheduled the "Go Green Run" for the 5th July, 2009 in Agra, on the concluding day of the ICAI Diamond Jubilee International Conference. Participating, contributing and uniting for a greener tomorrow are of prime importance for us and I personally invite you to participate and run for a better tomorrow.

Women Steering Group: A Major Step towards Women Empowerment

"...there is no tool for development more effective than the empowerment of women."

- Kofi Annan

To achieve the goal of empowering women, ICAI has established a Women's Steering Group which aims to define better roles for women CAs. This Group will focus on building women's capacity and position them as competent, capable & collaborative partners in all facets of professional and allied activities. To strengthen and broaden the role of the forum, we are organizing a Women's Conference on 'Women- Taking the Lead' on 29th June in Delhi.

Sharpen Your Skills

It is very important for you, as students, to mould your career the right way. In the professional world, a pleasing personality and strong communication skills are keys to success. To understand the dynamics and nuances of communication we have prepared a compact three month residential program on General Management, Personality Development and Communication Skills. The next batch of this program is scheduled from **July 06, 2009**. This program is being organized in collaboration with the **National Institute of Financial Management, Faridabad** for 12 weeks.

Online CPT Examination: A Success

The students interested in pursuing chartered accountancy course have option to appear either online or by normal methods. ICAI has decided to hold online CPT exams 10 times a year in addition to the normal mode of exams in the months of June and December. The online CPT exams have been

introduced to speedup the process and bring objectivity in the system. It would make the examination process transparent and efficient. Experts consider it an improvement over the conventional system, where the emphasis is more on memorizing rather than understanding concepts. We are pleased to have received an overwhelmingly positive feedback in response to this initiative.

National Conventions/Conferences for Students: An Endeavour for Professional Growth

The most important aspects of seminars are to share your findings, experiences and insights with others and thereby updating yourself. The Board of Studies is organizing One Day Seminar/Regional/ Sub-regional/State Level Conference and Joint Seminars with Universities throughout the country. In near future programmes are being organized in Vadodara, Nagpur, Indore, Ernakulum, Bhubaneswar and Kolkata. More programmes shall follow. Students should make it a point to attend the forthcoming seminars and conferences.

Convocation Ceremony

To confer chartered Accountancy certificates on the newly passed Chartered Accountants, the process of the Convocation ceremony has been initiated. Awarding certificates in a formal manner in a programme is bringing a sense of pride and belongingness in our new members. For the northern region the programme was held in Delhi and similarly for Western region the programme was held in Mumbai. The response from the student community has been encouraging & they have appreciated this initiative. Convocation Ceremonies for other Regions are also being scheduled.

Accountancy Museum of India: A Precious Treasure for ICAI

A museum stands as an extraordinary source of original records which delineate the landmarks of the history of development and progress. In the same spirit, our institute has founded a Museum of Accountancy in its office located at C-1, Sector 1, Noida. This museum is unique as it encompasses the history of the accountancy profession in India from the earliest to the present day. The Government of India has also appreciated our efforts and approved the name of the museum as **Accountancy Museum of India**. You should make it a point to visit the Museum, which would provide you an insight into the past and present of accountancy profession and take you closer to the rich heritage and tradition of the Institute of which you are also an integral part. We are also planning to have a similar museum in Mumbai.

I extend my best wishes to all of you for a wonderful time ahead.

CA. Uttam Prakash Agarwal





THINK BIG, FAST & AHEAD

Abhishek Jaju



“THINK BIG, THINK FAST, THINK AHEAD

- Ideas are no one's monopoly”

– Late Dhirubhai Ambani

Late Dhirubhai Ambani, who excelled remarkably in his life has become a role model for today's generation. This success mantra pushes the brain to think, imagine and conquer our dreams. This also reminds me of the Shloka (hymn) “Asato Maa Sadgamay, Tamso Maa Jyotirgamay, Mrityor Maa Amrutamgamay”, and I think that both these powerful mantras can be correlated.

“THINK BIG” is all about one's world view. We need to expand our vision and horizon to look at the situations and circumstances, expand our life, our reference points so as to encompass the universe. Swami Vivekananda had rightly remarked that expansion is life And if we develop and cultivate our vision, God will help us to be on the right track- “Sadgamay”. When we ourselves develop a larger view towards life; positive attitude, perseverance, self confidence and many such attributes that take us towards success come very naturally to us. It is your life, make it large! Please understand – sky is the limit.

“THINK FAST” exerts pressure on mind. There is a flow of adrenalin – the only thing is to maintain this adrenalin gushing through the body. Mistakes are made by everybody and one cannot be expected to be devoid of this trait. Over cautiousness may sometimes lead to inactivity which is

probably much more harmful. The only caution is that the same mistakes should not be repeated. We should try to learn from others' mistakes too. There should be a fast flow of thought- about the cause, root of the mistakes and its repercussions. So thinking fast on these fronts would lead to enlightenment – “Jyotirgamay”– from darkness to light. While studying,, doing office and other miscellaneous work, understanding the basic knitty-gritty of the processes involved and their logic, would help us perform in a more meaningful manner.

“THINK AHEAD” immediately flashes a picture of long term and innovative planning. The ability to plan the future makes all the difference. This can be understood from the biographies of eminent achievers / personalities. The mind needs to be mastered and cultivated for achieving big goals. The future belong to us, and we all want to plan a bright future for ourselves. Therefore set up a Vision and mission and try to work sincerely towards these.. That would probably lead us to the sweet nectar of life – “Amrutam Gamay” – from mortality to life.

Enjoy the life and cherish every moment. Keep revising the vision in order to make it relevant and meaningful.

The author is a student of ICAI. Registration No. WRO 0193968



CA. Praveen Sharda

AUDIT COMMITTEE



Ms. Vini Sharda



Introduction

In recent past, the western world witnessed some high profile corporate scandals (Enron/ Tyco/ World Com/ Parmalet) leading to catastrophic collapse of investors' confidence. In India, hundreds of companies vanished after taking gullible

investors for a ride. Minority shareholders had been mutely witnessing the wrong doings. The unfolding of events suggested gross violation of corporate governance norms and break down of checks and balances resulting in financial failures, frauds and questionable business practices.

This prompted the governments world over to device ways and means to enhance corporate governance practices to safeguard the interest of investors and instil confidence in the management of the company. Prominent among the measures was the enactment of Sarbanes Oxley Act of 2002 in the USA. From time to time, various committees were set up to study and recommend measures to deepen the level of transparency in operations and dissemination of information to investors in a timely and truthful manner. This has brought about fundamental change in virtually every area of corporate governance.

One such effort in the direction of corporate governance is the setting up of the Audit Committee of the Board (BOD) and assigning to it the supervisory role which until this time was being performed by the executive directors. This has resulted in switching-over of the key audit relationship from executive directors to an independent Audit Committee. There has been complete segregation of the stewardship and the supervisory functions of the executive and independent directors. All this has put an end to the conflict of interest.

The primary task of the Audit Committee is to oversee the work carried out in the financial reporting process by the management, the internal auditors and the statutory auditors, and the efficaciousness of the processes and safeguards employed by each of them. The key objective of the Audit Committee is to exercise "strong vigilance" over financial reporting process so as to ensure accurate reporting of the financial outcome of the company's business activities.

The Law

Regulation 77 of Table A of the Companies Act, 1956 provides for committees of directors. The board of directors is not entitled to delegate its powers to a committee unless the articles so provide. Most articles provide for authority to board of directors to delegate its powers to committees. However, there are certain powers which cannot be delegated to any committee of directors and must be exercised only by the board (e.g. adoption of final accounts).

Section 292A of the Companies Act, 1956 [inserted by the Companies (Amendment) Act, 2000, w.e.f. 13-12-2000] requires a public company with a paid-up capital of Rs. 5 crores or more to constitute an Audit Committee of the Board. A listed company, which has set up the Audit Committee pursuant to section 292A, must also comply with the provisions of Clause 49 of the Listing Agreement with stock exchanges. Clause 49 has been amended from time to time to completely and elaborately equip Audit Committee in carrying out its function diligently. [The latest amendments in Clause 49 were made effective from 1-1-2006].

Those companies, which are listed on foreign bourses, must also adhere to the law of the land where their securities are listed. The law in USA (Sarbanes Oxley Act) and Europe (Euro shareholders Corporate Governance Guidelines, 2000) is more stringent, and indeed go beyond the provisions of section 292A and Clause 49 of the Listing Agreement.

The Role of Audit Committee

Audit Committee is essentially a part of the good corporate governance practice and an important organ of the BOD. It serves as a link between –

- (a) the Board and the functional management,
- (b) the Board and the statutory and the internal auditors, and
- (c) the functional management and the statutory and the internal auditors on all aspects covering financial reporting.

