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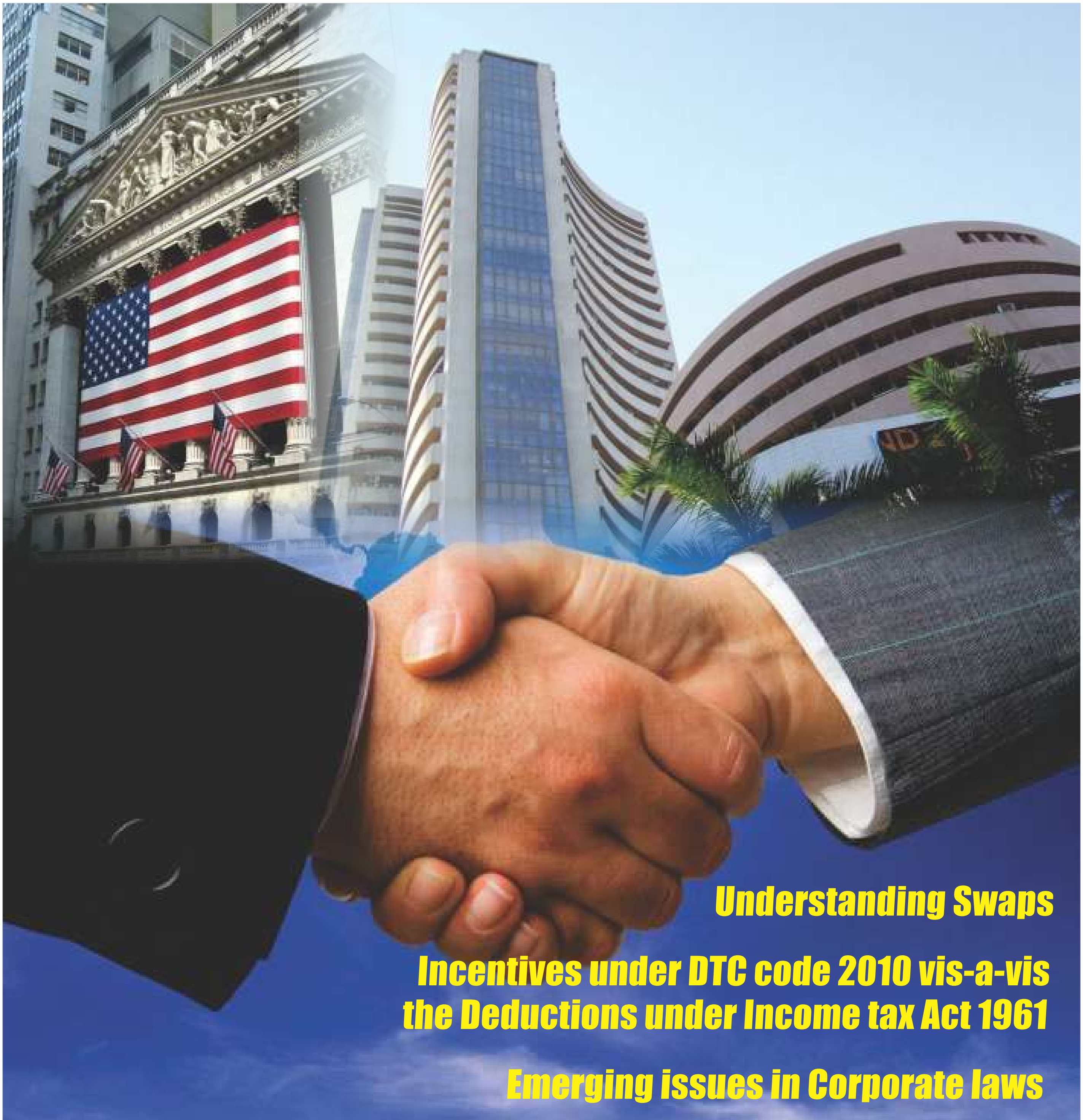
The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

STUDENTS' JOURNAL

November 2011 Vol SJ2 Issue 11 Pages 36



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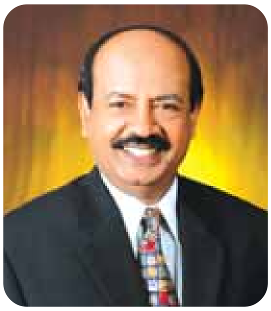


President's Communication

Dear Students,

At the outset, I would like to convey my sincere good wishes to all the students appearing for the November 2011 examinations. I am very sure that amidst the festivals, you all must have utilized your time very effectively and prepared well for giving your best in the examinations. May the days of toiling and hard work bear the desired fruits.

The completion of examinations should also bring in period of great relief and provide you with the time to relax and do other important tasks. You all should utilize the available time effectively and in a constructive manner. Some people view time management as a list of rules that involves scheduling of appointments, goal settings, thorough planning, creating things to do lists and prioritizing. These are the core basics of time management that should be understood to develop an efficient personal time management skill. These basic skills can be fine tuned further to include the finer points of each skill that can give you that extra reserve to make the results you desire. You cannot afford to waste time. A student of the chartered accountancy course has to remain as a student for life-long. Even our esteemed members remain ever receptive to new knowledge. If we fail to update our knowledge on a day to day basis, we will perish. As far as the professional journey of chartered accountancy is concerned, learning has no final destination. Reaching intermittent milestones should not slow you down. Keep on studying. You are not studying just to clear your examinations, but to acquire more and more knowledge.

I strongly believe that the students who join the course to become a Chartered Accountant accept it as a way of life, or otherwise, it is your goal. The chartered accountancy course expects the students to study with sincerity and seriousness. You must have the willingness to learn and improve continuously throughout the period of articles, whether you are working under a practicing chartered accountant or as an industrial trainee and thereafter during your professional career. Your ultimate aim is achieving your destination or the goal you have set for your life. One of the main reasons that may hinder us from reaching our innermost goals and desires is our inability to be flexible. We have an idea about how we want things to happen or how we are going to accomplish something and we don't stay open to other options or possibilities. We do everything we can to eliminate any type of suffering in our lives, yet challenges and pressures can bring out the best in us. Challenges are one of the things that make life exciting and worthwhile.

We have the drive to start working towards accomplishing our goals, but we lack the motivation and determination to go through all the struggles and difficulties. Be prepared ahead of time for any obstacles that you might encounter and be prepared to adapt to change. You can always reach your destination.

A Chartered Accountant is able to command respect in the society. A chartered accountant is being described as one who places public good above his personal gain. The clients, institutions and organizations rely on the integrity and objectivity of the Chartered Accountant. This reliance imposes a public interest responsibility on all chartered accountants. Those who persist in the principled stand may face many more challenges and obstacles in life, but they will also reap many more rewards and success. You may encounter obstacles and difficulties. You may receive criticisms. Don't let them discourage you. Be flexible and open to new opportunities that will present themselves. Just keep on striving. Persist and success will be yours for the taking.

Before winding up this message, I would like to wish all the best to all of you who will write the PCC/IPCC/FINAL Examinations. I would also urge you all to take active part in the upcoming National CA student's conventions in Bhubaneswar, Chennai, Delhi, Faridabad and Mumbai.

Wishing you all the best for a wonderful time ahead.

Yours sincerely

CA. G. Ramaswamy,

President, ICAI, New Delhi

"Find something that you're really interested in doing in your life. Pursue it, set goals, and commit yourself to excellence. Do the best you can."

Vice-President's Communication

My Dear Students,

I am highly delighted to convey my best wishes to all of those who are appearing for the November 2011 examinations, which would have started while you receive this Journal. I am fully aware and acknowledge the seriousness and the hard work required for achieving success in the examination. I strongly believe that you all must have seriously considered the inputs that I have given in my earlier communications. Your sincere efforts and dedication in dealing with the examinations will definitely bring to you the desired results. Since CA examinations aim not only to test the theoretical knowledge but also application skills. I am sure and very much confident that you will outshine in both these areas and remain elated on your triumphant victory.

Throughout the period of globalization and different phases of business cycles, our profession has remained very dynamic, demanding and at the same time, highly rewarding. To become successful, you are required to develop multi-dimensional skills. Make a concerted attempt to recognize your hidden traits and unleash them to widen your professional growth. The articleship training component of your education provides you a lifetime learning experience and exposure to face practical situations while you grow in the profession. Pursuing well-disciplined and structured articleship will definitely help you in your path of professional excellence and growth. I personally believe that the comprehensive practical training imparted during the chartered accountancy course is the foundation stone of a successful Chartered Accountant - a true professional.

We all have opted for this coveted profession not by chance but by choice. It is my sincere desire that all my students establish their own identity and uniqueness in their profession. There is no dearth of professionals in our country. Rather than being identified as ordinary professionals, the chartered accountants have to create a special place for themselves. They have to show strong virtues of independence, integrity and excellence. They have to also exhibit exuberance and proactively to have a cutting edge in this competitive world.

Maintaining high standards of the profession thus becomes very important. If you want to succeed in the profession, you should work hard for updating your knowledge on day-to-day developments, which are taking place in the professional field. You should arm yourself with the knowledge and technology. Your CA certification can only give you a brand value. It cannot promise you everything.

We must be serious about our occupation. The very moment you qualify as a chartered accountant, opportunities will come to you. Today is the age of numerous opportunities. There is a huge demand of Indian chartered accountants across the globe. You can go anywhere in the world and make your mark. There is a growing demand of CA professionals. You need not necessarily restrict yourself to routine accounting, audit or tax. If you prove yourself as a professional par-excellence, I am very sure that you will definitely get umpteen opportunities to excel in the profession.

I am happy to note that the Handbook on "How to Face CA Examinations" brought out by the Board of Studies targeting the IPCC and Final students, received a rousing welcome. The feedback we receive from different quarters is encouraging. Very soon, we will come out with a similar publication for the CPT students also.

Wish you all the best

Yours sincerely

CA. Jaydeep Narendra Shah,

Vice President, ICAI, New Delhi

Chairman's Communication

My Dear Students,

My sincere heartfelt thanks for your appreciative response and excellent feedback. Thousands of E-Mails continue to pour into my mail box from various parts of the country. You would have just completed your examinations and I hope that you have acquitted yourself well. Take a well deserved break for a few weeks from your studies and get set to scale the next peak, climb the next mountain and get on to the next rung of the ladder towards your goal. I am aware of the justified increased expectations of the CA. Students. As Chairman of Board of Studies, I assure you that I shall continue to espouse your cause, mirror your views, voice your problems, put forth your ideas and suggestions in the Board of Studies and Council. It is my earnest desire to make the channels of communication easily accessible and responsive. I strive to be an effective sounding board and an emphatic spokesman of the CA Student Fraternity. I believe in cultivating good friendship. People say good friends are hard to find and that is probably true because the best ones like you are already mine.

POINT TO PONDER

The world is poorer for the loss of the great visionary the Late Steve Jobs. A person who lived life purposefully, explored avenues of growth, set new benchmarks, revolutionized and simplified technology. He took technology to the masses. His take on life and his quotes make inspiring reading. He said "***Your work is going to fill a large part of your life and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle. As with all matters of the heart, you'll know when you find it.***" The CA course is purported to be tough, I assure you it is not, it is a course for tough people, it is a course that will test your mettle, your commitment and your thirst for knowledge. You have to internalize the desire to obtain the coveted qualification and work at it. Persistence will reap good results. Comedian Steve Martin gave wonderful advice in his speech to young artists which would apply to every sphere of life "***Be so good, they can't ignore you.***" Robin Sharma opined "***Greatness in so many ways is determined by whether you persist through failure or let it consume you. Life is all about how you exercise the choices available to you.***" The author of Peter Pan - James Barrie said "***The secret of happiness is not in doing what one likes, but in liking what one has to do.***"

WINNING REFERENCE POINTS

1. Always practice Accounting Standards, but never practice double standards in life.
2. God gives us problems only to humble us, but never to tumble us.
3. Growing old is mandatory, but growing wise is optional.
4. Destiny is not a matter of chance, but it is a matter of choice; It is a not a thing to be waited for, but it is a thing to be achieved.
5. Success is not final and failure is not fatal, but it is the courage to continue that counts.
6. You don't have to get it right, but just have to get it going.
7. Talent is God given - be humble; Fame is man given - be grateful; But, Conceit is self given - be careful.
8. Success introduces you to the world, but defeat introduces the world to you.
9. If your eyes are positive, you will like all the people in the world; But if your tongue is positive, all the people in the world will like you.
10. To be successful, it is not enough to possess an idea, but the idea should possess you.
11. Help ever but hurt never.
12. There is no security on this earth, but only opportunity.

WORK ETHIC OF THE JAPANESE

I have always been enthused and appreciative of the Work Ethic of the Japanese. Their dedication and commitment to their job is worth emulating. I was reading a book about the same by Yasutaka Sai and thought I could share some of their core values which as Students you may find worth imbibing:

1. The Japanese language contains a frequently used verb "Gambaru" roughly translated means - Hang in there, keep trying. It implies action to accomplish one's objective in face of adversity, striving to reach one's goal.
2. Thirst for Perfection and Mastery : The Japanese have an affinity to doing their job immaculately and they will spend hours in extensive training and study to achieve mastery in the task assigned.
3. The Japanese believe that where there's a will, there is a way. They do not shirk from work, hard work and believe that perseverance is the way to achieve targets and goals.

