

"Education is the best friend. An educated person is respected everywhere. Education beats the beauty and the youth."

- Chanakya

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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,

Life is a perennial process of learning and Guru is the infinite limit. Teacher, being the eliminator of our stupor and ignorance in our mind, showers light and knowledge; and shows us the world. Without the guidance of a teacher, it is impossible to get across the ocean of ignorance. Our country embodies a very

rich Guru-Shishya tradition which is centered on the transmission of teachings from a guru to a shishya.

We have great faith and devotion towards our teachers. Every year, to show respect to our venerated teachers, **5th September**, the birthday of **Dr. Sarvepalli Radhakrishnan**, the Second President of independent India is observed as the Teachers' Day. Teaching is devotion, an art, a passion which is born out of thirst of knowledge and teachers carve a student's personality into a beautiful piece adored and admired by all the sections of the society.

We have no dearth of good teachers. **A good teacher is like a candle - it consumes itself to light the way for others**. On this propitious occasion of the Teachers' Day, I once again wish to highlight the importance of proper learning in the professional course of Chartered Accountancy. Two important pillars of the course are **theoretical education** and **articleship training**. While theoretical education aims to develop sound knowledge base, the articleship training aims at developing practical skills. Both are important for you for proper learning and becoming a true professional. Articleship is unique to this course and provides you proper insight to the nitty-gritty of the profession. You should take it very attentively as the able guidance and prudence of your

principal will enable you to measure new heights of success in your professional career. A lop-sided approach in favour of theoretical education or practical training will only provide you half-baked knowledge and will make you struggle all your life.

Extension of Professional Education Examination –II: Two More Attempts

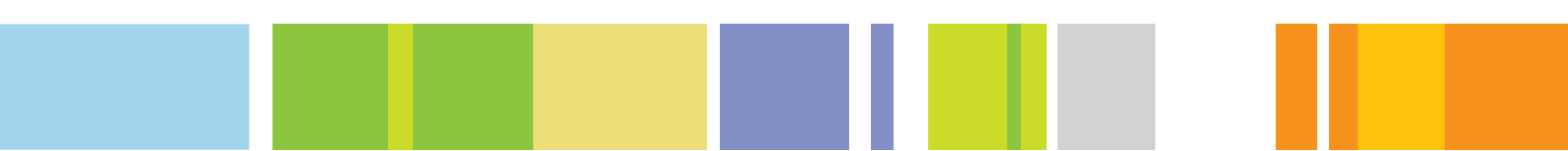
The Council of the Institute of Chartered Accountants of India, having due regard to the concerns of students belonging to the Professional Education Examination II stream, has decided to extend the Professional Education Examination II by two more attempts namely November, 2009 and May, 2010. The concerned students may note that the Council has made it clear that no further extension will be granted under any circumstances. For the eligibility criteria and other information, the students are advised to go through the details available on our Institute's website.

CPT Examinations

I am also very pleased to note that Praseeda Pandit from Bangalore topped All India Level CPT examination with 96%. I extend my heartiest congratulations to Praseeda for her astonishing success and to all other successful candidates.

In traditional CPT (paper-pencil mode), 112,788 candidates appeared that shows growing interest and inclination of the students towards joining Chartered Accountancy as their professional career. In the Online CPT examination, the students appeared with a great fervor. To facilitate, CPT aspirants, the ICAI has decided to hold online **CPT Examinations 10 times in a year** in addition to the normal mode of examination held on June and December. This initiative will be more transparent and time-savvy. The objective based pattern will ensure a better understanding of the concepts and problems. Successful candidates should continue to work hard as this is just a beginning point of their

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MESSAGE

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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.

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MESSAGE FROM THE PRESIDENT

(Continued from page 1)



professional career and they are required to sustain their patience and vigour for the examinations to follow. I would also like to acclaim the Examination Section of our Institute as it has made elaborate arrangements to provide you the results of your respective examinations on your e-mail accounts and cell phones through SMS. This technology enabled initiatives of our Institute have witnessed unprecedented response from the students' community.

Results of Final examinations

The results of Final and Final (New Course) examinations which were held in June, 2009 declared on 13th August, 2009. In the Final Examinations 13.85 % students have qualified both groups. The respective pass percentages are 32.42 % and 15.03 % for Group I and Group II of CA Final Examinations. My heartiest congratulations to all the successful candidates.

However, I am particularly disappointed by seeing the results of Final New Course. Only four students qualified as Chartered Accountants in the June, 2009 Examinations. The corresponding figure for November, 2008 examination was 11 candidates. The answers given by the candidates were vague and incorrect. It was found students have answered what they have crammed rather than what has been asked in the examinations. There were problems with basic concepts such as Journal entries. The question papers were practical oriented. It was felt that many students were not well prepared for the examinations. Such a preparation can not be done with classes of coaching institutes that merely teach how to solve questions in a mechanical manner. They require exhaustive studies, clear understanding of intricate concepts and hard work. Mere shallow knowledge will not help you in answering questions related to practical situations and solve case studies. You need to put more efforts. Even taking articleship seriously and correlating practical training with theoretical concepts will help you a lot. I want all students to study hard and appear in the examinations with proper preparations and pass in large numbers. My best wishes.

Avoid unfair means in the examinations

It has also been noticed that some students indulge in unfair means in the examinations hall. It is beyond doubt that the alert system catches all candidates who try resort to unfair means to pass examinations. One should take care and appear in the examinations honestly. Once caught, there are severe punishments like cancellation of exam, debar from future exams and even expulsion from the CA Course.

Test Paper series

We are providing exhaustive study material to our students. However, it is felt that some students need more inputs to prepare for the examinations. A system is also required

where students can check their level of preparedness. Accordingly, the Board of Studies is preparing test series of questions. They will be distributed by the various regional offices. Students will have option to send their answers and get themselves evaluated to know their marks and get feedback to improve the performance.

Doing additional courses

The article students can do at a time one course along with their articleship even that be a graduation course. It has been noticed that some of the students are doing more than one course along with their practical training thereby diluting the significance of critical component of the course that is articleship training. Such cases have been noted by the Institute with all seriousness and severe penalties may be imposed. Students are advised, in their own interest, to seek prior permission of the Council by submitting form 112 within a month of joining the course to avoid delay in grant of membership.

Transfer of Articleship

To improve the quality of articleship training by bringing in consistency and to overcome wrong practices by some of the students, the Institute has restricted transfers from march 27, 2009. However, considering the hardships experienced by students one time amnesty has been granted now, to the students and all pending cases of transfer/termination of articles as on 11th July are being cleared.

Fabulous Success to CA Students' Conventions/Conferences/Seminars

In this era of cut-throat competition, Knowledge is Power. We should not delimit knowledge to only bookish knowledge. Knowledge is infinite and can be attained by various sources. Seminars, Conferences, Conventions and Workshops are some of the ways to explore and exchange knowledge and information on a broader basis. The organizations of conferences/conventions spur the morale of our students and help them to enrich their knowledge bank. I really appreciate the efforts of the Board of Studies in helping our students to quench their thirst for the knowledge. I hope that this trend to broaden the horizons of knowledge will remain continue in future too.

We are conducting a number of programmes in several small cities so that more and more students are able to take their benefits. We propose to conduct more such programmes in future

Meet Your Professional Career's Goal: Professional Skills Development Programme

As your Examinations results are declared so it is very important time for you to set your career's goal. It has been well said that everyone has goals, whether we know it or not.

Without a goal, the life is meaningless. Goal setting enables us to fulfill our dreams. The top achievers are very intentional and focused on their goals. Goal setting is simply an organized personal planning process. Once you start setting goals and meeting them, you will quickly notice an improvement in your confidence level, which will have a positive impact on every strata of your life. Professional development is all about goal-setting. Setting realistic goals keep you motivated to continually better yourself, and the world around you. We at the Institute of Chartered Accountants of India are very particular about the well planned development of your professional career. Our **Three Months Residential Programme on Professional Skills Development** is aimed to all-round development of your personality. By joining this programme you can explore your hidden traits and mould your professional career in right perspective. The next batch of the programme is scheduled to start from September 30, 2009 with **National Institute of Financial Management, Faridabad**. We are planning to begin more batches of this programme in near future.

ERP Courses

I am extremely happy to note that the Committee on Information Technology has started offering ERP Courses for the Students those who have completed their CA Final Course or Articleship. The ICAI is putting all its efforts to enable the students and members to offer value added services in the field of ERP Consulting as Functional Consultants in the finance domain. The Students can go through comprehensive details which are available on our Institute's website.

Career Counseling for CA Aspirants: Invigorating the Generation Next.

As our profession is committed to fulfill the social obligations at large so we decided to dedicate every month starting from July to some social cause. The month **September** is devoted to conduct **Career Counseling Programmes** across the country to guide CA aspirants to choose a career path most suitable to their abilities, interest and attitude. The benefits of career counseling are immense as it enables the students to understand their own hidden strengths and identify their weaknesses. I personally think that Career counseling do wonders in an individual's personality.

24x7 Access to GyanDarshan CPT III Series: A Novel Approach

Our Live Lecture Series on GyanDarshan Channel-II for CPT and PCC examinations have received tremendous response from the students' community. I would request the students to go through the forthcoming lectures very attentively. I am also glad to inform you that with the co-ordination and co-operation of IT Department of the Board of studies, we are successful in uploading the Power Point Presentations (PPTs) of GyanDarshan CPT III Lecture Series on our Institute's website. Now, you can have 24x7 access to this treasure house of knowledge. These PPTs are the lectures that were delivered by the eminent faculty members during the live telecast of the course. The available PPTs can be downloaded from the ICAI's website. These study materials will be very useful for the students in the preparation for their respective examinations. I would advise the students to make optimum use of this unique facility.

Festival Season

This is festival season in our country with rich heritage. Ganesh Chaturthi was celebrated in August with traditional gaiety and enthusiasm. You must find time out of your hectic schedules and enjoy festivals to the maximum as all the festivals help our people to strengthen their relationships. They also help the people to go for a personal purification and bring communal harmony.

With Warm Greetings on the festive occasion of Id-ul-Fitar and dussehra.

With best wishes,



CA. Uttam Prakash Agarwal

REVERSE MORTGAGE FOR ELDERLY CITIZENS- SALIENT FEATURES & PROVISIONS

Dr. A. M. Sherry



1. Introduction

The elderly people in any country are the most valuable treasure of a society, who have served the country in various capacities in the fruitful years of their lives and are now in the evenings of their lives. With vast improvements in living styles, rapid developments in medical and information technologies, life spans have increased and this is amply borne out by the last census figures.

With average age of the citizens in the country having gone up substantially since independence and in the background of the fact that it is improving year by year persons deriving income from pension and other elderly ones constitute a significant segment of population.

However, there is no all pervasive social security scheme, as it is in USA and some other countries, which may take care of such person in regard to their medical and other necessities in a systematic and organized manner. Hence, many of them face varied problems-most important of them has been the cash crunch. Many such persons, as the media report show, are even disowned and discarded by their children, who do not give any financial support and therefore, because of limited incomes have to lead a miserable life despite their owning houses, where they are living of considerable values.

House rich cash poor is the predicament in which many such persons have to live. What they need, besides a residential house, is sufficient cash too for meeting their needs.