The work of the Audit Committee is to supplement the work of the board. The duties and responsibilities of a member of the Audit Committee are in addition to those applicable to a member of the BOD. Therefore, a member of the Audit Committee must be willing to devote a substantial amount of time and energy to the responsibilities of the committee. The main motive is to enhance the quality of Board decisions by providing it with vital inputs.

Selection Criteria

Clause 49(II)(A) of the Listing Agreement lays stress on a qualified and independent Audit Committee. The members of the Audit Committee are supposed to be knowledgeable and dedicated professionals with background in commerce, finance, administration and governance. Clause 49(II)(A)(ii) clearly stipulates that all members of Audit Committee should be financially literate and at least one of them should have accounting or related financial management expertise. Financially literate means the ability to read and understand general purpose financial statements, i.e. the balance sheet, the income statement and the cash-flow statement. A member who has requisite experience and background in finance or accounting, or possesses a requisite professional qualification in accounting is considered to have accounting or related financial management expertise.

Chairman of Audit Committee

The Audit Committee is headed by a chairman. He is to be elected by the members from amongst themselves. The BOD may elect one of the members as the chairman of the Audit committee. Under the terms of the Listing Agreement, only an independent director can be nominated or elected as the chairman of the Audit Committee.

Independent Director

Listing rule provides that at least two-thirds of the members of the Audit Committee should comprise of independent directors. Section 292A requires that two-thirds of the Audit Committee is made up of directors other than managing and whole-time directors. Even though section 292A does not carry the phrase independent director, the two provisions seem to be compatible.

The term 'Independent director' has not been defined in the Companies Act, 1956. Clause 49(I)(A)(iii) of the listing agreement spells out in detail the features of an independent director.

According to the listing rule an independent director is one:

- (a) Who apart from receiving director's remuneration in the form of sitting fees and commission on profits, does not have any other material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or any of its affiliates which in the judgment of the BOD may affect the independence of the director.

It must be noted that nominee directors appointed by public financial institutions and nationalized banks who have invested in or lent money to the company are deemed to be independent directors.

Frequency of Meetings

Clause 49(II)(B) of the Listing Agreement requires the Audit Committee to meet at least four times in a year and the time gap between two meetings should not be more than four months. The BOD in consultation with the committee chairman may determine the frequency and duration of the committee meetings.

Quorum for Meetings

The quorum for meetings is either two members or one-third of the members of the committee, whichever is higher, but there shall be a minimum of two independent directors present.



Invitees to the Meeting

The Audit Committee meetings are usually attended by the managing director and executive director (finance). In fact, the CEO and CFO are permanent invitees to the Audit Committee meetings. Other invitees are the functional managers, the representatives of the statutory auditors and internal auditors. The representative of cost auditors is invited to meetings of the Audit Committee whenever matters relating to cost audit are considered. The committee has power to secure the attendance of any company personnel and to seek any information from any employee.

The Audit Committee may also meet without the presence of any of the executives of the company. It may hold separate meetings with statutory auditors and internal auditors without the presence of CEO and CFO.

Minutes of the meeting

The committee is required to maintain written minutes of its meetings. These minutes are circulated and discussed at the full board meeting.

Audit Committee Charter

Audit Committee is the subordinate body of the board. Accordingly, it must act in accordance with the terms of reference (scope) specified by the board. Section 292A (2) and Clause 49 of the Listing Agreement making it mandatory for companies to adopt an appropriate Audit Committee Charter. The charter lists the objectives, powers and duties (terms of reference) of the Audit Committee and includes matters specified in sections 292A(6) & (7) and Clauses 49(II)(D) & (E) of the Listing Agreement. The terms of reference of the Audit Committee determines its responsibilities and must be specified in writing by the BOD.

Audit Committee's Responsibility

The management is responsible for the company's internal control and financial reporting process while the statutory auditors are responsible for performing independent audits of the company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits.

The primary objective of the audit committee is to monitor and provide effective supervision of company's financial reporting process and information dissemination. This is to ensure transparency, integrity and quality of financial reporting and make certain that financial statements are true, fair, sufficient and credible.

In fulfilling its primary responsibility, the committee oversees the work carried out in the financial reporting process by the management, the internal auditors and the statutory auditors. It takes note of the processes and safeguards employed by them.

There are some other responsibilities of the Audit Committee which are incidental and ancillary to the above objective. These too have been mentioned in the article.

Powers

The audit committee derives its powers from the board. Clause 49(II) (C) of the listing agreement lists the powers of the Audit Committee. The role of the audit committee is only to review and/or investigate matters within its terms of reference. It cannot take any *suo motu* action. It must forward its findings and recommendations to the board. It helps the Board to make decisions that are independent of the management.

The committee is empowered to institute special investigations of the matters within its scope of responsibility or that referred to it by the BOD.

Audit Committee and the Management

The Audit Committee has power to call upon the members of the management to attend its meeting. The operations heads are invited to the meeting as required. The committee discusses with them their response to audit findings and recommendations and calls for pertinent information on matters connected with the financial reporting.

It reviews with the management the interim and the annual financial statements before submitting to the BOD for approval, laying particular emphasis on Financial, Accounting aspects and other Compliance Procedures and also qualifications in the draft Audit Report etc.

It also reviews with management the annual financial statements of the subsidiary/ associate companies.

Audit Committee and the Internal Auditors

Companies often have an in-house internal audit department. Very often an external agency is appointed as internal auditors of the company.

The Audit Committee is required to review the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the officials heading the departments, reporting structure, coverage and frequency of internal audit.

The Audit Committee is mandatorily required to review the appointment, removal and terms of remuneration of the Chief Internal Auditor and forward its recommendations to the BOD.

Audit Committee and the Statutory Auditors



The law has bestowed upon the Audit Committee the ultimate authority and responsibility to recommend to the BOD the appointment, reappointment and the replacement or removal of the statutory auditors and fixation of the audit fees. The Audit Committee evaluates the quality of the audit work and approach and

accordingly formulates its recommendations to the BOD. It acts as a channel of communication between the statutory auditor and the BOD.

The Audit Committee holds discussions with the statutory auditors on the overall scope and plans for independent audit and their audit methodology.

The Audit Committee oversees the work of the statutory auditors to ensure co-ordination of audit efforts and resolving disagreements between the management and the statutory auditors on matters affecting financial reporting. It reviews management letters/ letters of internal control weaknesses issued by the statutory auditors.

Statutory Auditors and their Independence

Statutory auditors are often called upon to render professional services other than those provided to the company in connection with an audit or a review of financial statements of the company. The Audit Committee is required to pre-approve all non-auditing services to be provided by the statutory auditors to the company and remuneration payable to them for such other services. This is to ensure the objectivity and independence of the statutory auditors. For this, the committee actively engages in dialogue with the statutory auditors with respect to any disclosed relationships or services that may impact their objectivity and independence. If the Audit Committee is of the opinion that the statutory auditors' objectivity and independence has been jeopardized, it must put the matter before the BOD for appropriate action to ensure their independence.

Related Party Transactions

This is one of the important areas of concern for the Audit Committee. The Accounting Standard 18, Related Party Transactions, defines the term "related party transactions". Clause 49(IV)(A) of the Listing Agreement requires the

management to place before the Audit Committee a statement in summary form of transactions with related parties.

In some companies, the Audit Committee is required to pre-approve all related party transactions. In that case, it may designate one of its members (or set-up a sub-committee) who shall be responsible for pre-approving related party transaction.

Other Responsibilities

These include:

1. Reviewing with the management the quarterly financial statements before submission to the BOD for approval.
2. Reviewing the financial statements and, in particular, the investments made by the unlisted subsidiary company.
3. Ensuring compliance with the requirements of regulatory authorities like SEBI or SBI.
4. Reviewing with legal counsel any legal matters that could have significant impact on the company's financial statements.
5. Putting in place a risk management framework (policy and control mechanism) and overseeing and reviewing its efficacy.
6. Reviewing the utilization/ application of funds raised through public issues, rights issues, preferential issues for purposes stated in the offer document/ prospectus/ notice.
7. Reviewing the company's financial and investment policies.
8. Looking into controls and security of the company's critical IT applications.
9. Reviewing the Annexure and Proforma of the Cost Audit Reports before submission to the BOD for approval.
10. Looking into the reasons for substantial defaults, if any, in the payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
11. Prescribing code of conduct for all senior management of the company and reviewing and monitoring its compliance.
12. Investigating deviations from the Code of Business Principles.
13. Reviewing the functioning of whistle blower mechanism.
14. Investigating matters referred to it by the BOD
15. Reviewing its own charter, structure, processes and membership requirements.

