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THE CHARTERED ACCOUNTANT STUDENT

Students' JOURNAL

Your Monthly Guide to the CA News, Information And Events


1


2


3


4


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1. Shri S.S.N. Moorthy, Chairman, Central Board of Direct Taxes and CA. Uttam Prakash Agarwal, President, ICAI jointly releasing the new students' Journal on December 29, 2009 in New Delhi.
2. CA. Uttam Prakash Agarwal, President, ICAI releasing the revised study material for IPCC along with CA.Amarjit Chopra, Vice-President,ICAI, CA. Jaydeep Narendra Shah, Chairman, Board of Studies and CA. V. C. James, Vice Chairman, Board of Studies.
3. CA. Uttam Prakash Agarwal, President, ICAI launching E-Samadhan on January 12, 2010. Also seen in picture, CA. Amarjit Chopra, Vice President, ICAI, CA.Vijay Gupta, Central Council Member, CA. K. Raghu, Central Council Member and Shri Rajnikant Verma, Senior Faculty, ICAI.
4. CA.Uttam Prakash Agarwal,President, ICAI with the delegates of International Study tour to USA.
5. A view of the Bhoomi Poojan Ceremony held at Amravati on 27th Dec 2009. CA.Uttam Prakash Agarwal, President, ICAI, CA.Ved Jain, immediate past President,ICAI, CA.Jaydeep Narendra Shah, Chairman, Board of Studies and CA. B C Jain, Chairman, WIRC also seen in picture.
6. A view of the Hawan performed on the occasion of the inauguration of ICAI Complex at Sector-62, Noida on 17th January, 2010. CA.Uttam Prakash Agarwal, President, ICAI, Shri R. Bandyopadhyay, Secretary, MCA, CA.Ved Jain, immediate past President, ICAI, CA.Amarjit Chopra, Vice President,ICAI also seen in picture.

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Inside
February

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Editor: CA. Jaydeep Narendra Shah

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President's Communication

Dear Students,

While I pen down this farewell message as the President of this great Institute, I am reminded of the message that I wrote to you in the erstwhile students' newsletter in March, 2008 as the Vice-president and later on in March, 2009, as the President. In my first communication as the President, I envisaged my Action Plan for the year 2009-10 and shared it with you. While I am writing down this message, I feel myself contented with the assignments that we undertook and accomplished for the overall growth and development of the Accounting Profession.

I think that retrospection is very helpful in shaping the present and preparing for the future endeavours. I feel that our Institute has a very glorious past, is blooming in the present and has a bright future ahead. It has been proved that when other professions were entangled in the clutches of the economic downturn, our profession and professionals sailed through it successfully. There is no dearth of talent in our profession.

Students' Journal

It was my long cherished dream to introduce a Separate students' Journal for the benefit of the students. The first issue of the students' journal was released by Shri S.S.N. Moorthy, CBDT Chairman on December 29, 2009. The new Journal is getting immense response from the students and others. Attempts have been made to provide quality articles that will help in the professional learning. Further, to break monotony and bring respite from other stressful schedules, features such as fiction and crossword have also been included. In this issue we are starting a new feature directed towards improving communication skills.

Many of you have personally communicated to me the appreciation for the new journal. Such words of praise motivate us to bring in further improvements. You are also welcome to give your suggestions for further changes in the students' journal.

Release of Revised Study Material – Integrated Professional Competence Course

> *"Study while others are sleeping; work while others are loafing; prepare while others are playing; and dream while others are wishing".*
>
> *— William Arthur Ward*

To make the distance - education mode more effective, the Institute has been trying to leverage the technology through various modes such as e-learning, Gyandarshan, Shiksha portal, etc. to reach out the students dispersed not only within the country but in other parts of the world as well. In view of the fact that the students pursuing chartered accountancy course come from different strata of society and reside in far flung areas, it is important that the study material should be comprehensive enough so that students can learn, understand and assimilate the subject through self-learning process. In this direction we have initially released the study material in four subjects that are divided in two volumes namely Volume I dealing with the conceptual theoretical framework and Volume II, a Practice Manual. These are now available for IPCC in the following subjects:

- Accounting,
- Cost Accounting,
- Financial Management and
- Advanced Accounting

A word of caution: Take training seriously

Students have always been at the top of my priority list. However, I am pained to find that some of the students are misguided. They are aiming to merely pass the examinations and not to develop professionally. The theoretical education and the practical training are two important methods for you to learn and develop for facing the challenges of being a professional. The CA course is not an ordinary graduate course that can be passed merely by reading books. I am not trying to convey that you should not read study material or refer books. Rather, I want to emphasise that you must complement them and take training seriously so that you learn practical issues and in turn write better answers in the examinations.

I also wish to state that you should not undertake any activity that does not allow you to attend your office fully and properly. It has been noticed that some of you are attending coaching institutes during office timings. Our efforts to motivate you to stay away from such unhealthy practice has not yielded the desired results. The Councils have discussed the matter and has decided to create a system to check this undesirable practice in the interest of students. We are forming a group of officers who will visit around the place of coaching. In case the group of officers finds students attending coaching classes during office timings, appropriate action shall be taken against the student. In such cases the report of the officer group shall form a valid document to initiate and take appropriate action. Anyway, I would still appreciate if the students refrain from such activities on their own.

CA Students' E-Diary

As per regulation 64, principals have to maintain records about the progress of the training imparted by them to the article assistants working under them. Often a need is felt to have a system of proper monitoring and control of the records. Given the size of the operations, it is an uphill task for the Institute to monitor each case separately. In this direction, we have decided to launch a separate website wherein the information can be directly uploaded. Further processing of the data also becomes simple.

This web diary will have the following features:

- An article/assistant will have to periodically input his progress in practical training
- The principal shall approve the progress at periodic intervals
- The ICAI shall monitor these records regularly
- Form no 105,108,109, 110,111,115 & 116 will be generated by the website.

E-Samadhan (The ICAI Helping Hand)

Information Technology has provided us with several tools to plan, function, take decisions and so on. In this direction, we have taken an important step by launching a mechanism for addressing the grievances through a system of web-portal E-Samadhan. There is system for timely response and escalating your grievance.

Through the new grievance resolution mechanism, the members and students are not required to email or call decentralized offices, departments or any other offices of ICAI for getting their grievances resolved. Members and students should submit their complaints or queries related to membership fee, examination or any other matter at the website from now onwards. I am sure the system will help you in developing further faith in your Institute.

Launch of Advance Information Technology Training Programme

The Institute introduced 100 Hours Information Technology Training for the students of Professional Education Course (I,II) in the year 2002. This Training programme was envisaged to equip the students with basic IT skills required to discharge their professional services efficiently.

However, there was a long felt need that the students should be trained on various application software tools relevant for Accounting and Auditing. Accordingly, the council has decided to introduce 100 Hours Advance Information Technology Training Programme to enable our students to understand the nuances of the contemporary technology and enable them to become professionally competent and confident. The new course will become part of articleship training after getting the approval of the government. Students would be required to undergo the new Advance Information Technology Training Programme after completion of two years of articleship but before completion of three years of articled training.

This is in addition to several other initiatives taken this year such as CA Shiksha; an e-Learning Portal to transform your Learning Process and ICAI Job Portal- the "Search Mantra" to explore your professional horizons. We also webcasted the lectures of the distinguished experts and uploaded the PPTs of Gyan Darshan CPT Lecture Series on the ICAI's portal. We have also set up a number of new Information Technology Training Labs at different parts of the country.

A Paradigm Shift in Infrastructure Development

I personally put a lot of thrust on providing a learning ambience that can be conducive for our students and members. I have taken personal interest and the results are before you.

- ***New branches and offices:*** We had set up new branches, acquired land and performed bhoomi-poojan for our branches. Soon we would have a world class ICAI Bhawan at Bandra Kurla Complex at Mumbai. The building in Noida has also been inaugurated.

  You would be glad to know that the council, for the first time, has decided to consider concentration of the students while setting up of the new branches. Accordingly, the council has approved, in principle, new branches in Pali, Sri Ganga Nagar, Bhavnagar, Ratlam and Tirupati.
- ***Centres of Excellence:*** Similarly, we are planning to set up 12 Centres of Excellence across India within the next 8 years. These centres will certainly serve as a prolific resource for our times and our budding professionals. The Centre of Excellence at Hyderabad has already started functioning. Foundation stone of another Centre of excellence has been laid in Abu Road.
- ***Starting of new examination centres:*** We have now decided to take into account the growing number of students and resultant need for starting of new examination Centres apart from branches. You will glad to know that new centres have been set-up in different cities. Thirteen new centres have been set up for the Charered Accountancy examinations Professional Education – II, Professional Competence Course (PCE), Integrated Professional Competence Course (IPCE) and Final Examinations. They are Aligarh, Anand, Berhampore, Bharauch, Bilaspur, Gandhidham, Karnal, Ratlam, Rewari, Sikar, Tirupati, Tirupur, Vapi. Nine new centres have been set-up for Common Proficiency Tests, viz., Berhampore, Bharauch, Dundlod, Gandhidham, Rewari, Sikar, Tirupati, Vapi, Doha (Centre abroad). Students staying in and near these places will not be forced to travel long distances to appear in the examinations. Considering the concentration of the students we may decide to set-up further centres for examinations in future.

Results of Chartered Accountancy Examinations

The CA examinations aim to test high level professional skills in the students. Mere wrote learning shall not help you in getting deeper insight into different ticklish concepts. I have often exhorted the students to learn holistically to pass examinations. I regret to find that the results of the recent examinations have been not very encouraging. Many of you do not understand the required seriousness in the course. For your benefit from time to time we have been including the write-ups on the problems identified in the performance of candidates. In the forthcoming issue of the students' Journal we will include question wise analysis of the recent examinations for the benefit of the students. Please make suitable amendments in your study efforts.

MOU's With Leading Universities: Face New Challenges Boldly

Recently, our Institute has entered into MoU's with leading universities that offer Professional Courses like Ph. D Programmes, MBA, BBA, M. COM and B. COM designed exclusively for the Chartered Accountancy students as well as qualified Chartered Accountants. We have Joint Education Programmes with IGNOU, Bharathiar University, Guru Jambheshawar University and Netaji Subhash Open University and Swami Ramanand Teerth Marathwada University, Nanded. These MOU's will enable the acquisition of professional qualifications, which a Student or a member can effectively synergize and render quality professional services to the business and corporate world.

International Recognition: Adding Wings to Your Professional Career

We have made great efforts in promoting and building relationships between ICAI and other similar organizations on the international platform during 2009. Our high-end CA qualification has been acknowledged in various countries viz. Mauritius, Nepal, Canada, New Zealand, Singapore, Australia and United Kingdom. An arrangement with CPA Ireland will be unveiled soon while CPA Hong Kong has been approached for initiating the dialogue. We successfully organised an International Study Tour to Australia to get a better understanding of the economic and regulatory environment as well as actively look out for opportunities for Indian CAs in Australia.

Bitter pill – Restrictions on transfer of articleship

Our decision to restrict transfer of articleship was considered too harsh by many students. Sometimes we are forced to take harsh decisions. However, these harsh decisions are also taken keeping your overall interest in mind. Uncontrolled transfer hampers your proper training and learning. It is advisable that you take complete interest in your job. A long term relationship with the same firm provides consistency in the training.

ICAI's Corporate Forum : Ascent to pinnacle

The Committee for Members in Industry (CMII) of ICAI is conducting a comprehensive three days Corporate Forum event in Mumbai in January 2010. The programme is being organized with focus on Creation of Employment Opportunities, Enhancing Knowledge and Skill Sets and Recognition of the Exemplary work of members in Industry. This unique Annual Corporate Forum will be held in Mumbai from 29th January to 31st January, 2010. It comprises of seven high-profile concurrent events, as follows:

- Career Ascent – Mid Career Campus
- Special Campus Placement Programme
- Accounting Thrust – Career Fair for ICAI Certified Accounting Technicians
- Corporate Conclave - In Pursuit of Excellence
- Capital Advantage- Invest & Buy Mart
- ICAI Awards for Excellence in Financial Reporting
- ICAI Awards 2009 – Corporate CA Achiever's Acclaim

Best wishes

At the end I only wish to state that benefit of the students was very high on my agenda. Although, I am relinquishing this post of the President, I do not intend to stop working for the members and the students. You are free to contact me anytime and anywhere. I will be too happy if I am able help any one of you.

Wishing you best for all your future endeavors.

CA. Uttam Prakash Agarwal
President, ICAI, New Delhi

Message From The Chairman, Board of Studies

Dear Students,

This is my last communication to you as the Chairman of the Board of Studies for the year 2009-2010. As per the protocol, the new President will formally reconstitute the various committees of the Institute in the month of February. Needless to say, this process will automatically shuffle the chairmanship of the committees also.

The Board of Studies has always been prompt and active in taking many constructive initiatives for the all-round progress of the students. Occasion demands a holistic assessment of the work done in the current year and place a few highlights before the students.

Revision of the Study Materials

A long felt need has been addressed by making the study materials more student friendly by bringing out separate volumes containing relevant examples and illustrations. Initially it is decided to revise the study materials on Accounting, Costing and Financial Management. A core group consisting of outside experts and the faculty members of the Board of Studies worked on this project and I am happy to inform you that student's friendly study materials have been finalized on the above subjects. The study materials on each subject would be in two volumes; one explaining the theoretical concepts and principles and the other containing illustrations involving practical implications of the concepts. Gradually, all subjects would be covered.

Conferences/Conventions

The 22nd All India CA Students Conference was organized at Ernakulam in Kerala. Nearly 1500 students participated in the conference including 12 & 6 students from Sri Lanka and Nepal respectively as part of the SAFA Students Exchange Program. Eight papers were presented in total.

A record number of eight National Conventions were organized throughout the length and breath of the country. Baroda, Nagpur, Kolkata, Indore, Kanpur, Ghaziabad, Siliguri and Pune hosted the national convention of the CA students. All these venues witnessed a massive presence of the students ranging between 700 to 1000. Selected students made presentations on the given subjects, facilitating a large number of students to update themselves on the latest developments in different areas of importance. Students had a good opportunity to make maximum use of this exercise in terms of communication and personality traits. SICASA also held a convention of the CA students on a massive scale in Chennai in which 1600 students participated.

Regional/sub regional conferences of the CA students were organized at Bhilwara, Rajasthan and at Sivakasi, Tamilnadu and Diamond Jubilee All Bihar State Students Conference in the latter part of 2009. These conferences attracted considerable number of students and proved to be great success.

100 Hours IT Training: Remarkable Expansion

I am very happy to inform you that a total number of 4794 computers have been installed in the 148 IT centres of the ICAI in which around one lakh students have been trained. 100 Hours Information Technology Training program focuses on application softwares relevant for accounting and auditing. In addition, knowledge of Electronic Spread Sheet, Database Management System, Web technology and System Security and Maintenance are being strengthened.

Advanced Training in Information Technology

The course content for the 100 Hours Advanced Information Technology Training has been divided into Chapters. Senior Faculty members were identified to prepare the background material for the entire course. Further, the software packages to be used for offering this course at IT labs of ICAI have been identified and the course material has already been launched by the President.

FDPs for IT Faculties.

Five Faculty Development Programs with the main focus on HR development and teaching methodologies were organized for Information Technology faculties in all the five regions. The second phase of technical FDPs covering CAAT and TALLY have been organized in Goa and Hyderabad wherein 59 faculty members participated. The third technical FDP is in progress in Delhi. The next two are proposed to be held at Kanpur and Kolkata before the end of the current year.

E-learning initiatives—CA Siksha

Initiatives are underway for launching e-learning which would enable a large number of students to access web based lectures from anywhere, anytime through Internet and acquire knowledge in the various professional subjects of chartered accountancy and also Information Technology.

A new portal CA Siksha has been launched in which recorded lectures for the various subjects in CPT have been placed. The portal has the facility to answer queries of the students. A chatroom is available whereby students can interact with each other and share their ideas not only in the various subjects but also on matters related to the Board of Studies. It is heartening to note the very encouraging responses from the students for this portal.

Three Months Residential Program on Professional Skills Development: A Success Saga

For the holistic growth of the CA students, the Institute has taken many laudable initiatives, Three Months Residential Program for Professional Skills Development being one of them. This program jointly with the National Institute of Financial Management at Faridabad is a success story now. Students have shown remarkable progress in various departments of the training modules. The degree of the success can well be imagined by the fact that campus placement program attracted big and leading companies from the corporate sector, viz. ICICI Bank, Genpact, Syndicate Bank, HSBC, Capital IQ, HPCL, Dr. Reddy`s Laboratories—to name a few.

MOU with Bharathiar University

The course curriculum in respect of B.Com/BBA/ M.Com/ MBA of the Bharathiar University in terms of the Memorandum of Understanding entered into by the ICAI and Bharathiar University, Coimbatore has been printed and distributed among Council Members and students.

Decisions pertaining to Examination details of these courses have been finalized by the officials of the ICAI and BU. A CD containing the study material and question papers has already been circulated amongst the members / students registered under these programmes.

Faculty Development Program

The Board of Studies organized a Faculty Development Programme at Alleppey, Kerala from June 5-7, 2009. The Board of Studies has, in fact, ambitious plans to organize faculty development programmes in different parts of the country to train the faculty members who are and who would be teaching the chartered accountancy students. By this process, the faculty members would acquire better teaching methodology, and also presentation and communication skills.

GMCS and Orientation Program

By the end of 2009, 219 batches of the GMCS were organized at 47 centres wherein 9409 students attended the program. For the Orientation Program, 460 batches at 70 centres across the country were conducted. 25246 students in total attended the program.

Before I lay down my pen, I must add that serving the CA students is my passion and not just an obligation. Obligation may come to an end but passion never dies. It will be my sincere endeavour throughout my professional career to ensure students` growth. I wish the student community the very best for their professional advancement.

Best wishes and god bless!

CA. Jaydeep Narendra Shah

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1. CA. Uttam Prakash Agarwal, President, ICAI delivering his address at the inaugural ceremony of ICAI Bhawan at Guwahati branch of EIRC of ICAI. CA. Ved Jain, immediate past President, ICAI also seen in the dais.
2. CA.Uttam Prakash Agarwal, President, ICAI, laying the Foundation Stone at Akola Branch of WIRC of ICAI on 27 December, 2009. CA. Jaydeep Narendra Shah, Chairman, Board of Studies and CA. B. C. Jain, Chairman, WIRC also seen in picture.
3. A group photo taken on the occasion of Foundation Stone laying ceremony of ICAI Bhawan at Nagpur Branch on January 10, 2010. CA. Uttam Prakash Agarwal, President, ICAI, CA. Jaydeep Narendra Shah, Chairman, Board of Studies and CA. B. C. Jain, Chairman, WIRC also seen in picture.
4. CA.Uttam Prakash Agarwal, President, ICAI inaugurating the Centre of Excellence at Abu Road on 21st January, 2010.
5. A group photo taken on the occasion of GCC Regional Conference 2010 on Global Financial Markets: The Road Ahead from January 14-15, 2010. Shri R. Bandyopadhyay, Secretary, MCA and CA.Uttam Prakash Agarwal, President, ICAI also seen in picture.
6. CA. Uttam Prakash Agarwal, President, ICAI, lighting the lamp at the Convocation 2009 held at Kolkata on 9th January 2010. CA. K. P. Khandelwal, Central Council Member, CA. Subodh Kumar Agarwal, Central Council Member and CA. Nirupam Haldar, Regional Council Member EIRC of ICAI also seen in picture.