ART OF PERSUASION

Did you know that the word persuasion comes from the two Latin words per and suasio, meaning through sweetness! When we wish to persuade another, we should never use force. One author, describing the difference between force and persuasion, aptly said : ***Force gets a violent and sudden reaction ; persuasion gets a gradual and unfolding reaction. Persuasion commends itself to the heart of man ; force confuses his intelligence.***

When we cling to our point of view without appreciating the others' point of view, we open ourselves to resistance, misunderstanding and unhappiness. To try to force our convictions on others usually accomplishes little more than to arouse their resentment. For this reason one should never impose one's views on anyone. Instead, one should try to lead others gently and gradually. Anything pleasant easily persuades, and while it gives pleasure it fixes itself in the heart. We, at the Board of Studies firmly believe in the above credo. We aim to gently guide the students and ensure that they adjust to the changed environment smoothly. This open minded attitude will help you reap rich rewards in any situation.

WRAP UP POINT

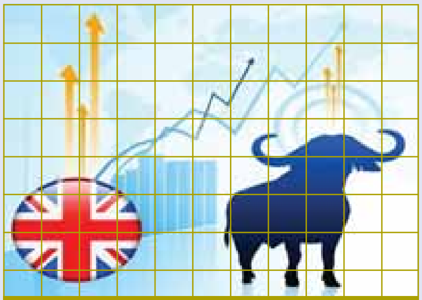
Success does not come on a platter, it is a simple equation - hard work plus dedication multiplied by positive attitude equal to success. The door to success and opportunity is always labeled "PUSH". Your resolve will help you to evolve. You must work with relentless passion only then will it result in positive fusion. As Epicurus said "***The greater the difficulty the more glory in surmounting it. The skilful navigator gains reputation from facing storms and tempests.***" Life would be perfect if anger had a 'Mute' button, mistakes had 'delete' button, hard times had 'fast forward' button and good times had a 'pause' button. Life runs according to its own agenda and does not always toe our line. Life is a question but we can't answer it. Whereas death is an answer, but we can't question it. We will face life head on to emerge victorious. '***Let dedication be your Astra, direction be Sastra, ethics be your Vastra, consistency be your Mantra, strategy be your Tantra, then success will be your Yatra.***'

With Warm Professional Regards,

Forever, yours in service,

(CA.V.MURALI)

CHAIRMAN, BOARD OF STUDIES, ICAI, NEW DELHI



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Understanding Swaps

Nidhi Singh

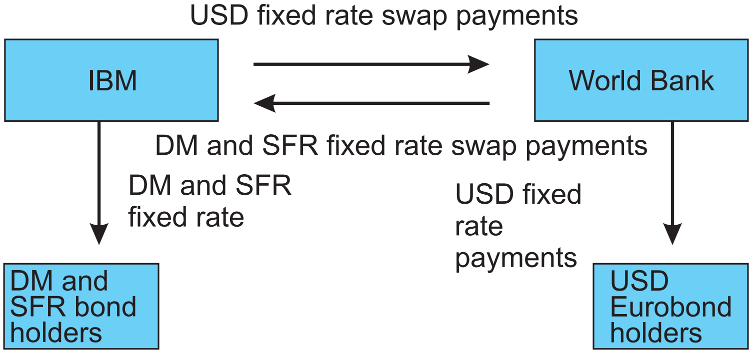
"The most reliable way to forecast the future is to try to understand the present"
-by John Naisbitt

Tracing the Origins

The birth of swaps is a recent phenomenon, 1981 to be precise unlike the options which have an ancient lineage. The World Bank gave to the world what is today known as "Swaps". As we all know that the World Bank borrows funds from the international market and loans them to the developing countries charging a rate of interest over and above the interest rate which it has to pay for the loan. In 1981, the interest rates in the United States of America were very high around 17 percent as compared to West Germany and Switzerland where the rates were 12 percent and 8 percent respectively. In order to provide lowest cost of funds to the developing countries, the World Bank itself sought to borrow at the lowest interest rate possible. This means that the World Bank should have borrowed funds in Switzerland. But during that time, Swiss government had imposed a certain limit on the funds borrowed by the World Bank from there, which the World Bank had already exhausted. Similar was the case for World Bank in West Germany.

During the same time, International Business Machines Corporation (IBM or the Big Blue), had huge amount of German Deutsche Mark and Swiss Franc debt payments. The World Bank (which is Swiss) and IBM (which is a U.S. company) worked out a mutually beneficial arrangement between them. Since the World Bank and IBM had good reputation in the U.S. and Switzerland respectively, therefore, the World Bank borrowed U.S. Dollars from the U.S. market by issuing bonds there while IBM raised funds in Swiss Franc through issue of bonds in the Swiss market. They agreed to exchange their obligations i.e. the World Bank would swap the dollar payment obligation to IBM in exchange for taking over IBM's Swiss Franc and Deutsche Mark obligations. This arrangement can also be understood by referring to Figure 1.

Figure 1: The IBM-World Bank Swap



Thus it can be seen that it was very beneficial for both IBM and World Bank to raise funds in the market where they had an edge and later swap their respective proceeds with each other. Since then the swap market has developed in leaps and bounds as investors understood the way in which they could lower their cost of financing by taking benefit of comparative advantage and arbitrage by means of swap arrangements. The picture would be clear if you take a look at the figures relating to the volume of swap transactions traded globally (Table A). The total combined notional amount outstanding of interest rate, credit, and equity derivatives at June 30, 2010 was $466.8 trillion and $601 trillion by the end of December 2010 (Table B).

The author is Asstt. Secretary, ICAI

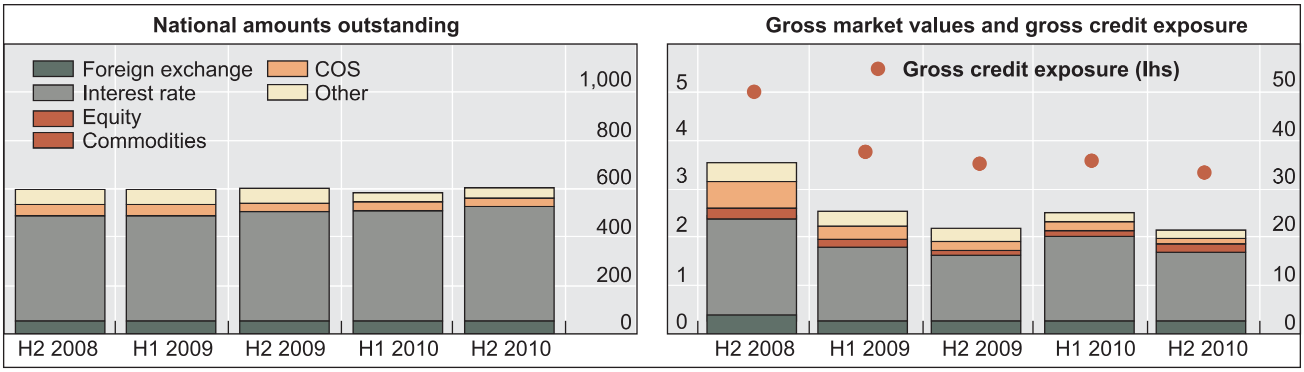
Table A: Amounts Outstanding of Over-the-counter (OTC) Derivatives - By Risk Category and Instrument

(in billions of US dollars)

Risk Category/Instrument	National amounts outstanding					Gross market values				
	Dec 2008	Jun 2009	Dec 2009	Jun 2010	Dec 2010	Dec 2008	Jun 2009	Dec 2009	Jun 2010	Dec 2010
Total contracts	**598,147**	**594,553**	**603,900**	**582,655**	**601,048**	**35,281**	**25,298**	**21,542**	**24,673**	**21,148**
Foreign exchange contracts	**50,042**	**48,732**	**49,161**	**53,125**	**57,798**	**4,084**	**2,470**	**2,070**	**2,524**	**2,482**
Forwards and forex swaps	24,494	23,105	23,129	25,625	28,434	1,830	870	683	925	886
Currency swaps	14,941	15,072	16,509	16,347	19,271	1,633	1,211	1,043	1,187	1,235
Options	10,608	10,555	9,543	11,153	10,092	621	389	344	411	362
Interest rate contracts	**432,657**	**437,228**	**449,875**	**451,831**	**465,260**	**20,087**	**15,478**	**14,020**	**17,533**	**14,608**
Forward rate agreements	41,561	46,812	51,779	56,242	51,587	165	130	80	81	208
Interest rate swaps	341,128	341,903	349,288	347,508	364,378	18,158	13,934	12,576	15,951	13,001
Options	49,968	48,513	48,808	48,081	49,295	1,764	1,414	1,364	1,501	1,401
Equity-linked contracts	**6,471**	**6,584**	**5,937**	**6,260**	**5,635**	**1,112**	**879**	**708**	**706**	**648**
Forwards and swaps	1,627	1,678	1,652	1,754	1,828	335	225	176	189	167
Options	4,844	4,906	4,285	4,506	3,807	777	654	532	518	479
Commodity contracts	**4,427**	**3,619**	**2,944**	**2,852**	**2,922**	**955**	**682**	**545**	**457**	**526**
Gold	395	425	423	417	396	65	43	48	44	47
Other commodities	4,032	3,194	2,521	2,434	2,525	890	638	497	413	479
Forwards and swaps	2,471	1,715	1,675	1,551	1,781					
Options	1,561	1,479	846	883	744					
Credit default swaps	**41,883**	**36,098**	**32,693**	**30,261**	**29,898**	**5,116**	**2,973**	**1,801**	**1,666**	**1,351**
Single-name instruments	25,740	24,165	21,917	18,494	18,145	3,263	1,950	1,243	993	884
Multi-name instruments	16,143	11,933	10,776	11,767	11,753	1,854	1,023	559	673	467
of which products	–	–	–	7,500	7,476					
Unallocated	**62,667**	**62,291**	**63,270**	**38,327**	**39,536**	**3,927**	**2,816**	**2,398**	**1,788**	**1,532**
Memorandum Item:										
Gross Credit Exposure						5,005	3,744	3,521	3,578	3,342

Table B: Global OTC Derivatives - By Data Type and Market Risk Category

(in trillions of US dollars)



Swaps are one of the most innovative and valuable over-the-counter (OTC) traded financial instruments. They are traded across different over-the-counter exchanges around the globe on many underlying assets. These underlying assets include foreign currencies, commodities, equity, bonds to name some. While most of the swaps are traded over-the-counter but few of them are also exchanged on futures markets such as the Chicago Mercantile Exchange Holdings Inc., the Chicago Board Options Exchange, Intercontinental Exchange and Frankfurt-based Eurex AG.

This article introduces you to the basics of swaps and the principles underlying therein.

Some Definitions and Illustrations

A 'Swap' is an agreement between two counterparties to exchange amounts of money over an agreed period in the future based on a specified amount of principal. There are majorly four different types of swaps - Interest rate, Currency, Equity and Commodity. Credit default is quite a recent addition to the kitty of swaps (Table C).

Table C: Different Types of Swaps

Name of Swap	Types of Cashflows Exchanged
Interest Rate	One Interest Rate for another Interest Rate
Currency	One Currency for another Currency
Equity	Equity Returns for Fixed Interest Rate
Commodity	Commodity Flow for Bond

Credit Default Bond or Loan

Interest Rate Swaps: It is an arrangement between two parties to exchange one stream of interest payments for another without transferring the underlying debt or the principal amount. These agreements are valid for a specific period and the most common of the contracts is to exchange fixed rate interest payments for floating rate interest payments on the specified date as agreed by both the parties. The fixed interest rates are decided by the expected interest rates while the floating rates are referenced to a base rate for instance the London Interbank Offered Rate (LIBOR). Interest rate swaps are traded over the counter exchanges and not on open exchanges.

The interest rate swaps can further be classified as under:

Fixed for Floating Interest Rate Swaps: Also popularly known as "Vanilla Swaps". In this arrangement, the fixed interest rate (also called "Swap Rate") remains constant while the floating interest rate, which is pegged to some index, keeps on changing throughout the duration of the agreement. Each settlement period, the two rates are compared and the difference (times the transaction's notional principal) is paid by one party to the other. Usually, the life of the Vanilla swaps can range from two years to fifteen years.

Consider a scenario where there are two parties who have entered into a fixed for floating interest rate swap contract. Party P has a floating interest rate loan but has agreed to pay a fixed rate of interest to Party Q. As per the terms of the contract, Party Q receives a fixed payment from Party P and pays it a variable payment in return. This variable payment which Party P receives from Party Q, is then paid to its lender. Now, the question is why you think that the two parties entered into this kind of a contract? This is because Party P is expecting a rise in the interest rates and therefore enters into a fixed rate contract to avoid higher payments. While, on the other hand, Party Q expects a fall in the interest rates and therefore, if the rates fall, then it will have to pay off less than the fixed amount it receives from Party A. Due to this difference Party Q will make a profit.