CONCLUSION

Is Audit Committee of the Board fully independent and has full discretion in carrying out its responsibilities? The legislation asserts this in clear terms. However, the presumption seems to be false. It is the promoters of the company who choose and get independent directors elected. As a matter of fact, promoters of family-run business house wield greater influence over committee members and apply pressure on them to change track. It is said that in spite of legislative intent, Audit Committee independence "is not set in stone". All said, there is no denying the fact that this measure of "good house-keeping" has brought about the desired transformation in the quality of financial reporting. It is the directors who must exert their independence while carrying out their fiduciary duties.

ISLAMIC SHARE INDICES

S. Aravanan



An emerging area in the sphere of equity investment is Islamic investment. Islamic investment refers to the investment that is carried out in ways which does not conflict, with the principles of Islam. Demand among the world's 1.5 billion Muslims representing a sizeable

24% of total world population of 6.3 billion, for financial services that comply with their faith is surging day by day. Islamic finance which is estimated to be worth \$800 billion is growing at a rapid pace of 15% to 20% per annum globally fuelled by the oil-related boom in the Middle East and appetite among western institutions to invest in Shariah-compliant products. These developments paved the way for the emergence of Islamic share indices known as Shariah-compliant indices. Shariah compliant indices refer to the indices constructed comprising of companies that comply with the laws of Koran.

Shariah, the canonical law of the followers of Islam, has strictures regarding finance and commercial activities permitted for believers. Shariah allows investment in equity shares but only in equity shares of Shariah-compliant companies. Excluded are companies that indulge in activities prohibited by Shariah such as lending, gambling or the production of alcohol, tobacco, weaponry, pornography, entertainment, pork-related products, financial services, conventional insurance, manufacture or sale of non-halal products, stock broking or share trading in non-Shariah approved securities, advertising and media and trading of gold and silver in certain forms. Shariah compliance screening is not only sector based as mentioned above but also accounting based. Certain financial ratios of companies may be non-compliant.

Realising fully the significance of Islamic finance, the rating agencies and the index constructing bodies have risen to the occasion and have started the construction and launching of Islamic share indices. Details of such indices are highlighted below:

The concept of stock indices compliant with the beliefs of Islam is not new. The first Shariah-compliant indices from a

major index provider were launched by Dow Jones Indexes in 1999 and FTSE followed suit with its own family in 2000. After that there was stagnation. But now the momentum has picked up.

Dow Jones Islamic Market Indices:

These indices which represent the United States based Dow Jones Global Indexes (DJGI) family were created for people who wish to invest according to Islamic Investment Guidelines. These indices track securities approved by the Shariah Supervisory Board of Dow Jones, comprising of scholars from around the world and providing Islamic investors with a comprehensive tools based on a truly investing perspective. Dow Jones family was the first index provider to create an Islamic Index family which now includes more than 10 indexes. Launched in 1999 the Dow Jones Islamic Market (DJIM) Indexes combine Islamic investment principles with Dow Jones Indexes, objective, transparent and rules based methodology. The indices include stocks from 34 countries and cover 10 economic sectors, 18 market sectors, 40 industry groups and 70 sub-groups. Currently, the Dow Jones Islamic Market family of indices consist of the Dow Jones Islamic Market Index, the Dow Jones Islamic market U.S. Index, the Dow Jones Islamic Market Technology Index, the Dow Jones Islamic Market Extra Liquid Index, the Dow Jones Islamic Market Canadian Index, the Dow Jones Islamic Market U.K. Index, the Dow Jones Islamic Market Europe Index and the Dow Jones Islamic Market Asia Pacific Index and Dow Jones Islamic Market India Index. In 2006 the index family expanded to include the DJIM Sustainability Index, which combines Islamic investing principles with sustainability criteria; Dow Jones citi group Sukak Index, the first index to track Islamic bonds and DJIM BRIC Equal Weighted Index which tracks Shariah complaint stocks in BRIC (Brazil, Russia, India and China) countries. Islamic blue-chip indexes for Sri Lanka, Dubai, China and Hong-Kong were launched in the early 2007.

To become eligible for inclusion in the DJIM Index each United States Company must undergo three screening filters:

- Its primary business must be halal (Shariah compliant). Therefore companies engaged in gambling, alcohol, ornaments, tobacco, pornography or pork are excluded.
- The company must meet specific financial constraints:

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-Its debt ratio must not exceed 33%

- Accounts receivables to total assets must remain below 45%
- Interest income should represent less than 5% of total revenue.

- Finally companies are continuously monitored according to these criteria. Wherever a company exceeds these limits it is removed from the index and replaced by another.

In December 2007, Dow Jones Indexes have won in the “Best Islamic Index Provider” category of the inaugural Master of Islamic Finance Awards by Terrapin Ltd. The award recognizes the wide market acceptance of the DJIM Index Series and Dow Jones Indexes’ leadership and commitment to providing benchmarks for Shariah – compliant shares and bonds.

Dow Jones Islamic Market India Index:

Dow Jones launched in December 2007 Dow Jones Islamic Market (DJIM) India Index. The new index will measure the performance of shares traded on the BSE that pass screens for Shariah compliance. The Index universe for the DJIM India will include all stocks in the Dow Jones Wilshire India Index. To be included in the Index, stocks must pass industry and financial ratio screens for Shariah compliance. The top five components by float-adjusted market capitalization are Reliance Industries, Larsen & Toubro, Infosys Technologies, Bharti Airtel and Reliance Communications. The index is subject to quarterly review – March, June, September and December.

FTSE Global Islamic Index Series:

FTSE Group is a World Leader in the creation and management of over 1, 00,000 equity, bond and hedge fund indices. FTSE is an independent company owned by the Financial Times and London Stock Exchange. The FTSE Global Islamic Index Series (GIIS) are equity bench-mark indices designed to track the performance of leading publicly traded companies whose activities are consistent with Islamic Shariah Law. It is an indicator of the performance of global stocks that are available to an Islamic investor. On February 9, 2006 FTSE announced a co-operation agreement to work with Yasaar Research Inc. to extend FTSE’s Shariah Compliant product range. Yasaar’s panel of high profile Shariah scholars has extensive market expertise in all the World’s major financial centres. FTSE Group are currently working with Yasaar Research Inc. to review the methodology and screening process of the FTSE Global Islamic Index Series. Other Shariah-Compliant FTSE indices include the FTSE SGX Shariah Index Series and the FTSE DIFX Shariah Index Series as well as the FTSE Bursa Malaysia Index Series which were launched in August 2006.

FTSE SGX Shariah Index Series:

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FTSE SGX Asia Shariah 100 Index is the first index of the series and is also Asia’s first Shariah-compliant index. It is designed to represent the performance of Shariah-compliant companies from the following Asia Pacific markets: Japan, Singapore, Taiwan, Korea and Hong Kong. Some companies included in the index are: Toyota Motor, NTT DoCoMo, Samsung Electronics and China Mobile. The index is calculated in real-time, published in US Dollars and is expected to be used as the basis of index-linked funds, Exchange Traded Funds (ETFs) and over the counter products.

FTSE Bursa Malaysia Hijrah Shariah Index:

FTSE Group and Bursa Malaysia Berhad (Bursa Malaysia) on May 21, 2007 launched the FTSE Bursa Malaysia Hijrah Index, a tradable Shariah-Compliant index covering the Malaysian equity market. The new index is expected to attract a pool of global investors and can be structured to be used for Shariah-Compliant investment products such as Exchange Traded Funds. Bursa Malaysia is positioning itself as a destination for the global Islamic investment dollars with the launch of this new tradable index. This index is crucial in enhancing Malaysia’s potential to become a world leading Islamic financial hub. FTSE Group’s globally recognized methodology standards are employed in this new Shariah index, with the stringent screening criteria of the Malaysia Securities Commission’s Shariah Advisory Council (SAC) and Yasaar Ltd., the leading global Shariah Consultancy. This highly collaborative screening process makes the index a highly investable, liquid, and transparent index for international investors. The index comprises 30 constituents including state-controlled telecoms firms Telekom Malaysia Bhd and shipper MISC Bhd, the World’s largest carrier of liquified natural gas.

