



The Chartered Accountant Student

Price ₹ 50

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

Your Monthly Guide to the CA News, Information & Events

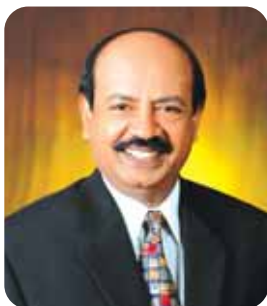
STUDENTS' JOURNAL

April 2011 Vol SJ2 Issue 4

Pages 36

BUDGET 2011





President's Communication

Dear Students,

At the outset, I like to convey my heartiest congratulations to our Hon'ble Finance Minister Mr. Pranab Mukherjee for

rationalizing and reforming Tax Laws through Union Budget for the financial year 2011-12. It is a well balanced budget and the fact that no duties were raised is a brave step. The implications of this budget will boost the morale of Indian Economy to an inclusive growth.

WORK HARD TO DELIVER YOUR BEST

I wish to extend my best wishes to all the students for their respective May 2011 examinations. This is a very important phase of your life so get engrossed with your studies and develop an integrated approach to resolve the practical problems. You need to work on your strengths and work upon your weaknesses. Self-study and Self-confidence are master keys to unfold the doors of success in any sort of examination. I hope that you might have started doing revision of your respective courses. Be Regular, Systematic, Methodical and Resolute towards your set objectives. Do not develop the habit of procrastination, it can dwindle your professional growth.

KNOWLEDGE PORTAL

I would like to accolade the solemn efforts of Board of Studies in enabling you to satiate your longing for the knowledge. **The Knowledge Portal of Board of Studies** is really a very effectual medium for you to prepare for the forthcoming examinations. I exhort all of you to derive optimum benefit from it. Now, you can have a user friendly access to all sorts of Study Material like as Revision Test Papers, Suggested Answers, Compilation of Suggested Answers, Supplementary Study Material, Model/ Mock Test Papers, Select Cases etc. I strongly believe that Information Technology can be used for making learning process meaningful and interactive. Knowledge is infinite and can be attained by various sources.

SHARPEN YOUR SKILLS

I feel glad to observe that the youngsters of our profession are imbibed with all the professional qualities that a CA professional should possess. At the global level, the graph of expectations is scaling new heights. We can live up to these expectations and deliver our best, only when we are backed up with high level of competencies and skills. At our institute, we always strive hard to offer our students salubrious learning ambience so that they can be given plentiful opportunities to groom their personality. We have already taken a policy decision to organize GMCS course into two parts by making it more practical-oriented with an impetus on technical aspects of the Chartered Accountancy Course.

e-DIARY SYSTEM FOR ARTICLES

Our Institute is fully determined to provide you best possible professional education and training programmes. I personally like to streamline Articleship Training in order to make it more relevant and purposeful. We have decided in principle to introduce **e-Diary** system for Article Assistants in a phased manner so that training undergone by them could be monitored. It will be helpful for our Institute for monitoring the training and reining dummy training practices, if any. We are all set to launch Students Registration Centres across the nation through the offices of Chartered Accountants. We are also planning to set up more Study Centres by providing infrastructure to all our Branches. To popularize, our CA Course we are planning to organize Career Counseling Programmes through our Career Counseling Cell. We have begun the process of entering MoUs' with leading Institutes and universities for your graduation and post graduation courses. We are also coming up with Certified Placement Centres to facilitate our students to explore and widen their Job search. I am pretty sure that we will be able to attain all our set objectives in a comprehensive manner.

With best wishes

Yours sincerely,

CA. G. Ramaswamy,
President, ICAI, New Delhi

"Don't live down to expectations. Go out there and do something remarkable."



Vice-President's Communication

Dear Students,

The Union Budget for the financial year 2011-12 was recently presented in the Parliament. The budget should prove to be beneficial to cross sections of people including farmers and senior citizens. Our country is on path of high economic growth. The GDP increased by 8.2 per cent as compared to 7.3 per cent last year. The overall economic growth rate is expected to be at nine per cent during 2011-12. Being the generation next of our profession, you are expected to understand the rudiments of this budget. I do hope that you will live up to the expectations and will leave no stone unturned to enrich your knowledge domain.

I convey my best wishes to all the students who are appearing for May, 2010 CA Examinations. You must have completed your examination preparations and at present be busy in providing final touches to your preparation. I advise you to **set a mission statement for your career goal** as I personally feel that your mission statement will serve as a stepping stone to tackle the ensuing examinations with a success. I know that stress level before and during the examination is always on high side but time management can help you to lower stress and achieve success.

The key focus of CA Examination is to test theoretical and practical traits of the students. Hence, articleship training provides an ample scope to our students to comprehend theoretical nuances. Similarly, dealing with the live cases enables you to delve deep into ocean of learning and clinch the pearls of knowledge. The Board of Studies is very prompt in facilitating our students with latest information and resources for learning.

For the Final Course students, BoS has recently hosted select cases in Direct and Indirect Tax Laws (2010) on **BoS Knowledge Portal** on the website of our Institute. I think that a close study of summary of important judicial decisions is very helpful for our students to understand the significant issues ingrained in the application of the provisions of Direct and Indirect Tax Laws. Further, it may help them to develop knowledge and expertise in legal interpretation of the same.

I firmly believe that the students cannot improve their knowledge from textbooks alone; they must equip themselves with the latest information and knowledge. So **let's embark upon a journey of knowledge and explore your potentials in right direction.** Remember that keeping things in right perspective will allow you to move in the right direction.

Recently held, pilot Campus Placement Programme for the Articled Assistants received overwhelming response from the student fraternity and CA firms. After receiving positive feedback, the Board of Studies is assiduously engaged in organizing a special Campus Placement Programme for the selection of Articled Assistants in the month of April. This programme would provide unique opportunity to our Articled Assistants to interact with CA firms. This initiative is an addition to our IT enabled **Online Placement Service** which is already functioning successfully and helping a large number of CA Firms and students across the country. In this context, I advise you to go through the detailed guidelines at **<http://bosapp.icaai.org>**.

Best wishes for all your future endeavours.

Yours sincerely,

CA Jaydeep Narendra Shah,
Vice President, ICAI, New Delhi



Chairman's Communication

My Dear Students,

It gives me immense pleasure to write and interact with you in my capacity as **Chairman of Board of Studies**. This Journal is for your benefit and through this channel of communication, we hope to assist you by keeping you abreast of the latest

developments, to keep track of important dates, deadlines etc. We look to you as the future of the Chartered Accountancy profession – as the future flag bearers of the high standards that our Institute and Profession are known for.

POINT TO PONDER : ATTITUDE DECIDES YOUR ALTITUDE

My dear Future Chartered Accountants, please develop positive attitude, self esteem, pro-active thinking and result oriented approach. First develop a belief in yourself. If an egg is broken by an outside force, a life ends; if an egg breaks from within – A life begins. Great things always begin from within. To understand the issues better do them yourself, now itself, avoiding procrastination. The secret of getting ahead is "Getting started". Our greatest glory is not in never falling but in rising up everytime when we fall. A Chinese proverb says - **"I hear and I forget; I see and I remember; I do and I understand."** Ben Herbeste opined **"The greatest waste in the world is the difference between what we are and what we could become."** What matters most is how you see yourself. Every moment, every situation, every issue and every concern has a positive side. Find it and bring it to life. Be thankful for what you have. Be creative. Be innovative. Think differently and positively. When life gives you 100 reasons to cry, show life that you have 1000 reasons to smile. The most beautiful thing is to see a person smiling and even more beautiful is knowing that you are the reason behind it.

A RESOLUTION FOR THE NEW FINANCIAL YEAR

Fear less, hope more; whine less, breathe more; talk less, say more; hate less, love more and all good things are yours. Helen Keller said **"One can never creep, when one feels the impulse to soar."** We must soar for there lies hope and prosperity for all of us. After all **"Yesterday is History, Tomorrow is a mystery and Today is God's gift. That's why it is called the Present."** Albert Einstein has given 3 rules of work – **"Out of clutter, find simplicity; from discord, find harmony; in the middle of difficulty, lies opportunity."** Learn to listen, opportunity could be knocking on your door very softly.

IGNITED MINDS

Our Former President of India, Dr.A.P.J. Abdul Kalam in his book **"Ignited Minds"** has beautifully outlined the importance of endeavour and I quote **"If something is at stake, the human mind gets ignited and working capacity gets enhanced manifold. Challenges throw up opportunities. Once you select a task, you should get immersed in it. With effort and perseverance you will Succeed"**. These words should be ingrained in your minds. You should put in your best efforts, aim for the top, infuse yourself with enthusiasm, with fire in your belly and the burning need to achieve excellence and you are bound to succeed.

FOR STUDENTS WHO HAVE NOT BEEN FORTUNATE TO CLEAR THE EXAMINATIONS – FURTHER TIPS

Dear friends, please remember: An arrow can be shot only by pulling it backward. So whenever life pulls us back, don't worry. It is going to lead us forward to victory. **Success is the time to redefine your goals; Failure is the time to redefine your methods.** Comparison is the best way to judge your progress, but don't compare with others. Just compare your Yesterday with your Today. River cuts the rock, not because

of its power, but due to its consistency. Never lose your hope and keep working towards your target. Face every challenge confidently thinking: **"If I can't who can" but after winning be humble enough to say "If I can who can't."** We should imbibe the quality of the mirror which never loses its ability to reflect despite it being crushed and broken into pieces. Our ability to reflect our talent should not be blunted by the failures we may face in Life. We can't laugh again and again on the same joke. Then why do we cry again and again over the same problem and pain? Think it over and be happy always. Face the past without regret, handle your present with confidence and prepare for the future without fear. Keep the faith and drop the fear.

ALL THE BEST

You must be in the revision phase of your exam study. I wish each and every one of you **'All the Very Best'** in your forthcoming CA exams. Success is but a doorstep away. Focus on the important points whilst writing your exams. Write calmly and legibly. Have faith in your dedicated and intense study. The knowledge is there in your mind. Don't get perturbed and get panicked if you feel that you don't know the answer to a question. First always fire on all cylinders – write answers to the questions you know and then get back to the problematic ones. **'Steely Resolve, a hardy heart and committed mind'** these are the watchwords you must believe in.

NEED TO DEVELOP A HUMANE APPROACH

If our education has to be holistic, it has to be both intellectual based and value based. Intellectual based education influences the head whereas value based education influences the heart. When the head and the heart go together, we need not worry about our feet, they will go in the right direction. No doubt you should develop a passion towards your studies and professional career. Along with **'passion'** you should develop **'compassion'** as well. Alexander Graham Bell, the man who invented the telephone could never make a call to his wife and daughter because both were deaf. That is life. Life is more than just living for ourselves and we should live for others as well.

"We make a living by what we get, but we make a life by what we give" so please give whatever you can and make life meaningful. Please develop the art of forgiving even those who have hurt us. As long as we don't forgive people who have hurt us, they occupy rent free space in our mind. The Best Cosmetics for Life are: **"Truth for Lips; pity for Eyes; charity for Hands; Smile for Face; Empathy for Heart and Prayer for Soul."** Apply them well and make life beautiful and charming.

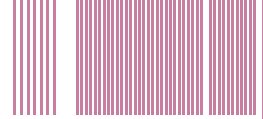
WRAP UP POINT

My energetic students, have you ever considered that God has fallen in love with you? He sends you flowers every spring. He sends you sunshine every morning. He listens to you whenever you talk. He chooses your heart though He can live anywhere in the universe. God did not promise days without pain, laughter without sorrow, sun without rain. But He did promise strength for the day, comfort for the tears and light for the way. "Believe where others doubt; work where others refuse; save where others waste; stay where others quit; you will win where others lose." Dreams give rise to hopes; Hopes inspires efforts; Efforts result in success, so dreams are the root of success. May you be blessed with success in all that you do. **Life is Chemistry; just dilute your sorrows; evaporate your worries; filter your mistakes; boil your ego; you will surely get clear crystals of happiness.**

Wishing each and every one of you a Life filled with academic fulfillment, prosperity, a wonderful career and bliss at home.

With Warm Professional Regards,
Forever, yours in service,

(CA. V. Murali)
Chairman, Board of Studies



President and Editor-in-Chief
CA. G. Ramaswamy, Coimbatore

Vice- President
CA. Jaydeep N. Shah, Nagpur

Chairman and Editor
CA. V. Murali, Chennai

Vice-Chairman
CA. Naveen N.D. Gupta, New Delhi

Members
CA. Abhijit Bandyopadhyay, Kolkata
CA. Amarjit Chopra, New Delhi
CA. Anuj Goyal, Ghaziabad
CA. J. Venkateswarlu, Hyderabad
CA. Madhukar N. Hiregange, Bangalore
CA. Pankaj I. Jain, Mumbai
CA. Rajkumar S. Adukia, Mumbai
CA. Ravindra Holani, Gwalior
CA. Sanjeev K. Maheshwari, Mumbai
CA. Vinod Jain, New Delhi
Shri Anil K. Agarwal, New Delhi
Shri Deepak Narain, New Delhi
Shri Prithvi Haldea, New Delhi
Shri Sidharth K. Birla, New Delhi
Dr. T.V. Somanathan, New Delhi

Director – Board of Studies
Shri Vijay Kapur

Editorial Support
Prem Bhutani, Deputy Director
K. Sudhakaran, Sr. Education Officer

Office
Board of Studies
The Institute of Chartered Accountants of India,
ICAI Bhawan, A-29, Sector-62,
Noida-201 309.
Phone : 0120-3045938

Correspondents with regard to subscription,
advertising and writing articles
Email : writesj@icai.org

Non-receipt of Students' Journal
Email : nosj@icai.org

Head Office
The Institute of Chartered Accountants of
India, ICAI Bhawan, Indraprastha Marg,
New Delhi - 110 104.

http://www.icai.org

Inside

April

- 2 Message - President
- 3 Message - Vice President
- 4 Message - Chairman, Board of Studies
- 6 Highlights of Economic Survey : 2010-2011
- 7 Direct Tax Proposals in the Union Budget 2011-12 : An Overview
- 12 Revamped Penalty Provisions for Non-Payment of Tax in Indirect Taxes in Budget 2011-12
- 15 Communication in the Internet Era for CA Students
- 16 Academic Updates
- 21 Examination
- 32 Announcement

Annual Subscription Rates:
CA Students : ₹ 200
Members & Others : ₹ 500
Overseas : US \$ 100

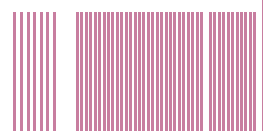
Total Circulation:
1,78,300

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

Editor: CA. V. Murali
Printed and published by Shri Vijay Kapur, on behalf of The Institute of Chartered Accountants of India, New Delhi. Published at the Institute's Office at Indraprastha Marg, New Delhi and printed at International Print-O-Pac Ltd., B-204, 205, Okhla Industrial Area, Phase-1, New Delhi. Cover Design : Sterling Preferred Printing, Dehradun.