2. Government's efforts to help elderly people (hereinafter referred to as "Senior Citizens").

The present Prime Minister of India, when he was the Finance Minister in early nineties, while presenting the budget for the year 1993-94, expressed his concern about the need for help to elderly in the following words:-

India will shortly become home to the second largest number of elderly persons in the world. The population of our elderly, at present estimated at 76 million, is expected to increase to 100 million in 2013. The interest of the pensioners and senior citizens are, therefore, a particular responsibility of the Government.

Even in later years, concern about the old aged citizens was shown by Shri Yashwant Singh, while presenting the budget for the year 2004-05. In para 7.4 of the budget speech, his observations concerning such persons were to the following effect:-

I do not propose to make any change in the existing rates of interest on small savings instruments. Consequently, PPF, GPF and special deposit scheme will attract 8% interest this

year. For senior citizens, I propose to introduce a new scheme called :The Senior Citizens Saving Scheme . Offering an interest rate of 9% p.a.

The concern for elders was further taken care of when Shri P.Chidambaram while presenting the budget for the year 2007-08 where he made the following announcement vide his budget speech.

The National Housing Bank (NHB) will shortly introduce a novel product for senior citizens: a reverse mortgage, under which a senior citizen, who is the owner of house, can avail of a monthly stream of income against the mortgage of his/her house while remaining the owner and occupying the house though out his/her lifetime without repayment or servicing of the loan. [para 89]

3. The Concept

Conceptually, Reverse Mortgage seeks to monetize the house as an asset and specifically the owner's equity in the house. The scheme involves the Senior Citizen mortgaging the house property to a lender bank, who then makes periodic payments to the Senior Citizen during the lifetime.

An elderly people is not required to pay back the loan during his/her lifetime and therefore does not make monthly repayments of principal and interest to the lender bank.

The Senior Citizen will continue to use the residential property as his/her/their primary residence till

- ◆ he/she/they is/are alive or
- ◆ permanently move out of the property or
- ◆ Cease to use the property as permanent primary residence.

4. Repayment of Loan

- ◆ On the borrower's death or on the borrower leaving the house property permanently, the loan is repaid along with accumulated interest, through sale of the house property.
- ◆ The borrower(s)/heir(s) can also repay or prepay the loan with accumulated interest and have the mortgage released without resorting to sale of the property.

5. Eligibility Criteria:

- ◆ A person above 60 years of age. Joint borrowers are also eligible if they are married couples and one of them is senior citizen.
- ◆ They are the owner of a self- acquired and self occupied residential property in India, with clear title.

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- ◆ In case the residential property is already mortgaged to any other institution, the bank may, use of part proceeds of Reverse Mortgage Loan (RML) to prepay/repay the existing housing loan. The loan amount will be paid directly to that institution to the extent of the loan outstanding with that institution with a view to release the mortgage.
- ◆ The remaining life of the property is minimum 20 years.
- ◆ The Senior Citizen using that residential property as permanent primary residence.

6. Utilization of Payments

The loan amount cannot be used for speculative, trading and business purposes. Only this can utilized for the following purposes-

- ◆ Upgradation, renovation and extension of residential property.
- ◆ For uses associated with home improvement, maintenance/insurance of residential property
- ◆ Medical, emergency expenditure for maintenance of family
- ◆ For supplementing pension/other income
- ◆ Repayment of an existing loan taken for the residential property to be mortgaged
- ◆ Meeting any other genuine need

7. Determination of Eligible Amount of Loan:

- ◆ The amount of loan will depend on market value of residential property, as assessed by the Primary Lending Institutions (PLI), age of borrower(s), and prevalent interest rate however the table given hereunder may serve as an indicative guide for determining loan eligibility :

Age	Loan as proportion of Assessed Value of Property
60 65	40%
66 70	50%
71 75	55%
Above 75	60%

Revaluation of the House Property

The PLIs will need to re-value the property mortgaged to them at intervals that may be fixed by the PLI depending upon the location of the property, its physical state etc. Such revaluation may be done at least once every five years, the quantum of loan may undergo revisions based on such revaluation of property at the discretion of the lender.

8. Nature of Payment:

Any or a combination of the following:

- 1) Periodic payments (monthly, quarterly, half-yearly, annual) to be decided mutually between the PLI and the borrower upfront
- 2) Lump-sum payments in one or more branches
- 3) Committed Line of Credit, with an availability period agreed upon mutually, to be drawn down by the borrower

Lump-sum payments may be made conditional and limited to special requirements such as medical exigencies, home

improvement, maintenance, upgradation, renovation, extension of residential property etc.

It is important that nature of payments be decided in advance as part of the RML covenants. PLI at their discretion may consider providing for options to the borrower to change.

How does a borrower receive money under an RML?

- ◆ Periodic payments (monthly, quarterly, half-yearly, annual).
- ◆ Lump-sum payments.
- ◆ Committed Line of Credit: The eligible amount of loan will be sanctioned by the lender to the borrower, to be drawn and utilized by the borrower as and when required, under mutually agreeable terms & conditions. The borrower pays interest only as and when applicable and to the extent of the loan amount drawn.

9. Period of Loan: Maximum 15 years.

10. Interest Rate:

The interest rate (including the periodic rest) to be charged on the RML to be extended to the borrower(s) may be fixed by PLI in the usual manner based on risk perception, the loan pricing policy etc. and specified to the prospective borrowers. Fixed and floating rate of interest may be offered by the PLIs subject to disclosure of the terms and conditions in a transparent manner, upfront to the borrower.

11. Security:

- ◆ The RML shall be secured by way of mortgage of residential property, in a suitable form, in favour of PLI.
- ◆ Commercial property will not be eligible for RML.

12. Valuation of Residential Property:

- ◆ The residential property should comply with the local residential land-use and building bye laws stipulated by local authorities, with duly approved lay-out and building plans.
- ◆ The PLI shall determine the Market Value of the residential property through their external approved valuer(s). In-house professional valuers may also be used subject to adequate disclosure of the methodology.
- ◆ The valuation of the residential property is required to be done at such frequency and intervals as decided by the PLI, which in any case shall be at least once every five years. The methodology of the revaluation process and the frequency/schedule of such revaluations shall be clearly specified to the borrowers upfront.
- ◆ PLIs are advised not to reckon expected future increase in property value in determining the amount of RML. Should the PLIs do so in their best commercial judgement, they may do so under a well defined Policy approved by their Board and based on professional advice regarding property prices.

13. Loan Disbursement by Lender to Borrower:

- ◆ The PLI will pay all loan proceeds directly to the borrower, except in cases pertaining to retirement of existing debt, payments to contractor(s) for the repairs of borrower's property, or payment of property taxes or hazard insurance premiums from the borrower's account set aside for the purpose.

- ◆ *Periodicity*: The loan will be extended as regular monthly, quarterly, half-yearly or annual periodic cash advances or as a line of credit to be drawn down in time of need or in lumpsum.
- ◆ The PLI will have the discretion to decide the mode of payment of the loan including fixation of loan tenor, depending on the state and market value of the property, age of the borrower and other factors. The rationale behind the decision of mode of payment and fixation of the loan tenor shall be clearly disclosed to the borrowers.

14. Settlement of Loan

- ◆ The loan shall become due and payable only when the last surviving borrower dies or would like to sell the home, or permanently moves out of the home for aged care to an institution or to relatives. Typically, a "permanent move" may generally mean that neither the borrower nor any other co-borrower has lived in the house continuously for one year or do not intend to live continuously. PLIs may obtain such documentary evidence as may be deemed appropriate for the purpose.
- ◆ Settlement of loan along with accumulated interest is to be met by the proceeds received out of Sale of Residential Property.
- ◆ The borrower(s) or his/her/their estate shall be provided with the first right to settle the loan along with accumulated interest, without sale of property.
- ◆ A reasonable amount of time, say up to 2 months may be provided when RML repayment is triggered, for house to be sold.
- ◆ The balance surplus (if any) remaining after settlement of the loan with accrued interest, shall be passed on to the estate of the borrower.

15. Prepayment of Loan by Borrower(s)

- ◆ The borrower(s) will have option to prepay the loan at any time during the loan tenor.
- ◆ There will not be any prepayment levy/penalty/charge for such prepayments.

16. Loan Covenants:

- ◆ *Non-Recourse Guarantee*: The PLIs shall ensure that all reverse mortgage loan products carry a clear and transparent 'no negative equity' or 'non-recourse' guarantee. That is, the Borrower(s) will never owe more than the net realizable value of their property, provided the terms and conditions of the loan have been met.
- ◆ *Loan Agreement* : The PLIs shall enter into a detailed loan agreement setting out therein the salient features of the loan mortgage security and other terms and conditions, including disbursement and repayment of the loan, in addition to the usual provisions, which are ordinarily incorporated in a mortgage loan document.
- ◆ The loan agreement may also include a provision that the borrower shall not make any testamentary disposition of the property to be mortgaged and even if it does so, it would be subject to the mortgage created in favour of the lending institution. In such a case, the borrower shall make a testamentary disposition of the mortgaged property in favour of any of his/her relatives, subject to

the discharge of the mortgage debt by such legatee and a statement that the heirs shall not be entitled to challenge the validity of the mortgage as also the right of the mortgagee to enforce the mortgage in the event of death of the borrower unless the legal representative is willing to undertake the responsibility for discharging in full the amount of loan and accrued interest thereof.

- ◆ In addition, the PLI may also consider obtaining a Registered Will from the borrower stating, inter-alia, that he/she has availed of RML from the PLI on security by way of mortgage of the residential property in favour of the PLI, meaning thereby that in the event of death of the borrower (and co-borrower, if any), the mortgagee is entitled to enforce the mortgage and recover the loan from the sale proceeds on enforcement of security of the mortgage. The surplus, if any, has to be returned to the heirs of the deceased borrower(s).
- ◆ The PLIs may consider taking an undertaking from the prospective borrower that the Registered Will given to the PLI is the last Will, prepared by him/her at the time of availment of RML facility as per which the property will vest in his/her spouse name after his/her demise. The borrower will also undertake not to make any other 'Will' during the currency of the loan which shall have any adverse impact on the rights created by the borrower in the PLI's favour by way of creation of mortgage on the immoveable property mentioned under the loan documentation for covering loan to be allowed to his/her spouse and interest thereon, even after the borrower's death.
- ◆ The PLI will ensure that the borrower(s) has insured the property against fire, earthquake, and other calamities.
- ◆ The PLI will ensure that borrower(s) pay all taxes, electricity charges, water charges and statutory payments.
- ◆ The PLIs will ensure that borrower(s) are maintaining the residential property in good and saleable condition.
- ◆ The PLI may reserve the option to pay for insurance premium, taxes or repairs by reducing the homeowner loan advances and using the difference to meet the obligations/expenditures.
- ◆ The PLI reserves the right to inspect the residential property/premises or arrange to have the residential property/premises inspected by its representatives any time before the loan is repaid and borrower(s) shall render his/her/their cooperation in respect of such inspections.

17. Title Indemnity/Insurance

- ◆ The PLI shall obtain legal opinion for ensuring clarity on the title of the residential property.
- ◆ The PLI shall also endeavour to obtain indemnity on title related risks, as and when such indemnity products are available in India.

