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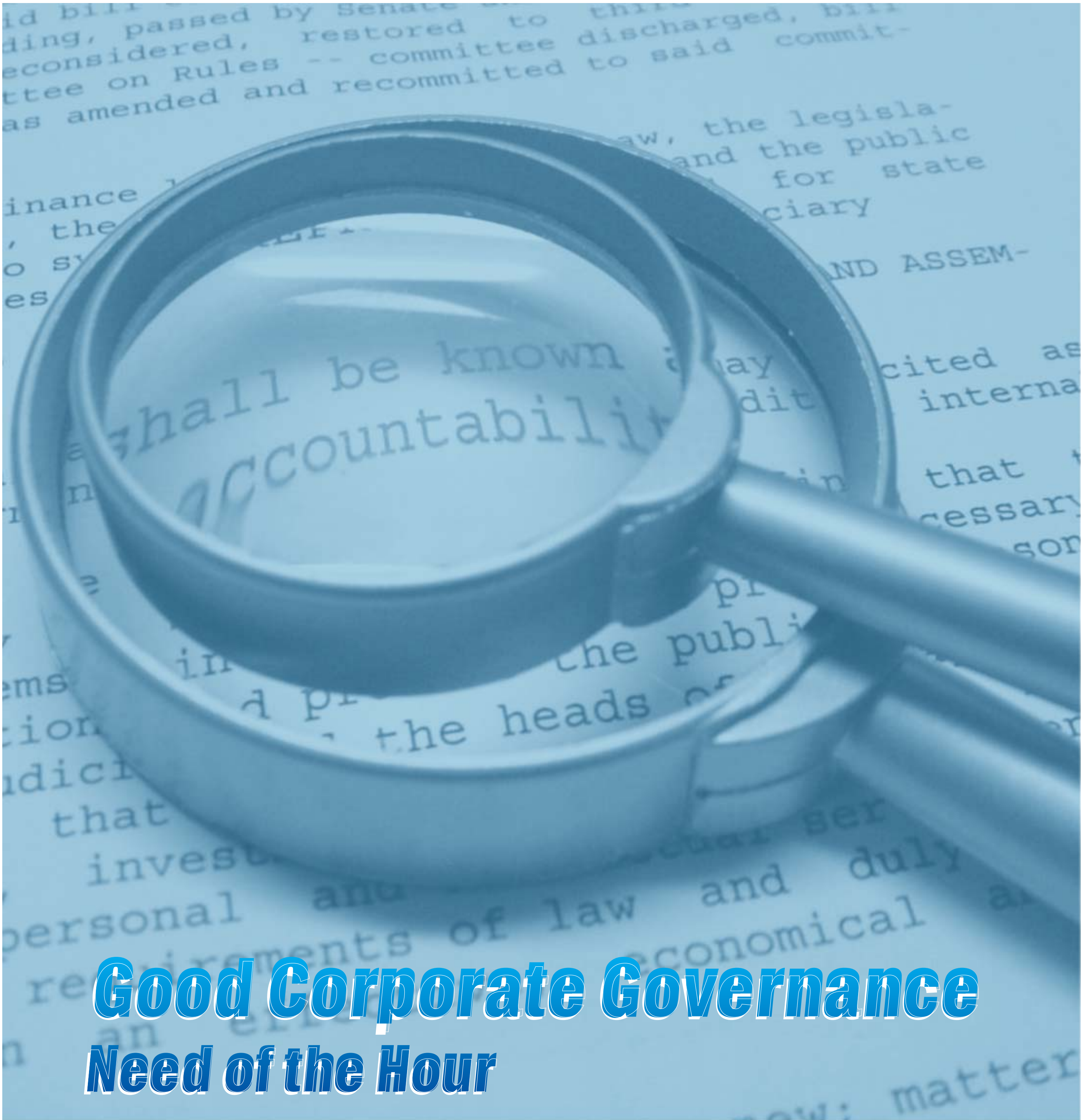
The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

STUDENTS' JOURNAL June 2011 Vol SJ2 Issue 6 Pages 36



Good Corporate Governance
Need of the Hour

President's Communication

Dear Students,

I hope that you all have done well in the recently concluded May 2011 examination and I wish to convey my best wishes to you for successful results. Examination is an essential tool to measure your preparation and knowledge in specific subjects in which you will specialize later as a professional. Therefore, it is the time for you to assess your stronger and weaker areas on the basis of your performance in the examination and take remedial measures.

Planning and prioritizing are two faces of the same coin. Planning is an analytical thought process that helps you to determine your objectives based on intelligent forecasting and to develop a precise programme to achieve the objectives. Prioritizing is an essential skill that focuses your energy and attention on the things that really matter in your life. Prioritization helps you to reduce stress and move towards a successful conclusion. Therefore, it is important for you to design a sound planning programme to achieve your goal.

To become a successful professional, practical training backed by sound theoretical knowledge is a must. The properly designed practical training acts as a platform to develop a high level of understanding, which is required to produce extraordinary results in this present era of global competition. I, being a Chartered Accountant very well understand the balance between the practical training and theoretical knowledge on subject areas like Accounting, Auditing, Corporate Finance, Taxation, Corporate Laws, Corporate Governance and Information System etc. This unique style of imparting education has made Indian Chartered Accountancy Course much demanding and popular around the world. The Chartered Accountancy Course offers the students a prestigious and life time opportunity to materialize their dreams.

The Institute's website is an important link for the students. Besides containing the latest study materials, practice manuals, suggested answers, revision test papers, model test papers etc. on all the subjects of Chartered Accountancy course, it contains all important announcements of Board of Studies, Examination and other Departments and Committees etc. I advise you to visit the Institute's website regularly so that you do not miss anything important.

The Students' Journal is another medium where you can have an interface with the Institute. It carries articles, academic updates, and other relevant issues relating to the Chartered Accountancy Course. It is my humble advice to you all to utilize this forum at the optimum level. I would also advice you to contribute greatly on subjects related to the CA course to the Students' Journal. The more you contribute the more your writing skills get sharpened and the benefits of your flow of the language get manifested during your examinations.

I am happy to share with you that the Six Weeks' Professional Development Programme has been a great hit with the students. The students who have attended this programme have all the appreciation for the Institute as they got a chance to explore their hidden talents. The overbooking for the upcoming two batches is an example for the popularity of the programme. Students are advised to ensure their berths by way of booking for the same sufficiently early to avoid last minute rush and disappointment.

The popularity and the demand of the Chartered Accountancy Course as well as of the Accountancy Profession have witnessed a paradigm shift. As the opportunity for the students has now become multidimensional, the responsibility also has become multilevel and diversified. I am sure that our students will be able to face these challenges and achieve the objectives in their future endeavours.

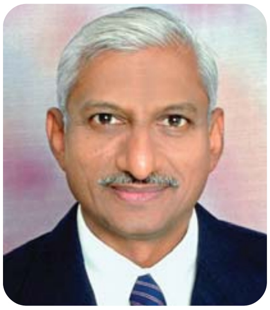
The Institute always has the interest of its students top in its mind. I am happy to share with you that the ICAI-Bharathiar University coordination Committee has decided to increase the number of admissions to the various courses under the joint programme. The Committee also decided to hold a joint seminar in the month of June/July 2011.

Once again, I wish you all the very best for a cheerful time ahead.

Yours sincerely,

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

"***Some people dream of success…while others wake up and work hard at it***"



Vice-President's Communication

Dear Students,

At the outset, I convey my best wishes to all of you who have appeared in May 2011 Examinations and hope that you will come out with a positive result. I am sure that you may be enjoying the break after the examination. The best way to utilize this breather is to relax and rejuvenate yourself. With a relaxed mind, you should try to analyze the various form of difficulty that you might have faced during the examination. This exercise will give you an opportunity to review your performance in the examination and identify the areas of concern, if any.

In my last communication to you through the students' Journal, I expressed my views on the importance of practical knowledge as a means of improving your performance in the examinations. I am sure that by doing so, you will not only do well in the examinations but it will also have beneficial impact in your professional lives.

We feel proud that our students are getting a learning environment where both theoretical education and practical training are given due weightage as both are complementary to one another. This superlative combination of theoretical and practical education offers and prepares a strong foundation for our students in such a way that these students, after passing their Final Examination are ready to meet the diverse challenges in the fast changing environment. They are ready to reach new heights in their professional career.

To excel in any profession, interpersonal communication plays a vital role. There were times when 'Carrot and Stick' theory was often used in the management of personnel in organisations. However, the times have changed this approach and we have reached a stage where "People Management" is of prime importance. We are in a phase of consultative management wherein communication facilitates decision making. We, at the Institute have adopted a holistic approach for improving the communication skills and developing personality of the students. The approach includes different programmes such as 15-Days General Management and Communication Skills (GMCS) Course and 6-Weeks Residential Programme on Professional Skills Development. The 15 days GMCS Course is organized in different centres of Regional Councils and Branches. The recently introduced 6-Weeks Residential Programme on Professional Skills Development is a fully residential focused programme that is presently being organized at our Centre of Excellence (CoE) in Hyderabad.

Education curriculum of the Chartered Accountancy course develops you well for a sound and promising career. Whether in practice or in industry, the Chartered Accountants excel and easily overshadow others. The Institute through the Committee for Members in Industry organizes "Campus Interviews" for newly qualified Chartered Accountants seeking employment. Different exclusively structured placement programmes are also organized to help chartered accountants in their career management. These include placements programme for Small and Medium Size Enterprises and Small and Medium Sized CA Firms.

You will be glad to know that the Institute is adopting a strategic approach in the management of its affairs. By doing so, the Institute is getting the benefits of improving cross-functional relationships within the organization, greater confidence in preparing strategic plans and improvement in the education and training of the students. This has helped our Institute to create professionals who enjoy competitive advantage over individuals from other professions. The result of these proactive measures taken by the Institute is seen in the enrolment a large number of students pursuing CA Course. The number of students exceeds 810 thousand. This has also increased our responsibility to provide truly world class education. We, at the Institute are always committed to do the best for the profession, for the members and for the students to achieve our professional excellence.

Wishing you a successful future.

Yours sincerely,

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

Chairman's Communication

My Dear Students,

The exams are behind you and many of you must be taking a well deserved break from your studies. Relax and enjoy yourselves, but always remember and keep in sight your goal of becoming a qualified Chartered Accountant. The world, as we know it, is never constant. It is always changing and your study must help you to adapt adeptly to the change.