Fixed for Fixed Interest Rate Swaps: In this swap contract both the interest rates are fixed and do not change throughout the term of the contract. Usually this type of contract is entered into by say two parties using different currencies. Here they take the advantage of raising funds in their home country at a lower rate of interest and exchange it, thus lowering their overall cost of borrowing and also avoiding currency conversion costs in the process.

Floating for Floating Interest Rate: In this contract both the interest rates are not fixed. They keep on changing throughout the entire duration of the contract. These rates are pegged to two different indices.

Currency Swaps: It is a contract between two counterparties that involves the exchange of principal and interest in one currency for the same in another currency. Currency swaps are a very flexible way of foreign exchange since the maturities are negotiable for at least 10 years.

For a better understanding of the currency swaps, let us take a simple example. Suppose Xenta Limited, a U.S. based company requires a certain amount of money in British Pounds and Magda Limited, a U.K. based company requires some funds in U.S. dollars. These two companies can enter into a swap arrangement. The type of swap agreed is currency swap. They can exchange the currencies by agreeing on a specific interest rate, an agreed upon amount and a mutually agreed maturity date for the swap contract.

A very significant difference between the interest rate swaps and the currency swaps is that there is no exchange of principal amount in an interest rate swap (the concept of "notional" principal) whereas in a currency swap, actual principal amounts are traded at the beginning and maturity of the swap.

Equity Swaps: It is a contract between two counterparties where the exchanges of cash flows take place wherein at least one of the indices is an equity index. An equity index is a measure of the performance of an individual share or a basket of shares. Some of the common equity indices include Nifty, BSE Index, the Standard & Poor's 500 Index, the Dow Jones Industrial Average to name a few.

To understand equity swaps, let us assume a scenario where a person has entered into an equity swap contract for $250 million of Xansa Limited's shares.

The index used here for referencing is the LIBOR. Here the spread adjustment is assumed to be 25 basis points or 0.25 percent. Each year the person receives the floating rate payment of $250 million multiplied by the LIBOR, which is 0.25 percent, from say the GMK bank. In return the person has to make a payment of the total return on the Xansa's shares to the GMK bank.

The computation of total return is quite simple. It is the sum total of the dividend pay-outs on the $250 million of Xansa Limited's shares and the capital gains or losses on it. Suppose the total return turns out to be negative, then the GMK bank will make a payment to the person in addition to the payment of 0.25 percent LIBOR. Thus, the total return that the person earns on the shares exactly offsets the total return amount the person made to or received from the bank. The advantage is that there are no capital gains and the person still holds the ownership of the shares.

Commodity Swaps: It is a contract between two counterparties wherein the cash flows which are to be exchanged are directly related to commodity prices. Here commodities include physical assets such as precious metals, base metals, energy and agriculture.

Let us try to understand the process involved in this type of a transaction. Suppose there are two parties wishing to enter into a commodity swap involving the future prices of crude oil. The notional principal involved is 1,00,000 barrels of crude oil. One of the parties involved agrees to pay fixed semi-annual payments at a fixed price of ₹ 3,500/bbl, and agrees to receive floating payments.

On the first settlement date, suppose the spot price of crude oil is ₹ 3,400/bbl, the pay-fixed party must pay (₹ 3,500/bbl)*(1, 00,000 bbl) = ₹ 35,00,00,000.

The pay-fixed party also receives (₹ 3,400/bbl)* (1, 00,000 bbl) = ₹ 34,00,00,000.

The net payment made (cash out flow for the pay-fixed party) is then ₹ 1,00,00,000.

Suppose another scenario could have been, if the price per barrel increased to ₹ 3,550/bbl then the pay-fixed party would have received a net inflow of ₹ 50,00,000.

Credit Default Swaps (CDS): It is a kind of a swap arrangement whereby one of the counterparties i.e. the buyer makes a series of payments to the other party i.e. the seller and, in exchange, receives a payoff if the bond or loan goes into default. Usually the maturities of most of the credit default swaps are in the range of one to ten years. For example, a holder of a bond may enter into a swap to "buy protection" inorder to hedge the risk of default.

Applications of Swaps

The importance of swaps can only be judged by way of its usage worldwide and the number of underlying assets linked to it. Swaps are used as a hedging and risk management tool. They can be utilised in hedging of interest rate risks, currency risks, or in speculation regarding changes in the expected direction of underlying prices in the future.

Broadly speaking, the application of swaps can be categorised into three segments:

Transformation of an Asset Using a Swap: We try to understand this use of the swap by considering an example. Suppose there is an investor who is holding 6 percent $15 million bonds having a maturity period of three years. Say, the investor wants to sell these bonds and purchase sterling bonds instead. The sterling bonds are at 8 percent of sterling principal of £ 10 million. If he goes ahead with his plans, then he will have to deal with some capital gain which will lead to tax payments. Suppose the investor gets to implement his plans without actually selling the bonds, without having to pay tax, then it is a win-win situation for him. Well this is possible if he enters into a swap contract. The effect of the transaction can be shown as under (Table D):

Table D: Using a Swap instead of Trading Holdings

Year	1	2	3
Cashflow from owning bond ($US bond)	+ $0.9	+ $0.9	+ $15.9
Swap Cashflow	+£0.8- $0.9	+£0.8- $0.9	+£10.8- $15.9
Net Cashflow from combination	+£0.8	+£0.8	+£10.8

If the cashflow from the investor's bonds is added to the cashflow from the swap, it results in a net cashflow which is same as that from holding a sterling bond. The investor is now in the same situation had he sold his bonds and bought the sterling ones. This position has been attained minus the capital gain and the related tax liability.

Transformation of a Liability Using a Swap: Again we take an example for better understanding of this usage of swap. Suppose there is this U.S. company which can borrow in pounds at a low rate of interest in United Kingdom (UK) through one of its subsidiary present there as the rate of interest is subsidised by the UK government. But the U.S. company wants to raise funds in dollars instead of pounds as it suits its currency mix of liabilities. Given the situation, the company has two alternatives to choose from. First, it can borrow in pounds as it is getting the subsidy but this currency is not the preferred one. Second, the company can borrow in dollars without any subsidy but it is the preferred currency. Well, through a swap contract, this situation can be moulded to the company's advantage. The company can borrow in pounds and then can enter into a swap contract. Suppose the company borrows £10 million at 8 percent rate of interest for a period of 3 years. Here the effect can be shown as under (refer Table E).

Table E: Liability Swap

Year	1	2	3
Payment due on Loan	-£0.8	-£0.8	-£10.8
Swap payment	£0.8 - $0.9	£0.8 - $0.9	£10.8 - $15.9
Net Cashflow	-$0.9	-$0.9	-$15.9

The net effect of totaling of the loan in pounds to the swap contract is that the company has a net liability in dollars only. The swap contract's terms will reflect the fact that the amount in pounds that the company will receive due to the swap will be subsidised below the current market rate of interest. Further, the dollar amount offered in the swap contract should also be below the current market rate of interest. Thus, due to the swap transaction the subsidised amount in pounds would be transformed into subsidised amount in dollars.

Trading a View using a Swap: We try to visualize a scenario where the pound rises against the dollar. If this is the case then the interest rates of pounds will fall or vice-versa i.e. the dollar interest rates will be on the rise. In such a condition the swap will become more valuable. So, we can say that through a swap contract you can take one position, which is to your advantage. You can also speculate on any one or more events.

The Indian Scenario

In India, financial swaps are traded through the foreign exchange market. Swaps account for the largest share of the total derivatives turnover. A trade reporting platform is already functional for Rupee Interest Rate Swaps (IRS) from August 31, 2007 and is available to all market participants. The rupee interest rate based on the swap equivalent of LIBOR plus the spread as permissible for ECBs of corresponding maturity.

Further, the government has decided to allow the credit default swaps in India. The new guidelines have been framed with certain safeguard measures - to prevent abuse of position by financial intermediaries to boost their revenues as it happened with currency derivatives. It will come into effect from 24th October 2011. The players would be banks, primary dealers and non-banking financial companies.

Conclusion

The article has touched upon just the most basic features of swaps and their types. Swaps are agreements that exchange the cashflows that will occur in one financial transaction for those that occur in another one. It can be stated as a transaction in the foreign exchange market that is a combination of a spot and a forward contract but in the opposite direction. Swaps can lead to avoidance of transaction costs, capital gains and the associated taxes and other regulatory constraints. They have played and have a major role to play in the integration and globalisation of capital markets worldwide.

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Tax Incentive under Direct Taxes Code, Bill 2010 vis-à-vis Deductions under Income Tax Act, 1961- A Study

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Incentive in any form acts as a motivational factor which becomes instrumental in achieving a particular objective. The person giving the incentive and the person getting the incentive both are benefitted in some or the other form. *A brand new motorcycle of your choice would be yours if you top the board examinations*.......This is what is incentive.

"*Tax Incentive*" the terminology used in Direct Taxes Code portrays positivity as compared to word "*Deductions*" used in the present Act. However, the objective of both the terms used is basically to provide tax relief to the tax payers while achieving a particular goal. The need for providing Tax incentives in form of exemptions and deductions arise due to various factors which include economic policies, practical difficulties being faced by various assessees, development of backward areas and so on.

Although, the tax incentive under the Direct Taxes Code are more or less similar to the deductions/exemptions provided in the present Act, there are still some differences which are laid out in this paper. The Chapter VIA deductions of the Income-tax Act, 1961 now find place in Part IV of Chapter III of the Direct Taxes Code. The clauses of Direct Taxes Code have been taken as a base while discussing the tax incentives in this paper.

Clause 68: Deductions from gross total income from ordinary sources

Direct Taxes Code	Income-tax Act, 1961
Clause 68 provides that any sum which ***qualifies*** for deduction under this sub-chapter in any financial year, shall not qualify for deduction under any other provision of this Code for the same or any other financial year or in case of any other person. Further section 18(2) provides that any amount ***allowed as a deduction*** under any provision of the Code shall not be allowed as a deduction under any other provisions of the Code.	Section 80A(4) provides for similar condition in respect of deductions in respect of certain incomes, to the effect that where in the case of an assessee, any amount of profits and gains of an undertaking or unit or enterprise or eligible business is ***claimed and allowed*** as a deduction in respect of, and to the extent of, such profits and gains shall not be allowed under any other provisions of this Act for such assessment year and shall in no case exceed the profits and gains of such undertaking or unit or enterprise or eligible business, as the case may be.

Issues involved:

- The term used in clause 68 is "*qualifies for deduction*" which means that if a payment qualifies for deduction under the Chapter of Tax incentives and also under some other head of income, the same shall not be allowed in that other head of income even if it is not claimed under the Chapter "Tax incentives". This may cause undue hardship to the tax payer if claiming a particular deduction in some other head of income is more beneficial to the taxpayer.
- The provisions of Section 80A(4) are applicable to certain class of sections which does not include "*deductions in respect of certain payments*" i.e. section 80C to section 80GGC. However, clause 68 applies to all incentives including those which correspond to provisions under section 80C to Section 80GGC.

Clause 69: Deduction for Savings

Direct Taxes Code	Income-tax Act, 1961
A person, being an ***individual***, shall be allowed as deduction, to the extent of Rs. 1,00,000 for the amount ***paid or deposited in approved fund*** to an account of individual, spouse or any child of such individual.	Section 80C provides that in computing the total income of an assessee, being an ***individual or a HUF***, there shall be deducted, in accordance with and subject to the provisions of this section, the whole of the amount ***paid or deposited in the previous year, being the aggregate of the sums referred to in sub-section (2)***, as does not exceed one lakh rupees.

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Issues involved:

- The proposed deduction for savings is available only for individuals. However, no incentive is proposed to be allowed to Hindu undivided family (HUF) under DTC for any contributions made by it to the approved funds, as provided for in the existing law. It may be noted that section 80C(2)(v) read with section 80C(4) allows any sum deposited as a contribution to any provident fund by the HUF to the account of any member thereof to be claimed as deduction, however, the same is not provided for in DTC.
- The tax incentive of ₹ 1,00,000 under DTC is available only for the contribution made by the assessee to the approved funds (i.e., provident fund, superannuation fund, gratuity fund etc.). Apart from deduction in respect of contribution to provident fund, deduction u/s 80C is also available in respect of other modes of investments also life insurance premium, deferred annuity, subscription to certain equity shares or debentures, mutual funds etc. Some of the modes of investments, as defined in existing laws, do find place under different clauses of Chapter III sub-chapter IV of the proposed DTC, while others like repayment of housing loan have not been considered.

Clause 70: Deduction for life insurance /health insurance/ education of children

Direct Taxes Code	Income-tax Act, 1961
Clause 70 of the Code provides a deduction to an individual or a HUF, in respect of any sum paid or deposited to effect or keep in force the insurance on the life of the individual, spouse, or any child of such individual and in case of HUF, any member of such family. However, such deduction shall be allowed only when where the premium payable in respect of such insurance for any of the years during the term of the policy ***does not exceed 5% of the capital sum assured.*** **Clause 73** provides that deduction under clauses 70, 71 and 72 (discussed later) will be restricted to Rs. 50,000.	Similar deduction is provided in section 80C of the existing Act. However, section 80C(3) provides that section 80C(2) shall apply only to so much of any premium, as is not in excess of ***20% of the actual capital sum assured***.