The views and opinions expressed or implied in THE CHARTERED ACCOUNTANT STUDENT are those of the authors and do not necessarily reflect those of ICAI. Unsolicited articles and transparencies are sent at the owner's risk and the publisher accepts no liability for loss or damage. Material in this publication may not be reproduced, whether in part or in whole, without the consent of ICAI.

DISCLAIMER: The ICAI is not in any way responsible for the result of any action taken on the basis of the advertisement published in the Journal.



Highlights of Economic Survey : 2010-2011

Economic Survey is a report card of the economy showing performance during the current fiscal year as well as Government policies in the year ahead. It projects the overall economic conditions. Every year, Finance Minister submits this survey report to the parliament prior to the presentation of budget.

- The rate of economic growth has been 8.6% in 2010-11 and is expected to be around 9% in the next fiscal year.
- Agriculture sector grew at 4.7% in 2007-08, 1.6% in 2008-09 and at 0.4% in 2009-10. The survey points out that the agriculture sector growth in the first four year of the XI plan is 2.87% per annum as against the target of 4 % per annum. Due to relatively good monsoon during 2010-11(advance estimates), the agricultural sector is expected to grow by around 5.4%.
- In case of industry, the growth rate was 8.6% during 2010-11. The manufacturing sector registered a growth rate of 9.1% in 2010-11 compared to 8.9% growth in 2009-10. The six core industries registered a growth of 5.3% (Provisional) in April-December 2010 as against 4.7% during the corresponding period of the previous year.
- The services sector has played a dominant role in the Indian economy with a 55.2% share in GDP at factor cost in 2009-10. In 2009-10, services growth was 10.1% and in 2010-11 (based on Advanced Estimates) it was 9.6%. The survey report highlighted the increasing role of infrastructure services which have been deepening rapidly with rising investments. The telecommunication sector has done exceedingly well both in the rural (30.18%) and urban areas (143.95%).
- Savings and investment rates for 2009-10 are estimated at 33.7 % and 36.5% respectively.
- The annual average WPI for all commodities was 9.4%. The annual average inflation rate-base on WPI was 18% for primary articles.
- The gross fiscal deficit is 4.8% of GDP in 2010-11 as against 6.3% of GDP in 2009-10. The revenue deficit in the current financial year has been 3.5% of GDP as against 5.1% in the previous year. The primary deficit in the current financial year has been 1.7% of GDP as against 3.1% in the previous year.
- The foreign exchange reserves increased by US \$18.2 billion from US \$ 279.6 billion in April

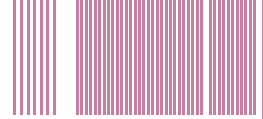
2010 to US \$ 297.3 billion in December 2010.

- Portfolio investment witnessed net inflows of 32.4 billion including Foreign Institutional Investment net inflow of 29 billion in 2009-10.
- The Economic Survey points out that export in April-December 2010 went up by 29.5% while the imports during the same period registered a growth rate of 19%.
- The trade deficit (Customs basis) increased by 2.4% to US \$ 82 billion in 2010-11(April-December) from US \$ 80.1 billion in the corresponding period of the previous year. Balance of payment situation has improved due to rush in capital flows and rise in foreign exchange reserves which have been accompanied by rupee appreciation.
- World Trade reached USD 7.03 trillion in first half of 2010 with a growth rate of 24%.
- India's share in world merchandise export has reached 1.4% in January –June 2010 as compared to 1.3% in 2009.
- To accelerate the development of power sector, reform in three direction are proposed i.e. strengthening regulation, improving distribution and opening bulk supply to competition and revising tariffs to more economic levels.
- As per HDR 2010, published by United Nations Development Programme (UNDP), the human development index for India was 0.519 in 2010 placing it at an overall rank of 119 out of 169 countries in comparison to a rank of 134 out of 182 countries as reported in HDR 2009.
- The central government outlay on social services and rural development has consistently increased from 13.75% in 2005-06 to 19.27% in 2010-11. The areas such as rural development, education, labour employment have received the maximum outlay.

Summing up

Recovering from the global slowdown, the Indian Economy is geared up to achieve the GDP growth rate of 9 percent for 2011-12 on the basis of positive momentum in savings, investment rate and increasing investment in infrastructure. However, there is a towering task in front of the Government to overcome from the crisis of elevated inflation rate on account of higher food, crude oil prices and poor implementation of the policy measures.

(Compiled by S.Manikandan, BoS)



Direct Tax Proposals in the Union Budget 2011-12 : An Overview

With the Direct Taxes Code set to roll in with effect from 1.4.2012, the direct tax proposals in the Union Budget 2011-12 weigh significantly lighter in comparison to the extensive amendments proposed every year and are limited to only the initiatives that require urgent attention. However, the Budget does propose certain tax reforms aimed at simplification of procedures/returns and encouraging voluntary compliance. Some reform measures proposed are the introduction of a simplified income-tax return form “Sugam” for reducing the compliance burden of small taxpayers who fall under the presumptive tax net and exemption to salaried persons from the requirement of filing return of income. The ensuing paragraphs give a broad overview of the proposals on the direct taxes front relating to international taxation, business taxation, personal taxation and other proposals on substantive and procedural law.

I International Taxation

1. Introduction of specific anti-avoidance measures

The objective of the proposed introduction of anti-avoidance measures is to discourage assessee from entering into transactions with persons located in countries or territories which do not have effective information exchange mechanism with India. The following are the anti-avoidance proposals in the Finance Bill, 2011 -

- (i) The Central Government to be empowered to notify such countries or territories outside India as a NJA (Notified Jurisdictional Area).
- (ii) A transaction where one of the parties thereto is a person located in a NJA would be deemed to be an international transaction and all parties to the transaction to be deemed as associated enterprises, and accordingly, the provisions of transfer pricing to be attracted in case of such a transaction.
- (iii) Payments made to any financial institution located in NJAs not to be allowed as deduction unless the assessee authorizes the Board or any other income-tax authority

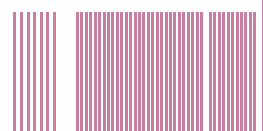
acting on its behalf to seek relevant information from the financial institution.

- (iv) No deduction in respect of any other expenditure or allowance, including depreciation, arising from the transaction with a person located in a NJA to be allowed unless the assessee maintains the relevant documents and furnishes the prescribed information.
- (v) Any sum received from a person located in a NJA to be deemed to be the income of the recipient-assessee if he does not explain satisfactorily the source of such money in the hands of such person or in the hands of the beneficial owner.
- (vi) The rate of TDS in respect of any payment made to a person located in the NJA will be the higher of the following rates –
 - (1) rates specified in the relevant provision of the Income-tax Act, 1961; or
 - (2) rate or rates in force; or
 - (3) 30%.

2. Powers for facilitating collection of information on requests from tax authorities outside India

Under section 131(1), certain income-tax authorities have the same powers as are vested in a court under the Code of Civil Procedure, 1908, while trying a suit in respect of discovery and inspection, enforcing the attendance of any person and examining him on oath, compelling the production of books of account and other documents and issuing commissions. Further, section 131(3) confers power to impound and retain in their custody, books of account or other documents produced in any proceeding under the Act.

For facilitating quick collection of information on request from tax authorities outside India, notified income-tax authorities to now have powers under section 131(1) for making an inquiry or investigation in respect of any person or class of persons relating to an agreement for exchange of information under section 90 or 90A, even if no proceeding is



pending before it or any other income-tax authority with respect to the concerned person or class of persons. Such notified authorities to also have the powers under section 131(3).

3. Broadening the scope of powers of Transfer Pricing Officer (TPO)

The powers of the TPO under section 92CA are proposed to be extended to empower him to -

- (i) determine the arm's length price of other international transactions, identified subsequently in course of proceedings before him. So far, his powers are restricted to determining the ALP of an international transactions referred to him by the Assessing Officer.
- (ii) conduct a survey by exercising the powers conferred upon an income-tax authority under section 133A.

4. Streamlining the transfer pricing provisions

- (i) The due date for filing of a transfer pricing report in Form 3CEB and filing of return of income of corporate assessee who have undertaken international transactions is proposed to be extended from 30th September to 30th November of the assessment year, on account of the practical difficulties in accessing contemporary comparable data before 30th September. It may be noted that the "specified date" for filing tax audit report under section 44AB in such cases requires to be correspondingly extended.

The extension of due date for filing of return would, however, not be available to non-corporate assessee who have undertaken international transactions.

- (ii) Section 92C requires application of the most appropriate method for determination of ALP. Where more than one price is determined by the most appropriate method, the arm's length price shall be the arithmetical mean of such prices. However, if the arm's length price so determined is within 5% of the transfer price, then no adjustment is required to be made and the transfer price would be deemed to be the arm's length price of the international transaction.

The permissible variation at a standard rate of 5% for all segments of business

activity and range of international transactions is proposed to be substituted by such percentage notified by the Central Government in this behalf. The Central Government may therefore prescribe the rate of permissible variation for different segments of business activity and class of international transactions.

5. Concessional rate of tax on dividends received by Indian companies from specified foreign companies

Dividends received by Indian companies from specified foreign companies to be subject to a concessional rate of 15% as against the existing rate of 30%. This rate of 15% would be applied on gross dividend, in the sense, that no expenditure would be allowable in respect of such dividend. However, this concessional rate would not be applicable in respect of dividend received from a foreign company in which the holding of the Indian company is less than 26% of the nominal value of the equity share capital.

6. Non-residents to report activities of their liaison offices

At present, a non-resident having a liaison office in India is not required to file a return of income on the ground that no business activity is allowed to be carried out in India. With effect from 1.6.2011, such a non-resident would be required to file a statement in the prescribed form to the Assessing Officer having jurisdiction, within 60 days from the end of the financial year, providing the details in respect of activities carried out by the liaison office in India during the financial year.

II Business Taxation

1. Levy of Alternate Minimum Tax on LLPs

LLPs to be subject to Alternate Minimum Tax @ 18.5%. Though the concept of Alternate Minimum Tax (AMT) is similar to MAT in case of corporates, however, the tax base in the case of LLPs would be the adjusted total income computed as per the Income-tax Act, 1961 and not the book profit computed after making the specified adjustments to the profit as per the profit and loss account prepared in accordance with Schedule VI to the Companies Act, 1956.

Where the regular income-tax payable by an LLP for a previous year computed as per the

provisions of the Income-tax Act, 1961 (other than Chapter XII-BA) is less than the AMT payable for such previous year, the adjusted total income shall be deemed to be the total income of the LLP and it shall be liable to pay income-tax on the adjusted total income @ 18.5%

“Adjusted total income” would mean the total income before giving effect to Chapter XII-BA as increased by the deductions claimed under –

- (i) any section included in Chapter VI-A under the heading “C – Deductions in respect of certain incomes”; and
- (ii) section 10AA.

AMT paid in excess of income-tax payable under the normal provisions of the Income-tax Act, 1961 would be eligible for credit to be set-off against income-tax payable in the later year to the extent of excess of tax payable under the regular provisions over the AMT payable in that year. AMT credit can be carried forward for set-off upto a maximum period of 10 assessment years succeeding the assessment year in which the credit becomes allowable.

2. Reduction in corporate surcharge & consequent increase in rate of MAT

Surcharge to be reduced from 7.5% to 5% for domestic companies and 2.5% to 2% for foreign companies having a total income exceeding one crore rupees. On the other hand, MAT is proposed to be increased from 18% to 18.5% of book profit to offset the proposed reduction in surcharge and maintain the effective rate of MAT.

3. Widening the scope of investment-linked tax deduction

Investment-linked tax deduction under section 35AD to be extended to two new businesses (i.e., specified businesses) –

- (i) developing and building a housing project under a notified scheme for affordable housing; and
- (ii) production of fertilizer in India.

The date of commencement of such business should be on or after 1.4.2011.

4. Increase in weighted deduction for contribution made for approved scientific research programme

The weighted deduction under section 35(2AA) in respect of any sum paid to a

National Laboratory or a university or an IIT or a specified person for the purpose of an approved scientific research programme is proposed to be increased from 175% to 200% w.e.f. A.Y.2012-13.

5. Sunset for MAT exemption for SEZ developers and units and for dividend distribution tax (DDT) exemption for SEZ developers

SEZ developers were entitled to exemption from applicability of MAT and DDT. SEZ units were entitled to exemption from applicability of MAT. A sunset clause is now proposed to be introduced to remove MAT exemption w.e.f. A.Y.2012-13 and DDT exemption w.e.f. 1st June, 2011.

6. Employer's contribution to the account of the employee under a Pension Scheme referred to in section 80CCD to be deductible as a business expenditure

The employer's contribution to the account of an employee under a Pension Scheme as referred to in section 80CCD is proposed to be allowed as deduction under section 36(1). However, the deduction would be restricted to 10% of salary of the employee.

Further, such contribution by the employer to the pension scheme, allowable as deduction under section 80CCD(2) in the hands of the employee, would now be outside the overall limit of ₹1 lakh stipulated under section 80CCE.