POINT TO PONDER

As budding Chartered Accountants, you will be aware of the importance of tallying a balance sheet – without which accounts cannot be completed. So too it is with life. Living is an intricate art of balancing oneself on a tightrope. Vision is vital for growth. Unless we set ourselves small reachable targets – we cannot make it to the ultimate goal. Each step is a stepping stone, each small win a step forward. When Helen Keller was asked ***"What would be worse than being born blind?" She answered "To have sight without vision."*** Having a dream makes life worth living, ambition being the adrenaline. Winston Churchill's strong words are always an impetus to me ***"Never! Never! Never! Never give up."*** So young future Chartered Accountants – dare to dream, prepare for your dream, share the dream and live the dream. Abraham Lincoln overcame tough obstacles in his way to the pinnacle of success and he said ***"Always bear in mind that your own resolution for success is more important than any other thing."***

KEYS TO SUCCESS – DETERMINATION AND SELF CONFIDENCE

Destiny is no matter of chance. It is a matter of choice. It is not a thing to be waited for, it is a thing to be achieved. Sir Winston Churchill said ***"I like things to happen. If they don't happen, I like to make them happen."*** If students imbibe this determination and confidence, there is nothing to stop their success.

I read a poem which is apt for the CA students which I share with you:

"If you think you are beaten, you are
If you think you dare not, you don't
If you'd like to win, but think you can't
Its almost a cinch you won't;

If you think you'll lose, you are lost
For out in this world we find
Success begins with a fellow's will
Its all in his state of mind;

Full many a race is lost
Before even a step is run
And many a coward falls
Before even his work has begun;

Think big and your deeds will glow
Think small and you'll fall behind
Think that you can, and you will –
Its all in the state of mind;

Life's battles don't always go
To the stronger or faster man;
But sooner or later, the man who wins
Is the one who thinks he can."

WARM WELCOME TO THE YOUNGSTERS JOINING THE CA COURSE

We welcome you to become part of our CA student fraternity. You have made the right choice. The Chartered Accountancy course is a wonderful course and the professional qualification is a coveted one. The subjects of study are practical, the training that you will undergo during your articleship period is invaluable and co-related and cogent with what you are studying. As we move towards growth, a liberalized economic scenario, opening up of the world, there is always a demand for knowledgeable, articulate and well equipped professionals. In the globalised era, geography has become history. So you have to be in right place at the right time and the future is yours for the taking. The Chartered Accountancy course is well respected by corporate and social circles and inexpensive on the parents' pocket. A course wherein during your articleship itself you will earn while you learn. Wish you All the very Best.

STUDENT COUNSELLING – THE NEED OF THE HOUR

Pragmatic, down-to-earth student counselling is the need of the hour. The months of May and June is the period when the results of class twelve and ten are being declared. Career choices have to be made – students need proper guidance and career advice. In this era of stiff competition, the pressure on the young starts early. I am disturbed to read in the newspapers about the extreme measures resorted to by the students when their results are not upto their expectations. This is an alarming trend and the misguided students need counselling, care, empathy, understanding and hand holding. Students should build their mental tenacity to take exam results in their stride. Mother Theresa's immortal words about LIFE are relevant and I quote: ***"Life is an opportunity, benefit from it; Life is beauty, admire it; Life is bliss, taste it; Life is a dream realize it; Life is a challenge, meet it; Life is a duty, complete it; Life is a game, play it; Life is a promise, fulfill it; Life is sorrow, overcome it; Life is a song, sing it; Life is a struggle, accept it; Life is a tragedy, confront it; Life is an adventure, dare it; Life is luck, make it; Life is too precious, do not destroy it; Life is Life, Fight for it."***

CA STUDENT CONFERENCES AND CONVENTIONS

We at the Board of Studies have coordinated with all the regions and are organising national conventions and conferences for students with the best of speakers. You can enjoy the camaraderie of your fellow students and learn from the experts, pearls of wisdom emanating out of their practical experience which cannot be found in a text book. I exhort and enthuse you to take part in these educative and knowledge diffusing activities. You will be enriched and emerge clear on many grey areas of study. You will enjoy the interaction with your peers and hone your skills further.

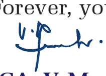
WRAP UP POINT

Jack London's motto in life has inspired me and I quote ***" I would rather be ashes than dust, I would rather that my spark should burn out in a brilliant blaze, than it should be stifled by dry rot. I would rather be a superb meteor, every atom of me in magnificent glow, than a sleepy and permanent planet. The proper function of man is to live and not to exist."*** Hence, facing life head-on, tackling the obstacles that come our way is far better than burying one's head in the sand like an ostrich or waiting steadily for the right moment and for the perfect opportunity.

I would like to sign off with a prayer to the Almighty - ***"God! Give me the courage to do whatever is possible, serenity to know what is not possible and the wisdom to know the difference."***

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

With Warm Professional Regards,
Forever, yours in service,



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

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Global Financial Crisis: Governance issues and Lessons Learnt

Prof. J. P. Sharma

Abstract

What started as turbulence in segments of the U.S. sub-prime mortgage market turned out to be a global financial crisis due to the integration and interconnectedness of the US economy with the rest of the world and increasing globalization. The robust growth rates in the country over the last few years, cautious policies, prudent regulation and effective supervision have helped the economy in being relatively less affected by the recent financial market turmoil. It is important for the corporate sector in India to learn right lessons from the crisis so as to avoid such happenings in future. There is need to reform corporate governance in the country by taking harsh policy measures.

Introduction

The collapse of the sub-prime mortgage market is the most apparent cause of the global financial crisis but it needs to be recognized that the sub-prime crisis was building for years before showing any signs and attention intensified in the year 2007, only when there was a dramatic rise in the mortgage delinquencies and foreclosures in the United States, with major adverse consequences for banks and financial markets around the globe. Other major factor that played a contributing role in precipitating and exacerbating the crisis is the failure of the corporate governance practices of the financial institutions such as lax board oversight, misaligned compensation structure that encouraged aggressive risk taking, abuse of the process of securitization, dishonesty among the mortgage lenders, greedy hedge funds and rating agencies, and mistakes of the U.S. government in over- promoting home-ownership, fraud in mortgage lending, over-leveraged banks and financial institutions, shadow banking system and off balance sheet transactions. The recent turmoil suggests a need to re-examine the corporate governance practices in these key areas and learn the right lessons from the crisis in order to introduce appropriate reforms, which not only reduce the probability of occurrence of such events in future but also minimizes the impact of such events, if at all they occur.

Problems of Governance Noticed

The following are the major areas of corporate governance failure noticed in the collapse of major investment banks:

A One-Man Show

The position of Chairman and CEO should not rest with the same person as per the corporate governance standards but majority of the financial institutions under study were having same individual as their CEO and Chairman, as shown in the table-1:

Table 1-Same Individual as the CEO and Chairman

Company	CEO + Chairman
Lehman Brothers	Richard S. Fuld
Merrill Lynch	E. Stanley O'Neal
Bear Stearns	James E. Cayne
Countrywide Financial Corp.	Angelo Mozilo
Washington Mutual	Kerry Killinger

Source: Compiled

There was concentration of power through the combination of the roles of the chairman and chief executive that leads to conflict of interest and thus ineffective evaluation of management and its decisions.[1]

Unethical Conduct on the Part of Management

Ethical standards in the institutions under study were poor. Senior executives of these banks have been charged putting self-interests ahead of the company's interests. They have also been charged misleading and defrauding investors. The table-2 shows CEO's moral standards and self-interests and

The author is Professor of Law & Corporate Governance, Delhi School of Economics.

how the CEOs of Lehman Brothers, Bear Stearns, Freddie Mac and Countrywide Financial Corporation were benefited at the cost of their companies despite being found negligent at various counts.

Table 2- CEO's Moral Standards and Self-Interests

Name	CEO	CEO's Self-Interests
Lehman Brothers	Richard Fuld	He pocketed an estimated $363 million between 1993 and 2007 by cashing in share options while the market value of shares had fallen from nearly $600 million to nothing when the firm went bankrupt.
Bear Stearns	James Cayne	He disappeared without phone or email access during a bridge tournament while two hedge funds collapsed in July 2007. He was responsible for the high-risk leverage that caused the firm to implode, yet personally, he reaped millions as he purchased two apartments in Manhattan for $27.4 million in the midst of the credit crisis.
Freddie Mac.	Richard Syron	He repeatedly ignored the warning signs highlighted by the company's chief risk officer, that the company was financing loans which could pose financial and reputation risk.
Countrywide Financial Corp.	Angelo Mozillo	He earned profits of at least $140 million in sales of Countrywide stock and later admitted that he was incapable of pricing these sub- prime CDOs.

Source: Compiled

Pay Structures and Bonuses

Even seasoned pay-watchers were stunned that in the midst of the Global Financial Crisis, bonuses totaling around $20 billion were paid to employees on Wall Street after firms had received at least half of the $700 billion in bailout money plus many billions more in liquidity support. The table-3 sufficiently clears criticism on pay structures, bonuses and the controversy over unusual CEO pay.

Table 3-Criticism on Pay Structures and Bonuses

Name	Criticism
Merrill Lynch	Despite losses of around $15 bn in the last quarter of 2008, Merrill Lynch paid out $4-5 bn in bonuses at the start of December before the publicly assisted merger with Bank of America.
Goldman Sachs	The struggling Wall Street bank Goldman Sachs had set aside £7billion for salaries and 2008 year-end bonuses. Each of the firm's 443 partners pocketed an average Christmas bonus of more than £3million. The size of the pay pool comfortably dwarfs the £6.1billion lifeline which the U.S. government thrown to Goldman as part of its £430billion bailout.
Royal Bank of Scotland	As the bank entered a phase of recapitalisation by the government, the board negotiated a $980 000 per year pension for CEO, as part of his departure package due at once even though he was only 50.
American International	Group In March of 2009, it announced plans for $165 million bonuses for executives at A.I.G.'s financial products division, the unit that wrote trillions of dollars' worth of credit-default swaps and bring the world's financial system to its knees. This was planned at the time that US government effectively owned 80% of AIG.

Source: Compiled

Unusual CEO Pay and Bonuses

At America's biggest companies, it was possible for chief executives to fumble, fudge or fail to deliver results and yet still walk away with more money than most people earn in a lifetime. Of the $799 million that departing executives received in 2006, 37 percent, or $296 million, was severance. The table-4 shows the huge amounts that have been paid to the CEOs of Merrill Lynch, Citibank, Freddie Mac and Fannie Mae, as parting bonuses.

