



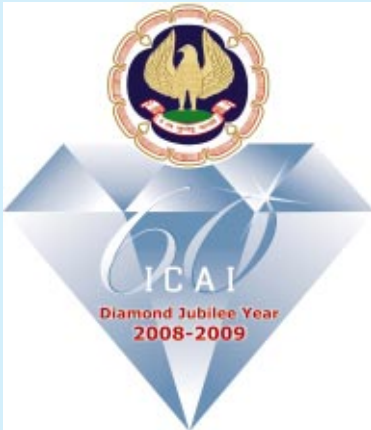
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The Chartered Accountant Student

Students' Newsletter of The Institute of Chartered Accountants of India

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Farewell Message from the President



Dear Students,

As I pen down this farewell message, my thoughts go back to the first time that I wrote to you in the March, 2008 issue of the students' newsletter in which I had talked about my Action Plan for 2008-09. At that time, while formulating the plan, I had thought that a year was a long enough period, but now when I have been asked to write my farewell message, I realise how fast the time flies. So

much remains to be done. And yet it has been a highly satisfying year.

During this period, I have tried my best to address the various issues concerning the CA course so that the goal to produce world-class multi-dimensional professionals, fully equipped to meet new challenges, is fulfilled. Today, I am happy to say that the traditional CA student is well on its way

(Continued on Page 4.....)

From the Vice-President

Dear Students,

I am happy to write this last message as the Vice President of the ICAI. Over the past year the Board of Studies has taken many pro active measures to help the students to prepare for their examinations, to improve their communication and presentation skills, and also develop their overall personality and character.

Some of the decisions helpful to the students taken during



(Continued on Page 5.....)

We are what we

repeatedly do.

Excellence therefore

is not an act

but a habit

- Aristotle

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Invitation to write articles

Members, academicians, students and others may send their original articles for inclusion in this newsletter. Typically the length of articles should be between 2000 to 4000 words. Articles written by the students are encouraged. Every year the best articles that are written by students are awarded cash prize and a certificate at the annual function of the Institute.

All correspondence in this regard should be had with the Board of Studies, ICAI, A-94/4, Sector – 58, Noida 201301. Please write your complete name, complete address and the membership/registration number in your correspondence. Also send a copy of recent passport size photograph.

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Message from the President

(...Continued from page 1)

to getting metamorphosed into a hi-tech, well-informed, budding new-age professional who is receiving high quality education which is in tune with times and compares with the best in the world. In order to expedite the process of making Chartered Accountants a class of first rate professionals, the Institute took the initiative of setting up centres of excellence where training could be provided as a part of articleship on the lines of what is being imparted by leading management institutes and the IAS Academy, Mussoorie. These centres of excellence are coming up at Jaipur and Bangalore. We are also planning to establish similar centres at Guwahati, Mussourie and Ernakulam as well.

Taking into consideration the fact that it takes time to set up our own centres, during the year we started this programme at the National Institute of Financial Management, Faridabad, Haryana. The programme focuses exclusively on development of personality, professional skills, communication skills, interpersonal and team work skills, problem solving skills, leadership skills etc. The programme has been designed to equip potential Chartered Accountants to face the intricacies of the corporate world. I am happy that during the year we were able to complete training to two batches. Besides, training to two more batches is currently going on at LNMIT, Jaipur. I am quite confident that in times to come, we shall be able to develop enough infrastructure at the centres of excellence mentioned above so that we can ensure that all our students are able to undergo this course. I am of the firm conviction that this exercise will go a long way in further enhancing the personality and competitive skills of the Chartered Accountants.

When I recall some of the major breakthroughs for CA students during this year, the foremost thing that comes to my mind is the launch of the Accounting Technicians course as part of the new 'Integrated Professional Competence Course' (IPCC) which has given extra value to CA students. This has been a historic step, which has enabled those students who have not completed the CA Course, to acquire a middle level qualification and thus fill the gap of accountants at the national level.

Another milestone has been the conduct of the Institute's first online 'Common Proficiency Test' on 7th December, 2008 as part of a revolutionary drive to make the ICAI examination process truly global. This feat has put us in league with the best of the accountancy bodies of the world. I am sure that the new online examination system will eventually revolutionize the very phenomenon and experience of accountancy examinations in the country to the ultimate benefit of the students. The decision to hold examinations on alternate days was also taken in order to make examination schedules less stressful and more convenient for you. In order to forge a strong base of camaraderie among the students passing CA courses, convocations were organised for the first time this year at five regional headquarters.

Two other mega initiatives that give an edge to our distance learning mechanism in general, have been the start of a specialized lecture series for students on Gyan Darshan channel on a daily basis, and the finalisation of plans to launch an exclusive TV channel dedicated to learning. Our TV channel, in particular, will make quality accountancy education accessible to interested students in every home in the country, and will particularly cater to the needs of the students hailing from the lower strata of our society. Moreover, to add to the existing facility in distance learning, a new system was put in place whereby students could directly call the Institute faculty for course-related questions. As you know, the list of phone numbers, email IDs and the schedule of availability of each member of the faculty during the week remain hosted on ICAI website. Not only that. We operationalized our e-learning facility and were able to train about 47000 students in information technology at our 128 computer labs, set up this year. The creation of Chartered Accountants Students Benevolent Fund, a hefty increase in number of scholarships (merit as well need-based), launch of the CA students National Cultural and Sports Competitions at each of ICAI branches, introduction of ICAI National Service Scheme on the lines of National Service Scheme (NSS) being run in the various Universities and Colleges, and organizing National Debate Competition for classes XI and XII to create awareness about CA profession—these have been some other initiatives worth recalling.

The ICAI's tie-up with Bharatiyar University, Coimbatore, enabling CA students and members to pursue the BBA and MBA courses there under which CA students will get exemption from papers in certain common subjects also deserves special mention here. As part of our drive to provide better and more responsive services to students, we started a national toll-free telephone line for students.

Dear students, I would like to share with you another initiative, which we have been able to achieve during the year: the mutual recognition with the Institute of Chartered Accountants in England & Wales. This is a recognition of the high level of education and training which each one of you undergoes as a student of ICAI before you become full fledged members of the Institute.

We have also been able to vastly improve our existing students-related infrastructure, mechanisms and systems, and transform the Board of Studies into a role model for academic institutions having specialized wings for each subject relevant to the accountancy profession. We have been able to broaden the horizons of the CA students on all academic, cultural, sports and social fronts. Finally we have successfully reached out to the students in every nook and corner of the country knitting the entire community of 4,50,000 CA students together.

I take this opportunity to congratulate all those who have passed the examination of which the result has been declared in the month of January, 2009. My special compliments to the rank holders. Those of you who could not pass the examination need not get disheartened. Try harder next time and I am sure you will succeed.

As I say good bye to you as the President of the Institute, my parting advice to all of you would be to take not only your examination seriously, but also the articulated training which makes the CA course distinct from any other course. This training not only helps build the core strength, but is also crucial for maintaining high standards of the profession. The fast changing business environment and the ever increasing exposure of professionals to newer and newer areas and sectors, have made such training more crucial than ever before.

Dear students: Our CA course curriculum is most comprehensive and the training quite rigorous. The various initiatives taken recently are meant to make the CA course one of the best in the world. As a student of CA course you get the best theoretical education, the best practical training, the best technology training, the best grooming, all as part of one professional course which I believe is unique. I am quite confident that all these steps will help in expediting the process of making you a world-class professional and I see no reason why the next decade should not belong to all of you –to Indian chartered accountants across the world, the way the last decade had belonged to Indian IT professionals.

I wish you all the best for a bright future and I look forward to the day when many of you will be occupying key positions across the globe and as a past president make me feel proud of your achievements.

With lots of love and affection,



Ved Jain
President

Message from the Vice-President

(...Continued from page 1)

this year are: extension of PE-II examinations upto May 2009, removing the discrimination for final students to appear in the examination by enabling all the final students to appear during the last 6 months of their practical training, allowing PCC students to write PE-II examination etc .