1. CA. Kirit Sommaya, Guest of Honour, lighting the lamp at the inaugural ceremony of 17th National Convention of CA Students in Pune. Also seen in picture(L-R) CA. Vinit Deo, Vice-Chairman, Pune Branch, Mr. Anshul Agarwal, Students Co-ordinator, CA. Ashok kumar Pagariya, Treasurer, WIRC, CA. Milind Gramopaddhye, Chairman, Pune Branch, CA. R. Devrajan, Director, Board of Studies, CA. Jaydeep Shah, Chairman, Board of Studies and CA. S. B. Zaware.
2. CA. Jaydeep Shah, Chairman,Board of Studies felicitating Chief Guest Shri. Chaturvedi Swami on the occasion of 17th National Convention of CA Students in Pune.
3. CA. Milind Gramopaddhye, Chairman, Pune Branch delivering welcome address at the inaugural ceremony of 17th National Convention of CA Students in Pune. Sitting in dais(L-R) CA. Dinesh Gandhi, CA. Ashokkumar Pagariya, CA. S. B. Zaware, CA. Jaydeep Shah, Chairman,Board of Studies, CA. Kirit Sommaya, CA. Vinit Deo, CA. Jagdish Dhongde, and CA. R. Devrajan, Director,Board of Studies.
4. CA. Kirit Sommaya, Guest of Honour addressing the 17th National Convention of CA Students in Pune.
5. Chief Guest Shri. Chaturvedi Swami addressing the 17th National Convention of CA Students in Pune.
6. CA. Vinit Deo, Vice-Chairman, Pune Branch of WIRC extending vote of thanks at the 17th National Convention of CA Students in Pune.

1. CA. Jaydeep Shah, Chairman, Board of Studies, lightening the lamp at the All CA Gujarat Conference held in Rajkot. Also seen in picture (From LtoR) CA. Jatin Jajal, Chairman, Rajkot Branch of WIRC of ICAI, CA. Ankit chotalia, Vice chairman, Rajkot Branch of WICASA, CA. Mahesh Sarda, Central Council Member and CA. Abhishek Doshi, Chairman, Rajkot Branch of WICASA.
2. CA. Jaydeep Shah, Chairman, Board of Studies,addressing the All CA Gujarat Conference held in Rajkot. Also seen in picture (LtoR) CA. Jatin Jajal, Chairman, Rajkot Branch of WIRC of ICAI, CA. Abhishek Doshi, Chairman, Rajkot Branch of WICASA, CA. Mahesh Sarda, Central Council Member and CA. Ankit Chotaliya, Vice Chairman, Rajkot Branch of WICASA.
3. CA. Jaydeep Shah, Chairman, Board of Studies with Mr. Bhavin Mehta, Secretary, Rajkot Branch of WICASA, and Ms. Shruti Bhut, Committee member, Rajkot Branch of WICASA at the All CA Gujarat Conference held in Rajkot.
4. CA. Mahesh Sarda, Central Council Member with Ms. Khushboo Ganatra, Paper presenter, Ms. Kinjal Kothari, Paper Presenter and CA. Sumit Shingala, Secretary, Rajkot Branch of WIRC of ICAI at the All CA Gujarat Conference held in Rajkot.
5. A view of the Question – Answer session organised in connection with the 17th National Convention of CA Students in Pune.Seen in picture(L-R) Mr. Anshul Agarwal, Students Co-ordinator, CA. Milind Gramopaddhye, Chairman, Pune Branch of WIRC of ICAI and Panel Speakers -CA. Pramod Shingte, CA. Jayant Gokhale, CA. S. B. Zaware, CA. C. V. Chitale and CA. Rajendra Agiwal.
6. A view of the Technical Session on Accounting & Auditing organised in connection with the 17th National Convention of CA Students in Pune.Seen in picture(L-R) Student speaker, Ms. Bhatt, CA. Rohit Ranade, Secretary, Pune Branch, CA. S. B. Zaware, Chairman of the session and Mr. Anshul Agarwal, Students Co-ordinator.


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1. Mr E. Sarath Babu,CEO , Foodking,Chennai, lighting the lamp at the inaugural ceremony of SICASA Convention for CA Students at Chennai. Also seen in picture, CA R Devarajan, Director,Board of Studies,ICAI, Ms Ayushi S Jain, Vice Chairman, SICASA, Mr. Ramanujam Raghavan, Secretary,SICASA and Mr Y.V.Sharma, Treasurer,SICASA.
2. CA. T. N. Manoharan, Past President, ICAI (L) addressing the students at the SICASA Convention for CA Students at Chennai. Also seen, Mr Adivaraghan S, Committee Member.
3. Mr. E. Sarath Babu, CEO, Foodking, Chennai, releasing the souvenir at the SICASA Convention for CA Students at Chennai. CA. R. Devarajan, Director,Board of Studies,ICAI, Ms Ayushi S Jain, Vice Chairman, SICASA, Mr. Ramanujam Raghavan, Secretary, SICASA and Mr V.Y.Sharma, Treasurer,SICASA also seen in picture.
4. A group photo taken on the occasion of SICASA Convention for CA Students at Chennai. Seen in picture(L-R) CA. Jayadeep N Shah, Chairman,Board of Studies, ICAI, CA. Naresh Chandra Gelli, Chairman, SICASA and CA. M. Devaraja Reddy, Chairman, SIRC.
5. A group photo taken on the occasion of SICASA Convention for CA Students at Chennai. Seen in picture (L-R) Mr V.Y.Sharma, Treasurer, SICASA, CA. Jayadeep N Shah, Chairman,Board of Studies,Mr Ramkumar, Student speaker, Ms.Ayushi S Jain, Vice-Chairman, SICASA, CA. M. Devaraja Reddy, Chairman,SIRC, CA. Rajendra Kumar. P, Past Chairman, SIRC and CA. Aruoli .P R, Member, SIRC.
6. A group photo of SICASA Committee members 2009-10. (Sitting L- R) Mr Adhivaragan S, Mr.Nitish Bansal, Mr.V.Y.Sharma,Treasurer, SICASA, Ms.Hiranmayee, Ms.Swetha A.S (Standing L- R) Mr Sainath P, Mr Srinath V, Mr.Ramanujam Raghavan,Secretary, SICASA, CA. Naresh Chandra Gelli,Chairman,SICASA, Mr. Shankar Ganesh M.P, Mohammed Sadique. M.S, Ms.Ayushi S Jain,Vice-Chairman,SICASA and Mr.Saravanan.P.

Carbon Credits – A Hot Business Opportunity In Global Warming

CA. M. C. Maheswari
The author is a member of ICAI.
Membership No. FCA 17350.

Global Warming has been a concern for everyone across all the countries. The international scientific associations, international agencies, environmentalists, NGOs, political forums at national and international levels, academicians and intellectuals have been actively participating for the last more than two decades in various debates discussing the causes and effects of Global Warming and in the process a business opportunity known as the Carbon Market has emerged as one of the largest financial markets in the world. Before we discuss the business opportunity, a little background or introduction is essential to understand the subject.

1.0 Introduction:

1.1 Green House Gases, Global Warming and Climate Change

Greenhouse Gases (GHGs) are gases in the atmosphere that absorb and emit radiation within the thermal infrared range. This process then changes into greenhouse effect on the Earth's surface. The main GHGs in the Earth's atmosphere are water vapour, carbon dioxide, methane, nitrous oxide, ozone and chlorofluorocarbons. The greenhouse gases affect the temperature on the Earth's surface in a natural way so as to make the same comfortable for living beings and vegetation. Without this greenhouse effect, the Earth would not be a place suitable for the living beings as the surface temperature would have been colder by about 33ºC than the present temperature.

Human activities since the start of industrial era around 1750 have increased the levels of greenhouse gases in the atmosphere as such industrial activities have resulted in excessive emissions of various gases most notably the Carbon dioxide (CO^2), Methane (CH 4), Nitrous oxide (N^2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur hexafluoride (SF 6). Consequently the average temperature of the Earth's near surface has been alarmingly increasing which has resulted in the Global Warming. The Intergovernmental Panel on Climate Change (IPCC) which was formed by the United Nations Environmental Programme (UNEP) and the World Meteorological Organization (WMO) projects in its report that the temperature is likely to rise by 1.1 to 6.4 ºC during the 21st century.

Thus, there comes the threat due to such Climate Change which will cause sea level to rise, increase the intensity of extreme weather conditions, lead to extinction of species and change in the agricultural yields and even extinction of several small island countries. Therefore, there have been going on the debates at all levels of the International and National Forums involving political, public and environmental authorities so as to adopt measures to mitigate emissions, reduce the damage caused by warming and start the geo-engineering to reverse Global Warming.

1.2 Who has been responsible for Global Warming and Climate Change?

The Globe has been divided into primarily two block – one consists of developed countries and another consists of developing or the under developed countries. It is a recognized truth that the so called developed nations who have been economically progressing for last more than 150 years of industrialization are principally responsible for high emissions of the greenhouse gases and the alarming situation has been created which challenges the survival of the Earth or the Planet itself.

All the greenhouse gases emissions are converted into a common term CO^2t–e or one tonne of carbon dioxide equivalent so as to compile the data regarding emission of GHGs by all the countries with a common parameter. Let us have a look on the emission by some of the countries as under:

Country	Total emission in million tonne of CO^2-e	Per capita emission in tonne of CO^2-e
USA	6087	19.1
EU	3792	7.84
China	6103	3.05
Russia	2005	11.03
India	1510	1.2
Japan	1293	9.7
UK	638	8.6
Canada	793	17.4

The above figures were related to the year 2007. The total emission of the Globe was around 28 million tones of CO^2 -e and accordingly approximately 57% of the emission was created by USA, EU and China though China's per capita emission is at 3.05 tonne of CO^2 - e. India's per capita emission remains at a dismal 1.2 tonne of CO^2-e.

It is true that the developed world has been primarily responsible for the present situation, as the developing countries could not industrialize to the extent they would have desired, looking at the stock of natural resources and man power they possess, mainly due to lack of capital and the technology, which are controlled by the developed countries dominating their terms for supply of these inputs, which has been the major constraint for equitable socio-economic development of the Globe. However, every country is much concerned about the climate and is in one way or the other taking measures to mitigate the effect of Global Warming keeping in view their economic development and other socio-economic considerations. Nevertheless, it is necessary now that all countries are made accountable for taking measures for mitigation of emission to save the situation from further deterioration and to reverse the process to the extent possible by an equitable and sustainable method. Finally, it is also necessary to see that the standard of living in the poorer countries is brought to the level of that prevalent in the developed countries.

2.0 UNFCCC and Kyoto Protocol

With a view to take a major step in the direction to deal with Global Warming, an international conference was held in 1992 in Rio, Brazil under the aegis of United Nations and the United Nations Framework Convention on Climate Change (UNFCCC) was born with a committed path to prevent dangerous anthropogenic interference with the climate system and to put in place a procedure for reporting the greenhouse gas emissions by the countries who deliberated the Convention. The UNFCCC further stated that the GHGs in the atmosphere should be stabilized at a level to achieve the aforesaid objective within a time frame sufficient to allow ecosystems to adapt naturally to climate change and to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.

Consequent to this, there were intense negotiations between the countries who were parties to the Convention and the Kyoto Protocol (the Protocol) was adopted in 1997. The Protocol is an international agreement between almost 176 nations and the parties to the agreement are divided into two categories as under:

(i) Annex. 1 countries which comprise 41 developed nations including USA, UK, EU, and Russia besides several others.

(ii) Non – Annex.1 countries which comprise developing nations including Brazil, China and India besides several others.

The Kyoto Protocol calls for reduction of greenhouse gas emission by the Annex. 1 parties 5% below the emissions level of 1990 and such reduction to be achieved during the period 2008-2012 which is the commitment period for such developed nations. Each of the Annex.1 parties has a target for reduction of emission during the commitment period. Under the Protocol, the emission of greenhouse gases is measured in terms of a tonne of CO^2-e or an equivalent of one tonne of carbon dioxide. While Annex.1 parties to the Protocol are under obligation to reduce the CO^2-e of greenhouse gases with individual targets, the Non-Annex. 1 parties are not under the binding obligation and they do not have to cap their emissions but can participate in emission reduction projects or mechanisms prescribed by the Protocol.

In order to be legally binding, the Protocol had to be ratified by such number of countries who account for more than 55% of 1990 greenhouse gas emissions. Since USA and Russia were responsible for 36% and 17% respectively, of 1990 GHGs emission, it was essential that at least one of these two nations ratify the Protocol. Russia eventually ratified the Protocol on 16th February, 2005 and the Protocol entered into force.

USA has still not ratified the Protocol and is unwilling to do so because it feels that:

(i) Entering into an agreement to reduce greenhouse gas emission will be detrimental to the economy of the US.

(ii) It will not enter into an agreement to reduce greenhouse gas emission that does not require 'meaningful participation' of the developing nations.

More particularly, USA wants India and China to accept the commitments for reduction of

greenhouse gas emissions which was not intended by the Protocol.

The impact of the Protocol, if all parties achieve their targets, would be 5% reduction of CO^2 -e emission below 1990 level but the most scientists feel that emission reduction of atleast 50% of 1990 level would be essential for stabilization of the atmosphere. Still, however it remains a step in the right direction. Since the commitment period will expire in 2012, the urgent need was felt for a more meaningful and binding agreement in this regard consequent to which Copenhagen Conference was held in December, 2009.

3.0 Carbon Trading and Carbon Credits – The Huge Business Potential in Global Warming:

Before, we discuss the outcome of Copenhagen Conference, let us look at the market based mechanism provided by the Kyoto Protocol for emission reduction which has resulted in the business of Carbon Trading through Carbon Credits.

The Annex.1 countries of the Protocol with commitments to reduce their emissions should achieve their targets primarily through the national measures. But the Protocol has introduced three mechanisms as an additional means of meeting targets for reduction of emissions. These mechanisms are as under:

(i) Emission Trading

(ii) The Clean Development Mechanism (CDM)

(iii) Joint Implementation (JI)

For achieving the objective, the private and public enterprises of the countries which are parties to the Protocol, can participate in reduction of emissions through various projects which either saves energy or uses renewable energy or are meant for reduction of emission either by using superior technology or switching over to environmental friendly processes. Since the reduction of all greenhouse gases measured in equivalent tonne of carbon dioxide is accounted by the participants, it is possible to know which participant falls short of the targets and which participant has exceeded the targets. Each CO^2-e is awarded a unit called Carbon Credit and the countries which fall short of their targets can buy the Carbon Credits from the countries who have exceeded the targets or who have produced Carbon Credits through any of the mechanisms prescribed by the Protocol. With this basic principle, there emerges a market for trading in such emissions known as carbon market or carbon trading. This trading has provided a flexibility to a country which has not been able to reduce the emission as per target, to buy the Carbon Credits from the market and offset the shortfall. The market based mechanism basically works on this methodology.

The above three mechanisms under the Protocol work as under:

Emission Trading

The Protocol allows the developed countries that have emission units to spare (i.e. emissions permitted but not used) to sell this excess capacity to another developed country who could not meet its reduction target. This has therefore, created a new commodity called Assigned Amount Units (AAU). AAUs can be traded between developed countries only.

Clean Development Mechanism

The CDM provided by the Protocol allows a 'developed country' to implement an emission-reduction project in another 'developing country'. These projects can earn emission reductions which are also measured as equivalent to one tonne of CO^2 and certified by the Executive Board of UNFCCC. This new commodity is therefore known as Certified Emission Reduction or CER. The developed countries can buy the CERs for offsetting their shortfalls of emission reductions. There is a vigorous process involved for approvals and certification under this mechanism.

Joint Implementation

Under this mechanism, a developed country can implement a project in another developed country which offers a cost effective and flexible means to fulfill the obligation under the Protocol. The project which is implemented will earn the emission reduction unit each equivalent to one tonne of CO^2 which is known as Emission Reduction Unit or ERU and can be traded to fulfill the commitments of emission reduction targets.

Thus a huge business has been created in the process. The market for Carbon Credits in 2007 was about $ 60 billion which was double the amount from 2006 and is expected to be enormous in the coming years. The anticipated business for CERs alone under CDM mechanism in the first commitment period of 2008-2012 is to the tune of 2.9 billion CERs which translates into say 50 billion Euros besides another big chunk for ERUs and AAUs.

4.0 Indian Context

India is one of the Non-Annex. 1 countries to the Kyoto Protocol and thus participates in the Clean Development Mechanism prescribed by the Protocol. This mechanism is designed to provide flexibility to the developed nations in achieving their targets for reduction of emissions by implementing the cost efficient projects in the developing countries and in this process the developing countries also contribute to the objective of the Protocol. The developing countries get the capital and technology for implementing a CDM project and since they do not have emission reduction obligation, the CERs earned by them can be sold to developed countries. This provides an enormous business opportunity to the developing countries. India is one of the large beneficiaries under CDM mechanism.

4.1 CDM Approval Process

The CDM modalities and approval process is governed by the Executive Board of UNFCCC which has prescribed the procedure for approval of CDM projects, registration and certification of the Carbon Credits generated by the CDM projects. The countries participating in CDM projects are called Host Countries and have to appoint a national authority called Designated National Authority (DNA) through which the Host Country Approval is given to a project before it is sent to CDM Executive Board of UNFCCC. In India, the Ministry of Environment and Forests (MOEF) is the DNA for CDM projects.

The various stages for the CDM approval and registration are briefly discussed as under:

(I) Project Concept Note (PCN): Any project activity willing to be a part of CDM mechanism prepares a PCN giving details of the project, the estimated abatement of GHGs in terms of CO_2-e, project start and completion dates and other preliminary information.

(ii) Stakeholders Meetings: Participation of stakeholders including local inhabitants is essential to ensure the benefits from the project to the local stakeholders taking into account the environment.

(iii) Preparation of Project Design Document (PDD): A detailed PDD is prepared giving all aspects of the project, its implementation, time line, emission reduction plans which should be in addition to what the project would have already achieved in the normal process. The PDD is a crucial document required by all agencies.