Table 4-Compensation Departing Executives Received

Company	CEO	Estimated Payment
Merrill Lynch	S. O'Neal	USD 161 million
Citibank	C. Prince	USD 100 million
Freddie Mac	R. Syron	USD 14.1 million
Fannie Mae	D. Mudd	USD 9.3 million

Many top executives took home enormous pay cheques for average performance and even when they fail. The CEOs of Merrill Lynch, Citigroup, AIG, Bear Stearns and Lehman Brothers' received an aggregate compensation in excess of one billion dollars over the past five years. The controversy over unusual CEO pay is highlighted in table-5 below:

Table 5-Controversy over Unusual CEO Pay and Bonuses

Company	CEO pay	Nature of controversy
Lehman Brothers	$34.4m(2007)	Corporate governance advisory services deemed executive pay to be too high and criticized the secretive process by which executive compensation was determined. There was also criticism of bonuses paid to executives immediately prior to bankruptcy.
Merrill Lynch	$24.3m(2007)	$3.6 billion worth of bonuses were paid out hurriedly to Merrill Lynch executives before the firm merged with Bank of America.
Bear Stearns	$38.3m(2006)	The lucrative compensation of top Bear Stearns executives drew much criticism, particularly as the company encountered financial difficulties.
Fannie Mae	$11.7m(2007)	There was intense criticism of a golden parachute of $10 million to be paid out to the CEO departing after the federal government in effect took over the firm.
Freddie Mac	$18.3m(2007)	Same as for Fannie Mae.
Countrywide Financial Corp.	$48.1m(2006)	There was much criticism of the severance package (worth up to $115m) awarded to Countrywide's CEO and founder as part of the firm's merger with Bank of America.
Washington Mutual	$5.3m (2007) $22.7m(2006)	Due to shareholder pressure, the company reversed a decision to ignore mortgage losses when calculating performance bonuses for top executives.
Commerce Bancorp.	$24.9m(2006)	Vernon Hill, founder and CEO, was forced to resign in late 2007 due to problematic non-arm's-length transactions.

Ineffective Board of Directors

The role of board of directors is under heavy criticism due to lack of oversight and independence exercised by them in safeguarding stakeholders' interest. The table-6 depicts the nature of criticism:

Table 6-Nature of Criticism about Board

Company	Nature of Criticism
Lehman Brothers	The board lacked sufficient financial expertise and failed to challenge sufficiently the company's dominant CEO.
Merrill Lynch	Directors moved too hastily in agreeing to sell the company to Bank of America.
Bear Stearns	The board lacked sufficient financial expertise and failed to challenge sufficiently the company's dominant CEO.
Countrywide Financial	The board failed to challenge sufficiently the company's dominant CEO.
Washington Mutual	The board failed to safeguard the company.

The boards of directors at Lehman Brothers, Bear Stearns, Merrill, Citi, Countrywide, Fannie Mae, Freddie Mac and Washington Mutual are ultimately responsible for the sharp decline or disappearance of their companies. There have been cases where boards of directors were not efficient in exercising their power, instead associated themselves with the risky business activities as shown in table-7 below:

Table 7-Inefficient Board of Directors

Name	Inefficient Board of Directors
Lehman Brothers	The board of directors was packed with non-executives of a certain age and were lacking in banking expertise.
Bear Stearns	The board, which included among its twelve members two university presidents, a former toy company executive, a former law partner and an oil company executive, lacked sufficient financial wherewithal to hold management properly accountable.
Citigroup	The board reputedly lacked sufficient objectivity due to over-representation by current and former executives.
AIG	The board allegedly collectively had insufficient expertise to understand AIG's multifaceted and often risky businesses and senior management stood accused of failing to exercise proper oversight of key parts of AIG's far-flung empire.

Boards were not sufficiently independent and the members of board were too old and too far from today's rapidly changing financial markets. As in case of Bear Stearns, there were two non-executive directors (NED) who were over 80 years old, also in both Countrywide Financial and Washington Mutual, there were four directors in age group 70 and more. The old directors have hardly any knowledge about new financial instruments and neither do they want to learn because they do not have any risk of future employability.

Poor Risk Management

In the deepening financial crisis, the questions have been raised about the role of Board in the risk management. The board of major financial institutions, which failed, was too complacent in overseeing risk characteristics of the firms, which is a clear corporate governance weakness since the board is responsible for reviewing and guiding corporate strategy and risk policy, and for ensuring that appropriate systems for risk management are in place. In Lehman Brothers, the Finance & Risk Committee met only twice in both 2006 and 2007, Merrill Lynch did not have Risk Committee in 2007 and the board of Bear Stearns established Finance & Risk Committee shortly before it failed as shown in table-8:

Table 8-Risk Oversight by Board

Name	Risk Oversight by Board
Lehman Brothers	Its Finance & Risk Committee met only twice in both 2006 and 2007
Merrill Lynch	It did not have Risk Committee, and its Finance Committee met 12 times in 2007.
Bear Stearns	The board had limited role in overseeing risk, it established Finance & Risk Committee on January 10, 2007 (shortly before it failed).

Questionable Role of External Auditors

Auditors oversee the practices followed by management of the company and ensure that it discharges its duties in the interests of all its stakeholders. Auditors should present true and fair view on the financial affairs of the organisation on the basis of accounting standards and conventions to ensure transparency. In the crisis, the questions have been raised about the role and value of external audits. Markets do not seem to have been assured by unqualified audit opinions and that many financial institutions either collapsed, or had to be bailed out within a short period of receiving unqualified audit opinions. The events fuel the suspicions that auditors lack the claimed expertise to render an independent and objective account of corporate affairs. The table-9 below shows that auditors received considerable income from their audit clients, which may be very significant to create conflict of interests.

Table-9-Huge Fees Charged by External Auditors

Company	Country	Year end	Auditor	Date of audit report	Fee (millions)	
					Audit	Non-audit
Lehman Brothers	USA	30-Nov-07	E and Y	28-Jan-08	$27.8	$3.5
Bear Stearns	USA	30-Nov-07	D and T	28-Jan-08	$23.4	$4.9
Indymac	USA	31-Dec-07	E and Y	28-Feb-08	$5.7	$0.5
Wachovia	USA	31-Dec-07	KPMG	25-Feb-08	$29.2	$4.1
Washington Mutual	USA	31-Dec-07	D and T	28-Feb-08	$10.7	$4.3
Barclays	UK	31-Dec-07	PwC	07-Mar-08	£29	£15
HBOS	UK	31-Dec-07	KPMG	26-Feb-08	£9.0	£2.4
Northern Rock	UK	31-Dec-06	PwC	27-Feb-07	£1.3	£0.7
Royal Bank of Scotland	UK	31-Dec-07	D and T	27-Feb-08	£17	£14.4
UBS	Switzerland	31-Dec-07	E and Y	06-Mar-08	CHF61.7	CHF13.4
Landsbanki	Iceland	31-Dec-07	PwC	28-Jan-08	ISK259	ISK46

There are also concerns of conflict of interest, which is related to the incentives in providing non-audit services by major firms, often in unregulated areas, which influences their overall financial situation. They are paid by the businesses they are auditing, which may not encourage objectivity and the industry has also become highly concentrated with domination of four large firms with the ability to audit large international businesses. An SEC report noted that "Bear Stearns' concentration of mortgage securities was increasing for several years and was beyond its internal limits, and that a portion of Bear Stearns' mortgage securities (e.g. adjustable rate mortgages) represented a significant concentration of mortgage risk" but the auditors of the firm remained silent on these issues of concern which is the failure of regulatory oversight by external agency.

Insider Trading

Top level executives of Bear Stearns sold stock before it got hit by crisis. Top honchos at Bear Stearns Alan Greenberg, Sam Molinaro, James Cayne and Warren Spector quietly cashed out more than $57 million worth of company stock before the crisis hit. The executives saved themselves nearly $16 million by their astutely timed sales, which were disclosed in a series of public filings. Those losses got passed on to the unlucky outside investors who bought the stock. Once again, it shows that company insiders seem to prove pretty good at knowing when their own stock is overvalued and when the future risks do not justify the price. Company filings also reveal that Bear Stearns awarded a staggering $140 million in bonuses to top executives in 2006, just before the crisis left other Bear Stearns investors reeling.

Fraud in Mortgage Lending

The U.S. government accused Goldman Sachs & Co. of defrauding investors by failing to disclose conflicts of interest in mortgage investments it sold as the housing market was faltering. The Securities and Exchange Commission said in a civil complaint on 16th April 2010 that Goldman failed to disclose that one of its clients helped create and then bet against sub-prime mortgage securities that Goldman sold to investors. Which means Goldman was undertaking simultaneous selling of securities to customers and shorting them because it believed they were going to default. It's like buying protection against an event that you have a hand in causing, or buying fire insurance on someone else's house and then committing arson. The charges come as lawmakers seek to crack down on Wall Street practices that helped cause the financial crisis. The Goldman client implicated in the fraud is one of the world's largest hedge funds, Paulson & Co., run by the billionaire John Paulson, which paid Goldman roughly $15 million for structuring the deals in 2007. Goldman Sachs shares fell more than 13 percent after the SEC announcement, which also caused shares of other financial companies to sink. The SEC alleges, Goldman misled investors by failing to disclose that Paulson & Co. also played a role in selecting the mortgages and stood to profit from their decline in value. Goldman wrongly permitted a client that was betting against the mortgage market to heavily influence which mortgage securities to include in an investment portfolio, while telling other investors that the securities were selected by an independent, objective third party. The civil lawsuit filed by the SEC in federal court in Manhattan was the government's most significant legal action related to the mortgage meltdown that ignited the financial crisis and helped plunge the country into recession.

Suspicious Role of Credit Rating Agencies

Credit rating agencies (such as Moody's, Standard and Poor, Fitch) played a facilitating role in creating the crisis by assigning high credit ratings enabling increased 'securitization' of financial products/ markets. With the help of investment grade rating it becomes easier for institutions to sell complex, illiquid securities in the market. The three main rating agencies are paid by issuers, thus the issuer-pays model create a conflict of interest with a bias toward inflating ratings to satisfy issuers as opposed to meeting investors' interest in unbiased, accurate and timely ratings. Moreover, the Credit rating agencies (CRAs) were involved in advising on how to structure the instrument so as to obtain a desired rating. This is the same issue as in case of auditors when they provide non-audit services to the same firm, which is audited by them. The banks relied entirely on the ratings without doing risk analysis of the instruments on their own. As home loan delinquencies have risen, credit rating agencies started reviewing and lowering ratings on residential mortgage-backed securities and for the pools of these loans i.e. collateralized debt obligations. Rating agencies lowered the credit ratings on $1.9 trillion in mortgage-backed securities from Q3 2007 to Q2 2008. As of July 2008, Standard & Poor's (S&P) had downgraded major portion of U.S. residential mortgage backed securities (RMBS) and CDOs of asset-backed securities (ABS) that had been originally rated "triple-A". They downgraded thousands of securities backed by mortgages, which contributed, to hundreds of billions in losses and write-downs at major banks and investment firms.