18. Foreclosure:

- ◆ The loan shall be liable for foreclosure due to occurrence of the following events of default.
- ◆ If the borrower has not stayed in the property for a continuous period of one year

- If the borrower(s) fail(s) to pay property taxes or maintain and repair the residential property or fail(s) to keep the home insured, the PLI reserves the right to insist on repayment of loan by bringing the residential property to sale and utilizing the sale proceeds to meet the outstanding balance of principal and interest.
 - If borrower(s) declare himself/herself/themselves bankrupt.
 - If the residential property so mortgaged to the PLI is donated or abandoned by the borrower(s).
 - If the borrower(s) effect changes in the residential property that affect the security of the loan for the lender. For example: renting out part or all of the house; adding a new owner to the house's title; changing the house's zoning classification; or creating further encumbrance on the property either by way taking out new debt against the residential property or alienating the interest by way of a gift or will.
 - Due to perpetration of fraud or misrepresentation by the borrower(s).
 - If the government under statutory provisions, seeks to acquiring the residential property for public use.
 - If the government condemns the residential property (for example, for health or safety reasons).
- ◆ The PLIs shall clearly specify all the costs to the Borrower(s) that are associated with the transaction.
 - ◆ The PLIs shall in no way assert or imply to the borrower(s) that the borrower(s) is/are obligated to purchase any other product or service offered by the PLI or any other associated institution in order to obtain a reverse mortgage loan.
 - ◆ Take reasonable steps to check out the background and procedures of third parties before accepting referrals of business from them, and refuse to accept referrals from those that are found unacceptable. Members shall disclose to clients any third party with a financial interest in the reverse mortgage transaction.
 - ◆ Overall, the PLIs shall treat the Senior Citizen borrower fairly.

21. Taxation Aspects

Initially, the response of the scheme was not encouraging and people started losing interest because the expected borrowers desired to be assured during income-tax liability concerning the scheme and they waited for the CBDT's clarification regarding the same. Amendments to the IT Act relating to reverse mortgage came in the Finance Act 2008. The changes made in the IT Act are clarificatory in nature and provide that:

- (i) reverse mortgage would not amount to transfer.
- (ii) the amounts received consequent to reverse mortgage would not constitute income in the hands of the mortgagor.

19. Option for PLI to Adjust Payments:

- ◆ The PLI shall have the option to revise the periodic/lump-sum amount at such frequency or intervals based on revaluation of property, which in any case shall be at least once every five years.
- ◆ Borrower shall be provided with an option to accept such revised terms and conditions for furtherance of the loan.
- ◆ If the Borrower does not accept the revised terms, no further payments will be effected by the Lender. Interest at the rate agreed before the review will continue to accrue on the outstanding amount of the loan. The accumulated principal and interest shall become due and payable as mentioned in clauses (13) and (17).

20. Counseling and Information to Borrowers:

- ◆ The PLIs will observe and maintain high standards of conduct in dealing with the Senior Citizens and their families and treat them with special care.
- ◆ The PLIs shall clearly and accurately disclose the terms of the RML without any ambiguity.
- ◆ The PLIs should clearly explain to the prospective borrowers the terms and conditions of RML, the methodology followed for valuation of the residential property, the method of determination of eligible quantum of loan, the frequency of revaluation and review of terms and all related aspects of the RML.
- ◆ The PLIs may suggest to the Senior Citizens to nominate their personal representatives' usually a close relative who the PLI can contact in the event of any potentialities.
- ◆ The PLIs may counsel the prospective borrowers about the possible impacts to the borrowers due to adverse movements in interest rates and property price fluctuations.

Gyandarshan Live Lectures

The fourth series of live telecast of lectures of CA-CPT/PCC on Gyandarshan channel will commence in the month of September 2009.

CA-CPT

22nd September onwards, 10:30 a.m to 1:45 p.m (Monday to Friday)

CA-PCC

5th September onwards, 5:00 p.m to 8:00 p.m (Saturday & Sunday)

- ◆ Students can raise their queries during studio timings at toll free no **1800-11-2345** or can e-mail at bosgyandarshan@icai.org.
- ◆ Students can view the LIVE TELECAST also on www.ignou.ac.in by following the below mentioned steps:-
 - a. Load VLC from www.videolan.org by following the instructions.
 - b. Visit www.ignou.ac.in
 - c. Click Education Broadcast followed by Broadcast channel and then select gyandarshan II/edusat.

The detailed schedule will be hosted on institutes website.

Besides this, students can view power point slides used during the third series of CA-CPT lectures telecast on gyandarshan on the following subjects.

1. Fundamentals of Accounting
2. Quantitative Aptitude and Business Statistics
3. General Economics
4. Mercantile Law

The lecture slides can be viewed on institute's website www.icai.org.in students section followed by gyandarshan.

BUDGET 2009-10 AND SERVICE TAX

CA. Shefali Jain

1. Composition scheme under a works contract

Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 provide an option to the assessee to opt for a composition scheme - a convenient, hassle free and simple method devised for administrative convenience wherein the assessee is required to pay 4% of the total value of the works contract as service tax.

Situation prior to budget

Explanation to rule 3 of Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 provides that the gross amount charged for the works contract shall not include Value Added Tax (VAT) or sales tax, as the case may be, paid on transfer of property in goods involved in the execution of the said works contract.

Amendment made by budget

Above Explanation has been modified so as to allow the benefit of optional composition scheme only to such works contracts where the taxpayer declares the entire value of goods (whether supplied under any other contract for a consideration or otherwise) and services used in the execution of the works contract as the 'gross value' charged for the works contract. According to the new explanation, the gross amount charged for the works contract shall include the following:

- the value of all goods used in or in relation to the execution of the works contract, whether supplied under any other contract for a consideration or otherwise; and
- the value of all the services that are required to be provided for the execution of the works contract;
- the charges for obtaining machinery and tools used in the execution of the said works contract

Following shall be excluded from the gross amount charged:

- the value added tax or sales tax as the case may be paid on transfer of property in goods involved; and
- the cost of machinery and tools used in the execution of the said works contract.

The aforementioned explanation shall not apply to the current works contracts where either the execution has commenced or any payment has been made in relation to the said contract on or before the 7-7-2009.

(Notification No. 23/2009 ST dated 7-7-2009)

2. Tour operator services

Situation prior to budget

Private bus operators, who operate buses on specific inter-state or intra-state routes, are required to pay service tax as they ply their buses having contract carriage permits'. Therefore, they are covered under the definition of tour operators. On the other hand, the State Undertakings run buses, which run on the same route carrying passengers, are not liable to pay the service tax as these buses bear stage

carriage permit'.

Amendment made by budget

In order to bring parity between the two, the services provided by the tour operators undertaking point-to-point transportation of passengers in a vehicle bearing contract carriage permit has been fully exempted from service tax, provided such transportation is not in relation to tourism or conducted tours, charter or hire service.

(Notification No. 20/2009-ST, dated 7-7-2009)

3. Banking and other financial services

Situation prior to budget

Money changer services provided in relation to sale and purchase of foreign currency was made liable to service tax with effect from 16-5-2008.

Amendment made by budget

In respect of such services, exemption has been granted when such services are provided by one Scheduled bank to another Scheduled bank.

(Notification no 19/2009 ST dated 7-7-2009)

4. Club or association services

Services provided by Federation of Indian Export Promotion Organization (FIEO) and other twenty-one specified export promotion councils, which were taxable under the category of club or association services, have been made exempted from the levy of service tax under the said service. The exemption is valid till 31-3-2010.

(Notification No. 16/2009-ST dated 7-7-2009)

5. Refund scheme for exporters

Situation prior to budget

Notification No. 41/2007-ST dated 6-10-2007 provides for refund of service tax paid on services, which though not in the nature of input services, are relatable to export of goods. This notification has been amended several times in order to ensure speedier grant of refunds to the exporters. Moreover, a number of circulars have also been issued thereby clarifying certain procedural issues involved in its implementation.

Amendment made by budget

The scheme has been revamped to ensure speedier grant of refunds to the exporters. The salient features of the new scheme, being notified under two notifications, both dated 7-7-2009, are as follows:

- Notification No. 18/2009 ST** exempts two taxable services, namely, 'transport of goods by road' and 'commission paid to foreign agents' from the levy of service tax, if the exporter is liable to pay service tax on reverse charge basis subject to the fulfillment of specified conditions.

The contributor is Sr.Executive Officer (faculty), ICAI.

(b) **Notification No. 17/2009 ST** supersedes the Notification No. 41/ 2007-ST dated 6-10-2007. The salient features of the new scheme prescribing a simplified format for filing the refund claims are as follows:

- (i) Terminal handling services' has been added to the list of eligible services.
- (ii) The time period for filing a refund claim has been increased to one year from the date of export. The condition for filing refund claims once in a quarter has been dispensed with. Now, the exporter can file a refund claim anytime after each export shipment.
- (iii) (A) In a case, where total amount of refund claim does not exceed 0.25% of the total FOB value of exports under a claim, a self-certification by the exporter would be sufficient.

(B) In a case, where amount of refund claim exceeds 0.25% of the FOB value of exports, the documents submitted by the exporter should be certified by the chartered accountant who audits his annual accounts.

In both the above-mentioned cases, refund shall be granted within one month, on the basis of the certification, without any pre-audit.

- (iv) Certification [referred to in point (iii) above] is to be done in respect of the relevant documents to the effect that:
 - (a) the eligible services have been received by the exporter;
 - (b) the service tax payable thereon has been reimbursed; and
 - (c) such services have been used for the export.

6. CENVAT Credit Rules, 2004

A. Rule 3(5B)

Situation prior to budget

Rule 3(5B) provides that if the value of any,

- (i) input, or
 - (ii) capital goods before being put to use,
- on which CENVAT credit has been taken is written off fully or where any provision to write off fully has been made in the books of account, the manufacturer shall pay an amount equivalent to the CENVAT credit taken in respect of the said input or capital goods

Amendment made by budget

Rule 3(5B) has been amended so as to provide that a service provider shall pay back the amount of credit taken on inputs/capital goods fully written off.

B. Rule 6(3)

Situation prior to budget

The provider of both taxable and exempted output services, opting not to maintain separate accounts, shall pay an amount equal to 8% of value of the exempted services.

Amendment made by budget

Rule 6(3) of the CENVAT Credit Rules, 2004 has been

amended to prescribe that a provider of both taxable and exempted services, who does not maintain separate accounts of inputs, shall pay an amount equal to 6% of the value of exempted services instead of 8%.

(Notification No. 16/2009 dated 7-7-2009)

7. Territorial jurisdiction

The services provided to or from installations, structures and vessels in the entire Continental Shelf of India and Exclusive Economic Zone of India have been brought within the ambit of the provisions relating to service tax.

(Notification No. 21/2009-ST dated 7-7-2009)

Accordingly, the Taxation of Services (Provided from Outside India and Received in India) Rules, 2006 (containing the rules regarding the import of services) have been amended to extend the definition of India to include installations, structures and vessels in the entire Continental Shelf of India and Exclusive Economic Zone of India.

(Notification No. 22/2009-ST dated 7-7-2009)

8. Three new services brought under the tax net

With effect from September 1, 2009, service tax has been levied on the following three new categories of services

A. Service provided in relation to transport of coastal goods and goods transported through inland water including National Waterways.

Transportation of coastal goods (as defined under the Customs Act, 1962) and transportation of goods through inland waters including National Waterways has been made liable to service tax.

B. Cosmetic and plastic surgery service.

Service tax has been levied on services provided or to be provided to any person, by any other person, in relation to cosmetic surgery or plastic surgery other than the surgery undertaken to restore or reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, degenerative diseases, injury or trauma.