(iv) Host Country Approval: Application is then submitted to the DNA for Host Country Approval which is given after thoroughly examining all the aspects of the project and benefits with regard to additional reduction of emission of greenhouse gases.

(v) Validation of Project by Designated Operational Entity (DOE): The DOE is an independent agency accredited by the Executive Board of UNFCCC. DOE validates the project as per guidelines of the Protocol.

(vi) Registration of Project: After validation of the project by the DOE, it sent to Executive Board of UNFCCC for approval and registration. UNFCCC, on the receipt of projects further does due diligence and also invites public comments and once the project is cleared from all stages, it is registered with UNFCCC and becomes eligible for issuance of CERs.

(vii) Issue of CERs: Once the project has been implemented and started generation of emission reductions as per the plan, the DOE takes up a detailed audit and verification of various documents to establish genuine activity eligible for issuance of CERs. The DOE then issues a certificate to this effect giving quantitative details of the Emission Reductions achieved periodically by the project which is then sent to the Executive Board of CDM who will issue the CERs to the project developer, if satisfied.

(viii) CERs Trading: Once CERs are issued, it becomes a tradable commodity and each CER is equivalent of one tonne of CO_2. It is traded as an instrument like any financial asset. The CERs can be kept in the demat form in the account of the project developer maintained in the approved Registry. The holder of one CER is allowed to emit one tonne equivalent of carbon dioxide in the atmosphere.

4.2 India's Share in CDM Projects

India's share in the CDM projects registered by the UNFCCC as on July 31, 2009 is depicted below:

Total number of Projects registered with UNFCCC	1835
Total Number of CERs issued	333.068 Mn
Total number of registered projects from India	456
Total number of CERs issued to Indian projects	71.72 Mn

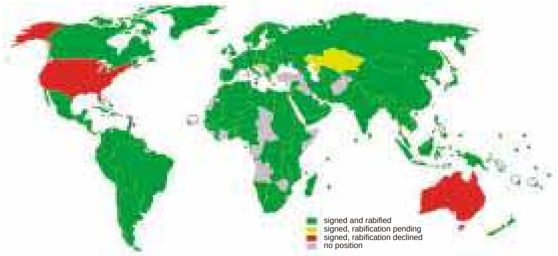
China leads the race with 637 approved projects having 153.23 Mn CERs.

5.0 Pricing and Market Platforms

The price of CER depends on demand and supply and varies from 10 Euros to 15 Euros per CER. The price of CER is generally lower than the price of AAU or ERU which are the products of the developed world. Thus in the context of trading the emissions also, the emissions reduced (or produced) by the developed countries is superior.

The various markets are operating for trading of carbon credits like, Chicago Climate Exchange (CCX), Multi-Commodity Exchange of India (MCX) and other European Climate Exchanges.

The sale and purchase contract is known as Emissions Reductions Purchase Agreement (ERPA) and the forward and spot contracts can be entered into. Such ERPAs can be entered into even before approval of CDM project or even at the concept stage of the project. However, the price of the anticipated CERs in such cases would



depend upon the relative risk of the project not getting approved from the UNFCCC.

6.0 Voluntary Emission Reductions or The Verified Emission Reductions (VERs)

Some of the countries which are not committed to the obligation under Kyoto Protocol for reduction of emissions, have voluntarily taken up the emission reduction programmes e.g. USA and some other countries. This has further created a market for a second grade carbon credits called VERs.

The projects which feel that they will not pass through the vigorous approval process of the CDM Board, but are involved in reduction of CO_2 emission can take the benefit under this scheme. The Voluntary Carbon Standard and Gold Standard are in place according to which the DOE verifies the VERs. These projects are not required to obtain the CDM registration or even the Host Country approval. The buyer of the VERs has to satisfy himself about the genuineness of the project based on validation by the DOE and his own due diligence. The price of the VERs is very low at about $ 5 per VER. Some companies in India have opted for VERs and have sold their future production of VERs.

7.0 Payment and Delivery Process For CERs or VERs

In spite of the binding ERPAs entered into between buyer and the seller of the CER or VER, the buyer remains concerned about the delivery of CER or VER and the seller remains concerned about the receipt of money for such sale. The delivery is given through the Delivery Note if the CERs or VERs are not in demat form and through the Delivery Instruction to the Registry if they are held in demat mode. The concerns of the parties regarding payment and delivery can be taken care of by an Escrow mechanism under which an Escrow Agent is appointed by the buyer and seller who keeps the Delivery Order or the Delivery Instruction with him and the same is handed over to the buyer or his representative only after the payment has been received by the seller in his bank account.

8.0 Accounting and Taxation Aspect of CERs

8.1 Accounting treatment

The Indian companies who have implemented any CDM project and once the project is registered by the Executive Board of UNFCCC, become eligible for CERs and such CERs can be sold by them in the international market. Thus this activity brings in substantial additional revenue. So far, there is no standard and the Indian or US Generally Accepted Accounting Principles (GAAP) to deal with accounting aspect of this income.

The Institute of Chartered Accountants of India (ICAI) has issued Exposure Draft on the Guidance Note on Accounting for Self-generated Certified Emission Reductions. As per the said Exposure Draft, treatment is not very clearly spelt out on the CER. Whether CER is to be treated as an intangible asset or not is ambiguous and requires clear guideline. If it is to be treated as an asset, then will it be like an inventory held for sale in the ordinary course of business as per AS 2 is also not clear. For traders who might keep the inventory of CERs as a trading asset may be treated as inventory held for sale in the ordinary course of business but in case of a manufacturer whose business is say cement manufacturing, can CER be treated as inventory held for sale in the ordinary course of business, is debatable. However, till some authoritative guidelines are available, various treatments are followed.

The income from sale of CERs, whether it could be be shown as other income or as the income from business activity would also depend

upon the fact how the CERs are generated. In case of a hydro project, CERs are directly linked with the quantity of electricity they produce and electricity is their business activity. If they do not produce electricity they do not generate CERs as well. Therefore such companies can treat this as income form business activity. In an another example, if cement manufacturer has installed some additional equipment to reduce the emission and generate some CERs in the process, then income from sale of such CERs cannot be treated income from business and has to treat the same as other income. For a trader and aggregator of CERs who keeps stock of CERs for sale and purchase (not the self generated CERs), this commodity is a trading asset and is a business income.

However, since it is a sizable income, proper disclosures must be given which are normally given for accounting treatment of incomes.

8.2 Taxation aspect

The transaction for sale of CER or VER involves both direct and indirect tax issues. In both the cases, so far there are no guidelines or circular for tax treatment. However, since it is treated as income, the income tax will be payable whether as business income or as income from other sources. Under some instances, the CER can be treated as capital asset and if so treated then capital gains tax will be payable but will always remain a matter of dispute.

In case of indirect tax, the sale will be treated as sale of goods or sale of other instrument is not yet clear. However, since the CERs are presently sold in international market, it remains outside the purview of VAT or indirect tax. For traders, it might be possible that some indirect tax like CER transaction tax be imposed in due course of time.

It is only a matter of time and India as and when binds itself for emission reduction targets, the taxation is bound to be there in one or the other form because then, huge trading activity will involve within the country itself.

9.0 Copenhagen Conference

As the Kyoto Protocol expires in 2012 and still USA is not ratifying the Protocol, it was essential for the international community to continue the process to prevent climate change where USA also becomes a participant. The Copenhagen Conference was therefore held in December, 2009 with an objective to conclude a new binding protocol.

Copenhagen Accord aimed that the temperature rise should not be more than 2 º C and a short term fund of $ 10 bn a year over three years and a long term fund of $ 100 bn a year by 2020 be finalized for the poor countries, particularly vulnerable countries and small islands, to help them fight the climate change.

The Copenhagen Conference ended without success and disappointed most countries by noting an Accord which says that Annex.1 parties should submit emissions targets for 2020 by 31.01.2010 and also wants the non-Annex.1 parties to implement mitigation actions and submit the plans by 31.01.2010 to the Secretariat of the Conference for compilation. Further US wanted China and other major developing countries to accept reduction targets and the verification by US. It therefore seems that the things have become more complicated as the target of developed countries itself has jumped by a decade to 2020 and China just not accepting the proposal of US.

Our Prime Minister Shri Manmohan Singh has said that the Copenhagen Accord made limited progress and that no one was satisfied with the outcome.

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Trends in 3rd Party Logistics – A Global Perspective

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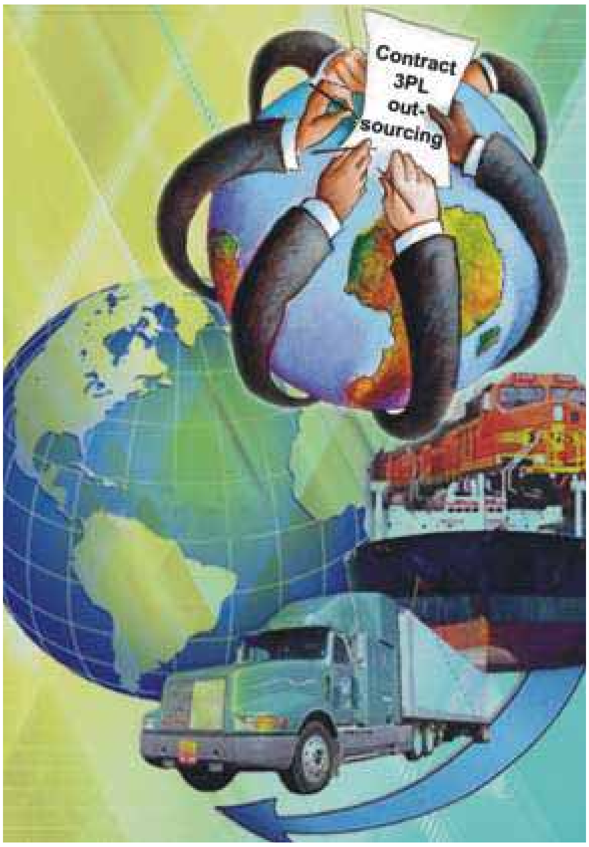

The success of business in today's global environments depends on the performance of logistics and supply chain management. There is an emphasis on the speed and flexibility of supply chain leading to the competitive differentiation and increased profitability. Due to increasing global competition, the challenge before the companies is to manage seamless forward and backward flow of materials and information. To achieve this, the companies are reengineering their strategies by outsourcing logistics and supply chain activities / processes to third party logistics companies (3PL) and focus on core competencies. These alliances are also known as Logistics or Supply Chain Outsourcing and Contract Logistics.

The critical objectives of outsourcing are to reach markets faster, leverage economies of scale, add flexibility to the supply chain, increase global capabilities and focus on core competencies. In order to be competitive, the organizations world over are identifying non-core functions and outsource them to reduce costs and to make supply chains more flexible and faster.

The definition of non-core functions keeps changing from time to time especially in hyper competitive markets. For instance, IBM no longer considers manufacturing of desktops and servers as its core activity and is currently outsourcing these extensively worldwide. IBM justifies the reason for outsourcing from Sanmina-SCI and Solectron, as it wants to "optimize its supply chain for e-business on demand."

Initially, the companies used to outsource transportation activity but lately all Logistics and supply chain functions are being outsourced worldwide. Outsourcing has become a successful strategy of getting some of the routine logistics and supply chain activities executed by a 3rd party all over the world in order to save costs and to focus on core activities. The recent trend is outsourcing the activity of managing a 3PL operator and other contractors as well. Third Party Logistics industry, over a period of time, evolved into global in nature. Many commercial establishments worldwide have turned to logistics outsourcing as a way to re-engineer their distribution networks in order to meet the demands of global markets as well as achieve the competitive edge.

Reasons for Outsourcing

Logistics outsourcing, once a mere option, has today become a necessity. The growth of Information Technology, increasing competition, globalization, rise of mass customization, product proliferation, scrambled merchandizing, demanding customer needs and pressure to reduce costs etc. has forced the organizations to refocus on their core competencies and outsource non-core activities. Many commercial establishments worldwide have turned to logistics outsourcing as a way to re-engineer their distribution networks in order to meet the global demand and also gain competitive edge. In order to cater to the needs of customers who are increasingly going global in sourcing, manufacturing, sales and distribution; large 3PL companies are expanding their global network. Some of these 3PL companies have expanded their operations in emerging markets by initiating new start-up operations, acquisitions and developing strategic alliances with the local service providers. The challenging task taken up by 3PL companies is designing of and developing global network and delivering consistent service levels all over the network. However, research studies have reported that 55% of logistics outsourcing alliances are terminated after 3-5 years. In some cases it was noticed that the relationship ended even before completion of the first year of operation.

Focus on United States of America

In North America the role of 3PL companies has gone beyond basic transportation and warehousing. 3PL companies are viewed as Supply Chain Integrators and Strategist. Research studies have indicated that North American users outsource only around 13% of their value added services to the 3 PL companies whereas in Europe and Asia 3PL companies handling value added services is relatively high. Interestingly, US companies outsourcing Logistics Activities outside United States and particularly in Asia has shown a growing trend. This trend has revealed that China and India have become important manufacturing options for American Companies.

Dependence on 3PL companies to provide IT technology including RFID will grow tremendously in coming years in order to establish supply chain visibility in order to minimize inventory-carrying cost and reduce loss of sale. On the costing side, more and more organizations are inclined towards "gain sharing" and this will lead to supply chain partnership and long-term outsourcing.

Focus on Western Europe

In many of the West European countries there has been a continued growth in the outsourcing of more complex logistics tasks such as order handling, logistics management, and the provision of value-added services. The 3 PL industries expect a growth between 10-11% in the next three years. The industry dynamics include the universal demand for cost reduction, large-scale 3PL mergers, increased pressure to globalization, and business alliances.

Studies have indicated that presently 94% of the business generated by 3PL companies comes from EU members mostly in Western European countries and 6% of the business is generated from other European Countries. Automotive industry seems to be hot favourite for 3PL companies in Europe followed by High Tech/Electronics, Manufacturing, Retail, Consumer Goods, Chemical, Health Care, Pharmaceuticals, and Wholesale trade.

Focus on Asia Pacific Region

According to Singapore Economic Development and JP Morgan, logistics outsourcing industry is growing by 3 to10% per annum in the region and is expected to be around US $ 80 billion in Asia Pacific region by 2012. It is observed that logistics expenditure directed to outsourcing has grown at the rate of 21% per annum during the period 2007 to 2009. The industry dynamics identified by 3PL operators in Asia Pacific region include the following:

- Continued growth of Chinese Economy.
- Continued downward pressure on prices.
- Growing customer expectations on IT support.
- Customer interest in outsourcing broader array of logistics activities.
- Formation of business alliances to broaden service offerings.

The following are the possible reasons identified for outsourcing of logistics services.

- Reduce operating costs
- Focus on core strengths
- Create a variable cost structure
- Increase speed to market place
- Foster innovation
- Improved customer service levels
- To create a flexible supply chain.

Research studies have indicated that in China reducing logistics cost is the prime reason for outsourcing followed by ability to focus on core business, innovate customer service and quality, simplify complex operations, and improve logistics chain flexibility.

Australian users indicate customer satisfaction as the most important reason for outsourcing followed by flexibility, productivity improvement, cost savings, focus on core business, and access to up to date techniques.

The New Zealand users report the focus on core business as the primary reason followed by reduction in cost, reduction in investment in facilities and inventory, access to cutting edge technology, greater flexibility, and quick response to customers.

Factors Influencing 3PL Selection

Most of the organizations use systematic approach in selecting 3PL partner. The attributes that are looked into while selecting the 3PL service provider are broadly classified as under:

- Service – value added services provided by 3PL companies
- Price – fees paid for 3PL services.
- Product-core service
- Access-ease of doing business
- Experience – overall feeling about 3PL

Innovations in Logistics Outsourcing

One of the innovative trends used today is the outsourcing of logistics to manage complex distribution requirements, postponement of manufacturing, cross docking, assembly, inventory financing, vendor managed inventories, reverse and repair logistics.

Companies, world over are classifying outsourcing into three categories as shown under.

1. Transactional activities
2. Tactical activities
3. Strategic activities

The first level of outsourcing is transactional outsourcing and there are no long-term contracts or bonding between 3PL and outsourcing company. These types of outsourcing are driven by pricing. The second classification is Tactical outsourcing. This kind of outsourcing is on medium to long-term basis with negotiated contracts in place and with integrated IT systems, to facilitate free flow of information and create supply chain visibility. The pricing, though would be considered, would not be prime factor for this kind of outsourcing. In fact, this is a stepping-stone for strategic alliances, which is the third category. Strategic outsourcing is also known as Strategic Alliance or Collaborative alliance. This type of outsourcing is based on long-term relationships with successful outcomes or based on strategic issues. In this category the 3PL companies become partner in supply chain management and complete transactional transparency gets established. Though very few 3PL companies are able to achieve this status with their customers, nonetheless this is achieved by constantly innovating and maintaining operational efficiency and integrity. Some even follow open book costing method and profit sharing concepts to demonstrate the transparency and win the confidence of the customers.

The Future of Logistics Outsourcing

3 PL service providers are continually looking to provide innovative supply chain solutions to customers by focusing on value-added capabilities and differentiating themselves from the competition by implementing information technologies, developing customized management processes, integrating services and technologies globally, and delivering comprehensive solutions that create value for 3PL users and their supply chains.

In view of the amount of manufacturing that has moved from North America to other geographical regions, the Logistics outsourcing particularly in the areas of value added services in North America is going through a "no" growth period.

Increased outsourcing of key internal logistics functions, the growth of important regional retail markets in France, Italy and Benelux together with the expansion of warehouse space in France and Italy is poised to drive revenue growth in the European warehousing markets. Research studies have indicated that the growth of retail and FMCG end-user sectors in Western Europe is also set to boost warehousing market revenues. Buoyed by these trends, revenues in the European warehousing markets are expected to rise from the current level of approximately 20 billion euros to an estimated 25 billion euros in 2012.

Further, the 3PL–warehousing market is highly fragmented with large numbers of small and medium sized 3PL companies operating across European markets. As the manufacturing firms continue outsourcing significant portion of their Logistics activities in order to reduce costs, one can expect increase in 3PL mergers and acquisitions like North America Market consolidation among the leading 3PL companies.

The growing trend of manufacturers and retailers to outsource and produce in Asia Pacific region particularly China, the supply chain and logistics outsourcing market is expected to be US $ 12 billion in next three years according to China's State Economic and Trade Commission. The Asia Pacific market is expected to grow at a phenomenal rate of 15% per year over the next three years. China will be the focused market as far as growth is concerned and India will be second targeted country by the 3PL industry. Three industry dynamics that have been identified as playing important role in China are continued growth of Chinese economy, continued downward pressure on prices and growing consumer expectations for IT support.