The three months residential course for development of the soft skills of the CA students has become quite popular and useful to the students. Two batches were organized in the National Institute of Financial Management and two more batches are being organized in the L.N.Mittal Institute of Technology, Jaipur. A total number of 207 students have been benefited by this course.

The Institute has commenced the Chartered Accountant Students Benevolent Fund and I would like to stress the importance of liberal contributions to this important fund. Remember that the proceeds of this fund are entirely utilized for the benefit of the students.

The Board of Studies has organized a number of National Conventions, seminars and conferences. Five National Conventions, One All India CA Students Conference, seven two-day Regional / State level/ Sub Regional conferences and thirty three one-day conferences have been organized throughout the country during this year.

Fifty four branches have organized Elocution and Quiz contests and the 14th All India Elocution Contest and the 8th All India Quiz Contest have been organized on a grand scale in Jaipur where more than 600 students have attended.

I am extremely happy to note that the CA students have improved their speaking and presentation skills very considerably. The quality of papers presented in the national conventions and All India CA students conference was excellent. I am particularly happy to know that cultural skills of the students were exhibited in a remarkable manner in these national conventions.

The Board of Studies is in the process of organizing the national sports competition and the national youth festival. I am sure a large number CA students would take part in this competition and make them a grand success.

The number of scholarships for the meritorious students, merit-cum-need based students and need based students have been considerably increased during this year resulting in the benefit to a large number of students.

Suggested answers and revision test papers for the various examinations have been thoroughly redesigned and particular attention has been paid to the quality of printing of suggested answers and the revision test papers.

Students' counsellors have been appointed in New Delhi, Chennai, Kolkata, Mumbai and Kanpur who are clarifying a large number of doubts of the students. Nearly 1500 batches of GMCS classes have been organized throughout the country benefitting 6000 students.

The ICAI has signed a Memorandum of Understanding with Bharathiar University, Coimbatore whereunder

CA students and chartered accountants would be able to acquire B.Com/BBA/ M.Com/MBA degrees of Bharathiar University. The MOU between ICAI and the Institute of Chartered Accountants of England and Wales would enable ICAI members to become members of ICAEW and vice-versa after complying with certain conditions.

One of the most significant events during the year 2008-09 is the launching of New Integrated Professional Competence course which includes accounting technician course. Thus a good opportunity has been given to those students who may not be able to complete the entire chartered accountancy course to get a medium level qualification so that they would be gainfully employed.

Thus, it is a year of very significant achievements for the Board of Studies. I am sure that in 2009-2010 many more achievements of Board of Studies would take place.

While concluding, I would like to stress the importance of articulated training for the students. The students who pursue their articulated training with dedication and devotion will certainly reap rich benefit out of it. They will develop an all rounded personality and they will also get a good placement in the job market.

Wishing you all the best.



CA. Uttam Prakash Agarwal
Vice President

Full Convertibility of Rupee

Nidhi Agrawal



Introduction

Imagine you are a millionaire planning to buy a house at the Alps in Switzerland, or near the beaches in Australia or in London. Do you feel free to do so? Is all this possible today? The answer is no. But friends your dreams can be turned into reality with the introduction of Full convertibility of rupee.

Saying all this let us now understand what exactly is Full Convertibility of rupee?

Full convertibility also known as floating rupee means the removal of all controls on the cross-border movement of capital, out of India to anywhere else or vice versa. There are two kinds of convertibility- current account convertibility and capital account convertibility.

Capital account convertibility or CAC refers to the freedom to convert local financial assets into foreign financial assets or vice-versa at market-determined rates of interest. As of now, convertibility of the rupee into foreign currencies is almost wholly free for current account i.e. in case of transactions such as trade, travel and tourism, education abroad etc. If CAC is introduced along with current account convertibility it would mean full convertibility.

Complete convertibility would mean no restrictions and no questions. It would then be possible for say Mr. Tom Cruise to buy property or other assets in India from you and for you to sell your home or small industry to Mr. Tom Cruise and invest the proceeds abroad.

Going forward, it would also mean that a domestic individual can pay in foreign currency for purchases in India - rupee or US dollar or euro or yen will mean the same and hence, the ability to hold your cash in a currency which is strong.

History

Let us now go back a little in History. Since independence India has followed a strict regime of controls on cross border movements of capital. It was made more rigorous through the "notorious" FERA (Foreign Exchange Regulation Act) of 1973. However, from 1993, after the liberalization process in the aftermath of the 1991 BOP crisis, the government started loosening the noose through the coming up of FEMA (Foreign Exchange Management Act). However Capital account transactions remained tightly controlled.

Eventually with a mixture of structural changes in the world economy and the urgent need for resources Indian economy is realizing the need to move towards greater capital account liberalization.

However the dreadful memories of the East Asian crisis still haunt our mind where a combination of financial liberalization across

the world caused investments to rush out almost overnight. While there are economic and social costs of crisis, extensive capital controls create distortions making them ineffective.

Moreover much has changed over the past decade and the country's treasury is overflowing with foreign-currency reserves - about \$157 billion.

Even Dr. Bimal Jalan, former RBI governor who is a known critic of the Manmohanomics stated that, "The PM is absolutely right in underlining the fact that India can move forward at a faster pace than earlier because of global interest in investing in India and our stronger external situation."

Why Full Convertibility?

So it can be said that for India full convertibility is the need of the hour. **Now what does India gain by full convertibility? Basically**

- India becomes a major financial hub in Asia
- Full convertibility is widely regarded as one of the hallmarks of a developed mature economy.

As said by Mr. Anil Ambani "Full convertibility will mean that our economy is moving forward and tough decisions will be taken."

- Firstly, it would raise the comfort levels of investors and, thus, boost the inflow of FDIs and foreign capital into the country.
- The expectation that the Indian currency will progressively strengthen would cause more dollar inflows. Common sense suggests that if excess water flows into your house, it is inevitable that you make arrangements for some of it to flow out. Currently the excess water, which is about 15% of India's reserves, is being stored in a huge overhead tank called the RBI's forex reserves! This could be used up to build infrastructure in the country.
- Also currency reflects the strength of an economy. A booming country cannot have a weak currency unlike in case of China where it has kept its currency artificially depressed to keep its exports competitive. Indian companies are on an acquisition spree. Take the Tata-Chorus for instance, if CAC regime were there overseas buyouts would be easier and faster thus benefiting the corporate sector at large.

When Laxmi Niwas Mittal was asked to make investments in India around 15 years back he denied it saying that he won't invest in a country where the currency is kept artificially pegged. He made investments all over the world ignoring his own hometown. However as the pace of liberalization is catching

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momentum even he has realized that India is moving towards a brighter future.

Eight quarter of sustained growth is not a joke. Indian economy is booming. Indian economy is strong. Then should we pull off the trigger? Well, not so easily, what if something goes wrong somewhere?

Why Not Full Convertibility?

In the course of full convertibility there are many hurdles.

- Firstly, there is a risk of higher volatility of rupee. Short-term capital outflows which might occur as a result of CAC can worsen the risk.
- Secondly, India's fiscal conditions are far from ideal. The lesson for India is that, in the event of a domestic or external shock, full convertibility could prove to be a costly experiment.
- There is also the danger of India getting swamped by an inflow of dollars, and the rupee appreciating beyond manageable limits. This would make the exports of the country suffer. However Indian economy is heating up and appreciation is bound to take place.

Capital account liberalization is a difficult thing. It is like fire. You can't play around with it. If you want to heat your house, be careful that you don't burn yourself.

However it is essential to realize that risk and returns go hand in hand. To learn to walk we must risk falling over and getting hurt. To make a dollar we must risk losing it. There are no sweets without sweat!

It is to be noted that earlier in 1997 and then again later in 2006, the Central Government had constituted a committee under Shri S S Tarapore, to indicate a possible road map for full capital account convertibility.