Neglectful Role of Regulators

Regulatory bodies are also facing the severe criticism for their ineffective role in guiding the market participants for maintaining stability in the financial system. Regulators implement procedures to independently verify and safeguard the integrity of the company's financial reporting and see that the disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information. There is failure of regulators that they did not assess the liquidity risk faced by banks when they engaged in securitisation market. The regulatory bodies failed to monitor the risk management practices of banks and poor lending standards in mortgage market. The financial services industry is the most regulated in the world but the failure of regulators indicates that a complete overhaul is needed.

Abuse of Political Connections

Several of the Goldman Sachs' alumni possess top jobs in government. Among them: Henry Paulson, the last Treasury secretary under the Bush administration and a former Goldman CEO; Josh Bolten, chief of staff under President George W. Bush; Robert Rubin, another former Goldman co-chairman who served as Treasury Secretary under President Bill Clinton. It was reported by New York Times that Paulson laundered several billion dollars of money to Goldman Sachs, through A.I.G. Paulson clearly violated his duties to American taxpayers when he transferred billions of dollars of wealth to Goldman Sachs under false pretenses; when he lied to Congress in order to obtains hundreds-of-billions of dollars in Troubled Asset Relief Program (TARP) funds; when he conspired with Goldman Sachs to "save" A.I.G. for Goldman's sake; and when he lied to Congress about his role in "saving" A.I.G. This raises a serious corporate governance issue that organizations whose members had sat on Federal Reserve boards or had connections to congressional committees were more likely to receive funds from the Troubled Asset Relief Program (TARP).

Likewise, over the past decade Fannie Mae and Freddie Mac have spent nearly $200 million on lobbying and campaign contributions. But the political tentacles of the mortgage giants extend far beyond their check books. The two government-chartered companies run a highly sophisticated lobbying operation, with deep-pocketed lobbyists in Washington and scores of local Fannie- and Freddie-sponsored homeowner groups ready to pressure lawmakers back home. They've stacked their payrolls with top Washington power brokers of all political stripes, and scores of others. Fannie and Freddie's aggressive political maneuvering has helped stave off increased regulation and preserve special benefits such as exemption from state and local income taxes and the ability to borrow at low rates.

Actions Call for Immediate Attention to Improve Corporate Governance

Some of the steps which could be taken to strengthen corporate governance are: efficient risk management; have in all financial firms a Chief Risk Officer responsible for risk management; close supervision of rating agencies; split offices of chairman and CEO; encourage competent directors; abolish practice of nominating independent directors, exempt independent directors from vicarious liability; provide insurance cover to them; review the definition of independent director given in clause 49 of listing agreement; superior Board practices, improve remuneration policy; have ethics code in listed companies; legislative sanction to insider trading laws; rotation of external auditors in non-financial institutions; introduce new audit standards and joint audit; make audit committee strictly independent; prohibit political funding; install whistleblower system; introduce class action suit & compensation; have in place permanent PPP system, and enhance criminal and civil penalties.

To Conclude

The financial crisis of the US is now being viewed as the biggest challenge to the international financial system since the Great Depression. What started as turbulence in segments of the U.S. sub-prime mortgage market has become a global financial crisis due to the integration and interconnectedness of the US economy with the rest of the world and increasing globalization. Many wonder how such a small sub-prime market could cause so much of trouble around the globe, especially in countries, which were not even involved in sub-prime lending. The contagion of crisis has spread through all channels i.e. financial channel, real channel and the confidence channel. In case of India, the robust growth rates in the country over the last few years, cautious policies, prudent regulation and effective supervision helped the economy in being relatively less affected by the current financial market turmoil. It is important for the corporate sector in India to learn right lessons from the crisis so as to avoid such happenings in future. There is need to reform corporate governance in the country by taking harsh policy measures.

End Notes

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CROSSWORD

May-2011

Solution

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Analysis of Revised Schedule VI - Towards Better Presentation

CA. Shilpa Agrawal

With the emergence of multinational corporations and rapid increase in cross border transactions, it is essential that our financial statements speak the global language for attracting foreign funds into India. Internationally, the observance of universally accepted reporting norms is perceived as an important measure of good corporate governance, ensuring financial transparency to the stakeholders of the company. The transparency in financial statements of a company has a significant bearing on the decision of a stakeholder to invest, as well as the quantum of his investment.

The classification under the old Schedule VI was, however, not in line with the international practices followed by many developed countries, making investors reluctant to invest in the Indian companies. The Indian companies were required to prepare another set of financial statements to make foreign investors understand the performance and position of their companies, which not only resulted in higher costs, but also consumed considerable time and effort.

With India moving towards convergence to IFRS, there was an urgent call to revise the old Schedule VI, as it was not compatible to meet either the disclosure requirements or the provisions of the upcoming accounting standards. Though the revised Schedule VI has been framed as per the existing non-converged Indian Accounting Standards notified under the Companies (Accounting Standards), Rules, 2006 and has nothing to do with the converged Indian Accounting Standards, still, it has taken into consideration the classification accepted internationally.

In this article, an attempt has been made to throw some light on the need for revision of old schedule VI, salient features of the revised Schedule VI and the issues which may initially arise while preparing financial statements as per revised Schedule VI. The aim of this article is just to give an outline on the topic in order to make you aware of this recent amendment in the Companies Act.

Old Schedule VI: Drawbacks Necessitating Revision

Classification in old Schedule VI not in line with the disclosure requirements under AS

After introduction of Accounting Standards on Leases, Consolidated Financial Statements, Accounting for Taxes, Discontinuing Operations, Impairments of Assets, Provisions etc., the disclosure requirements of old Schedule VI on the face of balance sheet were felt to be insufficient. Further, appropriate heads, under which disclosures prescribed in the accounting standards have to be made, were missing in the Balance Sheet under old Schedule VI. For instance, Accounting Standard 22 requires that deferred tax assets (DTA) and deferred tax liabilities (DTL) should be disclosed under a separate heading in the balance sheet of the enterprise, separately from current assets and current liabilities. In other words, as per AS 22, DTA and DTL have to be disclosed under the heading "non-current assets" or "non-current liabilities", which classification was not provided for in the old schedule VI.

No place for industry specific requirements

Old Schedule VI had a fixed format in which every industry has to present its financial statements. However, the industry specific requirements could not always fit into such format. The old schedule VI did not address such problems which made it difficult for a preparer of financial statements to identify the appropriate head for their industry specific items.

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No specific format for Profit and Loss Account

One of the shortcomings of old Schedule VI was that it did not contain any specific format for Profit and loss account as it had for the Balance Sheet, though the requirements for preparing profit and loss account were detailed in Part II of Schedule VI. However, it was felt that a specific format for presentation of the profit and loss account would have conveyed a clear cut picture to the preparers of financial statements.

Measurement principles under Schedule VI not in line with Accounting Standards

Apart from the disclosure requirements, even the measurement principles as per old Schedule VI were different from what was given in the accounting standards. For instance, AS 11 requires that any exchange difference in foreign currency translation is to be charged / recognized in the Profit and loss account. However, as per old schedule VI, such exchange difference in foreign currency translation should be capitalised. On account of such differences in the measurement principles, it can be said that the old schedule VI was not in conformity with the mandatory requirements of the accounting standards.

Revised Schedule VI : Effective From 1st April, 2011

The Ministry of Corporate Affairs (MCA) has revised Schedule VI to the Companies Act 1956 on the 28th February, 2011 pertaining to the preparation of Balance Sheet and Profit and Loss Account under the Companies Act, 1956. This revised Schedule VI has been framed as per the existing non-converged Indian Accounting Standards notified under the Companies (Accounting Standards), Rules, 2006. 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. The format of the Balance Sheet, Profit and Loss Account are given at the end of the article as an Annexure.

Objectives for Revising Schedule VI

In November, 2008, the Ministry of Corporate Affairs issued an Explanatory Memorandum for revising Schedule VI to the Companies Act, 1956 which clearly stated its objectives as follows:

(a) To have a 'readable, useful, transparent and user friendly' form of Schedule VI.

(b) To set out minimum disclosure requirements which are considered essential to ensure true and fair presentation of the financial position and financial performance of the company and comparability both with the company's previous periods and with other companies.

(c) The Balance Sheet and the Statement of Profit and Loss should not be burdened with too many disclosure requirements.

(d) To remove the requirements of disclosures no longer considered relevant in view of the changed socio-economic structure and level of development of the economy.

(e) To remove disclosure requirements which are meant for statistical purposes only e.g. Part IV of Schedule VI.

(f) To have inherent flexibility for amendments and industry/sector specific improvements from time to time and to cater to industry/sector specific disclosure requirements.

(g) To harmonize and synchronize the general disclosure requirements with those prescribed in the Accounting Standards by removing the existing inherent anomalies.

(h) The specific disclosure requirements prescribed in the Accounting Standards are not incorporated here so that amendment in the Accounting Standard does not necessitate an amendment in the Schedule VI.

(i) To attain compatibility and convergence with the International Accounting Standards and practice.

Salient Features

Applicability

- This revised Schedule VI is applicable to all companies to which existing non-converged notified Accounting Standards are applicable.

Flexibility

- As and when there will be any change in the requirements of the Act including notified Accounting Standards in the treatment or disclosure including addition, amendment, substitution or deletion in the head, sub-head or any changes *inter se* in the financial statements, the revised Schedule VI will be modified accordingly leaving no scope for any divergence or disagreement with the Accounting Standards.
- The disclosure requirements of revised Schedule VI are in addition to the disclosure requirements specified in the notified Accounting Standards. Additional disclosures (other than specified in the revised Schedule VI) required by the notified accounting standards may be made either in the notes to account or through additional statement or on the face of the financial statements. In no way, the disclosure requirements of revised Schedule VI will substitute the disclosure requirements specified in the Accounting Standards.
- Any other disclosure required by the Companies Act, 1956 (in addition to the requirements of revised Schedule VI) shall be made in the Notes to Accounts.
- Revised Schedule VI sets out the minimum requirements for disclosure on the face of the Financial Statements and Notes to Accounts. Any addition of line or sub-line items or sub-totals shall be presented as addition / substitution to it only when it is required under specific disclosure requirements of industry/sector or for compliance with the amendments to the Companies Act, 1956 or Accounting standards.

Notes to Accounts

- Notes to accounts, wherever necessary, should include narrative descriptions or disaggregations of items recognized on the face of the financial statements and information about items that do not qualify for recognition in the financial statements.
- Cross-reference of each item of the Balance Sheet and Statement of Profit and Loss shall be made to related information in the Notes to Accounts.

Unit of Measurement

- For companies having a turnover of less than one hundred crore rupees, the figures appearing in the Financial Statements may be rounded off to the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
- For companies having a turnover of more than one hundred crore rupees, the figures appearing in the Financial Statements may be rounded off to the nearest lakhs, millions, or crores or decimals thereof.
- Once a unit of measurement is used, it should be used uniformly in the Financial Statements.
- Corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall be given.