7. Extension of terminal dates for commencement of business by power sector undertakings for availing tax holiday

The terminal dates for commencement of business by an undertaking engaged in generation and distribution of power, transmission or distribution by laying a network of new transmission or distribution lines, substantial renovation and modernization of existing network of transmission or distribution lines to be extended from 31.3.2011 to 31.3.2012, for the purpose of availing benefit of deduction of profits and gains under section 80-IA.

8. Sunset clause for tax holiday in respect of certain undertakings engaged in commercial production of mineral oil

An undertaking which is located in any part of India and engaged in commercial

production of mineral oil is eligible for deduction under section 80-IB(9), if it has begun commercial production on or after 1.4.1997. So far, no sunset clause has been provided for such business.

However, it is now proposed to provide that the above deduction for commercial production of mineral oil will not be available for blocks licensed under a contract awarded after 31.3.2011 under the New Exploration Licencing Policy or in pursuance of any law for the time being in force or by the Central or a State Government in any other manner.

III Personal Taxation

1. Increase in basic exemption limit & relaxation of age criterion for a senior citizen to qualify for higher basic exemption limit

The general basic exemption limit for individuals/HUFs/AOPs/BOIs and artificial juridical persons to be increased from ₹1,60,000 to ₹1,80,000 and the basic exemption limit for senior citizens to be increased from ₹2,40,000 to ₹2,50,000. The exemption limit for women assesseees, however, is proposed to be retained at ₹1,90,000. The increase/retention in the basic exemption limit is a move towards convergence with DTC, which proposes a basic exemption limit of ₹2,50,000 for senior citizens and ₹2,00,000 uniformly for other individuals, both men and women, thereby removing gender discrimination.

However, a positive measure is the relaxation of the age criterion for senior citizens from 65 years to 60 years. Further, a new category of very senior citizens of 80 years and above to be eligible for higher basic exemption limit of ₹5,00,000.

2. Additional deduction for investment in notified long-term infrastructure bonds to continue for one more year

The additional deduction of ₹20,000 under section 80CCF for investment in notified long-term infrastructure bonds to be extended for one more year i.e. Assessment Year 2012-13.

3. Specified class or classes of persons to be exempted from filing return of income

For reducing compliance burden of small taxpayers, the Government to notify class or classes of persons who will be exempted from

the requirement of filing of return of income, subject to satisfying the prescribed conditions. Individuals who have income only under the head “Salaries” may be relieved from the requirement of filing return of income, since their tax liability is discharged in full through TDS, and TDS statements containing the details of such tax payers are filed by the employer.

IV Other proposals on substantive and procedural law

1. Increase in monetary limit upto which receipts from trading activities are permissible to qualify as a “Charitable Purpose”

Though as per section 2(15), “charitable purpose” includes the advancement of any other object of general public utility, however, the advancement of any other object of general public utility would not be a “charitable purpose”, if it involves carrying any activity in the nature of trade, commerce or business or rendering any service in relation to any trade, commerce or business for a cess, fee or any other consideration irrespective of the nature of use or application or retention of the income from such activities.

In order to provide relief to the genuine hardship faced by charitable organizations which receive marginal consideration from such activities, the Finance Act, 2010 had provided that the benefit of exemption will not be denied to the institutions having object of advancement of general public utility, even where they are engaged in the activity of trade, commerce or business or rendering any service for a cess or fee, provided the aggregate value of receipts from such activities does not exceed ₹10 lakhs in the year under consideration. Therefore, in effect, “advancement of any other object of general public utility” would continue to be a “charitable purpose”, if the total receipts from any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business does not exceed ₹10 lakh in the previous year.

The above limit of ₹10 lakhs is proposed to be increased to ₹25 lakhs with effect from A.Y. 2012-13. Therefore, if the receipts from such activities are ₹25 lakhs or less, it would continue to be a charitable purpose.

2. Exemption of income of notified Infrastructure Debt Funds and concessional tax rate on interest received by non-residents from such funds

In order to give a fillip to infrastructure and encourage inflow of long-term foreign funds to this sector, the Central Government to notify infrastructure debt funds to be set up in accordance with the prescribed guidelines, the income of which would be exempt from tax. However, it will be required to file a return of income.

Interest income received by a non-resident from such fund would be subject to tax at a concessional rate of 5% under section 115A on the gross amount of such interest income. Accordingly, tax would be deductible @ 5% on interest paid by such fund to a non-resident.

3. Increase in rate of additional income-tax on income distributed by a debt fund to a person other than an individual or HUF

The rate of additional income-tax on income distributed by a debt fund to a person other than individual or HUF is proposed to be increased to 30% w.e.f. 1.6.2011. However, the rate of tax on income distributed by such fund to an individual or HUF to remain the same. Further, distribution of income by an equity-oriented fund would continue to be exempt from tax.

Particulars	Where recipient is an individual/HUF	Where recipient is any other person
Distribution by a money market mutual fund or a liquid fund	25%	30%
Distribution by a debt fund other than a money market mutual fund or a liquid fund	12.5%	30%
Distribution by an equity-oriented fund	Exempt	Exempt

4. Exemption of specified income of notified entities not engaged in commercial activity

The Central Government to specify the nature and extent of income which would be exempt in the hands of a body, authority, board, trust or commission set up or constituted by a Central, State or Provincial Act or constituted by the Central or State Government with the object of regulating or administering an activity for the benefit of the general public.

5. Monetary limits for filing an application before Settlement Commission in case of related persons revised downwards

The additional amount of income-tax payable for a case to be admitted before the Settlement Commission in search and requisition cases should be at least ₹50 lakhs. This condition is proposed to be relaxed by reducing the above limit to ₹10 lakhs in case of a person who is related to the applicant under section 153A or section 153C and in whose case proceedings have also been initiated as a result of search.

Therefore, the limit of ₹50 lakhs would be applicable to the tax payer who is the subject matter of search and the limit of ₹10 lakhs would be applicable to entities related to such a tax payer.

In effect, the significant highlights of the direct taxes proposals in the Union Budget 2011-12 are introduction of specific anti-avoidance measures through widening the transfer pricing net, bringing SEZ developers and units into the MAT regime, introducing Alternate Minimum Tax for LLPs, levying concessional rate of tax on dividends received by Indian companies from specified foreign companies to encourage flow of funds into the country and facilitating setting up of infrastructure debt funds, thereby providing thrust to foreign borrowing. The major policy changes of the Government have been reserved for implementation through the Direct Taxes Code which is proposed to be made effective from 1st April, 2012.

Note – Students may note that the amendments proposed while introducing the Finance Bill, 2011 in the Lok Sabha on 21st March, 2011 have been considered in this article. The Finance Bill, 2011 may get enacted by the time the journal reaches you.

(Compiled by CA. Priya Subramanian, BoS)

Revamped Penalty Provisions for Non-Payment of Tax or Duty in Indirect Taxes in Budget 2011-12

V S Datey



There are various penal provisions in Central Excise Act, Customs Act and Finance Act, 1994 (relating to service tax), for contravention of rules, non-maintenance of records, non-registration etc. The main penal provisions are, of course, for non-payment of service tax, excise duty or customs duty. Penalty provisions in respect of such non-payment have been revamped in Budget 2011.

1. Philosophy behind the new penalty provisions

The philosophy behind the changes have been explained by Finance Minister in para 184 of his Budget speech delivered on 28-2-2011 in following words - 'Rationalising penal provisions to reinforce the message that honest taxpayers would be facilitated and deviants would be dealt with severely.'

Ministry of Finance (DR) TRU II letter DOF No. 334/3/2011-TRU dated 28-2-2011, as follows -

4.1 The existing scheme relating to compliance has been proposed for a revamp with a view to strike a healthy balance between the interests of revenue and legitimate business and to promote voluntary compliance.

4.2 As a result a number of changes have been proposed with the following philosophy: (i) Improve voluntary compliance by encouraging self-correction, wherever the deviations are unintentional omissions; (ii) Reduced penalties may be imposed if the transactions are captured fully and truthfully in records and further abated if timely admission and payment is made; (iii) Intentional and unrecorded violations should be

dealt with severely with no concession whatsoever.

4.3 Thus the undue advantage obtained by carrying on surreptitious activities at the cost of law-abiding business is sought to be neutralized. The revised system also encourages informed decision-making by the taxpayers at the early stages of investigation or verification by the Department.

Ministry of Finance (DR) TRU I letter DOF No. 334/3/2011-TRU dated 28-2-2011, as follows -

Para 6.1(i) A separate category has been carved out from cases involving extended period of limitation (fraud, collusion, willful mis-statement etc.) wherein a lower mandatory penalty of 50% of the duty (rather than 100% of

the duty) would apply. These would cover cases where it is noticed during an audit, investigation or verification that duty has not been levied, short levied, not paid or short paid or erroneously refunded but the transactions to which such duty relates are entered in the specified records.

Para 6.1(ii) While a provision has been made for issuance of show cause notice invoking the extended period for recovery of duty with interest under section 11AC and penalty equivalent to 50% of the duty, it has also been specifically provided that even in cases where show cause notice has been issued involving extended period of limitation (fraud, collusion, willful mis-statement etc.) with penalty equal to the duty, the penalty can be remitted to 50% if the Central Excise officer is of the opinion that the details of the transactions in

The author is a noted writer and Consultant on Indirect Tax.



respect of which the demand notice has been issued have been duly recorded by the person charged with duty in the specified records.

2. Interest in addition to tax and penalty

Interest payable on delayed payment of service tax, excise duty or customs duty or wrong availment of Cenvat credit has been increased from 13% to 18% w.e.f. 1-4-2011 [Notification Nos. 17/2011-Cus(NT), 18/2011-Cus(NT), 5/2011-CE(NT), 6/2011-CE(NT), 14/2011-Ser and 15/2011-Ser all dated 1-4-2011].

This interest is mandatory and is in addition to penalty.

3. Some specific comments on the penal provisions

Following may be noted.

Distinction between customs, excise and service tax provisions – Excise and service tax laws provide for self assessment. In customs, so far, there was no provision of self assessment. Hence, there is some distinction between penalty provision in customs and central excise. For example, in Customs, there is no distinction between transactions not recorded and transactions recorded in specified records. Hence, penalty provisions in case of customs have

been given in second and last column only in the table below.

In this budget, concept self assessment and departmental audit has been introduced in customs law. Hence, penalty provisions similar to Central Excise may be introduced in customs law in due course.

Anomaly in provision – There are situations where there is no suppression of facts or wilful misstatement, but still time limit of one year is over. In such cases, if assessee voluntarily agrees to pay tax/duty with interest, he may still be saddled with penalty, since provisions of ‘no penalty’ as contained in section 73(3) of Finance Act, 1994, Section 11A(1)(b)(ii) of CEA, Section 28(1)(b)(ii) of Customs Act apply only when there is no suppression or wilful misstatement etc.

Interest rate is penal in nature - Interest is not a penalty. Thus, interest can be only compensatory. The earlier interest rate of 13% was reasonable. However, 18% interest rate appears to be semi-penal in character.

4. Penalty provisions at a glance

Following table indicates new penalty provisions at a glance.

Situation	No suppression or wilful statement or fraud	Suppression or wilful statement or fraud or collusion but transactions recorded in specified records	Suppression or wilful statement or collusion or fraud and transactions not recorded in specified records
Time limit for issue of demand from relevant date	One year [section 73(1) of Finance Act, 1994, section 11A(1)(a) of CEA, Section 28(1)(a) of Customs Act]	Five years [proviso to section 73(1) of Finance Act, 1994, section 11A(4) of CEA]	Five years [proviso to section 73(1) of Finance Act, 1994, section 11A(4) of CEA, Section 28(4) of Customs Act]
Tax and interest paid on own before investigation, audit or verification and before Show Cause Notice	No penalty is payable [section 73(3) of Finance Act, 1994, section 11A(1)(b)(i) of CEA, Section 28(1)(b)(i) of Customs Act]	Not Applicable (since there was no suppression as disclosure made on own)	Not Applicable (since there was no suppression as disclosure made on own)

Tax, interest and penalty paid before show cause notice but after audit, investigation or verification	No penalty [section 73(3) of Finance Act, 1994, Section 11A(1)(b) (ii) of CEA, Section 28(1)(b)(ii) of Customs Act] [Reason – The words used are ‘on the basis of tax/duty ascertained by Officer]	Penalty - 1% of tax per month with maximum 25% [section 73(4A) of Finance Act, 1994, section 11A(6) of CEA]	100% of tax as penalty without reduction [section 78(1) of Finance Act, 1994, section 11AC(1)(a) of CEA, no provision under Customs Act]
Further reduction/waiver (when tax, interest and penalty paid before SCN)	In case of service tax, penalty can be reduced or waived under section 80 of Finance Act, 1994 for sufficient cause	In case of service tax, penalty can be reduced or waived under section 80 of Finance Act, 1994 for sufficient cause	No reduction or waiver in penalty
Tax, interest and penalty paid after Show Cause Notice	1% of tax or ₹ 100 per day whichever is higher from due date upto maximum 50% of tax [section 76 of Finance Act, 1994]	50% of tax as penalty [First proviso to section 78(1) of Finance Act, 1994, section 11AC(1) (b) of CEA]	100% of tax as penalty [section 78(1) of Finance Act, 1994, section 11AC(1)(a) of CEA, Section 114A of Customs Act]
Reduction if paid within 30/90 days (when tax, interest and penalty paid after Show Cause Notice)	Penalty can be reduced or waived under section 80 of Finance Act, 1994 for sufficient cause (No provision for automatic reduction to 25%. This seems unfair since such reduction is available when there was suppression or wilful misstatement).	25% of tax as penalty if all dues paid within 30 days of communication of adjudication order [second and third proviso to section 78(1) of Finance Act, 1994, section 11AC(1) (c) of CEA]-within 90 days in case of small assessee of service tax [fourth proviso to section 78(1) of Finance Act, 1994]	No waiver or reduction in service tax but in customs penalty 25% if duty as accepted is paid within 30 days of show cause notice [section 28(5) of Customs Act] or within 30 days on receipt of adjudication order [first and second section 114A of Customs Act]
Further reduction/waiver	Not Applicable (as reduction already given under section 80 of Finance Act, 1994)	No further waiver or reduction in penalty in excise and customs. In service tax, penalty can be reduced or waived under section 80 of Finance Act, 1994 for sufficient cause	No further waiver or reduction in penalty
Reduction/increase in penalty if tax/duty reduced/increased in appeal	Yes - Sections 11A(12) of CEA (No specific provision in service tax and customs provisions)	Yes - Section 78(2) of Finance Act, 1994, Sections 11A(12) and 11AC(1)(d) of CEA	Yes - Section 78(2) of Finance Act, 1994, Sections 11A(12) and 11AC(1)(d) of CEA, Third proviso to section 114A of Customs Act