In this respect, Board's circular also provides the indicative surgeries that can be taxed under this service listed as under:-

- a. Mammoplasty;
- b. Blepharoplasty (eyelid surgery);
- c. Abdominoplasty (tummy tuck);
- d. Buttock augmentation and lift;
- e. Rhinoplasty (reshaping of nose);
- f. Otoplasty (ear surgery);
- g. Rhytidectomy (face lift);
- h. Liposuction (removal of fat from the body);
- i. Brow lift;
- j. Cheek augmentation;
- k. Facial implants;
- l. Lip augmentation;
- m. Forehead lift;
- n. Cosmetic dental surgery;
- o. Orthodontics;
- p. Aesthetic dentistry;
- q. Laser skin surfacing

C. Legal consultancy service

Service tax is levied on any service provided or to be provided to a business entity, by any other business entity, in relation to advice, consultancy or assistance in any discipline of law. However, in the following cases the legal consultancy services provided shall not be liable to service tax –

- Any service provided by way of appearance before any court; tribunal or authority.
- The service provider and/or service recipient is an individual.

9. Amendment in the scope of existing taxable services

A. Transport of goods in containers by rail services

Situation prior to budget

The transport of goods in containers by railway by any person, other than Government railway, is taxable.

Amendment made by the budget

Service tax has been imposed on goods transported by railways including Government railways, whether in containers or otherwise.

B. Business auxiliary services

Situation prior to budget

The service/process that amounts to manufacture as defined under section 2(f) of the Central Excise Act, 1944 was excluded under the category business auxiliary services.

Amendment made by the budget

This service has been amended to exclude any activity

that amounts to manufacture of excisable goods. Therefore, manufacture of non-excisable goods for or on behalf of the client shall attract service tax.

C. Information technology software services

Situation prior to budget

Under the information technology software service, acquiring the right to use the information technology software . is taxable.

Amendment made by the budget

The same has been amended to providing the right to use the information technology software . . This service is amended with retrospective effect from 16-5-2008.

D. Stock broker services

Situation prior to budget

At present, the definition of a stock broker includes the sub-broker as well.

Amendment made by the budget

The definition of stock-broker (in stock-broker service) has been amended to exclude sub-broker from its ambit. Consequently, sub-brokers would be outside the purview of service tax.

Note: Students may note that the amendments enumerated in point 8 and 9 above shall come into effect from September 1, 2009. Rests of the amendments are effective from 07-07-2009.

Availability of Merit, Merit-cum-Need, Need Based and Weaker Sections and Endowment Scholarships w.e.f. 1st October, 2009

Sl. No.	Name of Scholarship	No. of Scholarship	Amount (p.m.)	Eligibility
1.	Merit	30	1,250	Students whose names appear at Sl. No. 1 10 of Merit lists of CPT/PCC/PE-II/CPT of June, 2009 Exam.
2.	Merit-cum-Need	30	1,250	Rank holders of CPT/PCC/PE-II June, 2009 Exam.
3.	Need Based and Weaker Sections	50	1,000	Students of PCC/IPCC/Final
4	Sri Dhanraj Kanhaiyalal Dudheria Scholarship	7	1000	For PCC/IPCC/Final Course students of Karnataka State.
5	Sourangshu Ghosh Memorial Scholarship	1	500	Awarded to the Final Students of Eastern Region
6	G.D. Salarpuria Foundation Scholarship	1	500	For ST/SC students – PCC/IPCC/Final
7	Sultan Chand Memorial Scholarship	1	500	Students of PCC/IPCC/Final
8	J.S. Lodha Memorial Scholarship	6	300	Students of PCC/IPCC/Final
9	Likhami Chand Chauthmull Kandoi Charitable Trust	1	300	Students of PCC/IPCC/Final

Notes:

- The annual income of parents/guardians for Merit –cum-Need should not exceed Rs. 1,50,000 and Rs. 1,00,000 for Need-based and Weaker Sections/Endowment Scholarships.
- Applicants for grant of above scholarships should be registered students of PCC/Final. Students of PCC/ Final Course will be paid scholarship for maximum period of 18/30 months or balance period of articleship.
- For SC/ST/OBC category students an additional amount of Rs. 100/- p.m. be paid in Need-based and Weaker Section category of scholarship.
- Two scholarships are reserved for physically handicapped students in Need Based and Weaker Sections category.

The duly completed application in the prescribed form should reach the Director (BOS), The Institute of Chartered Accountants of India, ICAI Bhawan, A-94/4, Sector – 58, NOIDA – 201 301 latest by 30th September, 2009. Application form can be downloaded from the web site of the Institute namely www.icai.org.

An Important Announcement for Students of Professional Education Examination- II – Extension of PE-II Examination by two more attempts i.e. November, 2009 and May, 2010

Students are hereby informed that the Council of the Institute of Chartered Accountants of India, having due regard to the concerns of students belonging to the Professional Education Examination –II stream, has decided to extend the Professional Education Examination –II by two more attempts namely November, 2009 and May, 2010.

Eligible categories

Students who were initially registered for the then Intermediate course and later on shifted to Professional Education Course –II.

Students who have registered for PE-II on the basis of Entrance, Foundation, PE-I and continuing in PE-II stream.

Students who have registered on the basis of graduation and continuing in PE-II stream.

Students of PE-II stream belonging to Entrance, Foundation and PE-I route who have in the meanwhile converted to Professional Competence Course.

Students of PE-II stream belonging to Entrance, Foundation and PE-I route who have in the meanwhile converted to Integrated Professional Competence course.

Students of PE-II stream belonging to the graduation route who have in the meanwhile converted to Integrated Professional Competence course.

Students concerned may note that the Council has made it clear that no further extension will be granted under any circumstances.

CA.R.Devarajan

Director, Board of Studies

Extension of due date for completion of 100 Hours IT training

Removing difficulties being faced by the students for successfully completing 100 Hours Information Technology Training before the commencement of November, 2009 Professional Competence Examination/Integrated Professional Competence Examination

It has been brought to the notice of Board of Studies that some of the students who have to appear for the Professional Competence Examination/Integrated Professional Competence Examination to be held in November, 2009, are facing difficulties in successfully completing 100 Hrs Information Technology Training by 31st October, 2009 due to capacity constraints in certain Information Technology Labs. In order to remove the difficulties being faced by such students, it has been decided that they may successfully complete their 100 Hours Information Technology Training before the date of declaration of the Professional Competence Examination/ Integrated Professional Competence Examination result for November 2009 Examination. Such students should submit proof of their successful completion of the 100 Hours Information Technology Training to the Examination Section before the date of declaration of the result.

Successful completion of 100 hours IT Training means

- ◆ Completion of 100 Hours IT Training.
- ◆ Passing two module tests by securing at least 50 per cent marks in individual tests.
- ◆ Submission of project report.
- ◆ Pass on-line examination and secure 60 (sixty) per cent marks in the aggregate.

Students should carefully note that if they do not successfully complete the 100 Hours IT training before the date of declaration of the result of November, 2009 Professional Competence Examination/ Integrated Professional Competence Examination and submit proof of successful completion to the Examination Section, ICAI Bhawan, C-1, Sector 1, Noida-201301 before that date their results are liable to be cancelled. Therefore, they are advised to successfully complete the 100 Hours IT training well before the date of declaration of the result (tentatively 15th January, 2010). In case they experience any difficulty in getting the admission for 100 Hours IT training they should immediately contact Mrs. Indu Arora, Additional Director of Studies, Phone No. 0120-3045927 and email indu@icai.org.

CA. R. Devarajan

Director, BOS

“Search Mantra”

For Accounting and Finance Professionals

ICAI JOB PORTAL

www.jobs4CAs.icaai.org



The Institute of Chartered Accountants of India, during its six decades of existence, has achieved recognition as a premier accounting body not only in the country but also globally, for its contribution in the fields of education, professional development, maintenance of high accounting, auditing and ethical standards.

The Committee for Members in Industry is, inter-alia, the one stop destination for providing the placement services to the members of the Institute. The Committee organizes Campus Placement Programmes to provide placement assistance to the Members twice a year. Taking one more step further, CMII has taken an commendable step further to launch this Job Portal so as to augment the venture of getting the Chartered Accountants placed in apex industries.

We are extremely happy to announce the Launch of New ICAI Job Portal which will supplement the existing placement assistance provided by the Committee for Members in Industry to the Newly qualified Chartered Accountants, Experienced Members as well as Accounting Technicians, by providing a converging platform for the potential employers as well as the Members of the Institute.

Welcome to the ICAI Job Portal

This ICAI Job Portal is aimed and specifically designed so as to provide world-class services free of cost to our Members in this transition period and turbulent economic scenario. This Job Portal is unique in the sense that it will serve as one stop destination to Chartered Accountants as they don't need to visit other Job sites for Job Search.

The ICAI Job Portal has been primarily launched for Experienced Chartered Accountants and Accounting Technicians. The said Job Portal has been designed on the lines of the premium Job Sites.

The Prominent Features of this portal are as follows:

For Employers:

- Hot Vacancy-Premium Job Posting Services
- Advanced Search Tools
- Reach through Job Alerts
- Resume Database Access Subscription
- Unlimited writing for Job Advertisement
- Extremely fast display of Job Advertisement
- Facility to monitor the activities such as a 'MIS' on the number of logins, duration of logins, candidates contacted etc done through the Account.

For Candidates

- Update Alert for CV
- Job Messenger and SMS Facility
- Email Alerts
- Resume Building Services
- Job Search Facility on the Basis of Functional Area , Industry, Experience, Locations, Expected Salary, Job Type, Freshness etc
- Covering Letter Option
- Hot Employer/Preferred Employer marking facility

We sincerely hope that this Job Portal will be extremely helpful to the members and will certainly prove to be a landmark in the long run.

ICAI Job Portal-World Class Job Portal for recruiting World Class Finance and Accounting Professionals.



Committee for Members in Industry
The Institute of Chartered Accountants of India

(Established by the Chartered Accountants Act, 1949)

Website : www.cmii.icai.org; www.icai.org

For further information and details please contact at: placements@icai.org, chairmancmii@icai.org

THE POWER OF FAILURE

Rishabh R. Adukia



“Failure” is one of the most dreaded words in the English language. The very idea of failing is enough to stop most people from their tracks. It can cause the majority to simply pack up, turn around

and retreat without even trying.

On the other hand “success” is a magical word. According to me success is a relative word. Most of us want to be labeled by being called as a successful person, but in reality, it entirely depends upon how we perceive this like the eyes gazing through the microscope. In this context, I recollect reading one of the books by Bill Gates titled “Speed of thought” which clearly brings his views of learning from setbacks in his life. Today we are all witness to his success. He and his team have turned many potential failures into dynamic success which we are all well aware of.

How can we make effective learning?

Effective learning of challenging activities depends on how we think of failure. Just as we develop our daily habits, routine work, plans by practicing it daily, similarly we need to change our thought processes by preaching to learn from failure. We need to look forward and move ahead after a dreadful failure. We need to focus primarily on opportunities rather than bothering about obstacles, especially when we fail. Tuning and retuning of the mind is a must for any kind of person. It is also proved by research that whatever we think influences our health, longevity, performance and other aspects of success in life. It not only affects reality, how we see reality but the reality itself. Short term failures are building blocks for future success. The magical mantra that should be adopted by each one of us is that “Failure is a stepping stone to success”. If we don’t move ahead we won’t learn the valuable lessons that we need to learn. In fact, we need to get failures in life in order to wrestle with every kind of challenge that life gives. Sometimes the strength for the greatest success comes from wrestling with large and overwhelming challenges.