Assets and liabilities

- All the assets and liabilities are classified into current and non-current. Classification of liabilities into secured and unsecured heading as given in the old Schedule VI is now to be given in the Notes to Accounts as a line item.
- Current assets and current liabilities are defined in accordance with the definition given in Ind AS 1 / IAS 1.
- The term ‘Sundry creditors’ used in the old Schedule VI has been replaced by the word ‘Trade Payables’. Similarly, the term ‘Sundry debtors’ used in the old schedule VI has been replaced by the word ‘Trade Receivables’.
- Trade payables, trade receivables and provisions are further classified as long term (non-current) item and short term (current) item.
- Trade receivable will include only the amount due on account of goods sold or services rendered in the normal course of business. Other receivables will be shown under the heading “Other current assets”.

- Trade payable will include only the amount due on account of goods purchased or services received in the normal course of business. Other payables will be shown under the heading "Other current liabilities".

Equity

- All the details regarding share capital to be shown in the notes to accounts.
- Additions and deductions to every item/head under reserve and surplus, since last balance sheet, are required to be shown.
- Loss from Profit and Loss account will be shown under the head surplus as a negative figure.
- Balance of reserves and surplus may be in negative (i.e. after adjusting negative balance of surplus).

Profit and Loss Account

- Expenses are grouped on the basis of their nature.
- Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000 (against Rs.5,000 given in the old schedule VI), whichever is higher; is to be disclosed separately.
- Net gain or loss on foreign currency transactions/ translation related to finance cost and net gain or loss on others should be separately disclosed.
- The requirements of disclosures in respect of quantity of inventories dispensed with.

Status of Part III and Part IV of Old Schedule VI

Old Schedule VI had four parts namely - Part I - Balance Sheet, Part II - Profit and Loss Account, Part III – Interpretation and Part IV which contained certain statistical data. The Central Government, in exercise of the powers under section 641(1) of the Companies Act, 1956 has replaced the existing Schedule VI with the revised Schedule VI. Since the entire Schedule VI has been replaced, no part of the old Schedule VI would continue to be relevant. For interpretations given in the Part III of old Schedule VI one may refer to AS 29 "Provisions, Contingent Liabilities and Contingent Assets" where the definitions of 'provisions' and 'liability' are explained in detail.

Some Issues Emanating From Revised Schedule VI

Though the revised Schedule VI has reduced the burden in terms of disclosure requirements and made the presentation of Financial Statements more meaningful, yet there are certain issues which need to be addressed by the Ministry. For instance, revised Schedule VI requires the comparative information in respect of the immediately preceding reporting period for all items given in the financial statements. The same has been exempted only in the case of the first financial statements of a company prepared after its incorporation. Therefore, in the case of other companies, the financial statements prepared as per revised Schedule VI for the first time, have to disclose comparative information in respect of the immediately preceding reporting period. This requires the figures of the immediately preceding reporting period to be reinstated as per revised Schedule VI, which no doubt, is a cumbersome process. Also, companies whose accounting periods end on 30th September or 30th June, 2011 may face a dilemma on whether to prepare their interim financial statements on the basis of old Schedule VI or revised Schedule VI.

Further, the application of the revised Schedule VI may cast an additional burden, both in terms of cost and consumption of time. It may also require customizing of IT/MIS systems of a company within a short period to prepare its financial statements within the set time.

To Conclude

There may be certain other issues as well which may come up while preparing the financial statements as per revised Schedule VI. No doubt, in course of time, these issues will be resolved by the Ministry. The need of the hour is to overcome the resistance to change, especially, since we now function in a Knowledge Economy, which is quite different from a traditional economy. The game in the Knowledge Economy is "How fast one can learn". Therefore, to sustain in a Knowledge Economy, where change is inevitable, adaptation and constant learning are essential prerequisites. With the convergence towards IFRS and the proposed introduction of new legislations like Direct Taxes Code and Goods and Services Tax, one has no option but to learn, unlearn and relearn.

Annexure

Format as per Revised Schedule VI

PART I - FORM OF BALANCE SHEET

Name of the Company.........................
Balance Sheet as at ....

(Rupees in............)

			Particulars	Notes Reference Number	Figures for the current reporting period	Figures for the previous reporting period
			EQUITY AND LIABILITIES			
1.			**Shareholders' funds**			
	a		Share capital	1		
	b		Reserves and Surplus	2		
	c		Money received against share warrants			
2.			**Share application money pending allotment**			
3.			**Non-current liabilities**			
	a		Long-term borrowings	3		
	b		Deferred tax liabilities (Net)			
	c		Other long term liabilities	4		
	d		Long-term provisions	5		
4.			**Current liabilities**			
	a		Short-term borrowings	6		
	b		Trade Payables			
	c		Other current liabilities	7		
	d		Short-term provisions	8		
			Total			
			ASSETS			
1			**Non-current assets**			
	a		Fixed assets			
		i	Tangible assets	9		
		ii	Intangible assets	10		
		iii	Capital Work-in-progress			
		iv	Intangible assets under development			
	b		Non-current investments	11		
	c		Deferred tax assets (Net)			
	d		Long-term loans and advances			
	e		Other non-current assets			
2			**Current assets**			
	a		Current investments			
	b		Inventories	12		
	c		Trade receivables	13		
	d		Cash and cash equivalents			
	e		Short-term loans and advances			
	f		Other current assets			
			Total			

PART II - FORM OF STATEMENT OF PROFIT AND LOSS

Name of the Company……………………..
Profit and loss statement for the year ended ………………………

(Rupees in…………)

	Particulars	Note No.	Figures for the current reporting period	Figures for the previous reporting period
I.	Revenue from operations		xxx	xxx
II.	Other income		xxx	xxx
III.	Total Revenue (I + II)		xxx	xxx
IV.	Expenses:		xxx	xxx
	Cost of materials consumed		xxx	xxx
	Purchases of Stock-in-Trade		xxx	xxx
	Changes in inventories of finished goods work-in-progress and Stock-in-Trade			
	Employee benefits expense			
	Finance costs			
	Depreciation and amortization expense			
	Other expenses			
	Total expenses		xxx	xxx
V.	Profit before exceptional and extraordinary items and tax (III-IV)		xxx	xxx
VI.	Exceptional items		xxx	xxx
VII.	Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII.	Extraordinary Items		xxx	xxx
IX.	Profit before tax (VII- VIII)		xxx	xxx
X	Tax expense:			
	(1) Current tax		xxx	xxx
	(2) Deferred tax		xxx xxx	xxx xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing operations		xxx	xxx
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit (Loss) for the period (XI + XIV)		xxx	xxx
XVI	Earnings per equity share:			
	(1) Basic		xxx	xxx
	(2) Diluted		xxx	xxx

NOTES TO ACCOUNTS

			Figures for the current reporting period	Figures for the previous reporting period
1.	**Share Capital**			
	Equity share capital			
	Authorised share capital			
	Issued, subscribed and fully paid share capital			
	Calls unpaid			
	Forfeited shares			
	Preference share capital			
	Authorised share capital			
	Issued, subscribed and fully paid share capital			
	Calls unpaid			
	Forfeited shares			
	Total			
2.	**Reserves and Surplus**			
	Capital Reserves			
	Capital Redemption Reserves			
	Securities Premium Reserves			
	Debenture Redemption Reserves			
	Revaluation Reserve			
	Other reserve/ fund			
	Surplus			
	Total			
3.	**Long-term borrowings**			
	Secured			
	Bonds/ Debentures			
	Term loans			
	Deferred payment liabilities			
	Deposits			
	Unsecured			
	Bonds/ Debentures			
	Term loans			
	Deferred payment liabilities			
	Deposits			
	Total			
4.	**Other long term liabilities**			
	Trade payables			
	Others			
	Total			
5.	**Long-term provisions**			
	Provision for employee benefits			
	Others			
	Total			
6.	**Short-term borrowings**			
	Secured			
	Loans repayable on demand			
	Loans and advances from related parties			
	Deposits			
	Other loans and advances			

			Figures for the current reporting period	Figures for the previous reporting period
	Unsecured			
	Loans repayable on demand			
	Loans and advances from related parties			
	Deposits			
	Other loans and advances			
	Total			
7.	**Other current liabilities**			
	Current maturities of long term debt			
	Current maturities of finance lease obligation			
	Interest accrued but not due on borrowings			
	Interest accrued and due on borrowings			
	Income received in advance			
	Unpaid dividends			
	Refundable share application money			
	Unpaid matured deposits and interest accrued thereon			
	Unpaid matured debentures and interest accrued thereon			
	Other payables			
	Total			
8.	**Short-term provisions**			
	Provision for employee benefits			
	Others			
	Total			
9.	**Tangible assets**			
	Land/ Building/Plant & Equipment/Furniture & Fixtures/ Vehicles/Office Equipment/ Others (individually)			
	Opening balance			
	Add: Acquisition through business combination			
	Other adjustments			
	Sub total			
	Less: Disposals			
	Gross block at year end (a)			
	Less: Depreciation			
	Opening depreciation			
	Depreciation for the year			
	Total accumulated depreciation (b)			
	Net carrying value (a) - (b)			
	Total			
10.	**Intangible assets**			
	Goodwill			
	Brands/Trademarks/ Computer Software/Mastheads and publishing titles/Mining rights/Copyrights/ Patents/Licenses, etc (individually)			
	Opening balance			
	Add: Acquisition through business combination			
	Other adjustments			
	Sub total			

			Figures for the current reporting period	Figures for the previous reporting period
	Less: Disposals			
	Gross block at year end (a)			
	Less: Amortisation			
	Opening amortisation			
	Amortisation for the year			
	Total accumulated amortisation (b)			
	Net carrying value (a) - (b)			
	Total			
11.	**Non-current investments**			
	Trade investments			
	Investment property			
	Investments in Equity instruments			
	Investments in Preference shares			
	Investments in Government and Trust securities			
	Investments in debentures or bonds			
	Investments in Mutual funds			
	Investments in Partnership firms			
	Other non-current investments			
	Total			
12.	**Long Term Loans and Advances**			
	Secured considered good			
	Capital Advances			
	Security Deposits			
	Loans and advances to related parties			
	Other loans and advances			
	Total			
	Unsecured considered good			
	Capital Advances			
	Security Deposits			
	Loans and advances to related parties			
	Other loans and advances			
	Total			
	Doubtful			
	Capital Advances			
	Security Deposits			
	Loans and advances to related parties			
	Other loans and advances			
	Total			
13.	**Other non-current assets**			
	Long term trade receivables			
	Secured considered good			
	Unsecured considered good			
	Doubtful			
	Others			
	Total			