Managing 3PL relationships

A recent study carried out by Warehousing Education and Research Council (WERC) reported that about 55% of logistics outsourcing alliances are terminated after 3-5 years. In some cases it was noticed that the relationship ended even before completion of the fist year of operation. The main reason for this failure could be the gap between expectations and the reality.

Most of the 3PL relationships go through four critical stages and they are courtship (happy time); battleship (struggle); hardship (resistance); and relationship (mutual benefit).

Partnership (Mutual Benefit)	1. Level setting. 2.Dependent. 3. Period of bonding
Hardship (Resistance)	1. Cost over-runs. 2. Service will never meet targets. 3. Period of questioning
Battleship (Struggle)	1. Starting hick-ups 2. Service below expectations. 3. Period of great tension
Courtship (Happy Time)	1. Initial enquiry. 2. Awarding request for quotation. 3. Period of High Expectations

In order to reach the pinnacle of relationship management, it is very much necessary for both the parties to nurture the bonding in order to make Logistics outsourcing a great success. The outsourcing arrangement can be successful only when there is mutual trust and respect in relationship. Unless there is this sense of integrity in the relationship, it most certainly will fail. It is very much necessary to take care of certain issues in outsourcing in order to enjoy the benefits. The some of the challenges in managing logistics outsourcing relationship are described under:

(a) Lack of outsourcing strategy

Lack of outsourcing strategy implies no clarity on the subject of outsourcing and the outcomes thereof. Outsourcing strategy should always be well thought out and carefully measured against "in-house" solution and capabilities. A SWOT analysis will always help the organization in understanding clearly the strengths, weaknesses, opportunities and threats of outsourcing logistics activities versus in-house solutions. While Request for information (RFI) is a tool to gather information and measure the strengths with respect to capabilities and cost effectiveness of

outsourcing, sometimes this can also mislead due to over commitments by the service providers. When 3PL companies fail to deliver the agreed service levels the users feel deprived and feel the loss of control over their own operations. Research studies indicate the loss of control is the primary reason for not using 3PL services.

It has also been observed that many a times outsourcing creates unrest within the organization. This resistance to change could come from three angles and these are (1) the content i.e. outsourcing decision, (2) the methodology i.e. implementation process and (3) the people i.e. due to possible job loss. Unless comprehensive study is conducted clearly documenting the advantages, challenges and cost benefits of outsourcing, it is not advisable to outsource Logistics activities. However, the fact remains that even if the firm has the available resources to perform a particular logistics task, another external organization within the supply chain may sometimes be better suited to perform that task, simply because of its relative position in the supply chain, supply chain expertise and economies of scale. Hence, a well-developed strategy document is crucial in Logistics outsourcing decision-making process.

(b) Absence of Robust Selection Process

Absence of Robust Selection Process can derail the objectives of outsourcing. It is very much necessary to adopt a scientific selection process to assist in short listing and recommending the suitable service provider.

It would be ideal to develop SOP (Standard Operating Procedures) for all the processes to be outsourced. The standard procedure followed in the selection process include, inviting all eligible 3PL companies for a formal presentation on capabilities without giving any information about the requirements. This will help the outsourcing organizations to assess the strengths and weaknesses of each 3PL company and their specialization. This would help in eliminating some 3PL companies and the second stage could be a RFI (Request for Information) or a RFQ (Request for Quotation). The RFQ document should always accompany with all relevant documents about the project and expectations with regard to performance standards and statistical data. Once some more filtering is done on the basis of expertise, suitability and cost effectiveness, it would be

ideal to visit a few sites of 3PL companies and talk to some of their customers to gather first hand information and finally conduct reference checks in order to select a suitable 3PL company. It may not be necessary to select a 3PL on the basis of cost effectiveness only. What is more important is compatibility.

(c) Inefficient Costing Methodology

Inefficient Costing Methodology directly contributes to the downfall of outsourcing system. An efficient costing system will not only help in understanding the costs involved in outsourcing but also will help the organization in measuring the cost efficiency. Often the question is asked, "Are we making any money doing this?" and the most frequent answer to this "I don't know. We don't have the costing data." Collecting cost data relative to a specific functional area is challenging task. Gathering detail on the true costs of receiving, storage, pick-n-pack, value-added processing, special packaging, stacking and dispatching/shipping is fundamental to performance assessment for an organization. Clearly, Activity Based Costing (ABC) offers great potential for improved performance and competitive differentiation. Activity-Based Costing enables organizations to enhance profits through cost control and tracking practices. It would be advisable to avoid "pallet in" and "pallet out" costing method and adopting Activity Based Costing would help to achieve the cost objectives of outsourcing. Further, ABC will also help us to understand the variance between projected costs and actual costs in three forms of variance; these are cost variance, volume variance and the standard variance. An efficient costing system and periodical cost analysis, which is translated to performance indicators, will help both the parties to keep the project on track.

(d) Inept Legal Documentation

Inept Legal Documentation will also add

confusion to the relationship and contribute to the failure. It is very much necessary to document what is agreed and what is disagreed clearly in order to avoid ambiguity in the relationship. The legal document (contract) should address all possible friction points and address them with remedies. In the absence of clarity, confusion prevails and confusion leads to inefficiency and inefficiency leads to downfall. Exit strategies such as mediation and arbitration should also be part of any 3PL contract. Many companies overlook critical areas when they define their contract relationships.

(e) Lack of Project Implementation Strategy

There must be a detailed project implementation plan also known as road map as well as periodic reviews known as milestones should be in place to make sure that the objectives are achieved. Logistics outsourcing project implementation includes system (IT) integration, customization of operating procedures, adapting to service measures, understanding the management processes, etc. This process needs active cooperation and co-ordination of both the parties. A project management team should consist of stakeholders from both the organizations. This is vital to build relationships and establish communication channels to avoid bottlenecks in future and enable free flow of information. The most critical aspect is customization, to suit the specific requirements and deliver agreed service levels.

(f) Absence of Efficient Performance Measurement System

The studies published by the Council of Logistics Management indicate three significant findings viz.

1. Most firms do not comprehensively measure logistics performance,
2. Even the best performing firms fail to realize their productivity and service potential available from logistics performance measurement.
3. Logistics competency will increasingly be viewed as a competitive differentiator and a key strategic resource for the company.

Ideally, Financial, Productivity, Utilization, Quality and cycle time should be considered while defining the performance measures. Periodical performance measurement presents an ideal opportunity for both the parties to discuss and communicate effectively to make outsourcing initiatives grand success.

Conclusion

Outsourcing logistics activities to a 3PL as a means of leveraging economies of scale and creating a logistics infrastructure which includes IT systems, human resources and knowledge base has delivered increased robustness to company's logistics and supply chain operations. Logistics outsourcing has improved productivity and significantly reduced costs. The success of partnerships with 3PLs requires a combination of trust and collaboration. That could be the reason that strategic alliances are nowadays called as collaborative alliances. Trust determines the level of flexibility one can allow the 3 PL in managing the operations to the best of their capability that should exceed outsourcing organization's abilities. Therefore, it would be prudent to acknowledge the abilities of the 3PL, agree on a mutually beneficial business arrangement, and trust that they will do what is in your best interest.

Finally, in conclusion it is worth quoting Mr. Tom Peters, U.S. Management guru *'Do what you do best and outsource the rest'*.

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eXtensible Business Reporting Language

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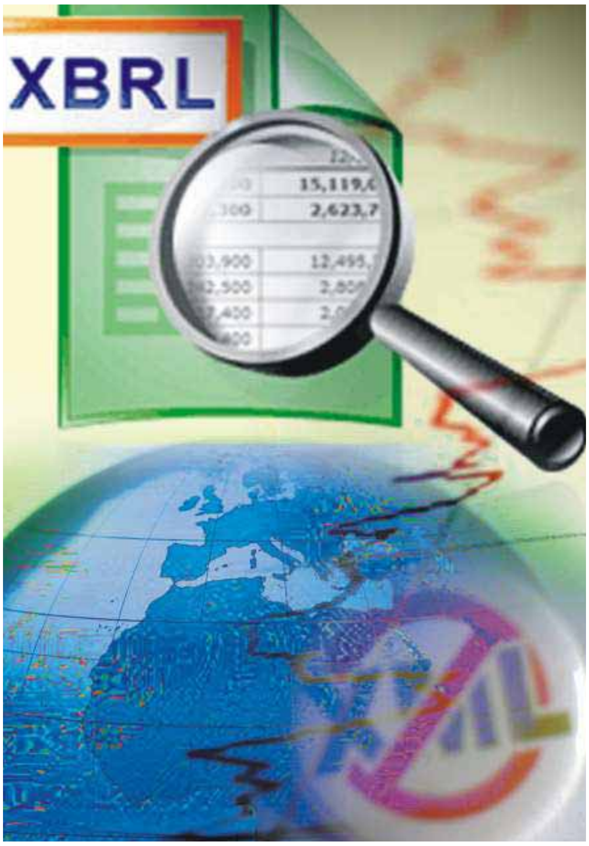

In 1999, five accountants, working independently, tried to figure out if the Enron lie could have been caught before it blew up. The basic question before the five accountants was: where did Enron hide its muck. They asked if there were lessons to be learnt from the Enron saga that would improve disclosure.

Thus was born eXtensible Business Reporting Language or XBRL as it is called. As the language for the electronic communication of business and financial data; it is revolutionizing business reporting around the world. The eXtensible Markup Language (XML) properties of XBRL formulate the information in a machine-readable format. The addition of business rules to XML creates XBRL, thereby creating an information set that is more easily deciphered from a business perspective. It increases the speed of handling of financial data, reduces the chance of errors and permits automatic checking of information.

XBRL has been developed by XBRL International, a not-for-profit consortium of over 450 companies and organizations which is promoting its worldwide use. More than 100 countries have embraced XBRL — the list includes China, Korea, Japan, the US and most recently, India.

XBRL India is the provisional Jurisdiction of XBRL International. Its main objective is to promote and encourage the adoption of XBRL in India as the standard for electronic business reporting in India. Members of XBRL India include regulators, stock exchanges, software companies and others.

XBRL in India is facilitated by the Institute of Chartered Accountants of India (ICAI). XBRL India is governed by a Steering Committee which is headed by a Chairman. The present Chairman is the President of ICAI. The members of the committee also includes regulators such as Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA), Securities and Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), stock exchanges like Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), and some private sector companies.

Further, for XBRL India membership and services details are hosted on the website: www.xbrl.org/in/. It has developed the draft General Purpose Financial Reporting XBRL taxonomy for Commercial and Industrial Companies. It is currently developing XBRL Taxonomy for the banking sector. The exposure draft has been developed conforming to Indian Accounting Standards, requirements of Clause 41 of Listing Agreement, Banking Regulation Act and other RBI Circulars. The exposure draft can be accessed from the link- www.xbrl.org/in/.

How XBRL Works:

XBRL is a member of the family of languages based on XML, or Extensible Markup Language, which is a standard for the electronic exchange of data between businesses applications and on the internet. Under XML, identifying tags are applied to items of data so that they can be processed efficiently by computer software.

XBRL is a powerful and flexible version of XML which has been defined specifically to meet the requirements of business and financial information. It enables unique identifying tags to be applied to items of financial data, such as 'net profit'. However, these are more than simple identifiers. They provide a range of information about the item, such as whether it is a monetary item, percentage or fraction. XBRL allows labels in any language to be applied to items, as well as accounting references or other subsidiary information.

XBRL can show how items are related to one another. It can thus represent how they are calculated. It can also identify whether they fall into particular groupings for organizational or presentational purposes. Most importantly, XBRL is easily extensible, so companies and other organizations can adapt it to meet a variety of special requirements. It supports all the standard tasks involved in compiling, storing and using business data. Such information can be converted into XBRL by suitable mapping processes or generated in XBRL by software. It can then be searched, selected, exchanged or analyzed by computer, or published for ordinary viewing.

What are the benefits of XBRL?

XBRL offers major benefits at all stages of business reporting and analysis. The benefits are seen in automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision-making.

(i) Benefits and Uses for Business

All participants in the financial information supply chain can benefit, whether they are preparers, transmitters or users of business data XBRL enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time-consuming comparison, assembly and re-entry of data. They are able to concentrate effort on analysis, aided by software which can validate and manipulate XBRL information. As just one example, searches for particular information which might in the past have taken hours can be completed with XBRL in a fraction of a second.

(ii) Data Collection and Reporting

By using XBRL, companies and other producers of financial data and business reports can automate the processes of data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently if the sources of information have been upgraded to using XBRL. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders. Not only can data handling be automated, removing time-consuming, error-prone processes, but the data can be checked by software for accuracy.

(iii) Data Consumption and Analysis

Users of data which is received electronically in XBRL can automate its handling, cutting out time-consuming and costly collation and re-entry of information. Software can also validate the data, highlighting errors and gaps which can immediately be addressed. It can also help in analysing, selecting, and processing the data for re-use. Human effort can switch to higher, more value-added aspects of analysis, review, reporting and decision-making. In this way, investment analysts can save effort, greatly simplify the selection and comparison of data, and deepen their company analysis. Lenders can save costs and speed up their dealings with borrowers. Regulators and government departments can assemble, validate and review data much more efficiently and usefully than they have hitherto been able to do.

Those who stand to benefit include all who collect business data, including governments, regulators, economic agencies, stock exchanges, financial information companies and the like, and those who produce or use it, including accountants, auditors, company managers, financial analysts, investors and creditors. Among those who can take advantage of XBRL include accountancy software vendors, the financial services industry, investor relations companies and the information technology industry.

The use of XBRL does not imply an enforced standardisation of financial reporting. On the contrary, the language is a flexible one which is intended to support all current aspects of reporting in different countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organisation level.

What is XBRL Taxonomy?

Taxonomies are dictionaries used by XBRL. They define the specific tags for individual items of data (such as "net profit"). Different taxonomies will be required for different financial reporting purposes. Different XBRL jurisdictions may have their own financial reporting taxonomies to reflect their local accounting regulations. Many different organisations, including regulators, specific industries or even companies, may require taxonomies to cover their own business reporting needs.

Example of XBRL

CURRENT ASSETS (Refer below Table)

The above given XBRL code is intended for computer reading and looks similar to the html tags used for the web pages. The <ifrs-gp:AssetsHeldSale>... </ifrs-gp:AssetsHeldSale> tag pair represents an element under the context reference of the current assets (contextRef=" Current_ASOf"). The data embedded within the tag pair is understood as numeric containing zero decimal places (unitRef="U-Euros" decimals="0").

List of a few XBRL software tools are:

- Allocation Solutions DataXchanger XBRL conversion solution: an easy to use but technologically sophisticated financial management/e-filing system.
- Blast Radius has developed a flexible XBRL processor and associated prototype XBRL Web Express and XBRL Office Express, allowing users to import, create, validate and export XBRL instances in MS Excel; and an XMetaL customization for creating financial reports using XBRL.
- Business Wire is used by companies to transmit news releases and regulatory filings to the financial capital markets.
- CaseWare and CaseWare IDEA have developed XBRL enabled tools that extend across the business reporting information supply chain. It helps to import a tagged GL, analyze data, produce tagged financials, and upload financials to a web-server for online analysis and benchmarking.
- Clarity FSR provides an integrated XBRL solution that delivers SEC ready filings with mandated XBRL as a normal part of the closing process. It provides a comprehensive solution to any organization's external and internal business reporting requirements.

Assets Held for Sale	100,000	<ifrs-gp:AssetsHeldSale contextRef="Current_ASOf" unitRef=" U-Euros" decimals="0">100000</ifrs-gp:AssetsHeldSale>
Inventories	100,000	<ifrs-gp:Inventories contextRef="Current_ASOf" unitRef="U Euros" decimals="0">100000</ifrs-gp:Inventories>
Prepayments, Current	100,000	<ifrs-gp:PrepaymentsCurrent contextRef="Current_ASOf" unitRef= " U-Euros" decimals="0">100000</ifrs-gp:PrepaymentsCurrent>
Cash and Cash Equivalents	100,000	<ifrs-gp:CashCashEquivalents contextRef="Current_ASOf"unitRef=" U-Euros" decimals="0">100000</ifrs gp:CashCashEquivalents>
Current Assets Total	400,000	<ifrs-gp:AssetsCurrentTotal contextRef="Current_ASOf" unitRef=" U-Euros" decimals="0">400000</ifrs-gp:AssetsCurrent Total>

Foreign Institutional Investors on Indian Bourses – A Glance

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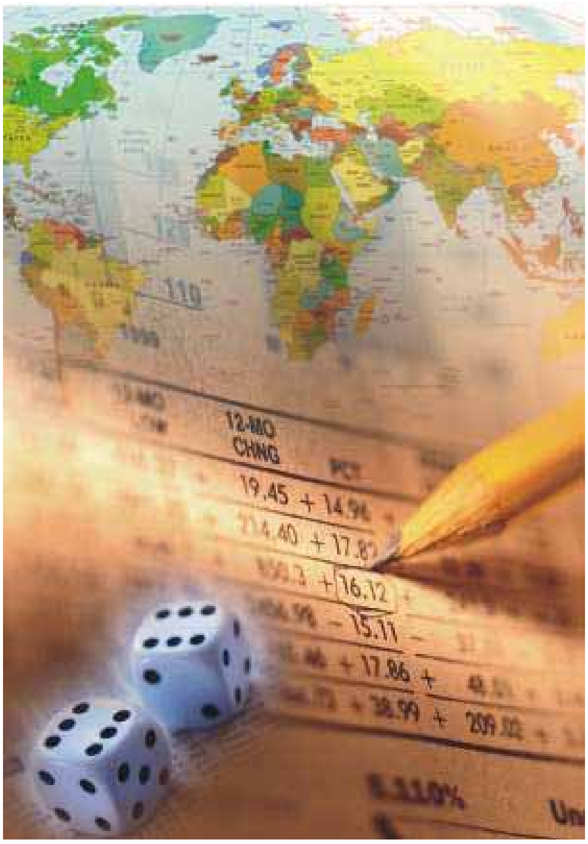


Abstract

The investor community, as far as the investment in the corporate world is concerned, includes FIs, FIIs, Mutual funds, PE investors, HNIs, Retail Investors etc. Each sub set of investor community is unique in terms of risk appetite, investment horizon, aspirations, quantum of holdings, motives–hedging, speculation or arbitration, risk appetite etc. The present article dwells upon Foreign Institutional Investors [FIIs].