Issues involved:

- Under the DTC, there is a separate deduction provided under clause 73 for deduction of Life insurance, health insurance and education of children, subject to a maximum of ₹ 50, 000. Therefore, deduction of ₹50,000 in respect of Life insurance, health insurance and education of children is in addition to the limit of ₹1,00,000 provided in clause 69 in respect of contribution to approved fund.

  There is a possibility that this may cause undue hardships to the taxpayers, who has entered into a life insurance policy with the insurer for the premium amount in excess of ₹ 50,000 (Say for ₹ 100,000). He can claim deduction of the full amount of ₹100,000 under the existing provisions (assuming that he has no other investment) but due to the reduction in the limit for tax incentive, the premium paid in excess of ₹ 50,000 (i.e., ₹50,000) would not be allowed under the provisions of the proposed DTC. It would also be even difficult for the taxpayer to discontinue the policy as it would result in a loss for him.
- Further, the limit of premium as a percentage on capital sum assured has been reduced from 20% to 5% which will also create hardships for the taxpayers at large, especially for those who have already taken a insurance policy where the premium is above 5% but below 20%.

Clause 71: Deduction for health insurance

Direct Taxes Code	Income-tax Act, 1961
Clause 71 provides that a person, being an individual or a HUF, shall be allowed a deduction in respect of any sum paid during the financial year to effect or to keep in force, an insurance on the health of persons specified in sub-section (2) [i.e. ***individual, spouse OR any dependent child OR parents of such individual and in case of HUF, any member of such family***] and in addition, in the case of an individual, any contribution made to the Central Government Health Scheme.	**Section 80D** provides that deduction is allowed to an assessee, being an individual or HUF, for the amount paid to effect or to keep in force an insurance on the health of the ***assessee or his family, and also parents of the assessee***, payment of which is made by any mode other than cash. Family means ***spouse and dependent children*** of the assessee.

Issues involved:

- Under the existing laws deduction is available for the amount paid on the health of the assessee or his family and for the parents of the assessee. But under the proposed code, tax incentive is allowed in respect of insurance taken for the individual, spouse OR any dependent child OR parents of such individual. The legislative intent is not clear whether the deduction is available for the insurance taken either for the dependent child or for parents or for both of them.
- Further, under the Income-tax Act, 1961 deduction is allowed only when the payment of such premium is made by any mode other than cash. However, no such condition has been laid down under the proposed code. This however, seems to be inadvertent error.
- The deduction under the present Act was restricted to ₹15,000 for self and family, ₹ 15,000 for parents and ₹ 20,000/- for senior citizen parent. This limit is proposed to be increased under clause 73 (mentioned earlier) to ₹ 50,000. However, it may be noted that ₹50,000 represents the overall cap for life insurance, health insurance and education of children. The concept of senior citizen parent also does not find place in DTC.

Clause 72: Deduction for education of children

Direct Taxes Code	Income-tax Act, 1961
Clause 72 provides that a person, being an individual or a HUF, shall be allowed a deduction in respect of any sum paid ***as tuition fee*** to any school, college, university or other educational institution situated within India; and for the purpose of ***full-time education of any two children of such individual or HUF.***	Section 80C(xvii) provides similar deduction in respect of tuition fees for the purpose of full time education of any two children of such ***individual***.

Issues involved:

As HUF is formed by an operation of law and does not have any children, the use of the words "*deduction is allowed for the purpose of full-time education of any two children of such individual and HUF*", in clause 72 seems to be an inadvertent mistake. Extending this deduction for the HUF is a welcome step, however, reference may be given to "*any member of such family*" instead of "*children*" of such family.

Clause 74: Deduction of interest on loan taken for house property

Direct Taxes Code	Income-tax Act, 1961
Clause 74 provides that a person, being an individual or HUF, shall be allowed a deduction, in respect of any amount paid or payable by way of interest on loan taken for the purpose of ***acquisition, construction, repair or renovation of a house property*** in the financial year in which such property is ***acquired or constructed*** or any subsequent financial year, subject to the conditions specified in sub-section (2) Sub-section (2) provides that the deduction referred to in sub-section (1) shall be allowed if- (a) The house property is owned by the person and ***not let out*** during the financial year (b) The ***acquisition or construction*** of the house property is completed within a period of three years from the end of the financial year in which the loan was taken; and (c) The person obtains a ***certificate from the financial institution*** to whom the interest is paid or payable on the loan. Further, sub-section (5) provides that deduction allowed under this section shall not exceed Rs. 1,50,000.	**Section 24(b)** provides that where the property has been acquired, ***constructed, repaired, renewed or reconstructed with the borrowed capital***, the amount of any interest payable on such capital the amount of deduction under this clause shall not exceed Rs. 1,50,000. It also provides that no deduction under this sub-section shall be provided unless the assessee furnishes a certificate ***from the person to whom interest is payable on the capital borrowed***, specifying the amount of interest payable by the assessee for the purpose of such acquisition or construction of the property, or conversion of whole or any part of the capital borrowed which remains to be repaid as a new loan.

Issues Involved:

- Clause 74(2)(a) uses the words "not let out during the financial year" which implies that the person who has not let out the property and has used the same for his own business would also be covered under this section. Further as per clause 68 of the Direct Taxes Code, any sum which qualifies for deduction under this sub-chapter shall not qualify for deduction under any other provision of the Code. This is expected to cause undue hardship to the person using the house property for his own business as he would not be able to claim the interest on housing loan so paid as finance charges under the head "Income from business". Also the deduction in respect of interest on such loan under clause 74 will be restricted to ₹ 1,50,000 which otherwise is allowed fully as a deduction under the head profit and gains from business or profession under the present Act.
- Further clause 74(2)(c) provides that the deduction shall be allowed if the person obtains a certificate from the ***financial institution*** to whom the interest is paid or payable on the loan. However, as per proviso to section 24(b) of the present Act, no deduction shall be made unless the assessee furnishes a certificate, *from the person to whom any interest is payable* on the loan borrowed. It may be noted that as per the proposed law the deduction would not be allowed under the said clause if the interest is paid on housing loan taken from the employer who is not a financial institution. Thus, the taxpayers who have taken housing loan from the employer not being a financial institutions due to certain associated benefits provided by employer , would have to face a differential treatment regarding this deduction, if the Bill in the same form is enacted into law.
- As per the existing laws, deduction is available in respect of the interest on borrowed capital from the head "*Income from House property*" and loss arising under the said head can be carried forward for a maximum period of 8 years for set off against the income from House property. However, under Direct Taxes Code the said deduction is available from gross total income from ordinary sources which implies that any loss arising due to such interest paid would not be allowed to be carried forward as the aggregate amount of deductions under this chapter shall not exceed "*gross total income from ordinary sources*". This would add to the kitty of the Government.
- Clause 74 uses the words '*House property is owned by the person and is not let out during the financial year*' and section 24(b) read with section 23(2)(a) of the present Act uses the words '*property is in occupation of the owner for the purposes of his own residence*'. It may be noted that the concept of "OCCUPANCY" does not find place under the proposed code.

Clause 75: Deduction of interest on loan taken for higher education

Direct Taxes Code	Income-tax Act, 1961
Clause 75 provides that an individual, shall be allowed a deduction in respect of any amount paid by him in the financial year by way of interest on loan taken ***from any financial institution*** for the purpose of pursuing his higher education or higher education of his relatives. The term 'relative' means- (i) spouse of the individual; (ii) child of the individual; or (iii) a student for whom the individual is the legal guardian	Section 80E provides that in computing the total income of an assessee, being an individual, there shall be deducted in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of interest on loan taken from ***any financial institution or any approved charitable institution*** for the purpose of pursuing his higher education or for the purpose of higher education of his relative. The term relative in relation to an individual, means the spouse and children of that individual or the student for whom the individual is the legal guardian

Issues Involved:

Like clause 74, the scope of the deduction in respect of interest on loan is restricted to the loan taken from financial institutions only. While under the existing laws deduction is also available for the loan taken from any approved charitable institutions. This proposed clause is expected to create undue hardships for the taxpayers who had taken loan from approved charitable institutions, for claiming deduction u/s 80E under the Income-tax Act, 1961.

Clause 76: Deduction for medical treatment etc.

Direct Taxes Code	Income-tax Act, 1961
Clause 76 provides that a person, being resident individual or HUF, shall be allowed a deduction in respect of any amount paid during the financial year for medical treatment of the prescribed disease or ailment of any specified person. 'Specified person' means - (i) The individual; (ii) Spouse of the individual; (iii) Any dependent child of the individual; (iv) Dependent parents of the individual; (v) Any member of the HUF.	Section 80DDB provides that where an assessee who is a resident in India has, during the previous year, actually paid any amount for the medical treatment of such disease or ailment as may be specified in the rules made in this behalf by the Board- (a) For himself or a dependant, in case the assessee is an individual; or (b) For any member of a HUF, in case the assessee is HUF.

Issues Involved:

The definition of dependant under the existing law includes *dependant brothers*/sisters of individual also. However, the proposed provision does not include them which would create hardship to an assessee who is incurring expenditure for medical treatment of his dependent brothers/sisters and availing deduction for the expense so incurred under the existing law.

Clause 77: Deduction for medical treatment and maintenance of a dependent person with disability

Direct Taxes Code	Income-tax Act, 1961
Clause 77 provides that a person, being resident individual, shall be allowed a deduction of an amount specified subject to the conditions specified in sub-section (3) which required that deduction shall be allowed if the person obtains a certificate from a medical authority in such form and manner as may be prescribed and the ***certificate remains valid during the relevant financial year or part thereof.***	Section 80U provides that an individual, being a resident, shall be allowed a deduction, who at any time during the previous year, is certified by the medical authority to be a person with disability. Every individual claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the form and manner, as may be prescribed, along with the return of income u/s 139, in respect of the assessment year for which the deduction is claimed: Provided that where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction shall be allowed for any assessment year relating to any previous year beginning after the expiry of the previous year during which the aforesaid certificate of disability had expired, unless a new certificate is obtained from the medical authority in the form and manner, as may be prescribed, and a copy thereof is furnished along with the return of income u/s 139.

Issues Involved:

The proposed law provides that the certificate from the medical authority shall remains valid during the relevant financial year or part thereof. However, the present law uses the words "*where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate*" which implies that the there is a provision for issuing a certificate for a period more than a financial year. The proposed law is a matter of concern for persons with severe and permanent disability (who may not be in a condition to even move), as they have to obtain a fresh certificate every year even if their physical condition does not require reassessment.

Clause 78: Deduction for medical treatment and maintenance of a dependent person with disability

Direct Taxes Code	Income-tax Act, 1961
Clause 78A provides that a person, being resident individual or HUF, shall be allowed a deduction in respect of- (a) Any expenditure incurred during the financial year for the medical treatment, nursing or training and rehabilitation of a dependent person with disability; or (b) Any amount paid or deposited during the financial year under a ***scheme framed by any insurer and approved by the Board*** in this behalf, for the maintenance of a dependent person with disability. 'Dependent' means ***spouse, any child or parents*** of the individual, any member of the HUF, if - (i) he is mainly dependent on such individual, or HUF, for his support and maintenance; and (ii) ***his income in the financial year is less than 24,000***.	Section 80DD provides that where an assessee, being an individual or HUF, who is resident in India, has during the previous year- (a) incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of a dependent, being a person with disability; or (b) paid or deposited any amount under a ***scheme framed in this behalf by the LIC or any other insurer or the Administrator or the specified company subject to the conditions specified in sub-section (2) and approved by the Board*** in this behalf for the maintenance of a dependent, being a person with disability, the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction. 'Dependent' means (i) In case of individual, ***the spouse, children or parents, brothers and sisters of the individual or any of them;*** (ii) In case of HUF, a member of the HUF Dependent wholly or mainly on such individual or HUF for his support and maintenance, and who has not claimed any deduction u/s 80U in computing his total income for the assessment year relating to the previous year.

Issues Involved:

- In this clause also no tax incentive is proposed to be made available in respect of expenditure incurred for the dependent brothers and sisters of the individual.
- To add on to the difficulty being faced by the person in maintaining a dependant with disability, the proposed Code, has imposed one more condition on the assessee for claiming this deduction, that is, the income of the dependent must be less than ₹ 24,000 during the financial year. As the person with physical disability is dependent on other for carrying out routine tasks also, quantifying dependence with the income of dependent is not correct at the first place.

  Even if, a monetary limit is to be imposed, having regard to the inflationary conditions in the economy, ₹2000/- per month is too less an amount which any person would earn to maintain himself. This proposed condition implies that a person with disability would not be dependent on others as he /she will able to meet all his expenditure including medical, food, clothing, housing and so on in ₹2000 pm. It may be noted that as per the proposed law if the dependent with disability is able to earn on account of pension, rent and so on more than ₹ 24,000 in the financial year, the assessee who is incurring expenditure in respect of the medical treatment of that dependent can't avail the benefit under this clause. This will cause hardships to the person maintaining a disabled dependent.
- Section 80DD specifically prescribes that if an assessee is claiming deduction in respect of expenditure incurred on the medical treatment of a dependent, then the dependent cannot claim any deduction u/s 80U while computing his total income. However, under proposed code, clause 68 takes care of the same by providing that any sum which qualifies for deduction under the chapter of Tax incentives shall not qualify for deduction in case of any other person.