Standard and Poor’s Shariah Indices

Standard & Poor (S&P), a division of the McGraw-Hill Companies, is the world’s foremost provider of financial market intelligence. Standard & Poor’s Index Services, the world’s leading index provider, maintains a wide variety of investable and benchmark indices to meet an array of investor needs. S&P launched in December 2006 three benchmark indices designed to track the health of companies that are Shariah compliant. They are: S&P 500 Shariah Index, S&P Europe 350 Index and the S&P Japan 500 Index. These indices will provide Islamic investors and the institutions that serve them with a rigorous and consistent set of international benchmarks to help them gauge the state of the market in this growing area. Of the 500 companies in the S&P 500 Index, 295 companies are deemed to be Shariah-compliant, while 139 companies are Shariah-compliant in the S&P Europe 350 Index and 286 companies are Shariah-compliant in the S&P Japan 500 Index. These indices, the S&P said, were prompted by demand from investors from both the Western and the Muslim World.

Standard & Poor's Shariah-Compliant Indices for the Gulf Co-operation Council (GCC):

S&P has launched on April 24, 2007 six Gulf Stock indices known as the S&P GCC Shariah Series. This series included: S&P Saudi Shariah Index, S&P Bahrain Shariah Index, S&P Kuwait Shariah Index, S&P Oman Shariah Index, S&P Qatar Shariah Index and S&P United Arab Emirates Shariah Index. These indices have been designed to capture the largest and most liquid stocks across the GCC and thus would pave the way for the creation of mutual funds, ETFs and structured products that will enhance liquidity and improve risk management across the Gulf's highly concentrated equity markets. All index constituents are evaluated on an ongoing basis to ensure the indices maintain strict Shariah compliance.

Standard and Poor's BRIC Shariah Index:

Catering to the requirements of Islamic investors around the World, S&P on May 22, 2007 launched the S&P BRIC Shariah Index comprising stocks compliant with Shariah law from the four emerging markets viz. Brazil, Russia, India and China. The index is designed to capture the largest and most liquid stocks from the BRIC countries and that currently trade on developed market exchanges – specifically the Hong Kong Stock Exchange, London Stock Exchange, Nasdaq and New York Stock Exchange. To be eligible for inclusion in the Index, companies must first be constituents of the S&P/IFCI Index for BRIC countries. The Index has 30 companies from the four countries. In the 30, Russia has 10 companies followed by China with 9 companies, Brazil with 6 companies and India with 5 companies. The five Indian companies included in the Index are: Reliance Industries Ltd., WIPRO, Infosys Technologies, Satyam Computers and Tata Motors. In terms of sectoral break up, energy represents 61% in the port-olio, telecom 15.59%, Information Technology 8%, materials 5.91%, industrials 3.68% and others 5.82%.

S&P Pan Asia Shariah Index:

Standard & Poor's has launched a fully investable S&P Pan Asia Shariah Index as an addition to the S&P Global Shariah Index Series. This Index has been launched with 71 companies. Information Technology companies represent approximately 35% of the Index, followed by Telecom services (17%) and energy (15%). The index includes 11 Indian companies all of which are index heavy weights. Indian companies in the index include Bharat Heavy Electricals Ltd., Bharti Televentures Ltd., Infosys Technologies and Reliance Industries among others. The number of stocks for Shariah screening purposes, has been limited to the top 15 from each country that have a market capitalization of at least \$1 billion.

MSCI (Morgan Stanley Capital International) Barra Global Islamic Indices Family:

MSCI Barra, a leading global provider of benchmark indices

and risk management products launched in July 2007 a global family of Islamic indices designed to reflect Shariah investment principles while retaining its capability for replication for international investors. These indices cover over 50 developed and emerging countries and over 50 regions such as the Gulf Co-operation council countries and Arabian markets. An independent Shariah Board, the Shariah Supervisory Committee of Dar Al Istithmar Ltd. has granted a Fatwa on the MSCI Islamic Index Series Methodology, concluding that the methodology is in compliance with generally accepted Shariah guidelines. According to the MSCI Islamic Index Series Methodology, the MSCI country indices are screened against a series of business activities and financial ratios and a dividend adjustment factor is applied. The MSCI Global Islamic Indices are derived from the applicable MSCI country indices. MSCI Barra was voted 'Index Provider of the Year' at the 2007 Global Pensions Magazine Awards.

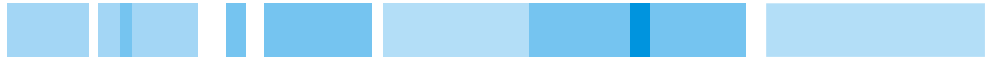
Parsoli Islamic Equity Index (PIE):

Parsoli Corporation is one of the two brokerages that offer formal Shariah-compliant services in India. It has launched the Parsoli Islamic Equity Index which is an Islamic equity benchmark index and includes 41 stocks from the top 100 companies listed on the exchanges. The PIE Index excludes any stock whose company's primary business is impermissible according to Shariah's Law. This Index provides a standard for measuring stock market performance for Islamic investors on Indian shares in accordance with established index methodology and the Islamic investment guidelines established by the index's Shariah Supervisory Board. The PIE Index universe is selected from the pool of shares forming part of BSE Sensex and the NSE Nifty Indices. The Index components are selected by filtering the index universe through screen for business activities and financial ratios to ensure that only shares that is suitable for Islamic investment purposes are included. For instance the following companies are excluded:

- (i) If total debt divided by trailing 12 month average market capitalization is greater than or equal to 33%.
- (ii) If accounts receivables divided by Total Assets is greater than or equal to 45%. (Total debt includes short term debt, current portion of long term debt and long term debt. Account receivables include current receivables and long term receivables).

Islamic investors around the world have become financially highly sophisticated. Over the last one or two years or so there have been a marked increase in investments in shares from Muslims worldwide. They have a greater desire to invest in compliance with Islamic Law. Launching of globally accepted benchmarks like the share indices would foster the development of Shariah-related equity investing around the world.









Vice President, ICAI.



CASE LAWS

CA. Shefali Jain



Rule 2(a) and 2(k) of CENVAT Credit Rules, 2004

1. Whether CENVAT credit is admissible on plastic crates as inputs/capital goods?

Banco Products (India) Ltd. v. CCE., Vadodara-I 2009 (235) ELT 636 (Tri-LB)

The appellant was using plastic crates as a material handling device within their factory premises. Such plastic crates were used for internal transportation of the raw material from stores to processing machine, semi-finished from one machine to other machine and finished goods their storage area. The appellant contended that the plastic crates were eligible capital goods for the purposes for the purposes of CENVAT credit and alternatively as input.

The Tribunal first analyzed the definition of “accessories to the main machine” in order to decide whether plastic crates got covered in the definition of the capital goods as per rule 2(b) of the Cenvat Credit Rules, 2002 [now rule 2(a)(A)(iii) of CENVAT Credit Rules, 2004]. After meticulous consideration of various relevant judgments, the Tribunal observed that the only criteria for an object to be held as an accessory is that that a particular item should be capable of being used with a machine and should advance the effectiveness of working of that machine.

The plastic crates in question were used for transportation of the raw material to the processing machine and all the finished goods from the machine to storage area. If instead of using plastic crates, manual transportation of the inputs or semi-finished goods had been opted for, practically, it would have hampered the continuous working of the machine on account of delays in the delivery of the raw material/semi-finished goods etc. Hence, viewed and judged in the light of the interpretation of the term “accessory” by various Courts, the Tribunal concluded that the plastic crates could be held as accessory. Hence, plastic crates would be eligible for CENVAT credit as capital goods.

While dealing with the expression “in the manufacture of the goods” in the definition of inputs under erstwhile rule 2(g) of CENVAT Credit Rules, 2002 [now rule 2(k) of CENVAT Credit Rules, 2004], the Apex Court in the case of Collr. of C.E. v. M/s. Rajasthan State Chemical Works 1991 (55) E.L.T. 444 had observed that the said expression encompassed all processes which were directly related to the actual production. The process of handling/lifting/pumping/transfer/transportation of the raw material was also a process in or in relation to manufacture, if integrally connected with further operation leading to manufacture of the goods.

By applying the ratio as enacted by the Supreme Court to the issue in dispute, the Tribunal held that process started with the issuance of the inputs from the stores and their further

transportation to the production platform was only a part of the process of manufacture integrally related to the final production. In absence of the delivery of the raw material to the manufacturing platform, the process could not start. Such delivery of the goods included transportation of the goods by plastic crates. Similarly, finished products were required to be stored in a bonded store room. The plastic crates were again used for such transportation. Hence, the Tribunal opined that the plastic crates would also be eligible for CENVAT credit as input.

In the light of aforesaid discussion, the large bench of the Tribunal held that CENVAT credit was admissible on the plastic crates used as material handling equipment in the factory premises as capital goods as also as input.

Section 11AB of the Central Excise Act, 1944

2. Is the interest under section 11AB of Central Excise Act, 1944 recoverable when differential duty is paid on account of price escalation?