An Insight

FII means an entity established or incorporated outside India which proposes to make investment in India. Following entities/funds are eligible to get registered as FII: Pension Funds, Mutual Funds, Insurance Companies, Investment Trusts, Banks, University Funds, Endowments, Foundations and Charitable Trusts/Charitable Societies. Further, following entities proposing to invest on behalf of broad based funds, are also eligible to be registered as FIIs: Asset Management Companies, Institutional Portfolio Managers, Trustees and Power of Attorney Holders. However, from the angle of total investment made by FIIs, they are to be construed as: (a) FIIs investing on their own (b) Sub-Account[1] (c) Off-shore derivative instruments such as Participatory Notes [PNs]. FIIs can invest in Securities in primary and secondary markets including shares, debentures and warrants of companies, unlisted, listed or to be listed on a recognized stock exchange in India; Units of mutual funds; Dated Government Securities; Derivatives traded on a recognized stock exchange and Commercial papers.

FIIs unveiled

FIIs were first allowed to make portfolio investment in India on September 14, 1992. The FIIs are to be registered with SEBI and the FII registration is valid for 5 years. After expiry of 5 years, the registration needs to be renewed. Overall, 454 new FIIs registered with the Securities Exchange Board of India or SEBI, last year – equivalent to almost one-fourth the total operating in the country at the end of 2008. Some closed shop too, but the net increase in the number of FIIs was still a sizeable 375. The total number of FIIs in India has almost tripled from 556

[1] *Sub-account includes those foreign corporates, foreign individuals, and institutions, funds or portfolios established or incorporated outside India on whose behalf investments are proposed to be made in India by a FII.*

at the beginning of 2001 to 1,594. Last year, about one-third of the new FII registrations were from the US, and the UK came a distant second as the home of new FIIs that entered India last year.

There is generic cap applicable to the FIIs investment in India. This cap changes from time to time. As regards equity investment; a) FII, on its own behalf, shall not invest in equity more than 10% of total issued capital of an Indian company. b) Investment on behalf of each sub-account shall not exceed 10% of total issued capital of an Indian company. c) For the sub-account registered under Foreign Companies/ Individual category, the investment limit is fixed at 5% of issued capital. These limits are within overall limit of 24% / 49 % / or the sectoral caps as prescribed by Government of India / Reserve Bank of India. Similarly, the caps are prescribed for debt investment, government securities investment and investment in derivatives.

Trends in FIIs investment: Ever since the Indian Government okayed the FIIs entry into the Indian capital market, the response is cheering. The FIIs were net buyers for all the bygone years with the exception of 1998-99. However, on a cumulative basis, the figures suggest that they have been keen on investing in India. The cumulative investment is growing at an alarming rate. The trend in FIIs investment is given in Table 1.

Table 1: FIIs net and cumulative investment

Year	Net Investment [US $ mn.]	Cumulative Net Investment [US $ mn.]
1992-93	4	4
1993-94	1634	1638
1994-95	1528	3166
1995-96	2036	5202
1996-97	2432	7634
1997-98	1650	9284
1998-99	-386	8898
1999-00	2339	11237
2000-01	2159	13396
2001-02	1846	15242
2002-03	562	15804
2003-04	9950	25754
2004-05	10172	35926
2005-06	9332	45258
2006-07	6708	51967
2007-08	16040	68007

Source: Hand book of Statistics, publication of SEBI

Investment portfolio

The investments of FIIs mainly spread across blue-chip companies. The investment in several companies is well over 25%. Note that the FIIs favour not only the companies which form Sensex or Nifty index, they do also look at happening companies and whose free-float is large. In total, they have presence in 857 companies. The shareholding distribution is given in the following table [Table 2].

Table 2: Percentage of shareholding in Indian companies

% of share holding by FIIs	Number of companies
1-10	512
10-20	216
20-30	88
30-40	29
40-50	07
50-60	04
60-70	01
70 & Above	Nil

Source: Compiled from CMIE Prowess

Free-float explained: Open market shares that are free for trading by anyone are called the "free-float" shares. A particular company may have certain shares in the open market and certain shares that are not available for trading in the open market.

According to BSE, any shares that DO NOT fall under the following criteria can be considered to be open market shares:

- Holdings by founders/directors/acquirers which has control element
- Holdings by persons/bodies with "controlling interest"
- Government holding as promoter/acquirer
- Holdings through the FDI Route
- Strategic stakes by private corporate bodies/ individuals
- Equity held by associate/group companies (cross-holdings)
- Equity held by employee welfare trusts
- Locked-in shares and shares which would not be sold in the open market in normal course.

The following table [Table 3] captures the companies where the investment by FIIs is more than 40 percentage:

Sum up

The FIIs mitigate the gap between savings and investment through their capital inflows. They

Table 3: FIIs investment holding (above 40%) vis-à-vis Free Float

Company Name	Industry Type	FIIs holding (%)	Free Float (%)
Amtek Auto Ltd.	Manufacturing	42.48	66.6
Apollo Hospitals Enterprise Ltd.	Services/Health	42.82	57.85
Geodesic Information Systems Ltd.	Services/IT	51.54	74.86
Hexaware Technologies Ltd.	Services/IT	53.24	74.27
Housing Development Finance Corpn. Ltd.	Financial Services	69.23	100
I C I C I Bank Ltd.	Banking Services	44.68	73.32
I V R C L Infrastructures & Projects Ltd.	Services/ Construction	54.87	89.58
Indiabulls Financial Services Ltd.	Financial Services	44.88	69.77
Jain Irrigation Systems Ltd.	Manufacturing/ Tubes, pipes	40.89	69.27
Prajay Engineers Syndicate Ltd.	Services/ Construction	59.47	79.79
S R E I Infrastructure Finance Ltd.	Financial Services	41.17	79.41
Satyam Computer Services Ltd.	Services/IT	48.19	71.15

Source: CMIE Prowess

contribute to better corporate governance as they command sizable stake in the corporate entities and due to the fact that they are institutional investors, they monitor the companies better. They are professional and hence contribute to the price discovery in the market. Therefore, the stock prices would reflect the fundamentals and the markets would be more efficient. However, FIIs money is "hot money" and needs to be kept under constant watch. ■■■

A Sense of Pride

CA. Mukta Kathuria
The author is Deputy Secretary, ICAI.

Balance sheet said "please match my both sides",
While locating the mistake every student cries,
Concept of holding and amalgamation,
Made us loose all our vacations

Studies, studies all the time…..
Sometimes we felt, opting for this course was a crime

Interpretation of taxation law was interesting,
Case laws gave our mind a good swing,
FEDP subject required us to cram,
To which we generally gave a damn.

Studies, studies all the time…..
Sometimes we felt, opting for this course was a crime

Company law was so vast,
But we had to be quick and fast,
Financial management made our world go round,
In all these subjects we felt drowned.

Studies, studies all the time…..
Sometimes we felt, opting for this course was a crime

Examination days were a nightmare,
Everything should be revised, we generally took care
Taking a nap meant wastage of time,
Confusion was always on our mind

Studies, studies all the time…..
Sometimes we felt, opting for this course was a crime

With the result day approaching,
Our heartbeat kept on sinking,
But when the day came…
It brought us all fame.

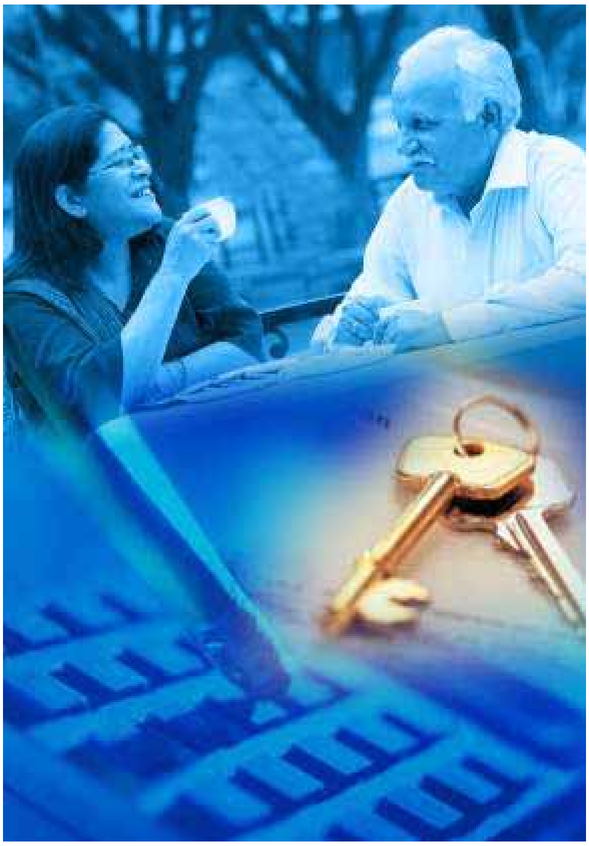
Studies, studies all the time…..
Now we felt opting this course was quite fine.

Being a chartered accountant gave us a sense of pride,
Then we felt that world is on our side,
That happy go mood and high aspiration
It is actually difficult to forget that sensation

Studies, studies all the time…..
Now we feel opting this course was worthwhile.

Reverse Mortgage - a Financial Lifeline for Senior Citizens

Sumit Kr. Dhanuka
The author is a student of ICAI
Reg. No. ERO0091588



Senior Citizens are an increasing component of the Indian society and dependency in old age is increasing in the country. While on the one hand, there is significant increase in longevity and low mortality, on the other hand, cost of good health care facilities is spiralling and there is little social security. Senior Citizens need a regular cash flow stream for supplementing pension/other income and addressing their financial needs. Spectacular increase in residential house prices has created considerable "home equity" wealth. For most Senior Citizens, the house is the largest component of their wealth.

Estimates show that India's old age population will increase to 113 million by 2016, 179 million by 2026 and 218 million by 2030. Life expectancy, currently at 77 years could increase to around 80 years by 2020. With the increasing old age population and life expectancy, Reverse Mortgage introduced by Budget 2007, seems to have a potential market in India. This concept, although new in India is very popular in countries like United States, Canada and Australia, while it is in infancy in Europe and Singapore.

Reverse Mortgage: Meaning

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 borrower(s) mortgaging the house property to a lender, who then makes periodic payments to the borrower(s) during the latter's lifetime. The Senior Citizen borrower is not required to service the loan during his lifetime and therefore does not make monthly repayments of principal and interest to the lender. 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.

A reverse mortgage, also referred to as a lifetime mortgage in the United Kingdom, is a type of loan available to the senior citizens (62 and over in the United States), and is used to release the home equity in the property as one lump sum or multiple payments. The homeowner's obligation to repay the loan is deferred until the owner dies, the home is sold. In other words, reverse mortgage refers to that type of a loan product where the senior citizen mortgages his/her residential property to a lending institution like a Scheduled Commercial Bank or a Housing Finance Company, and in turn, is entitled to a loan which is either paid after a fixed period or in a lump sum or by way of line of credit or it can be a combination of all.

In financial jargon, reverse mortgage can be defined as an agreement by which a homeowner borrows against the equity in his home and receives regular payments from the lender. Thus, the reverse mortgage is a contract between a homeowner and a financier which enables the homeowner to receive a stream of income, especially in retirement, from the future realizable value of the property.

In reverse mortgage, the capital value of a home is converted into an annuity over the homeowner's lifetime. The annuity may be designed to rise, fall or stay steady over the lifetime. The period of such payments is not a specified number of years, but the remaining lifetime of the owner (and his/her spouse) of the property.

The eligibility for reverse mortgage scheme and the extension of the loan amount depends on three parameters:

- Age of the borrower
- Value of the property
- Interest rates prevailing in the economy

The above three parameters influence the amount to be sanctioned as a loan. Likewise, the increase in the age of the borrower and also an increase in the value of the property mortgaged will entitle the borrower for a higher amount of loan as compared to that of relatively younger senior citizen or the fall in the value of the property.

Reverse mortgage is definitely a financial helpline for senior citizens enabling them to lead their lifestyle and meet their consumption needs without being dependent on anyone. It is the social security scheme for the benefit of senior citizens post-retirement. With very few universal old age social security schemes, reverse mortgage might have a potential market. The loan is given without any income criteria at an age where normal loans are not available. Perhaps, the most important advantage being that the borrower retains the ownership title of the house making it all the more popular among Indians who have a natural instinct for own home.

However, on the flip side, traditional joint family system, stronger bequeath motive and widespread undervaluation of real estate properties involving unaccounted money, tax evasion and benami holdings can be major deterrents for the scheme to take off.

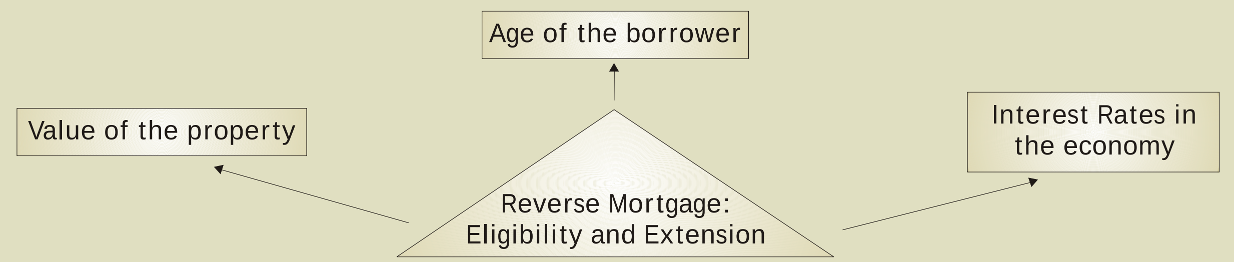
Reverse Mortgage vis-à-vis Regular Mortgage

Reverse mortgage is aptly named because the payment stream is "*reversed*". Instead of making monthly payments to a lender, as with a regular mortgage, a lender makes payments to the borrower. Unlike a regular mortgage, the borrower can continue to own his mortgaged home, hold title to it and thereby stay in it during his entire life span without any fear of eviction even after the tenure expires. He does not have to make any monthly mortgage payments.

Reverse Mortgage: India's Standing

Budget 2007 amongst other things had proposed the launch of the new financial product namely, Reverse Mortgage— a widely used instrument in the developed world by the elderly to derive cash flows from their owned house. The popularity in the instrument lies in the fact that it converts an illiquid asset— the house— into liquid cash flows for the owner, typically a senior citizen. A more eye-catching element is that senior citizens can continue to live in that house even after drawing cash flows from it.

Factors influencing Reverse Mortgage



Operational Aspects

Let us consider a situation where Mr. A has retired after a long career with a leading cement manufacturing company. He owns a large house in Mumbai— worth about Rs. 60 lakhs, but he has limited savings of Rs. 10 lakhs. He is not expecting any pension for having worked in the private sector. He is genuinely concerned with the meeting of his monthly expenses of Rs. 25,000. His financial assets can at most generate Rs. 12,000 per month for him and the income thus generated would not keep pace with the inflation— meaning that after five years, when he will require Rs. 34,000 per month, while his financial assets will still generate only Rs. 12,000.

The only option left with him is to rent his house and move to a smaller house himself or to sell his house altogether and invest the proceeds to earn a higher monthly income. Either way, he will be forced to look around for accommodation and keep on worrying about the rising rents. In such situations, reverse mortgages can be an attractive option. In this scheme, the owned property is being pledged (with no existing loan outstanding against it) with a financial institution or a bank. The bank in turn gives a series of cash flows for a fixed tenure, either in lump sum or by way of instalments.

What's on offer

Dewan's Saksham, launched about two years ago, is currently only in Mumbai. PNB launched its product *Baghban* nationally. Still, these two schemes give some handle on how one could gain from reverse mortgage.

Reverse mortgage works like a pension scheme for the elderly who live in a house owned by them. It is the opposite of buying a house on loan, where you pay an EMI (equated monthly instalments) to your bank. Technically, till you repay the loan, the house belongs to the bank. In reverse mortgage, you agree to mortgage your house to the bank, for which, it pays you the proceeds in equal monthly payouts.

For reverse mortgage, the bank offers to pay a fixed sum, paid out in monthly instalments for 15-20 years to the senior citizen against the security of the house, which necessarily should be in the person's name. The fixed amount is decided after the bank's valuation of the property. To realize its principal and interest, the bank would sell off the property after the demise of the borrower and the dependent spouse. Other family members too have the provision of repossessing the property by paying bank the full loan amount and interest.

How does the Reverse Mortgage Scheme work practically?

Dewan works out the monthly payout on a floating rate of 12 per cent for 15 years; PNB's rate is 10 per cent fixed. Illustratively, if your house is valued at Rs. 40 lakhs and the bank gives you 80 per cent as loan (as PNB does), your monthly payout will be Rs. 7,721. The corresponding figure for Dewan, which gives out only 40 per cent of the house value if you are 60-75 years, is Rs. 3,203.

Lenders review property prices and interest rates periodically, and can incorporate changes in the payout. PNB has a fixed rate, but subject to review every five years. So, after five years, if the value of your house rises, PNB might give you more. Dewan has a floating rate, pegged to the retail prime lending rate and change in valuation will be accounted for at the time of sale of the property to the legal heirs.

The four conditions to be met for Reverse Mortgage are:

- It must be in your name. The borrower should have a clean title. Ancestral properties are therefore discouraged.
- The borrower should be living in it.
- The house must be insured with a large residual value, of at least 15-20 years.
- If the borrower is the sole owner of the house, his will should pass it on to his spouse only. He will have to state that this is his last will and he should get it registered.

Reverse Mortgages and Taxation

The tax aspects of a product constitute an indispensable factor in judging its viability. Reverse mortgages are no exception to this rule. The main contentious issue which was to be resolved was whether the recurrent monthly payments received by a senior citizen under a reverse mortgage (equitable mortgage) would be characterized as a capital receipt or income for taxation purpose.

Going by the trend in various developed nations such as US and Canada where reverse mortgage product is popular, the payments received are considered as loan and hence are tax free. But payment of property taxes and insurance is the liability of the borrower since he remains the owner of the house.

Amendment to give effect to the Reverse Mortgage Scheme [Section 10(43) and Section 47(xvi)] [W.r.e.f. 2008-09]

The Union Budget 2008-09 has proposed to amend the Income-tax Act to clarify tax exemption on reverse mortgage loans. Experts had attributed the failure of this credit instrument in past years to the lack of clarity regarding taxation.

Reverse mortgages are credit instruments where senior citizens can avail loans against self-owned, self-occupied properties. The amendment clarifies that income received by senior citizens will not be considered income in tax parlance. This will mean that such receipts will be exempted from income tax. Also, reverse mortgages will not be considered as transfer of property. This means it will not be treated as a capital asset and therefore will not attract capital gains tax. There will be capital gains tax only at the time of selling the property to repay the loan.

Earlier, the Transfer of Property Act considered any mortgage as a transfer. The I-T Act however, had a different definition for transfer. The amendments have been made to the Section 10 of the I-T Act. The Ministry has introduced a new clause 10 (a) in Section 47 that says a reverse mortgage will not amount to a transfer.