The Secret of Success

Often we think about the reason for success of other people known to us. But do we ever go back and see the failures and

hardships one has faced during the development stages? I believe that the reason for their success is that they considered their obstacles as an opportunity to move ahead by accepting the challenges in the right spirit. I feel there is a secret behind this which we are all aware of but we sometimes fail to implement and follow. The secret lies in PATIENCE. The distance between short term failures and long term success is too narrow. To elaborate on this, I recall an ancient story, where an arts student was being taught to learn a new set of movements and he asked his master how long it would take to master it. When the Master replied that it would take two years, the student pondered that it was too long a period and enthusiastically offered to put in 200 % of his time and effort. He then wanted to know how long it would take to master it. The Master thought for a while and replied “My dear student it will now take 4 years .If we want to succeed we need to keep patience”. Like the Hindi saying goes “Bhagwan ke ghar der hain ander nahin”. Another very apt story is that of the hare and tortoise story which we have been listening since our childhood days. The tortoise doesn’t lose hope and works towards his target without underestimating his own capabilities.

Fear of failure

We always have some fear in our minds, “if we fail”. Little do we realize that the fear of failure is one of the biggest obstacles to living a full and rewarding life. Even the finest musicians have hit many sour notes before becoming the best. So the next question which may come to your mind may be how do we overcome this? The answer is very simple. Do the things we fear first. Take fear as a challenge, turn mission impossible to mission easily possible.

IF YOU want to be more successful

“Double your failure rate”

Apprehension towards the Chartered Accountancy course:

Some students (whether pursuing CA or not) have an apprehension towards the CA course as being tough, boring, impossible and often make statements such as “not my cup of tea”.

Why is it that student have this kind of mindset? Students

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consider failure as a byproduct while doing CA? 2-3 attempts are considered normal to become a Chartered Accountant. Some even leave the course after pursuing it halfway. Instead why don't we question ourselves, what skills do I lack which I need to overcome? Why can he/she do it and I can't?

As the famous sayings go-

*"Winners don't do different things,
they do things differently".*

"Success is achieved by "Using the Ordinary mind in an extraordinarily manner.

One undergoes lot of mental suffering, but why don't we live in our present rather than thinking over the past. The challenge is how to overcome the past that is pulling us towards it and frightening the tomorrow, which we have to face, which is unknown. Why don't we think like an artist? Ex; Say when we look at the environment the things around us, we think of what we see. We are tuned to the surroundings around us at that point of time. So why don't we live in our present. Most of us waste our energy thinking about the past or think of the future while we are awake. The result is we miss our today. Artistic view will bring about innovative ideas, thoughts. It washes the unnecessary stress. Look for the opportunities you are likely to get. Develop new skills, new ways and means of solving the variety of sums,

different memory techniques to apply. Have a positive approach and see how easy it becomes to get through the CA exams with colourful marks. Bouncing back from failure or tapping into the positive power of failure is the biggest predictor of success in studies or for that matter any walk of life. Entrepreneurs are risk takers and are less cautious by nature. They are optimistic but not always resilient – which is why learning how to rebuild after failure is crucial. Finding the positive power of failure will make you a successful entrepreneur, but it goes beyond business. Devastating setbacks occur in all aspects of our lives, and the sooner we learn to face failure and regain control, the more successful our lives will be.

Conclusion:

Failure offers each of us the gift of learning, the ways and means of getting stronger. It tells us the need for innovation we need to adopt. We are winning through losing; hence we cannot hope to become really successful in our lives unless we learn to fail well. We need to make the best of the life we have and should not let it go easily.

In fact, I would like to congratulate all those who have failed in life (including myself) at whatever stage and thereby getting the opportunity to learn and adopt for a better future.

Important Announcement

Applicability of services for November 2009 examinations:-

Professional Competence Examination

It is clarified that in Part-II : Service tax and VAT of Paper 5 : Taxation, students will not be tested on specific questions covering individual taxable services

Integrated Professional Competence Examination

It is clarified that in Part-II : Service tax and VAT of Paper 4 : Taxation, students will be examined only in respect of the following taxable services:

1. Renting of immovable property services
2. Tour operator's services
3. Commercial training or coaching services
4. Erection, commissioning and installation services
5. Works contract services

Final Examinations (Both Existing and New)

Paper 8 : Indirect taxes/ Paper 8 : Indirect Tax Laws

It is clarified that in respect of taxable services covered in the syllabus of Paper 8 : Indirect taxes/ Paper 8 : Indirect Tax Laws, students will be examined only in respect of the following taxable services:

- **Intellectual Property Services**
 1. Franchise services
 2. Intellectual property services
- **Financial services**
 3. Banking & other financial services
 4. Credit rating agency's services
 5. Stock broking services
- **Transport of goods services**
 6. Goods transport agency's services
 7. Courier services
 8. Mailing list compilation and mailing services
 9. Transport of goods by air services
 10. Clearing and forwarding services

11. Cargo handling services
12. Customs house agent's services
13. Storage and warehousing services
14. Transport of goods through pipeline or other conduit
15. Transport of goods in containers by rail by any person, other than government railway

- **Professional Services**

16. Practising chartered accountant's services
17. Management or business consultancy services
18. Consulting engineer's services
19. Scientific and technical consultancy services
20. Technical testing and analysis services
21. Market research services
22. Opinion poll services
23. Public relations services

- **Real estate & infrastructure services**

24. Construction services in respect of commercial or industrial buildings or civil structures
25. Construction services in respect of residential complexes
26. Architect's services
27. Real estate agent's services
28. Site preparation and clearance, excavation, earthmoving and demolition services
29. Interior decorator's services

- **Business services**

30. Business auxiliary services
31. Business support services
32. Manpower recruitment or supply agency's services

CA. R. Devarajan

Director Board of Studies (SG)



Forensic Accounting is an integration of accounting, auditing and investigative skills. The term 'Forensic accounting' was coined by Maurice E. Peloubet, in whose words "Financial statements have some but

not all the characteristics of Forensic Accounting". According to Oxford dictionary, the term 'forensic' means 'of or used in law courts'. Thus, Forensic Accounting as a special practice area provides accounting analysis that is suitable to the court and which forms the basis for discussion, debate and ultimately dispute resolution. Forensic accounting looks beyond numbers and the focus is on looking at the business reality of the situation.

Companies (Auditors' Report) Order, 2003 requires auditors to report, amongst others, "whether any fraud on or by the company has been noticed or reported during the year. If yes, the nature and amount are required to be indicated". Thus, in the Indian context, forensic accounting has gained importance in this background.

Areas covered by Forensic Accounting:

1. **Certain engagements related to civil disputes** viz. disagreements related to company acquisitions like business valuation, calculating and quantifying losses and economic damages through breach of contracts etc.
2. **Shareholders and Partnership disputes** involving detailed analysis of numerous years accounting records to quantify the issues in dispute.
3. **Cyber Crimes** like credit card frauds, ATM card frauds, cyber extortion, cyber stalking, phishing i.e. sending unsolicited e-mails & collection of sensitive information by simple techniques.
4. Forensic accounting also deals with **areas of professional negligence claims**, involving assessment and reporting on work of other professionals. This involves investigating whether breach of 'Generally agreed accounting and/or auditing principles' has occurred.

FORENSIC ACCOUNTING

Nishant K Patel

5. Engagements involving criminal matters, involving assessment of accounting systems and accounts presentation, where forensic accountants are hired by the law enforcement agencies.
6. Business investigations involving fund tracing, asset identification and recovery, forensic intelligence gathering and due diligence reviews.
7. Employee fraud investigations involving procedures to determine existence, nature and extent of fraud and may involve identification of the perpetrator.
8. Business Economic Losses viz. contract disputes, trademark and patent infringements, losses arising from breach of non-compete clauses etc.
9. Cases involving medical insurance claims, medical malpractices resulting in economic losses.
10. Mediation and arbitration in alternative dispute resolution mechanisms due to familiarity of forensic accountants with legal issues and procedures, helping individuals and businesses resolve disputes with minimum disruption and loss of time.

Terminologies used pertaining to forensic accounting:

1. Forensic Investigation:

This refers to using specialized investigative skills to undertake inquiry in such a manner that outcome shall have application in court of law. Forensic investigation may be grounded in areas like accounting, medicine or engineering.

2. Forensic Audit:

This refers to investigation of a fraud or presumptive fraud with a view to gathering evidence that could be presented in courts of law. It is essentially a blend of propriety, investigative, regularity and financial audits. The objective is to ascertain whether true business value has been reflected in the financial statements and during the course of examination to find whether any fraud has taken place.

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Approach to a forensic accounting assignment:

Since each forensic accounting assignment is unique, actual approach and procedures adopted may vary depending on the circumstances of the case. The general steps to be adopted may be followed for the forensic accounting assignments as under:

- Meeting with the client, to obtain an understanding of important facts and issues, so as to develop an overview of the investigative situation.
- Performing a conflict check as soon as the relevant parties are identified.
- Carry out preliminary investigation before developing a detailed plan of action.

This will ensure that subsequent planning is based upon a more complete understanding of issues.

- Developing a detailed action plan based on knowledge gained from steps above, clearly setting out the objectives and methodology to be adopted to accomplish the same.
- Obtaining relevant evidence through documents, economic information, personnel in the company, experts or proof of occurrence of event.
- Perform analysis which may involve calculating economic damages, tracing of assets, summarizing large number of transactions, present value calculations applying appropriate discount rates, regression & sensitivity analysis, using computerized applications like spreadsheet, database, charts and graphics.
- Prepare reports which may include sections like nature of assignment, scope of investigation, approach utilized, limitations of scope and findings of investigation. Reports may be appropriately supported by schedules, charts and graphics to support the assertions made.

Critical aspects to be followed while conducting forensic accounting:

- ◆ The objective of forensic accounting is to determine correctness of accounts and whether any fraud has taken place.
- ◆ Some of the techniques used could be analysis of past trends or 'substantive' or in-depth checking of selected transactions.
- ◆ There is no limitation of time period unlike statutory audits and thus accounts may be examined in detail from very beginning.
- ◆ In case of, verification of stock, realizable value of current assets and provisions or liability estimation etc. independent verification of selected /suspected items may be carried out.
- ◆ In case of off-balance-sheet items like contracts, regularity and propriety of these transactions are examined.
- ◆ In case of adverse findings, legal determination of fraud and naming persons behind the fraud is contemplated.

Forensic accountants' Role:

Forensic accountants utilize an understanding of business information, financial reporting systems, accounting and auditing standards, evidence gathering and investigative techniques, litigation procedures and processes to perform their work. They also play a pro-active role in risk reduction by designing and performing extended procedures as a part of statutory audit, acting as



Detection Techniques used in forensic accounting:

A) Critical Point Auditing (CPA)

- In CPA, symptoms of fraud are filtered out from regular transactions where they may be concealed.
- Scrutiny for CPA purpose may involve: use of
 - trend analysis
 - checking unusual debits/credits in the accounts
 - discrepancies in receivable/payable /inventory balances evidenced from financial records and corresponding subsidiary records.
 - false credits to boost sales with corresponding debits to non-existent/dummy personal accounts.

B) Propriety Audit (PA)

- PA is conducted by Supreme Audit government accounts prepared are in order, in terms of approvals and sanctions of expenditures incurred, whether the expenditure incurred was need-based and that the revenues have been realized in time and properly credited to government accounts.
- The analogy of "Value for money audit" is applied to forensic audits whereby financial frauds are unearthed saving wasteful and unwarranted expenditures



advisors to audit committee, fraud deterrence engagements and assisting in investment analysis research.