CCE. & C.v. Chloritech Industries 2009 (235) E.L.T. 17 (Guj.)

The High Court held that interest under section 11AB of Central Excise Act, 1944 was not recoverable when differential duty was paid on account of price variation. In this case, at the time of undertaking the transaction, the additional price was not fixed. Hence, the liability of buyer to pay additional amount was not known to buyer himself. The Gujarat High Court observed that mere existence of an escalation clause in contract between parties could not bring the subsequent escalation within the meaning of definition for purposes of levying interest.

The High Court further provided that if neither side to transaction was aware as to the amount which was to be charged and which was to be paid under the escalation clause on the date when the transaction was entered into, no liability to pay interest could arise under the provisions of section 11AB. Section 11AB of the Act itself says that interest is to be paid on the amount short paid from the first date of the month succeeding the month in which the duty ought to have been paid under the Act.

Section 104 of Customs Act, 1962

3. Can Custom Authorities take the petitioner into custody for custodial interrogation?

Arun Kumar Gupta v. DRI, Delhi 2009 (235) E.L.T. 457 (Del.)

The High Court held that there was no question of any custodial interrogation since in case of detention; the petitioner had to be sent to judicial remand. The Custom Authorities unlike the police authorities could not take the petitioner into custody for custodial interrogation.

The contributor is Sr.Executive Officer (Faculty), ICAI.
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Advance Ruling

4. Can a writ petition be invoked against advance rulings?

UAE Exchange Centre Ltd. v. UOI 2009 (236) E.L.T. 223 (Del.)

The Delhi High Court held that the ruling by Advance Rulings Authority is binding on applicant, transaction on which ruling sought and the departmental officers concerned. It does not exclude the jurisdiction of the Courts either expressly or by implication. There is no provision which gives finality to the decision of the Authority. The Court viewed that the Courts would have jurisdiction to entertain actions under Article 226 of the Constitution (writ petition) impugning the ruling given by the Authority.

Section 2(f) of the Central Excise Act, 1944

5. Does the addition of stabilizing agent, masking agent etc. amount to manufacture within the meaning of section 2(f) of Central Excise Act, 1944?

CCE v. Karam Chand 2009 (236) E.L.T. 647 (H.P.)

The respondent was engaged in the manufacture of liquid mosquito's destroyer. It used to obtain concentrated alletherin and convert it into diluted alletherin by adding solvent deodorized kerosene oil, perfume (as a masking agent) and DHT (as a stabilising agent). The question which came for the consideration before the High Court was whether the addition of stabilizing agent, masking agent etc. amounted to manufacture within the meaning of section 2(f) of Central Excise Act, 1944

The High Court held that mere processing of the goods was not manufacture and to fall within the definition of manufacture a new substance should be formed. In the present case, no new substance was formed and only a diluted form of original substance was packaged under a different brand name. Alletherin in its concentrated form was an insecticide. The final product manufactured by the respondent was a diluted form of insecticide-alletherin which would only kill small insects like mosquitoes. Hence, only the potency of the insecticide was being reduced. Therefore, it could not be termed to be manufacture.

Assembling and installing

6. Whether the assessee was required to pay duty on the activity of assembling and installing furniture at its customers' premises out of the components of Office Furniture System/Work Stations (OFS/WS) purchased from the supplier?

CCE v. Blow Plast Ltd. 2009 (236) E.L.T. 631 (Del.)

The question under consideration was whether assembling and installing furniture at customer's premises out of components of Office Furniture System/Work Stations (OFS/WS) purchased from supplier (K&C) amounted to manufacture.

The Tribunal arrived at the conclusion that since K&C had cleared the complete set of elements required for the work station in a knocked down condition, it could not be said that K&C had manufactured the parts and not the complete system.

The High Court held that the same product as known to the trade could not be manufactured twice over. Consequently, nothing new had come into existence so as to bring the activities of the assessee within the parameters specified in

section 2(f) of the Central Excise Act, 1944. What the assessee received was complete OFS/WS and what it left on its clients' sites was also complete OFS/WS. Nothing new had come into existence. Hence, no duty was payable by the assessee.

7. Where the importer clears the imported goods on the basis of classification which was upheld by Commissioner of Customs (A), is the seizure of such goods and collecting any amount in excess of what is assessed by the custom authorities justified?

Vodafone Essar South Ltd. v. UOI 2009 (237) E.L.T. 35 (Bom.)

The Commissioner of Customs (Appeals) in petitioner's own case, on 25-3-2008, had held that OFC imported by petitioners were classifiable under Heading 85.44 of Central Excise Tariff, 1985. The Revenue filed an appeal before CESTAT against the said order claiming the classification of the goods under Heading 90.01. However, on 18-12-2008, the customs authorities (DRI officers) threatened the petitioner to arrest the directors of the petitioner-company and other staff unless differential duty between Headings 85.44 and 90.01 was paid.

The Bombay High Court held action of the D.R.I officers in the Customs Department in seizing the goods and collecting money from the petitioners was wholly unjustified and uncalled for, because of following five reasons:-

- (i) When the Commissioner of Customs (Appeals) in petitioner's own case on 25-3-2008 had held that OFC imported by petitioners were classifiable under Heading 85.44 of Central Excise Tariff, the petitioners were not wrong in classifying the goods imported after 25-3-2008 under Heading 85.44 *ibid*.
- (ii) Decision of Commissioner (Appeals) was neither stayed by CESTAT nor by any other competent authority. Hence, mere fact that appeal filed by Revenue against the decision of Commissioner (Appeals) was pending could not be a ground to hold the petitioner guilty of misclassification of goods.
- (iii) D.R.I. officers were bound by the decision given by Commissioner of Customs (Appeals).
- (iv) The Bills of Entry filed by the petitioners by classifying the goods under Heading 85.44 had been assessed under Heading 85.44 and the goods had been cleared only on payment of duty as assessed. Therefore, till the assessment was set aside, the customs authorities could not have seized the goods assessed and cleared under Heading 85.44, on the ground that the goods were liable to be assessed under Heading 90.01.
- (v) In the absence of any reassessment order passed determining the duty liability, there would be no question of recovering differential duty.

NOTE

It may be noted that in the Legal Decisions – Income-tax published in the June 2009 issue of the students' newsletter, cases reported in serial nos.1,3,4 and 5 are relevant for students' appearing for November 2009 examination. The case reported in serial no.2 may be ignored from the examination point of view.

- Its debt ratio must not exceed 33%
- Accounts receivables to total assets must remain below 45%
- Interest income should represent less than 5% of total revenue.
- Finally companies are continuously monitored according to these criteria. Wherever a company exceeds these limits it is removed from the index and replaced by another.

In December 2007, Dow Jones Indexes have won in the “Best Islamic Index Provider” category of the inaugural Master of Islamic Finance Awards by Terrapin Ltd. The award recognizes the wide market acceptance of the DJIM Index Series and Dow Jones Indexes’ leadership and commitment to providing benchmarks for Shariah – compliant shares and bonds.

Dow Jones Islamic Market India Index:

Dow Jones launched in December 2007 Dow Jones Islamic Market (DJIM) India Index. The new index will measure the performance of shares traded on the BSE that pass screens for Shariah compliance. The Index universe for the DJIM India will include all stocks in the Dow Jones Wilshire India Index. To be included in the Index, stocks must pass industry and financial ratio screens for Shariah compliance. The top five components by float-adjusted market capitalization are Reliance Industries, Larsen & Toubro, Infosys Technologies, Bharti Airtel and Reliance Communications. The index is subject to quarterly review – March, June, September and December.

