



The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

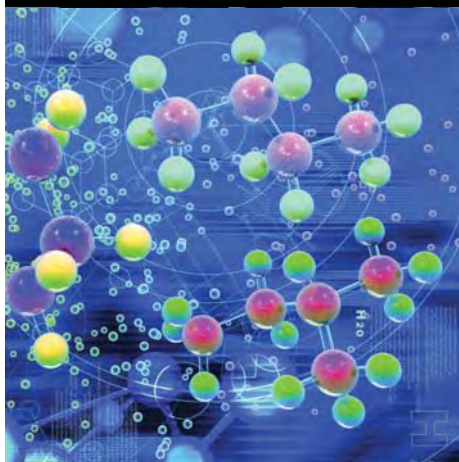
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President's Communication

Dear Students,

It was a delight to see India win the World Cup in Cricket again. From 1983 to 2011, it is indeed a long way, but to a team of dedication and determination, winning can only be delayed but not denied. Verily, when a person is really determined to get something, all the universe conspires to help that person to realize his dream. I strongly believe that there is no substitute for determination, hard work and sincerity and I am sure that you all are preparing for your May examination with sincerity and hard work and are determined to succeed. A thorough preparation of your subjects will help you to secure good marks. Along with subject preparation, students undertaking practical training seriously will definitely do well. Above all, you should try to reap maximum benefits from the available educational inputs like study materials, revision test papers, suggested answers and other supplementary study materials developed by the Institute on a regular basis.

Innovation is the new buzzword in today's business world. One has to be innovative in order to be way ahead of competition. In no profession, the importance of this innovation more fully manifests than in Chartered Accountancy Course. Gone are the days when a Chartered Accountant was merely a tax man. Gone also are the days, when he used to crunch numbers only. Today, a Chartered Accountant is in the company's board-room, a partner of national progress. A CA student must keep in mind that being innovative is not necessarily equivalent to getting higher marks. Getting marks is important but what is more important is the habit to think and this habit must be inculcated from early years of your student life.

This is quite a crucial phase of your professional career because being the students of this great Institute, you need to justify your inherent abilities, competence and potentials and do well in your examination. We, at the Institute are trying our best to provide you an effective learning environment utilizing modern tools and techniques for removing difficulties and making you confident.

There is no royal road to success. Rather the road leading to success has too many pitfalls and one must not be discouraged by initial failures, if any there be. Keep the whole thing simple and study hard. Keep faith, success will be yours.

Success in the examination reflects your understandings about the subjects and establishes you as professional. Integrating professional competence with honesty and enhanced presentation

and communication skills can meet the challenges of highly competitive professional world. I hope, being a student of this Institute and latter as a Member, you should be aware of cross-cultural aspects of the global environment and strengthen your basics to remain focused and alert.

Apart from being professionally expert, the facts can not be denied that one must have a pleasing personality with effective communication skills. We, in the Institute, are honestly developing effective programmes on personality development and communication skills for our students. The focus of these programmes is to enhance the communication skills of the students and give them insights of cross cultural aspects of work life, client relationship management and other relevant topics so as to prepare them to meet the challenge of the global environment.

Recently, I had an interaction with students at Jaipur. I was really happy to note the exuberance and motivational level among them. They had come out in great numbers and actively participated in the interactive session. I am also happy to note that students are keeping themselves updated in all the professional spheres which is so much necessary for a dynamic profession like chartered accountancy.

The Institute always has the interest of its students uppermost in its mind. I am happy to announce that the Council has decided that the students appearing in PCC/IPCC and Final examination would henceforth be given 15 minutes reading time in addition to the examination time of 3 hours. The students appearing in May 2011 examination would be also be eligible for this benefit.

Our Institute is committed to give you the best possible guidance covering every aspects of the Chartered Accountancy Course and to build a strong platform to cater the needs of the Accounting Profession. And spreading the horizon of CA Course, the Ministry of Corporate Affairs has recently conveyed its approval to the Resolution passed by the Council that students who have not passed 12th standard but have completed two years of higher education shall be able to pursue the CA Course. I am sure that our profession will continue to reach greater heights in the near future.

Before closing my communication to you, I advise you that do not allow the stress to lead you to burn-out. There are so many ways to reduce stress, particularly at the time of examination, try to follow them. Since the examination is fast approaching, I offer my "best wishes" to all of you and I hope that you all will do well in the examination.

Yours sincerely,

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

"Doubt is the vestibule through which all must pass before they can enter into the temple of wisdom."



Vice-President's Communication

Dear Students,

With a growth rate of over 8 per cent, India is emerging as a global power. Two important contributors to India's

stupendous growth power are **"youth population"** and **"educated society"**. As per the census 2011 provisional data, population of India stands at 121 crore, out of which nearly 60 per cent is in the working age group and 74 per cent is literate. This "demographic dividend" can be optimally utilized to the benefit of economy by further increasing investments in education, health care and skill building. Surely, in the coming years, India can become an economic power to reckon with. We, on our parts, need to rise up to the occasion and contribute towards making our country more vibrant, honest and trustworthy.

I wish to convey my best wishes to all the students who are appearing in May, 2011 Examination and hope that you all will do well in the examination. Though your stress level before and after the examination is on the higher side, but this should not be the obstacles for you to become successful. Preparation before the examination needs proper planning of preparing the topics of the subjects, regular and methodical revisions and above all building of self confidence to do well. Remember, examination tests your practical knowledge and therefore you need to develop a meaningful approach to resolve practical problems. Apart from consulting the study materials developed by the Institute, study text books of Indian authors which cover the syllabus.

The knowledge portal of the Board of Studies in the Institute's website is an important platform for various inputs for the students. The portal contains links to Study Material, Revision Test Papers, Suggested Answers, Supplementary Study Materials, Additional Reading materials, Mock/Model Test Papers and Select Cases etc., which can give you essential and important inputs to prepare for the examination. The Board of Studies plays an important role in facilitating the students for their professional growth.

The Board of Studies also hosts various announcements on the Institute's website under students section. It contains all the announcements relating to the interests of the students. The students should regularly browse the announcements hosted on the website and remain informed about the significant developments.

I am sure that you are already reaping benefits from the Live Classes organized by the Institute. The Institute is organizing these Live Classes at 24 different centres in 21 cities. Gradually, there will be increase in the number of centres. This unique blend of learning resources has proved to be important for the students of this august Institute. We are committed to take our profession to a new height in a holistic and systematic manner.

To provide our young members a good start in their placement, the Institute organizes Campus Placement Programme. Recently, during the months of February-March, 2011, the ICAI conducted Campus placement programme for the Newly Qualified Chartered Accountants. In the programme 1863 jobs were offered to the candidates out of which a total of 1611 offers were accepted. Also, 111 MNCs, PSUs banks and other major entities from the industry participated. The selected Chartered Accountants have been offered rewarding salary packages for the international as well as the domestic posting.

Highest salary under international posting was made by Olam International, i.e. US \$ 120,000 - 150,000 per annum and, under domestic posting, it was offered by ITC Rs. 13.92 lakh per annum. The statistics confirm that you have bright future. Work hard and join the realms of the profession at the earliest.

Before I complete my message to you, I wish you all good luck for your ensuing examination. Remember, **"when mind is weak, situation becomes a problem; when mind is balanced, situation becomes challenge; but when mind is strong, situation becomes opportunity"**. Keep your mind strong, you will do well.

Yours sincerely,

CA Jaydeep Narendra Shah,

Vice President, ICAI, New Delhi



Chairman's Communication

My Dear Students,

We at the Board of Studies are enthused by the appreciative, affectionate and motivating letters, messages and emails that have come pouring in from various parts of the country. Your responsiveness is the adrenaline that gives us the energy and

impetus to move forward, so keep on writing in.

POINT TO PONDER - THE IMPORTANCE OF GOAL SETTING AND ITS EXECUTION

If you want to live a happy life, tie it to a goal, not to people or circumstances. Dare to dream and act upon the dream. The Founder of Atari – Nolan Bushnell once remarked ***“Everyone gets an idea in the shower. But the successful ones get out of the shower, dry off and do something about it.”*** Hence, thinking and dreaming is not enough, one has to go all out, the full slog, to reach out and make the vision a reality. Realise your hidden potential and bring it to the fore. We spend our days waiting for the ideal path to appear in front of us but we forget that paths are made by walking not waiting.

LIFE SKILLS FOR STUDENTS

1. **Aim :** Aim High. It is better you get a stiff neck from aiming too high than a hunchback from aiming too low. In the end it is not the years in your life that count but the life in your years. All that counts cannot be counted. All that can be counted does not necessarily count. Dream requires effortless sleep whereas aim requires sleepless efforts. Hence, sleep for your Dream and Wake up for your Aim.
2. **Be Positive and Creative:** If your eyes are positive, you will like all the people in the world; If your tongue is positive, all the people in the world will like you. One tree makes One lakh matchsticks but one matchstick can burn one lakh Trees. One negative thought can burn all positive ideas. So be positive and creative.
3. **Ethics and Good Behaviour:** In matters of style swim with the current but in matters of principle stand like a rock. Time decides whom we meet in life; our heart decides whom we want in life but our behaviour decides who will stay in our life. The way we ‘MANAGE’ when we have nothing and the way we ‘BEHAVE’ when we have everything determines our success in life.
4. **Focus begets success:** Be focussed to ensure your success. What is success? In simple words – when your ‘SIGNATURE’ turns to ‘AUTOGRAPH’ that is success.
5. **Interpersonal skills:** A wise person knows everything whereas a successful person knows everyone. Relationship building and networking pave the path to success.
6. **Time Management:** It may look funny but true. In the past, no body had a watch, but everybody had the time; Now everyone has a watch but no body has the time. Time is precious. Time is the coin of life. It's the only coin you have and only you can determine how it will be spent. Be careful, lest you let others spend it for you.
7. **Compassion and Empathy:** Develop passion with compassion; Empathy not apathy towards those who are less fortunate.
8. **Smile and make others smile:** The most beautiful thing is to see a person smiling and even more beautiful is knowing that you are the reason behind it. When you see someone without a smile give them one of yours.
9. **Forgiveness:** Forgiveness saves the expense of anger, the cost of hatred and the waste of spirits.

A NOTE FOR THOSE PREPARING FOR THE FORTHCOMING C.A. EXAMINATIONS

The crunch time is before you. Persistence and perseverance are the keys that will unlock the doors to success in the C.A. examinations. Sometimes you get emotionally tired and want to throw in the towel. My advice is don't let these dark clouds come your way. Stay focussed and plan your study strategy. For CA Students who are preparing for exams there is no better advice than what Benjamin Franklin said ***“Never leave that till tomorrow which you can do today.”*** Wishing each and every one of you ***“ALL THE VERY BEST”*** for the forthcoming examinations.

FOR STUDENTS WHO HAVE NOT BEEN FORTUNATE TO CLEAR THE EXAMINATIONS

Our greatest glory is not in never falling but in rising up every time when we fall. **Alexander Graham Bell had said “When one door closes, another door opens, but we so often look so long and so regretfully upon the closed door, that we don't see the ones that are open for us.”** Hence, look for opportunities that are hidden in the temporary failures of life. The only time a person runs out of chances is when he stops taking them. An obstacle in your mind is worse than an obstacle on the path. If you think you can, you can. With a positive frame of mind, you can work miracles and success will be yours. It is said that before opportunities crown you with great success, it usually tests your mettle with adversity. Always remember, behind every cloud there is a silver lining. Keep your head and heart going in the right direction and you will not have to worry about your feet. The winds and waves are always on the side of the ablest navigator.

FOR STUDENTS WHO HAVE CLEARED THE CA FINAL EXAMINATIONS

Congrats! Keep in touch with your Alma Mater. Look upon her as a benevolent but strict mother—attend CPE Programmes and Seminars with enthusiasm—it is an avenue to hone your skills, update & enrich yourself, meet up with fellow professionals, share a brainstorming of ideas and network with them. Become a part of the CA Benevolent Fund which does a lot for the families of needy professional brethren. Be a part of the change you want to see. Become involved and you will be amply rewarded by fulfillment and satisfaction.

ORIENTATION PROGRAMME FOR NEWLY ENROLLED CHARTERED ACCOUNTANTS APPEARING FOR CAMPUS INTERVIEWS

The Campus Interviews have been fruitful and result-oriented for young Chartered Accountants. The Orientation Programme that precedes the Interviews is an eye-opener and awareness creator as to how the corporate world functions. Listening to the leading H.R. experts and participating in mock Interviews and group discussions go a long way in improving the poise and confidence of our young members. They get fantastic practical tips from veteran Professionals and versatile captains of industry. The sky is the limit for a professionally competent person endowed with determination, dedication, enthusiasm and commitment – age or experience is not a bar to growth.

WRAP UP POINT

Lord Buddha said ***“The secret of health for both mind and body is not to mourn for the past, not to worry about the future, not to anticipate trouble, it is to live and to live in the present moment, wisely and earnestly.”***

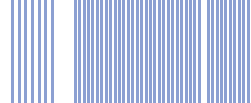
I would like to end this missive with a quaint Irish Blessing that is a personal favourite with me ***“May the road rise to meet you, May the wind always be at your back, May the sun shine warm upon your face, the rains fall softly on your fields and until we meet again May God hold you in the palm of His hand.”***

With Warm Professional Regards,

Forever, yours in service,

(CA. V. Murali)

Chairman, Board of Studies



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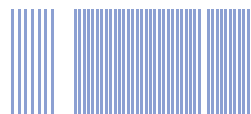
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Dispute Resolution Panel

Critical Analysis and The Gyratory Issues

Deepika Soni



The global handshaking of Indian Economy with foreign entities/investors has given birth to critical issues relating to transfer pricing, taxation of foreign companies and the pertinent matters. But, the existence of uncertainty and inordinate delays in the Indian litigation mechanism has always been a “throat-bone” for foreign investors. Moreover, the finality in high-tax demand-litigations is attained only at higher levels of judicial hierarchy.