			Figures for the current reporting period	Figures for the previous reporting period
14.	**Current Investments**			
	Investments in Equity Instruments			
	Investments in Preference shares			
	Investments in Government or Trust securities			
	Investments in debentures or bonds			
	Investments in Mutual funds			
	Investments in Partnership firms			
	Other current investments			
	Total			
15.	**Inventories**			
	Raw materials			
	Work in progress			
	Finished goods			
	Stock in trade			
	Stores and spares			
	Loose tools			
	Others			
	Total			
16.	**Trade receivables**			
	Secured/ Unsecured/ Doubtful			
	Less: Allowance for Bad debts			
	Total			
17.	**Cash and cash equivalents**			
	Balances with banks			
	Cheques, drafts on hands			
	Cash on hand			
	Others			
	Total			
18.	**Short term loans and advances**			
	Loans and advances to related parties (Secured/unsecured/doubtful)			
	Others			
	Total			
19.	**Contingent liabilities and commitments (to the extent not provided for)**			
	Contingent liabilities			
	Claims against the company not acknowledged as debt			
	Guarantees			
	Other money for which the company is contingently liable			
	Total			
	Commitments			
	Estimated amount of contracts unexecuted on capital account			
	Uncalled liability on shares and other investments partly paid			
	Other commitments			
	Total			

			Figures for the current reporting period	Figures for the previous reporting period
20.	**Revenue from Operations (for companies other than a finance company)**			
	Revenue from - Sale of products			
	Sale of services			
	Other operating revenues			
	Less: Excise duty			
	Total			
21.	**Revenue from Operations (for finance companies)**			
	Interest			
	Other financial services			
	Total			
22.	**Finance Costs**			
	Interest expense			
	Other borrowing costs			
	Applicable net gain/loss on foreign currency transactions/translation			
	Total			
23.	**Other Income**			
	Interest income			
	Dividend income			
	Net gain/loss on sale of investments			
	Other non-operating income (net of expenses directly attributable to such income)			
	Total			
24.	**Employee Benefits Expense**			
	Salaries and wages			
	Contribution to provident and other funds			
	Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP),			
	Staff welfare expenses			
	Total			
25.	**Other expenses**			
	Consumption of stores and spare parts			
	Power and fuel			
	Rent			
	Repairs to buildings			
	Repairs to machinery			
	Insurance			
	Rates and taxes, excluding, taxes on income			
	Miscellaneous expenses			
	Total			

Students may note that the Revised Schedule VI is applicable in the preparation of financial statements of companies from November, 2011 examination both at IPCC and Final level. We have made an attempt to give an illustrative structure (in brief) of the Notes to Accounts to enable the students get a broad outline at a glance.

Accounting

Amendment to Accounting Standard 11 of Companies (Accounting Standards) Rules, 2006

Ministry of Corporate Affairs vides its notification number G.S.R. (E). - Dated 11 May 2011, has partially amended the notification number GSR No. 225(E) dated 31.03.2009. Through this notification, the MCA has extended the option (for the enterprises) to capitalize the exchange differences arising on reporting of long term foreign currency monetary items till 31st March 2012 instead of 31st March 2011. (Source: ***www.mca.gov.in***)

(Compiled by CA. Shilpa Agrawal, BoS)

Auditing

General Circular No: 15/2011 issued by MCA dated 11-04-20011: Revised procedure for appointment of cost auditor by companies under section 233B of the Companies Act, 1956 - Audit of cost accounts in certain cases –

Ministry has reviewed the existing procedure followed by the companies for seeking prior approval of the Central Government for appointment of cost auditor under section 233B(2) of the Companies Act, 1956. In supersession of any earlier order/circular issued in this regard, the revised procedure to be followed by the companies and cost auditor shall be as under:

(a) The company required to get its cost records audited under section 233B (1) of the Companies Act, 1956 shall appoint a cost auditor who is a cost accountant as defined in clause (*b*) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) and who holds a valid certificate of practice under sub-section (1) of section 6 of that Act and includes a firm of cost accountants.

(b) The Audit Committee of the Board shall be the first point of reference regarding the appointment of cost auditors.

(c) The Audit Committee shall ensure that the cost auditor is free from any disqualifications as specified under section 233B (5) read with section 224 and sub-section (3) or sub-section (4) of section 226 of the Companies Act, 1956.

(d) While a cost auditor shall have prime responsibility to ensure that he does not violate the limits specified under section 224(1-B) of the Companies Act, 1956, the Audit Committee shall also be responsible for such compliance by the cost auditor.

(e) The Audit Committee shall obtain a certificate from the cost auditor certifying his/its independence and arm's length relationship with the company.

(f) The company shall e-file its application with the Central Government on www.mca.gov.in portal, in the prescribed Form 23C within ninety days from the date of commencement of each financial year, along with the prescribed fee as per the Companies (Fees on Applications) Rules, 1999 as amended from time-to-time and other documents as per existing practice i.e., (i) certified copy of the Board Resolution proposing appointment of the cost auditor; and (ii) copy of the certificate obtained from the cost auditor regarding compliance of section 224(1B) of the Companies Act, 1956.

(g) On filing the application, the same shall be deemed to be approved by the Central Government, unless contrary is heard within thirty days from the date of filing such application.

(h) If within thirty days from the date of filing such application, the Central Government directs the company to re-submit the said application with such additional information or explanation, as may be specified in that direction, the period of thirty days for deemed approval of the Central Government shall be counted from the date of re-submission by the company.

(i) After expiry of thirty days, as the case may be, the company shall issue formal letter of appointment to the cost auditor, as approved by the Board.

(j) Within thirty days of receipt of formal letter of appointment from the company, the cost auditor shall inform the Central Government in the prescribed form, along with a copy of such appointment.

(k) The company shall disclose full particulars of the cost auditor, along with the due date and actual date of filing of the cost audit report by the cost auditor, in its Annual Report for each relevant financial year.

(l) In those companies where constitution of an Audit Committee of the Board is not required by law, the words "Audit Committee" shall stand substituted by the words "Board of Directors".

2. If a company contravenes any provisions of this circular, the company and every officer thereof who is in default, including the persons referred to in sub-section (6) of section 209 of the Act, shall be punishable as provided under sub-section (2) of section 642 read with sub-sections (5) and (7) of section 209 and sub-section (11) of section 233B of Companies Act, 1956.

3. If default is made by the cost auditor in complying with the aforesaid provisions, he shall be punishable with fine, which may extend to five thousand rupees.

4 The modified procedure contained in this circular shall be effective from the financial year commencing on or after the 1st day of April, 2011.

(Source: http://www.mca.gov.in)

(Compiled by CA. Karuna Bhansali, BoS)

Corporate Laws

The Companies Act, 1956

(i) The Ministry of Corporate Affairs (MCA) vide Circular No. 17/2011 dated 21st April, 2011 has clarified that a company would have complied with **Section 53** of the Companies Act, 1956, if the service of document has been made through electronic mode provided the company has obtained e-mail addresses of its members for sending the notice/ documents through e-mail by giving an advance opportunity to every shareholders to register their e-mail address and changes therein from time to time with the company.

(ii) The MCA vide Circular No. 18/2011 dated 29th April, 2011 has clarified that the company would be in compliance of **Section 219(1)** of the Companies Act, 1956, in case, a copy of Balance Sheet, Profit and Loss Account, Auditor's Report, Director's Report, and Explanatory statement etc., is sent by electronic mail to its members subject to some conditions.

(iii) The MCA vide Notification dated 29th April, 2011 has made the **Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2011** by amending Companies (Central Government's) General Rules and Forms, 1956 and substituted Form 2, 3, 18, 23C and 32 effective from 1st May, 2011.

(iv) The MCA vide Circular No. 19/2011 dated 2nd May, 2011 has revised the facility with the Registrar of Companies (ROC) to mark a company "**marked as having management dispute**" on the basis of complaints received in his office. In order to bring uniformity of practices by all ROC it is clarified that ROC shall mark a company as having management dispute in only those cases where the Court or Company Law Board has directed to maintain the status-quo with reference to any e-forms including status of Directors in the company or the Court or Company Law Board has granted any injunction or stay in taking the document on record and ROC is a party in such court cases and/or the directions have been issued to the ROC. In other matter, where the ROC is not a party and such orders have been passed and has not been served to the ROC, it is for the parties to comply to such orders and in case on non-compliances the law shall take its own course.

(v) The MCA vide General Circular No. 20/2011 dated 2nd May, 2011 has clarified that all particulars filed by the companies in **e-form 32** are being placed on records of the ROC through the Straight Through Process (STP) as filed by the company and verified by the practicing professional, without prejudice to the rights of the parties to settle the dispute, if any, in a court of competent jurisdiction.

(vi) The MCA vide Circular No. 21/2011 dated 2nd May, 2011 has clarified that **National Securities Depository Limited (NSDL)** and **Central Depository Services (India) Ltd (CSDL)** are being approved by the MCA subject to some condition for providing and supervising electronic platform for electronic voting under the Companies Act, 1956.

For further details refer ***www.mca.gov.in***

The Competition Act, 2002

(i) The Competition Commission of India through Notification dated 11th May, 2011 in exercise of the powers conferred by sub-section (1) and clauses (b), (c) and (f) of sub-section (2) of section 64 read with sub-sections (2) and (5) of section 6 of the Competition Act, 2002 (12 of 2003), hereby makes the **Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011** which will be effective from 1st June, 2011.