Communication in the Internet Era for CA Students

Dr. Naveen K Mehta

Communication is empowered in the era of Information and Technology. Today's professionals are required not only to sharpen their communication skills but also Internet Skills. The traditional offices have been replaced by virtual offices or broadly speaking professionals are expected to perform their official assignments by remaining on-line 24X7 bases. The world of internet has thus revolutionized the information gathering process and opened ample opportunities for CA professionals. The advancement in the Information and Technology has given birth to integration of Communication strategies. Hence, integrated communications is becoming the buzzword. As the generation next of CA Professionals, our students should remain acquainted and well versed in the use of Internet enabled services. Now a days, Web conferencing is used to conduct live meetings, training, or presentations via the Internet. Similarly, old fashioned seminars are making rooms for Webinars. Webinar is a type of web-based seminar, a presentation, lecture, workshop or seminar that is transmitted over the Internet. Webinars are gaining momentum due to their interactive elements. Not only this, our Institute has also come up with Live Virtual Classes to bridge the gap between you and the Institute. It has given a life time opportunity to interact and communicate with the panel of experts in order to quench the thirst of knowledge. The modern CAs are supposed to attend and conduct meetings with their prospective clients by using these latest technologies. E-mail etiquettes are also main area of concern as it has been observed that majority of students lack professional approach while exchanging information through this communication facility. They need to be very particular and meticulous in drafting and sending their messages via emails. Students need to understand the dynamics of e-mailing as it may make or break their business relationship. The latest developments in return of taxes in form of e-filing and other on-line transactions are the indications of significant changes in the realm of accounting profession.

Guidelines to Exchange Information Using IT Enabled Technologies

- Keep an eye on the style of your language while drafting and sending a message.
- Don't be so technical/ornamental in drafting a message. Remember communication is generally meant to express not to impress. So be simple but effective in your expressions. The main object of

any communication is to develop proper understanding and receive feedback on time.

- Check spellings/sentence constructions before sending a message while using email/outlook express. You can take the help of any authentic language/grammar software in this context.
- Focus on your non-verbal expressions during a webinar/ tele-conference.
- If you are facing an interview through voice mail/ cell phone, keep the factor of voice modulation/ pitch/rising-falling tone/volume/pauses/speed etc. Speak with confidence and present your thoughts in a systematic manner.
- Be precise, complete and accurate in the delivery of your content. Follow KISS strategy that means Keep It Short and Simple.
- Keep yourself updated and acquainted with the latest available technologies and gadgets so that while using them you do not get stuck with the technical clutches. Be professional and proficient in their usages.
- Beware of computer viruses and apply anti-virus tools that have reliability and validity to tackle the viruses.
- Do not disclose your password to anyone and especially remain careful while using it in public/ common places. Adopt due safety measures to protect it from software hackers.
- While making a public/corporate presentation, be careful in preparing PowerPoint slides. Use proper fonts, graphs, tables, columns and diagrams to discuss the core issue(s) of the presentation. But use these items when they are really required. Unnecessary use of these items may mar the effectiveness of a good presentation. Do not infuse lots of information on a single slide as it may create problems in understanding and difficulties in reading.

All these points are very important to derive optimum benefit from the available resources of IT enabled technologies. There is no doubt that all these modern tools of technologies have enabled the CA professionals to meet the challenges of the contemporary world with success, but at the same time being an accounting professional, it is expected from you that you should use these tools judiciously and proficiently. Really speaking, this is a testing time for CA professionals to prove their mettle in communication skills coupled with IT-skills.

The author is Sr.Executive Officer, ICAI.

Accounting

Draft eXtensible Business Reporting Language Taxonomy for Mutual Funds

In a move to adopt emerging global standards in the area of financial reporting, SEBI is in the process of adopting eXtensible Business Reporting Language (XBRL) for financial reporting. As a pilot project, SEBI is in the process of adopting XBRL Taxonomy for various data reporting by mutual funds.

(Source: www.sebi.gov.in)

All Deposit Taking NBFCs - CRAR Fifteen percent w.e.f March 31, 2012

In terms of paragraph 16 of Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, every deposit taking NBFC shall maintain a minimum capital ratio consisting of Tier I and Tier II capital, which shall not be less than 12% of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items. However, in terms of paragraph 16 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, dated February 22, 2007, every systemically important non-deposit taking NBFC (NBFC-ND-SI) has to maintain a minimum capital ratio consisting of Tier I and Tier II capital, which shall not be less than 15% of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items by March 31, 2011.

RBI vide circular no. RBI/2010-11/408 DNBS.PD/CC.No.211/03.02.002/2010-11 dated February 17, 2011 has decided to align the minimum capital ratio of all deposit taking as well as systemically important non-deposit taking NBFCs to 15%. Accordingly, all deposit taking NBFCs shall maintain a minimum capital ratio consisting of Tier I and Tier II capital, which shall not be less than 15% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items w.e.f. March 31, 2012.

(Source: www.rbi.org.in)

Prudential norms on investment in Zero Coupon Bonds

Urban Co-operative Banks (UCBs) vide paragraph 2 (iii)(c) of circular UBD(PCB) BPD Cir No.46/16.20.000/2008-09 dated January 30, 2009 were allowed to invest in deep discount / zero coupon bonds (ZCBs).

As the issuers of ZCBs are not required to pay any interest or installments till the maturity of

bonds, credit risk in such investments would go unrecognized till the maturity of bonds and this risk could especially be significant in the case of long term ZCBs. Such issuances and investments if done on a large scale could pose systemic problems.

In view of the above, RBI through a circular no. 36/16.20.000/2010-11 issued on February 18, 2011 has decided that banks should not, henceforth invest in ZCBs unless the issuer builds up a sinking fund for all accrued interest and keeps it invested in liquid investments/securities (Government bonds). The other instructions contained in paragraph 2 (iii)(c) of circular dated January 30, 2009 will remain unchanged.

(Source: www.rbi.org.in)

Ind ASs notified by the Ministry of Corporate Affairs

The Ministry of Corporate Affairs (MCA) has notified 35 Converged Indian Accounting Standards (known as "Ind-AS"), without announcing the applicability date. The notification of Ind-AS is a significant step toward the implementation of converged standards in India. The MCA will intimate the implementation date later. It may be noted that the notified Ind-AS are not the same as IFRS as issued by the International Accounting Standards Board (IASB) and there are a number of differences between the two. Also, the notified Ind-ASs are not the same as the near final Ind-AS drafts submitted by the Institute of Chartered Accountants of India (ICAI), some time ago, to the National Advisory Committee of Accounting Standards.

(Source: www.mca.gov.in)

(Compiled by CA. Seema Gupta/CA. Shilpa Agrawal, BoS)

Requirement to mention the Firm Registration Number

The Council of the Institute of Chartered Accountants of India, in terms of the decision taken at the 296th meeting held in June 2010 has decided to extend the requirement to mention the firm registration number to all reports issued pursuant to any attestation engagement, including certificates, issued by the members as proprietor of/ partner in the said firm. The requirement shall apply where such firm registration number has been allotted by the Institute of Chartered Accountants of India. The Council further decided to make this requirement effective for all attestation reports/ certificates issued on or after 1st October, 2010.

Business & Corporate Laws

Business Laws

(i) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Ministry of Labour & Employment through Notification No. S.O. 30 (E) dated 8th Jan, 2011 specifies that the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 shall also apply to "Municipal Councils and Municipal Corporations constituted under sub-clauses (b) & (c) of clause (1) of Article 243Q of the Constitution of India".

(ii) Employees' Provident Funds (Amendment) Scheme, 2011

The Ministry of Labour and Employment through Notification No. G.S.R. 25(E) dated 15th Jan, 2011 amended the Employees' Provident Funds Scheme, 1952 by Employees' Provident Funds (Amendment) Scheme, 2011. The amendment is made in Paragraphs 60(5) & 72(6).

For further details refer www.labour.nic.in

Corporate Laws

(i) The Companies Act, 1956

(a) The Ministry of Corporate Affairs through General Circular No. 1/2011 dated 3rd Feb, 2011 extended the Easy Exit Scheme for a further period of three months i.e. upto 30th April, 2011. The scheme was originally in operation from 1st January, 2011 to 31st January, 2011.

(b) The Ministry of Corporate Affairs through press release ID 69674 dated 8th Feb, 2011 issued a notification on Managerial Remuneration in unlisted companies having no profits/inadequate profits. According to this, Schedule XIII of the Companies Act 1956 is being amended to provide that unlisted companies (which are not subsidiaries of listed companies) shall not require Government approval for managerial remuneration in cases where they have no profits/ inadequate profits, provided they meet the other conditions stipulated in the Schedule.

(c) Section 212 of the Companies Act, 1956 requires holding companies to attach with their Balance Sheet a copy of the Balance Sheet, Profit and Loss Account etc. of each of its subsidiaries. The Ministry has been receiving a large number of applications seeking permission not to attach the accounts of subsidiaries. The Ministry through a General Circular No. 2/2011 dated 8th Feb, 2011 decided that the permission may be granted on a general basis wherever the Board of Directors of the holding company gives its consent and the conditions prescribed by the Ministry are complied with.

(d) The Ministry of Corporate Affairs through press release ID 69672 dated 8th Feb, 2011 issued a notification on General Exemption under Section 211 of the Companies Act, 1956. According to this, a general exemption is issued whereby the prescribed

categories of companies will be exempted from the disclosures of certain quantitative details required under Schedule VI.

(e) The Ministry of Corporate Affairs through General Circular No. 4/2011 dated 4th March, 2011 has decided that a company shall not require approval of the Central Government for making payment of remuneration by way of commission to its Non-Whole Time Director(s) in addition to the sitting fee if the total commission to be paid to all those Non- Whole Time Directors does not exceed 1% of the net profit of the company if it has a Whole Time Director(s) or 3% of the net profit of the company if does not have a Managing Director or Whole Time Director(s).

(f) The Ministry of Corporate Affairs through General Circular No. 5/2011 dated 4th March, 2011 has simplified the procedure for obtaining Directors Identification Number (DIN) u/s 266B of the Companies Act, 1956. The recommended procedures is expected to enable allotment of DIN on the same day.

(g) The Ministry of Corporate Affairs through General Circular No. 6/2011 dated 8th March, 2011 has simplified the procedure of incorporation of Companies (Form-1) and establishment of principal place of business in India by Foreign Companies (Form-44). According to this, the average time taken for incorporation of company should be reduced to one (1) day only.

(h) The Ministry of Corporate Affairs through General Circular dated 9th March, 2011 has decided to accept payments of value upto ₹ 50,000, for MCA 21 services, only in electronic mode w.e.f 27th March, 2011 for faster delivery of services. For the payments of value above ₹ 50,000, stakeholders would have the option to either make the payment in electronic mode, or paper challan. However such payments would also be made in electronic mode w.e.f. 1st October 2011.

(i) The Ministry of Corporate Affairs has revised Schedule VI pertaining to the preparation of Balance Sheet and Profit & Loss Account to the Companies Act, 1956 with a view to harmonize and synchronize the general disclosure requirements under Schedule VI with respect to Accounting Standards, IFRS and keeping in view the existing economic and regulatory environment. The Existing Schedule VI prescribes only format of Balance Sheet, while revised Schedule VI prescribes not only the cash flow statement to be part of financial statements and further Balance Sheet and Profit and Loss account to be in Vertical format only.

For further details refer www.pib.nic.in or www.mca.gov.in

(Compiled by Ms. Megha Goel / Ms.Nisha Gupta, BoS)

Finance

Circular No. SEBI /DNP/ 3 /2011 dated 07-03-2011: Introduction of Futures on 91-day Government of India Treasury-Bill (T- Bill)

This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market. It has now been decided to permit introduction of futures on 91-day Government of India Treasury-Bill (T- Bill) on currency derivatives segment of Stock Exchanges.

Guidelines regarding the Futures on 91-day Government of India Treasury-Bill (T- Bill)

1.1 Underlying : 91 - day GoI T-bill.

1.2 Trading Hours: 9 a.m. to 5 p.m.

1.3 Size of the Contract: ₹ 2 lakh.

1.4 Quotation: 100 minus futures discount yield (i.e. for a yield of 5% the quote would be 100-5=95). The value of 1 basis point change in the futures discount yield would be ₹ 5.

1.5 Tenor of the Contract: The maximum maturity of the contract would be 12 months.

1.6 Contract Months: Three serial monthly contracts followed by three quarterly contracts of the cycle

March/June/September/December.

1.7 Settlement Mechanism: The 91-day T-Bill future would be settled in cash in Indian Rupees.

1.8 Contract Value: ₹ 2000 * (100 – 0.25 * y) where y is the futures discount yield.

1.9 Daily Contract Settlement Value: ₹ 2000 * (100 – 0.25 * yw)

(Here yw is weighted average futures yield of last half an hour).

In the absence of last half an hour trading, theoretical futures yield would be considered for computation of Daily Contract Settlement Value.

1.10 Expiry/Last Trading Day/Final Settlement Day: The expiry / last trading day / final settlement

day for the contract would be the last Wednesday of the expiry month. If any expiry day is a trading holiday, then the expiry/ last trading day/ final settlement day would be the previous trading day.

1.11 Final Contract Settlement Value: ₹ 2000 * (100 – 0.25 * yf)

(Here yf is weighted average discount yield obtained from weekly auction of 91-day T-Bill on the day of expiry).