In concern of such litigation scenario and the indirect correlation of foreign investment with prolonged uncertainty in taxation matters, the draftsmen of Indian taxation laws commissioned a 3-member alternative resolution panel to rule out the uncertainty and implement effective transfer pricing policies and procedures in the Indian taxation landscape.

Introduction

Section 144C was inserted via Finance (No.2) Act, 2009 with the following object as explained by the Hon'ble Finance Minister:

“The subjects of transfer pricing audit and the taxation of foreign company are at nascent stage in India. Often the Assessing Officers and the Transfer Pricing Officers tend to take a conservative view.

The correction of such view takes very long time with the existing appellate structure.



With a view to provide speedy disposal, it is proposed to amend the Income-tax Act, 1961 so as to create an alternative dispute resolution mechanism within the income-tax department and accordingly, section 144C has been proposed to be inserted so as to provide inter alia the Dispute Resolution Panel as an alternative dispute resolution mechanism”.

Constitution of Dispute Resolution Panel

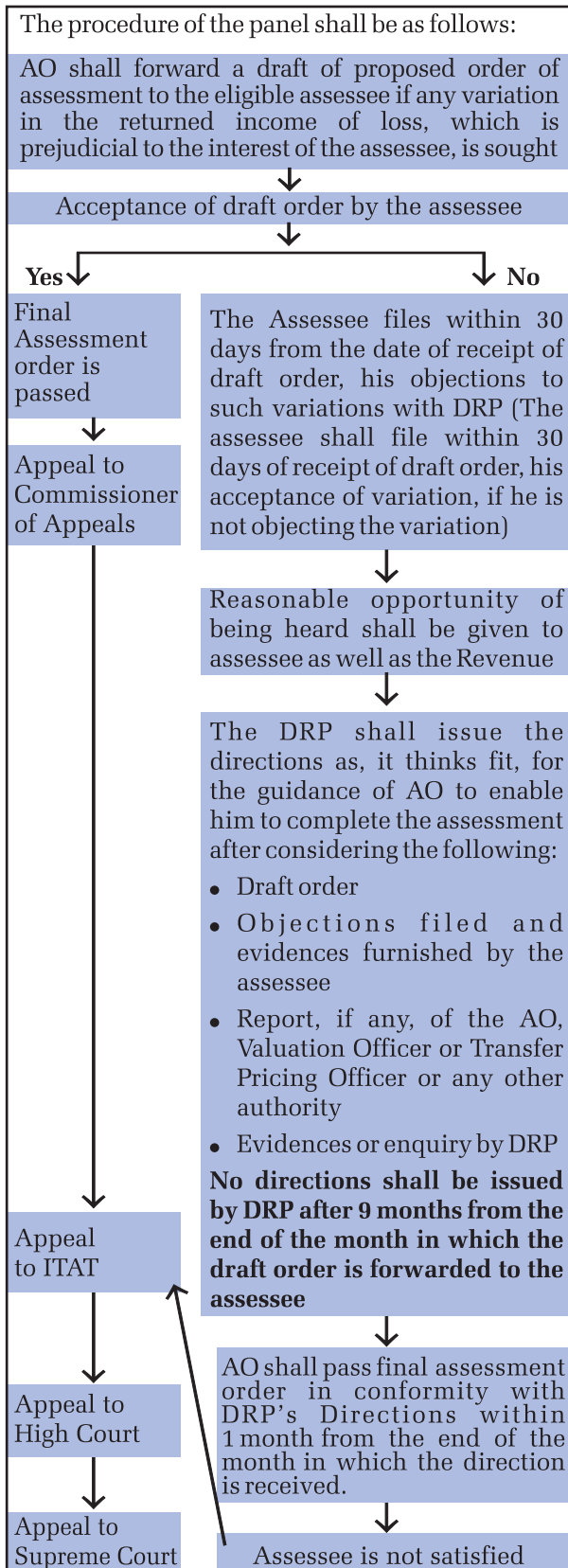
As per Income Tax (Dispute Resolution Panel) Rules, 2009, the Panel shall consist of 3 members, who shall be Commissioners of Income Tax, who in addition to their regular duties as commissioner, shall also carry out the functions of the Panel.

Provision and the Modus operandi

The eligible assessee for this section means –

1. Any person in whose case the variation arises as a consequence of the order of the Transfer Pricing Officer passed under section 92CA(3) and
2. Any foreign company

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Powers and duties of DRP

- DRP may confirm, reduce or enhance the variations as proposed by the AO.
- DRP cannot set aside any variation or issue any direction for further enquiry and for passing of assessment order.
- Decision to be based on majority of members.

Income Tax (Dispute Resolution Panel) Rules, 2009

In exercise of powers conferred under section 144C (14), the Central Board of Direct Taxes has made Income Tax (Dispute Resolution Panel) Rules, 2009, for efficient functioning of the Dispute Resolution Panel and expeditious disposal of the objects filed with the panel. The highlights of above rules are as follows:

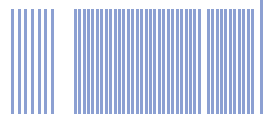
- 8 cities have been specified for constitution of Panels having jurisdiction over respective areas. It includes Delhi, Mumbai, Ahmedabad, Kolkata, Chennai, Hyderabad, Bangalore, Pune.
- Procedure for filing objection with DRP is as follows:
 - ❑ Objections against the draft order may be filed by the eligible assessee within specified period in Form No. 35A.
 - ❑ The objections shall be in English and shall be filed with the Secretariat of the Panel.
 - ❑ The objections shall be filed in paper book form in quadruplicate
- The proceeding before the Panel shall not abate in case of death, insolvency or winding up (In case of Company assessee) of the assessee.
- Any appeal against the assessment order passed in pursuance of directions under section 144C shall be filed in Form No. 36 B.

Benefits to the Assessee

- It provides expeditious and effective conclusion of tax disputes.
- Choosing the DRP route has the benefit of limiting the tax department from recovering tax pending a DRP verdict.
- If resort is made to DRP, then one level of the Appellate hierarchy, that is, the Commissioner level is reduced, thereby reducing the consequent litigation delays.

Is the recourse to Dispute Resolution Panel an option or a mandate?

Section 246A of the Income-tax Act, 1961, provides for filing of appeal before the commissioner (appeals) by the taxpayer against the assessment order. If it is assumed that the tax payer has filed



an acceptance with the Assessing Officer regarding the proposed variation, then the issue arises as to whether he would be regarded as aggrieved by the adjustment made in the assessment order. Further, would he, be able to file an appeal under the normal course. If, we take the view that he would not be so allowed, then it would not be justified as it does not seem to be the intent of the section. It is merely an alternative course of remedy, which is itself clear from the object clause placed by the Hon'ble Finance Minister.

Moreover, as per clarification issued by Central Board of Direct Taxes dated 20th January, 2010, the remedy of approaching Dispute Resolution Panel is merely an option for the assessee against making an appeal to the Commissioner of Income Tax.

Whether the income relating to transfer pricing operations would be considered by DRP?

Here is a point to ponder upon, that whether the income relating to transfer pricing operation only, would be the subject matter to be considered by DRP or other matters relating to an assessee would also fall within the ambit of jurisdiction of DRP? The answer to this question is not yet a settled one. But, on perusing section 144C (1), it is clear that the use of words "any variation in the income or loss returned" indicate that any income in relation to eligible assessee shall be considered by the DRP.

Has the Dispute Resolution Panel been able to serve its intended purpose?

The object of introducing the Dispute Resolution Panel was fast track redressal of taxation dispute.

The tax payers were of the view that such a panel would provide speedier and less expensive justice. But the tax experts are of the opinion that it has not lived up to that expectation. It is really unfortunate that the experience of representations before DRP is not satisfactory. The three commissioners who sit as members of DRP are assigned this duty in addition to their regular duties as commissioners. The commissioners wearing two hats, one as commissioner administration and an additional charge as DRP members, cannot obviously give undivided attention to the DRP matters.

Further, since the decision of DRP is binding on the Assessing Officer, the attitude of DRP members are largely pro-revenue. Their role, it appears, is more to supplement and strengthen what the Transfer Pricing Officer (TPO) has done rather than to hear the case as a judge or conciliator. This may defeat the intent and purpose of creation of DRP.

Another practical difficulty in implementation of DRP is the restricted number of cities for constitution of Panel, which makes it out-of-the-way for remote assesseees.

It is therefore, strongly recommended that if DRP is to fulfill the intent of law, then its constitution should be like an independent judicial body rather than just a departmental committee to lend support to Assessing Officers. The present style of working of DRP is likely to aggravate the problems of foreign companies instead of helping them in resolution of their disputes with the tax department.

CROSSWORD

April-2011

Solution

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Issues on Transfer Pricing

Ravi Sawana



The increasing participation of multi-national groups in the economic activities of the country has given rise to complex issues emerging from transactions entered into between the enterprises belonging to the same multi-national corporations. The transactions between such enterprises are recognised as ‘Transfer’ and price charged for such transaction is termed as ‘Transfer Price’.

The multi-national groups are able to avoid/evade tax by manipulating prices charged or paid in the cases of transactions entered into with or between their Associated Enterprises (AEs). In the A.Y. 2002-03, the Government of India introduced transfer pricing provisions by inserting sections 92 to 92F in Chapter X of Income-tax Act, 1961. Further, Rules 10B to 10E have also been inserted in Income-tax Rules, 1962. These sections and rules provide a scheme for computation of income from international transactions in a fair manner having regard to ‘Arm Length Price’. It is worthwhile to have a brief introduction of these sections and rules in order to understand the later part of this paper:

92	Opening section of transfer pricing norms
92A	Meaning of Associated Enterprises (AE)
92B	Meaning of International Transaction
92C, Rule 10B and Rule 10C	Computation of ALP
92CA	Reference to Transfer Pricing Officer
92D, Rule 10D	Maintenance of records
92E, Rule 10E	Report of Chartered Accountants
92F	Definitions of ALP, Transaction and Enterprise

A careful study of these provisions require that in the case of an international transaction between two or more associated enterprises, the income shall be computed having regard to the ALP. Precisely speaking, the computation of ALP requires identification of comparables (i.e. uncontrolled parties as well as uncontrolled transactions) and suitable adjustments to such comparable so as to arrive at a price which can be applied in the international transaction.

Issues on Transfer Pricing

The concept of transfer pricing in the Indian tax law is a relatively new concept and still in its childhood. Hence, several issues arise in the interpretation and application of these rules. Here an attempt is being made to discuss some of the important issues:

Definition of Associated Enterprises

(a) Whether Section 92A(1) overrides Section 92A(2): The definition of associated enterprises has been given in Section 92A. The definition has been given in two parts – first part being section 92A(1) and second part being section 92A(2). While the first part gives a general definition of AE, the second part has specific clauses serially numbered from (a) to (m) which prescribe a concrete definition based on certain circumstances. Hence, it can be a matter of debate and dispute as to which part shall prevail. One possible view is that the second part is merely to support the first part and it does not control the scope of first part. The other view can be that the second part controls the scope of first part.

(b) Difficulties in interpretation of some clauses of section 92A(2): The thirteen clauses of Section 92A(2) are also prone to different interpretations. For example - in clause (h), if 90% or more of the raw materials and consumables required by one enterprise are supplied by another enterprise, then

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two enterprises shall be deemed to be the associated enterprise. But the opening part for section 92A(2) states that the two enterprises shall be AEs if there exists any of the relationships as mentioned in those thirteen clauses at any time during the previous year. Thus, when clause (h) is read with the opening part of section 92A (2) it creates a gross confusion as to whether a particular transaction should be of 90% or more, or aggregate of all transactions during a previous year should be 90% or more.

(c) Use of 'directly' or 'indirectly': In section 92A (1) as well as some of the clauses of section 92A (2), the Parliament has used the words 'directly' or 'indirectly'. The interpretation and extent of these words is going to be a matter of gross dispute between the assesses and the authorities.

Selection of comparables

(a) General: - Although Rule 10B provides broad evaluation criteria to be kept in mind while judging comparability and the Organisation for Economic Co-Operation and Development (OECD) guidelines also provide detailed guidelines on comparability, yet selection of comparable is one of the most difficult tasks.

(b) Comparable enterprises: While comparing two companies in transfer pricing assessment, they should be similar in business operations, industry conditions, goods and services provided, geographical locations. But while selecting final comparables, the classification has to be backed up by the functional similarity of the companies. In the recent cases, due importance has been given to the functional analysis and adjustment to be made in the comparable data to account for differences in the risk profile of the companies. Enterprises are using economic as well as statistical tools for making risk adjustment. But clear guidelines yet to be provided in this area.

(c) Profit making Vs. Loss making enterprises: Tax authorities are challenging selection of loss making companies by the tax payer & the tax payer in turn are challenging selection of high profitable companies by the tax authorities, in computation of arm length price. The companies engaged in similar businesses, having similar business model would be earning similar margins. The difference in profitability may be due to several factors, for example - risk profile, level of operations.