Clause 79: Deduction for contribution or donations to certain funds or Non-Profit organizations

The provisions of clause 79 correspond to the provisions of section 80G/35(1)/35(2AA) of the Income-tax Act, 1961. The details of persons to whom contribution or donation made would qualify for deduction under this clause are provided in Schedule Sixteen. The Sixteenth Schedule is divided into four parts. Persons mentioned in Part I and Part II of the Sixteenth Schedule correspond to persons mentioned in sections 35(1)/35(2AA)of the present Act. Further, Part III and Part IV of the said schedule correspond to section 80G of the existing Act.

Issues Involved

Clause 79(3) provides that the deduction under this section shall not allowed on the ground that the donee has laid out or expended the amount of donation for religious activity or for the benefit of any particular caste, not being the scheduled castes or scheduled tribes. This causes undue hardship to the donor, it is practically impossible for the donor to locate whether the amount paid by him has been expended for purposes mentioned above or not. Further, the existence of this clause defeats the very purpose of listing/notifying the institutions by the Board.

Clause 80: Deduction for rent paid

Direct Taxes Code	Income-tax Act, 1961
Clause 80 provides that the deduction for rent paid shall be allowed upto a ***maximum of Rs. 2000 pm*** and shall be subject to such other conditions as may be prescribed having regard to the area or place in which the accommodation is situated.	Section 80GG provides that an assessee shall be allowed a deduction for rent paid to the extent to which such expenditure ***does not exceed Rs. 2000 per month or 20% of his total income for the year, whichever is less***, and subject to the conditions as may be prescribed having regard to the area or place in which such accommodation is situated and other relevant considerations.

Issues Involved:

Deduction under Income-tax Act, 1961 is allowed to the lower of 2000 or 20% of his total income while under the DTC, deduction is allowed upto ₹ 2000 p.m.

Clause 83: Deduction of royalty income of authors

Direct Taxes Code	Income-tax Act, 1961
Clause 83 provides a person, being resident individual, shall be allowed a deduction of an amount of specified income not exceeding of Rs.3,00,000 in respect of any specified income derived by the author, if such income is included in his gross total income from ordinary sources.	The provisions of corresponding section 80QQB are more or less the same.

Issues Involved:

- Section 80QQB(3) provides that no deduction shall be allowed unless the assessee furnishes a certificate in the prescribed form and in the prescribed manner, duly verified by any person responsible for making such payment to the assessee as referred to in sub-section (1), along with the return of income in the prescribed manner. This prerequisite for claiming deduction does not find place under the DTC.
- Proviso to section 80QQB(2) provides that in respect of any income earned from any source outside India, so much of the income shall be taken into account for the purpose of this section as is brought to India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year in which such income is earned or within such further period as the competent authority may allow in this behalf. Also, no deduction is allowed unless the assessee furnishes a certificate in the prescribed form from the prescribed authority, along with the return of income in the prescribed manner. However clause 83 does not provides for such a situation in which the assessee is earning income from any sources outside India.

Clause 84: Deduction of royalty income of authors

Direct Taxes Code	Income-tax Act, 1961
Clause 84 provides that a person, being resident individual and a patentee, shall be allowed a deduction of an amount specified in sub-section (3) in respect of any income referred to in sub-section (2), if such income is included in his gross total income from ordinary sources. Sub-section (3) states that the amount of deduction shall be the amount of income referred to in sub-section (2) or Rs. 3,00,000, whichever is lower.	Section 80RRB provides that where, in the case of an assessee, being an individual, who is resident in India; a patentee; in receipt of income by way of royalty in respect of a patent registered on or after the 1st day of April 2003 under the Patents Act, 1970 and his gross total income includes royalty, shall be allowed a deduction of an amount equal to the whole of such income or Rs.3,00,000, whichever is less.

Issues Involved:

- Section 80RRB(2) provides that no deduction shall be allowed unless the assessee furnishes a certificate in the prescribed form, duly signed by the prescribed authority, along with the return of income setting forth such other particulars as may be prescribed. Again, this prerequisite for claiming deduction is now removed under the DTC.
- Proviso to section 80RRB (1) provides that in respect of any income earned from any source outside India, so much of the income shall be taken into account for the purpose of this section as is brought to India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year in which such income is earned or within such further period as the competent authority may allow in this behalf. Also, no deduction is allowed unless the assessee furnishes a certificate in the prescribed form from the prescribed authority, along with the return of income in the prescribed manner. However clause 84 of the proposed code, does not covers a situation in which the assessee is earning income from any sources outside India.

Conclusion:

In this article, an attempt has been made to throw some light and bring out the broad points of distinction between the tax incentives under the Direct Taxes Code vis-à-vis the deductions/exemptions under the Income-tax Act, 1961. The issues emanating from the proposals contained in the Direct Taxes Code Bill, 2010 have also been highlighted. It is hoped that most of these issues will be resolved when the Code takes its final shape.

CROSSWORD

October, 2011

Solution

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

Emerging Issues in Corporate Laws

Professor J.P. Sharma

Introduction

In the midst of grave balance of payment, the government of India in 1991 redrafted its economic policy to lead new era of deregulation, decontrol, liberalization and global integration. Since then significant policy initiatives have been taken to provide stimulus to accelerated growth, industrial efficiency, and global competitiveness. As a part of reform process, government of India has initiated number of legislative reforms and radical changes in the area of corporate laws and governance. New issues, concepts and practices keep on emerging in respect of the working and administration of corporate sector. Many new and unheard concepts have been introduced in the Companies Act, 1956 and many are in the pipeline. Concepts like Producer Company, Shelf Prospectus, Postal Ballot, Audit Committee, Corporate Identity Number (CIN), Director Identity Number (DIN), electronic filing of documents and online registration of companies have been made a part of the Companies Act. Concepts of One Person Company (OPC), Small Company, Associate Company, Independent Director, Insider Trading, Company Law Tribunal, Class Action Suits, and CSR are in the pipeline. The enactment of the Limited Liability Partnership Act, 2008 is also a major development. The process of reforming the company laws is still on and the Company Bill, 2009 to totally revamp the Company Law, is awaiting Parliament's approval. An attempt in this article has been made to throw some light on all such emerging issues.

Concepts, which have become a part of the Companies Act, 1956

Small Shareholders Director on Board

The Companies Act, 2000 introduced the concept of 'Small Shareholders on Board' by inserting Section 252A. As per the provisions, a public company, having paid up capital of ₹ 5 crore or more and 1000 or smaller shareholders (holding shares up to ₹ 20000), may elect small investors representative on the Board. Even though, the appointment of such a director is optional but as a measure of good corporate governance, listed companies have been directed by stock exchanges for implementing this concept. It becomes obligatory for the company to elect representation of small shareholders on Board if there is a demand/notice from the small shareholders.

Audit Committee

The concept of 'Audit Committee' was introduced by inserting Section 292A in the Companies Act. According to the provisions, every public company, (listed and unlisted-private companies exempted), having paid up capital (equity and preference) of ₹5 crore or more shall constitute an Audit Committee. The Audit Committee of Board shall consist of not less than 3 directors, two third of which should be directors other than Managing Director or Whole Time Director. The Committee would ensure transparency and that the financial disclosures/financial statements are correct and creditable. It will also ensure that, frauds, irregularities, failure of internal control system within the organization, are minimized. The non-compliance of the requirements may lead to fine up to ₹ 50000 or imprisonment upto one year or both.

National Company Law Tribunal (NCLT)

The Bill 2009 establishes the National Company Law Tribunal (NCLT) to administer various provisions of company law and adjudicate disputes between companies and their stakeholders.

The need for setting up of the NCLT[1] was felt for the following reasons:

(i) The powers and jurisdiction presently being exercised by various judicial bodies like CLB, BIFR or High Courts needs to be consolidated and entrusted to a single body i.e. NCLT, which would serve as a single window settlement of cases, related to the corporate affairs.

(ii) Since powers of Court are delegated to the NCLT and no appeals are preferred in High Court, the setting up of NCLT would save time of the High Courts as well.

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(iii) The appearance of chartered accountants, company secretaries, cost accountants and lawyers before the National Company Law Tribunal and Appellate Tribunal would cut the time and cost to the clients.

(iv) The NCLT is also entrusted with powers of Contempt of Court, which would provide a built-in-seriousness in the entire proceedings before the NCLT.

(v) The National Company Law Tribunal and the Appellate Tribunal have the power to regulate their own proceedings within the framework of the Companies Act and the Code of Civil Procedure does not bind them.

Producer Company

The Companies (Amendment) Act, 2002 has introduced the concept of Producer Company.[2] The amendment has brought manufacturing types of cooperative societies in the country under the purview of Companies Act. Part IX A with 12 chapters (sections 581A to 581 ZT) has been inserted in the Companies Act to contain provisions on the formation, management, decision making, conversion and matters connected therewith. The J. J. Irani Committee (2005) recommended a separate legislation for Producers Companies.

Producer Company has the following features:

1) Producer Company can be incorporated by any 10 or more individual producers or two or more producer institutions or a combination of the two.
2) It is not possible to form a Producer Company with unlimited liability.
3) As in the case of a company, the Memorandum of a producer company consists of name clause, situation clause, objects clause, capital clause, liability clause and subscription clause.
4) The name of the Producer Company should end with the words "Producer Company Limited".
5) The Producer Company can have only equity capital.
6) The alteration procedure for various clauses of Memorandum is mostly similar to other types of Companies formed under the Companies Act, 1956.
7) Articles can be altered on the proposal (demand) of not less than 2/3 of the elected directors or by not less than 1/3 of the members of the Producer Company.
8) Producer Company should have at least 5 and maximum 15 directors.
9) The Producer Company can state in its Articles that its directors are not required to retire by rotation.
10) The tenure of directorship of a Producer Company cannot be less than one year and does not exceed five years. Even the Articles cannot provide a tenure, which exceeds the prescribed five years.
11) First AGM should be held within 90 days of incorporation.
12) The quorum for the general meeting is ¼th of the total number of members and for board meeting is 1/3 subject to a minimum of three.

Director Identity Number (DIN)

The concept of Director Identity Number (DIN) came into being in May 2006 when section 253 of the Companies Act, 1956 was amended and new sections 266A to G were inserted. DIN means an identification number which the Central Government may allot to any individual, intending to be appointed as Director or to any existing directors of a company and shall also include Designated Partnership Identification Number (DPIN) issued under Section 7 of the Limited Liability Partnership Act, 2008 and rules made there-under. With the introduction of the concept of DIN offences committed by the directors will be immediately detected as all the offices of the Registrars of Companies (ROC) have been networked. Issuing electronic identification number after verifying the credentials of directors will help the government to keep track of the people who run the companies.

The Amended provisions provide for the allotment of mandatory Director Identification Number (DIN) for all existing and future directors on company boards. Only a single DIN is required for an individual irrespective of number of directorships held by him. DIN is also mandatory for directors of Indian companies who are not citizens of India (foreigner). But, DIN is not mandatory for directors of foreign company having branch offices in India. Every director is to intimate his/her DIN in form DIN-2 to all companies where he/she is a director and all companies are required to inform the DIN's of its directors to the ROC.

Electronic Filing of Corporate Documents

The amended provisions of 2006 have made possible the filing of company returns by a simple click on www.mca.gov.in and to make payment of fees by using credit card and internet banking. However, conventional payment methods such as cash, demand draft or cheque are allowed at authorized bank branches. The electronic filing of corporate documents in the country has been made mandatory with effect from September 16, 2006 when the Ministry of Corporate Affairs vide GSR NO 557(E) dated 14th September 2006, notified the Company (Electronic Filing and Authentication of Documents) Rules, 2006. After the launch of e-governance project (MCA21) in September 2006, over 3 lakh fillings were made (B/S & Annual Returns) electronically by December 2006 (within a span of 3 months) and by March 6, 2009, the figure crossed 5.45 crores.

Online Registration of Company

The amended provisions of 2006 have made the online registration of companies in the country possible. The first such company registered online was in south India (Coimbatore) in the summer of 2006, when the Minister of Corporate Affairs launched new web site www.mca.gov.in. Around 18000 companies were incorporated on line up to November 2006. The figure reached 44000 by the May 2007, 67,744 by August 14, 2007 and crossed 2.5 lakhs by March 6, 2009 (out of total number of companies in the country numbering over 9 lakhs).

Ministry of Corporate Affairs (MCA) has simplified the procedures for the incorporation of companies online. The simplified procedure will now enable promoters to get their companies incorporated in 24 hours. Vide its Circular No. 49/2011 dated July 23, 2011, it has been clarified by the MCA that if the incorporation forms viz e-Forms 1, 18 and 32 have been certified by the practicing professional regarding the correctness of the information and declaration given by the subscribers, the application shall be processed electronically and the digital certificate of incorporation shall be issued online immediately by the Registrar of Companies. In case of wrong, false or illegal declarations/certifications, the subscribers/professionals are subjected to penal actions. It has been further clarified that in case it is found that a company registered online on such declarations made by the subscribers and certification given by the professionals, ought not have been registered under the provisions of the Companies Act, the Registrar of Companies shall take the necessary action to put the company in state of suspended animation and initiate process of revocation of the registration of the company after giving a reasonable opportunity of being heard.