The may play a coherent role against money laundering activities which may involve recovering proceeds of crime. In UK, the relevant legislation for the same is contained in Proceeds of Crime Act, 2002.

Characteristics a Forensic Accountant should possess:

- i) Forensic Accounting requires specialized knowledge about techniques of finding out the frauds; the forensic accountant must have patience and an analytical mindset.
- ii) Ability to think, where he questions seemingly benign documents, looks for inconsistencies, searches for evidence of criminal conduct, looks beyond the numbers and grasps the substance of the situation.
- iii) Some other characteristics which could aid a forensic accountant could be :
 - a) Curiosity
 - b) Persistence
 - c) Creativity
 - d) Confidence
 - e) Sound professional judgement.
- iv) Good communication skills including effective listening, considering various alternatives open, and ability to see the larger picture are other attributes that could be useful the forensic accountant.

Assistance of forensic accountants during fraud investigation:

- ◆ Review of factual situation and providing suggestions on possible courses of action.
- ◆ Assistance with recovery of assets by way of civil action or criminal prosecution.
- ◆ Investigating and analyzing financial evidence.
- ◆ Assisting in legal proceedings including testifying in court as expert witness and preparing visual aids to support trial evidence.
- ◆ Helps in analysis, interpretation, summarizing and presenting complex financial and business related issues.
- ◆ Developing computerized applications in analysis and presentation of financial evidence.

- ◆ Providing litigation support viz. assistance in obtaining documents necessary to support or refute a claim, assistance with settlement discussions and negotiations, attendance at trial to hear the testimony of opposing expert and to provide assistance with cross-examination.

Forensic accounting opportunities:

Forensic accounting as such is centuries old since Kautilya the famous economist, recognized the need for forensic accountants, when he mentioned forty different ways of embezzlement. Sherlock Holmes was perhaps the most famous practicing forensic chemist.

Growing cyber crimes, failure of regulatory agencies to track security scams, busting of many co-operative banks and collapse of giant corporations like Enron emphasize the need of using forensic accounting. For Chartered Accountants in India, forensic accounting provides an exciting opportunity to foray into this field. Growing regulatory and compliance procedures shall demand greater services in the nature of forensic accounting practice.

According to 'Accounting Today' nearly 40% of top 100 American accounting firms are expanding their forensics and fraud services. With Indian corporates now turning global, with higher volume of cross-border transactions, use of hi-tech technology leaving little audit trail, use of forensic accounting in India is likely to catch pace.

Conclusion:

Forensic accounting though a new field in Indian accounting world has tremendous potential as a new practice area for Indian CAs given the increasing use of e-commerce applications, cyber frauds and increasingly complex transactions in both domestic as well as cross-border businesses. Indian CAs with their extensive theoretical education and practical experience can create forensic accounting and auditing as their niche area.

References:

1. www.indiaforensic.com



List of Institute's Publications – November, 2009 Examination

The following List of Institute's Publications is relevant for the forthcoming examination i.e. November, 2009.

Final Examination (New Course)

Group I Paper 1: Financial Reporting

I. Statements and Standards

1. Framework for the Preparation and Presentation of Financial Statements
2. Accounting Standards – AS 1 to AS 29.

II. Guidance Notes on Accounting Aspects

1. Guidance Note on Treatment of Reserve Created on Revaluation of Fixed Assets.
2. Guarantees and Counter-Guarantees Given by Companies.
3. Guidance Note on Accrual Basis of Accounting.
4. Guidance Note on Accounting Treatment for Excise Duty.
5. Guidance Note on Accounting for Depreciation in Companies.
6. Guidance Note on Availability of Revaluation Reserve for Issue of Bonus shares.
7. Guidance Note on Accounting Treatment for MODVAT/CENVAT.
8. Guidance Note on Accounting for Securitisation.
9. Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options (2003).
10. Guidance Note on Accounting for Corporate Dividend Tax.
11. Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds.
12. Guidance Note on Accounting for Employee Share-based Payments.
13. Guidance Note on Accounting for Fringe Benefits Tax.
14. Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961.
15. Guidance Note on Measurement of Income Tax for Interim Financial Reporting in the context of AS 25.

Group I - Paper 3: Advanced Auditing and Professional Ethics

I. Professional Topics/Subjects

1. Code of Ethics

(The Chartered Accountants (Amendment) Act, 2006 is applicable for November, 2008 Final Examination.)

II. Statements and Standards

1. Framework of Statements on Standard Auditing Practices and Guidance Notes on Related Services.
2. Standards on Auditing as given below.

S.No. Standards on Auditing and Number

1. Basic Principles Governing an Audit (SA 200)
2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
3. Terms of Audit Engagement (SA 210)
4. Quality Control for Audit Work (SA 220)
5. Audit Documentation (230) (Revised)
6. The Auditor's Responsibility to Consider Fraud and

Error in an Audit of Financial Statements (SA 240) (Revised)

7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (Revised)
8. Communication of Audit Matters with Those Charged with Governance (SA 260) (Revised)
9. Responsibility of Joint Auditors (SA 299)
10. Planning an Audit of Financial Statements (300)
11. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (Newly issued)*
12. Audit Materiality (SA 320) (Revised)
13. The Auditor's Responses to Assessed Risks (SA 330) (Newly issued)*
14. Audit Considerations Relating to Entities Using Service Organisations (SA 402) (Revised)
15. Audit Evidence (SA 500)
16. Audit Evidence - Additional Considerations for Specific Items (SA 501)
17. External Confirmations (SA 505)
18. Initial Engagements – Opening Balances (SA 510) (Revised)
19. Analytical Procedures (SA 520)
20. Audit Sampling (SA 530) (Revised)
21. Auditing of Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (Revised)
22. Related Parties (SA 550) (Revised)
23. Subsequent Events (SA 560) (Revised)
24. Going Concern (SA 570) (Revised)
25. Written Representations (SA 580) (Revised)
26. Using the Work of Another Auditor (SA 600)
27. Relying Upon the Work of an Internal Auditor (SA 610)
28. Using the Work of an Expert (SA 620) (Revised)
29. The Auditor's Report on Financial Statements (SA 700)
30. Comparatives (SA 710)
31. Engagements to Compile Financial Information (SRS 4410)
32. Engagements to Perform Agreed- upon Procedures Regarding Financial Information (SRS 4400)
33. Engagements to Review Financial Statements (SRE 2400)
34. The Examination of Prospective Financial Information (SRE 3400)

Note:

* Presently, SA 200, "Basic Principles Governing an Audit" and SA 200A, "Objective and Scope of an Audit of Financial Statements" correspond to International Standard on Auditing (ISA) 200 (Revised and Redrafted). Both the SAs are currently being revised in the light of the

ISA 200 (Revised and Redrafted). Post revision, the principles covered by SA 200 (erstwhile AAS 1) and SA 200A (erstwhile AAS 2) will be merged into one Standard, i.e. SA 200.)

- ** SA 315 & SA 330 – become effective in April, 2008. For November 2009 Final (Old) Examination 34 standards on Auditing as given in the Annexure – I. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.
- Statement on Reporting under Section 227(1A) of the Companies Act, 1956
 - Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].

III. Guidance Notes/Study Guide/Monograph

Guidance Notes on Auditing Aspects:

- Guidance Note on Independence of Auditors
- Internal Control Questionnaire.
- Guidance Note on Audit Reports and Certificates for Special Purposes
- Guidance Note on Audit of Fixed Assets.
- Guidance Note on Audit under Section 44AB of the Income Tax Act [2005 Edition].
- Guidance Note on Audit of Abridged Financial Statements.
- Guidance Note on Audit of Inventories.
- Guidance Note on Audit of Debtors, Loans and Advances.
- Guidance Note on Audit of Investments.
- Guidance Note on Audit of Miscellaneous Expenditure.
- Guidance Note on Audit of Cash and Bank Balances.
- Guidance Note on Audit of Liabilities.
- Guidance Note on Audit of Revenue.
- Guidance Note on Audit of Expenses.
- Guidance Note on Section 227 (3) (e) and (f) of the Companies Act, 1956.
- Guidance Note on Certificate of Corporate Governance [2006 Edition].
- Guidance Note on Revision of Audit Report.
- Guidance Note on Computer Assisted Audit Techniques (CAATs).
- Guidance Note on Audit of Payment of Dividend.
- Guidance Note on Audit of Capital and Reserves.

Group II Final (New Course)

Paper 7 : Direct Tax Laws

- The study material for Paper 7: Direct Tax Laws (A.Y. 2009-10). This study material contains the amendments made by the Finance Act, 2008 (relevant for A.Y. 2009-10) and significant notifications/circulars/other legislations up to 30.4.2008.
- Supplementary Study Paper – 2008 for the final course, which contains the amendments made by the Finance Act,

2008 (relevant for A.Y. 2009-10) and significant notifications/circulars/other legislative amendments made between 1.5.2007 and 30.4.2008 [Portions relating to Direct Tax Laws].

- Select cases in Direct and Indirect Taxes (2008) – An Essential reading for the Final Course [Portions relating to Direct Tax Laws].

Group II Paper 8 : Indirect Tax Laws

- The study material for Paper 8: Indirect Tax Laws, as amended by the Finance Act, 2008 and significant notifications/ circulars/other legislations up to 30.4.2008.
- Final Course – Supplementary Study Paper – 2008 Direct Taxes and Indirect Taxes [portions relating to Indirect Tax Laws] containing the amendments made by the Finance Act, 2008 and significant amendments made by notifications and circulars issued between 1.5.2007 and 30.4.2008.
- Select cases in Direct and Indirect Taxes (2008) – An essential reading for the Final Course [Portions relating to Indirect Tax Laws].

Final Examination (Old Course)

Final Examination

Group I Paper 1: Advanced Accounting

I. Statements and Standards

- Framework for the Preparation and Presentation of Financial Statements
- Accounting Standards – AS 1 to AS 29.

II. Guidance Notes on Accounting Aspects

- Guidance Note on Treatment of Reserve Created on Revaluation of Fixed Assets.
- Guarantees and Counter-Guarantees Given by Companies.
- Guidance Note on Accrual Basis of Accounting.
- Guidance Note on Accounting Treatment for Excise Duty.
- Guidance Note on Accounting for Depreciation in Companies.
- Guidance Note on Availability of Revaluation Reserve for Issue of Bonus shares.
- Guidance Note on Accounting Treatment for MODVAT/CENVAT.
- Guidance Note on Accounting for Securitisation.
- Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options (2003).
- Guidance Note on Accounting for Corporate Dividend Tax.
- Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds.
- Guidance Note on Accounting for Employee Share-based Payments.
- Guidance Note on Accounting for Fringe Benefits Tax.
- Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961.
- Guidance Note on Measurement of Income Tax for Interim Financial Reporting in the context of AS 25.

Group I Paper 3: Advanced Auditing

I. Professional Topics/Subjects

1. Code of Ethics

The Chartered Accountants (Amendment) Act, 2006 is applicable for June, 2009 Final Examination. Questions on Professional Ethics may be asked in accordance with the Chartered Accountants (Amendment) Act, 2006. Chapter 17 of Advanced Auditing of Final (Old) Course study material should be accordingly read with appropriate amendments.

A supplementary study material is released covering Chapter 17 of Advanced Auditing study material. The supplementary study material can also be downloaded from the website www.icaai.org > Students > Courses (Course Curriculum) > Final > Supplementary Study Materials > Advanced Auditing.