Hon'ble Pune Bench of Tribunal, in the case of Egain Communication has held that companies earning extraordinary profits should be examined and

necessary adjustment should be made to eliminate the differences before accepting the comparable. But if it is not possible to eliminate the differences, then the company should be dropped.

The Delhi Bench of Tribunal in the case of Mentor Graphics (Noida) Private Limited vs. DCIT ITA No. 1969/D/2006 has held that high loss making companies should not be taken into account. If an enterprise is incurring losses consistently, then the company should be dropped from the list of comparables. Tax authorities excluding high loss making companies, should do the same thing for high profit making companies.

(d) Comparable transactions: In computation of ALP, the controlled transaction between two associated enterprises should be compared with an uncontrolled transaction between two unrelated parties. But it is very difficult to find enterprises which do not have a single rupee transaction. Now, how to identify related party transaction or how to ascertain reasonable level of RPT? On the reasonable level of RPT, there are conflicting views given by tribunals. In some cases, 10-15% transactions between associated enterprises will not affect the profitability and in some cases, a single rupee related party transaction should not be ignored.

(e) Re-run of comparable search: Transfer pricing assessment is carried out after two to three years from transfer pricing study. While conducting transfer pricing assessment, tax authorities use latest data. Whereas, data used by companies differ from data used by tax authorities, because there is a time gap between transfer pricing studies done by companies and transfer pricing assessment done by tax authorities. This may be due to latest developments, rules and regulations. So, necessary adjustment should be made to taxpayer arm length price on the basis of latest study.

Computation of Arm's Length Price

(a) Multiple year data: According to Rule 10B (4), to eliminate cyclical changes, abnormality of operations, enterprise should use multiple year data. But they restrict the use of multiple year data up to two years prior to financial year in which the transaction was entered. The OECD guidelines also support use of multiple year data. But the revenue authorities are of the view that earlier year data normally does not influence the current year transaction. Most of the judicial precedents also do not accept use of multiple year data. So, proper guidelines to be provided to clear the clouds of ambiguity.

(b) Custom valuations: In case of import of goods, the valuation made by custom authorities differs from valuation done by transfer pricing authorities. Custom authorities value the goods at higher prices, whereas for transfer pricing purpose, goods are valued at lower prices, in order to check reduction in profits. So whether the valuation made by custom authorities can be taken for the purpose of transfer pricing, is an issue of debate.

(c) Government Restrictions: According to OECD guidelines, arm length price must be adjusted to account for government interventions such as price controls, interest rate controls, control over payment of management fees, royalties. U.S. regulations also recognize importance of govt. regulations in determination of ALP. The Indian regulators also are of the view that govt restrictions are factors which are to be considered while determining ALP.

Some more problems

(a) Cost Contribution Arrangements: Cost contribution arrangement is a tool for achieving efficiency when a firm is undertaking wide range of activities. For the purpose of computation of ALP, each participant's share in cost should be proportional to the benefit received by it. The tax authorities are having the same view. But as there are no proper guidelines regarding valuation of benefit received. So, the taxpayer should maintain proper documents in order to avoid significant adjustment on cost allocations.

(b) Royalty Transactions: Royalty transactions between associated enterprises are getting significant attention of the tax authorities in India. Royalty payments are commonly benchmarked through combined transaction approach which is not acceptable by tax authorities. Practical problems in benchmarking royalty transactions are limitation of publicly available data, Valuation is very costly. Tax authorities value royalty transactions on transaction to transaction basis and also require companies to furnish the relevant documents. So proper guidelines needs to be given in this area.

(c) Interest free loans: It is a general practise in case of group companies that they provide interest free loans to each other and such transactions are attracting the tax authorities. So in case, if an Indian taxpayer provides an interest free loan to its foreign subsidiary, then no income arises to Indian taxpayer & to meet the ALP requirements there must be income. So the transaction is not subject to the transfer pricing regulations. The

authority of advance rulings is also of the same view that TP regulations will not apply to those international transactions, where no income arises. But the tax authorities are taking a view that under the normal course of business, no lender will provide interest free loan to borrower. Hence interest ought to be charged which should meet the ALP requirements. Such view is being supported by the Mumbai Tribunal in the case of WF Limited. But the Delhi Tribunal in the case of Perot Systems TSI (India) Ltd. Vs. DCIT Held that TP regulations would not apply if there arises no "Real Income". Same view was taken in **Re Dana Corporation (AAR)** where it was held that transfer pricing provisions, not being in the nature of a charging provision but being mere computation provisions, could not apply when there was no income.

(d) Foreign Tested Party: For the purpose of determination of ALP, one of the party from an international transaction is taken as tested party. Then the tested party transactions are compared with another unrelated party, which is similar in business model and operations, to establish the transaction at the ALP. There is no clear provision in India regarding selection of tested party. So even a foreign company can be taken as tested party. This is view is also supported by OECD transfer pricing guidelines and U.S. transfer pricing regulations. But in India, there are conflicting decisions given by the tribunals. The Calcutta tribunal has accepted the foreign corporation as tested party. But Delhi tribunal in the case of Global Vantage & Ranbaxy Laboratories has rejected the foreign party as tested party. It's a challenge to tax authorities to accept a foreign entity as tested party. Since they do not have access to global database and information from publicly available database are not frequently available.

Conclusion

The multinational enterprises will have to plan their operations according to the provisions of transfer pricing in India. But it is becoming very critical for the companies to plan their operations since the tax authorities may adopt a biased approach rather than a realistic approach. Hence proper provisions and guidelines need to be made by the Government. Introduction of safe harbour rules, mutual agreement procedure and proposed advance pricing agreement in the direct tax code, can be viewed as a concrete steps to cope up with the issues of transfer pricing.

Answering a Case-Study Oriented Question

Akash Gaurishankar Soni



As we all know that these days, Chartered Accountancy (CA) papers are based mostly on case studies. In Law, Audit, Taxation, Accountancy there are many questions which are based on case laws/practical situations. Therefore it becomes imperative for us to know “How to answer a question which is based on a case law?”

If we answer such type of question in a logical, rational and coherent manner, it's indeed easy to get marks.

I share my experience with all of you. While preparing for my PCC exams, I spent a huge amount of time in studying and analyzing Board of Studies publications (Study Materials/Modules, Compilations, Suggested Answers, Revision Test Papers, Practice Manuals and Model Test Papers) and finally I could come out with something very crucial and essential. I have attempted to prepare a synopsis of my observations.

In my view, this technique should be followed to answer a case study oriented question:-

1st Paragraph

When you read the question, try to recall the relevant provisions/sections of law/Act. In the 1st paragraph you have to write those provisions of law on which the question is based. In case of questions based on Accounting Standards, you have to write the relevant extract/text of the Accounting Standard. And if you can also mention the paragraph number of Accounting Standard, do mention it. It makes a very good impression.

Many a times, the question is based on a specific case law

E.g. In Contract Act, 1872 - ***Balfour vs. Balfour***

In Companies Act, 1956 -***Saloman vs. Saloman & Co. Ltd.***

In these kinds of questions, our answer remains incomplete till we don't cite that particular case law. The aforementioned case laws are landmark case laws which have set some principles. Starting your answer with these kinds of fundamental principles and correlating them to the pertinent sections/provisions, which you are going to mention in your

answer, depicts your understanding of the law. The other reason why it becomes important to refer to the landmark case laws is because sometimes the principles which are laid down in these decisions are not written in the statute and we have to infer the meaning from these case laws e.g. “lifting up of corporate veil”.

So, in these kinds of questions, you can directly start your answer with a reference to that particular case law, provided you remember it. It will show that you have correctly interpreted/understood the question and the examiner will certainly get impressed.

Mentioning the correct case law will surely add weightage. If one does not remember the correct citation, he can atleast draw a reference by writing the name of the case in brief. Never write wrong section number and never mention a fake/imaginary case law. If you do this, you can be the sufferer. Case laws and section numbers should form part of your answer only when you are confident about them. Be extremely cautious about it.

If the answer to the question is based on a decided case law, which you are confident and correct, then begin your answer in the very first line, by writing “The question is based on the principles set in the case of law”.

If the answer to the question is based on a section, then you can write by stating that “As per the provisions of Section contained in the Companies Act, 1956.”

It is however important to bear in mind that in between a Case law and a section, a balanced broad cross reference can be drawn in relation to a Case law, but in terms of a question based on a section, main section need to be correctly stated.

2nd Paragraph

In the 2nd paragraph, write the facts and circumstances of the given case.

Your wordings can be-

“In the present case” or “In the given case” or “In the instant case”.

The author is a student of ICAI (Reg no. WRO0324361)

3rd Paragraph

Finally, you have to arrive at a decision by comparing 1st paragraph and 2nd paragraph i.e. what is written in law and what is the present case. This is the most important part of the answer. You should make a right decision.

Support your decision with a case law, if any. This is crucial. Quoting an appropriate case law strengthens the quality of answer and makes the answer elegant and complete. Mentioning a relevant case law also substantiates and justifies the reached decision.

In nutshell, this is how your answer should be presented:

1st Para: Relevant Provisions/Sections and Fundamental principles (You can straight away start your answer with a case law in some cases)

2nd Para: Facts and circumstances of the given case

3rd Para: Analysis, Decision and Conclusion with a case law, if any.

So this is how a professional examination question must be answered. If you follow it, you will definitely score high.

Some good tips

1. Quoting section numbers and case laws are absolutely necessary to make a good impression. Don't think that it's not required at IPCC/PCC level. You can see the suggested answers/compilation. They do quote section numbers and case laws in almost all answers. But quoting of wrong section numbers and case laws may deduct your marks.
2. A good command over English is also a pre requisite for writing a quality answer.
3. Go through the Suggested Answers/Compilations/Practice Manuals to become familiar with this kind of writing style.
4. In Law, it is the writing style that matters the most and helps in fetching marks. Almost all students know the answer but they don't know how to present the answer. If we are asked to answer a question in terms of yes/no, we can easily answer. But elaborating that same answer, using the phrases/words of statute/law, drafting the answer in a nice order are the areas where students need to improve. So fine tune your writing style.
5. Law has its own language. Language of statute differs significantly from general English in certain circumstances/cases. Law has certain phrases, certain words, we need to learn them and reproduce them in our answers. Try to learn the language of law.
6. Make a habit of referring to the bare Acts. It will facilitate better understanding.
7. Please read the examiners' comments on students' performance (given at the end of suggested answers) to get an insight about what the examiners want us to write, what they are expecting from us and what are the mistakes which students generally commit. And then avoid doing those mistakes and try to improve on those areas.
8. Law is a scoring paper. And it becomes easier to score when the paper is case study oriented. Because we can't remember the complete section but we can certainly recall a part of the section and reproduce the same in our answer. If the question paper has flat questions which simply require writing a complete section in the answer, we can't score as high as we can in case studies oriented paper. So don't think that it is tough to score when the paper is case study based.
9. Even if your answer is incorrect i.e. the decision at which you have arrived is not right, you won't get zero marks. You will be given due credit if you have written the correct provisions and facts of the case.
10. Never think that the papers are lengthy and not manageable. I assure you that if you know the solutions of all the questions, you will definitely complete the paper well within time because when you know the solution, you won't take time to think. The only thing required to attempt the paper quite comfortably is that you must know the solutions and for that all your efforts ought to be directed towards planned and systematic studies.
11. You can follow this technique for Taxation, Audit and Accounting Standards also.
12. Take time to read the question. Understand it properly. Law is all about interpreting, analyzing and then applying the mind judiciously to handle practical situations. So understand and perceive the law properly.
13. Please read the Board of Studies publications (Study Modules, Compilations, Practice Manuals, Suggested Answers, Revision Test Papers, Model Test Papers). Studying these materials will undoubtedly upgrade your writing style. They are a must read for us and I assert that if you read them, results will improve.
14. In case of practical questions in Costing, Financial Management, Accountancy and Taxation first read the required part of the question. This will enable you to analyse the question in a better way. You will be able to frame working notes/statements in your mind while reading the question. This will substantially save your time.

(Disclaimer: The thoughts expressed in this article is that of the author and it has no bearing or influence on the Institute.)

Accounting

Amendment to Definition of Infrastructure Loan under Non-Banking Financial (Non-Deposit/Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

The term “Infrastructure Loan” has been defined in Para 2(viii) of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, respectively. It has now been decided to include “Telecom Towers” also as an infrastructure facility for availing credit facility. Thus, amendment of paragraph 2 of the said directions has been made as:

‘In sub-clause (e) of clause (viii) in sub-paragraph (1) of the said Directions, the term “Telecom Towers” shall be inserted before the term “network of trunking”.’