The present committee pointed out that as against 7.8% in 1997 the Real Growth Rate has grown up to 8.4%. The inflation rates have come down from 5.4% to 4.1%. This indicates that CAC could be the logical culmination of India's journey towards globalization.

We don't have any magic lamp that we go "abra-ka-dabra" and all the **SAFEGUARDS** go well in place we have to work upon the recommendations and set them in place.

- Firstly, the Gross fiscal deficit to GDP ratio of the centre, which stands at 4.1%, should be brought down to 3%.
- Another prerequisite is allowing free foreign capital inflows into Indian debt. There is a need to be cautious since the debt market is thin and any big flow of capital makes the conduct of monetary policy difficult.
- There is also a need for the consolidation of the banking sector to ensure that all commercial banks are registered under a single Act leading to the strengthening of the banking system.

Conceptually full convertibility might be sounding simple, but politically it is a hot potato, which no one wants to touch. But to

reach the port we must sail sometimes with the wind and sometimes against it, but we must remember to sail.

Conclusion

Should India achieve convertibility? Our choice is between doing it in a choreographed and graceful way or doing it in a bumbling and incompetent way.

The world is shrinking and we are moving back toward a borderless world.

A few plane crashes do take place, but thousands of planes fly soundly every day. In similar fashion, the fact that occasional currency crises take place does not change the fact that for most countries, convertibility is the unremarkable everyday reality.

The question to be raised is, are India's economic fundamentals strong enough to withstand global shocks? If the proper safeguards are put in place and the growth is managed efficiently then its better to be a lion for a day than to be a sheep all your life.

Thus India should go in for full convertibility but at the same time should make sure that the proper safeguards are in place. □

THE VALUE OF "S"

Vasu Pradha.R

The modern idea of success is comparatively wider and deeper than the idea of our ancestors.

A successful person is integrated and is controlled from within. He acts as his heart tells and ignores the thought that mind says!

A successful person is organised, reasonable and he lays in a fiduciary position. This lets him to achieve great heights. An optimistic thought will always help us to remember our duty of being happy and also fetches us the happiness of doing such duty.

Only our faith stimulates us to be powerful and determines the will of our success.

Ambition-the acid test for life.

A person can be ambitious in three different ways.

Firstly being, the desire to attain the goal set in life, which makes us feel the worthiness of having taken a birth as human beings on earth.

Secondly, the desire to be successful in life, to be successful in chasing the dreams that aspired us.

Thirdly, victory for all efforts taken by us sincerely.

Remember this famous proverb,

"Man rewards results, god rewards efforts".

The eternal bliss and the thirst for success lie in the efforts taken.

As to the above prescribed title given the value of "s" -success is too high beyond the reach of those who deny to work for it .

Reach it with this in mind :-

"Serious sincere systematic studies surely secures supreme success". □

The author is a student of ICAI

Income Tax : We need real amendments

Sourav Chakravarty



One of the major areas of expertise among Chartered Accountants is Direct taxation, more important being Income Tax. In India, the provisions of the Income Tax Act, 1961, govern taxation of income. The Act has the outstanding quality of being the most intricate drafting of the legislator. It is also the singular legislation which has suffered the maximum amendments, notification and circulars. In spite of the various amendments throughout the history, the Act is not free from discrepancies. In this article, a few of the various discrepancies have been dealt with.

- Agricultural Income : Income from agriculture is exempt from tax as the Constitution of India does not permit the Government to levy tax on agricultural income. The fact that agriculture contributes about a quarter of our GDP, the government loses a significant chunk of revenue as there are many well-off farmers, individuals who derive huge earnings from agricultural operations.
- Charitable Activities : Section 2 (15) of the Act which defines *charitable purpose* has been amended by the Finance Act 2008 to exclude the advancement of any other object of general public utility. However, Sec. 11 (4) and (4A) has not been correspondingly amended, which still provides property held under trust include a business under taking so held.
- Tax Audit Report : Sec. 44AB requires certain assessee to furnish a tax audit report to the Income Tax Department by the due date of furnishing return of income as per Sec. 139. However, Rule 12 of the Income Tax Rules, 1962 instructs the assessee not to submit any tax audit report with the Return of Income.
- Salary is defined to include pension as per Section 17 of the Act. Further Sec. 71 prohibits set-off of losses under the head "Profits or Gains from Business / Profession" against "Income from Salary". Consider a situation where a retired employee carries on a business / profession and incurs loss. As uncommuted pension is chargeable to tax under the head "Income from Salary", he shall not be able to set-off his losses.
- Standard Deduction available to salaried employees was omitted vide Finance Act 2005. A salaried employee, unlike a businessman / professional, is not entitled to claim deduction for any expense incurred in connection with his employment. The Standard Deduction was introduced to enable a deduction to a salaried employee for expenses required in keeping himself updated, maintain himself to work in an office environment, etc. The omission of such legitimate allowance is unwarranted.
- A Company, unlike non-corporate assessee, is required to charge depreciation as per Schedule XIV of the Companies Act, 1956 whereas, the same entity is required to follow depreciation rates prescribed under the Income Tax Act for determination of its taxable income. These two requirements should be harmonized to avoid unnecessary paperwork for assessee.
- Sec 203AA was introduced w.e.f. Assessment Year 2005-06 to do away with the requirement of TDS Certificates. It was proposed to dematerialize such certificates and prevent various anomalies involved in their issuance. During my period of articleship, I have come across cases where legitimate credit for tax deducted was not allowed to the assessee due to certain discrepancies in TDS Certificates issued by financial institutions, banks and Government concerns, who flout the various provisions of the Act in relation to preparation and issue of TDS Certificates. Moreover, various organizations do not issue the certificates in due time which deprive the assessee to claim legitimate credits. All these situations lead to assessee and consultants running pillar to post in order to regularize the matter. In this year's budget proposal, to make matters worse, the application of this Section has been postponed till April 2010.
- A growing concern is the recent spate of amendments which are being passed to nullify orders pronounced by judicial bodies like Courts and Tribunals which were decided in favour of the assessee. A recent addition to this cause is the introduction of Sec. 292BB by the Finance Act, 2008. It provides that an assessee will not be allowed to raise objection on assessment proceeding on the ground that a notice was not issued. It says that if the assessee had participated in the proceedings it shall not become void for want of notice.

The above discussed provisions are not the end. There are numerous instances which can be highlighted. In spite of all the shortcomings, Income Tax Act is a favourite area for students, academicians as well as professionals. This is perhaps due to the vast coverage of the provisions and the various challenges it throws upon the practitioners.

The author is a student of ICAI (Reg. No. ERO 0088136)

Case Laws

CA. Shefali Jain

Article 141 of the Constitution of India

1. Whether circulars can be given primacy over the decisions of the Court?

CCEx., Bolpur v. Ratan Melting and Wire Industries 2008 (12) STR 416 (SC)

The assessee's contention was that once a circular has been issued, even if it runs counter to the decision of Supreme Court, it is binding on the Revenue authorities. The circulars issued by the Board are not binding on the assessee but are binding on Revenue. The consequence of issuing a circular is that Revenue cannot act contrary to the circular. Once the circular is brought to the notice of the Court, the Revenue cannot lodge an appeal taking the ground which is contrary to the circular.

However, Revenue pleaded that the law declared by Supreme Court is supreme law of the land under article 141 of the Constitution of India.

Supreme Court observed that in *Kalyani Packaging Industry v. Union of India and Anr. 2004 (6) SCC (719)*, it was noted that law laid down by Supreme Court is law of the land. The law so laid down is binding on all courts/tribunals and bodies. It is clear that circulars of the Board cannot prevail over the law laid down by this Court.

Supreme Court further decided that circulars and instructions issued by the Board are no doubt binding in law on the authorities under the respective statutes, but when the Supreme Court or the High Court declares the law on the question arising for consideration, it would not be appropriate for the Court to direct that the circular should be given effect to and not the view expressed in a decision of this Court or the High Court. So far as the clarifications/circulars issued by the Central Government and of the State Government are concerned, they represent merely their understanding of the statutory provisions. They are not binding upon the court. It is for the Court to declare what the particular provision of statute says and not for the Executive. Looked at from another angle, a circular which is contrary to the statutory provisions has really no existence in law.