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22nd ALL INDIA CA STUDENTS' CONFERENCE

ORGANISED BY:
BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Hosted by:

ERNAKULAM BRANCH OF SICASA OF ICAI

Days & Dates : 21st & 22nd August, 2009

Venue: Gokulam International Convention Centre, Kaloor, Kochi

Friday: 21st August, 2009

REGISTRATION	: 9.00 A.M. – 9.30 A.M
INAUGURAL SESSION	: 10.00 A.M. - 11.15 A.M
FIRST TECHNICAL SESSION	: RECENT DEVELOPMENTS IN AUDITING 11.30 A.M – 1.15 P.M
	: FORENSIC AUDITING IN AN ERA OF CORPORATE FRAUDS
	: RISK BASED AUDITING IN A COMPUTERISED ENVIRONMENT
	: PRACTICAL ISSUES IN RISK BASED AUDITING AND FORENSIC AUDITING (SESSION CHAIRMAN)
SECOND TECHNICAL SESSION	: ISSUES IN DIRECT TAXATION 2.15 P.M – 4.00 P.M.
	: AN OVERVIEW OF TRANSFER PRICING
	: RECENT ISSUES IN CAPITAL GAINS TAX
	: PRACTICAL ISSUES IN TRANSFER PRICING AND AND CAPITAL GAINS TAX (SESSION CHAIRMAN)
SPECIAL SESSION EXAMS	: STRATEGIES FOR SUCCESS IN CA 4.15 P.M – 5.30 P.M
GRAND CULTURAL EVENING	: 6.00 P.M – 8.30 P.M
DINNER	: 8.30 P.M – 10.00 P.M

Saturday : 22nd August, 2009

THIRD TECHNICAL SESSION	: RECENT DEVELOPMENTS IN IFRS AND ACCOUNTING STANDARDS 9.30 A.M – 11.15 A.M
	: INTRODUCTION TO IFRS
	: AS-30 - FINANCIAL INSTRUMENTS : RECOGNITION AND MEASUREMENT
	: PRACTICAL ISSUES IN IMPLEMENTATION OF IFRS AND AS-30 (SESSION CHAIRMAN)
FOURTH TECHNICAL SESSION	: ISSUES IN INDIRECT TAXATION 11.30 A.M – 1.15 P.M
	: AN OVERVIEW OF CENVAT CREDIT
	: RECENT ISSUES IN SERVICE TAX
	: PRACTICAL ISSUES IN SERVICE TAX AND CENVAT CREDIT (SESSION CHAIRMAN)
SPECIAL SESSION	: PERSONALITY DEVELOPMENT AND COMMUNICATION SKILLS 2.15 P.M – 3.15 P.M INTERACTION WITH CHAIRMAN, BOARD OF STUDIES AND DIRECTOR, BOARD OF STUDIES 3.15 P.M – 4 P.M
VALEDICTORY SESSION	: 4.00 P.M. - 5.00 P.M

Registration fee: Rs. 500 per Delegate

Students are invited to contribute papers for various technical sessions. There shall be two paper presentations in each Technical Session. Joint paper writers are not allowed. All paper writers, whose papers are selected for presentation at the Conference shall be reimbursed Registration Fees and shall also be reimbursed railway fare by shortest possible route for AC2/First Class. The selected paper writers shall also be provided accommodation by the Host Branch. Interested students should submit a soft copy of the paper along with hard copy for approval to reach the Director, Board of Studies by e-mail at psdos@icai.org positively by 20th July 2009. Please provide your complete address, phone number, e-mail id and passport size photograph alongwith proof of registration for the conference. Please give your name on the back of photograph. Students interested in participating in the cultural programme are requested to register with the Conference Convenor before 20th July 2009. For accommodation, outstation students are requested to inform & register in advance. Cheques / Demand Draft payable at Kochi are to be drawn in favour of the "22nd ALL INDIA CA STUDENTS' CONFERENCE".

ALL ORISSA CA STUDENTS CONFERENCE 2009

VENUE:
HOTEL SWOSTI PLAZA, JAYADEV VIHAR, BHUBANESWAR

ON 18TH & 19TH JULY, 2009 (Two Days)

Organised by
BHUBANESWAR BRANCH (EIRC)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

DELEGATE FEE Rs400/- (Rupees four hundred only)

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CA Jaydeep Narendra Shah
Chairman, Board of Studies, ICAI

Branch Chairman:
Suru Venkateswarlu, FCA, DISA
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CA. Subodh Kumar Agrawal
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e.mail – Bhubaneswar@icai.org

Secondment of Articles

[Regulation 54, Para 2.11 of Training Guide*]

Regulation 54 of the Chartered Accountants Regulations, 1988 is an enabling provision paving the way for students to acquire knowledge in one or more specific areas where their respective principals may not be in a position to provide the same.

Since, the Chartered Accountants Regulations, 1988 provide for catering to such needs of the students whereby a Chartered Accountant who is not able to provide the practical work experience in a particular area, may send his articled assistants on Secondment basis from time to time to other members. The relevant Regulation 54 is reproduced below for ready reference and information of the students.

1. A principal may, with the consent of the articled assistant, second from time to time the articled assistant to other member or members with a view to provide the articled assistant the opportunity of gaining practice experience in areas where the principal may not be in a position to provide the same.
2. The articled assistant shall be seconded only to a member who is entitled to train one or more articled assistants in his own right or to a member in industry who is entitled to train one or more industrial trainees.
3. The member to whom the articled assistant is seconded will not be entitled to train more than two such clerks on secondment at a time.
4. (a) The maximum period of secondment shall be one year which may be served with a single eligible member.
(b) The Council may permit secondment with more than one

such member provided the minimum period of secondment shall be four months and the aggregate period served on secondment with such members shall not exceed one year.

5. Where an articled assistant is seconded to a member in industry, the total period spent in industry by the articled assistant, including the period of industrial training under these Regulations, shall not exceed one year.
6. During the period of secondment, the member with whom the articled assistant is seconded shall pay the stipend as provided under these Regulations.
7. The member with whom the articled assistant is seconded shall be responsible for imparting training during secondment. He shall maintain records of practical training undergone by the articled assistant during secondment and forward the same to the principal on completion of period of secondment. The principal shall include required particulars in the report to the Council under Regulation 64.
8. A statement in the form approved by the Council shall be sent to the Secretary for records within thirty days from the date of commencement of training on secondment.

Students desirous of availing the benefit under Secondment of Articles may contact their Principal with a request to arrange for Secondment of Articleship in an area where he may not be able to provide the practical work experience.

In case of any doubt / clarification, the Articles Section of concerned Decentralized office of the Institute may be contacted.

* Training Guide July, 2008

10th NATIONAL CONVENTION FOR CA STUDENTS

THEME: SYNERGIZE FOR A BETTER TOMORROW

Friday, July 10th and Saturday, July 11th, 2009

Venue: C. C. Mehta Auditorium, M. S. University, Sayajigunj, Vadodara 390 005

Organized by:

BOARD OF STUDIES

Hosted by:

BARODA BRANCH of WIRC OF ICAI
& BARODA BRANCH OF WICASA

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

DAY 1

Inaugural Session: 9:00 a.m. to 10:30 a.m.

Special Session 1: 10:45 a.m. to 11:45 a.m.

Students' Initiatives by ICAI

Topic

Recent Initiatives for Students by Board of Studies, ICAI: CA Jaydeep Shah, Chairman, Board of Studies, ICAI.

Technical Session 1 : 11:45 a.m. to 1:30 p.m.

Fiscal Laws

Topics (4 Paper writers)

- 1) CENVAT Credit-Procedures
- 2) Implication of Service Tax for SEZ
- 3) Transfer Pricing-Recent International Trends
- 4) Restructuring, Mergers & Acquisitions-Tax implication

Lunch Break: 1:30 p.m. to 2:30 p.m.

Special Session 2: 2:30 p.m. to 3:30 p.m.

Meet the CEO/CFO:

Topic:

Expectations of Industry from Newly Qualified Chartered Accountant

Technical Session 2: 3:45 p.m. to 5:30 p.m.

Accounts & Audit

Topics (4 Paper writers)

- 1) Fraud Detection Techniques
- 2) Derivatives – an Accounting Perspective
- 3) AS 28 - Practical Issues
- 4) Audit Documentation & Evidence

Entertainment Program 07:00 p.m. to 10:30 p.m.

& Dinner:

DAY 2

Technical Session 3: 09:00 a.m. to 10:45 a.m.

Financial Management :

Topics (4 Paper writers)

- 1) Portfolio Management Techniques
- 2) Business Financing –Global Trends
- 3) Derivative Instruments – Benefits & Risks
- 4) Management of Current Assets

Special Session 3: 11.00 a.m. to 1:00 p.m.

Personality Development :

Topics

- 1) Business Etiquettes
- 2) Personal Grooming

Lunch Break : 1:00 p.m. to 2:00 p.m.

Technical Session 4: 2:00 p.m. to 3:30 p.m.

Information Technology :

Topics: (4 Paper writers)

- 1) Implementation of ERP – Challenges
- 2) Cyber Laws – Effectiveness in India
- 3) E-Audit-A New Horizon
- 4) Excel as an audit tool

Special Session 4 : 3.45 p.m. to 4.45 p.m.

Students' Debate :

Topic :

Chartered Accountancy Career Opportunities : Better in Industry or in Practice

2 Paper writers in favour of Industry and 2 Papers writers in favour of Practice

Valedictory Session : 4:45 p.m. to 5:30 p.m.

➔ Registration fees are Rs. 500 per Delegate. For accommodation, outstation students are requested to inform & register in advance.