(Source: www.rbi.org.in)

Rating to Infrastructure Finance Companies (IFCs) by Credit Rating Agencies (CRAs) approved by RBI

It may further be clarified that only Credit Rating Agencies (CRAs) approved by the Reserve Bank can give the rating to Infrastructure Finance Companies (IFCs) in terms of DNBS.PD.CC. No.168/03.02.089/2009-10 dated February 12, 2010. Accordingly, RBI vide notification no. DNBS (PD) CC. No.213/03.10.001/2010-2011 dated March 16, 2011 has decided to substitute “credit rating agency accredited by RBI” in place of “accredited CRAs” in Paragraph 19A (iii) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, issued vide Notification No. DNBS.193/DG (VL)-2007 dated February 22, 2007 and amended from time to time. The amendment of paragraph 19A shall be as:

The existing clause (iii) shall be substituted with the following viz.,

“(iii) have obtained a minimum credit rating ‘A’ or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other credit rating agency accredited by RBI “

(Source: www.rbi.org.in)

Filing of Balance Sheet and Profit and Loss Account in eXtensible Business Reporting Language (XBRL) mode

It has been decided by the Ministry of Corporate Affairs to mandate certain class of companies to

file balance sheets and profit and loss account for the year 2010-11 onwards by using XBRL taxonomy. The Financial Statements required to be filed in XBRL format would be based upon the Taxonomy on XBRL developed for the existing Schedule VI, as per the existing, (non converged) Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. The said Taxonomy is being hosted on the website of the Ministry at www.mca.gov.in shortly. The Frequently Asked Questions (FAQs) about XBRL have been framed by the Ministry and they are being annexed as Annexure I with this circular for the information and easy understanding of the stakeholders.

The following class of companies have to file the Financial Statements in XBRL Form only from the year 2010-2011:-

- (i) All companies listed in India and their subsidiaries, including overseas subsidiaries;
- (ii) All companies having a paid up capital of ₹ 5 Crore and above or a Turnover of ₹ 100 crore or above.

All companies falling in Phase-I are permitted to file upto 30-09-2011 without any additional filing fee.

(Source: www.mca.gov.in)

Illustrative examples in XBRL for the IFRS Taxonomy 2011 published by IFRS Foundation

In order to help preparers understand how to apply XBRL (eXtensible Business Reporting Language) to IFRS (International Financial Reporting Standards) financial statements, the IFRS Foundation has published a set of 12 illustrative examples in XBRL for the IFRS Taxonomy 2011. These examples illustrate how the IFRS Taxonomy 2011 should be used to tag IFRS financial statements (including notes) in XBRL, and in accordance with the XBRL architecture outlined in The IFRS Taxonomy 2011 Guide and The Global Filing Manual. The examples are intended to help preparers understand how to apply the taxonomy to create instance documents and entity-specific extensions using both block tagging and detailed tagging, and also XBRL and Inline XBRL.

(Source: www.ifrs.org)

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

Auditing

General Circular No: 10/2011 issued by MCA dated 04-04-20011: Interpretation of the word “Partnership” for the purpose of the Chartered Accountants Act, 1949, Cost and Works Accountants Act, 1959 and Company Secretaries Act, 1980.

1. The Acts governing the three professional Institutes i.e. ICAI, ICWAI and ICSI define in Section 2 members who are deemed to be in practice. In all the three Acts, there is a provision for a member to be in practice when he is in partnership with certain others. In the case of Chartered Accountants and Cost & Works Accountants, such persons must be member of the same Institute, while in the case of Company Secretaries; it is provided that the partnership could also be with members of such other recognised professions as may be prescribed.
2. At the time of enactment of the three Acts governing the professional Institutes, only one form of partnership existed in India, namely Partnerships under Indian Partnership Act, 1932. Subsequently, Parliament has enacted the Limited Liability Partnerships Act, 2008. Though Limited Liability Partnerships are bodies corporate under Section 3(i) of the LLP Act, the fact that LLPs are basically partnerships may be seen from the definition in Section 2(i) (n) :

“Limited Liability Partnerships means a partnership formed and registered under this Act. Section 2(i)(q) defines a partner as “any

person who becomes a partner in the limited liability partnership in accordance with the Limited Liability Partnership Agreement”

It is thus clear that a Limited Liability Partnership is also a partnership and its members are also partners.

3. The matter of permitting member of ICAI, ICWAI and ICSI was been examined in this Ministry. Acts governing these professionals were passed at a time when limited liability partnership did not exist. It is also clear from the definitions in the Limited Liability Partnership Act that such entities are also partnerships and their members are also partners. In the context of Section 2 of the Acts governing the professional Institutes, this interpretation is also not repugnant to the context. Accordingly, it is clarified that the words “partnership” wherever occurring in the Chartered Accountants Act, 1949, the Cost and Works Accountants Act, 1959 and the Company Secretaries Act, 1980 shall ***mutatis mutandis*** be construed as including those Limited Liability Partnerships where all the other partners are natural persons (individuals). The word “partner” shall also be construed accordingly. This clarification shall apply only to these three Acts and not to any other enactment where the word “partnership” occurs.

(Source : http://mca.gov.in/Ministry/latestnews/Circular_04Apr2011.pdf)

(Compiled by CA. Karuna Bhansali, BoS)

Provision of 15-minutes reading and planning time allowance to the candidates of Chartered Accountants Examinations(Effective from May-2011 CA Examinations)

The Council of the Institute, based on the recommendation of the Examination Committee has decided to allow 15-minutes reading and planning time allowance to the candidates in the Chartered Accountants Examinations before the scheduled commencement of the examinations i.e., if the examination commences from 2.00 PM, then the candidates will be given Question Papers at 1.45 PM. This reading time will not be available for CPT and all post qualification Courses Examinations.

The objective of providing question paper 15 minutes before the scheduled time is to:

- (i) Enable the candidates to read the question paper thoroughly (without encroaching on the examination duration) and

- (ii) Chalk out the strategy to answer the questions. Candidates are required to note the following in this regard:

- (1) The candidates will not be allowed to leave the Examination Hall under any circumstances from 1.45 PM to 3.00 PM.
- (2) The candidates shall be allowed to enter the hall from 1.30 PM upto 2.30 PM only.

Any breach of the above requirements would be treated as adopting Unfair means by the students concerned and applicable disciplinary action would be taken on such erring students.

(G. Somasekhar)
Additional Secretary (Exams).

Case Laws

(Significant Legal Decisions – Direct Tax Laws)

1. **Would the payments made by a company to BSNL/ MTNL for the services provided through interconnect / port / access / toll be treated as “fees for technical services” to attract the provisions of tax deduction at source under section 194J?**

CIT v. Bharti Cellular Ltd. & Hutchison Essar Telecom Ltd. (2011) 330 ITR 239 (SC)

On this issue, the Delhi High Court had held that the services rendered in relation to interconnection, port access did not involve any human interface and, therefore, the services could not be regarded as “technical services” as contemplated under section 194J. The expression “technical service” would have reference to only technical service rendered by a human. It would not include any service provided by machines or robots. The Delhi High Court, therefore, concluded that interconnect charges/port access charges could not be regarded as fees for technical services, and hence, TDS provisions under section 194J were not attracted.

The Supreme Court observed that the problem which arises in these cases is that there is no proper evidence from the side of the Department to show how human intervention takes place, particularly, during the process when calls take place. During the traffic of calls from one place to another, whether there is any manual intervention is one of the points which requires to be examined. Similarly, the basis for allotment of “capacity” to a service provider and consequences if such “capacity” is exhausted and “additional capacity” is required on an urgent basis, needs to be examined to study whether at that stage, any human intervention is involved. These types of matters cannot be decided without any technical assistance.

The Apex Court was of the view that the Department should not proceed solely on the basis of contracts placed before its officers, but should examine the matter with the support of technical experts so that such matters could be disposed of expeditiously

on the basis of factual findings. Accordingly, the Apex Court remitted the matter to the Assessing Officer, directing him to examine the same with the assistance of a technical expert from the side of the Department and to decide the matter within a period of four months.

Note – Students may note that the Delhi High Court decision was reported in the publication “Select Cases in Direct and Indirect Tax Laws – 2010”. A question has also been framed on the basis of the Delhi High Court ruling in the RTP for May 2011 examination. However, in view of this ruling of the Supreme Court remitting the matter to the Assessing Officer for further examination, the final decision is awaited.

2. **Can the Tribunal exercise its power of rectification under section 254(2) to recall its order in entirety?**

Lachman Dass Bhatia Hingwala (P) Ltd. v. ACIT (2011) 330 ITR 243 (Delhi)[FB]

On this issue, the Delhi High Court observed that the justification of an order passed by the Tribunal recalling its own order is required to be tested on the basis of the law laid down by the Apex Court in *Honda Sael Power Products Ltd. v. CIT (2007) 295 ITR 466*, dealing with the Tribunal’s power under section 254(2) to recall its order where prejudice has resulted to a party due to an apparent omission, mistake or error committed by the Tribunal while passing the order. Such recalling of order for correcting an apparent mistake committed by the Tribunal has nothing to do with the doctrine or concept of inherent power of review. It is a well settled provision of law that the Tribunal has no inherent power to review its own judgment or order on merits or reappraise the correctness of its earlier decision on merits. However, the power to recall has to be distinguished from the power to review. While the Tribunal does not have the inherent power to review its order on merits, it can recall its order for the purpose

of correcting a mistake apparent from the record.

The Apex Court, while dealing with the power of the Tribunal under section 254(2) in *Honda Sael Power Products Ltd.*, observed that one of the important reasons for giving the power of rectification to the Tribunal is to see that no prejudice is caused to either of the parties appearing before it by its decision based on a mistake apparent from the record. When prejudice results from an order attributable to the Tribunal's mistake, error or omission, then it is the duty of the Tribunal to set it right. In that case, the Tribunal had not considered the material which was already on record while passing the judgment. The Apex Court took note of the fact that the Tribunal committed a mistake in not considering material which was already on record and the Tribunal acknowledged its mistake and accordingly, rectified its order.

The above decision of the Apex Court is an authority for the proposition that the Tribunal, in certain circumstances can recall its own order and section 254(2) does not totally prohibit so. In view of the law laid down by the Apex Court in that case, the decisions rendered by the High Courts in certain cases to the effect that the Tribunal under no circumstances can recall its order in entirety do not lay down the correct statement of law.

Applying the above-mentioned decision of the Apex Court to this case, the Delhi High Court observed that the Tribunal, while exercising the power of rectification under section 254(2), can recall its order in entirety if it is satisfied that prejudice has resulted to the party which is attributable to the Tribunal's mistake, error or omission and the error committed is apparent.

Note - In deciding whether the power under section 254(2) can be exercised to recall an order in entirety, it is necessary to understand the true principle laid down in the Apex Court decision. A decision should not be mechanically applied treating the same as a precedent without appreciating the

underlying principle contained therein. In this case, the Apex Court decision was applied since prejudice had resulted to the party on account of the mistake of the Tribunal apparent from record.

3. **Is wealth-tax leviable on the value of house under construction, where the construction was still incomplete on the relevant valuation date?**

CIT v. Smt. Neena Jain (2011) 330 ITR 157 (P & H)

On this issue, the Revenue contended that the incomplete house of the assessee fell within the purview of assets in section 2(ea) of the Wealth-tax Act, 1957 and it was liable to wealth-tax. Consequently, the value of the plot and investment of assessee's share in construction of the residential house was added and tax was, accordingly assessed.

The High Court opined that the words "any building" could not be read in isolation and had to be harmoniously construed with the remaining portion of section 2(ea) i.e., whether the building was used for residential or commercial purposes or for the purpose of maintaining a guest house, because an incomplete building could not possibly either be used for residential or commercial purposes or for the purposes of maintaining a guest house. Therefore, the word "building" has to be interpreted to mean a completely built structure having a roof, dwelling place, walls, doors, windows, electric and sanitary fittings etc.

In this case, the assessee was constructing the building after obtaining sanction from the appropriate authorities. Explanation 1(b) under section 2(ea) defining "urban land" for levy of wealth-tax, specifically excludes from its scope, the land occupied by any building which has been constructed with the approval of the appropriate authority. Therefore, the incomplete building of the assessee neither fell within the meaning of a building nor within the purview of "urban land" under section 2(ea). Consequently, the incomplete building is not an asset chargeable to wealth-tax.

(Compiled by CA. Priya Subramanian, BoS)

Indirect Tax Laws-Recent Amendments

Changes Effective from April, 2011

Excise

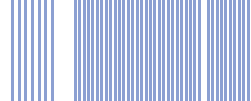
- A new section 11E is inserted so as to create first charge on the property of the defaulter for recovery of the excise dues from such defaulter subject to the provisions of section 529A of the Companies Act, the Recovery of Debt due to Bank and Financial Institution Act, 1993 and Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- A new section 12F is inserted thereby empowering the Joint Commissioner/ Additional Commissioner of the Central Excise to conduct the search and seizure either by himself or to authorize any officer subordinate to him for the search and seizure.
- The provisions of sections 11A relating to the recovery of duty not levied, short levied, not paid, short paid or erroneously refunded have been redrafted so as to make them more lucid and coherent. Significant changes are as follows:-
 - (i) In 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, a lower mandatory penalty of 50% of the duty (instead of full amount of duty) would apply.
 - (ii) 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 respect of which the demand notice has been issued have been duly recorded by the person charged with duty in the specified records.

Customs

- The introduction of 'self-assessment' of duty on imported and export goods by the importer

or exporter, in line with excise and service tax, is a welcome change. Customs officers would now be empowered to verify the self assessment and if required, reassess duty on the imported or export goods. Further, the officers may conduct audit in certain situations. Consequential amendments are made in the respective provisions.