1.12 Initial Margin: The Initial Margin requirement shall be based on a worst case loss of a portfolio of an individual client across various scenarios of price changes. The various scenarios of price changes would be so computed so as to cover a 99% VaR over a one day horizon. In order to achieve this, the price scan range may initially be fixed at 3.5 standard deviation. The initial margin so computed would be subject to a minimum of 0.1 % of the notional value of the contract on the first day of trading in 91-day T-bill futures and 0.05 % of the notional value of the contract thereafter (the notional value of the contract shall be ₹ 200,000). The initial margin shall be deducted from the liquid net worth of the clearing member on an online, real time basis.

1.13 Extreme Loss Margin: Extreme loss margin of 0.03 % of the notional value of the contract for all gross open positions shall be deducted from the liquid assets of the clearing member on an on-line, real time basis.

1.14 Calendar Spread Margin: Interest rate futures position at one maturity hedged by an offsetting position at a different maturity would be treated as a calendar spread. The calendar spread margin shall be at a value of ₹ 100/- for spread of one month, ₹ 150 for spread of two month, ₹ 200/- for spread of three month and ₹ 250/- for spread of four month and beyond. The benefit for a calendar spread would continue till expiry of the near month contract. For a calendar spread position, the extreme loss margin shall be 0.01% of the notional value of the far month contract.

1.15 Formula for Determining Standard Deviation: The exponential moving average method would be used to obtain the volatility

estimate every day. The estimate at the end of time period t (σ_{ydt}) is estimated using the volatility estimate at the end of the previous time period. i.e. as at the end of $t-1$ time period (σ_{ydt-1}), and the return ($rydt$) observed in the futures market during the time period t . The formula would be as under:

$$(\sigma_{ydt})^2 = \lambda (\sigma_{ydt-1})^2 + (1 - \lambda) (rydt)^2$$

Where,

λ is a parameter which determines how rapidly volatility estimates change. The value of λ is fixed at 0.94.

1.16 Position Limits

i. **Client Level:** The gross open positions of the client across all contracts should not exceed 6% of the total open interest or ₹ 300 crores whichever is higher. The Exchange will disseminate alerts whenever the gross open position of the client exceeds 3% of the total open interest at the end of the previous day's trade.

ii. **Trading Member Level:** The gross open

positions of the trading member across all contracts should not exceed 15% of the total open interest or ₹ 1000 crores whichever is higher.

iii. **Clearing Member Level:** No separate position limit is prescribed at the level of clearing member.

iv. **FILs:** In case of Foreign Institutional Investors, registered with Securities and Exchange Board of India, the total gross long (bought) position in cash and Interest Rate Futures markets taken together should not exceed their individual permissible limit for investment in government securities and the total gross short (sold) position, for the purpose of hedging only, should not exceed their long position in the government securities and in Interest Rate Futures, at any point in time.

The complete text of the above circular can be downloaded from:

<http://www.sebi.gov.in/circulars/2011/dnpdcir32011.pdf>

(Compiled by Ms. Nidhi Singh, BOS)

Information Technology

Grid Computing

With the rapid advances in Information and Communications Technology, computing and communication resources are playing a great role in our day-to-day affairs. Effective utilization of these resources is essential for the overall organizational growth. Grid computing addresses this concern very well and provides a great help in this direction. CERN, one of the largest users of grid technology, defines a Grid as '*a service for sharing computer power and data storage capacity over the Internet*'. Basically, Grid computing refers to the combination of computer resources from multiple administrative domains to reach a common goal. Here, the Grid can be termed as a distributed system with non-interactive workloads that involve a large number of files. The difference between grid computing from conventional high performance computing systems namely cluster computing is that grids tend to be more *loosely coupled*, *heterogeneous*, and *geographically dispersed*. Although a grid can be dedicated to a specialized application; it is

more common that a single grid will be used for a variety of different purposes.

Actually, grids are a form of distributed computing whereby a 'super virtual computer' is composed of many networked loosely coupled computers acting together to perform very large tasks. Moreover, 'Distributed/grid' computing is a special type of parallel computing, which relies on computers along with CPUs, storage, power supplies, network interfaces, etc. connected to a network whether private, public or the Internet by a conventional network interface, such as Ethernet. This is in contrast to the traditional notion of a supercomputer that has many processors connected by a local high-speed computer bus.

Grids are often constructed with the aid of general-purpose grid software libraries known as middleware. This middleware can be described as a layer between the hardware and the software. On top of the middleware, a number of technical areas have to be considered. However, these areas may or may not be middleware independent.

Example areas include Service Level Agreement Management, Trust and Security, Virtual Organization Management, License Management, Portals and Data Management. These technical areas may be taken care of in a commercial solution, though the cutting edge of each area is often found within specific research projects after a critical examination in the field.

Grid computing has been found incredibly useful for computationally intensive scientific, mathematical, and academic problems, and it is used in commercial enterprises for various diversified applications. These applications may include drug discovery, economic forecasting, seismic analysis, and back office data processing in support for e-Commerce and Web services.

In India, DIT, Ministry of Communications and IT, Govt. of India funded C-DAC to deploy the nationwide computational grid entitled 'GARUDA', which connected 17 cities and 45 institutions across the country with an aim to bring 'Grid' networked computing to research labs and industry. GARUDA is a collaboration of science researchers and experimenters on a nationwide grid of computational nodes, mass storage and scientific instruments that aims to provide the technological advances required to enable data and compute intensive science. GARUDA will assist to accelerate India's drive to turn its substantial research investment into tangible economic benefits. CDAC has also established the Indian Grid Certification Authority (IGCA) for the first time in India, which has allowed full access to worldwide grids for Indian Researchers and represented a milestone in this domain.

References

1. Buyya, Rajkumar; Kris Bubendorfer (2009), *Market Oriented Grid and Utility Computing*, Wiley.
2. www.gridcomputing.com
3. <http://net.educause.edu/ir/library/pdf/ELI7010.pdf>
4. www.mit.gov.in
5. www.garudindia.in
6. www.cdac.in

(Compiled by Santosh K Pandey, BoS)

Form IV (See Rule 8)

1. Place of publications : New Delhi
2. Periodicity of the Publication : Monthly
3. Printer's Name : Vijay Kapur
whether citizen of India? : Yes
(If foreigner, state the country of origin)
Address : Director, Board of Studies
The Institute of Chartered Accountants of India,
Post Box No. 7100,
Indraprastha Marg,
New Delhi - 110104.
4. Publisher's Name : Vijay Kapur
whether citizen of India? : Yes
(If foreigner, state the country of origin)
Address : Director, Board of Studies
The Institute of Chartered Accountants of India,
Post Box No. 7100,
Indraprastha Marg,
New Delhi - 110104.
5. Editor's Name : CA. V. Murali
whether citizen of India? : Yes
(If foreigner, state the country of origin)
Address : Chairman, Board of Studies,
The Institute of Chartered Accountants of India,
Post Box No. 7100,
Indraprastha Marg,
New Delhi - 110104.
6. Name and Addresses of : Council of the Institute
individuals of Chartered
who own the newspapers and Accountants of India
partners or the shareholders constituted under
holding more than one percent the Chartered Accountants
(Act xxxVIII of 1949) Act, 1949
of the total Capital There is no share capital

I, Vijay Kapur, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Sd/-

Dated : March 26, 2011

Signature of Publisher

Examiners' Comments on the Performance of Candidates- November 2010 Examination

Professional Competence Course (Group-I)

PAPER – 1 : ADVANCED ACCOUNTING

Question 1. Short Questions: Most Candidates performed fairly well in parts (b) and (c) of this question. However, in parts (a) and (d), candidates showed lack of conceptual understanding of AS 26 “Intangible Assets” and AS 9 “Revenue Recognition”.

Question 2. Partnership Accounts-Admission of partners: This question was satisfactorily answered by majority of the candidates. However, few candidates could not arrive at the correct distribution of fees among partners.

Question 3. Amalgamation in the nature of merger: Except for few candidates, who could not give the required journal entries, most of the candidates had answered the question satisfactorily.

Question 4.(a) Revenue Account for the General Insurance Company: Majority of the candidates have not prepared the correct revenue account in the ‘Form B-RA’ prescribed by the IRDA.

(b) Company accounts: Buy-back of equity shares: Average performance of the candidates was observed in this part of the question. Few candidates did not give the required journal entries correctly.

Question 5.(a) Investment Account: Large number of the candidates could not calculate the correct amount of profit from sale of equity shares and erred in treatment of dividend received from purchase of cum-right shares.

(b) Receipts and Payments Account: Overall performance of the candidates was satisfactory in this part of the question.

Question 6.(a) Hire Purchase Trading Account: Most of the candidates were not able to arrive at correct solution. They also failed to support their answers with suitable working notes and calculations.

(b) Debenture Redemption-Sinking Fund Account: Except for few, majority of the candidates could not give the required answer.

Question 7.(a) Diluted Earnings per Share (EPS):

Most of the candidates did not explain the statement “While calculating diluted earning per share, effect is given to all dilutive potential equity shares that were outstanding during that period”, as asked in the question. They also committed mistake in computation of number of equity shares resulting on conversion of debentures and adjustment of tax.

(b) Self Balancing Ledger: This part of the question was fairly well answered by majority of the candidates.

(c) Employee Stock Option Plan: Most of the candidates could not explain the importance of employee stock option plan and gave vague and irrelevant explanation.

(d) Treatment of Government Grant: Most of the candidates could not provide the required answer in accordance with the provisions of AS 12 “Accounting for Government Grants”.

(e) Outsourcing Accounting Function: Some of the candidates explained “Accounting in Computerized Environment” instead of emphasizing on “Outsourcing accounting function”.

PAPER – 2 : AUDITING AND ASSURANCE

Question 1.(a) Relying on work performed by others:

Some candidates failed to point out the exact responsibility on the part of Mr. Y. Few candidates got confused since the date of the death of Mr. X i.e. 31.03.10 was given. Under the circumstances some of them presumed that the firm might have only two partners, and the same may be dissolved. Very few candidates had given reference of the provision of SA 200 (Formerly known as AAS-1) on “Basic Principles governing an Audit”.

(b) Appointment of Special auditor: Generally well attempted and candidates showed good understanding of the topic and relevant provision of the section 233A of the Companies Act, 1956.

(c) Accounting for Government Grants: Most of the candidates failed to explain the two alternative accounting treatments for Government Grants as per AS-12

(d) Disqualification of auditors [u/s 226(3) and 226(4)]: The answers given by the candidates have exhibited a good understanding of this topic and the relevant section of the Companies Act, 1956 on disqualification.

Question 2.(a) Internal Control Questionnaire: Most of the candidates have simply discussed the technique of “Internal Control Questionnaire” but they failed to explain its usefulness in proper evaluation of Internal Control.

(b) Auditing through the computer: Many candidates failed to mention the various circumstances under which Auditing through the computer should be used and instead focused on computerization.

(c) Sufficient Appropriate audit evidence: Majority of the candidates did not have an idea of the relevant factors that help the auditor to ascertain what is appropriate audit evidence.

Question 3.(a) Sampling Risk: Majority of the candidates have answered in a general way, the various types of risk in auditing environment.

(b) Extent of reliance on analytical procedure: Most of the Candidates failed to mention the various factors that determine the extent of reliance on analytical procedure and answered on various techniques of analytical procedure.

Question 4.(a) Reliability of external confirmation: The answers of most of the candidates failed to highlight the various factors affecting the reliability of external confirmation.

(b) Physical verification of assets at reasonable intervals: Some of the candidates indicated this as an auditor’s responsibility to make verification on yearly basis and very few mentioned the relevant requirement of CARO, 2003.

(c) Verification of credit sales: Candidates in general have a fair knowledge of the topic.

(d) Factors governing mode of communication with those charged with governance: This part was attempted by very few candidates and even they failed to understand the requirement of the question and gave a general answer on the need for communication instead of the factors governing the mode of communication.

(e) Procedure to be performed in expressing opinion on going concern assumption:

Most of the candidates have answered this part in general way without highlighting the various

procedures to be followed in assessing the going concern assumption as required in the question.

Question 5.(a) Audit of Club: Majority of the candidates have good knowledge of the topic and highlighted important aspects to be considered by an auditor.

(b) Income of NGO: Candidates have fair knowledge of the topic and mentioned the various sources of income of an NGO

(c) Disclaimer of opinion: Many candidates highlighted the various conditions upon which disclaimer of opinion can be issued.

Question 6.(a) Shifting of books of accounts [Section 209(1) of the Companies Act, 1956]:

Most of the candidates mentioned about resolution of the shareholders instead of Board and also failed to mention the exact time period within which it is to be submitted to ROC. Some of them even wrongly explained that since the company shifted its registered office, therefore, there is no legal bar in shifting books of accounts.

(b) Disclosure of revalued fixed assets of a partnership firm: None of the candidates could bring out the relevant disclosure requirement as per AS-10, and they related the revaluation to change in constitution of a partnership firm without concentrating on disclosure aspect.

(c) Ownership and custody of audit working papers: Many candidates have a good understanding of the topic.

(d) Management’s responsibility for determining quantity and value of inventory Majority of the candidates have given a general answer and failed to relate the answer to the requirement of CARO, 2003 AS-2 and “Valuation of Inventory”.

Question 7.(a) Auditing an account of bought ledger having debit balance: Some of the candidates could not explain the reasons for having debit balance in bought ledger

(b) Removal of first auditor [Sec.224(5)/(7)] : Most of the candidates have correctly mentioned that consent of Central Government is not required but wrongly answered that mentioned that Board of Directors has the power to remove the first auditor.

(c) Audit engagement letter: Majority of the candidates did not have an idea of audit



engagement letter and its important contents. Some candidates instead of drafting a letter, answered the question in a theoretical way.

PAPER - 3 : LAW, ETHICS AND COMMUNICATION

Question 1. Overall performance has been satisfactory. In respect of part (a) of the question, many candidates answered incorrectly by stating that the Star Bank can collect only ₹ 40,000 from the Railways instead of the full amount of ₹ 60,000/-. Further, large number of candidates did not give reasons or the provisions of the Indian Contract Act, 1872 in support of their answers as required by the question.