Limited Liability Partnership (LLP)

With the growth of the Indian economy, the role played by its entrepreneurs as well as its technical and professional manpower has been acknowledged internationally. It is felt opportune that entrepreneurship, knowledge and risk capital combine to provide a further impetus to India's economic growth. In this background, a need has been felt for a new corporate form that would provide an alternative to the traditional partnership, with unlimited personal liability on the one hand, and, the statute-based governance structure of the limited liability company on the other, in order to enable professional expertise and entrepreneurial initiative to combine, organise and operate in flexible, innovative and efficient manner. The Limited Liability Partnership (LLP) is viewed as an alternative corporate business vehicle that provides the benefits of limited liability but allows its partners the flexibility of organising their internal structure as a partnership based on a mutually arrived agreement. The LLP form would enable entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP would also be a suitable vehicle for small enterprises and for investment by venture capital.

LLP kind of formation has gained popularity in countries like, USA, UK, Australia, Singapore, Japan, and China. It has recently been introduced in India by the Limited Liability Partnership Act of 2008. First LLP in India was formed in April 2009 and by now (May 02, 2011); as many as 4679 LLPs have been registered in the country.

Concepts in the Pipeline

The process of reforming the company laws is still on and many new and unheard concepts have been introduced in the Company Bill, 2009, which is awaiting Parliament's approval. The essence of the Bill is to facilitate a comprehensive revision of the present Companies Act, 1956 with a view to promote self-regulation, eradicate unwarranted regulatory approvals, vest shareholders with greater powers and encourage greater transparency in the disclosures by corporate entities. Corporate governance is one aspect where heightened emphasis has been given to ensure accountability of individuals at the helm of affairs of a company. The Bill replaces the 1956 Act and consolidates a number of its provisions. It allows for a number of issues, currently specified in the Act, or its schedules, to be specified in the rules. On a range of issues, it shifts the onus of regulation and oversight over management away from the government and towards shareholders. On some issues, the Bill provides for tighter control by shareholders over management decisions by requiring 75% majority of shareholder approval rather than a simple majority. In cases where companies in financial distress have to be rehabilitated, the Bill gives much greater powers to creditors to supervise a rescue plan and restrict the powers of company management. It seeks to strengthen corporate governance by introducing new provisions related to independent directors and auditors. The Bill increases penalties and establishes special courts to try offences.

Some of the major changes proposed by the Companies Bill, 2009 are as follows:

One Person Company

To facilitate formation of single member company in the country, Companies Bill, 2009 has proposed the incorporation of a single person economic entity in the form of 'One Person Company (OPC)', which should mean a company that has only one person as a member. Such an entity may be provided with a simpler regime through exemptions so that the single entrepreneur is not compelled to fritter away his time, energy and resources on procedural matters. The single member by subscribing his name to a memorandum in the manner prescribed and complying with the requirements in respect of registration can form 'One Person Company', provided that the memorandum of such a Company shall indicate the name of the person who shall, in the event of the subscriber's death, disability or otherwise, become the member of the company. It shall be the duty of the member of a One Person Company to intimate the Registrar the change, if any, in the name of the person referred to in the preceding proviso and indicated in the memorandum within such time and in such form as may be prescribed, and any such change shall not be deemed to be an alteration of the memorandum. The One Person Company may have one director. Letters 'OPC' to be suffixed with the name of the One Person Company to distinguish it from other companies.

Small Company

The Companies Bill, 2009 has also proposed the incorporation of a 'Small Company' in the country. The Bill defines 'Small Company' as a company (other than a public company), whose paid-up share capital does not exceed five crore rupees; or whose turnover as per its last profit and loss account does not exceed twenty crore rupees. Provided that nothing in this clause shall apply to - a holding company or a subsidiary company; a company registered under section 4; or a company or body corporate governed by any special Act. The J. J. Irani Committee (2005) while recommending very strongly the introduction of small companies in the country, observed, "Company law should enable simplified decision making procedures by relieving small companies from select statutory internal administrative procedures. Such companies should also be subjected to reduced financial reporting and audit requirements and simplified capital maintenance regimes. Essentially the regime for small companies should enable them to achieve transparency at a low cost through simplified requirement. Such a framework may be applied to small companies through exemptions, consolidated in the form of a Schedule to the Act." The Irani committee proposal of small company draws its strength from the recommendations of the 2nd Naresh Chandra Committee (2003), which while giving recommendations for such companies stated that most of small companies do not even file annual returns and are either defunct and exist only on papers. According to the 2nd Naresh Chandra Committee, a new sub-classification within the category of private companies named Small Private Company (SPC) should be introduced in the Act with the following features: (a) Paid up capital/reserves up to ₹50 lakhs; (b) Aggregate receipts annual from sales/service up to ₹5 crores; and (c) Registered as a SSI.

Associate Company

The Companies Bill, 2009 has also introduced in the country the concept of 'Associate Company'. An "Associate Company", in relation to another company, means a company in which that other company has a significant influence[3], but which is not a subsidiary company of the company having such influence or of any other company.

Key Managerial Personnel

"Key Managerial Personnel" (KMP), in relation to a company, means:

- The Managing Director, the Chief Executive Officer or the Manager and where there is no Managing Director or Manager, a whole-time director or directors;
- the Company Secretary; and
- The Chief Financial officer.

As per the Company Bill, every whole-time "Key Managerial Personnel" (KMP) of a company shall be appointed by means of a resolution of the Board containing the terms and conditions of the appointment including the remuneration. Whole-time KMP shall not hold office in more than one company at the same time unless permitted by the company. Further, if the office of any KMP is vacated, the resulting vacancy shall be filled up by the Board within a period of six months from the date of such vacancy. The Bill stipulates that where a company fails to comply with any of the provisions of this section, it shall be liable to a penalty of one lakh rupees and every director and KMP who is in default shall be liable to a penalty of twenty-five thousand rupees, for each such default. The Bill prescribes prohibition on forward dealings in securities of company by a KMP and any contravention on this shall be punishable with imprisonment for a term which may extend to two years or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

Class Action Suits

With inclusion of the concept of class action suits in the Bill, any one or more members or class of members or one or more creditor or class of creditors can now file an application before the National Company Law Tribunal when the management or control of affairs of the company are being conducted in a manner which is prejudicial to the interest of the company. The order passed by the Tribunal shall be binding on the company and all its members and creditors. However, the banking companies shall be out of the purview of class action under the Bill.

The Satyam episode has sharply brought into focus the gaps in Indian corporate laws to deal effectively with such a situation, post event, viz. compensating the cheated investors by those who perpetuated the fraud. Only the Civil Procedure Code and statutes like Consumer Protection Act recognise the concept and provide for class action with prescribed conditions. The Consumer Protection Act, 1986 empowers a consumer or consumer association where there are numerous consumers having the same interest, to seek compensation/damages for fraud, unfair trade practice, deficiency of services, etc. However, the complaints under this Act are to be disposed of through summary procedure that virtually rules out adjudication of complaints relating to large scale frauds. The key Indian corporate laws e.g. the Securities and Exchange Board of India (SEBI) Act 1992, the Securities Contracts (Regulation) Act, 1956 and the Companies Act, 1956, however, do not have a provision for class action. On the contrary, a large number of countries have incorporated provisions on "Class Action Suit" in their corporate laws. "Class Action Suit" originated in the US, is an action brought by a complainant representing a class (individuals or entities who have suffered in nearly uniform manner) and involves payment of damages. The proposal of class action in the Companies Bill, is a welcome move. The bigger challenge, however, would be to prevent the misuse of the provision. The US has attempted to check frivolous class action suits, vested interest proceedings and forum-shopping by enacting Private Securities Legislation Reform Act, 1995, and Class Action Fairness Act, 2005. No such legislation is available in India. To prevent misuse, the proposed provision in the Companies Bill can have a stipulation saying the National Company Law Tribunals (NCLT) permission would be needed to admit class action suits.[4]

Prohibition on Insider Trading

The prohibition on insider trading has been brought within the scope of the company law with the introduction of law on insider trading. Currently this provision is governed by SEBI's Prohibition of Insider Trading Regulation, 1992 and is mandatory for listed companies only. The Bill has the provision for penalizing directors and key managerial personnel of a company found to be using non-public price sensitive information for own benefit or to benefit another person. The Bill has proposed punishment which could extend to 5 years imprisonment or fine of Rs 5 lakhs to 1 crore or both. SEBI's existing regulation prescribes up to 10 years of imprisonment.

Whistle Blowing Mechanism

Considering the fact that many large corporate frauds have come to light only through an insider speaking out or a confession and not through an audit report or a regulatory investigation, an internal watchdog mechanism in the corporate sector was badly needed. Hence, provisions have been incorporated for bringing a whistle-blowing[5] mechanism for companies. As per the proposed law, such class or description of companies, as may be prescribed, shall establish a mechanism for directors, employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism shall provide for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit committee in exceptional cases. Further, the details of existence of such mechanism shall be disclosed by the company in the Board's Report.

Clause 49 on Corporate Governance

Securities Exchange Board of India (SEBI) on May 7, 1999, appointed an 18 member committee under the chairmanship of Mr. Kumar Mangalam Birla (a chartered accountant himself) and a member of SEBI Board, to promote and raise the concept of corporate governance in India. The committee submitted its report containing 25 recommendations in January, 2000, and since then, it has been accepted by SEBI and put to implementation. The committee came out with two sets of recommendations-the mandatory recommendations and the non-mandatory recommendations. The mandatory recommendations focus on strengthening the responsibilities of audit committees, improving the quality of financial disclosures, including those pertaining to related party transactions and proceeds from initial public offerings, requiring corporate executive boards to assess and disclose business risks in the annual reports of companies, calling upon the Board to adopt a formal code of conduct, the position of nominee directors and improved disclosures relating to compensation to non-executive directors and shareholders' approval of the same.

With a view to promote and raise standard of corporate governance in respect of listed companies, SEBI concluded that the easiest and quickest way of enforcing the recommendations of the Kumarmanglam Birla Committee was to make the recommendations a part of the listing agreements. Accordingly clause 49 on Corporate Governance was inserted in the listing agreement in 2000. Vide Circular No CFD/ DIL/CG/1/ 2006/1/1dated 13th January 2006, SEBI issued revised clause 49 of the listing agreement that has come into effect from January 1, 2006.

Clause 49 has the following codes on Corporate Governance:

1. Composition of Balanced Board
2. Qualified and Independent Audit Committee
3. Relationship with the Subsidiary Companies
4. Disclosures & Transparency
5. CEO/CFO Certification
6. Report on Corporate Governance
7. Compliance Certificate

Reforms in Corporate Governance

The essence of the Company Bill, 2009 is to facilitate a comprehensive revision of the present Companies Act, 1956 with a view to promote self-regulation, eradicate unwarranted regulatory approvals, vest shareholders with greater powers and encourage greater transparency in the disclosures by corporate entities. Corporate governance is one aspect where heightened emphasis has been given to ensure accountability of individuals at the helm of affairs of a company.

To begin with let us learn first the fastest emerging issue in the corporate world, namely the concept of 'Independent Director'.

Independent Director

The concept of 'Independent Director' is not new to Corporate India as currently it is being governed by Clause 49 of the Listing Agreement for listed Companies. The inclusion of Independent Director in the Bill envisages bringing the institution of Independent Director under an Act of the Parliament. The provisions are more or less the replication of Clause 49 of the Listing Agreement except the number of Independent Directors of the Board.[6] As per the requirements of Clause 49, at-least ½ of the Board must be non-executive directors. If chairman is from the executive director's category, than at least ½ of the Board should comprise of independent directors and if chairman is from the non-executive director's category, than at-least 1/3 must be independent directors. As against this, the Bill provides that every listed public company having such amount of paid-up share capital as may be prescribed shall have at the least one-third of the total number of directors as independent directors. The Central Government may prescribe the minimum number of independent directors in case of other public companies and subsidiaries of any public company.

Green Initiatives in Corporate Governance

Across the world, there is an increasing focus on doing our share to help save our environment from further degradation. Recognizing this trend, the Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by allowing paperless compliances by Companies through electronic mode. The demand from industry and trade organizations to hold company meetings through video-conferencing has been incorporated in the Bill, which provides that board meetings can be held through video conferencing or other electronic modes with careful reckoning of the directors and storing the video footage of such meetings. It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow shareholders to contribute towards a Greener Environment. This stride towards e-governance is not only a move which will largely support green initiatives but also a big boon of big corporate houses and multinational companies which severely required this provision to enable active participation of their Board members being globally located in various Meetings. The Ministry vide general circular no. 28/2011 dated May 20, 2011, besides enabling participation of the Directors in the meetings of the Board/Committees through electronic mode, has clarified much of the technical issues which might have otherwise been encountered as hurdles to the effective implementation of the process.