- A uniform time limit of one year for claiming refund of duty and interest for all categories of importers under section 27 is introduced. This would unify the provisions relating to raising of demands and claiming of refund.
- Section 46 and section 50 are amended to provide for filing of bill of entry/shipping bill electronically. However, the Commissioner of Customs may, where it is not feasible to make an entry electronically, allow an entry to be presented in any other manner.
- Central Government is empowered to provide for the circumstances/conditions under which the amount of drawback of customs duty would not be recovered, even if the sale proceeds are not realized by the exporter within the time allowed under FEMA.
- Section 110A is amended to empower the adjudicating authority to allow release of seized goods instead of Commissioner of Customs.
- Section 124 is amended so as to provide for issuance of a show cause notice with prior approval of an officer not below the rank of an Assistant Commissioner of Customs as against Deputy Commissioner presently. Hence, the said provision is aligned with the relevant provisions of the Central Excise Law.
- A new section 142A is inserted so as to create first charge on the property of the defaulter for recovery of the customs dues from such defaulter subject to the provisions of section 529A of the Companies Act, the Recovery of Debt due to Bank and Financial Institution Act, 1993 and Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.



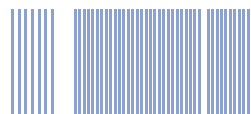
- Under section 150, the balance of sale proceeds of unclaimed cargo sold in auction shall be paid to the Government if they cannot be paid to the owner within six months.
- CBEC is empowered to issue any order, instruction, or direction to custom officers for implementation of any other provision of the Act, or of any other law in so far as they relate to any prohibition, restriction or procedure for import/export of goods.

Service Tax

• Amendment proposed in Penal provisions

Situation	Position in records	Penalty & Provision	Reduced penalty	Complete Waiver of penalty
No fraud, suppression etc.	Captured	1% of tax or ₹ 100 per day upto 50% of tax amount: Section 76	Totally mitigated if tax and interest paid before issue of notice: Section 73(3)	On showing reasonable cause under section 80
Cases of fraud, suppression etc.	Captured true & complete position in records	50% of tax amount: Proviso to Section 78	(a) 1% per month; max of 25% if all dues paid before notice: Sec 73(4A); (b) 25% of tax if all dues paid within 30 days (90 days for small assesses): Provisos to Section 78	On showing reasonable cause under section 80
	Not so captured	Equal amount: Section 78	No mitigation at all	Not possible

- Maximum penalty under section 70 for delay in filing the service tax return is increased from ₹ 2,000 to ₹ 20,000. However, there is no change in the amount of penalty under rule 7C of the Service Tax Rules, 1994.
- The benefit of the reduced penalty is not available in cases of fraud, misstatement, suppression, collusion etc. in the ordinary course. Revised benefit is available under the new sub-section (4A) of section 73 in situations where the true and complete account of transactions is otherwise available in the specified records and the assessee during the course of audit, verification or investigation pays the tax dues, together with interest and the reduced penalty.
- A new section 88 is inserted so as to create first charge on the property of the defaulter for recovery of the service tax dues from such defaulter subject to the provisions of section 529A of the Companies Act, the Recovery of Debt due to Bank and Financial Institution Act, 1993 and Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- Section 89 is inserted to provide for the offences and penalties to enable prosecution of certain specified offences involving service tax evasion. The power to prosecute the offenders lies with the Chief Commissioner of Central Excise and the prosecution would be done only with the previous sanction of the Chief Commissioner of Central Excise.
- Section 93A is amended to empower the Central Government to make rules to provide for the circumstances /conditions under which the amount of rebate granted in respect of service tax paid on the taxable services which are used as input services for manufacturing the exported goods/for providing the exported services shall not be recovered, even if the sale proceeds are not realized by the exporter.



Changes effective from a date to be notified by the Central Government

Service Tax

New services

- Services provided by air-conditioned restaurants which have license for serving alcohol beverages.
- Short term accommodation provided by the hotel etc. for a continuous period of less than three months.

Expansion/alteration in the scope of the existing services

- The scope of legal consultancy services is broadened to include services provided by business entities to individuals as well as representational services provided by any person to business entities. Further, arbitration services by arbitral tribunal to business entities are also brought under the service tax net. However, there would be no tax on services provided by individuals to other individuals.
- Finance Act, 2010 introduced service tax on the health care services by inserting clause (zzzzz) to section 65(105) of the Finance Act, 1994. The said clause is reframed thereby making the services provided/to be provided by following to any person liable to service tax:-
 - (i) by a clinical establishment, or
 - (ii) by a doctor, not being an employee of a clinical establishment, who provides service from such premises for diagnosis, treatment or care for illness, disease, injury, deformity abnormality or pregnancy in any system of medicine.
- The scope of the life insurance service is widened so as to bring the services of managing investment for the policy holders provided by life insurance companies into tax net on the same lines as ULIPs.
- Service provided to the non-members would also fall under the purview of the club or association service.
- The scope of the authorized service station service is immensely broadened. At present, services provided by only authorized service

stations are taxable. The said change would bring the services provided by unauthorized service stations with regard to all motor vehicles except those meant for goods carriage and auto-rickshaws within the service tax net. Moreover, services of decoration and similar services in respect of vehicles would also be included.

- Commercial training or coaching services is to include all coaching and training that is not recognized by law irrespective of whether the institute is providing any other course(s) recognized by law.
- The scope of the business support service is expanded to include operational or administrative assistance of any kind.

Retrospective Changes

Excise

- Section 35 is inserted to empower CBEC to issue orders/instructions/directions fixing such monetary limits for the purposes of regulating the filing of appeal, application, revision, reference by the Central Excise Officer retrospectively with effect from 20.10.2010.

Customs

- Finance Bill, 2011 has inserted a new section 131BA to empower CBEC to issue instructions relating to non-filing of appeal in certain cases in line with National Litigation Policy retrospectively with effect from 20.10.2010.

Changes effective from March 01, 2011

Excise

- **Amendments in the CENVAT Credit Rules, 2004**
 - Definition of exempted goods shall include the excisable goods which are covered by the *Notification No. 01/2011-CE dated 01.03.2011* relating to concessional duty with the condition that no credit of input and input service shall be availed.
 - New sub-rule (6A) has been added to allow provision of services without payment of service tax to a unit in SEZ or to a developer in SEZ for their

authorized operations, without requirement of reversal of any CENVAT credit on this account.

Service Tax

1. Simplification measures

- Simplified scheme has been introduced for units in SEZs to enable them to obtain tax-free receipt of services wholly consumed within the zone and to get refunds in a much easier manner.

2. Exemptions

- Business exhibition services provided by an organiser of business exhibition for holding a business exhibition outside India have been exempt.
- Works contract service rendered for the construction of residential complexes or completion and finishing services of a new complex under Jawaharlal Nehru Urban Renewable Mission (JNURM) and “Rajiv Awaas Yojana” has been exempt.
- General insurance service provided under “Rashtriya Swasthya Bima Yojna” has been exempt.
- Exemption is provided to services provided within a port/other port/airport under the ‘works contract service’ for specified purposes.
- An abatement of 25% of the gross amount charged has been provided to the transport of coastal goods and goods through inland water including National Waterways.

Others

- Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 have been amended to provide that the CENVAT credit of tax paid on the following taxable services shall be available only to the extent of 40% of the service tax paid when such tax has been paid on the full value of the service after availing CENVAT credit on inputs:-
 1. erection, commissioning & installation;
 2. commercial or industrial construction and
 3. construction of residential complex.

- In case of telecommunication service provided by way of recharge coupons or prepaid cards or the like, the value shall be the gross amount charged from the subscriber or the ultimate user of the service and not the amount paid by the distributor or any such intermediary to the telegraph authority.

Changes effective from April 01, 2011

Excise

- The rate of interest payable on delayed payment of excise duty under section 11AA and 11AB is increased to 18% per annum.

Amendments in the CENVAT Credit Rules, 2004

- The provisions of the CENVAT Credit Rules, 2004 have been amended with the intent of broadening the tax base and to simplify definitions for reducing the disputes and to achieve a more realistic attribution when common inputs or input services are used for the manufacture of both dutiable and exempt goods in the following manner:-
 - ❖ The definition of inputs has been substituted with a new definition in order to reduce the disputes in its interpretation by providing specific exclusions and inclusions.
 - ❖ The definition of input service has been modified to align it with the definition of input such that the goods that do not constitute “input” do not qualify as “input service”. Further, expression “activities relating to business” has been deleted.
 - ❖ It has now been clarified that exempted services will include trading services.
 - ❖ Rule 6(5) that allows full credit of 17 specified services has been deleted
 - ❖ A practical scheme has been provided for the segregation of CENVAT credits used in respect of final products and output services where they are partially exempted with condition that no such credits shall be taken.

Customs

- The rate of interest payable on delayed payment of customs duty under section 28AA and 28AB is increased to 18% per annum.

Service Tax**Exemptions**

- Services of transportation of goods by air/road/rail provided to a person located in India are exempt when the goods are transported from a place outside India to a destination outside India.
- The transport of goods by air service is exempt to the extent air freight is included in the customs value of goods.
- The rate of service tax on travel by air are-

revised as follows:-

Domestic Travel	Economy Class	From ₹ 100 to ₹ 150
International Travel	Economy Class	From ₹ 500 to ₹ 750
Domestic Travel	Other than Economy Class	10% (Standard rate)

Others

- Point of Taxation Rules, 2011**

- ❖ The Point of Taxation Rules, 2011 are effective from 01.04.2011 whereby the point of taxation for service tax has been shifted from receipt basis to accrual basis. The move is a precursor to the proposed GST. As per these rules, point of taxation in case of single supply service/other than continuous supply services will be as follows:-

S. No.	In case where	Point of Taxation	
1.	Invoice is issued within 14 days from the completion of service and before the receipt of payment	Date of invoice	
2.	Invoice is not issued within 14 days from the completion of service and payment is received after completion of service	Date of completion of service	
3.	Invoice is issued within 14 days from the completion of service, but payment received before invoice	Date on which payment is received.	
4.	Invoice is not issued in 14 days from the completion of service. However, part payment is received before the completion of service and remaining payment is received after the completion of service.	In case of the payment which is received	Point of taxation is
		before the date of completion of service	the date on which payment is received.
		after the date of completion of service	the date of completion of service.

- ❖ **Payment on receipt basis continues in specified cases:**

Date of receipt or payment of consideration would be the point of taxation in case of the following services:

- Services listed in rule 3(1) of the Export of Service Rules, 2005 if the amount is realized within the period prescribed by RBI. However, if the amount is not realised within the specified period, then general rule of completion of service or date of issue of invoice, whichever is earlier would be applicable. If advance is received, to that extent, the date of receipt of advance would become taxable.

- (ii) Person liable to pay service tax under reverse charge mechanism (Goods Transport Agency's services, sponsorship services and import of service) if the payment has been made within a period of 6 months from the date of invoice. However, if the payment is not made within six months from the date of invoice, the general rule as explained above would be applicable. In case of import of services by associated enterprises, date of credit in the books of accounts of the person receiving the service or the date of making payment whichever is earlier would be the point of taxation.
- (iii) Individual/proprietor/firms providing the following service:
- Architect's Services
 - Interior Decorator's Services
 - Practicing Chartered Accountant's Services
 - Practicing Cost Accountant's Services
 - Practicing Company Secretary's Services
 - Scientific or Technical Consultancy Services
 - Legal Consultancy Services

❖ **Transitional provision**

The Point of Taxation Rules would not apply to services provided or invoices raised prior to 01.04.2011.

Further, it is provided that for the services provided or invoices raised before 30th June 2011, the assessee may at their option continue to follow the existing system i.e., payment of service tax on receipt basis.

❖ **Amendments in the Service Tax Rules, 1994**

Consequently, with effect from 01.04.2011, a number of changes have been incorporated in the Service Tax Rules, 1994 to align the provisions consequent to the introduction of the Point of Taxation Rules, 2011.

Significant changes are as follows:-

- The applicable rate of service tax shall be the rate prevailing at the time when the services are deemed to have been provided.
- The obligation to issue invoice shall be within 14 days of completion of service and not provision of service.
- The composition rate of 0.25% of the gross amount in relation to purchase or sale of foreign currency, including money changing has been changed as follows:-
 - 0.1 % of the gross amount of currency exchanged for an amount upto ₹ 100,000, subject to the minimum amount of ₹ 25; and
 - ₹100 and 0.05 % of the gross amount of currency exchanged for an amount exceeding ₹100,000 and upto ₹ 10,00,000; and
 - ₹550 and 0.01 % of the gross amount of currency exchanged for an amount exceeding ₹ 10, 00,000, subject to maximum amount of ₹ 5000
- In the Export of Service Rules, 2005 and the Taxation of Services (Provided from Outside India and Received in India) Rules, 2006, some of the services which were on performance basis have been shifted to recipient basis while few have been added in the performance based criterion.
- The rate of interest payable on delayed payment of service tax and on amount collected in excess is increased to 18% per annum.
- The Service Tax (Determination of Value) Rules, 2006 have been amended to prescribe the value of service rendered in relation to money changing.