Rule 10 of CENVAT Credit Rules, 2004

2. In case of transfer of factory to another site, is the assessee entitled to transfer the CENVAT credit corresponding only to the quantum of inputs and capital goods transferred to the new site?

CCEx., Pondicherry v. CESTAT 2008 (230) ELT 209 (Mad.)

The assessee, a manufacturer of polypropylene bags and tubing, shifted its factory from Cuddalore to Pondicherry. The assessee transferred the entire quantity of inputs and capital goods, available with it at the time of transfer, to the new site - Pondicherry. On conducting physical verification, the Range Officer of the new premises reported that the capital goods, the inputs and unutilised CENVAT credit balance had been duly received and accounted for by the assessee in the respective registers of the new factory. The balance of unutilized CENVAT credit lying with the assessee exceeded the amount of CENVAT credit corresponding to the quantum of inputs and capital goods transferred to the new site. Revenue claimed that the assessee was entitled to transfer the CENVAT credit corresponding only to the quantum of inputs and capital goods transferred to the new site and not the entire balance of unutilized credit.

Madras High Court held that erstwhile rule 8 of the CENVAT Credit Rules, 2002 [now rule 10 of the CENVAT Credit Rules, 2004*] does

not provide that the assessee could transfer the CENVAT credit corresponding only to the quantum of inputs transferred to the new factory, but permits the assessee to transfer the entire balance of unutilised CENVAT credit along with inputs and capital goods in stock at the factory to the new site. Thus, requirement of erstwhile rule 8 of the CENVAT Credit Rules, 2002 [now rule 10 of the CENVAT Credit Rules, 2004*] had been complied with by the assessee. Therefore, he could avail the entire CENVAT credit transferred by him.

**Note – Relevant portion of rule 10 of the CENVAT Credit Rules, 2004 reads as follows:-*

If a manufacturer of the final products shifts his factory to another site, the manufacturer shall be allowed to transfer the CENVAT credit lying unutilised in his accounts to such transferred factory.

Such transfer of the CENVAT credit shall be allowed only if the stock of inputs as such or in process, or the capital goods is also transferred along with the factory or business premises to the new site and the inputs, or capital goods, on which credit has been availed of, are duly accounted for to the satisfaction of the Deputy Commissioner of Central Excise or, as the case may be, the Assistant Commissioner of Central Excise.

Classification of excisable goods

3. Is common parlance test “be all and end all” for classification purposes?

CCEx., Delhi v. Ishaan Research Lab Private Ltd. 2008 (230) ELT 7 (SC)

The assessee - Ishaan Research Lab Pvt. Ltd (IRLP Ltd.) contended that 16 products of IRLP Ltd. under consideration were ayurvedic medicines covered under the Central Excise Tariff sub-heading 3003.30 chargeable to duty at the rate of 10% advalorem. However, the Department contended that these products were classifiable under Chapter 33 – Cosmetic or toilet preparations, essential oils etc. - of the Tariff. Therefore, the said products would invite the duty at the rate of 40% advalorem.

Department's plea was that these products were cosmetics such as skin beautification creams, lotions, moisturisers, shampoos, etc., and sold to the hotels, beauty parlours etc. It relied on the literature published by M/s. IRLP on the Skin Care Naturals thereby suggesting that the use of biotique products would make the skin beautiful and would help the user retain the bloom of youth. It was also submitted by the Revenue that these products were treated as cosmetic products by the customers.

The Apex Court held that the said products would invite the duty as “ayurvedic medicines” at the rate of 10% advalorem and not at the rate of 40% advalorem as claimed by the Revenue since all these products were produced under the Drugs License issued under the Drugs and Cosmetics Act, 1940. Further, label of the product specified the medicinal properties of the product and there was a specific claim that this was not a cosmetic product.

The Supreme Court clarified that the common parlance test is not “be all and end all” of the matter. Merely because the product could be put to cosmetic use, that would not by itself make it a cosmetic product provided there was a rightful claim made that it was an ayurvedic product on the factual basis, and it contained the medicinal ayurvedic medicament.

Note - The headings cited in the case law mentioned above may not correlate with the headings of the present Excise Tariff as this case relates to an earlier point of time.

The contributor is Senior Executive Officer, ICAI

Advances-Monetary or Non-Monetary Items (As-11– Revised)

Jitin Asudani

Overview

Accounting standard – 11 (Revised), 'Effects of changes in Foreign Exchange Rates' states that every transaction in foreign currency has to be accounted for at the prevailing exchange rate as on the date of transaction and as result of this, any deviation on account of foreign exchange transaction on its subsequent settlement is to be recognized in the books of account, i.e., any profit or loss arising due to exchange rate differences during an accounting period is to be recognized as income or expense in the period in which it relates and arises therein.

Monetary v/s Non-monetary Items

The treatment of monetary and non-monetary items under AS-11 (Revised), 'Effects of changes in Foreign Exchange Rates' is altogether different. Monetary items are defined as 'money held and assets and liabilities to be received or paid in fixed or determinable amounts of money'. These are translated at each reporting date and consequently any gain or loss arising from the same forms part of the Income Statement. Further, Non-Monetary items are 'assets and liabilities other than monetary items' and are stated at the exchange rate at the date of transaction and not at each reporting date.

Foreign Advances Received - Monetary or Non-monetary Items

The relevance of discussion here is whether foreign exchange advances received and converted into Indian rupees for export of a fixed quantity of goods adjusted against future supplies are monetary or non-monetary in nature.

The Export Advisory Committee (EAC) of the ICAI is in consent with AS-11 has opined that the phrase 'received or paid in fixed or determinable amounts of money' is not confined to payment in mere cash, but the essence is that the value of the assets or liability should be fixed or determinable in monetary items. The EAC holds the view that the liability of the concern as regards advances received from the foreign customers is fixed and determinable in monetary terms, even though it will be discharged through exports rather than through payment in cash.

However, Para 16 of the IAS – 21 suggests that advances received for further export of goods are non-monetary in nature. As per Para 16 of the IAS – 21, an imperative ingredient for being a monetary item as a right to receive or an obligation to deliver a fixed or determinable units of currency, which lacks in advances received from foreign customers against future

exports. Again, in this erratic market conditions which fluctuates as now or never, we cannot make sure that any future commitments can be make true in due time. Manner of Professionals and Intellectuals also walk hand-in-hand with the opinion of the IAS – 21.

Inference

In view of the above, we conclude that any advances received in foreign currency for any future commitments should be treated as monetary items. Keeping in view that business is running on prudence basis, where going concern concept largely prevails, we can easily bank upon the opinion of the EAC and as a result of it any foreign exchange gain / loss will be shown in the Profit & Loss Account in the relevant accounting year in which it relates. Again, if we are preparing our accounts on accrual / mercantile basis, it is very much advisable to add feathers to the torn hat rather than buying a new one, so that antiquity is preserved and the crown is refurbished.

Tax Implication

It has always been a debatable issue that whether provision for foreign exchange loss arising in relation to unsettled transactions on the balance sheet date, is an actual loss or a contingent loss and therefore is it allowable or otherwise.

In *CIT v/s Woodward Governor India (P) Ltd.*, 210 CTR 354, the Honorable Delhi High Court held that loss on account of foreign exchange rate difference was an actual loss and not contingent loss and therefore it is an allowable expenditure. The same was decided taking in view the decision of the Honorable Supreme Court in the case of the *Bharat Earth Movers Ltd. v/s CIT.*, 245 ITR 428, where by it was held that the mere postponing of settlement of the liability to a later date could not extinguish such liability.

Therefore, it is always advisable to account for such liability in the relevant assessment year only, instead of deferring the same to the subsequent assessment years when transactions are actually settled. This is in consonance of accrual basis of accounting. Such provision for foreign exchange loss is allowable while computing Taxable income in the relevant assessment year only. It is noteworthy that if such loss is deferred to the subsequent assessment years and then claimed, it may be disallowed by the AO on the grounds that business is following mercantile system of accounting and such loss relates to yesteryears.