Role of Rating Agencies in Corporate Governance

Rating agencies rate the creditworthiness, or financial strength, of individual companies to determine their capacity to repay obligations. Since credit ratings are an assessment of a company's ability to repay obligations, they relate to debt and hybrid securities, rather than equity securities. Agencies thus focus primarily on the repayment ability and financial condition of companies: liquidity, leverage, cash flows, earnings, market shares and competition, litigation and contingencies, and so forth.

Credit rating agencies have been time and again accused of their lax attitude in assessing issuers and giving misleading ratings without thorough analysis. They have been heavily criticized regarding their role and for the accuracy of their ratings. In the ongoing financial crisis leading to the fall of large investment banks in US e.g. Lehman Brothers due to the flimsy ratings assigned by rating agencies to subprime mortgages raised questions on the performance of credit rating agencies. The whole corporate India has been shocked with the debacle of corporate governance norms in a company of a magnitude and status like Satyam Software Services Ltd that suddenly collapsed despite the positive assessment given by the company's so called renowned watchdogs including its raters. The rating agencies based their analysis on fraudulently prepared and audited financial statements and thereby failed to warn investors about Satyam's deteriorating condition. The ratings given by the major ratings agencies were equally dismal in numerous other instances, including Enron and World.Com. Close supervision of rating agencies, mandatory internal audit for rating agencies and the enforcement of IOSCO Code are some of the suggestions made to enable credit rating industry operate efficiently.

Corporate Social Responsibility (CSR)

Every stakeholder connected with the company wants it to be well managed or at-least manage for their benefits. Of all the stakeholders, the only major group which has no direct role in management of a company is society at large, but, the company has a responsibility towards this group also. While large corporate conglomerates in India have taken up commendable CSR activities, large numbers of listed companies have not done any major work on their CSR front. The Ministry of Corporate Affairs, which introduced voluntary CSR norms in December 2009, has not received a favourable response from India Inc at large. The voluntary guidelines had said that companies should allocate money towards CSR in proportion to their profits after tax. The reason for an unfavorable response may be that the guidelines were non-mandatory. A lot of debate is now going on in public domain whether to make CSR a mandatory or not.[7] Nevertheless, in response to the Standing Committee on Finance's overwhelming concerns on the extent of Corporate Social Responsibility (CSR) being undertaken by corporates and the need for a comprehensive CSR policy, the Ministry of Corporate Affairs has agreed that the Bill may now include provisions to mandate that every company having net worth of ₹ 500 crore or more, or turnover of ₹ 1000 crore or more or a net profit of ₹ 5 crore or more during a year shall be required to formulate a CSR Policy to ensure that every year at least 2% of its average net profits during the three immediately preceding financial years shall be spent on CSR activities as may be approved and specified by the company. In case any such company does not have adequate profits or is not in a position to spend prescribed amount on CSR activities, the directors would be required to give suitable disclosure/reasons in their report to the members.

Business Ethics and Corporate Governance

Business ethics and corporate governance of an organization go hand in hand. In fact, an organization that follows ethical practices in all its activities will, in all probability, follow best corporate governance practices as well. Until the last decade, business ethics was thought of as being a contradiction in terms. But things have changed; today more and more interest is being shown to the application of ethical practices in business dealings and the ethical implications of business. Various scandals in the last decade concerning undesirable business activities, unethical conduct on the part of management, forgery and accounting fraud and also unfair activities such as the despoiling of rivers with industrial pollutants, the exploitation of workers, the payment of bribes to government officials, and the deception of unwary consumers have highlighted the unethical way in which some firms have gone about their business. However, just because such malpractices take place, does not mean that there are not some kinds of values or principles driving such decisions. After all, even what we might think of as 'bad' ethics are still ethics of a sort. And clearly, it makes sense to try and understand why those decisions get made in the first place, and indeed to try and discover whether more acceptable business decisions and approaches can be developed.[8] Certainly then, the revelations of corporate malpractice should not be interpreted to mean that thinking about ethics in business situations is entirely redundant. After all many everyday business activities require the maintenance of basic ethical standards, such as honesty, trustworthiness, and co-operation (Collins 1994; Watson 1994). Business activity would be impossible if corporate directors always lied; if buyers and sellers never trusted each other; or if employees refused to ever help each other. Similarly, it would be wrong to infer that scandals involving corporate wrongdoing mean that the subject of business ethics was in some way naïve or idealistic. Indeed, on the contrary, it can be argued that the subject of business ethics primarily exists in order to provide us with some answers as to why certain decisions should be evaluated as ethical or unethical, or right or wrong. Without systematic study, how are we able to offer anything more than vague options or hunches about whether particular business activities are acceptable?[9]

To Conclude

As a part of reform process, government of India has initiated number of legislative reforms and radical changes in the area of corporate laws and governance. Many new and unheard concepts have been introduced in the corporate laws and many are in the pipeline. The process of reforming the company laws is still on and the Indian industry is eagerly waiting for Company Bill, 2009 to be passed by both the houses of Parliament. If India can continue to reform and invest in its future, then sky is the limit. The future is bright and the pro-reform policy of present government shall definitely give results. The Twenty-First century presents a vastly different economic and social environment for Indian corporate sector.

References/End Note

1 Justice V. Bala Krishna Eradi (retired Supreme Court Judge) Committee constituted by the Central Government recommended setting up of the National Company Law Tribunal (NCLT).

2 The amendment is based on the recommendations of Dr.Y.K.Alagh Committee, which was constituted in 1999 to frame legislation to enable incorporation of manufacturing cooperatives as companies or converting the existing cooperatives into companies.

3 "Significance influence" means control of at least twenty-six per cent of total voting power, or of business decisions under an agreement.

4 R S Loona, Managing Partner, Alliance Corp Lawyers, Economic Times (New Delhi), January 6, 2010, editorial page

5 A whistleblower is defined as someone who exposes wrong doing, fraud, corruption or mismanagement. He is typically a company insider who tips off the management about actual or suspected fraud or violation of the company's code of conduct.

6 http://www.caclubindia.com/articles/the-new-features-of-the-companies-bill-2009-9356.asp

7 Ibid

8 Andrew Crane, Dirk Matten 2010, Business Ethics, Oxford University Press, P 1-18

9 Ibid

Articleship Training Helps the CA Students to Excel in career

CA Kirti Agrawal

In the present era of cut-throat competition in almost all spheres of life, it is imperative for every professional to be a true professional in their respective areas of profession. According to Wikipedia, a professional is a person who is paid to undertake a specialized set of tasks and orchestrate them with uncommon skill. In other words, a professional is an expert who is master in a specific field. Professionalism is measured on the basis of how one does his work and not on what work, he did. The Chartered Accountancy curriculum provides with the unique opportunity to the future professionals to undergo three years of practical training while they write the examinations to conquer the CA certification.

Theoretical knowledge or practical knowledge alone cannot make you a perfect professional. Both theoretical and practical should go in tandem to acquire the qualities and intellectual skills of the profession. As swimming cannot be learnt by just reading a book on how to swim , one has to practically jump into the water to learn , likewise just writing examinations will fail you in application of the theory in practice unless you have done the application practically.

Practice makes one perfect. Practical training inculcates a disciplined attitude for hard work and develops necessary skills for the application of theoretical knowledge to practical situations. One of the important calibers, which is inculcated in the CAs during their training days, is the effective utilization of limited time, required to be allocated between their work and study in an effective manner so that best results could be gained for the time utilized. Thus, it provides the exposure of practical application of basic principle of Economics, which further helps them during their whole life.

No one can restrain oneself from social responsibilities for their overall development as a good citizen as well as to serve the society as a professional. Practical training provides exposure to overall socio economic environment in which the clientele and the client operates. This takes you to the various everyday aspects, deals, transactions one has to enter with to fulfill the cause of work. Being into the place of work, makes you aware of all the situations and contingencies, and suggests the ways of taking decisions and the manner of reactions in unexpected situations. Thus, this helps in developing communication skills and articulate effectively with the client and society.

Now, one may wonder how one can successfully overcome the burden of training along with theoretical studies. One has to attend the classroom training, and attend other compulsory academicals degree college, and the most of the day 7 long hours of training .It seems just not possible. But, again, one has to give a deep thought on the course structure designed by the Institute which says theory alone cannot make you a professional.

Friends, even I had experienced the same feeling while I was pursuing my CA course. I often used to discuss with my father, that I do not find sufficient time to prepare for the examinations after leaving my golden opportunity of being a doctor. Now just imagine the hurdles placed before, starting from the very basics I needed to go through the every page of the study module trying hard to get through the concept of the topic. No facility for classroom teaching locally, decided not to move to other place, total reliability on self-preparation with the belief, "***Yes I Can***". But my father, same as my employer always forced me to attend my training to the fullest, with the belief saying you are going to pursue and learn the things which you won't be able to read in books. Training is the platform where you can apply your theoretical skill in practical application.

And believe me friends, as I started taking keen interest in the assignment given in office, my treasure of knowledge started growing. To say, with any new assignment given, my employer referred the topic from the study module and guided how to prepare for the job. Devoting ample time in going through the topic with doubts in mind, I used to start the work, but to my surprise as I progressed the work most of the doubts used to be clarified either vouching or by the

(The author is a member of the Institute. Mem.No. 111460)

employer. This helped in preparing for new assignments till the time I successfully completed my training.

And today what I see is a negative attitude amongst the students with regard to training. This attitude is creating gap between the writing of the examinations and getting success. And then cursing the luck and blaming the paper setters and evaluators for being so tough through out.

In my opinion now a days with changed scenario and highly technical environment in offices , one can explore ample opportunities in learning the varied topics of interest as the time needed to finish up the particular task is reduced due to use of software's and various other devices used by the client . Thus, the more the enthusiasm to learn different things, the more one can learn. It is just a matter of good relation with the employer, behavior with the client , discipline at the work place, sincerity to finish the work in the allotted time period, following of guidelines set up for the work .

As you serve, serve as if you are the responsible service provider. Then feel the excitement of going to the office for the training and learning the practical with the motive of being a true and perfect professional.

The future is literally in our hands to mold, as we like. But we cannot wait until tomorrow. Tomorrow is now….So never miss an opportunity to learn.

National Convention for CA Students - Faridabad
17TH and 18th December, 2011
Venue: ICAI Bhawan, 43, Sector-20A, Faridabad
Organized by: BOARD OF STUDIES, ICAI
Hosted by : Faridabad Branch of NIRC of ICAI
Theme: "CA Profession: Enduring the Passion"

Programme Details

Time	Particulars
	DAY 1: 17-12- 2011
8:00 am - 9:00 am	**Registration**
9.30 AM -11. am	**INAUGURAL SESSION**
11:00am - 1:00 pm	Technical Session-I: **Accounting & Auditing: Challenges and Opportunities** • Auditing in IT environment , Convergence with accounting standards, Auditing Standards
2:00 pm -3:45 pm	• Technical Session-II: Expectation of Corporate World from newly qualified CAs • CSR, Auditor Responsibility in era of Corporate Fraud
3:45 pm -5:30 pm	Technical Session III: **Indirect Tax** • Point of Taxation, CENVAT Credit
5.30 pm - 09.30 pm	Cultural Evening
	DAY 2: 18-12-2011
9:00 am- 11:00 am	Technical Session-IV: **Direct Tax** • TDS ,Direct Tax Code
11:00am - 1:00 pm	Technical Session V: **Motivational Speech** • Essay Writing and Quiz Contest
2:00 pm -4:00 pm	• **Technical Session-VI:** • **Communication and Presentation skills**
4 pm	**Valedictory/ interaction session**

Registration Fees: Rs 300/- after 01st Nov. 2011. For Registration and Queries Pl. contact: +91 129 2223 343/ 4018 598 +91 97115 88123. Paper Presenter send their Papers on info@fbdicai.org by 30th November 2011 Visit us at www.fbdicai.org For further detail Pl. visit institute website www.icai.org

Accounting

Companies (Filing of documents and forms in Extensible Business Reporting Language) Rules, 2011

In exercise of the powers conferred by sub-section (1) of section 642 read with section 610B of the Companies Act, 1956 (1 of 1956), the Central Government vide Notification No. G.S.R. (E) dated 5th October, 2011 issued Companies (Filing of documents and forms in Extensible Business Reporting Language) Rules, 2011 which have come into force with effect from the 6th October, 2011.

As per the Rules, the following class of companies have to file their Balance Sheet, Profit and Loss Account and other documents as required under section 220 of the Companies Act, 1956 with the Registrar using the Extensible Business Reporting Language (XBRL) taxonomy given in Annexure enclosed to the rules for the financial year ending on or after 31st March, 2011 with e-Form no. 23AC-XBRL and 23ACA-XBRL specified under the Companies (Central Government) General Rules and Forms, 1956, namely:

(i) All Companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or

(ii) All Companies having paid up capital of rupees five crore or above; or

(iii) All companies having turnover of rupees hundred crore or above.

Provided that the companies in Banking, Insurance, Power Sectors and Non-Banking Financial companies are exempted for Extensible Business Reporting Language (XBRL) filing for the financial year 2010-11.