(Compiled by CA.Shefali Jain, BoS)

Companies Act, 1956

- (i) In exercise of the power conferred by clause (a) of sub-section (1) of section 642 read with sections 20 and 21 of the Companies Act, 1956 (1 of 1956), the Central Government on 15th March, 2011 makes the “Companies (Name Availability) Rules, 2011”. It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.
 - (ii) The Ministry of Corporate Affairs (MCA) through General Circular No. 8/2011 dated 25th March 2011, has issued guidelines regarding prosecution of directors by the Registrar of Companies, wherein certain categories of Directors have been kept out of the purview of prosecution/Penal actions for defaults committed under the Companies Act, 1956.
 - (iii) The MCA through General Circular No. 09/2011 dated 31st March, 2011 has mandated certain class of companies to file balance sheets and profit and loss account for the year 2010-11 onwards by using XBRL taxonomy.
 - (iv) In exercise of the powers conferred by sub-section (2A) of section 217 read with clause (a) of sub-section (1) of section 642 of the Companies Act, 1956 (1 of 1956), the Central Government on 31st March, 2011 makes the Companies (Particulars of Employees) Amendment Rules, 2011 by amending the Companies (Particulars of Employees) Rules, 1975.
 - (v) In exercise of the powers conferred by clause (b) of sub-section (1) of section 642, read with sub-section (1B) of section 314 of the Companies Act, 1956, the Central Government on 6th April, 2011 makes the Director’s Relatives (Office or Place of Profit) Amendment Rules, 2011 by amending the Director’s Relatives (Office or Place of Profit) Rules, 2003.
 - (vi) The MCA through General Circular No. 11/2011 dated 7th April, 2011 has mandated Permanent Account Number (PAN) for all existing DIN holders who have not furnished their PAN earlier at the time of obtaining DIN by filing DIN-4 eform by 31st May, 2011 to avoid duplicate DIN.
 - (vii) The MCA through General Circular No. 15/2011 dated 11th April, 2011 has revised the procedure for the appointment of cost auditor under section 233B of the Companies Act, 1956 to be followed by the companies and the cost auditor.
 - (viii) The MCA through General Circular No. 16/2011 dated 20th April, 2011 has simplified the procedure for amalgamation of Government Companies under section 396 of the Companies Act, 1956 in appropriate cases.
- For further details refer www.mca.gov.in
(Compiled by CS. Megha Goel, BoS)

Articles Invited for Students’ Journal

The Board of Studies invites articles from members, academicians, students and others on the following topics for inclusion in the Chartered Accountant Students’ Journal.

- Direct Tax Laws
- Indirect Tax Laws
- Corporate Laws including SEBI Guidelines and Regulations
- International and Indian Capital Market
- Finance including Resource Raising
- International Finance
- Labour and Economic laws.

The article should comprise 1600 to 2200 words only. The authors are advised to enclose the following along with the articles: –

1. A formal and signed undertaking in the form

of a letter stating that the article is original in all respects and does not infringe any copyright and has not been published elsewhere or has been sent for publication.

2. A latest passport size colour photograph (with full name and registration number written on the back of the photograph).
3. A soft copy of the article with complete communication and E- mail address. Articles received without the details/ enclosures specified above will not be considered.

All correspondence in this regard should be made to The Director, Board of Studies, ICAI Bhawan, A-29, Sector-62, Noida – 201 309 with the full name, complete address and the membership/ registration number if applicable.

Population Census 2011 (Provisional)

The population of a country constitutes the human resource required for economic development. The nature and quality of the population and the rate of increase, enables the nations to plan for the provision of social welfare measures by the government. The improvement in the productive ability of the population enables nation to march towards technological and scientific improvement in the mode of production. A study of demography trend in population is necessary as it is a crucial determinant of economic development. Census 2011 is the 15th Census of India since 1872. According to the provisional results of the 2011 census, India's population as on March 1st 2011 was 1,210.2 million. This shows that the population of India has increased by more than 181 million during the decade 2001-2011. Among 1210.2 million persons, the male population is 623.7 million and female population is 586.5 million respectively.

Size of Population Growth (2001-2011)

As far as the size of the India's population is concerned India ranks second in the world after China. The Table -1 clearly explains the rate of growth of population in India. The average annual growth rate during 2001-2011 was 1.62 per cent. Though the growth rate has declined compared to the 1991 and 2001, there was only a marginal decline in the absolute number of people added to the population total.

Table 1: Growth of Population

Decade	Growth rate per decade	Average Annual growth rate
1901-1911	5.74	0.56
1911-1921	-0.031	-0.03
1921-1931	11	1.04
1931-1941	14.22	1.33
1941-1951	13.31	1.25
1951-1961	21.64	1.96
1961-1971	24.80	2.20
1971-1981	24.66	2.22
1981-1991	23.86	2.14
1991-2001	21.34	1.93
2001-2011(P)	17.64	1.62

Source: Various Census Report, Government of India

Chart -1: Population Growth in India



Density of Population

Density of population refers to the number of person per square kilometer. Density of population before Independence was less than 100. But after Independence, it has increased rapidly from 117 in 1951 to 325 in 2001 and further to 382 in 2011 (P). If we consider all states and Union Territories of India, Delhi has the highest density of population with 11,297, followed by Chandigarh with 9,252 person per square kilometre.

Literacy Ratio

It refers to number of literates as a percentage of total population. As per the provision population figure of the 2011, the literacy level increased from 64.8 per cent to 74 per cent over the decade 2001-2011. The Table-2 shows the literacy ratio in general and among the males and females.

Table 2: Literacy Ratio

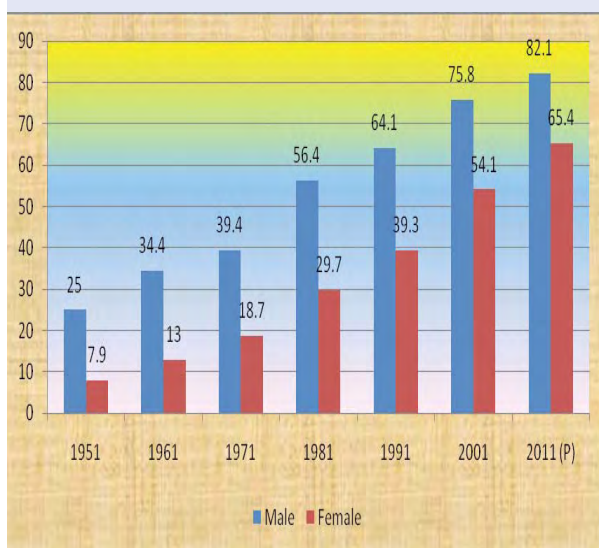
Decade	Literate persons	Male	Female
1951	16.7	25.0	7.9
1961	24.0	34.4	13.0
1971	29.5	39.4	18.7
1981	43.6	56.4	29.7
1991	52.2	64.1	39.3
2001	65.3	75.8	54.1
2011 (P)	74.0	82.1	65.4

Source: Various Census Report, Government of India

General Economics

Literacy rates are different among the States also. Kerala has the highest literacy ratio of 93.91 per cent and Bihar has the lowest literacy ratio of 63.82 per cent.

Chart -2: Male and Female Literacy rate In India



Sex Ratio:

It refers to the number of females per 1000 males. The following table gives sex-ratio since Independence.

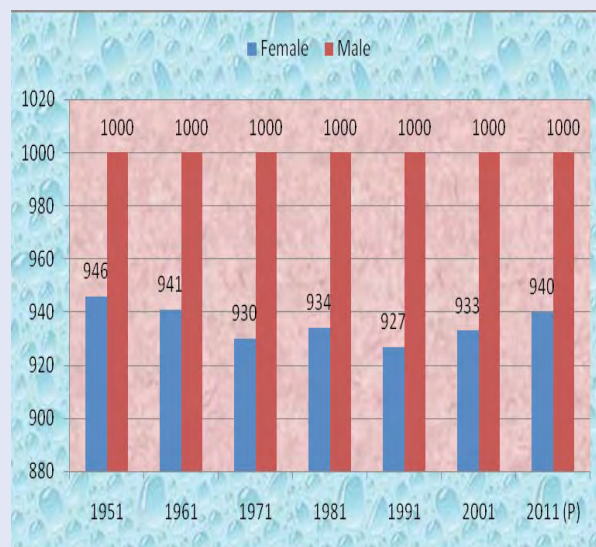
Table 3: Sex Ratio (females per 1000 Males)

Census Year	Sex Ratio
1951	946
1961	941
1971	930
1981	934
1991	927
2001	933
2011 (P)	940

Source: Various Census Report, Government of India

The above table shows that sex ratio, is highly favorable to males than females. From the above table the sex ratio in 2011 is almost equal to what was observed in 1961. The provisional population figure of the 2011 census show that there has been a marginal increase in sex ratio. Sex ratio was 933 in 2001. Now it is 940. If we analyze State-wise figures, we find the sex ratio is favorable to males in all the states except Kerala. In Kerala, ratio of females to males in 2011 (P) is 1084. Haryana has the lowest sex ratio of 877 (2011 (P)) among states. Child sex ratio (0-6 years) has declined further from 927 to 914 girls for every 1000 boys due to widening of the gender mortality gap and a decrease in the sex ratio at birth through sex selective abortion.

Chart -3: - Sex-Ratio in India



Conclusion: The provisional result of census 2011 does suggest that India's population growth is finally slowing down. Even though the total population size exceeded most projections, the growth rate has slowed compared to the 1990's. It is desirable that the family planning programme, poverty alleviation programme and education should develop side by side to increase the tempo of economic development.

(Compiled by S. Manikandan, BoS)

List of Institute's Publications relevant for November 2011 examination

Final Course

Paper 1: Financial Reporting

I. Statements and Standards

1. Framework for the Preparation and Presentation of Financial Statements
2. Accounting Standards (including limited revisions) - AS 1 to AS 32*.

II. Guidance Notes on Accounting Aspects

1. Guidance Note on Treatment of Reserves created on Revaluation of Fixed Assets.
2. Guidance Note on Accrual Basis of Accounting.
3. Guidance Note on Accounting Treatment for Excise Duty.
4. Guidance Note on Terms Used in Financial Statements.
5. Guidance Note on Accounting for Depreciation in Companies.
6. Guidance Note on Availability of Revaluation Reserve for Issue of Bonus Shares.
7. Guidance Note on Accounting Treatment for MODVAT/CENVAT.
8. Guidance Note on Accounting for Corporate Dividend Tax.
9. Guidance Note on Accounting for Employee Share-based Payments.
10. Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961.
11. Guidance Note on Measurement of Income Tax for Interim Financial Reporting in the context of AS 25
12. Guidance Note on Applicability of Accounting Standard (AS) 20, Earnings per Share.
13. Guidance Note on Remuneration paid to key management personnel - whether a related party transaction.
14. Guidance Note on Applicability of AS 25 to Interim Financial Results.
15. Guidance Note on Turnover in case of Contractors.

III Revised Schedule VI

The Ministry of Corporate Affairs (MCA) has revised Schedule VI pertaining to the preparation of Balance Sheet and Profit and Loss Account under Companies Act to harmonize and synchronize the general disclosure requirements of Schedule VI with respect to Accounting Standards, International Financial Reporting Standards and keeping in view the existing economic and regulatory environment. The Revised Schedule VI shall come into force for the Balance Sheet and Profit and Loss Account to be prepared for the financial year commencing on or after 1.4.2011 and is applicable for Nov. 2011 Examination. Text of the revised Schedule VI can be accessed at www.mca.gov.in.

*Note

1. The Core Group was constituted by the Ministry of Corporate Affairs (MCA) for convergence of Indian

Accounting Standards with International Financial Reporting Standards (IFRS). This Core Group decided that there will be two separate sets of Accounting Standards viz.

- (i) Indian Accounting Standards converged with the IFRS (Known as Ind AS)

The MCA has notified 35 converged Indian Accounting Standards (Ind 'AS') without announcing the applicability date. These are the standards which are being converged by eliminating the differences of the Indian Accounting Standards vis-à-vis IFRS. These standards shall be applied for all companies falling under Phase I to Phase III as prescribed under the roadmap issued by the core group. These Ind ASs are not applicable for the students appearing in November, 2011 Examination.

- (ii) Existing Accounting Standards

The companies not falling within the threshold limits prescribed for IFRS compliance in the respective phases shall continue to use these standards in the preparation and presentation of financial statements.

2. Students are expected to have thorough knowledge of the Accounting Standards (AS 1 to AS 29) and Guidance Notes on various aspects issued by ICAI. As far as AS 30, 31 and 32 are concerned, in view of the complexities involved, the questions involving conceptual issues (not involving application issues) may be asked. Since a separate topic of 'Financial Instruments' is included in the curriculum, simple practical problems based on AS 30, 31 and 32 may be asked.
3. The Accounting Standard Interpretations (ASI) have been issued from time to time by the Council of the ICAI. These interpretations address questions that arise in course of application of a particular Accounting Standard. ASI 2 and ASI 11 have been withdrawn. ASI 12, 23, 27 and 29 have been withdrawn and issued as Guidance Notes. The remaining interpretations have been merged as explanations to the relevant paragraphs of the related Accounting Standards.

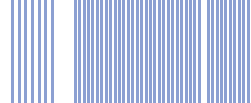
Text of all applicable Accounting Standards and Guidance Notes are available in the Appendices, Volume II of Financial Reporting Study Material. These can be accessed at- http://www.icaai.org/post.html?post_id=5936.