The author is a student of ICAI (Reg. No. CRO 0141576)

Baby steps towards unified Goods and Service tax

Sandeep Jhunjunwala

The Indirect tax system in India is extremely intricate with multifaceted taxes levied by the central and state Governments at different levels in a supply chain; the central Government levying customs duty on imported goods, excise duty on manufactured products, service tax on over a hundred services and the state Governments collecting VAT/Sales tax, luxury tax and entry Tax/Octroi. If *Bollywood* and *Cricket* unite us, our ridiculous system of Indirect taxes divides us. Anyone who sells a product across India lives through the *nightmare* of state sales taxes, CST, entry tax, turnover tax, service tax, excise, octroi-all cascading and making us perhaps the nation with highest indirect taxes in the world. Today a truck takes 40 hours to deliver goods from Delhi to Bombay and of this, only 24 hours are spent driving;

the remaining 16 hours are spent negotiating bribes and inducement at *Octroi nakas*. The answer is to replace this nightmare of taxes by a single flat Goods and Services Tax (GST) that is IT intensive and offers frictionless interface between taxpayer and collector, and integrates us into one market.

Stride towards unified GST: The sluggish and gradual reform progression in indirect taxation statute can be briefly outlined as:

Prior to the introduction of VAT, noxious competition existed between various states to attract and magnetize investments.



1974	Report of L.K. Jha Committee - Suggests VAT
1986	Introduction of a restricted VAT called MODVAT
1991	Chelliah Committee recommends VAT/Goods & Services Tax (GST)
1994	Introduction of Service Tax
1999	Formation of Empowered Committee on State VAT
2000	Implementation of uniform floor sales tax rates (1%, 4%, 8% & 12%)
2003	VAT implemented in one state
2004	Significant progress towards a Central VAT/ GST - Integration
2005	VAT Implemented in 21 States
2006	VAT Implemented in 5 more states
2007	VAT Implemented in Tamil Nadu
2008	VAT Implemented in Uttar Pradesh

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This led to multiple tax rates, disputes and disparities between States. The levy of tax on inter state sale of goods and constraint on availment of input tax credit on inter state movement of stocks under VAT, fragments Indian Market into 29 state markets and dejects the Economy of scale in production and low cost supply chain structures.

The notion of GST at national level was proclaimed in the 2006-07 budget speech and the relevant extract is reproduced herein below:

"It is my sense that there is a large consensus that the country should move towards a national level Goods and Services Tax (GST) that should be shared between the Centre and the States. I propose that we set April 1, 2010 as the date for introducing GST. World over, goods and services attract the same rate of tax. That is the foundation of a GST. People must get used to the idea of a GST. Hence, we must progressively converge the Service Tax rate and the CENVAT rate."

In the budget speech 2007-08, the Finance Minister reiterated:

"I wish to record my deep appreciation of the spirit of cooperative federalism displayed by State Governments and especially their Finance Ministers. At my request, the Empowered Committee of State Finance Ministers has agreed to work with the Central Government to prepare a roadmap for introducing a national-level GST with effect from April 1, 2010."

Further, in the Budget speech 2008-09, the Finance Minister enunciated that the Roadmap for Goods and Service Tax is being prepared for introduction of the same from April 1, 2010. Thus, the reform process, aimed at streamlining the indirect tax system that was initiated in 1986 with MODVAT for manufactured goods may culminate with the prologue of GST in 2010.

Basics of Goods and Service tax

- GST is a comprehensive value added tax on goods and services.
- It is collected on value added at each stage of sale or purchase in the supply chain.
- No differentiation between goods and services as GST is levied at each stage in the supply chain.
- Seamless input tax credit throughout the supply chain.
- At all stages of production and distribution, taxes are a pass through and tax is borne by the final consumer.

GST as a preferred tax structure

GST is considered as a favored tax structure owing to the following rationale:

- A simpler tax structure with only one or two rates of taxes
- Uniform single tax across the supply chain
- Reduced transaction cost in the hands of the tax payers
- Increased tax collections due to wider tax base and better compliance
- Improvement in international cost competitiveness of indigenous goods and services

- Enhancement in efficiency in manufacture and distribution due to Economies of scale
- Encouragement to an unbiased tax structure, that is neutral to business processes, business models, organization structure, product substitutes and geographical locations

Difference made by GST on consumers, manufacturers and Revenues

It must be understood that GST is not simply a tax issue but has an impact on the whole supply chain. In terms of the applicable legislation on date, CST is not integrated with VAT. Thus, the CST paid on inter-state procurement is not eligible as a credit and continues to be a cost of doing business till the time it is completely phased out. Similarly, manufacturers are unable to avail credit of miscellaneous taxes, such as entry tax, octroi, etc., and these become added costs along the supply chain. Under GST, manufacturers would be entitled to input tax credit of all inputs and capital goods purchased from within the State as well as inter-State, from a registered dealer for setting off the output tax liability on the sale of their finished products. Similarly, distributors would also be able to pass on the duty burden to their customers. This would ensure that there is no *cascading effect* of taxes.

Constitution of the Joint Working Group (JWG) for suggesting models on GST

The central Government in 1999 constituted an Empowered Committee of state Finance Ministers to lay out the roadmap for the GST. The Empowered Committee in consultation with the central Government has constituted a Joint Working Group (JWG) in May 2007. It is currently taking into consideration the global models in operation, in order to come out with a unique formula to satisfy India's assorted needs. Based on a study of the alternate models *vis-à-vis* India's federal structure, the JWG will suggest the best model for introduction of GST in India.

Through Entry 84 of the Union List of the Seventh Schedule of the Constitution of India (read with the new Entry 92C of the Union List) the Central Government, now has the power to levy tax on all goods and services and going up to the final consumer. This amendment also mandates that the power to collect this levy will vest both in the central and the state Governments.

Recommended models

Tax experts are univocal on three options, namely:

- *First*, the centre will have complete power to levy and collect tax and will distribute it to States according to a pre-defined formula.
- *Second*, a dual levy, one at the central and another at the state with a common base; and
- *Third*, dividing the right to tax goods between the centre and the states.

Various models have been designed and a few of them advocated by various experts are as follows:

The **Kelkar-Shah Model** suggested implementation of GST in four stages :



The **Kelkar Task Force Model** envisions the GST to be levied at a rate made up of two components, one the Central part (CGST) and the other; the States part (SGST). The key features are that there would be three rates apart from 'zero' viz. a standard of 20% (12% for the Centre and 8% for the States), a lower rate of 6% and a maximum rate of 20%. Exemptions would be few and limited mainly to food, medical care, education, residential housing and certain financial services. The collection is only by the Centre. The task force also proposed a 'Grand Bargain' between the two levels:

- Both levels will have synchronized but independent jurisdiction over a largely common tax base and the tax at both levels will extend to final consumers covering both goods and services.
- The existing octroi/entry Tax, central sales tax, states sales tax, stamp duties and other cascading taxes and fees will head off.
- Both levels will have power to fix the rates, but there would be one rate for all states and rate setting will be coordinated between the two levels.

The **Bagchi-Poddar Model** also visualizes a combination of central excise, service tax and VAT to make it a common base of GST to be levied both by the centre and the states separately and collection by both the centre and the states.