Question 2. Performance was satisfactory in respect of part (a) of the question. Part (b) of the question was either not attempted by the candidates or wrongly answered stating the general philosophy of Mahatma Gandhi without stating the social sins as enunciated by him. In part (c) quite a few candidates gave notice of the statutory / General Meeting instead of the first Board Meeting as required by the question.

Question 3. In respect of part (a) of the question, performance was satisfactory. In part (b) of the question, in place of fundamental principles of ethics, many candidates discussed vaguely ethics and its utility in business based on guesswork. With reference to part(c) of the question, the answer on drafting of the “deed for reconstitution of partnership” was not given in legal format by many candidates.

Question 4. Performance was satisfactory except that in part (c) of the question, many candidates have answered the benefits of communication instead of the forms of formal communication as required by the question.

Question 5. Overall performance of the candidates on the question were satisfactory, except in respect of part (b) (ii) of the question. Most of the candidates not attempted the part of the question and those who attempted, were unable to give reasons and as such, their answer was found to be unsatisfactory.

Question 6. The overall performance was satisfactory except that with respect to part (c) of the question, instead of explaining the basic principles of interpersonal communication,

number of candidates discussed 7 c's of communication.

Question 7. Overall performance was satisfactory except that in part (d) of the question, the answer of many candidates on drafting of the gift deed was not in the legal format as required in the question and expected from the student.

(Group-II)

PAPER - 4 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

Question 1. It is a compulsory question divided into four sub-parts:

(a) It is a practical question based on calculation of sales variances. Performance of candidates was average in this part. Some of the candidates were confused in identifying the favourable and adverse variances.

(b) It is a practical problem related to economic order quantity and divided into two sub parts. Part (i) was not attempted by most of the candidates on correct lines while part (ii) was answered well by majority of them.

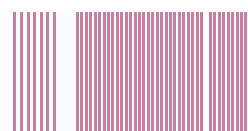
(c) This practical problem is related to calculation of different ratios. Overall performance of the candidates in this part was observed to be satisfactory.

(d) This practical problem is on computation of weighted average cost of capital on the basis of market price. Some of the candidates were not able to compute the weight of the equity capital on correct lines as they did not consider the reserves and surplus to arrive at the figure. Average performance was observed.

Question 2.(a) This numerical part pertained to the concept of contract costing. Performance of candidates was average as many candidates could not understand the requirement of the question. They failed to calculate the amount of estimated profit and amount to be transferred to reserve.

(b) It is a practical problem related to receivables management for recommendation of appropriate credit policy. Most of the candidates did not answer in the desired manner.

Question 3.(a) It is a practical problem of process accounting relating to equivalent production. Most of the candidates solved it correctly.



(b) Part (i) of this question is related to calculation of operating, financial and combined leverages. A good number of candidates attempted this part very well. Part (ii) is a theoretical question on liquidity and profitability issues in management of working capital. It was responded well.

Question 4.(a) This numerical problem is related to calculation of funds flow from operations. Most of the candidates prepared fund flow statement unnecessarily, which was not required in the question. Average performance of the candidates was observed.

(b) This practical problem is related to marginal costing. It required candidates to calculate P/V ratio, BEP, and desired sales levels to achieve a particular level of EBIT and PAT. Average performance was observed, as most of the candidates could not answer cash break-even point on correct lines.

Question 5.(a) It is a practical problem related to reconciliation of profit as per cost accounting and financial accounting by preparation of memorandum reconciliation account. It was well attempted though in statement form.

(b) This theoretical question related to distinction between profit maximization and wealth maximization, and Global depository receipts (GDRs) and American depository receipts (ADRs). Average performance was observed.

Question 6.(a) It is a practical problem on capital budgeting to select the most favourable option of machine by using net present value method. Overall performance of the candidates was satisfactory.

(b) This is a theoretical question divided into two parts Part (i) on essential factor for installing cost accounting system and part (ii) on treatment of under and over absorption of overheads. It was not answered in appropriate manner by most of the candidates.

Question 7. This question comprises of five theoretical parts, and the candidates were required to answer any four. Average performance was observed.

Concluding Observations

The overall performance of the candidates was satisfactory.

PAPER - 5 : TAXATION

General Comments:

The good performance of the candidates reflected that they were well prepared for the examination. The answers were quite satisfactory. Candidates by and large have scored good marks. All the questions were framed on concepts. None of the questions have any scope for wrong interpretation. There is clarity without any ambiguity in all the questions.

Specific Comments:

Question1. Candidates have by and large performed well in this question. The division of the question into four parts of 5 marks each helped the candidates to score good marks.

Question 2. This is a practical question and almost all the candidates answered very well and scored considerably good marks.

Question 3.(a) The answer to this question was presented by candidates in different ways. By and large the performance in this question was also good.

Question 4. This question has 3 sub-parts. In sub-part 4(a), most of the candidates had got 4 to 5 marks out of total 7 marks. 4(b) tested the practical knowledge of the candidates. In question 4(c), on an average, candidates managed to score atleast 2 marks out of 4.

Question 5. The answers to Q.5(a) were, by and large, very good. However, the answers to Q.5(b) were very poor and vague. Sub-part 5(c) was answered fairly well.

Question 6. The answers to sub-parts (a) and (b) of Q.6 were up to the mark and candidates have scored well. Majority of candidates have scored an average of 10 marks out of 16

Question 7. Sub-part (a) is a theory question. Majority of the candidates have not attempted this question because of the internal option available. Only few candidates attempted it. On the whole, whoever attempted this question had not fared well.

Reason for the good performance by the candidates:

The question paper was remarkably good. The logical and intellectual skills of the candidates



were given importance over the arithmetical aspects.

PAPER - 6 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A : INFORMATION TECHNOLOGY

The overall performance of the candidates was below average and there is a scope for improvement.

Question 1.(a) – (e) - Almost all the Candidates answered this question. Most of them were not able to explain the concepts especially part (c), (d) and (e).

Question 2.(a), & (b) - Most of the candidates answered part (a) satisfactorily. For part (b), majority of the candidates gave vague answers.

Question 3. Most of the answers given by the candidates exhibited lack of technical knowledge.

Question 4. Most of the candidates answered this question very well.

Question 5. Many candidates answered this question very well.

Question 6. Very few candidates could answer this question on expected lines.

Question 7.(a) – (e) Most of the candidates attempted this question, however only few could answer part (d) & (e) correctly.

SECTION – B : STRATEGIC MANAGEMENT

Question 8. There were four questions asked at the end of the case study. Diverse answers were written by them. Part (a) was correctly answered by a large number of candidates. In part (b) answers were not satisfactory. Most of the candidates had misinterpreted Destructive Innovation as a negative concept and mentioned it as one of the weaknesses. In part (c) the performance was average to good. In part (d) the performance was fairly good.

Question 9.(a)(i) A large number of candidates have been able to explain the requirement of a strategy in non-profit organizations. Overall performance was satisfactory.

(ii) Answers were general as most of the students could not answer the three levels and their role in control alongwith formulation and implementation.

(b)(i) Most of the candidates failed to relate the factory as making cosmetics with drugstore as hopes.

(ii)&(iii) Majority of the candidates were able to provide answers correctly.

Question 10. The performance was extremely poor indicating that the candidates have not understood the concept well. It was basically an application oriented question to test the understanding of commonly used concepts in Strategic Management.

Question 11.(a) A large majority of candidates had drawn the matrix correctly. But the advices of available options are not satisfactory.

(b) The performance was extremely poor indicating that the candidates have not understood the concept well. It was basically an application oriented question to test the understanding of concepts.

Question 12. Majority of the candidates wrote answers in general manner and made them too simple. They could hardly co-relate it with competitive scenario.

Question 13.(a) The answer of the candidates reflected that most of them were not aware about the top-down and bottom-up strategic planning. They have written the answers in a general manner.

(b) A large number of candidates have done well. However, a few candidates have merely guessed and have wrongly mentioned the three levels of strategic formulation.

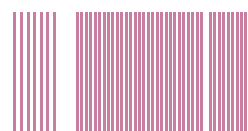
Question 14.(a) Majority of the candidates attempted this question but only few of them were able to explain network structure correctly. They misinterpreted the word network with reference to IT infrastructure. The overall performance of the candidates in this question was poor.

(b) Candidates were having good understanding of elements of marketing mix. The overall performance was satisfactory.

Integrated Professional Course Examination (Group-I)

PAPER – 1 : ACCOUNTING

Question 1. This question was fairly well answered by most of the candidates.



Question 2. The overall performance of the candidates was below average. Most of the candidates prepared combined Income and Expenditure account instead of giving separate accounts for Hospital, Dispensary and Trust.

Question 3. Majority of the candidates have correctly calculated cash flows from investing and financing activities. However, some of the candidates computed cash flows from operating activities by “Indirect Method” instead of the “direct method”, as asked in the question.

Question 4. Most of the candidates were not able to prepare partners’ capital accounts and could not calculate the settlement amount for the executor of the deceased partner as per Section 37 of the Partnership Act, 1932.

Question 5.(a) Large number of candidates failed to give the correct journal entries and answered it as internal reconstruction.

(b) Candidates performed satisfactorily in this part of the question.

Question 6.(a) Average performance was observed in this part of the question. Candidates failed to calculate pre and post sales, salary, rent and interest ratio and hence arrived at wrong pre and post incorporation profit or loss.

(b) Few candidates were not able to calculate ‘installment due but not received’ and therefore erred in the calculation of hire purchase profit.

Question 7. The performance of the candidates was average except part (b) and (c) in which they have performed fairly well.

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

Question 1. Overall performance has been satisfactory. In respect of part (a) of the question, many candidates answered incorrectly by stating that the Star Bank can collect only ₹ 40,000 from the Railways instead of the full amount of ₹ 60,000/-. Further, large number of candidates did not give reasons or the provisions of the Indian Contract Act, 1872 in support of their answers as required by the question.

Question 2. Performance was satisfactory in respect of part (a) of the question. Part (b) of the question was either not attempted by the candidates or wrongly answered stating the

general philosophy of Mahatma Gandhi without stating the social sins as enunciated by him. In part (c) quite a few candidates gave notice of the statutory / General Meeting instead of the first Board Meeting as required by the question.

Question 3. In respect of part (a) of the question, performance was satisfactory. In part (b) of the question, in place of fundamental principles of ethics, many candidates discussed vaguely ethics and its utility in business based on guesswork. With reference to part(c) of the question, the answer on drafting of the “deed for reconstitution of partnership” was not given in legal format by many candidates.

Question 4. Performance was satisfactory except that in part (c) of the question, many candidates have answered the benefits of communication instead of the forms of formal communication as required by the question.

Question 5. Overall performance of the candidates on the question were satisfactory, except in respect of part (b) (ii) of the question. Most of the candidates not attempted the part of the question and those who attempted, were unable to give reasons and as such, their answer was found to be unsatisfactory.

Question 6. The overall performance was satisfactory except that with respect to part (c) of the question, instead of explaining the basic principles of interpersonal communication, number of candidates discussed 7 c’s of communication.

Question 7. Overall performance was satisfactory except that in part (d) of the question, the answer of many candidates on drafting of the gift deed was not in the legal format as required in the question and expected from the student.

PAPER – 3 : COST ACCOUNTING AND FINANCIAL MANAGEMENT

Question 1. It is a compulsory question divided into four sub-parts:

(a) It is a practical question based on calculation of sales variances. Performance of candidates was average in this part. Some of the examinees were confused in identifying the favourable and adverse variances.



(b) It is a practical problem related to economic order quantity and divided into two sub parts. Part (i) was not attempted by most of the candidates on correct lines while part (ii) was answered well by majority of them.

(c) This practical problem is related to calculation of different ratios. Overall performance of the candidates in this part was observed to be satisfactory.

(d) This practical problem is on computation of weighted average cost of capital on the basis of market price. Some of the candidates were not able to compute the weight of the equity capital on correct lines as they did not consider the reserves and surplus to arrive at the figure. Average performance was observed.

Question 2.(a) This numerical part pertained to the concept of contract costing. Performance of candidates was average as many candidates could not understand the requirement of the question. They failed to calculate amount of estimated profit and amount to be transferred to reserve.

(b) It is a practical problem related to receivables management for recommendation of appropriate credit policy. Most of the candidates did not answer in the desired manner.

Question 3.(a) It is a practical problem of process accounting relating to equivalent production. Most of the candidates solved it correctly.

(b) Part (i) of this question is related to calculation of operating, financial and combined leverages. A good number of candidates attempted this part very well. Part (ii) is a theoretical question on liquidity and profitability issues in management of working capital. It was responded well.

Question 4.(a) This numerical problem is related to calculation of funds flow from operations. Most of the candidates prepared fund flow statement unnecessarily, which was not required in the question. Average performance of the candidates was observed.

(b) This practical problem is related to marginal costing. It required candidates to calculate P/V ratio, BEP, and desired sales levels to achieve a particular level of EBIT and PAT. Average

performance was observed, as most of the candidates could not answer cash break-even point on correct lines.

Question 5.(a) It is a practical problem related to reconciliation of profit as per cost accounting and financial accounting by preparation of memorandum reconciliation account. It was well attempted though in statement form.

(b) This theoretical question related to distinction between profit maximization and wealth maximization, and Global depository receipts (GDRs) and American depository receipts (ADRs). Average performance was observed.

Question 6.(a) It is a practical problem on capital budgeting to select the most favourable option of machine by using net present value method. Overall performance of the candidates was satisfactory.

(b) This is a theoretical question divided into two parts Part (i) on essential factor for installing cost accounting system and Part (ii) on treatment of under and over absorption of overheads. It was not answered in appropriate manner by most of the candidates.

Question 7. This question comprises of five theoretical parts, and the candidates were required to answer any four. Average performance was observed.

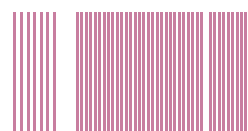
Concluding Observations

The overall performance of the candidates was satisfactory.