For further details refer ***www.cci.gov.in***

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

Applicability of relevant Amendments/Circulars/Notifications/Regulations etc. relating to Business Laws, Ethics and communication (IPCC) for November 2011, Examination:

SUBJECT	AMENDMENT	CONTENT	LINKS FOR REFERENCE
The Companies Act, 1956	Sending of Documents by electronic mode	The MCA through Circular No. 17/2011 dated 21st April, 2011 has clarified that a company would have complied with Section 53 of the Companies Act, 1956, if the service of document has been made through electronic mode subject to some conditions.	http://www.mca.gov.in/ Ministry/ pdf/Circular_17-2011_21apr2011.pdf

Applicability of relevant Amendments/Circulars/Notifications/Regulations etc. relating to Corporate and Allied Laws (Final) for November 2011, Examination:

SUBJECT	AMENDMENT	CONTENT	LINKS FOR REFERENCE
The Companies Act, 1956	Section 212	The Ministry of Corporate Affairs (MCA) through a General Circular No. 2/2011 dated 8th Feb, 2011 decided that the permission for not attaching accounts of subsidiary along with holding company's accounts may be granted on a general basis wherever the conditions prescribed by the Ministry are complied with.	http://www.mca.gov.in/Ministry/pdf/ Circular_08 feb2011.pdf
The Companies Act, 1956	Section 211	The MCA through Notification No. S.O. 301(E) dated 8th Feb, 2011 issued a notification on General Exemption whereby the prescribed categories of companies will be exempted from the disclosures of certain quantitative details required under Schedule VI	http://www.mca.gov.in/ Ministry/ notification/pdf/ SO_301% 28E% 29_8feb2011.pdf
The Companies Act, 1956	Payment of Commission to Non-Whole Time Directors of the Company under Section 309(4)(b)	The MCA through Press Release ID 69674 dated 8th Feb, 2011 issued a notification on Managerial Remuneration, according to this, Schedule XIII is being amended to provide that unlisted companies (which are not subsidiaries of listed companies) shall not require Government approval for managerial remuneration in cases where they have no profits/ inadequate profits, provided they meet the other conditions stipulated in the Schedule.	http://www.mca.gov.in/ Ministry/ press/ press/ Press_Note_No.4_ 08feb2011.pdf
The Companies Act, 1956	Payment of remuneration by way of commission	The MCA through General Circular No. 4/2011 dated 4th March, 2011 has decided that a company shall not require approval of the Central	http://www.mca.gov.in/Ministry/ pdf/ Circular_4-2011_4mar2011.pdf

	under section 309(4)	Government for making payment of remuneration by way of commission to its Non-Whole Time Director(s) in addition to the sitting fee if the total commission to be paid to all those Non-Whole Time Directors does not exceed 1% of the net profit of the company if it has a Whole Time Director(s) or 3% of the net profit of the company if does not have a Managing Director or Whole Time Director(s).	
The Companies Act, 1956	Directors Identification Number (DIN) u/s 266B.	The MCA through General Circular No. 5/2011 dated 4th March, 2011 has simplified the procedure for obtaining Directors Identification Number (DIN) u/s 266B.	http://www.mca.gov.in/ Ministry/pdf/ Circular_04Mar 2011.pdf
The Companies Act, 1956	E-Governance	The MCA through General Circular dated 9th March, 2011 has decided to accept payments of value upto Rs. 50,000, for MCA 21 services, only in electronic mode w.e.f. 27th March, 2011.	http://www.mca.gov.in/Ministry/pdf/ Circular_9mar 2011.pdf
The Companies Act, 1956	Schedule VI	The MCA has revised Schedule VI pertaining to the preparation of Balance Sheet and Profit & Loss Account with a view to harmonize and synchronize the general disclosure requirements under Schedule VI with respect to Accounting Standards, IFRS and keeping in view the existing economic and regulatory environment.	http://www.mca.gov.in/Ministry/pdf/ Schedule_VI_28feb 2011.pdf
The Companies Act, 1956	Prosecution of Directors	The 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.	http://www.mca.gov.in/ Ministry/pdf/ Circular_08-2011_25mar2011.pdf
The Companies Act, 1956	Filing of Balance Sheet and Profit and Loss Account	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 2010-11onwards by using XBRL taxonomy.	http://www.mca.gov.in/ Ministry/pdf/ xbrl_31mar2011.pdf
The Companies Act, 1956	Section 217(2A)	The MCA through Notification No. 289(E) dated 31st March, 2011 has made Companies (Particulars of Employees) Amendment Rules, 2011 by amending Companies (Particulars of Employees) Rules, 1975	http://www.mca.gov. in/ Ministry/notification/ pdf/G.S.R.289%28E% 29_31mar2011.pdf

The Companies Act, 1956	Section 314(1B)	The MCA through Notification No. 303(E) dated 6th April, 2011 has made the Director's Relatives (Office or Place of Profit) Amendment Rules, 2011 by amending Director's Relatives (Office or Place of Profit) Rules, 2003	http://www.mca.gov.in/Ministry/notification/pdf/G.S.R.303%28E%29_06apr2011.pdf
The Companies Act, 1956	Appointment of Cost Auditor	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.	http://www.mca.gov.in/Ministry/mcaoffices/CAB_Circular_15-2011_11Apr2011.pdf
The Companies Act, 1956	Amalgamation of Government Companies	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.	http://www.mca.gov.in/Ministry/pdf/Circular_16-2011_20apr2011.pdf
The Companies Act, 1956	Annual Reports through electronic mode	The MCA through Circular No. 18/2011 dated 29th April, 2011 has clarified that the company would be in compliance of sections 219(1) of the Companies Act, 1956, in case, a copy of Balance Sheet etc., is sent by electronic mail to its members subject to some conditions.	http://www.mca.gov.in/Ministry/pdf/Circular_18-2011_29apr2011.pdf
The SEBI Act, 1992	SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009	SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009 as amended by SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2010 dated 12th November, 2010.	http://www.sebi.gov.in/Index.jsp?contentDisp=SubSection&sec_id=5&sub_sec_id=5

Non-Applicability of the following Amendments/Circulars/Notifications in Corporate and Allied Laws (Final)

S.No.	Subject Matter	CA Final - Corporate and Allied Laws	Website for reference
1.	The Companies Bill, 2009	Not Applicable	***www.mca.gov.in***
2.	The Easy Exit Scheme, 2011	Not Applicable	***www.mca.gov.in***
3.	Companies (Second Amendment) Act, 2002 [relating to Winding up]	Not Applicable [Students are advised to study the General Provisions of winding up as covered under Paragraph 9.4 of the study material]	***www.mca.gov.in***
4.	Provisions relating to Revival and Rehabilitation of Sick-Industrial Companies	Not Applicable	***www.mca.gov.in***

National Convention - 2011 for CA Students at Baroda

The 2011 National Convention of CA Students - organized by the ICAI under the aegis of the Board of Studies, is being jointly hosted by the Baroda Branch of WIRC of ICAI and Baroda Branch of WICASA. Its theme is "Enlightening the dimensions of a CA….. " The convention aims at providing an insight of the diverse and unconventional roles, which a CA has to perform in today's competitive and global scenario. This Convention will bestow a chance to the Chartered Accountant Students across India to gather, converse and communicate their ideas and experiences and strengthen their fraternal relations while also allowing them to gain knowledge by attending lectures of eminent personalities.

This Mega event will be comprised of presentations and lectures. Students are requested to register for the Convention at the earliest. Interested students are also invited to submit Paper of about 5-7 pages. The selected Paper Writers' Registration fees will be reimbursed. (4 papers will be selected for each session out of given topics)

Inaugural Session	• CA Shekhar Kapur, Actor & Film Director, Mumbai (*) • CA. V. Murali, Chairman, Board of Studies, ICAI
Technical Session -1 Societal Dimension Dimension Guide: Padmashri CA. T. N. Manoharan, Past President, ICAI	• Social Audit • Due Diligence • Professional Ethics - A Professional Requisite • Corporate Social Responsibility • Auditors responsibility in the era of Corporate Frauds • Internal Auditing & Corporate Governance • CA as a Complete Business Solution Provider • CA as a Professional Director or as an Arbitrator
Special Session -1 Self - Introspection Dimension	• Enlightening the … … Dimension of a CA by Padmashri CA. T. N. Manoharan, Past President, ICAI
Technical Session -2 Taxation Dimension Dimension Guide: CA. Dhinal Shah, Central Council Member, ICAI	• Double Taxation Avoidance Agreement (DTAA) - Interpretation Techniques • Direct Tax Code (DTC) - Issues & Challenges • Recent Developments in Transfer Pricing • Tax Issues in International Financial Reporting Standards (IFRS) Implementation • Representation Techniques before Statutory Authorities • Goods & Service Tax (GST) - Issues & Challenges • Recent Amendments to Cenvat Credit Rules & its Impact • Point of Taxation Rules- 2011 - Issues & Challenges
Special Session -2 Global Dimension	• Global Opportunities of an Indian Chartered Accountant - by CA Yegnesh Desai, Mumbai
Special Session -3 Professional Brotherhood Dimension Technical Session - 3 Techno Savvy cum Foresighted	• Interaction with • CA. G Ramaswamy, Hon.'ble President, ICAI • CA. Jaydeep Shah, Hon'ble Vice-President, ICAI • eXtensible Business Reporting Language (XBRL) - An Overview • Cyber Laws- A Professional Opportunity • Technology in CA Education Viz. - E-Learning,

Dimension Dimension Guide: CA. Atul Bheda, Central Council Member, ICAI	Satellite Learning, Social Networking Sites etc • Forensic Accounting & Audit • Carbon Credit • Energy Audit or Environmental Audit • Knowledge Process Outsourcing • Mystery Audit
Special Session - 4 Motivational Dimension	• Explore Possibilities .... By Adv. Devang Nanavati, Ahmedabad
Technical Session -4 Contemporary Dimension Dimension Guide: CA. Naveen N. D. Gupta, Vice-Chairman, Board of Studies, ICAI	• Practical Approach to Compliance of Auditing Standards • Standards on Quality Control • IFRS V/s Indian Accounting Standards (Ind AS) • Framework & Road-map of IFRS in India. • Revised Schedule VI under Companies Act, 1956 • Drafting Minutes of Meetings & its Importance • Proprietorship V/s Partnership V/s Limited Liability Partnerships (LLP) V/s Corporate Entity • Case Studies in Business Re-Structuring Techniques
Special Session - 5 Educational Dimension	• Utility of Article- ship after becoming a CA - By CA. Atul Bheda, Central Council Member, ICAI
Valedictory Session	• CA. V. Murali, Chairman, Board of Studies, ICAI • CA. Naveen N. D. Gupta, Vice-Chairman, Board of Studies, ICAI

Convention dates: 24th - 25th June, 2011 (Friday & Saturday)

Venue: Satsang Party Plot, Nr. ICAI Bhawan Bus Stand, Kalali- Tandalja Road, Atldara, Baroda - Gujarat, India.

Cultural Evening: 24th June, 2011 followed by Grand Dinner

Registration fees: ₹ 750/- per student.

For Registration, sending Papers and for further queries, please contact:

Baroda Branch of WIRC of ICAI
ICAI Bhawan, Kalali- Tandalja Road, Tandalja, Baroda, Ph. 0265- 2681115, 2680593
E-mail: ***baroda@icai.org***

Transfer/Termination of Articleship

[Regulation 56(1)]

As informed earlier vide announcement dated 2nd July 2010, ICAI is allowing the articled assistants to seek transfer/termination of articleship only on permissible grounds and the articled assistants are advised to get the consent of the Institute before getting Form 109 signed by the Principal in their own interest.

However, it is noticed that some of the articled assistants are submitting Form 109 signed by the principal along with the application for transfer/termination of articleship. **Issuance of Form 109 prior to formal approval of the Institute for transfer will not be taken into record.**

It is advised that Principal and articled assistant may forward Form 109 duly signed by both of them only after obtaining the prior permission of the Institute for transfer/termination.

Secretary

May 10, 2011

Living a New Life of 42 Days

The six weeks Residential Programme for Professional Skills Development can be considered as a Gateway for the newly qualified Chartered Accountants to groom themselves to enter into the corporate world. The 4th batch with 25 participants selected from across the country came to share a Common Dais at the Centre of Excellence, Hyderabad on March 4, 2011.