PAPER 3: ADVANCED AUDITING AND PROFESSIONAL ETHICS

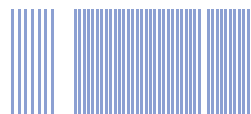
I. Statements

1. Statement on Reporting under Section 227 (1A) of the Companies Act, 1956
<http://220.227.161.86/18799announ10264b.pdf>
2. Statement on the Companies (Auditor's Report) Order, 2003 (2005 Edition)
<http://220.227.161.86/18798announ10264a.pdf>

II. Standards on Auditing (SQC/SA/SRS/SRE/SAE)				12	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment http://220.227.161.86/15382Link17_315SA.pdf	April 1, 2008
S. No	SA	Title of Standard on Auditing	Effective Date				
1	SQC 1	Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements http://220.227.161.86/15366Link1.pdf	April 1, 2009				
				13	SA 320	Materiality in Planning and Performing an Audit http://220.227.161.86/16839sa320revised.pdf	April 1, 2010
2	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing http://220.227.161.86/18132sa200_rev.pdf	April 1, 2010	14	SA 330	The Auditor's Responses to Assessed Risks http://220.227.161.86/15384Link19_330SA.pdf	April 1, 2008
				15	SA 402	Audit Considerations Relating to an Entity Using a Service Organization http://220.227.161.86/16840sa402revised.pdf	April 1, 2010
3	SA 210	Agreeing the Terms of Audit Engagements http://220.227.161.86/16837sa210revised.pdf	April 1, 2010	16	SA 450	Evaluation of Misstatements Identified during the Audits http://220.227.161.86/16841sa450revised.pdf	April 1, 2010
4	SA 220	Quality Control for Audit of Financial Statements http://220.227.161.86/18133sa220_rev.pdf	April 1, 2010	17	SA 500	Audit Evidence http://ica.org/resource_file/15576sa500revised.pdf	April 1, 2009
5	SA 230	Audit Documentation http://220.227.161.86/15372Link7_SA230-standard.pdf	April 1, 2009	18	SA 501	Audit Evidence - Specific Considerations for Selected Items http://220.227.161.86/18134sa501_rev.pdf	April 1, 2010
6	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements http://220.227.161.86/15374Link9_240SA_REVISED.pdf	April 1, 2009	19	SA 505	External Confirmations http://220.227.161.86/18135sa505_rev.pdf	April 1, 2010
7	SA 250	Consideration of Laws and Regulations in An Audit of Financial Statements http://220.227.161.86/15376Link11_SA250-text.pdf	April 1, 2009	20	SA 510	Initial Audit Engagements- Opening Balances http://220.227.161.86/15390Link25_510text.pdf	April 1, 2010
8	SA 260	Communication with Those Charged with Governance http://220.227.161.86/15378Link13_SA%20260-text.pdf	April 1, 2009	21	SA 520	Analytical Procedures http://220.227.161.86/18136sa520_rev.pdf	April 1, 2010
				22	SA 530	Audit Sampling http://220.227.161.86/15393Link28_530text.pdf	April 1, 2009
9	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management http://220.227.161.86/16838sa265.pdf	April 1, 2010	23	SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures http://220.227.161.86/15395Link30_540text.pdf	April 1, 2009
				24	SA 550	Related Parties http://220.227.161.86/15397Link32_550text.pdf	April 1, 2010
10	SA 299	Responsibility of Joint Auditors http://220.227.161.86/15379Link14_299SA-AAS12.pdf	April 1, 1996	25	SA 560	Subsequent Events http://220.227.161.86/15399Link34_SA%20560_Standard_OKOK.pdf	April 1, 2009
11	SA 300	Planning an Audit of Financial Statements http://220.227.161.86/15381Link16_300SA_REVISED.pdf	April 1, 2008	26	SA 570	Going Concern http://220.227.161.86/15401Link36_SA570-final_standard.pdf	April 1, 2009



27	SA 580	Written Representations http://220.227.161.86/15403Link38_sa580.pdf	April 1, 2009	38	SA 810	Engagements to Report on Summary Financial Statements http://220.227.161.86/18796annexure4SA810.pdf	April 1, 2011
28	SA 600	Using the Work of Another Auditor http://220.227.161.86/18836sa600_aas.pdf	April 1, 2002	39	SRE 2400	Engagements to Review Financial Statements http://220.227.161.86/18727annex1200410.pdf	April 1, 2010
29	SA 610	Using the Work of Internal Auditors http://220.227.161.86/16842sa610revised.pdf	April 1, 2010	40	SRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity http://220.227.161.86/18728annex2200410.pdf	April 1, 2010
30	SA 620	Using the Work of an Auditor's Expert http://220.227.161.86/18137sa620_rev.pdf	April 1, 2010	41	SAE 3400	The Examination of Prospective Financial Information http://220.227.161.86/15410Link45_3400SAE-AAS35.pdf	April 1, 2007
31	SA 700	Forming an Opinion and Reporting on Financial Statements http://220.227.161.86/17874sa700annx1.pdf	April 1, 2011	42	SRS 4400	Engagements to Perform Agreed Upon Procedures Regarding Financial Information http://220.227.161.86/15411Link46_4400SRS-AAS32.pdf	April 1, 2004
32	SA 705	Modifications to the Opinion in the Independent Auditor's Report http://220.227.161.86/17875sa705annex2.pdf	April 1, 2011	43	SRS 4410	Engagements to Compile Financial Information http://220.227.161.86/15412Link47_4410SRS-AAS31.pdf	April 1, 2004
33	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report http://220.227.161.86/17876sa706annex3.pdf	April 1, 2011	Effective date means that the SA is effective for audits of the financial statements for periods beginning on or after the specified date.			
34	SA 710	Comparative Information-Corresponding Figures and Comparative Financial Statements http://220.227.161.86/18793annex1SA710.pdf	April 1, 2011	III. Guidance Notes/Study Guide/Monograph			
35	SA 720	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements http://220.227.161.86/15578sa720ann.pdf	April 1, 2010	1. Guidance Note on Independence of Auditors.			
36	SA 800	Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Framework http://220.227.161.86/18794annex2SA800.pdf	April 1, 2011	2. Guidance Note on Audit Reports and Certificates for Special Purposes.			
37	SA 805	Special Considerations-Audits of Single Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement http://220.227.161.86/18795annexure3SA805.pdf	April 1, 2011	3. Guidance Note on Audit under Section 44AB of the Income-tax Act (2005 Edition).*			
				4. Guidance Note on Audit of Abridged Financial Statements.			
				5. Guidance Note on Audit of Inventories.			
				6. Guidance note on Audit of Debtors, Loans and Advances.			
				7. Guidance note on Audit of Investments.			
				8. Guidance note on Audit of Miscellaneous Expenditure.			
				9. Guidance Note on Audit of Cash and Bank Balances.			
				10. Guidance Note on Audit of Liabilities.			
				11. Guidance Note on Audit of Revenue.			
				12. Guidance Note on Audit of Expenses.			
				13. Guidance Note on Sections 227(3)(e) and (f) of the Companies Act, 1956.			
				14. Guidance Note on Certificate of Corporate Governance (2006 Edition)			
				15. Guidance Note on Computer Assisted Audit Techniques (CAATs).			
				16. Guidance Note on Audit of Payment of Dividend.			



17. Guidance Note on Audit of Capital and Reserves.
18. Guidance Note on Provision for Proposed Dividend.
19. Guidance Note on Auditing of Accounts of Liquidators.
20. Guidance Note on Section 293A of the Companies Act and the Auditor.
21. Guidance Note on Audit of Consolidated Financial Statements.
- * Guidance Note on Audit under section 44 AB of the Income-tax Act, 1961 (2005 edition) alongwith the supplementary guidance note (excluding the portion relating to Fringe Benefit Tax Provisions) published in September, 2006.
- ** Text of applicable Guidance notes is available in the Appendices II of Paper -3, Advanced Auditing and Professional Ethics Study Material of CA. Final (New). These can be accessed by following the path - http://www.icaai.org/post.html?post_id=5938

Paper 7: Direct Tax Laws

1. The Study Material for Paper 7: Direct Tax Laws (A.Y.2011-12), as amended by the Finance Act, 2010 (relevant for A.Y.2011-12) and significant notifications/ circulars/other legislations up to 30.4.2010. The Study Material contains three volumes. Volume III is the Practice Manual.
2. Final Course - Supplementary Study Paper - 2010, which explains the amendments made by the Finance Act, 2010 (relevant for A.Y. 2011-12) and significant notifications/circulars issued between 1.5.2009 and 30.4.2010 [Portions relating to Direct Tax Laws].
3. Select cases in Direct and Indirect Tax Laws (2010) - An Essential reading for the Final Course [Portions relating to Direct Tax Laws].
4. The significant amendments made by circulars/ notifications issued between 1.5.2010 and 30.4.2011 would be hosted at the BOS knowledge portal on the website of the Institute www.icaai.org and would also be given in the Revision Test Paper (RTP) for November, 2011 examination.

Paper 8: Indirect Tax Laws

1. The Study Material for Paper 8: Indirect Tax Laws, as amended by the Finance Act, 2010 and significant notifications/circulars/other legislations up to 30.4.2010. The Study Material contains three volumes. Volume III is the Practice Manual.
2. Final Course - Supplementary Study Paper - 2010, which explains the amendments made by the Finance Act, 2010 and significant amendments made by notifications and circulars issued between 1.5.2009 and 30.4.2010 [Portions relating to Indirect Tax Laws].
3. Select cases in Direct and Indirect Tax Laws (2010) - An Essential reading for the Final Course [Portions relating to Indirect Tax Laws].
4. The significant amendments made by circulars/ notifications issued between 1.5.2010 and 30.4.2011 would be hosted at the BOS knowledge portal on the website of the Institute www.icaai.org and would also be given in the Revision Test Paper (RTP) for November, 2011 examination.

Professional Competence Course/Integrated Professional Competence Course

Paper 1: Advanced Accounting

PCC

Accounting Standards 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 16, 19, 20 26, 29 are covered in the syllabus.

Paper 1: Accounting

IPCC

Accounting Standards 1, 2, 3, 6, 7, 9, 10, 13, 14, are covered in the syllabus.

Paper 5: Advanced Accounting

IPCC

Accounting Standards 4, 5, 11, 12, 16, 19, 20 26, 29 are covered in the syllabus.

Note (Common for PCC/IPCC Paper 1/Paper 5):

1. The Ministry of Corporate Affairs (MCA) has revised Schedule VI pertaining to the preparation of Balance Sheet and Profit and Loss Account under The Companies Act. The Revised Schedule VI shall come into force for the Balance Sheet and Profit and Loss Account to be prepared for the financial year commencing on or after 1.4.2011 and is applicable for Nov. 2011 Examination. Text of the revised Schedule VI can be accessed at www.mca.gov.in.
2. The MCA has notified 35 converged Indian Accounting Standards (Ind 'AS') without announcing the applicability date. These are the standards which are being converged by eliminating the differences of the Indian Accounting Standards vis-à-vis IFRS. These standards shall be applied for all companies falling under Phase I to Phase III as prescribed under the roadmap issued by the core group. These Ind ASs are not applicable for the students appearing in November, 2011 Examination.

PAPER 2 & 6 : AUDITING AND ASSURANCE

PCC/IPCC

I. Statements

1. Statement on Reporting under Section 227 (1A) of the Companies Act, 1956

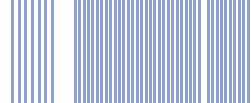
<http://220.227.161.86/18799announ10264b.pdf>

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

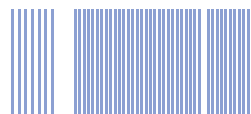
<http://220.227.161.86/18798announ10264a.pdf>

II. Standards on Auditing (SAs)

S. No	SA	Title of Standard on Auditing	Effective Date
1	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing http://220.227.161.86/18132sa200_rev.pdf	April 1, 2010
2	SA 210	Agreeing the Terms of Audit Engagements http://220.227.161.86/16837sa210revised.pdf	April 1, 2010



3	SA 220	Quality Control for Audit of Financial Statements http://220.227.161.86/18133sa220_rev.pdf	April 1, 2010	16	SA 500	Audit Evidence http://icai.org/resource_file/15576sa500revised.pdf	
4	SA 230	Audit Documentation http://220.227.161.86/15372Link7_SA230-standard.pdf	April 1, 2009	17	SA 501	Audit Evidence - Specific Considerations for Selected Items http://220.227.161.86/18134sa501_rev.pdf	
5	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements http://220.227.161.86/15374Link9_240SA_REVISED.pdf	April 1, 2009	18	SA 505	External Confirmations http://220.227.161.86/18135sa505_rev.pdf	
6	SA 250	Consideration of Laws and Regulations in An Audit of Financial Statements http://220.227.161.86/15376Link11_SA250-text.pdf	April 1, 2009	19	SA 510	Initial Audit Engagements- Opening Balances http://220.227.161.86/15390Link25_510text.pdf	
7	SA 260	Communication with Those Charged with Governance http://220.227.161.86/15378Link13_SA%20260-text.pdf		20	SA 520	Analytical Procedures http://220.227.161.86/18136sa520_rev.pdf	
8	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management http://220.227.161.86/16838sa265.pdf		21	SA 530	Audit Sampling http://220.227.161.86/15393Link28_530text.pdf	
9	SA 299	Responsibility of Joint Auditors http://220.227.161.86/15379Link14_299SA-AAS12.pdf		22	SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures http://220.227.161.86/15395Link30_540text.pdf	
10	SA 300	Planning an Audit of Financial Statements http://220.227.161.86/15381Link16_300SA_REVISED.pdf		23	SA 550	Related Parties http://220.227.161.86/15397Link32_550text.pdf	April 1, 2010
11	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment http://220.227.161.86/15382Link17_315SA.pdf		24	SA 560	Subsequent Events http://220.227.161.86/15399Link34_SA%20560_Standard_OKOK.pdf	April 1, 2009
12	SA 320	Materiality in Planning and Performing an Audit http://220.227.161.86/16839sa320revised.pdf		25	SA 570	Going Concern http://220.227.161.86/15401Link36_SA570-final_standard.pdf	April 1, 2009
13	SA 330	The Auditor's Responses to Assessed Risks http://220.227.161.86/15384Link19_330SA.pdf		26	SA 580	Written Representations http://220.227.161.86/15403Link38_sa580.pdf	April 1, 2009
14	SA 402	Audit Considerations Relating to an Entity Using a Service Organization http://220.227.161.86/16840sa402revised.pdf		27	SA 600	Using the Work of Another Auditor http://220.227.161.86/18836sa600_aas.pdf	April 1, 2002
15	SA 450	Evaluation of Misstatements Identified during the Audits http://220.227.161.86/16841sa450revised.pdf		28	SA 610	Using the Work of Internal Auditors http://220.227.161.86/16842sa610revised.pdf	April 1, 2010
				29	SA 620	Using the Work of an Auditor's Expert http://220.227.161.86/18137sa620_rev.pdf	April 1, 2010
				30	SA 700	Forming an Opinion and Reporting on Financial Statements http://220.227.161.86/17874sa700annx1.pdf	April 1, 2011
				31	SA 705	Modifications to the Opinion in the Independent Auditor's Report http://220.227.161.86/17875sa705annex2.pdf	April 1, 2011