II. Statements and Standards

1. Framework of Statements on Standard Auditing Practices and Guidance Notes on Related Services.
2. Standards on Auditing as given below.

S.No. Standards on Auditing and Number

1. Basic Principles Governing an Audit (SA 200)*
2. Objectives and Scope of the Audit of Financial Statements (SA 200A)*
3. Terms of Audit Engagement (SA 210)
4. Quality Control for Audit Work (SA 220)
5. Audit Documentation (230) (Revised)
6. The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements (SA 240) (Revised)
7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (Revised)
8. Communication of Audit Matters with Those Charged with Governance (SA 260) (Revised)
9. Responsibility of Joint Auditors (SA 299)
10. Planning an Audit of Financial Statements (300)
11. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (Newly issued)**
12. Audit Materiality (SA 320) (Revised)
13. The Auditor's Responses to Assessed Risks (SA 330) (Newly issued)**
14. Audit Considerations Relating to Entities Using Service Organisations (SA 402) (Revised)
15. Audit Evidence (SA 500)
16. Audit Evidence - Additional Considerations for Specific Items (SA 501)
17. External Confirmations (SA 505)
18. Initial Engagements – Opening Balances (SA 510) (Revised)
19. Analytical Procedures (SA 520)
20. Audit Sampling (SA 530) (Revised)

21. Auditing of Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (Revised)
22. Related Parties (SA 550) (Revised)
23. Subsequent Events (SA 560) (Revised)
24. Going Concern (SA 570) (Revised)
25. Written Representations (SA 580) (Revised)
26. Using the Work of Another Auditor (SA 600)
27. Relying Upon the Work of an Internal Auditor (SA 610)
28. Using the Work of an Expert (SA 620) (Revised)
29. The Auditor's Report on Financial Statements (SA 700)
30. Comparatives (SA 710)
31. Engagements to Compile Financial Information (SRS 4410)
32. Engagements to Perform Agreed-upon Procedures Regarding Financial Information (SRS 4400)
33. Engagements to Review Financial Statements (SRE 2400)
34. The Examination of Prospective Financial Information (SRE 3400)

Note:

* Presently, SA 200, "Basic Principles Governing an Audit" and SA 200A, "Objective and Scope of an Audit of Financial Statements" correspond to International Standard on Auditing (ISA) 200 (Revised and Redrafted). Both the SAs are currently being revised in the light of the ISA 200 (Revised and Redrafted). Post revision, the principles covered by SA 200 (erstwhile AAS 1) and SA 200A (erstwhile AAS 2) will be merged into one Standard, i.e. SA 200.)

** SA 315 & SA 330 – become effective in April, 2008. For November 2009 Final (Old) Examination 34 standards on Auditing as given in the Annexure – I. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.

3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].

III. Guidance Notes/Study Guide/Monograph

Guidance Notes on Auditing Aspects:

1. Guidance Note on Independence of Auditors
2. Internal Control Questionnaire.
3. Guidance Note on Audit Reports and Certificates for Special Purposes
4. Guidance Note on Audit of Fixed Assets.
5. Guidance Note on Audit under Section 44AB of the Income Tax Act [2005 Edition].
6. Guidance Note on Audit of Abridged Financial Statements.

7. Guidance Note on Audit of Inventories.
8. Guidance Note on Audit of Debtors, Loans and Advances.
9. Guidance Note on Audit of Investments.
10. Guidance Note on Audit of Miscellaneous Expenditure.
11. Guidance Note on Audit of Cash and Bank Balances.
12. Guidance Note on Audit of Liabilities.
13. Guidance Note on Audit of Revenue.
14. Guidance Note on Audit of Expenses.
15. Guidance Note on Section 227 (3) (e) and (f) of the Companies Act, 1956.
16. Guidance Note on Certificate of Corporate Governance [2006 Edition].
17. Guidance Note on Revision of Audit Report.
18. Guidance Note on Computer Assisted Audit Techniques (CAATs).
19. Guidance Note on Audit of Payment of Dividend.
20. Guidance Note on Audit of Capital and Reserves.

Group II Paper 7: Direct Taxes

1. The study material for Paper 7: Direct Tax Laws [Final (New Course)], as amended by the Finance Act, 2008 relevant for A.Y.2009-10. This study material will also be relevant for November 2009 for the Final (Old Course) examination for Paper 7: Direct Taxes with the exception of the following chapters -
 1. Chapter 12 on Inter-relationship between Accounting and Taxation and
 2. The portion relating to Ethics in Taxation (14.4) in Chapter 14.
2. The Supplementary Study Paper – 2008 for the final course, which contains the amendments made by the Finance Act, 2008 (relevant for A.Y. 2009-10) and significant notifications/ circulars/other legislative amendments made between 1.5.2007 and 30.4.2008 [Portions relating to Direct Taxes].
3. Select cases in Direct and Indirect Taxes (2008) – An Essential reading for the Final Course [Portions relating to Direct Taxes].

Group II Paper 8 : Indirect Taxes

1. The study material for Paper 8: Indirect Tax Laws [Final (New Course)], as amended by the Finance Act, 2008. This study material will also be relevant for November 2009 examination for Final (Old Course) Paper 8: Indirect Taxes with the exception of the following:
 1. Chapter 16 of Section C on Inter-relationship of accounting with excise, customs and service tax.
 2. Chapters 6 to 12 of Section B relating to VAT.
2. Select cases in Direct and Indirect Taxes (2008) – An Essential reading for the Final Course [Portions relating to Indirect Taxes]
3. Final Course – Supplementary Study Paper – 2008 Direct Taxes and Indirect Taxes [portions relating to Indirect Taxes] containing the amendments made by the Finance Act, 2008 and significant amendments made by notifications and

circulars issued between 1.5.2007 and 30.4.2008.

Integrated Professional Competence Course

Group I : Paper 1 : Accounting

Separate list of Institute's publications is not necessary since the applicable accounting standards have been included in the syllabus.

Paper 4: Taxation

1. Study Material for IPCC Paper 4: Taxation (as amended by the Finance Act, 2008). The relevant assessment year for Income-tax is A.Y.2009-10. This study material contains the amendments made by the Finance Act, 2008 as well as the significant amendments made by notifications/ circulars/other legislations up to 30.4.2008.
2. "Professional Competence Course - Supplementary Study Paper – 2008" - This contains the amendments made by the Finance Act, 2008 and important notifications/ circulars/other legislative amendments made between 1.5.2007 and 30.4.2008. This Supplementary Study Paper is relevant for IPCC Paper 4: Taxation also.

Group II: Paper 5: Advanced Accounting

Separate list of Institute's publications is not necessary since the applicable accounting standards have been included in the syllabus.

Group II – Paper 6 Auditing and Assurance

I. Statements and Standards

1. Framework of Statements on Standard Auditing Practices and Guidance Notes on Related Services.
2. Standards on Auditing as given below.

S.No. Standards on Auditing and Number

1. Basic Principles Governing an Audit (SA 200)
2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
3. Terms of Audit Engagement (SA 210)
4. Quality Control for Audit Work (SA 220)
5. Audit Documentation (230) (Revised)
6. The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements (SA 240) (Revised)
7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (Revised)
8. Communication of Audit Matters with Those Charged with Governance (SA 260) (Revised)
9. Responsibility of Joint Auditors (SA 299)
10. Planning an Audit of Financial Statements (300)
11. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (Newly issued)*
12. Audit Materiality (SA 320)
13. The Auditor's Responses to Assessed Risks (SA 330) (Newly issued)*
14. Audit Considerations Relating to Entities Using Service Organisations (SA 402)

15. Audit Evidence (SA 500)
16. Audit Evidence - Additional Considerations for Specific Items (SA 501)
17. External Confirmations (SA 505)
18. Initial Engagements – Opening Balances (SA 510) (Revised)
19. Analytical Procedures (SA 520)
20. Audit Sampling (SA 530) (Revised)
21. Auditing of Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (Revised)
22. Related Parties (SA 550) (Revised)
23. Subsequent Events (SA 560) (Revised)
24. Going Concern (SA 570) (Revised)
25. Written Representations (SA 580) (Revised)
26. Using the Work of Another Auditor (SA 600)
27. Relying Upon the Work of an Internal Auditor (SA 610)
28. Using the Work of an Expert (SA 620)
29. The Auditor's Report on Financial Statements (SA 700)
30. Comparatives (SA 710)

Note:

- * Presently, SA 200, "Basic Principles Governing an Audit" and SA 200A, "Objective and Scope of an Audit of Financial Statements" correspond to International Standard on Auditing (ISA) 200 (Revised and Redrafted). Both the SAs are currently being revised in the light of the ISA 200 (Revised and Redrafted). Post revision, the principles covered by SA 200 (erstwhile AAS 1) and SA 200A (erstwhile AAS 2) will be merged into one Standard, i.e. SA 200.)
 - ** SA 315 & SA 330 – become effective in April, 2008. For November 2009 Final (Old) Examination 34 standards on Auditing as given in the Annexure – I. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.
 - 3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956
 - 4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].
- II. Guidance Notes/Study Guide/Monograph**
- Guidance Notes on Auditing Aspects:**
1. Guidance Note on Audit of Fixed Assets.
 2. Guidance Note on Audit of Inventories.
 3. Guidance Note on Audit of Debtors, Loans and Advances.
 4. Guidance Note on Audit of Investments.
 5. Guidance Note on Audit of Miscellaneous Expenditure.
 6. Guidance Note on Audit of Cash and Bank Balances.
 7. Guidance Note on Audit of Liabilities.
 8. Guidance Note on Audit of Revenue.

9. Guidance Note on Audit of Expenses.

Professional Competence Course

Group I : Paper 1 : Advanced Accounting

Separate list of Institute's publications is not necessary since the applicable accounting standards have been included in the syllabus.