All correspondence may be addressed to: [Convener, 10th National Convention for CA Students](#),

12th NATIONAL CONVENTION FOR CA STUDENTS

THEME: Invigorating The Future: Capturing The World

Wednesday, July 15, & Thursday, July 16, 2009

Venue: University Auditorium, Khandwa Road, Indore [M.P.]

Organized by:
BOARD OF STUDIES

Hosted by:
INDORE BRANCH OF CIRC
AND CICASA

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

DAY 1

Inaugural Session – I

Chief Guest : Honorable Shri Balram Jhakhad
Governor Of Madhya Pradesh
(Consent awaited)

Other Guests : CA. Jaydeep Narendra Shah
Chairman BOS and
other guest from ICAI

Technical Session – I (Audit)

Chairman : CA. Manoj Fadnis,
Central Council Member

Topics

1. Professional Ethics – A professional must know
2. Forensic Accounting – Concept

Technical Session – II (Taxation)

Chairman : CA. T. N. Manoran,
Past President, ICAI

Topics

1. Insight into TDS
2. Important Services Under Service Tax

Special Session – A

Chairman : CA. C. S. Nanda,
Central Council Member

Topics

Winning Strategies

Cultural Programme: 7:00 PM.

DAY 2

Technical Session – III: Corporate and other laws

Chairman : CA. C. S. Nanda,
Central Council Member

Topics

1. Limited Liability Partnership (LLP) - Bird's Eye View
2. An overview Of FEMA

Lunch Break: _____ Hrs.

Technical Session – IV: Financial Reporting

Chairman : CA. V. Murali,
Central Council Member

Topics

1. Terminologies Of Financial World (Eg.- Repo Rate, reverse repo rate, GDP, Inflation, Recession, Per Capita Income, etc)
2. Annual Report Discloser Practices: Case Studies

Special Session – B

Chairman : CA. V. Murali,
Central Council Member

Topics

EFFECTIVE COMMUNICATION

Best Paper Award Presentation and
Valedictory Session

Invitation to Contribution Papers

Students are invited to contribute papers for various technical sessions. It has been decided to select two papers in each topic. Paper writers are exempted from payment of registration fee. They will be reimbursed the railway fare by shortest possible route for AC 3 Tier/First Class. Interested students may submit a soft copy of the paper for approval so as reach positively by June 30, 2009 to the Director, Board of Studies by e-mail at psdos@icai.org. Please provide your complete address with phone number and e-mail id.

Registration

Registration fee: Rs.500 per student (Outstation students are advised to contact the conveners for accommodation on extra payment basis) Cheques / DD to be drawn in favour of – Indore Branch of CIRC of the ICAI, payable at Indore.

Contact Us

All correspondence relating to registration may be addressed to:

Indore Branch of CIRC of the ICAI,

Plot No 19B, Scheme No 78, Part II, Near Pollution Control Board

Indore, Ph: 0731 4298198, 4227962, 3254900

E-mail: indore@icai.org or gangabhishek@hotmail.com • Website: www.icai.org & www.indore-icai.org

Contact Persons:

CA. Abhishek Gang: 09826018475

CA. Sanjay Gupta: 09893304218

13th NATIONAL CONVENTION FOR CA STUDENTS

THEME: C A – Widening Horizon of Knowledge & Opportunities

SATURDAY, AUGUST 29,
& SUNDAY, AUGUST 30, 2009

Venue: Calcutta University – Centenary Hall
Calcutta University Campus, College Street, Kolkata- 73

Organized by:
BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Hosted by:
EIRC OF THE ICAI
& EICASA OF THE ICAI

DAY 1

Inaugural Session: 10.00 – 11.00 hrs

Technical Session I: 11.00 – 13.00 hrs.

Developments in Financial Reporting and Auditing

Topics:

1. Convergence with IFRS.
2. Inflation Accounting.
3. Recent Changes in Auditing Standards.

Lunch Break: 13.00 – 14.00 hrs.

Special Session I: 14.00 – 15.00 hrs.

Key to success in CA Examination

Technical Session II: 15.00 - 17.00 hrs.

Issues in Financial Management

Topics:

1. Global Trends in Business Financing
2. Derivative Instruments.
3. Foreign Exchange Market – Risks and Tools.

Tea & Snacks: 17.00 – 17.30 hrs

Cultural Programme in the evening: 17.30 – 20.00 hrs.

Dinner: 20.00 – 21.00 hrs

DAY 2

Technical Session III: 10.00 - 12.00 hrs.
Direct and Indirect Taxation

Topics:

1. GST – Emerging trends.
2. Relevance of Anti Dumping Duty & countervailing duty in globalization.
3. Penalty u/s 271(1)(c).

Special Session II: 12.00-13.00 hrs
Personality Development & Communication Skills

Lunch Break: 13.00 – 14.00 hrs.

Technical Session IV: 14.00 – 16.00 hrs.
Law & Economics - Some Aspects

Topics:

1. Corporate Governance & role of Independent Directors.
2. Indian Economy and Global Financial Crisis.
3. Compromise and Arrangement.

Valedictory Session: 16.00 – 17.30 hrs.

1. Valedictory Address
2. New Scheme of Education and Training
3. Best Paper Award for paper submitted in each technical session
4. Feedback from participants

Students are invited to contribute papers for various technical sessions. It has been decided to select two papers on each topic. Paper writers are exempted from payment of registration fee. All papers writers of the National Convention will be reimbursed to and fro AC 2 tier railway fare by the shortest route by Express trains on production of necessary proof (both ways ticket) and also be paid an allowance of Rs.1,500/- per day (upto 3 days) to meet expenses.

Students interested to submit a paper can do so in a soft copy of the paper for approval so as reach positively by July 20, 2009 to CA. R. Devarajan, Director, Board of Studies, ICAI, A – 94/4, Sector- 58, Noida 201301 by e-mail at sunil.jha@icai.in. A student cannot submit more than one paper. Please provide your registration number, course of study, complete postal address for communication, phone no. (landline & mobile) & e-mail id. Scanned passport size photograph and the Paper in MS – Word format (14 points typing) to be sent as attachment to the mail.

Registration fee: Rs.450 per student. Student registering within

8/8/2008 would be required to pay Rs. 400 only, giving an early bird discount of Rs.50.

Fees for outstation delegates (Delegate fee plus Rs.150 per day for accommodation which includes food) :-

Staying for	2 days	3 days	4 days
Rate till 08/08/2009	Rs. 700.00	Rs. 850.00	Rs. 1000.00
Rate after 08/08/2009	Rs. 750.00	Rs. 900.00	Rs. 1050.00

Outstation delegates are requested to confirm their participation latest by 31st July, 2009 for accommodation arrangement. Demand Draft to be drawn in favour of "Institute Chartered Accountants of India, EIRC", payable at 'Kolkata'. Delegate fee can be paid in cash only in case of submission in Person (not through Post / Courier) at EIRC office with effect from 22nd June 2009 during office hours on working days (Monday to Friday excepting holidays).

Students joining for the programme would get their delegate certificate at the end of the Convention.

All correspondence relating to registration may be addressed to:
Convention Co-ordinator, 13th National Convention for CA Students,

EIRC of the ICAI, 7, Anandilal Poddar Sarani (Russell Street) , Kolkata, 700 071,

TRANSFER OF ARTICLES

(Repeat of the Announcement hosted on website on 27-03-2009)

The following decisions taken by the Council of the Institute are brought into force immediately for compliance by the Students / Members concerned. It is advised that required compliance be made by the concerned students/members. It may please be noted that non-compliance will be viewed seriously and proceeded against accordingly.

- a) The coaching classes shall not continue after 9.30 a.m. or start before 5.30 p.m. so as to enable the articled/audit assistants to concentrate wholly on practical training.
- b) Members of the Institute who are engaged in coaching be advised not to undertake coaching between 9.30 a.m. and 5.30 p.m.
- c) An articled assistant should undergo practical training in accordance with the guidelines of the Institute between 10.30 a.m. and 5.30 p.m. During the period an articled assistant shall not be permitted to attend colleges/other institutions for graduation or any other course.
- d) Every articled/audit assistant shall submit once in a year a specific declaration duly countersigned by the Principal to the effect that he is regularly attending training and his college hours do not clash with his articles timings and that no coaching is undertaken by him between 9.30 a.m. and 5.30 p.m. on any working day. In the event of breach of this guidelines and not taking permission as required, the articles already undergone shall be derecognised for such period as the Institute may decide.
- e) Every articled/audit assistant shall be required to maintain mandatorily the Work Diary in the Form to be prescribed by the Board of Studies.
- f) The Institute to call for at random training report along with attendance record and stipend details and also Work Diary maintained by articled/audit assistant from any member/firm in respect of any articled assistant at any point of time during the period of practical training for verification.
- g) In case an articled assistant is found not undergoing articles in the manner prescribed he shall be debarred from appearing in the exam up to 3 consecutive exams besides cancellation of such period of articles. The concerned member who allowed such an articled assistant be subject to punitive action besides withdrawing either partly or fully his eligibility to train articled assistant. In Peer Review the Reviewer be required to verify

whether training is imparted to the articled assistant in the manner prescribed.