The Centre of Excellence, Hyderabad has unique and state –of-the-art facilities and infrastructure such as modern classrooms and fully furnished residential block with recreation facilities. The lush green environment consisting of well designed amphitheater, ultra modern conference halls, library and modern gym made us all feel spellbound. It is truly a Centre *for* Excellence.

The six weeks residential programme provided an opportunity to 25 newly qualified Chartered Accountants to share their ideas, feelings and thoughts. As all the participants are from different parts of the country having different cultural background and ideas, the programme helped us to understand the importance of unity.

The programme provided us an opportunity to interact with highly qualified faculty members under single roof. Their expertise and knowledge in their respective areas helped us to show an insight of today's working life. This programme helped us to form, identify and evaluate our goals of life and guided us how to proceed towards achieving the desired goals.

The programme also helped us in developing our communication and presentation skills such as public speaking, group discussion, debates, power point presentation, mock interviews, group presentation etc. At the beginning of the programme, we were all hesitated to come up on the dais, but the motivation, support and guidance given by the faculty members helped us to boost our confidence level. At the end of the session we were all fighting each other to come up on the dais and express our feelings. The theory of Devil's Advocate trained us to think on other aspects also. Other sessions like instant skits, role play, Just A Minute, business planning, management game, collage making etc. played a major role to boost our creativity, imitation and observational talent. Informal Sessions played a vital role to develop our communication and presentation skills and helped us to widen a good bonding of friendship. It also helped us to realize our hidden talents. The thoughts shared with the faculty members during tea breaks used to be very effective.

The sight seeing organized by the CoE was very fascinating and really a fun experience for all of us.

We all express our sincere gratitude to the ICAI and its officials for organizing such a programme for the welfare of the students.

(Contributed jointly by the participants of the 4th Batch)

Your Feedback Makes a Difference

In the past year several initiatives were taken by the examination department and the Board of Studies to enhance the learning and success of the students based on suggestions from the student community, employers, members and parents of students which would have made a difference.

Feel free to mail us at ***bosnoida@icai.org*** for issues on examination papers, conduct of examination, improvements in study material and syllabus.

Director's Communication

Dear Student Friends,

Last month, we had addressed the problem on how to tackle the pre-examination "stress syndrome". Now that your exams are over and you are in a more relaxed state of mind, we wish to share some of our concerns with you. As you all know, "knowledge is power". No doubt, such knowledge has to be contempo and topical. As a student whose ambition is to enter the much coveted profession of chartered accountancy, you are expected to be au courant with the developments in all the subjects of your curriculum.

We, on our part, leave no stone unturned to keep you well informed through the medium of BOS knowledge portal. The intention of creation of this portal is primarily to ensure free and unrestricted flow of knowledge and information to the students across the country by way of easy access to the latest publications of the Institute. Our efforts will, however, bear fruit only if you make it a habit to browse the portal as often as possible and assimilate the knowledge inputs contained therein.

Do make it a part of your daily agenda to surf through the Institute's website and be abreast with the latest on accounting standards, standards on auditing, guidance notes etc. The BOS hosts its latest publications, including study materials, practice manuals, revision test papers and suggested answers, on its knowledge portal. The developments and amendments in the subjects of the CA curriculum, by way of Supplementary Study Paper, Select Cases in Direct and Indirect Tax Laws, Circulars and Notifications issued by the CBDT/CBEC etc. are also hosted therein.

The portal also provides information about the **applicability** of accounting standards, standards on auditing, the Finance Act, circulars and notifications **well in advance of your examination**. The aim is to provide clarity and remove any confusion in your mind regarding whether a particular standard or amendment is applicable for your examination. We are aware that there is a small fraction amongst you who never visit the website, and resort to making enquiries about the applicability of Finance Act, Standards etc. just a few days before the examination and sometimes, even on the eve of the examination. This casual approach needs a radical changeover since it is not *in sync* with the systematic approach which the CA course demands. Once you decide to pursue the CA course, you have to take both your articleship training and examination seriously. Articleship training is a very important part of the CA course which helps you understand the practical application of the concepts imbibed by you as part of your study. The learning process under the CA course is, therefore, an ideal blend of concepts assimilated through theoretical education and application of the same *via* practical training.

Reverting to the topic of website browsing, the Institute's website will also keep you well informed of the conferences, seminars to be held in your city relating to the various dynamic aspects of our profession. It would be good value addition for you to attend a conference wherein diverse opinions on the emerging areas of the profession relating to say, IFRS or Direct Taxes Code or Goods and Services Tax, are dealt with at length. Not only would it help you to understand and appreciate the finer aspects of the Standards and legislations, it would also help you to get an overall perspective of the macro issues and practical difficulties which may arise on implementation of a new legislation or a new set of standards. Such a broad vision would boost your professional career as well, after you emerge as a full fledged chartered accountant.

Another medium which can help you to stay current is the monthly students' journal of the Institute "The Chartered Accountant Student". The academic updates and articles on contemporary topics published therein will enlighten you on the recent developments. Certain issues of this publication are "thematic", in the sense, the journal of a particular month may deal with a specific topical subject, say, Corruption or Cloud Computing. In such an issue, articles by students as well as by members on such topic are published which would help you to get a good grasp on the subject, understand the concerns emanating therefrom and appreciate the diverse points of view.

We hope and wish that there would be a significant spurt in the number of surfers browsing our Institute's website and in particular, our knowledge portal. Remember, the entire gain would ultimately be yours – it is you who would be "enriched" with the wealth of knowledge. We, of course, would have the satisfaction of having made our small contribution towards your enrichment.

With Best Wishes,

Yours'Sincerely,

(Vijay Kapur)
Director, Board of Studies

CA. G. Ramaswamy, President, ICAI and CA. Jaydeep N Shah, Vice President, ICAI with Dr. C. Swaminathan, Vice Chancellor, Bharathiar University, Coimbatore at the ICAI-Bharathiar University Co ordination Committee meeting on 4th May 2011.

CA. G. Ramaswamy, President, ICAI addressing the ICAI-Bharathiar University Co-ordination Committee meeting at New Delhi.

CA. G. Ramaswamy, President, ICAI and CA, Jaydeep N. Shah, Vice President, ICAI in a meeting with Shri Parimal Trivedi, Vice Chancellor, Gujarat University.

CA. G. Ramaswamy, President, ICAI is being felicitated at the Orientation Programme held for Chairmen of SICASA at Chennai. CA. J. Venkateswarlu, Central Council Member and CA. P. Rajendra Kumar, Central Council Member also seen in picture.

CA. G. Ramaswamy, President, ICAI addressing the Orientation Programme held for Chairmen of SICASA at Chennai.

CA. V.Murali, Chairman, Board of Studies, CA. K.Raghu, Central Council Member and Chairman, CMI and CA. P. Rajendra Kumar, Central Council Member felicitating CA Sharat Chandresekhar for having been offered the highest CTC by M/s Olam International Limited at ICAI Campus Placement Programme held in Chennai.

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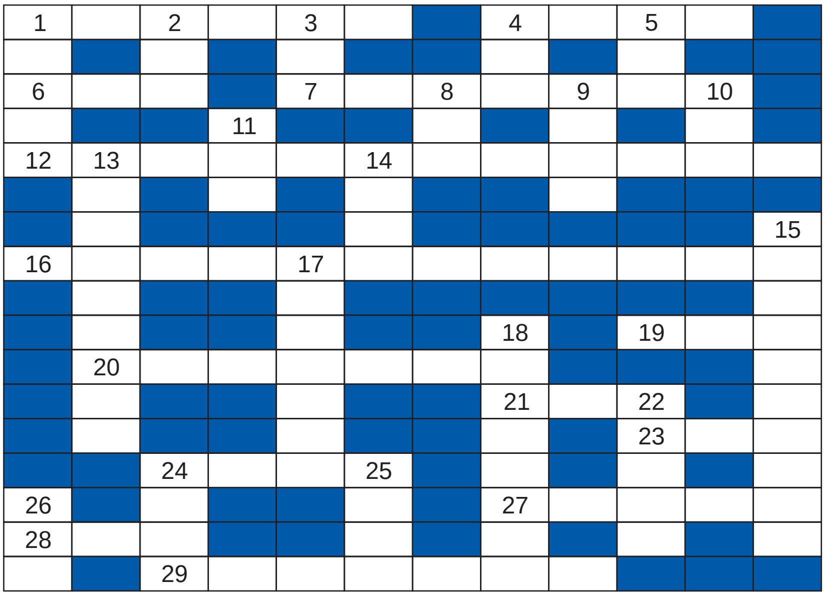
CROSSWORD



Across

1. ______ certificates enable web servers to operate in a secure mode.
4. Who fixes the price of securities in a public issue?
6. ______ Act 2005 mandates timely response to citizen requests for government information.
7. A person liable to pay the service tax and includes his agent.
12. An economic system with minimal government regulation.
16. A redressal forum for citizens against businesses, institutions, and officials.
19. ______ is the transmission, in a standard syntax, of unambiguous information of business between computers of independent organizations.
20. If invoice is issued within 14 days from the completion of service and payment is received after invoice, point of taxation is the date of ______.
21. A comprehensive value added tax on goods and services.
23. ______ tapism is excessive bureaucracy or adherence to rules and formalities, especially in public business.
24. The ______ Act, 1969 is replaced by the Competition Act, 2002 w.e.f. September1, 2009.
27. Second highest populated country of the world.
28. Under the ______ regime, tax exemption is available at the time of investment and accrual of income, but tax liability arises at the time of withdrawl.
29. The Memorandum of Association of a company is called as the ______ of a company.

Down

1. ______ has been replaced by SAHAJ.
2. The Central Bank of India.
3. ______ is an estimate of a firm's economic profit.
4. ______ sector contributes over 40% of the Indian manufacturing exports.
5. Collection of wires to carry signals.
8. ______ a delineated territory within a country whose laws are more free market oriented.
9. A fraudulent scheme for making quick profits.
10. The rate of return expected on an asset or a portfolio.
11. ______ Act is the first major legislation on social security for workers in independent India.
13. He wrote the wealth of nation.
14. ______ is an open source, royalty-free, real-time operating system intended for embedded systems and applications which need only one process with multiple threads.
15. Advice, consultancy or assistance in any branch of law, in any manner provided by ______ to business entity is not liable to service tax.
17. Money put in a bank.
18. Inferior goods in Economics have ______ income elasticity.
22. The process by which humans exchange one thing for another ______.
24. A government of India enterprise specializing in minerals and precious metals.
25. ______ Review Board of ICAI ensures transparency in technical standards used.
26. A producer company can be formed by any ______ or more individuals.

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