Professional Competence Course

Group I – Paper 2: Auditing and Assurance

List of Institute's publications - November, 2009

- I. Statements and Standards
 1. Framework of Statements on Standard Auditing Practices and Guidance Notes on Related Services.
 2. Standards on Auditing as given below.
- S.No. Standards on Auditing and Number**
 1. Basic Principles Governing an Audit (SA 200)
 2. Objectives and Scope of the Audit of Financial Statements (SA 200A)
 3. Terms of Audit Engagement (SA 210)
 4. Quality Control for Audit Work (SA 220)
 5. Audit Documentation (230) (Revised)
 6. The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements (SA 240) (Revised)
 7. Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (Revised)
 8. Communication of Audit Matters with Those Charged with Governance (SA 260) (Revised)
 9. Responsibility of Joint Auditors (SA 299)
 10. Planning an Audit of Financial Statements (300)
 11. Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (Newly issued)*
 12. Audit Materiality (SA 320)
 13. The Auditor's Responses to Assessed Risks (SA 330) (Newly issued)*
 14. Audit Considerations Relating to Entities Using Service Organisations (SA 402)
 15. Audit Evidence (SA 500)
 16. Audit Evidence - Additional Considerations for Specific Items (SA 501)
 17. External Confirmations (SA 505)
 18. Initial Engagements – Opening Balances (SA 510) (Revised)
 19. Analytical Procedures (SA 520)
 20. Audit Sampling (SA 530) (Revised)
 21. Auditing of Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (Revised)
 22. Related Parties (SA 550) (Revised)
 23. Subsequent Events (SA 560) (Revised)
 24. Going Concern (SA 570) (Revised)

25. Written Representations (SA 580) (Revised)
26. Using the Work of Another Auditor (SA 600)
27. Relying Upon the Work of an Internal Auditor (SA 610)
28. Using the Work of an Expert (SA 620)
29. The Auditor's Report on Financial Statements (SA 700)
30. Comparatives (SA 710)

Note:

- * Presently, SA 200, "Basic Principles Governing an Audit" and SA 200A, "Objective and Scope of an Audit of Financial Statements" correspond to International Standard on Auditing (ISA) 200 (Revised and Redrafted). Both the SAs are currently being revised in the light of the ISA 200 (Revised and Redrafted). Post revision, the principles covered by SA 200 (erstwhile AAS 1) and SA 200A (erstwhile AAS 2) will be merged into one Standard, i.e. SA 200.)
- ** SA 315 & SA 330 – become effective in April, 2008. For November 2009 Final (Old) Examination 34 standards on Auditing as given in the Annexure – I. The Standard on Auditing (SA) 400, "Risk Assessments and Internal Control", SA 310, "Knowledge of the Business", and SA 401, "Auditing in a Computer Information Systems Environment", issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.
- 3. Statement on Reporting under Section 227(1A) of the Companies Act, 1956

4. Statement on the Companies (Auditor's Report) Order, 2003 [2005 Edition].

II. Guidance Notes/Study Guide/Monograph**Guidance Notes on Auditing Aspects:**

1. Guidance Note on Audit of Fixed Assets.
2. Guidance Note on Audit of Inventories.
3. Guidance Note on Audit of Debtors, Loans and Advances.
4. Guidance Note on Audit of Investments.
5. Guidance Note on Audit of Miscellaneous Expenditure.
6. Guidance Note on Audit of Cash and Bank Balances.
7. Guidance Note on Audit of Liabilities.
8. Guidance Note on Audit of Revenue.
9. Guidance Note on Audit of Expenses.

Paper 5: Taxation

1. Study Material for PCC Paper 5: Taxation (as amended by the Finance Act, 2008). The relevant assessment year for Income-tax is A.Y.2009-10. This study material contains the amendments made by the Finance Act, 2008 as well as the significant amendments made by notifications/circulars/other legislations up to 30.4.2008.
2. "Professional Competence Course - Supplementary Study Paper – 2008" - This contains the amendments made by the Finance Act, 2008 and important notifications/circulars/other legislative amendments made between 1.5.2007 and 30.4.2008.

Applicability of Some Topics for November 2009 Examination

S.No.	Topics	Corporate and Allied Laws (Final New Course)	Corporate Laws and Secretarial Practice (Final Old Course)
1.	Companies Bill, 2008	Not Applicable	Not Applicable
2.	Winding Up of Companies	The Companies (Second Amendment) Act, 2002 (relating to Winding Up) is not applicable. In view of it, general provisions of the existing Act, as outlined in the study material is applicable.	The Companies (Second Amendment) Act, 2002 (relating to Winding Up) is not applicable. In view of it, general provisions of the existing Act, as outlined in the study material is applicable.
3.	SEBI (DIP) Guidelines 2000	Amendments made upto 24th February, 2009.	Amendments made upto 24th February, 2009.
4.	Competition Act, 2002	Section 2 (dealing with definitions) and Section 7-17 (dealing with Competition Commission of India) will be applicable.	Section 2 (dealing with definitions) and Section 7-17 dealing with Competition Commission of India) will be applicable.
5.	Revival and Rehabilitation of Sick Industrial Companies	Not Applicable	—



WEATHER DERIVATIVES

Monica Mittal



DERIVATIVES AN INTRODUCTION

Today if you ask a college going student what is a stock market? He will probably reply you a way to earn some easy money, or thrilling and adventurous activity and so on and so forth!!! By their very nature, the financial markets are marked by a very high degree of volatility and sensitivity, and the same has been witnessed by the recent topsy-turvy movements of the global market at large!!!

But with the emergence of derivative products, most notably forwards, futures and options, it is possible to minimize the impact of such fluctuations to some extent.

Derivative is a product whose value is derived from the value of one or more basic variables, called bases (underlying asset, index, or reference rate), in a contractual manner .

For eg, wheat farmers may wish to sell their harvest at a future date to eliminate the risk of a change in prices by that date.

The first stock index futures contract was traded at Kansas City Board of Trade. Currently the most popular stock index futures contract in the world is based on S&P 500 index, traded on CME. Other exchanges that trade derivatives are LIFFE in England, DTB in Germany, SGX in Singapore, Eurex, etc. the derivatives trading on the NSE commenced with S&P CNX Nifty Index futures on June 12, 2000. Today , both in terms of volume and turnover, NSE is the largest derivatives exchange in India.

WEATHER DERIVATIVES

Even in our advanced, technology-based society, we still live largely at the mercy of the weather. It influences our daily lives and choices, and has an enormous impact on corporate revenues and earnings.

Eg: An exceptionally warm winter can leave energy companies with excess supplies of oil and gas as people need less heat to warm their houses .or, an exceptionally cold winter can leave hotel and airlines seats empty!!! Also, weather risk is unique as it cant be controlled and despite great advancements , still cant be predicted precisely and accurately.

Traditionally, for securing against such risk ordinary insurance tools were designed which were too expensive and not flexible enough. Faced with such challenges , traders started thinking of other viable financial solutions. Thus , the concept of weather as a tradeable commodity gradually began to take shape.

Weather contracts can be used to hedge business exposition to weather variables.

Eg: if the activity of an industry is influenced by temperature, snowfall or sunshine, then a derivative on the appropriate weather variable could be certainly used.

Let us take an example, "A" an icecream vendor, sells more icecreams during summer but has lower income if the summer turns out to be milder. This is how he safeguards his risk:

He will buy a weather derivative provided by say "XY" services. Thus, if the summer is mild, he will receive money from "XY" services to make good the lost money. In return for such risk protection, he pays a premium to "XY" services.

To put it technically, weather derivatives are, "Financial

instruments which can be used by organizations or individual investors as a part of risk management strategy to reduce risk associated with unexpected weather conditions whose payoff and settlement is further determined by a weather index."

The basic difference between a traditional derivative commodity pricing and weather derivative pricing is that in weather derivative the underlying asset isn't traded and thus they cant be priced using Black & Scholes formula. The absence of pricing methods leads to underdeveloped market and higher transaction costs.

The first exchange traded weather futures and options in 1999. Currently CME trades weather derivatives in about 18 countries in U.S. and 5 European cities .

These derivatives are legally binding agreements made between two parties, and settled in cash. Each contract is based on the final monthly or seasonal index value that is determined by Earth Satellite (EarthSat) Corp, an international firm that specializes in geographic information technologies.

The indices developed in order to capture weather fluctuations. Weather contracts on U.S. cities for the winter months are tied to an index of heating degree day (HDD) values, which represent temperatures for days on which energy is used for heating. Whereas in the summer months are geared to an index of cooling degree day (CDD) values, which represent temperatures for days on which energy is used for air conditioning.

$$HDD = \text{MAX}(0.65FHR - T)$$

Where, T= Average of high and low temperature of the day. A monthly HDD or CDD index value is simply the sum of all daily HDD or CDD value recorded that month. And seasonal HDD and CDD values, accordingly, are simply accumulated values for the winter or summer months.

Current users are primarily Utility and energy companies, who protect their volume-related revenues against unnatural weather phenomenon such as cooler than average summers or unusually warm winters. However, there is a growing awareness amongst Agriculture firms as well as travel and tourism industries. Also theme parks may insure against rainy weekends during peak summer seasons. Insurance companies can reduce their own exposure to weather related claims. Risk products tied to rainfall, for example, can provide the funds to pay flooding claims. In nutshell, weather derivative products are becoming an integrated aspect of risk management for utilities, retailers, agriculture, municipalities, insurance companies, beverage companies and variety of manufacturers. These industries have one common characteristic – correlation between earnings and the weather !!

In Indian context, weather futures would prove immensely beneficial, especially to the agriculture sector, which is dependent on monsoon. This derivative product could be an alternative to the crop insurance product, the premium for which, at around 18 per cent, is seen pretty costly by the farm community. It is because of this high cost of crop insurance premium that the planned Crop Insurance Corporation of India (CICI) failed to take off after being formally announced in mid-2002.

The author is a Member of ICAI.

Three Months Residential Programme on Professional Skills Development (General Management, Personality Development and Communication Skills)

A three months' residential programme on Professional Skills Development has been initiated for the benefit of CA students and newly qualified Chartered Accountants.

The programme is helping the CA students and newly qualified CAs in imbibing the professional skills required for effective functioning in business organisations and profession. The Programme environment would focus on development of communication skills, personal qualities, interpersonal and teamwork skills, working in a complex and turbulent, problem solving skills and leadership skills.

The programme is jointly being organised with National Institute of Financial Management (NIFM). NIFM was set up in 1993 by the Government of India with the Finance Minister, Government of India as the President of the society. NIFM has evolved itself as a centre of excellence in the areas of Financial Management and related disciplines. It regularly conducts Management Development Programmes for the officials of Civil Services, Central and State Governments.

Course Content

The programme is divided in six modules covering:

- Developing personal traits
- Corporate communications
- Strategic management
- Practice development and management
- Professional business environment
- Multi-disciplinary case studies

The programme would also include extra-curricular activities (study tour/industrial visits, yoga, meditation and cultural activities).

Course methodology

Modern education techniques would be used to make learning wholesome and interesting. The methodology will involve:

- Class/Group Discussion
- Management Games
- Role Plays
- Simulation Exercises
- Case Studies
- Project preparation

The programme would be completely residential. The participants would have access to high quality computer facility.

Venue: National Institute of Financial Management (NIFM), Faridabad

Date: The next batch of the programme is being organised for twelve weeks commencing from September 30, 2009. The last date for application is September 15, 2009.

General Management and Communication Skills

Students of this programme would not be required to undergo GMCS course separately.

The course duration to be considered as part of Articled Training

Under Explanation (2) to Regulation 59 (7) of the Chartered Accountants Regulations, 1988 participation in the Three Months' Residential Programme on Professional Skills Development will be considered equivalent to undergoing articled training. Thus the period during which the training is undergone will be considered as part of Articled Training.

Eligibility to participate in the 3 months residential programme

The three months residential programme is for CA students particularly who have recently passed the Final examination or are undergoing the Final Course.

Course Fee

Rs. 48,000 per participant. The course fee includes tuition fee, course material, computer time, boarding, lodging, local field visits, etc. Applicants may register by paying 10% of the fees and the balance is to be paid before start of the course. The payment may be made through an account payee demand draft for a sum of Rs. 4,800/ Rs. 48,000 in favour of The Secretary, The Institute of Chartered Accountants of India payable in New Delhi.

Contact

Interested students may fill in the registration form. The duly filled in copy of the form should be sent to Shri Shaleen Suneja, Sr. Assistant Director, ICAI Bhawan, A-94/4, Sector-58, Noida- 201301. Telephone number 0120-3045912, Mobile: 9350799916, (Telephonic queries 3:00 PM to 5:00 PM on working days) Email ssuneja@icai.org, psdp@icai.org

The complete application must reach on or before September 15, 2009.

Check your Address : All students should check their mailing address printed here. In case, there is any change or the PIN Code (Postal Index Code) is either missing or incorrect, kindly inform immediately the concerned Regional Office giving full particulars of your address along with correct PIN Code. This would enable us to ensure smooth and prompt delivery of the Newsletter.

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For further details and Registration Form please visit Institute's website
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