PAPER - 4 : TAXATION

Question 1.(a) This question requires computation of gross total income and losses eligible for carry forward. The number of adjustments and issues were much more considering the marks this question carries. Many candidates exhibited their lack of knowledge in set off and carry forward provisions. As a result, they could not secure full marks and got only some marks for steps.

(b) This question requires computation of capital gain on slump sale of an undertaking. It is a different type of question which the candidates found it difficult to answer. Many candidates did not answer well and secured only some marks for steps.



(c) This question is on computation of value of taxable service and service tax payable thereon. It requires not only calculation of value of taxable service but also reasons in brief for the treatment given to the items. Candidates have computed value of taxable service and /or service tax liability for some of the items and secured some step marks only.

(d) This question is on computation of net VAT liability taking into account input tax credit. Many candidates solved this question correctly and secured full marks.

Question 2.(a)(i) This question requiring knowledge of the specific income exempt in the hands of a Sikkimese individual was not understood properly by the candidates and was, therefore, not answered well.

(a)(ii) This question requires calculation of the period of holding of some capital assets. Candidates have mainly answered only regarding the date of transfer and not the date of commencement of holding of capital asset. Hence, they could only secure some marks for steps.

(b) This question requires the candidates to explain as to how the excess payment of service tax is to be adjusted and what are the conditions to be satisfied in this regard. Many candidates gave very general answers.

(c) This question was in relation to the records to be maintained by a registered dealer under VAT and was answered reasonably well by the candidates.

Question 3.(a) The candidates have attempted to compute income from profession, income from other sources and eligible deduction under section 80D. Most of the candidates secured only some marks for steps in this question.

(b) This question was not understood by many candidates. They have explained the provisions relating to payment of service tax instead of “provisional payment of service tax” which was asked for in the question.

(c) In this question, candidates were required to state variants of VAT, their schematic diagrams and also a brief explanation of each of them. It was written reasonably well by the candidates.

Question 4.(a)(i) This question requires the consequences of not deducting tax at source and it was answered vaguely by the candidates.

(a)(ii) The exemption available to political parties was not explained properly by the candidates and thus, they could not secure good marks.

Question 5.(a) This question requires computation of salary income chargeable to tax. It was answered reasonably well by the candidates.

(b) This question requires the candidates to explain e-filing of service tax returns. However, they have explained about e-filing of income-tax returns. Also, the later parts of the question were not answered by many candidates.

(c) This question seeks to test the candidates knowledge about the conditions to be fulfilled by a dealer accepting composition scheme under VAT. It was not answered well by many candidates.

Question 6.(a) This question requires allocation of depreciation between two companies on the basis of number of days the assets were held by them. However, the candidates were not able to score full marks.

(b) This question requires the candidates to state the correctness of two statements in the context of service tax. This was answered reasonably well by the candidates and many candidates secured full marks in it.

(c) Candidates were expected to list items of purchases not eligible for input credit under VAT in this question. It was answered reasonably well by the candidates.

Question 7.(a)(i) Many candidates have computed taxable gratuity and exempt gratuity and secured full marks.

(a)(ii) This question testing the candidates on conceptual issues was answered reasonably well by many candidates to secure good marks.

(a)(iii) This question was answered by less number of candidates (on account of internal choice). The answers were very general and not up to the expectation level.

(b) This question had some complicated issues involving dual interpretations and hence, the candidates could not secure full marks.

(c) This question was easy and candidates secured good marks.

(Group-II)

PAPER - 5 : ADVANCED ACCOUNTING

Question 1. Majority of the candidates performed fairly well in all parts of this question. However, few failed to give the assumption in part (ii) as to whether the sub-standard and doubtful assets are secured or unsecured.

Question 2. Dissolution of Partnership Firm: Many candidates failed to give correct working notes as a result of which they were not able to prepare correct realisation account and capital accounts.

Question 3. Redemption of Preference shares and Buy back of shares: Most of the candidates failed to prepare correct balance sheet because of wrong working notes.

Question 4.(a) Departmental Accounting: Overall performance of the candidates was above average. However, few candidates failed to compute correct amount of unrealised profit of respective department.

(b) Financial Statements of Insurance Companies: Overall performance was above average. However, some candidates failed to compute correct amount of net premium due to non-adjustment of change in unexpired risk reserve and some erred in the calculation of net claims due to wrong adjustment of opening and closing outstanding amount.

Question 5. Company Accounts-Amalgamations: Overall performance was good. However, many candidates failed to give required ledger accounts.

Question 6.(a) Financial Statements of Banking Companies: Overall performance of the candidates was good in this part of the question.

(b) Financial Statements of Electricity Companies: The performance was average indicating less preparedness of the topic.

Question 7. Except part (e), in all other parts, the performance of the candidates was average reflecting lack of knowledge of Accounting Standards. Majority of candidates failed to compute impact of stock option on equity share

capital and consequently arrived at wrong Diluted EPS. Few candidates failed to bifurcate between preferential and non-preferential creditors at the time of liquidation of a company.

PAPER – 6 : AUDITING AND ASSURANCE

Question 1.(a) Relying on work performed by others: Some candidates failed to point out the exact responsibility on the part of Mr. Y. Few candidates got confused since the date of the death of Mr. X i.e. 31.03.10 was given. Under the circumstances some of them presumed that the firm might have only two partners, and the same may be dissolved. Very few candidates had given reference of the provision of SA 200 (Formerly known as AAS-1) on “Basic Principles governing an Audit”.

(b) Appointment of Special auditor: Generally well attempted and candidates showed good understanding of the topic and relevant provision of the section 233A of the Companies Act, 1956.

(c) Accounting for Government Grant: Most of the candidates failed to explain the two alternative for Government Grants as per AS-12

(d) Disqualification of auditors [u/s 226(3) and 226(4)]: The answers given by the candidates have exhibited a good understanding of this topic and the relevant section of the Companies Act, 1956 on disqualification.

Question 2.(a) Internal Control Questionnaire: Most of the candidates have simply discussed the technique of “Internal Control Questionnaire” but they failed to explain its usefulness in proper evaluation of Internal Control.

(b) Auditing through the computer: Many candidates failed to mention the various circumstances under which Auditing through the computer should be used and instead focused on computerization.

(c) Sufficient Appropriate audit evidence: Majority of the candidates did not have an idea of the relevant factors that help the auditor to ascertain what is appropriate audit evidence.

Question 3.(a) Sampling Risk: Majority of the candidates have answered in a general way, the various types of risk in auditing environment.

(b) Extent of reliance on analytical procedure: Most of the Candidates failed to mention the

various factors that determine the extent of reliance on analytical procedure and answered on various techniques of analytical procedure.

Question 4.(a) Reliability of external confirmation: The answers of most of the candidates failed to highlight the various factors affecting the reliability of external confirmation.

(b) Physical verification of assets at reasonable intervals: Some of the candidates indicated this as an auditor's responsibility to make verification on yearly basis and very few mentioned the relevant requirement of CARO, 2003.

(c) Verification of credit sales: Candidates in general have a fair knowledge of the topic.

(d) Factors governing mode of communication with those charged with governance: This part was attempted by very few candidates and even they failed to understand the requirement of the question and gave a general answer on the need for communication instead of the factors governing the mode of communication.

(e) Procedure to be performed in expressing opinion on going concern assumption:

Most of the candidates have answered this part in general way without highlighting the various procedures to be followed in assessing the going concern assumption as required in the question.

Question 5.(a) Audit of Club: Majority of the candidates have good knowledge of the topic and highlighted important aspects to be considered by an auditor.

(b) Income of NGO: Candidates have fair knowledge of the topic and mentioned the various sources of income of an NGO

(c) Disclaimer of opinion: Many candidates highlighted the various conditions upon which disclaimer of opinion can be issued.

Question 6.(a) Shifting of books of accounts [Section 209(1) of the Companies Act, 1956]: Most of the candidates mentioned about resolution of the shareholder instead of Board and also failed to mention the exact time period within which it is to be submitted to ROC. Some of them even wrongly explained that since the company shifted its registered office, therefore, there is no legal bar in shifting books of accounts.

(b) Disclosure of revalued fixed assets of a partnership firm: None of the candidates could

bring out the relevant disclosure requirement as per AS-10, and they related the revaluation to change in constitution of a partnership firm without concentrating on disclosure aspect.

(c) Ownership and custody of audit working papers: Many candidates have a good understanding of the topic.

(d) Management's responsibility for determining quantity and value of inventory Majority of the candidates have given a general answer and failed to relate the answer to the requirement of CARO, 2003 and "Valuation of Inventory".

Question 7.(a) Auditing an account of bought ledger having debit balance: Some of the candidates could not explain the reasons for having debit balance in bought ledger

(b) Removal of first auditor [Sec.224(5) (7)] : Most of the candidates have correctly mentioned that consent of Central Government is not required but wrongly answered that mentioned that BOD has the power to remove the first auditor.

(c) Audit engagement letter: Majority of the candidates did not have an idea of audit engagement letter and its important contents. Some candidates instead of drafting a letter, answered the question in theoretical way.

PAPER - 7 : INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A : INFORMATION TECHNOLOGY

The overall performance of the candidates was below average and there is a scope for improvement.

Question 1.(a) – (e) - Almost all the Candidates answered this question. Most of them were not able to explain the concepts especially part (c), (d) and (e).

Question 2.(a), & (b) - Most of the candidates answered part (a) satisfactorily. For part (b), majority of the candidates gave vague answers.

Question 3. Most of the answers given by the candidates exhibited lack of technical knowledge.

Question 4. Most of the candidates answered this question very well.

Question 5. Many candidates answered this question very well.

Question 6. Very few candidates could answer this question on expected lines.



Question 7.(a) – (e) Most of the candidates attempted this question, however only few could answer part (d) & (e) correctly.

SECTION – B : STRATEGIC MANAGEMENT

Question 8. There were four questions asked at the end of the case study. Diverse answers were written by them. Part (a) was correctly answered by a large number of candidates. In part (b) answers were not satisfactory. Most of the candidates had misinterpreted Destructive Innovation as a negative concept and mentioned it as one of the weaknesses. In part (c) the performance was average to good. In part (d) the performance was fairly good.

Question 9.(a)(i) A large number of candidates have been able to explain the requirement of a strategy in non-profit organizations. Overall performance was satisfactory.

(ii) Answers were general as most of the students could not answer the three levels and their role in control alongwith formulation and implementation.

(b)(i) Most of the candidates failed to relate the factory as making cosmetics with drugstore as hopes.

(ii)&(iii) Majority of the candidates were able to provide answers correctly.

Question 10. The performance was extremely poor indicating that the candidates have not understood the concept well. It was basically an application oriented question to test the understanding of commonly used concepts in Strategic Management.

Question 11.(a) A large majority of candidates had drawn the matrix correctly. But the advices of available options are not satisfactory.

(b) The performance was extremely poor indicating that the candidates have not understood the concept well. It was basically an application oriented question to test the understanding of concepts.

Question 12. Majority of the candidates wrote answers in general manner and made them too simple. They could hardly co-relate it with competitive scenario.

Question 13.(a) The answer of the candidates reflected that most of them were not aware about the top-down and bottom-up strategic planning. They have written the answers in a general manner.

(b) A large number of candidates have done well. However, a few candidates have merely guessed and have wrongly mentioned the three levels of strategic formulation.

Question 14.(a) Majority of the candidates attempted this question but only few of them were able to explain network structure correctly. They misinterpreted the word network with reference to IT infrastructure. The overall performance of the candidates in this question was poor.

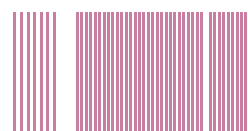
(b) Candidates were having good understanding of elements of marketing mix. The overall performance was satisfactory.

CROSSWORD

March-2011

Solution

I									V		X	M	L
F	I	F	T	E	E	N			A			A	
C						G	R	A	T	U	I	T	Y
I		M		F		O					N		
	D	U	A	L				C	R	E	D	I	T
		S		E	M	I		G			I		E
C	C	I		X		N		H			R		X
O		C		I	N	V	E	S	T	M	E	N	T
R				B		O					C		
E	R	R		L		I	C	R	A		T	W	O
		O	N	E		C			I				
C	I	I			R	E	O	R	D	E	R		



**Chartered Accountancy Examinations, May 2011.
Rescheduling of PCE/IPCE Exams scheduled on 3rd and 7th May 2011 at
Kolkatta and Asansol**

14th March, 2011

In view of the Election to the West Bengal State Legislative Assembly, Paper-1, 'Advanced Accounting' of Professional Competence Examination and Paper-1, 'Accounting' of Integrated Professional Competence Examination scheduled to be held on Tuesday, the 3rd May, 2011 at **Kolkata Zone-I, Zone-II and Zone-III centres** stand postponed and the examination in the said papers shall now be held at Kolkata Zone I, Zone-II and Zone-III centres on Wednesday, 18th May, 2011 at the same venues and at the same timings i.e. 2.00 PM to 5.00 PM.

Similarly owing to the aforesaid Elections, Paper-4, 'Cost Accounting and Financial Management' of Professional Competence Examination and Paper-3, 'Cost Accounting and Financial Management' of Integrated Professional Competence Examination scheduled to be held on Saturday, the 7th May, 2011 at **Asansol** centre stand postponed and the examination in the said papers shall now be held at Asansol centre on Wednesday, 18th May, 2011 at the same venue and at the same timings i.e. 2.00 PM to 5.00 PM.

(Dr. T. PARAMASIVAN)

Senior Deputy Director (Exams.)

No. 13-CA (Exams)/CPT/June/2010/Roll no. 204799/NRO1800333: - In exercise of the powers conferred by regulation 39 (7) read with regulation 176 of the chartered accountants regulations, 1988, the council of the Institute of Chartered Accountants of India has decided that the result of appearance of Mr. Mayank Gupta, s/o Shri Rakesh Gupta, House no. 233, Partapgarh, Jammu (J&K) – 180 001, bearing roll no. 204799 in the common proficiency test held in June 2010 be cancelled.