Reverse Mortgage scheme in the case of senior citizens (62 years of age) was introduced in last year by the State Bank of India and the Punjab National Bank after the Budget 2007. In the context of the aforesaid scheme, the following tax issues arising therefrom have been resolved by the Income-tax Act, 1961 through the insertion of Section 10(43) and Section 47(xvi):

1. *Whether the loan received under a reverse mortgage scheme amounts to income:* Although the receipt of loan under the reverse mortgage is in the nature of capital receipt, but with a view to providing certainty in the tax regime to the senior citizens, the Act had inserted clause (43) to Section 10 of the Income-tax Act, 1961 to provide that any amount received by an individual as a loan either in lump sum or in instalments in a transaction of reverse mortgage referred to in section 47(xvi) shall be exempt.

2. *Whether mortgage of property for obtaining a loan under the Reverse Mortgage Scheme is a transfer within the meaning of the Income-tax Act thereby giving rise to capital gains:* Section 2(47) of the Income-tax Act 1961 provides an inclusive definition of *transfer*. Further, transfer within the meaning of Transfer of Property Act includes some types of mortgages. Therefore, a mortgage of property, in certain cases, is a transfer within the meaning of Section 2(47) of the Income-tax Act, 1961. Consequently, any gain arising from the mortgage of property may give rise to capital gains under Section 45 of the Income-tax Act, 1961. However, in the context of Reverse Mortgage, the intention is to secure a stream of cash flows against the mortgage of the residential house and not to alienate the property. The Act has therefore inserted a new clause (xvi) in Section 47 of the Income-tax Act 1961 to provide that any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government shall not be regarded as a transfer and therefore shall not attract capital gains tax.

3. *Capital Gains Tax attracted only at the time of alienation of the Mortgaged property:* Consequent to the above amendments, a borrower under a reverse mortgage scheme, will be liable to income-tax (in the nature of tax on capital gains) only at the point of alienation of the mortgaged property by the mortgagee for the purposes of recovering the loan.

Reverse Mortgage Scheme 2008

The Central Government in exercise of the powers conferred by clause (xvi) of section 47 of the Income-tax Act, 1961 (43 of 1961) brought out the Reverse Mortgage Scheme, 2008 through Notification No. 93/2008, dated 30-9-2008.

Reverse mortgage transaction means a transaction in which the loan may be disbursed to the reverse mortgagor but does not include transaction of sale or disposal of the property for settlement of the loan.

Application and processing for reverse mortgage transaction—

- Any eligible person may enter into a reverse mortgage transaction by applying in writing to the approved lending institution, if the capital asset being mortgaged, is—
  - (i) owned by him; and
  - (ii) free from any encumbrances.
- The application shall be processed by the approved lending institution and for this purpose the institution may charge nominal amount as processing fees.

Sanction of reverse mortgage loan—

(I) The approved lending institution before taking mortgage of capital asset and before disbursing any loan under reverse mortgage, shall—

- (a) enter into a loan agreement in writing with the reverse mortgagor; and
- (b) obtain and maintain the following particulars from the reverse mortgagor, namely:-
  - (i) Name and address of the owner of the capital asset;
  - (ii) Permanent Account Number of the owner of the capital asset;
  - (iii) Total area, including built up or covered area of the capital asset;
  - (iv) Cost of acquisition and the year of acquisition of the capital asset;
  - (v) Cost of improvement and the year of improvement of the capital asset;
  - (vi) Name, address and Permanent Account Number of all the legal heirs and estate of the owner of the capital asset;
  - (vii) A copy of the registered will of the owner of the capital asset including any changes made therein during the currency of the term of the loan.

Disbursement of loan—

(1) The approved lending institution may disburse the loan to the reverse mortgagor by any one or more of the following modes, namely:—

- (i) periodic payments to be decided mutually between the approved lending institution and the reverse mortgagor;
- (ii) Lump sum payment in one or more tranches to the extent that the aggregate of the amount disbursed as lump sum payments does not exceed fifty per cent of the total loan amount sanctioned.

Period of reverse mortgage loan— The loan under reverse mortgage shall not be granted for a period exceeding twenty years from the date of signing the agreement by the reverse mortgagor and the approved lending institution.

Repayment of loan— The reverse mortgagor or his legal heirs or estate, shall be liable for repayment of the principal amount of loan along with the interest to the approved lending institution at the time of foreclosure of the loan agreement.

Conclusion

A senior citizen, post retirement, needs not only proper care but a sense of social security also. In order to protect the senior citizens, the government is coming up with a number of programmes. One of the latest innovations in the field of social security for senior citizens is reverse mortgage, facilitating the flow of regular income along with possessing the property mortgaged. Thus by investing in a house through a housing loan and repaying the loan during his working lifetime, one will not only have a roof over his head throughout his lifetime, but will also secure a joint life annuity, that keeps in step with inflation after retirement. Seen in this perspective, reverse mortgage would motivate the people to build or buy their homes and thereby save for their retirement voluntarily. However this emerging financial product is in the emerging stage and the promises proposed by it can be tested only when given sufficient time for implementation. The aspects governing its taxation are quite straightforward and liberal with respect to the senior citizens. Still, there is a long way to go to reap the fruits of the seeds of an innovative product, that is, reverse mortgage.

Business Financing – Global Trends

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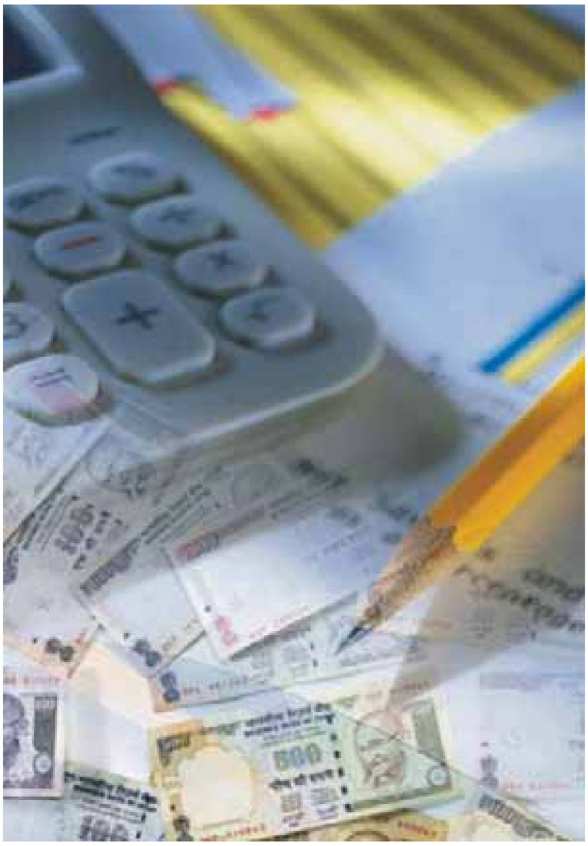


Recent Financial crisis is the most severe one after the depression of 1929 in terms of its prevalence, pervasiveness and magnitude, which has affected every facet of the economy. In the last 2 years, sustained global economic growth has been replaced by declining asset valuation, frozen credit market and high volatility.

The Big financial powerhouses of yesteryears have been terribly shaken and investment giants like Lehman Brothers, Bear Sterns, and Merrill Lynch are gone, corporate behemoths like General Motors, Chrysler filed for bankruptcy and great companies like Freddie Mac, AIG had to resort to government help to salvage them.

Following trends have been witnessed in this time of violent turbulence and high uncertainty.

1. Huge Slump in Capital Market

Entire financial market has endured one of the most miserable slump periods due to shaky economic fundamentals, negative investor sentiments and volatility in capital market.

IPO global arena fell to a 13 year low in 2008 as total capital raised during this period dropped by 67% as compared to 2007. A record 298 IPO's were withdrawn or postponed. Number of new companies raising the capital dropped by more than 50% during the same period. With assets being revalued globally no capital market segment was insulated from financial crisis.

In the overall mergers and acquisitions market, 1,194 transactions were withdrawn (highest ever since 2000) and M&A activity went down by more than 40% in 1st half of 2009 in comparison to 1st half of 2008.

In the private equity segment, there were only $24 billion worth of deals transacted in 1st half of 2009 as compared to $528 billion in entire 2007.

2. Emerging Market Economies' Growing Dominance

In recent years, global financial power has become more diffused, moving away from US and towards emerging economies. India and China are among the few economies that continue to expand throughout the global downturn. Asian sovereign investors and petro dollar investor have moved the power base further to the east.

In 2008 emerging market sourced 15 of the 20 largest IPO's worldwide, (4 from China and 4 from Saudi Arabia). China tops the list in terms of number of IPO's launched and Saudi Arabia emerged as the 3rd largest IPO market.

Major exchanges lost market share to emerging economies bourses in Middle East and Asia. 72% of all IPO's did not list on top 10 stock exchanges. Indian stock market has witnessed a significant 60% gain in comparison to the start of 2009, likewise China stock market has almost doubled.

Latest trends reflect further consolidation towards dominance of emerging market economies. As the latest article in The Economist (14 Aug. 2009) shows that Asian emerging economies grew at an average annualized rate of over 10% in the second quarter of 2009 while U.S. G.D.P., by a mere 1%.

In 2009 as a whole, recent forecast suggests that emerging Asia could grow by at least 5%, while the G7 economies contract by 3.5%. The growth gap between the two has never been wider.

3. Well Established & Big Companies Raising The Funds, Concentrating Towards FOO (Follow On Offerings)

Due to volatility in valuation and tight credit, investor's appetite for new risk has become low and they are willing to invest in companies, which are fundamentally strong and with sound management. In the tough times of today only big companies are able to tap the capital market which is a clear departure from earlier trend where new companies raised capital in record numbers.

Visa raised $ 19.7 billion in 2008 which was the biggest ever in U.S. history. Similarly, Reliance Power raised $ 3billion in 2008 through right issues, which was the 4th largest IPO of 2008.

Another noticeable change in this scenario is that majority of these offerings have been follow on offerings from existing listed companies. In 2008 more than 80% of global equity raisings were in the form of follow on offerings. Some of the companies raised the ever-largest follow on offerings. Data shows that 7 out of 10 ever largest follow on offerings in U.S. happened during 2008. Few of the famous follow on offerings were $12.7 billion by Wells Fargo, $ 11.5 billion by J P Morgan Chase and $ 10 billion by Bank of America. More of these are still in the pipeline in 2009. This trend shows that investors are playing very safe in these turbulent times and are investing selectively only in well-established companies.

These well-established companies are raising the funds for, either to finance their acquisitions and growth in this distressed market or to recapitalize their weak balance sheet. 75% of the total follow on offerings were raised for the capitalization purpose by financial firms in the wake of huge write down, these financial firms raised phenomenal amount from the market. Though in Indian context majority of the offerings are in the form of right shares reflecting that companies are accessing only their existing shareholders to raise the capital.

In the present scenario of prevalent depressed valuation in market, where majority companies have put their plan on hold to monetize their investment, these nimble companies are preparing to raise funds to pounce upon this opportunity.

4. A Shift in Nature & Composition of Capital Raised

Not only the follow on offerings are dominating the market but the overall market has been dominated by few selective segments. Financial, Energy & Power, Material sectors raised a significant 63% of the total capital raised in 2008, whereas real estate and technology shares declined by 90% on average.

In the imminent future, companies in sectors such as energy, infrastructure, clean technology, healthcare and telecommunication, are expected to be first to go public.

In addition to this, participation of fundamental investors like mutual funds and pension funds have perceptibly increased in the capital market.

5. Shrinking Financing Sources for Small and Midsize Business and They are Resorting to Internal Financing or Alternative Finances Like Private Placement

General availability of capital becoming more scarce due to a frozen credit market, market instability and harsh debt constraints, smaller companies have found it quite difficult to access the public money. Moreover, Governments are sponsoring only the big shots and majority of these enterprises have put there capital raising plans on hold and are resorting to internal financing. Since revenues have also been hit severely by this recession they are looking towards alternative finances like – Private Equity, angel funds, Private Placements and strategic investors like SWF (Sovereign Wealth Funds). These alternative finances offer the advantage of accessing long-term capital without risking its reputation in a possible unsuccessful IPO. At the same time they offer reasonable alternative entry point for investors into company.

6. Increasing Government Intervention in Form of Stimulus Package and Industry Bail Out Plan

In order to stabilize markets and revive the economy, governments across globe are cutting interest rates and crafting stimulus package and industry bail out plans. They are trying their best to increase the quantum of money and lowering credit spreads and risk premium.

U.S. government created $787 billion economy stimulus plan whereas China announced a $ 586 billion fiscal stimulus package.

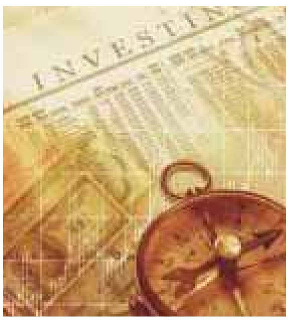
Larger behemoths like GM, Chrysler have been turning to the government to salvage them.

U.S. Government not only bailed out big financial institutions like Bear Sterns and AIG but also lent GM a whopping $50 billion for a 60% share to help it to emerge as a much stronger and leaner organization. It has so far invested over $160 billion in three firms namely AIG, Fannie Mae, Freddie Mac.

In July 2009 many European governments have announced a hefty stimulus package for the respective automobile industry.

7. M & A Market Likely to See More Movements, More Deals to be of Non-cash Nature

Someone said "crisis is a terrible thing to waste". Despite M&A market seeing lesser movement in the past, it is going to witness more consolidation in the Banking and Investment sector in the coming months. Scope for it has been broadened due to availability of bargain price assets. As the smaller and inefficient companies find surviving this financial turmoil difficult, they are embracing big giants and financially excellent companies to combine with them to achieve their objective.



At the same time cash rich Big Giants view the economic crisis as "Bury or buy the competition". Present time is opportune for these fundamentally strong companies to acquire strategically compatible companies at depressed prices.

Recently IBM announced its plan to buy SPSS for over $ 1.2 billion in August

Porsche announced its merger plan with VOLKSWAGON in mid August.

Agilent Technologies bought Variance for $1.5 billion.

B-M-S bought Medarox for $2.1 billion.

Another trend is that majority of these deals are of non-cash equity nature due to shortage of cash and credit.

So many PE players like KKR, Carlyle have already raised money to invest in distressed security and infrastructure development.

KKR, granddaddy of all PE firms, is coming with IPO in October to bolster its position to make acquisition in the market.

A lot of ownership and consolidation are likely to take place in near future.

8. Changing Landscape in PE Industry

Credit market still being so tight in 2009, there has been very limited debt available with PE players to finance large acquisition and there has been new types of deal like minority equity investment and all equity investments (which is in sharp contrast with their strategy of 2006-07 when they were predominantly using cheap debt to create a high level of financial leverage}. Not only the total number of deals done is at a very low level but it also faces huge chunk of its investment being eroded as many of the private. Equity owned firms went bust. (Cerberus owned Chrysler and Texas Pacific Group owned Washington Mutual went bankrupt). As a result, their focus has changed from financial engineering to creating value in companies through innovation and productivity.

During credit bull market PE firms had easy access to cheap debts and they vehemently used it to their benefits to create the financial leverage. These were used in high abundance, using leverage multiple of 8-9 in some cases. As majority of these debts used to finance the buyout were relatively short term of 3-5 years, P.E. firms face an urgent need to refinance these debts and to deleverage the balance sheet ahead of near-term debt maturity.

At the same time PE firms are looming under pressure to release the capital to their investors in respect of investment made during hey days.

Private Equity becomes a reckoning force to follow, as at present P.E. players are having the largest number of Private Companies held up in

Private Equity that we ever had in history. And they are facing tremendous dual pressure

1. To deleverage the balance sheet to refinance debt

   And

2. To start monetization process to return the money to investors.

Generally PE firms have 3 options for this; 1) AN IPO (2) sale to another PE firm or (3) trade sale.

Given the current depressive situation and rising credit cost, IPO seem to be most preferred route. Again in current scenario, valuation may not be that attractive but it is much better than other alternates in debt market, which has been closed for most of these highly leveraged companies. Because of this most of the IPO will be through multi layer process.

9. Changing Landscapes in Hedge Funds and Sovereign Funds

Assets under management in hedge funds have fallen roughly by 40% due to massive withdrawal of funds by institutional investors to maintain their asset allocation ratio. Hedge funds have become pretty dormant in the current market and are less likely to play any defining role in near future.

Sovereign funds are also facing severe loss in respect of their investments US banks and PE firms. But they are well positioned to make some very sizeable and strategic investments by capitalizing on depressed asset values. They have also started shifting their focus towards local economies in Middle East and Africa from high profile overseas acquisitions.

10. Overhaul and Globalisation of Regulatory Environment

Current crisis has further strengthened the need for a more robust and globally consistent regulation. Outdated Banking regulations, overlapping regulatory agencies and limited international regulation coordination have become areas of concern.

As a result, the financial industry is undergoing radical transformation and reforms to plug the holes exposed by the current financial crisis. An overhaul of the existing regulatory set up appears an inevitable step. The ongoing convergence of regulatory frameworks and standards is likely to be an important aspect of the regulatory overhaul.

Sources - DEALOGIC, THOMPSON FINANCIAL, THE ECONOMIST, HARVARD BUSINESS REVIEW, THE WALL STREET JOURNAL, CFO, INTERNET.

Know Your ENGLISH

Dr. Naveen Mehta

Alternate: by/in turn

The doctor advised Raj to take the medicine on alternate days.

Alternative: choice

Kamal has no other alternative except to accept their job offer.

Desert: an arid/barren land

A camel ride on the Thar Desert is extremely interesting.

Dessert: A usually sweet course as of pie, fruit, cake or ice-cream served at the end of a meal.

Kamala likes pudding for her dessert.

Banquet: a feast or formal dinner

Dinesh hosted a banquet on the occasion of his son's birthday.

Banquette: a seat or firing step along a wall

Arun was asked to wait on the banquette.

Biannual: twice a year

The society publishes its in-house magazine biannually.

Biennial: every two years

Sudhanshu hosts get-together parties for his friends biennially.

Abdicate: to give up

We cannot abdicate our responsibilities on others shoulders.