32	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report http://220.227.161.86/17876sa706annex3.pdf	April 1, 2011
33	SA 710	Comparative Information- Corresponding Figures and Comparative Financial Statements http://220.227.161.86/18793annex1SA710.pdf	April 1, 2011
34	SA 720	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements http://220.227.161.86/15578sa720ann.pdf	April 1, 2010
35	SRE 2400	Engagements to Review Financial Statements http://220.227.161.86/18727annex1200410.pdf	April 1, 2010
36	SRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity http://220.227.161.86/18728annex2200410.pdf	April 1, 2010
37	SAE 3400	The Examination of Prospective Financial Information http://220.227.161.86/15410Link45_3400SAE-AAS35.pdf	April 1, 2007
38	SRS 4400	Engagements to Perform Agreed Upon Procedures Regarding Financial Information http://220.227.161.86/15411Link46_4400SRS-AAS32.pdf	April 1, 2004
39	SRS 4410	Engagements to Compile Financial Information http://220.227.161.86/15412Link47_4410SRS-AAS31.pdf	April 1, 2004

*Effective date means that the SA is effective for audits of the financial statements for

periods beginning on or after the specified date

III. Guidance Notes/Study Guide/Monograph

1. Guidance Note on Audit of Inventories.
2. Guidance Note on Audit of Debtors, Loans and Advances.
3. Guidance Note on Audit of Investments.
4. Guidance Note on Audit of Miscellaneous Expenditure.

5. Guidance Note on Audit of Cash and Bank Balances.
6. Guidance Note on Audit of Liabilities.
7. Guidance Note on Audit of Revenue.
8. Guidance Note on Audit of Expenses.
9. Guidance Note on Provision for Proposed Dividend

** Text of applicable Guidance notes is available in Volume II of Auditing and Assurance Study Material. These can be accessed by following the path -http://www.icai.org/post.html?post_id=6192V

Professional Competence Examination

Paper 5: Taxation

1. Study Material and Practice Manual for IPCC Paper 4: Taxation (based on the law as amended by the Finance Act, 2010). The relevant assessment year for Income tax is A.Y. 2011-12. The Study Material and Practice Manual are based on the law as amended by the Finance Act, 2010 as well as the significant notifications and circulars issued up to 30.4.2010. The Study Material and Practice Manual for IPCC is relevant for PCC students also, however, with the exception of the following chapters in Part II: Service tax and VAT -
Unit 2 of Chapter 2 on Taxable Services;
Chapter 5 on Input Tax Credit and Composition Scheme for Small Dealers; and
Chapter 6 on VAT Procedures.
2. Supplementary Study Paper - 2010 for PCC/IPCC, which explains the amendments made by the Finance Act, 2010 and important notifications/circulars issued between 1.5.2009 and 30.4.2010.
3. The significant amendments made by circulars/ notifications issued between 1.5.2010 and 30.4.2011 would be hosted at the BOS knowledge portal on the website of the Institute www.icai.org and would also be given in the RTP for November 2011 examination.

Integrated Professional Competence Examination

Paper 4: Taxation

1. Study Material and Practice Manual for IPCC Paper 4: Taxation (based on the law as amended by the Finance Act, 2010). The relevant assessment year for Income-tax is A.Y. 2011-12. The Study Material and Practice Manual is based on the law as amended by the Finance Act, 2010 as well as the significant notifications and circulars issued up to 30.4.2010.
2. Supplementary Study Paper - 2010 for PCC/IPCC, which explains the amendments made by the Finance Act, 2010 and important notifications/ circulars issued between 1.5.2009 and 30.4.2010.
3. The significant amendments made by circulars/ notifications issued between 1.5.2010 and 30.4.2011 would be hosted at the BOS knowledge portal on the website of the Institute www.icai.org and would also be given in the RTP for November 2011 examination.

SAFA Student Exchange-25th National CA Students' Conference - Sri Lanka

I was given the opportunity by the Institute of Chartered Accountants of India to attend the 25th National CA Students' Conference in Sri Lanka and participate in the SAFA Student Exchange Programme. Seven other students from different parts of India were also selected for the same.

The conference was held at hotel Galadari in Colombo on April 6, 2011 and the theme was Economic Renaissance.

Well known business leaders, members of profession, students of the Institute of Chartered Accountants of Sri Lanka and student delegates from the SAARC Countries- India, Pakistan and Nepal attended the conference. Eminent speakers of various industries addressed the gathering on different topics such as Leadership, HR Strategies in Organizations, IFRS,

Attire in Corporate Setting and Skills needed in CA Students. I made a presentation for twenty minutes about the Economic Renaissance in India since 1991 while another student from Pakistan traced the story of Renaissance in Asia. I felt proud, patriotic and elated to represent my country and speak about its growth and progress in a foreign nation. My presentation was appreciated by senior professionals, business heads, foreign delegates and Indian friends and I will always cherish those kind words of praise.

We were housed at one of the best service apartments in Sri Lanka which offered the best of facilities. On the day following the conference we visited a big audit firm and learnt about audit practices in Sri Lanka. The experience was very rich and helped us understand the similarities and differences of the profession in the sub-continent.

Later on, we were taken around the Institute of Chartered Accountants of Sri Lanka where we were introduced to the staff who interviewed the delegates of different countries. Our next stop was at a Buddhist place of worship. It was fascinating to explore the different facets of the religion. We then visited the Ganga Ram temple which stood in the middle of a beautiful lake. The sight of the temple and the silence that surrounded it were a delight to the senses.

On the third day we went down south to see the beautiful beaches of Sri Lanka. The images of the vast spread of golden sand and the sparkling blue water will always remain etched in my mind.

The members of Practising Accountants

Chartered Students' Society of Sri Lanka were extremely warm, hospitable and displayed amazing leadership skills. They had put in great efforts and hard work which undoubtedly made the conference and the trip a great success. The Student Council members made the trip very enjoyable and memorable by taking us to different places and ensuring each one of us was comfortable.

The experience of meeting CA students of Sri Lanka, Pakistan, Nepal and India was phenomenal. We learnt about different cultures, languages, religions, educational setups and lifestyles. The interaction on academic and non-academic lines widened our perspectives. Though we were from different countries all of us shared a kinship and special bond, which we will continue to remember for the rest of our lives.

(Contributed by R.Gayathri Dhevi, Final Student, Chennai)





Director's Communication

Dear Student Friends,

It is indeed a pleasure for me and the faculty of Board of Studies to communicate with our much-treasured students through this column. The faculty

members of Board of Studies are extremely delighted at this opportunity to express and share their thoughts and views with you. We are sure that this column would serve as an effective medium to connect with you and strengthen our bond. We, at the Board of Studies, are grateful to the Chairman, Board of Studies, for his invigorating idea of sharing experiences and observations of Board's faculty through this column for providing guidance to students to improve their performance.

Many of you would be gearing up for the examinations at the time when this journal reaches you. At this juncture, we would like to convey our best wishes to those of you who are appearing for the May 2011 examinations. It is our cherished desire that you perform well in the examinations and come out with flying colours. Ideally, by this time, you should have completed the final revision of the syllabus.

Plan Revision Carefully

We are deeply concerned about the "stress syndrome" experienced by many of you on the eve of each examination on account of the anxiety of completing the pre-exam day revision of the entire syllabus. Though, since the last few attempts, the examination schedule has been made less hectic for the students by holding examinations on alternative days, mainly in order to reduce stress and improve the performance levels of students, it is still not an easy task to revise the entire syllabus comprehensively within a period of a day and a half before each examination. Therefore, it is very crucial that you plan what exactly to revise on the pre-exam day. If you had made it a habit to write down the key points in each chapter while you were studying, it would very much facilitate revision on the pre-exam day. Make sure to particularly concentrate on your problem areas to sort out all the loose ends. The order of revision of chapters on the pre-exam day should ideally be from the most difficult to the most easy chapters as perceived by you i.e.,

revise the chapters you perceive to be difficult first. Eat healthy and don't lose out on your sleep. These are small words of advice – but it will go a long way in helping you to handle stress and improve performance in the examination.

Understand Questions and Make Proper Presentation

Try to approach the examination with a positive attitude and this will help you face the examination more confidently. Make sure you read the question paper thoroughly. You must always attempt the question with which you are most confident, first. Proper presentation of answers in the examination is also very important. Answer all parts of a question at one place one after the other. Make sure your handwriting is neat and legible. Give working notes while working out practical problems. Keep in mind the requirement of the question and the marks it carries while answering a question. It is advisable to answer in points rather than write lengthy paragraphs.

In accounting and auditing papers, quoting the particular Accounting Standard and Standard on Auditing is desirable. Similarly, in case of law and taxation papers, quoting the section number s and case laws would add value to your answer. However, it is prudent not to quote, rather than misquote the section number or case law, in case you are not sure of the same.

Develop Passion for Learning

Last but not the least; do not consider learning for examination as an onerous task. Enjoy what you are studying. When you enjoy studying, your learning is deeper and long lasting. Do not resort to rote learning, since it is no substitute for comprehension. When you try to understand something, it stimulates your thinking ability. Also, concentrate while learning – this will facilitate retention, which will go a long way in enhancing your performance in the examination.

If you make a sincere attempt to follow the advice and guidance given above, it will surely lead you to the path of success. Before signing off, we would once again like to wish all of you the best of luck for success in the forthcoming examinations.

With Best Wishes

Yours'Sincerely

(Vijay Kapur)

Director, Board of Studies



CA.G. Ramaswamy, President, ICAI lighting the auspicious lamp at the inaugural function of the Accounting & Tax Convention organized by WIRC of ICAI at Vadodara. CA.Jaydeep N.Shah, Vice President, ICAI also seen in picture.



CA.G. Ramaswamy, President, ICAI and CA.Jaydeep N.Shah, Vice President, ICAI along with the students and office bearers of Baroda Branch of WIRC of ICAI.



A photograph taken on the occasion of the felicitation to CA.G.Ramaswamy, President, ICAI and CA.Jaydeep N.Shah, Vice President, ICAI organized by Surat Branch of WIRC of ICAI.



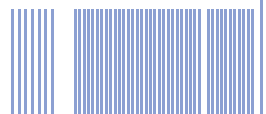
CA. G. Ramaswamy, President, ICAI along with the students at the interactive session organized by the Jaipur branch of ICAI in Jaipur.



Group Photo taken at the Valedictory Session of the Six Weeks Residential Programme on Professional Skills Development at Centre of Excellence, Hyderabad



Central Council Member CA.J.Venkateswarlu and Chairman BOS with students at the Centre of Excellence, Hyderabad



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CROSSWORD

Across

3. Short-term instruments to even out the short-term liquidity within the banking system.
4. The sum of all direct expenses is called ----- cost.
7. Jaggi and Lau Model values the human resources on ----- basis.
8. A lump sum payment paid by an employer to his employee for the past services is called -----.
10. When material prices fluctuate widely, the method which will smoothen the effect of fluctuations is ----- average.
13. ----- is a legal concept that confers rights to owners and creators of the work, for their intellectual creativity.
15. A ----- is an organization that does not distribute its surplus funds to owners or shareholders, but instead uses them to pursue its goals.
16. As per accounting principle of realization "Holding gains in relation to stocks should not be used for payment of -----."
17. Bulk e-mail software is software that is used to send ----- mail at a time.
18. Wage sheet is prepared by ----- department.
19. A ----- is a type of life insurance where the cash value of a policy varies according to the current net asset value of the underlying investment assets.

Down

1. ----- is a price order that automatically becomes a market order if the quoted price by the broker is reached.
2. ----- is the amount of earnings per each outstanding share of a company's stock.
4. The main purpose of accounting of joint products and by-products is to determine profit or loss on each ----- line.
5. When premises are owned, a charge in lieu of rent is ----- cost.
6. An Investment fund that can be traded on stock exchanges and can be bought and sold during market hours like shares.
8. The practice of purchasing enough shares in a firm to threaten a takeover and thereby forcing the target firm to buy those shares back at a premium in order to suspend the takeover.
9. The portion of total deposits which a commercial bank has to keep with the central bank in the form of cash reserves.
11. The indirect tax regime in India is proposed to be replaced by a comprehensive dual ----- and Service Tax.
12. ----- is the residual interest in the assets of an entity after deducting all its liabilities
14. ----- is a group of persons gathered to conduct a public discussion.