(DR. T. PARAMASIVAN)

Senior Deputy Director (Exams.)

**Committee on Public Finance and Government Accounting : Invitation to
contribute Articles for E-Newsletter-'Prudence'**

The Committee on Public Finance & Government Accounting of The Institute of Chartered Accountants of India is regularly coming up with its E-Newsletter -'Prudence' featuring various articles on economic issues and measures on bi-monthly basis. The December-January (2010-2011) issue of the E-Newsletter is available at the URL <http://220.227.161.86/21657announ12308.pdf>.

The Committee invites members, academicians, students, researchers and writers to contribute articles in different areas of Public Finance and Government Accounting for publication in the April-May 2011 issue of its E-newsletter. If the article is published, a token honorarium of ₹ 2000/- per article shall be paid. Discretion of the Committee regarding publication /non-publication of the article shall be final and abiding therewith under copyright of the Committee. Material in this E-Newsletter may not be reproduced, whether in part or in whole, without the consent of Editorial Board of Committee. Authors may only submit original work that has not been appeared elsewhere in any publication.

The articles may be sent to us (latest by 20th April 2011) in the form of soft copy through mail/CD or in printed format through post giving details of the subject matter. A latest passport size colour photograph along with full name and registration/membership number (if applicable) should also be sent with the article.

Those desirous may please contact at the following address:

The Secretary

Committee on Public Finance and Government Accounting

The Institute of Chartered Accountants of India

'ICAI Bhawan', A-29, Sector-62, Noida- 201 309,

Phone: 0120-3045950(O), Email: cpf_ga@icai.org

Enhancement of fees for issue of duplicate mark sheets

March 15, 2011

It is hereby informed that the Council has decided to enhance the fees for issue of duplicate mark sheets (for various examinations conducted by the Institute of Chartered Accountants of India, including those relating to post qualification courses) from Rs 10/- (Rupees ten only) per duplicate mark sheet to Rs 100/- (Rupees one hundred only) per duplicate mark sheet.

The detailed procedure for obtaining duplicate mark sheet is available in the students/examination section of our website www.icai.org

Examination Department

Contribution to the Question Bank of CPT

The Common Proficiency Test (CPT) is an entry level test meant for 10+2 students to the Chartered Accountancy Profession having multiple choice objective questions. The level of knowledge expected is basic knowledge with the objective to develop conceptual understanding of the subject concerned.

With a view to augment the Question Bank in the Subjects of Accounting/Mercantile Laws/General Economics/Quantitative Aptitude of Common Proficiency Test, it has been decided to invite questions from Chartered Accountants/Subject experts working in various Colleges/Universities/Public/Students pursuing Chartered Accountancy Course etc.

The contributor can contribute as many questions as he/she can, but in a lot of minimum of 20 questions in the subjects of Accounting/Mercantile Laws/General Economics/Quantitative Aptitude in the following manner:-

- The questions should be of objective with four probable answers for each question. The correct answer for each question is also required to be given.
- Fill in the blanks having four alternative answers.
- Small paragraph containing two to three lines followed by a question having four alternative answers.
- Numerical having four alternative answers (in Fundamentals of Accounting, Mathematics and Statistics).
- Simply worded Case studies involving multiple concepts be also prepared. The case study could be something like a practical situation described in 3-4 lines in simple language with application of single/multiple concepts and requiring students to choose one answer from amongst four answers whereby the analytical/logical ability and intelligence of the students is tested.

Since the CPT is an entry level Test meant for 10+2 students, the level of knowledge expected is basic knowledge and the questions should be aimed at testing the conceptual understanding and fundamentals of the subject than merely testing the memory of candidates. The difficulty level of the questions should be of 10+2 level and capable of being answered/solved in less than one minute.

While framing the questions, the questions be framed in such a manner that each one of the four answers given for a particular question, per se, appear to be the right answer thereby requiring the candidate to use his analytical ability to find the correct answer.

- The language of the questions to be sent should be English only and is clear, correct, unambiguous and free from any doubt. The language conveys the same meaning as was intended by you.
- The copyrights of the questions so submitted shall vest with the Council of the Institute. The contributor of the questions shall ensure that the questions so submitted to the Institute are not parted with by him/her to any other Body/Person and shall be meant only for the exclusive use by the Council of the Institute.
- **It may please be noted that the questions framed by you should be original and not already published in some books or journals or study material of the Institute or reference/text books available in the market or also from question papers of any other examinations or material distributed by any coaching institution. The requirement is the questions that are original and framed with the meticulous care and genuinely.**
- For each question framed and forwarded and accepted by the Council of the Institute for augmentation of the Question Bank of CPT, ₹250/- per question selected/accepted will be paid as honorarium. In addition to honorarium payable towards questions selected, ₹100/- (fixed) will be paid for other services also. The questions may be sent in a sealed envelope superscribed "Question Bank – CPT" to Shri G. Somasekhar, Additional Secretary (Exams), The Institute of Chartered Accountants of India, Indraprastha Marg, New Delhi – 110002 by name or by e-mail to srdd_exam@icai.in While sending the questions by post/mail, please mention your name and complete postal address alongwith contact details including mobile number. All correspondence on the subject should be treated as secret.

Interested persons may kindly contribute to the Question Bank of CPT.

(G. SOMASEKHAR)
ADDITIONAL SECRETARY (EXAMS.)

A.B.L.A.Z.E – “Burning Bright, Bringing the Light”

Chartered accountancy - one of the most challenging courses in the country today is usually classified as a full-fledged correspondence course. Even though the not so distant past saw the emergence of the GMCS course, the Institute wanted to go the extra mile to make the freshly graduated CAs more competitive. The evolution of this idea gave rise to a six weeks training course conducted at the ICAI Center of Excellence (COE) in Hyderabad. The decision to go to Hyderabad was to quench my thirst for a B-school polish that I needed to complete my formal education in style.

It all started with a call I got a few days before the course was supposed to start, informing me about the airport pick-up arrangement. After that, the very first step inside the immaculately maintained campus of COE drove away all the misapprehensions I had when my friends had ridiculed me for opting this course over the much cheaper and shorter GMCS course. The 42 days that followed awarded me with a lot of friends who had all gone through the same grilling process as I did in the pursuit of becoming a CA even though it meant sacrificing the normal pleasures of a college life.

Most of the participants of the 3rd batch at the Centre of Excellence (A.B.L.A.Z.E-ians as we call ourselves) were waiting for the verdict on January 21. Now as fate would have it, some of us cleared the hurdle while some were unlucky. But this only brought us closer and the entire atmosphere reinforced hope and positivity in all.

We were put through various technical as well as personality development sessions, which helped in shedding our stage fear completely. The technical sessions were excellent as they built upon the information, which we had already amassed in the course of our exam preparation and articleship training. This helped us realise the amount of updates that are required for a chartered accountant to remain in the race. Also the facilities that were made available were above all expectations.

The informal sessions created an instant bonding amongst us and also did its job of giving us a much needed platform like in B-schools. The first week consisted of extempore sessions, debates and GDs. The second week along with its very informative sessions had a hectic schedule of mock interviews, power-point presentations, group discussions and various team building activities. The experience of late night preparations, waiting for interview turns and going on factory visits really gave us a taste of how management training is really done. All the more, the chic and beautiful campus of COE revealed its vibrant colours

and hospitality to us during these exhilarating exercises. The yoga sessions, which started from the second week of our stay, helped us realize the importance of yoga in our busy corporate lives.

Apart from yoga, we had various other activities scheduled in the morning - ABLAZE news, interactive English, role playing and much more. All the teams which were engaged in these activities put in their best and came up with excellent ideas, like a quiz on English vocabulary, a skit-cum-narration for learning new idioms to recall a few. We were able to regain those talents which had gone into hiding in the past 3 years and all of us recognised one another for what we are actually capable of. We moulded professionals into story narrators. We conducted sessions having instant skits, management games, logo designing, business planning

and such to reveal the observational and imitation skills within ourselves. In the process, we ended up learning and entertaining ourselves simultaneously. We had a set of really rocking GDs conducted with corporate etiquettes about all the crucial issues we face in life.

The day of the public speaking sessions turned into the most happening day of our lives. We rejoiced for the coming times, cried for our past, sent people flying into the sky for their success and became Obamas and Hitlers that day.

Ultimately, the cultural event - PROFEST 2011 became the final curtain call. And it is with great pride in our unity that I would like to proclaim that we rocked COE of its well laid foundations that night.

After a roller coaster ride filled with emotions coming one after the other, we had no time to stop and think because we knew we had to make every second count. When the day of our departure arrived the whole campus was filled up with emotions which found its way out at the gates. We spent the whole night awake with our inseparable friends not wanting to waste time in any unproductive activity and definitely not by sleeping. As the sojourn in the cool and calm airs of COE came to an end, my life found new areas of interest, my heart found new vistas of energy called friends, my future hopefully held new opportunities of bonding, and my past got filled with cherished memories that can take me through centuries of solitude.

“50 dreams made of different fabrics in different patterns
Some got enlightened,
For some the fire was rekindled,
Some formed the path, some became comrades,
Some got emotional;

6 weeks was all it took and yet we yearn for more.”

(Contributed jointly by the participants of the 3rd Batch)



CA. Devaraja Reddy M, CA. J. Venkateswarlu, Central Council Members and Shri Vijay Kapur, Director, Board of Studies with the participants of the six weeks Residential Programme on “Professional Skills Development” at the Centre of Excellence, Hyderabad.



CA. Jaydeep N. Shah, Vice-President, ICAI being felicitated by CA. V. Murali, Chairman, Board of Studies.



CA. G. Ramaswamy, President, ICAI and CA. Jaydeep N. Shah, Vice-President, ICAI with Col. Dr. G. Thiruvassagam, Vice-Chancellor, Madras University and other officials.



CA. G. Ramaswamy, President, ICAI addressing the participants of the Residential Programme on Professional Skills Development at the Centre of Excellence, Hyderabad.



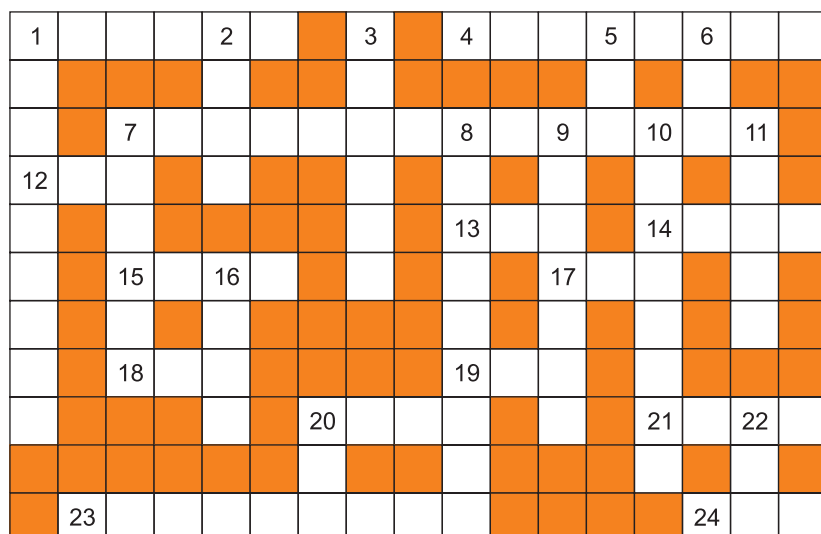
CA. V. Murali, Chairman, Board Of Studies and Mr. Vijay Kapur, Director, Board of Studies with Professor Mark Allison, Chairman, IAESB at the UNCTAD-IAESB Accountancy Forum.



CA. G. Ramaswamy, President, ICAI surrounded by newly qualified Chartered Accountants at the Orientation Programme organized by CMII in Delhi.



CA. G. Ramaswamy, President, ICAI being welcomed by CA. K. Raghunath, Chairman, CMII, CA. Pankaj Tyagee, Vice-Chairman, CMII and CA. Charanjot Singh Nanda, Central Council Member at the Orientation Programme.



CROSSWORD

Across

1. Employees' Provident Funds and Miscellaneous Provisions Act, 1952 applies to the entities employing more than _____ persons.
4. An incomplete instrument under the Negotiable instrument Act, 1881 is termed as _____.
7. Non-residents would be required to report the activities of their in the prescribed form within 60 days from the end of the financial year.
12. Top most destination of India's exports in 2009-2010.
13. A performance measure used to evaluate the efficiency of an investment.
14. _____ is the neutral meeting point of the ISPs in India.
15. Regulator of securities market in India.
17. The amount of earnings per each outstanding share of a company's stock.
18. The Finance Bill, 2011 proposes to sunset the availability of exemption from MAT in the case of developers and units.
19. Inline XBRL (iXBRL) allows the computer-readable _____ to be attached to an electronic file which can also be read by people on screen or in printed form.
20. Opposite of For.
21. A _____ is required to make 0.25% provision on standard assets.
23. One of the most important tools in cost planning is _____.
24. Considering the practical difficulties due to non-availability of requisite infrastructure on an all India basis, the Finance Bill, 2011 proposes to omit the requirement of quoting in all correspondences between the assessee and income-tax authority.

Down

1. As per revised Schedule VI of the Companies Act, the companies having turnover of one hundred crores rupees are not allowed to round off the figures appearing in the Financial Statements to the nearest _____.
2. Regulatory authority of telecom in India.
3. The minimum number of directors that must be present in order to constitute a board meeting and transact business thereat is called _____.
5. A composite index used by UNDP to measure human well being.
6. A person proficient in its field is also called _____.
7. Indian Accounting Standards (IndAS) 17 : _____.
8. The method of costing used in hospitals is _____ costing.
9. Companies incorporated outside India but having offices in India are called _____ companies.
10. When output increases in the same proportion as the scale, _____ returns to scale occur.
11. From the date of Annual General Meeting, a company having share capital must file its Annual Return in _____ days.
16. A rumour or report is also called - _____.
20. The Finance Bill, 2011 proposes to levy on LLPs.
22. Outside companies investing in the financial markets of India are called _____.