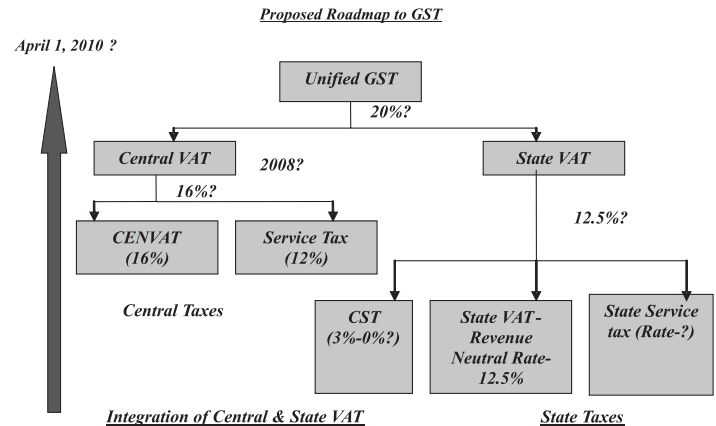
The Institute of Chartered Accountants of India has also recommended that GST, proposed to be implemented from 2010, should have dual tax structures at the centre and state levels. The Institute, in its recommendations has suggested that there should be two levels operating parallelly, one at union level and other at state level. It would be the most workable model, especially taking into consideration the changes required in the Constitution and achievability of the laid intent in the short-term.

Can GST earn more than individual taxes?

It must be understood that GST is a combination of three taxable events, namely:

- Act of manufacture (Excise duty)
- Act of sale (Sales tax or VAT) and
- Act of providing service (Service tax)

If these three separate taxable events yield a certain amount of revenue, there is no reason why the combination of the three of them will give more revenue. However, evasion in a GST regime has been a matter of concern in European Union and many other countries. In India, it has been argued that all the controversies about distinguishing between goods and services will vanish once the national GST comes into place. However,



while this distinction will vanish, many others may crop up. The GST does not ward off all controversies about the chargeability of tax as evidenced by the innumerable litigations pending in the European Court of Justice.

Finally, it must be remembered that the GST can be a success only if it is properly administered and governed.

Challenges Ahead

India operates under a federal structure with the power of taxation divided between the centre and the states. Article 246 of the Indian Constitution provides for such powers. The Constitution never intended towards the fragmentation of Indian Markets, but the present system of indirect taxation clearly creates internal trade barriers. Under such an economic scenario, calibrating a co-ordinated indirect tax renovation in an environment where the states value their autonomy so dearly, is not an easy task. First and foremost, for the states, the power to levy sales tax constitutes to be the most important authority at their command. Taking it away will grievously reduce their fiscal autonomy. It will make them even more dependent on the centre than they are at present and reduce them to mere spending agencies with little responsibility for rising what they spend. Rough computations indicate that the proportion of tax revenue rose by the states in the total tax revenue of the Government (centre and states combined), which stands at around 33% at present, would come down to barely 15% or so.

Issues relating to constitutional provisions, tax collections vis-à-vis revenue sharing, threshold limit, overall level of rates, type of rate structures, development of a common market and operation of Tax Information Exchange System, safeguarding the federal character of less developed States with lower revenue potential etc. are also knotty and convoluted.

It would be desirable to have procedural clarity, *ab initio* for efficient administration at the field level with the states. Audit has to be a joint endeavour, but each authority should have the power to institute audit in cases selected by them. Trust and coordination between the centre and states tax authorities would, however be essential for smooth implementation of the system.

A N N O U N C E M E N T S

Programme Schedule for Lectures at Gyandarshan Channel for CA-PCC students For the Month of February, 2009

Date	Day	Session	Scheduled Time	Name of the Faculty	Subject	Topic
01.02.09	Sunday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Incomplete Records Insurance Claim
07.02.09	Saturday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Hire Purchase & Installment -I Hire Purchase & Installment-II
08.02.09	Sunday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Insolvency- Partner(s) & Firm Piecemeal Distribution
14.02.09	Saturday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Branch Accounting -I Branch Accounting-II
15.02.09	Sunday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Banking Companies Electricity Companies
21.02.09	Saturday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Liquidation of Company Not for Profit Organisations
22.02.09	Sunday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Cash Flow Statement as per AS 3 Bonus & Buy-Back of shares
28.02.09	Saturday	I II	5.00 PM to 6.30 PM 6.30 PM to 8.00 PM	CA.Dr.P.C.Tulsian & Dr. N.K.Puri	Accounting	Amalgamation as per AS 14 Amalgamation as per AS 14

Students can ask their queries during studio timing at toll free no **1800-11-2345** or can e-mail us at **bosgyandarshan@icai.org**. Students can view the LIVE TELECAST also on www.ignou.ac.in (First load VLC from www.videolan.org & click as per instructions, open www.ignou.ac.in & click Education Broadcast & then click Broadcast channel & then select gyandarshan II/ edusat & click to view.

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THE INSTITUTE OF CHARTERED

ACCOUNTANTS OF INDIA

(Set up under an Act of Parliament)

New Delhi

Web: <http://www.icai.org>

BHARATHIAR UNIVERSITY (BU) & THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI) have entered in to a Memorandum of Understanding to offer the following courses:

Under Graduate Course		Post Graduate Course	
B.B.A	B.Com.	M.Com.	M.B.A

Under the distance education mode the above courses are exclusively meant for qualified Chartered Accountants and for those who are undergoing Chartered Accountancy Course.

- For the purpose of award of the degree the total marks secured both in CA programme and Under Graduate (UG) and Post Graduate (PG) programme chosen by the candidate under this arrangement will be counted together.
- Exemptions in appearing from certain subjects in UG/PG examinations will also be provided both to the qualified Chartered Accountants and for those who have completed their Intermediate/PE II/PCC /Final programme.
- For eligibility, course fee and cost of application and prospectus you can visit Bharthiar University website www.b-u.ac.in. and/or ICAI website www.icai.org.
- Admission for the programme will be made up to 31st March 2009. For those who are getting admission up to 31.03.2009, examination would be conducted during the month of January 2010.
- The application form can also be downloaded from the University website www.b-u.ac.in and/or www.icai.org under the heading BU-ICAI joint education programme. While submitting the filled-in application, a Demand Draft / Bank of India challan for Rs.100/- towards the cost of the application form in favour of **The Director, School of Distance Education, Bharathiar University payable at Coimbatore** should be enclosed.

Duly filled in application along with the enclosures can be sent to **The Co-ordinator, BU-ICAI Joint Programme, Administrative Building 1st floor, Bharathiar University, Coimbatore – 641 046** superscribed on the envelop as **"Application for BU-ICAI Programme"**.

Coordinator, BU-ICAI Joint Programme, Bharathiar University, Coimbatore -46

Phone: 0422 – 2428400, e-mail : gs_fin@yahoo.co.in

ERP Course on Microsoft Dynamics NAV

The Committee has started offering ERP Courses for members and students (final/ article ship completed) of the Institute to enable them to offer value added services in the field of ERP Consulting as Functional Consultants in the finance domain considering their rich experience in accounting/ finance/ business/ legal requirements, which are in increasing demand today. These courses are also suitable for Members in Industry where ERP applications are implemented/ being implemented.

This ERP Initiative includes, training programmes on Microsoft **NAV Dynamics (Delhi-January 30, Chennai- February 06)**. This course is being offered through OEM vendors giving twin benefits of convenient timing and discounted course fees. Further details are available on the Institute website at www.icai.org under Members à Courses.

Please contact 011-30210619/ 621 or erp@icai.org for further details/ clarifications/ registration.

Forthcoming Practical Workshops

City	Workshop Theme	Date
Mumbai	SOX	Jan 31
Delhi	SOX	Feb 14
Chennai	ACL & IDEA	Feb 14
Chennai	Security Audit Tools in Desktop Environment – Level 1	Feb 28

Further details, workshop brochures & registration form are available at www.icai.org under events. Workshop registration is on first-come-first-served-basis on receipt of duly filled in form with workshop fee. Please contact 011-30210619/ 621 or isadelhi@icai.org for further details/assistance/registration.

Eligibility Certificate

In terms of the decision taken by the Council recently, students of Professional Education (II) and Final (Old) course may note that they need not submit test papers for the purpose of getting eligibility certificate.

CHARTERED ACCOUNTANTS STUDENTS BENEVOLENT FUND

The Board of Trustees of the Chartered Accountants Students Benevolent Fund have decided to launch a special scheme for financial assistance to the students who are currently undergoing articulated training in accordance with the Chartered Accountants Regulations, 1988 and are poor and needy but meritorious requiring financial assistance to pursue the chartered accountancy course.