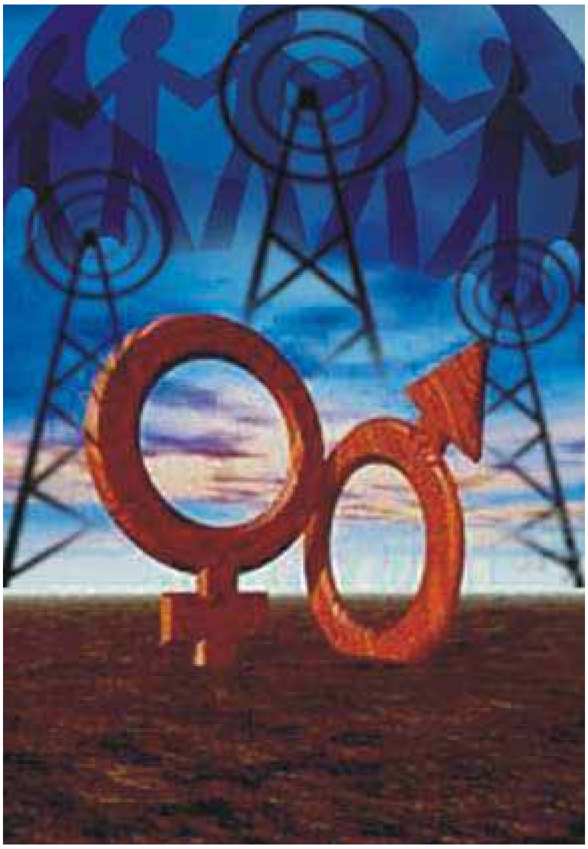
Abrogate: to cancel

The Hockey Club decided to abrogate the agreement with its team.

The contributor is Sr. Executive Officer, ICAI.

Managing Gender Communication

Dr. Naveen K Mehta
The author is Sr. Executive Officer, ICAI.



Communication has a paramount importance in our mundane life. Communication helps us to share and transform our ideas, views, thoughts, opinions, feelings, expressions and emotions with others. The globalization has enlarged the gamut of communication and variations in social-cultural background, language, and manner of interactions and expressions are all integral aspects of the process of globalization. Hence, in this era of globalization it is of utmost importance to develop effective interpersonal communication skills to communicate across the genders as to avoid gender biasness and gender differences in communication at the work place. To communicate successfully across cultures and genders, we must narrow down all the prevailing communication blocks.

A Gender Perspective

It is a fact that men and women are biologically different; hence different communication styles. Generally, it is considered that the men and women communicate with people of their own gender in different and peculiar ways. It seems very crucial to know how and why gender inequalities exist and how effective communication contributes to overcome these inequalities. To accomplish gender equity in communication requires, first, that feminine identified behaviours are to be valued and responded in similar manner as masculine identified ones; and second, that communication behaviours are similarly to be valued whether the person involved in them is women or man.

In communication skills, such equity indicate that interruptions, aggressiveness, silence, talkativeness, preferring action to talk, likings, writing, talking logically or emotionally, displaying empathy or lack of it, would be equally valued and encouraged, or considered inappropriate and discouraged, whether engaged in by men or women. Both can help improve communication in a relationship by applying the appropriate strategies of communication.

Exploring the Dynamics of Gender Communication

Tannen and Jansz found that feminine style involves communication behaviors that reveal the importance of relationships (caring, sensitivity to others, and the feeling content of the communication), are characterized by responsiveness, cooperativeness, and supportiveness, have message content that is concrete and personal and often expressed tentatively. Feminine styles emphasize the "we" in the conversation. In contrast, masculine style centers on the communicator's autonomy. It involves communication behaviours directed towards that goal: messages focus on content that involves problem solving or strategy, use abstract logic and principles in reasoning, are directed toward locating the individual in a status hierarchy free from control by others. It is also characterized by competitive interactions, assertive statements, and confidently expressed conclusions.

Women appear to be more relationship oriented and achieve their assignments by developing relationships. For them, relationships are an invariable source of interest, attention and communication. Paradoxically, men are more tasks-oriented and adopt straightforward strategy to accomplish their tasks. They like to put out their weakness and vulnerability from

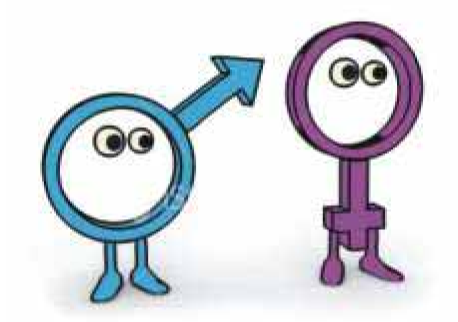
communication. They are also less interested in communicating their personal and emotional concerns.

There are stereotype views about gender and the expression of emotions at the workplace. This reflects that the women are more emotional than men who are supposed to be less emotional. It does not mean that the men are emotionless but for social reasons they communicate very less about their feelings and focused on instrumental concerns. But Theresa Domagalski points out that men and women have been found to experience emotions to a very similar degree.

At a Glance: Gender Differences in Communication

Point of Difference	Women	Men
Situation	Talk more about their personal life. Jennifer Coates, in her book "Women, Men and Language" found that when women talk to each other they reveal a lot about their private lives.	Generally, try to avoid personal topics from their conversation.
Talk Variation	Tend to talk at length about one topic	Like to jump from one topic to another topic
Listening	Use more verbal clichés like "mm-hmm" and "uh-huh" etc.	Like to listen silently and patiently.
Interruption	Appear to wait for their turn and share their experience(s)	Suppose to talk more and like to interrupt others.
Nature of Conversation	Like to co-operate and less argumentative and have report talk.	Like to be competitive and tend to show their skills in discussion and have rapport talk.
Goal of Communication	Find communication a way to connect and build up relationship.	Consider communication a way to accomplish objectives.
Solving Problems	Show concern and sympathy and try to develop intimacy by discussing the problem.	Try to provide straight forward solutions to the problems.
Respond and Request	Offer feedback through tact and sensitivity. Very polite in making request.	Make commands and very direct and blunt in providing feedback.
Questioning	Try to collect information in order to strengthen the relationship.	Ask questions to gather information for the sake of information.
Non-verbal Communication	Like to have more eye contact and face to face interaction.	Like to avoid eye contact and hold distance.

Source: *Based on multifarious research studies*



Several research studies reveal that men tend to monopolize communication, interrupt others and excessively compete for attention whereas women stand for gathering more support for one's cause and collaborating instead of competing. Men interrupt women and talk over them much more than women interrupt men. Men take up more time and space at discussions while women strive to ensure equality in the meeting room. In terms of non-verbal communication, women make direct eye contact to form relationship and connection. Men understand the face to face interaction as too personal or aggressive and the women interpret the talking side to side. Men and women often have mutually exclusive perspective about the space that they offer to each other during a conversation.

Gender Communication: Cautions and Concerns at Workplace

The MacBride Report states that "communication maintains and animates life. It is also the motor and expression of civilizations…..it creates a common pool of ideas , strengthens the feeling of togetherness through exchange of messages and translates thought into action, reflecting every emotion and need from the humblest tasks of human survival to supreme manifestations of creativity – or destruction." It is very imperative for our students to understand the basic concepts behind the gender communication. As when they would begin their professional career in any firm/ organi-zation/institutions, they are expected to be very particular in their communication styles. To mark and feel their presence at their respective workplaces, they should comprehend 5W (What, When, Why, Where, Who) and 1H (How) strategy of communication. They should keep themselves away from self-centeredness and egotism. They should not have gender bias in their working and attitude rather they should keep all the available channels of communication open. They should keep the level of their confidence high and raise their morale by developing positive attitude towards other members of the staff. They should not discriminate their counterparts on the basis of their gender, age or social/educational backgrounds rather try to develop team spirit and build a healthy environment of cooperation, collaboration and career growth. They should be empathetic to each other in sharing of information and expressions. They have to be very careful in communicating their thoughts while making face to face interaction, e-mailing, telecommunication and group-discussion/ meetings etc. They should also master the non-verbal communication cues. They have to be very innovative and original in their communication so that the other party can derive interest and take part in the process of communication in an active manner. Meanwhile, as a prospective and promising professional, the students are expected to hone their communication skills and plan out their communication strategy.

Conclusion

Men and women are expected to understand the styles of communication so as to shun misunderstanding and develop a better working environment. Both have to deal with the complexity and diversity of circumstances in today's highly competitive world, personally and professionally as well. Men and women should remain alert about unconscious stereotypes and biases and be open to communication in a healthy environment. Men and women should enlarge their communication styles in order to accomplish the objectives of their respective communication in any organization.

Not frailty, strength!

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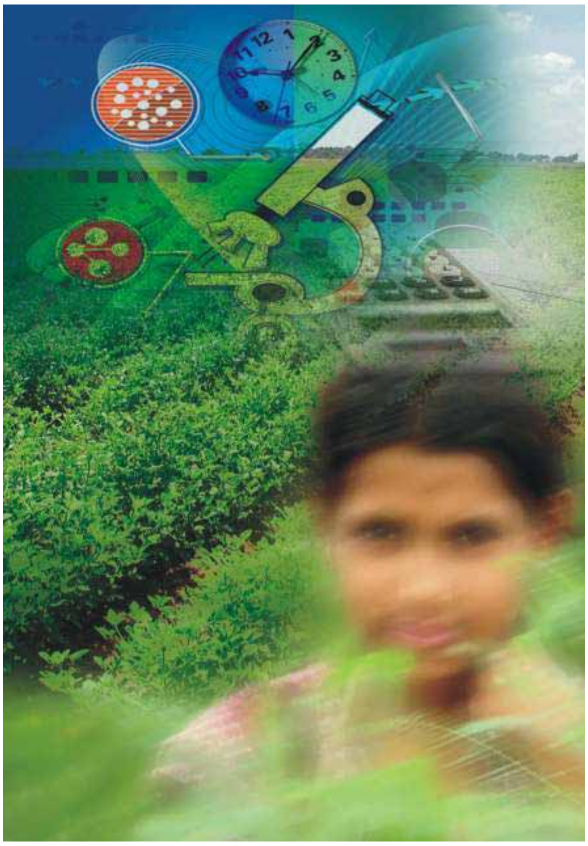


That was the year people were talking of Dunckel Proposals.

She was only two years old then. Too young to understand anything about such terms.

Only a handful of people had gathered at Fateh Memorial to discuss what the world was upto. They discussed and debated. If such proposals were accepted the industry will be destroyed. Farmers will commit suicide. One of them had said. The meeting ended with a few slogans of "Imperialism-Down Down".

It did not come down, rather got stronger and succeeded in getting the developing countries sign the dreaded world trade papers. Only a few voices in and outside the Parliament protested.

She was four then. Admitted to nursery. It was neither her concern nor anybody in the entire family thought that she needed to think about it. When Dada talked about these things somebody or the other would say, "Why do you bother so much about such remote things? Nothing will happen at least in our life-time. So why to bother?"

She could not have participated in the debate. She was too young and too ignorant. A darling of the entire family, she grew up amidst fun and frolic, love and affection, care and concern.

Girls grow up so soon, said Dadiji. No one had noticed that but her alone. In the meanwhile Niyatee, her younger sister had also arrived. Now, she had a living doll to play with. The world was sweeter now. "I will become a doctor and then shall give you an injection, if you don't obey me," she used to say. A doctor or an engineer–these were the careers one could dream of. Everybody looked at her with love and confidence. Yes, why not? If she desired and worked hard, who would stop her from becoming a doctor?

But the fate, as they say, would have it the other way.

The Public Sector Company her father worked with was disinvested overnight. What would that mean to her? She did not understand. She only saw that the environment in the family had suddenly become very tense. Mother had all of a sudden become very quiet. She would prepare meals as usual but the warmth in her serving it was lost. Dadiji would often start consoling her saying, things would soon improve. But it was more like consoling herself. Nobody told her anything .She simply kept on guessing, "What is wrong with everyone?"

In less than a fortnight the company slapped a closure notice at the employees. The new owners of the company did not want the unit which gave less profit. The workers were given two options– either opt for voluntary retirement or face retrenchment. Who could protest? The union leaders were nowhere to be seen. There was some setting at higher level, somebody said.

It was a big jolt for the entire family. Retirement at the age of just forty! With two daughters to bring up and no alternative source of income!

The decision was difficult to make. But how could they afford to continue to pay the fees of the school? The books and the dresses. And if she had to prepare for the medical entrance examination, a lot of fees for the coaching classes. Nobody had the heart to say such things. Only a few silent tears! But there seemed to be no solution.

It did not take her much time to understand that the family was in a crisis. In a fraction of a second, she decided. What is so great about being a doctor, she asked her mother. There are more important things to do. I am not appearing for the medical entrance examinations. The world is changing fast. It is an era of globalization. It is an age of commerce and trade. Change…Change is the law of nature. Why should I get stuck up with Science? Let me try economics and commerce. Let me learn methods to combat the demon of economic liberalization and master it.

These words were too difficult for her mother to understand. She simply wondered at the facility with which her daughter was using the words. Just a kid till yesterday, she suddenly had grown so intelligent and knowledgeable. There were no ways to contradict her or say anything otherwise. She only felt a big burden shifting away. A sigh of relief was all that she could breathe.

There was no turning back after that. Her friends argued. Why are you changing the stream? You are so good at science and even your fingers are too good at dissection. You dissect a frog as if it was a human being. So carefully do you open it up that not a drop of excess blood oozes out. The teachers would also ask her, what's wrong, Beta? Why do you want to shift? She would simply smile. The entire world is shifting sir, she would think but she never expressed it.

It was not tough for a bright student like her to get through the first degree examination in commerce stream. Though it took her some time to get familiar with the world of debits and credits, the balance sheets and profit and loss accounts, she wondered how easy it was to decide the profit and loss. Was life so simple?

Then came the big challenge. Her teachers said that she must appear for the Chartered Accountancy course. She knew that it was real tough to crack it. Whether truth or myth, everybody said that the pass percentage is usually very low. Students were required to work very hard, take tuitions at private coaching centres which charged huge amount as fees. Some people suggested that she should go to Delhi for coaching. The more people you meet, more pieces of advice you get. In India, one could get suggestions in abundance, all for free!

She went home and pondered. Whether it was faith in herself or it was the financial constraints of the family, she decided not to join any private coaching. And she started preparing on her own using the study material of the Institute.

Her father had been trying for a job after retirement. It was real tough. Industries were laying off one after the other. No new jobs were being created. Whatever jobs were available were on contract basis. That too on a trifle! He often talked of his friends who had to shift their children from expensive public schools to government schools. Thank God, her sister was already studying in Central School which was not so expensive and her too in a government college. What should she do now? Should she not take up the challenge? Should she not come to her father's help?

That thought changed the world for her. It showed her the path. The path to success—she had to tread with lots of hard work, devotion and dedication. Every time she felt bogged down, she remembered her pledge. Burning midnight oil became a routine for her. Nothing could divert her from her studies which now had become a mission.

"Can you guess what happened to that girl?" asked the Convener of the students' meet at the Branch.

"She must have got through", came the prompt response from the audience who had been listening to this long story told with great passion.

"No, not just passed but she has topped the list of successful candidates!" Let us all clap for her.

Even as the audience clapped, a frail looking girl climbed up the dais to receive her medal from the Chairman of the branch. Later, she would also receive a medal at the Annual General Meeting of the Institute.

When asked to say a few words, the proud father could only say, "She is not my daughter, she is my son!"

The entire auditorium resounded with the sound of clapping which went on until the two came down and reached their seats.

What is the moral of the story, asked the Chairman. A minute passed in silence. Then he himself said, "Winners are those who are capable of converting challenges into opportunities."

Strategic Control

Shaleen Suneja
The author is Sr. Assistant Director, ICAI. Email: ssuneja@icai.org

Strategic Control

"Strategic control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended."

– Schendel and Hofer

Strategies once formulated are not immediately implemented. There is time gap between the stages of strategy formulation and their implementation. Strategies are often affected on account of changes in internal and external environments of organisations. There is need for warning systems to track a strategy as it is being implemented. Strategic control is the process of evaluating strategy as it is formulated and implemented. It is directed towards identifying problems and changes in premises and making necessary adjustments.

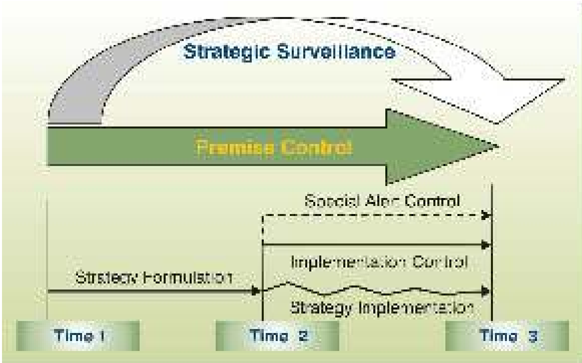
Type of Strategic Control: There are four types of strategic control as follows:

- Premise control: A strategy is formed on the basis of certain assumptions or premises about the complex and turbulent organizational environment. Over a period of time these premises may not remain valid. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. It primarily involves monitoring two types of factors:
  - (i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and regulatory.
  - (ii) Industry factors such as competitors, suppliers, substitutes.

  It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require different amount of control. Thus, managers are required to select those premises that are likely to change and would severely impact the functioning of the organization and its strategy.
- Strategic surveillance: Contrary to the premise control, the strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy. It involves casual environmental browsing. Reading financial and other newspapers, business magazines, meetings, conferences, discussions at clubs or parties and so on can help in strategic surveillance.

  Strategic surveillance may be loose form of strategic control, but is capable of uncovering information relevant to the strategy.
- Special alert control: At times unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy. Organizations to cope up with these eventualities, form crisis management teams to handle the situation.
- Implementation control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

  Strategic implementation control is not a replacement to operational control. Strategic implementation control, unlike operational controls continuously monitors the basic direction of the strategy. The two basis form of implementation control are:
  - (i) Monitoring strategic thrusts: Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
  - (ii) Milestone Reviews: All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.



These four strategic controls steer the organisation and its different sub-systems to the right track. They help the organisation to negotiate through the turbulent and complex environment.

Breach of Regulations 65 & 78 — Non-submission of Form 112

In partial modification of the guidelines as contained in the Announcement dated 14th September 2009, it is hereby notified for the information of all concerned that the Council, in its 291st meeting held on 16th and 17th December, 2009, has decided that delay in submission of Form 112 for having done additional/other course along with articleship through correspondence mode of study/private student (where there was no requirement of attending any classes at all)/early morning classes/evening classes (with no clash/overlapping between office and teaching hours) be condoned by taking a liberal view of the lapse on the part of the students concerned and membership be granted, as an amnesty measure for all such requests already received or to be received up to 31st March, 2010.

However, for additional/other course pursued during day time classes along with articleship, two or more courses at a time alongwith articleship and/or where there is overlapping between working and teaching hours, the Council decided that each such case will be individually considered by the Executive Committee in the light of its decision taken at its 486th meeting held on 21st August, 2009 and delay may be condoned and membership may be granted by imposing certain condition(s), as it may deem fit, to be fulfilled by the students concerned before enrollment as a member.