- h) No request for termination of articles is entertained from any articled assistant in general and more particularly during the first six months and also during the last twelve months of articles except as provided in the Regulations and as specified here in below :
 - i. No request of an articled assistant for termination (transfer) of articleship shall be considered unless his/her working parent(s) is/are transferred from the city/place where the articled assistant is receiving training to another city and a copy of transfer order / proof is submitted to the principal in proof thereof. On such termination the articled assistant concerned shall join articles training in and around the place of posting of his/her parent(s) and shall not re-register articles in the same city or within 50 Kms radius of the city where he/she has undergone articles prior to such termination.
 - ii. If the articled assistant is not able to serve the articleship for specified genuine medical reasons thereby opting to discontinue the CA course for a period of at least three months, the termination of articles be permitted, provided that the medical grounds are such that warrant termination of Articleship.
 - iii. In the event of misconduct involving moral turpitude, gross negligence or unsatisfactory performance of the articled assistant, his articles shall be liable to be terminated by his principal besides being cancelled or extended for such period as may be decided by the Institute. Board of Studies to decide and enumerate the acts constituting misconduct.
 - iv. Termination of articles be permitted on such other justified circumstances as may be deemed genuine by the Council. In the event of termination, his articles shall not be registered in the same city.
- i) While forwarding the Form No. 109 the principal shall state specifically the clause (the relevant clause mentioned above) under which the articles have been terminated.

Secretary

27th March, 2009

WORKING HOURS OF THE ARTICLED ASSISTANTS

[Repeat of the Announcement hosted on website on 29-03-2008]

(Repeat of the Announcement hosted on website on 27-03-2009)

The Council has considered the issue regarding the working hours of the articled assistants. The Council is of the view that the article training is an important part of the CA curriculum and the same needs to be carried out in accordance with the scheme framed by the ICAI in this behalf. Accordingly, to clarify the doubts being raised by various quarters about the working hours of the articled assistants and for pursuing graduation/other course, the Council decided to issue the following directions:

1. The articled assistants should undergo practical training in accordance with the Chartered Accountants Regulations, 1988 as explained hereinafter.
 - i. The working hours for the articled assistants shall be 35 hours in a week excluding the lunch break.
 - ii. The office hours of the Principal for providing article training to the articled assistants shall not be generally before 9.00 a.m or after 7.00 p.m.
 - iii. The normal working hours for the articled assistants shall not start after 11.00 a.m. or end before 5.00 p.m.
 - iv. The working hours for the articled assistants should not exceed

35 hours in a week excluding the lunch break and normally an articled assistant be required to work during the normal working hours fixed for articled assistants.

- v. In case of the exigencies of work with the Principal, an articled assistant may be required to work beyond his/her normal working hours. However, under such circumstances, the aggregate number of working hours shall not exceed 45 hours per week. The requirement to work beyond 35 hours in a week should not be a practice but only in exceptional circumstances. Further, where the articled assistant is required to work beyond normal working hours, and aggregate of such hours exceed 35 hours per week, he/she shall be entitled to compensatory leave calculated with reference to number of completed working hours, over and above, 35 hours per week.
- vi. The facility of allowing flexible office hours stands withdrawn.
2. During the working hours, the articled assistant is not permitted to attend college/other institutions for pursuing any course including graduation. Accordingly, college timings of such course should not be such (after taking into account the time required to commute)

which clashes with the normal working hours of the article training.

3. To ensure that the working hours do not clash with the graduation or any other course, if any pursued by the article assistant, each articulated assistant registered on or after 1st April, 2008 shall now be required to obtain specific permission from the ICAI for pursuing graduation or other course as permitted under the Chartered Accountants Regulation by submitting Form No.112, within one month from the date of joining the college or course to the ICAI.
4. The articulated assistant presently registered and undergoing graduation or any other course and who have not obtained specific permission shall be required to obtain the specific permission from the ICAI by submitting Form No.112 within six months of issue of these guidelines i.e. by 30th September, 2008. However those students who have already obtained the specific permission by submitting Form No. 112, need not obtain it again and the permission so granted shall continue to be valid.
5. The Certificate in Form No. 112 indicating college timings etc. shall be counter-signed by the concerned Principal of the college with the seal and stamp of the College and also indicating the telephone number/s and full address of the College.
6. In case a student does not comply with the above requirements or violates any of the above guidelines, his/her articleship period shall not be recognised.
7. In this connection, attention is invited to the Regulations 65 and 66 read with Regulation 60 of the Chartered Accountants Regulations, 1988 which provide as under:-

Regulation 60: Working hours of an Articled Assistant

"Subject to such directions as may be issued by the Council, the working hours of an articulated assistant shall be 35 hours per week to be regulated by the Principal from time to time".

Regulation 65: Articled Assistant not to engage in any other occupation

"Without the previous permission of the Council, obtained on application made in the *approved form, no articulated assistant shall, during the period of his service as an articulated assistant, take any other course of study or training, whether academic or professional, or engage in any business or occupation."

Regulation 66: Enquiries against articulated assistant

- (1) Where a complaint or information of any misconduct or breach of Regulation 65 or breach of any of the covenants contained in the articles is received against an articulated assistant from his principal or any other person, the President or the Vice-President as the Executive Committee may decide from time to time, may cause an investigation to be made.
- (2) The Executive Committee may, on a consideration of the report of the investigation and after giving the articulated assistant an opportunity of being heard, make any of the following orders, namely;-
 - i. direct that the papers be filed and the complaint be dismissed, if the Executive Committee finds that the articulated assistant is not guilty of any misconduct or breach of Regulation 65 or breach of any of the covenants contained in the articles; or
 - ii. if the articulated assistant is found guilty, reprimand the articulated assistant or cancel the registration of articles or direct that any period already served under such articles shall not be reckoned as service for the purpose of the period of practical training specified in Regulation 50.
- (3) The articulated assistant, the registration of whose articles has been cancelled under this regulation, shall not, except with the permission of the Executive Committee be retained or taken as an articulated assistant or audit clerk by any member".

AN APPEAL

Re: Ensuring effective practical training

As you may be aware, in its endeavour to streamline and sustain the efforts of the Institute in providing effective training to articulated assistants, the Council of the Institute has been taking different initiatives from time to time. One such recent initiative was to effectively curb the menace of dummy articles, so as to ensure that the articulated assistants take the required training from their principal during the prescribed working hours of the firms/proprietor concerned. During the course of implementing the decision of the Council on the aforesaid issue, the Institute has come across situations where articulated assistants are alleging about taking training beyond the normal working hours specified by the Council without any compensatory holiday or otherwise.

While taking stock of the initiatives taken by the Council in the matter of providing effective training to articulated students by members and students also taking the training in the required manner, it has been felt that the members of the Institute training articulated assistants be specifically requested to comply with the following decisions taken by the Council, in letter and spirit:-

- (i) The minimum working hours for the articulated assistants shall be 35 hours in a week excluding the lunch break.
- (ii) The office hours of the principal for the articulated assistants shall not be generally before 9.00 a.m. or after 7.00 p.m.
- (iii) The normal working hours for the articulated assistants shall not start after 11.00 a.m. or end before 5.00 p.m.
- (iv) If the exigencies or nature of training so warrants, the

articled assistant shall work beyond the normal office hours. However, the maximum working hours for the articulated assistant should not exceed normally 35 hours in a week excluding the lunch break and in any case or circumstances should not exceed 45 hours per week. In case the articulated assistant is required to work beyond 35 hours per week, he is entitled to compensatory leave calculated with reference to the number of completed hours worked over and above 35 hours per week. The principal shall ensure that long working hours are not imposed on the articulated assistants on a regular basis and only in case of exceptional circumstances where time bound work is to be delivered the articulated assistants may be required to work longer hours which will still be subject to a maximum of 45 hours per week. The principal shall be free to allow compensatory leave or off hours in lieu of extra working beyond 35 hours.

I am confident that as a valued member of the noble profession, you would be complying with the requirements of the Council. It may, however, be noted that non-compliance with the above would be viewed very seriously.

CA. Uttam Prakash Agarwal

President

8th June, 2009

RNI No. 66180/97

REGISTERED: DL- (C)-01/1280/09-11

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