To begin with, a sum of Rs.1000/= per month will be granted as financial assistance to about 100 students.

The eligibility criteria for obtaining financial assistance from CASBF would be as under :-

- i) Passed 10+2 examination with a minimum of 70 per cent marks
- ii) Passed Common Proficiency Test of ICAI in the first attempt
- iii) Currently undergoing articulated training as per CA Regulations
- iv) Annual income of both parents from all sources be not more than Rs.1.50 lakhs.

The above criteria can be relaxed in deserving cases. Physically challenged students will however be given preference.

Students who are needy, poor but meritorious and are fulfilling the above criteria may come forward to avail this opportunity from the Chartered Accountants Students Benevolent Fund and may send their request in the prescribed form, duly completed, to the Member Secretary at the following address so as reach on or before 20th February 2009. The form can be downloaded from www.icai.org or can be had from Institute.

Students suffering from serious medical ailments may also apply for one time lump sum financial assistance, along with supporting prescriptions/documents/original bills etc. The Board of Trustees will consider each such case on merit basis and decide at their discretion the amount of financial assistance to be granted.

The Member Secretary

Chartered Accountants Students Benevolent Fund
C/o The Institute of Chartered Accountants of India
ICAI Bhawan, Indraprastha Marg, New Delhi-110002.

01st January, 2009

CA Ved Jain
President

Addendum for Select cases in Direct and Indirect Taxes-2008

Kindly refer to Case number 9 mentioned at page no. 66 of Select cases in Direct and Indirect Taxes [2008] – An Essential Reading for the Final Course. Students may note that as per current provisions, the goods manufactured by a job worker and cleared to principal's depot would be valued as per clause (ii) of rule 10A of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000.

Further, with regard to point (iv) of case number 1 mentioned at page 62, students may note that with effect from 14.01.2007, Standards of Weights and Measures (Packaged Commodity) Rules, 1977 have been amended to provide *inter alia* that MRP is not required to be printed in case of sale to institutional consumers. Institutional consumers have been defined as those consumers who buy packaged commodities directly from the manufacturers/packers for service industry like airways, railways etc.

Auditing and Assurance Standards

A major development in the field of auditing has been the issuance of revised and /or redrafted International Standards on Auditing pursuant to the Clarity Project of IAASB. The objective of this project is to improve the clarity of International Standards on Auditing (ISAs). The IAASB aims to set high quality international auditing and assurance standards that are understandable, clear and capable of consistent application, thereby serving to enhance the quality and uniformity of practice worldwide. The Auditing and Assurance Standards Board has also laid out a strategy to match step with the IAASB Clarity Project. In the year 2007, the Board issued several revised/new Standards pursuant to the IAASB Clarity Project.

Renaming, Re-numbering and Categorisation of Auditing and Assurance Standards

The Auditing and Assurance Standards Board, in 2007, adopted the *Revised Preface to Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*. In terms of the Revised Preface, the Auditing and Assurance Standards are now renamed based on the type of assurance provided by the engagement undertaken by a member, viz.,

- (i) *Standards on Auditing (SAs)* - to be applied in the audit of historical financial information
- (ii) *Standards on Review Engagements (SREs)* - to be applied in the review of historical financial information
- (iii) *Standards on Assurance Engagements (SAEs)* - to be applied in assurance engagements, engagements dealing with subject matters other than historical financial information
- (iv) *Standards on Related Services (SRSSs)* - to be applied to engagements to apply agreed upon procedures to information and other related services engagements such as compilation engagements

Further, there is also a mother standard on quality control. In addition, each of the above group of Standards has been allotted a numerical series as follows and the Standards pertaining to a particular group is allotted a number from that numerical series:

Type of Standard	Numerical Series
Standards on Quality Control	01-99
Standards on Auditing	100-999
Standards on Review Engagements	2000-2699
Standards on Assurance Engagements	3000-3699
Related Services	4000-4699

The Standards on Auditing have also been further divided into seven categories based on the aspect of audit engagement addressed by them and each of these categories has a unique numerical series allotted. Therefore, a Standard pertaining to a particular aspect of audit would be allotted a number from that relevant numerical series. These categories and series are as follows:

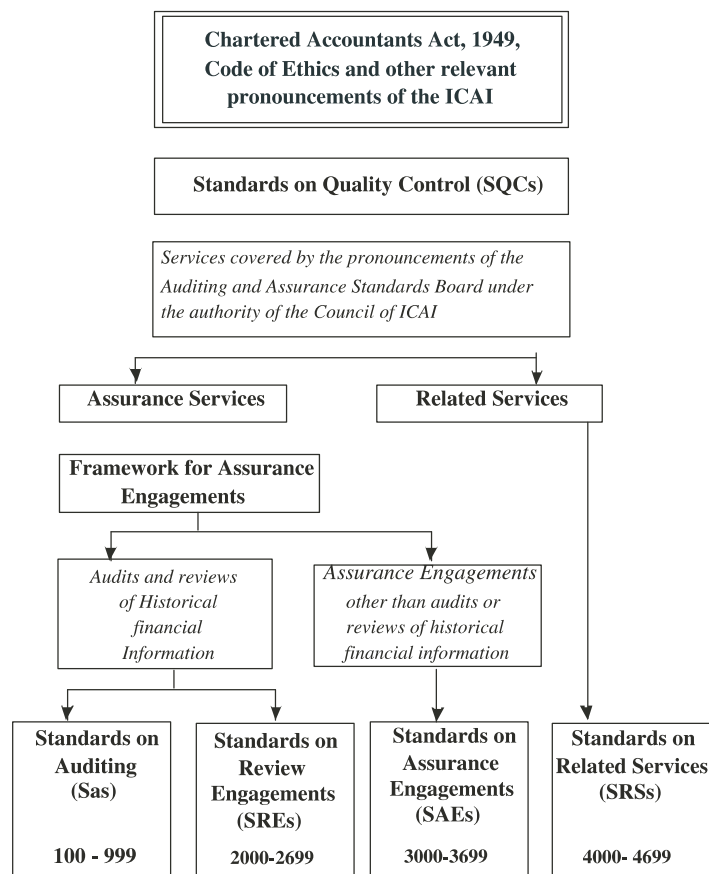
Aspect of Auditing Covered	Numerical Series
Introductory Matters	100 - 199
General Principles and Responsibilities	200 - 299
Risk Assessment and Response to Assessed Risk	300 - 499
Audit Evidence	500 - 599
Using Work of Others	600 - 699
Audit Conclusions and Reporting	700 - 799
Specialised Areas	800 - 899

Accordingly, the erstwhile Auditing and Assurance Standard (AAS) 30, *External Confirmations* can be found under the category "Audit Evidence" as Standard on Auditing (SA) 505. Similarly, AAS 3, *Documentation* can be found under the category "General Principles and Responsibilities" as SA 230. The readers would therefore, find the Standards appearing in the order of the new number allotted to them and not the number which they carried as AAS. A complete table of old AAS numbers vis a vis corresponding SA number is given below.