It is notified that wherever any statement made by a student or member is found to be false or varying with the facts discovered during the scrutiny process or later at any stage, the student and/or member concerned will be liable to be proceeded with in accordance with the Chartered Accountants Act, 1949 and Regulations/Rules framed thereunder.

It was further decided that the student/articled assistants who have not yet taken permission for pursuing a course of study – whether academic or professional — along with articleship are advised, in their own interest, to submit Form 112 (can be downloaded from www.icai.org) so as to reach the concerned regional office of the Institute at Mumbai, Chennai, Kolkata, Kanpur or New Delhi, as the case may be, on or before 31st March, 2010.

No request for condonation of breach of Regulations 65 & 78 for delay in submission of Form 112 will be considered effective from 1st April, 2010.

Joint Secretary (MSS)

5th January, 2010

Situation	Solution	Authority
One course at a time as a private/ mode/Correspondence student along with Articleship	Condone and grant membership from date of receipt of Form 2 or when compliance is made	DCO
One course at a time as a regular day time/ morning/evening student Articleship (with no overlapping of office and teaching hours)	Condone and grant membership from date of receipt of Form 2 or when compliance is made	DCO
One course at a time as a regular day time student along with Articleship (where overlapping between office and teaching hours is more than half an hour)	Condone and delay grant of membership by three months from date of decision in EC meeting	EC
Two courses at a time as a private/ distance mode/Correspondence student along with Articleship	Condone and delay grant of membership by three months from date of decision in EC meeting	EC
Two courses at a time as a (I) private/ distance mode/Correspondence student and (ii) regular day time student along with Articleship	Condone and delay grant of membership by three months from date of decision in EC meeting	EC

Note: 1) The above situations and solution will apply to all pending cases of Form 112 already received or to be received up to 31st March, 2010.

2) From 1st April 2010, all cases of delayed Form 112 will be dealt with in accordance with the decision of the 486th meeting of the Executive Committee held on 21st August, 2009.

Campus Placement Programme for Newly Qualified Chartered Accountants – February-March, 2010

The Committee for Members in Industry of the Institute organises Campus Placement Programme for newly qualified Chartered Accountants at various centres all over India. The scheme has been evolved to provide an opportunity both to employing organisations as well as the young professional aspirants to meet and explore the possibility of taking up positions in Industry.

Invitation to Candidates Qualified in CA Final Examinations

It has been decided to organise Campus Placement Programme at 17 centres, viz., Ahmedabad, Bangalore, Chandigarh, Chennai, Coimbatore, Ernakulam, Hyderabad, Indore, Jaipur, Kanpur, Kolkata, Ludhiana, Mumbai, Nagpur, New Delhi, Pune & Surat in February-March, 2010. As earlier, a large number of leading organisations are expected to participate.

The schedule of the Campus Placement Programme is as below:

Centre	Dates*
Bangalore, Chennai, Kolkata, Mumbai and New Delhi	4th, 5th, 6th, 8th, 9th, 10th March, 2010
Ahmedabad, Hyderabad, Jaipur and Pune	23rd, 25th, 26th March, 2010
Chandigarh, Coimbatore, Ernakulam, Indore, Kanpur, Ludhiana, Nagpur and Surat	23rd, 25th, 26th March, 2010

Please note that in cases where the candidates have qualified in November, 2009 final examination but their articleship and/or GMCS is pending as on 30th April, 2010, they shall be permitted to appear in the Campus Placement Programme to be held in August-September, 2010.

INVITATION TO EMPLOYERS

The Committee for Members in Industry of the Institute provides opportunity to the employers to interact with newly qualified Chartered Accountants and makes all arrangements at its centres, thereby providing a cost effective mode of recruiting newly qualified Chartered Accountants.

Organisations intending to recruit newly qualified Chartered Accountants through the above said scheme of Campus Placement Programme are requested to get in touch with Dr. T. Paramasivan, Secretary, Committee for Members in Industry, Indraprastha Marg, New Delhi - 110002, Tel. No. (011) 30110450/491 E-mail: placements@icai.org, secretarycmii@icai.in; Fax- +91(11) 30110583 (or) Mr. Ajeet Nath Tiwari, Placement Co-ordinator, at Tel +91(11) 30110450.

An organisation can also participate in one or more centres, as per its requirements. Firms of Chartered Accountants are also welcome to join. For further details please log on to www.cmii.icai.org .

Chairman
Committee for Members in Industry

Eligibility for appearing in Campus Placement Programme to be held in February-March, 2010

The candidates who fulfil the following criteria are eligible to appear in the Campus Placement Programme to be held in February-March, 2010:

Sr. No.	Criteria			
	Clearance of Final Examination of Chartered Accountancy Course	Completion of GMCS Course	Completion of Articledship	Submission of Application for ICAI Membership
1	Novemeber, 2009	30th April, 2010	30th April, 2010	15th May, 2010
2	June 2009	Between 1st November, 2009 and 30th April, 2010	Between 1st November, 2009 and 30th April,2010	

GYANDARSHAN TELECAST

The fifth series of live lectures of CA-CPT/PCC/IPCC on Gyandarshan channel will commence from February 2010.

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.

The schedule will be hosted on the Institute's website.

Chartered Accountants Examinations-May-2010 - (20-01-2010)

21st January, 2010

The next Professional Education – II, Professional Competence Course (PCE), Integrated Professional Competence Course (IPCE) and Final Examinations of the Institute will be held from 3rd May to 17th May, 2010 at the following centres : 1) Centres in India –Agra, Ahmedabad, Ahmednagar, Ajmer, Akola, Alappuzha, Aligarh, Allahabad, Alwar, Ambala, Amravati, Amritsar,Anand, Asansol, Aurangabad, Bangalore, Bareilly, Bathinda, Beawar, Belgaum, Bellary, Berhampore, Bharauch, Bhavnagar, Bhilwara, Bhopal, Bhubaneswar,Bhuj, Bikaner, Bilaspur, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi/New Delhi, Dhanbad, Durg, Ernakulam, Erode, Faridabad,Gandhidham, Ghaziabad, Goa, Gorakhpur, Guntur, Gurgaon, Guwahati, Gwalior, Hisar, Hubli, Hyderabad, Indore, Jabalpur, Jaipur, Jalandhar, Jalgaon, Jammu, Jamnagar, Jamshedpur, Jodhpur, Kanpur, Karnal, Kollam, Kolhapur, Kolkata, Kota, Kottayam, Kozhikode, Kumbakonam, Latur, Lucknow, Ludhiana, Madurai, Mangalore, Mathura, Meerut, Moradabad, Mumbai, Muzaffarnagar, Mysore, Nagpur,Nanded, Nashik,Nellore , Noida, Palghat, Panipat, , Pali- Marwar,Panvel, Patna, Patiala, Pimpri-Chinchwad, Pondicherry, Pune, Raipur,Rajamundry, Rajkot, Ranchi,Ratlam, Rewari , Rohtak, Rourkela, Saharanpur, Salem,Sambalpur, Sangli,Satara, Shimla,Sikar, Siliguri, Solapur, Sonepat, SriGanganagar ,Surat, Thane, Thiruvananthapuram, Thrissur, Tinsukia,Tiruchirapalli,Tirupati, Tirupur, Tuticorin, Udaipur, Udupi, Ujjain, Vadodara, Vapi, Varanasi, Vellore, Vijayawada, Visakhapatnam and Yamunanagar.

2) Overseas Centres :- Abu Dhabi (UAE) and Dubai (UAE) and at Kathmandu (Nepal) [ONLY FOR PE-II, PCE, IPCE AND FINAL EXAMINATIONS].

Applications for admission to Professional Education –II, Professional Competence Course (PCE) Integrated Professional Competence Course (IPCE) and Final Examinations are required to be made in the prescribed forms. The application forms are priced at Rs. 100/- per application form and will be available for sale from 5th February,2010. The candidates requiring forms by post may please send their requisition to the Additional Secretary (Examinations), The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi – 110002, along with a remittance of Rs. 100/- per application form by Demand Draft/ Indian Postal Order, drawn in favour of the "Secretary, The Institute of Chartered Accountants of India", payable at New Delhi giving clearly the address where the application form is required to be sent together with postal stamps worth Rs. 15/-. Alternatively the candidate may fill up the examination application form online at http://icaiexam.icai.org from 5th February,2010 to 5th March,2010 and remit the fee online by using credit card, either VISA or Master Card.

Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) examinations will be held from 11th May, 2010 and International Trade Laws and World Trade Organisation (ITL&WTO) Examination will also be held at the centres mentioned above (except Abu Dhabi, Dubai and Kathmandu) from 4th May,2010. For application forms for these examinations, please write to the Additional Secretary (Examinations), ICAI, New Delhi –110002 along with a postal order/Demand Draft for Rs. 100/- drawn in favour of the Secretary, ICAI, New Delhi or obtain the same against the cash payment from Regional and Branch offices of the Institute from 5th February,2010. The Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management Course (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) Examinations are open only to Members of the Institute.

The name of examination i.e. Professional Education – II, Professional Competence Course (PCE), Integrated Professional Competence Course (IPCE), Final, Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) examinations for which the form is required should specifically be mentioned in the requisition letter. The examination forms will be sent by ordinary post. No responsibility is taken for non/ late delivery of forms by post. The forms will also be available against cash payment for personal collection at the offices of the Institute at New Delhi and its Regional and Branch Offices from 5th February,2010. Details of date schedule of examinations will be found printed in the relevant application forms.

The Examinations will be held in ONE SESSION ONLY between 02.00 P.M. to 05.00 P.M. (IST) in respect of Professional Education – II, Professional Competence Course (PCE), Integrated Professional Competence Course (IPCE), Final, International Trade Laws and World Trade Organisation (ITL&WTO), Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I)and Insurance and Risk Management (IRM) Examinations. Details of Examination timing/session, dates of examinations, venue and sequence of papers pertaining to each examination will be found printed on the Admit Card. There will be no change in the examination schedule in the event of any day of the examination being declared a Public Holiday by the Central Government or any State Government.

The last dates for receipt of application forms are 26th February,2010 (without late fee) and 5th March, 2010 (with late fee of Rs. 500/-).

Candidates of the Professional Education–II, Professional Competence Course (PCE), Integrated Professional Competence Course (IPCE) and Final Examinations will be allowed to opt for Hindi medium for answering questions. Further details will be available in the information sheets attached to relevant application forms.

(G. Somasekhar)
Additional Secretary(Exams)

Common Proficiency Test-June-2010 - (20-01-2010)

21st January, 2010

The next Common Proficiency Test (CPT) (Paper-Pencil Mode) of the Institute will be held on 20th June,2010 at the following centres : 1) Centres in India - Agra, Ahmedabad, Ahmednagar, Ajmer, Akola, Alappuzha, Aligarh, Allahabad, Alwar, Ambala, Amravati, Amritsar, Anand, Asansol, Aurangabad, Bangalore, Bareilly, Bathinda, Beawar, Belgaum, Bellary, Berhampore, Bharauch, Bhavnagar, Bhilwara, Bhopal, Bhubaneswar, Bhuj, Bilaspur, Bikaner, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi/New Delhi, Dhanbad, Dundlod, Durg, Ernakulam, Erode, Faridabad, Gandhidham,Ghaziabad, Goa, Gorakhpur, Guntur, Gurgaon, Guwahati, Gwalior, Hisar, Hubli, Hyderabad, Indore, Jabalpur, Jaipur, Jalandhar, Jalgaon, Jammu, Jamnagar, Jamshedpur, Jodhpur, Kanpur, Karnal, Kolhapur, Kolkata, Kollam, Kota, Kottayam, Kozhikode, Kumbakonam, Latur, Lucknow, Ludhiana, Madurai, Mangalore, Mathura, Meerut, Moradabad, Mumbai, Muzaffarnagar, Mysore, Nagpur, Nanded, Nashik,Nellore, Noida, Palghat, Pali Marwar, Panipat, Panvel, Patiala, Patna, Pimpri-Chinchwad, Pondicherry, Pune, Raipur, Rajamundhry,Rajkot, Ranchi,Ratlam,Rewari, Rohtak, Rourkela, Saharanpur, Salem, Sambalpur, Sangli, Satara, Shimla,Sikar, Siliguri, Solapur, Sonepat, Sriganganagar, Surat, Thane, Thiruvananthapuram, Thrissur, Tinsukia, Tiruchirapalli,Tirupati, Tirupur, Tuticorin, Udaipur, Udupi, Ujjain, Vadodara, Vapi, Varanasi, Vellore, Vijayawada, Visakhapatnam and Yamunanagar.

2) Overseas Centres – Abu Dhabi, Dubai, Bahrain, Doha and Kathmandu (Nepal).

Applications for admission to Common Proficiency Test (Paper-Pencil Mode) is required to be made on the relevant prescribed form as contained in the Information Brochure, which may be obtained from the Additional Secretary (Examinations), The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi – 110 002 on payment of Rs. 600/-(Rs.500/- towards examination fee and Rs. 100/- towards cost of application form and Information brochure) per application form. The fee for candidates opting for Abu Dhabi, Dubai , Doha and Bahrain centres will be US $160 (US $ 150 towards examination fee and US $ 10 towards cost of application form and information brochure) or its equivalent Indian Currency. The fee for the candidates opting for Kathmandu (Nepal) centre are required to remit INR.950/-(INR 850/- towards examination fee and INR 100/- towards the cost of application form and information brochure) or its equivalent foreign Currency. Since the cost of Information brochure containing Common Proficiency Test application form includes the examination fee , no separate fee is required to be remitted at the time of submitting the filled in application form. The Information brochure containing Common Proficiency Test application form will also be available in the Regional and Branch Offices of the Institute and can be obtained there from on cash payment on or from 6th April,2010 to 27th April,2010 .

Common Proficiency Test application forms duly filled in may be sent so as to reach the Additional Secretary (Examinations) at New Delhi not later than 27th April,2010. Applications received after 27th April,2010 shall not be entertained under any circumstances. Applications duly filled in will be received by hand delivery at the offices of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Ahmedabad, Bangalore, Hyderabad, Jaipur and Pune upto 27th April,2010. Candidates residing in these cities are advised to take advantage of this facility. It may be noted that there is no provision for acceptance of application forms after 27th April,2010 with late fee.

Alternatively the candidate may fill up the examination application form online at http://icaiexam.icai.org from 6th April,2010 (10:00 hrs) to 27th April,2010 (17:30hrs) and remit the fee online by using credit card, either VISA or Master Card.

Candidates will be allowed to opt for Hindi question paper booklets for the said CPT(Paper-Pencil Mode). Further details will be available in the Information Brochure containing the application form.

Common Proficiency Test (Paper-Pencil Mode) is open only to those students who are already registered with the Institute of Chartered Accountants of India for the said course on or before 1st April,2010 and fulfill the requisite eligibility conditions.

(G. Somasekhar)
Additional Secretary (Exams)

CROSSWORD

January-2010 solution

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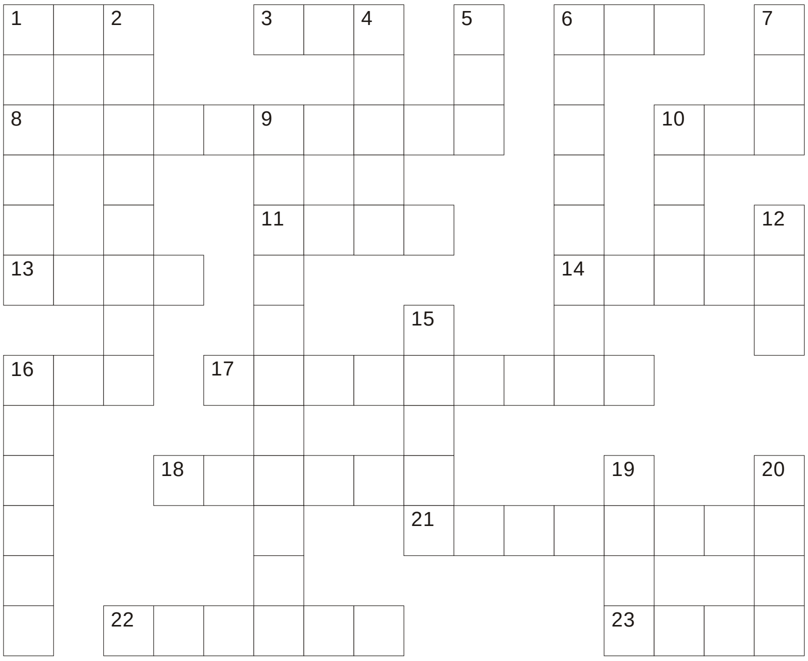
RNI No. 66180/97

REGISTERED: DL- (C)-01/1280/09-11
LICENSED TO POST WITHOUT PREPAYMENT U(C)-208/2009-2011
Posted at N.D.P.S.O. on 26th, 27th and 28th JANUARY, 2009

CROSSWORD



Down

1. For calculation of basic _______, the number of equity shares should be the weighted average number of equity shares outstanding during the period
3. Profits generated by any economic entity over its cost of capital employed
6. Taxable entity
8. Avoidance of tax by unfair means
10. Tax not applicable from this year
11. ------ series forecasting is the use of a model to forecast future events based on known past events
13. Form of meditation
14. Number of copies of invoice to be prepared under Rule 11 of Central Excise Rules, 2002
16. Statutory title of qualified accountants in the United States
17. In case of an individual, service tax is payable on __________ basis
18. Section 26A of the Customs Act, 1962, inserted by the Finance (No. 2) Act, 2009, provides for the refund of _________duty
21. ------ draft of new/revised accounting standards is issued by ICAI for public comments before finalising the accounting standard
22. Excise duty is charged on the basis of the ___________ of the cigarettes
23. Non-cash salary (in short)

Across

1. A company is a legal ....
2. Strategic quality improvement programme
4. A self-evident statement or principle
5. Computer-based system to improve the transparency in the functioning of the Income-tax Department (introduced by the Finance (No.2) Act, 2009)
6. The application for refund of customs duty can be made within one year from the date of payment of duty in case of a ____________
7. Bottom-line figure
9. Duty imposed to curb the practice of selling excess production of other countries in India at a very low price
10. The eligible turnover limit for general SSI exemption is Rs. ________ hundred lakh
12. Goods manufactured here are not chargeable to excise duty under section 3 of the Central Excise Act, 1944
15. Excise duty chargeable on opium is a __________ levy
16. Indian credit rating agency
19. Benefit earlier taxable in the hands of the employer, but now taxable in the hands of the employee
20. Computer Nerd

If undelivered, please return to:
The Institute of Chartered Accountants of India,
ICAI Bhawan, Indraprastha Marg,
New Delhi -110 104.