Existing AAS Number	Title of the Standard	New Number of the Standard
1	Basic Principles Governing an Audit	SA 200
2	Objectives and Scope of the Audit of Financial Statements	SA 200A
3	Documentation	SA 230
4	The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements	SA 240
5	Audit Evidence	SA 500
6	Risk Assessments and Internal Control	SA 400
7	Relying Upon the Work of an Internal Auditor	SA 610
8	Audit Planning	SA 300
9	Using the Work of an Expert	SA 620
10	Using the Work of Another Auditor	SA 600
11	Representations by Management	SA 580
12	Responsibility of Joint Auditors	SA 299
13	Audit Materiality	SA 320
14	Analytical Procedures	SA 520
15	Audit Sampling	SA 530
16	Going Concern	SA 570
17	Quality Control for Audit Work	SA 220
18	Auditing of Accounting Estimates	SA 540
19	Subsequent Events	SA 560
20	Knowledge of the Business	SA 310
21	Consideration of Laws and Regulations in an Audit of Financial Statements	SA 250
22	Initial Engagements – Opening Balances	SA 510
23	Related Parties	SA 550
24	Audit Considerations Relating to Entities Using Service Organisations	SA 402
25	Comparatives	SA 710
26	Terms of Audit Engagement	SA 210
27	Communication of Audit Matters with Those Charged with Governance	SA 260
28	The Auditor's Report on Financial Statements	SA 700
29	Audit in a Computer Information Systems Environment	SA 401
30	External Confirmations	SA 505
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	Audit Evidence - Additional Considerations for Specific Items	SA 501
35	The Examination of Prospective Financial Information	SAE 3400

A diagrammatic representation of the structure of Standards under the new Preface is given below:

Diagrammatic Representation of the Structure of Standards Under the New Preface



General Amnesty For Restoration of Names.

A General Amnesty Scheme for retrospective restoration of Membership effective from the date of removal due to non-payment of Membership fee was launched by the Council and announcement to this effect was issued on 13th May, 2008 and the same was hosted on www.icaai.org and published in the Journal. This scheme provided an opportunity for such members whose names stood removed as on 13th May, 2008 due to non-payment of membership to apply for retrospective restoration of Membership on payment of membership fee for the entire period of removal and a restoration fee of Rs. 1000/-. This scheme was valid till 31st December, 2008. However, the Certificate of Practice will be issued from prospective date.

Some of the Members whose membership was active as on 13th May, 2008 but their membership was removed in the past at any point of time due to non-payment of membership fee made

representations for enlarging the scope of the scheme so as to cover even such members whose name was removed in the past but have got their membership restored before the launch of the General Amnesty Scheme for giving retrospective effect of revival of membership for such period which was earlier not taken into account for the purpose of restoration of membership.

On consideration of the representations, the Council has decided to enlarge the scope of the General Amnesty Scheme so as to **cover even such members whose name stood removed in the past at any point of time due to non-payment of Membership Fees but were active members as on 13th May, 2008, [i.e. the date from which General Amnesty Scheme was implemented]** on payment of membership fee as was payable during the relevant period on making a request in the relevant form i.e. Form 9 and payment of restoration fee of Rs. 1000/-. The scale of membership fee as applicable from time to time is as given below: -

Effective from	Associate	Fellow
1st April, 2008	*Rs.600	**Rs.1,800
1st April, 2000	Rs.300	Rs.900
1st April, 1996	Rs.225	Rs.700
1st April, 1991	Rs.150	Rs.400
1st April, 1986	Rs.100	Rs.275
1st April, 1982	Rs.80	Rs.200
1st April, 1976	Rs.60	Rs.125
1st April, 1975	Rs.45	Rs.110
1st April, 1964	Rs.28	Rs.83

*Rs.450 where an Associate member has attained the age of 65 years as on 1st April, 2008.

**Rs.1300 where a Fellow member has attained the age of 65 years as on 1st April, 2008.

The Council further decided to extend the validity of the scheme from 31st December, 2008 to 31st March, 2009 to enable all such members whose membership status was active or not as on 13th May, 2008 to take full advantage of the General Amnesty Scheme in its true sense.

The Council clarified that the retrospective restoration will be only in respect of membership of the Institute and the Certificate of Practice will be issued only from prospective date i.e. the date on which the Form 6 and the fee is received in the Institute. The Form 6 can be downloaded from www.icaai.org and the payment can be made online through link "Online payment & services".

Such members desirous of availing the opportunity are invited to apply for retrospective restoration of membership in Form 9 which can be downloaded from www.icaai.org and the payment can be made online through link "Online payment & services".

For any clarification or more details, please contact the concerned decentralised office of the Institute or the Head Office over phone No. 011-30110426 / 30110553 / 30110535 or email to mss@icaai.in



9th National Convention of CA Students, Rajkot

The 9th National Convention of CA students was held in Rajkot on 1st and 2nd of January 2009. Mr. Dinesh Brahmabhatt, Commissioner, Rajkot Corporation inaugurated the convention organized by the Board of Studies and hosted by the Rajkot Branch of WIRC and WICASA. CA. M.P.Sarda, Central Council Member, CA.Jaydeep Narendra Shah, Chairman, BOS, CA.Jigar Papat, Chairman, Rajkot Branch of WIRC, CA.Jatin Jajal, Chairman, Rajkot Branch of WICASA, CA.R.Devarajan, Additional Direct (SG), BOS addressed the students.

There were five technical sessions namely Direct taxes, Accounting, Auditing and Compliance, Information Technology and Indirect taxes. There were special sessions on career in practice, career in industry, career abroad, effective communication in which eminent speakers gave their wisdom to the students. There was also a special address on accounting standards.

A total of 10 technical papers were presented in the National Convention. The following is a list of best presented and second best presented paper in the technical sessions:

Session	Title	Best Presented Paper	Paper Writer	Second Best Presented Paper	Paper Writer
I	Direct taxes	Reverse Mortgage and its tax implications	Swapnil Sudhanshu	FBT on ESOPs	Liji Sarajohn
II	Accounting	Overview of Indian Accounting Standards vis-à-vis IFRS	Yogesh Raghani	Overview of Indian Accounting Standards vis-à-vis IFRS	Chandni Jajal
III	Auditing and Compliance	Standards on Quality control	Balcha Adinarayana	Standards on Internal Auditing	Gaurav Doshi
IV	Information Technology	Supply chain management and e-business opportunities	Kishan Rajpurohit	Information Technology in financial sector in India	Pankaj Taneja
V	Indirect taxes	Significant amendments in CENVAT Credit rules, 2004	Minal Ranka	New valuation provisions in customs laws	Abhishek Dhamme

Out of the ten papers presented “Reverse mortgage and its implications” by Mr.Swapnil Sudhanshu and “Standards on quality control” by Mr.Balcha Adinarayana were given the best paper and the second paper awards. The function was a grand success.

The 14th All India Elocution and 8th All India Quiz Contests, Jaipur

The 14th All India Elocution and 8th All India Quiz Contests were held in Jaipur on January 5 & 6, 2009. CA.Uttam Prakash Agarwal, Vice-President, ICAI inaugurated the programme, which was organized by the Board of Studies and hosted by Jaipur Branch of the CIRC and CICASA, Jaipur. While addressing the students the Vice President stressed the importance of Elocution and Quiz Contests for improving the public speaking and presentation skills of students. He also called upon the students to undergo their articulated training with sincerity and dedication since a CA student well trained during articleship will command a premium in the job market. CA.Jaydeep Narendra Shah, Chairman, Board of Studies, CA. Pawan Parashar, Chairman, Jaipur Branch, CA.C.L.Yadav, CICASA Chairman, Jaipur Branch, CA.Suresh Garg, Secretary, Jaipur Branch and CA.R.Devarajan, Additional Director (SG), BOS also addressed the students.

In the Elocution Contest the performance of the students were judged by two officers of the Board of Studies. The following students were adjudged as winners.

1. Mr. Gaurav Sharma, Delhi – 1st Prize
2. Ms.Priya Goyal, Jodhpur - 2nd Prize
3. Mr.Sanjay Khemka, Kolkata – 3rd Prize

In the 8th All India Quiz Contest, Dr.N.N.Sengupta, Assistant Director of Studies, BOS was the master of the programme. CA.Sandeep Maheshwari and Mr. Mannadey, Sr. Education Officer, BOS were the scorers. The following teams won the first and the second positions:

First Position

1. Mr.G.H.Darshan, Mysore (SIRC)
2. Ms.Geeta Madhukar Nayak, Mysore (SIRC)

Second Position

1. Ms.Radhika Deherekar, Thane (WIRC)
2. Ms.Lakshmi Sumakumar, Mumbai (WIRC)

More than 600 students attended the function which was a grand success.

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