(Compiled by CA. Shilpa Agrawal, BoS)

Auditing

Announcement - Definition of Relative in Chapter-IV of the Council General Guidelines, 2008

The Council of the Institute of Chartered Accountants of India, in terms of the decision taken at the 299th meeting held in October, 2010 has decided that the term "relative" for the purpose of Chapter-IV of Council General Guidelines, 2008 (Opinion on Financial Statements when there is substantial interest) will have the same meaning as assigned to it in AS-18.

Accordingly, the Chapter IV of the Council General Guidelines, 2008 as appended to the ICAI publication titled "The Chartered Accountants Act, 1949 " is modified and modified version shall read as under -

"Chapter IV:

Opinion on financial statements when there is substantial interest

4.0 A member of the Institute shall not express his opinion on financial statements of any business or enterprise in which one or more persons who are his "relatives" within the meaning of Accounting Standard (AS - 18) has / have, either by themselves or in conjunction with such member, a substantial interest in the said business or enterprise.

Explanation: For this purpose and for the purpose of compliance of Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949, the expression "substantial interest" shall have the same meaning as is assigned thereto under Appendix (9) to the Chartered Accountants Regulations, 1988. "

This decision shall be in force with effect from 28th June, 2011

For more details refer http://www.icai.org/new_post.html?post_id=7494&c_id=219

(Compiled by CA. Karuna Bhansali, BoS)

Readership Survey

As part of our continuous efforts to improve upon the content and quality of The Chartered Accountant Student, we will be glad to know our readers' experiences and expectations from us through an online readership survey. All readers are requested to take part in this survey and make this process effective, so that the Journal could be improved accordingly. The Readership Survey form will be hosted in the Institute Website: www.icai.org shortly.

Steve Paul Jobs
A Tech man who made the world Compact

"No one wants to die. Even people who want to go to heaven don't want to die to get there.........Yet death is the destination we all share..........Death is very likely the single biggest invention of life. It's life's change agent. It clears out the old to make way for the new".

STEVE JOBS | 1955-2011

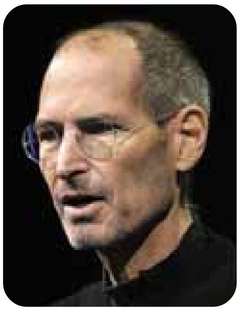
An era in technology came to end on October 5th, 2011 when Apple founder and former CEO Steve Jobs passed away. His demise caused an outpouring of grief that went beyond tech circles. He brought joy to the world by simplifying computers and phones, following an enervating eight-year battle with pancreatic cancer. No one was really surprised by the turnout, both in cyberspace and in the real world. Jobs had, after all, transformed entire product segments, and with it our lives, with his breakthrough innovations. He might not always have been the first one to get a particular idea, but he ensured that Apple's implementation was unmatched, with a sharp focus on design and user experience.

Early Days........

Steve Paul Jobs was born on 24 February 1955 in San Francisco, California, to students Abdulfattah Jandali and Joanne Schieble who were unmarried at the time and gave him up for adoption. He was taken in by a working class Armenian couple, Paul and Clara Jobs when he was five years old, and grew up with them in Mountain View, California. He attended Homestead High School in Cupertino, California and went to Reed College in Portland Oregon in 1972 but dropped out after only one semester, staying on to "drop in" on courses that interested him. Steve Jobs had a deep-seated interest in technology, so he took a job with video game manufacturer Atari to raise enough money for a trip to India in the search of enlightenment and returned from there a Buddhist. Back in Cupertino he returned to Atari where his old friend Steve Wozniak was building his own computer. In 1976 Jobs pre-sold 50 of the as-yet unmade computers to a local store and managed to buy the components on credit solely on the strength of the order, enabling them to build the Apple I without any funding at all.

Beginning of Apple Inc.......

While Steve Jobs had been away in India, his Greek friend Wozniak had been hired by HP. It was his dream job. However, in his spare time, he had cultivated his interest in designing computer circuits, and had joined a computer hobbyists association called the Homebrew computer club. Wozniak showed his computer design to his friend Steve Jobs. After seeing, Steve was impressed and could see there was a demand for having a computer to write software for- a computer for software hobbyist. They showed it to the homebrew members in March, 1976 but the response was not that enthusiastic. So they decided to sell it in open market. This was the start of Apple computer.



Apple I was the first computer, released by Apple Inc. on 1st April, 1976. Subsequently, in 1977, Jobs and Wozniak came up with newly featured computer Apple II to overcome the problems coming in Apple I computer. Apple II was the first successful PCs designed for mass market. In 1983, Apple began working on a commercial application for the graphical interface. The resulting machine, Lisa, was developed for commercial use with a graphical interface and a cursor controlled by a mouse. After Lisa came out in January, 1983, the whole Lisa group joined Steve and his team to get Macintosh ready for the market in 1984. In 1985 Jobs was fired from Apple by the board of directors, and immediately he founded another computer company, NeXT, a computer platform development company specializing in the higher-education and business markets. In the meantime, in 1986, Jobs bought The Computer Graphics Group from Lucasfilm. The group was responsible for making high-end computer graphics hardware but under its new name, Pixar, it began to produce innovative computer animations. In 1996 Apple bought NeXT and Jobs returned to Apple, becoming its CEO. He declared Apple's new invention i.e. iMac - a computer that blended the monitor with the CPU in one unit. Apple began creating software for the growing market of personal digital devices. Thus, the company decided to build a portable device called iPod in 2001.

In 2003 Apple came up with the idea to launch a digital store known as iTunes Store where people could buy different audio and video tracks of various companies at one place without any hassle. In the same year, Jobs was diagnosed with pancreatic cancer and underwent surgery in 2004. Despite the success of the surgery he became increasingly ill and received a liver transplant in 2009. On January 9, 2007 Apple introduced iPhone, combining three products-a revolutionary mobile phone, a widescreen iPod with touch controls, and a breakthrough Internet communications device with desktop-class email, web browsing, searching and maps-into one small and lightweight handheld device.

"iPhone is a revolutionary and magical product that is literally five years ahead of any other mobile phone," said Steve Jobs, Apple's CEO. "We are all born with the ultimate pointing device-our fingers-and iPhone uses them to create the most revolutionary user interface since the mouse."

The last gadget from Steve Jobs is the iPad launched in 2010, built on the platform of the iPhone and the iPod touch, bringing the same smooth and intuitive interface to a larger display. Jobs called it the "third screen" which would fit somewhere between notebooks and desktops. It is a revolutionary device for browsing the web, reading and sending email, enjoying photos, watching videos, listening to music, playing games, reading e-books and much more.

End of an Artist, Role Model, Great Innovator and Life-changer………

After receiving liver transplant in 2009, he returned to work after a six month break but eventually resigned his position as CEO in August 2011 after another period of medical leave which began in January 2011. He died on October 5th, 2011.

In a statement, the US president, Mr. Barak Obama, described Jobs as one of "the greatest of American innovators" who exemplified the country's ingenuity. "There may be no greater tribute to Steve's success than the fact that much of the world learned of his passing on a device he invented."

In his another statement, the US president, Mr. Barak Obama, described that "Jobs had transformed our lives, redefined entire industries, and achieved one of the rarest feats in human history: he changed the way each of us sees the world…By making computers personal and putting the Internet in our pockets, he made the information revolution not only accessible, but intuitive and fun."

Apple's new CEO, Mr. Tim Cook expressed his tribute by saying that "Apple has lost a visionary and creative genius, and the world has lost an amazing human being. Steve leaves behind a company that only he could have built, and his sprint will forever be the foundation of Apple.

And Finally………

The outpouring of grief after Steve Jobs' death has been truly remarkable. Jobs touched something deep and resonant in us and his passing has created a void for millions that they experience in a personal way. The influence of Steve Jobs has something to do the global power of brands and products, but in the end it has much more to do with what he managed to bring with his singularly compelling vision. The idea of technology that transforms our lives, the sense of wonder evoked by the new and the ability of human effort to result in a kind of beauty that only nature was deemed capable of producing. And all this brought to us in the form of ubiquitous gadget, an ordinary part of our everyday lives.

It can be said with impunity now - Steve Jobs was one of the greatest men alive in our lifetime. He was a veritable God of Technology. His greatest strength seems to have been a deep-rooted belief in himself and his vision for the future. For he believed in arriving before anyone else had even planned the journey, in giving people what they desired, but what they did not yet know they desired. In that sense his life was a race against time, an attempt to pre-empt the future and arrive along with it. When he was given just a few weeks to live with pancreatic cancer, he still managed to hoodwink destiny for another eight years, during which he gave us the iPhone and the iPad! And then, as was bound to happen, one day destiny and time caught up with him.

Steve's life was dedicated to the purpose he believed he had to fulfil. In his word, "Having a higher purpose does not just help you find success. It redefines the meaning of the word." There will always be interesting twists and turns, regrets and failures. What is important is that you maintain faith. As he said in his Stanford Commencement address 2005, "You have to trust in something - your gut, destiny, life, karma, whatever. This approach… has made all the difference in my life."

"***Have the courage to follow your heart and intuition. They somehow already know what you truly want to become…..***"

The Place where we can transform....!!

The participants of the 7th batch of GMCS Residential Programme at the Centre of Excellence, Hyderabad with CA J. Venkateswarlu, Central Council Member and Shri Vijay Kapur, Director, Board of Studies

SAPPHIRE. Yes that's what we called ourselves here at Center of Excellence, Hyderabad. We 31 Chartered Accountants entered COE campus with the aim of transforming ourselves in all walks of life. The passion was evident in all of us from the very first day. Even after completing C.A., we knew we were missing something, and that something, we realized here during our training at COE.

COE is the best platform created by ICAI, to groom the students into professionals and make them ready to face the challenges in the professional world. All the sessions conducted here were based on experiential learning concept and most of the faculties on offer were world class. We learnt and experienced many concepts important for professionals through group activities and management games.

We entered here as individuals and now when we are going back, we are a family. This was only possible due to various team building and group activities, in which we got to know about each other's inside out.

We also discovered the leaders in us, while attending the sessions on leadership. Also worth mentioning are the sessions on communication and listening Skills as these ultimately improved our public speaking skills. We saw even the most pessimist students emerge as enthusiastic speakers.

Technical sessions introduced us to new concepts like XBRL, FEMA and NRI investments. Sessions on interaction with Government Officials and Mock Tribunals - ITAT were also very fruitful. All these sessions were conducted very interactively by making us work in groups and in this process we learned a lot about them.

We also had a few rounds of group discussions and mock interviews with individual assessments which were made by the experienced faculty. This helped us fine tune certain aspects after which we can proudly say, we can face any interview panel confidently now and give ourselves a more than reasonable chance of being selected.

There was also a point of time where we all were confused about whether to practice as a C.A or get into the job. All the doubts were very well dealt with in the sessions conducted to make us understand the future demands and skill sets required for both. We also dealt with the issues of setting up a new practice and billing arrangements. And at the end of the day most of us were clear and confident about the next future step.

Since all of us had visited Hyderabad for the first time, we were very enthusiastic about visiting the city. And hence during our limited holidays we visited the Snow World, Birla Temple, Hussain Sagar Lake, Ramoji Film City and at last Golconda Fort. All these trips taken together by all the 31 of us fostered good relations amongst all of us and exposed the child hidden inside us. These trips made us come together since all the trips were mutually planned and each one of us had a role to play.

Last to come were the sessions which made us work day and night and prepare thoroughly. We were not only preparing for ourselves but were also helping each other out so as to expose the best out of every one of us. The sessions like Devil's Advocate and JAM made us speak out from our heart. And we were all surprised with the way we participated. Each participant made such an impact to the group that we were all surprised and couldn't resist ourselves getting up from the chair, cheering up and celebrating the success of others.

The sessions were planned out in such a way that the excitement kept building up till the 28th day and each day had something new and exciting to offer us. The campus has a well equipped Gym and few indoor games like table tennis and caroms to keep us busy in our free time. We also had wonderful self regulated discussions on various burning issues in the current world scenario at the evenings after class and these sessions were very informative. The games we used to play after these also were sources of immense fun and excitement to all of us.

At last the training came to an end, we couldn't believe that 28 days are all over. The entire COE campus was emotional, students were crying and nobody really wanted to leave the campus. And as the evening passed, students started leaving for their respective destinations. The rest of us didn't sleep the whole night as we wanted to spend as much as time possible with each other. And by the end of the day, COE looked deserted.

This is the place where we transformed ourselves, we committed mistakes and learnt from those mistakes, we made lifelong friends, we enjoyed, we got to understand different types of individuals and overall, we had the time of our life and made this training a part of our memories to be never forgotten.

THIS WAS THE BEST PART OF OUR C.A LIFE.

(Jointly contributed by the participants of the 7th batch)

National Convention for CA Students-Chennai
Monday, 12th and Tuesday, 13th December, 2011
Venue: Kamaraj Arangam, 492, Anna Salai, Teynampet, Chennai - 600006
Organized by: BOARD OF STUDIES, ICAI
Hosted by : Chennai Branch of SIRC of ICAI
Theme: "Inspiring Excellence"

Programme Details

Time	Particulars
	DAY 1: Monday, 12-12- 2011
8.30 AM - 9.30 AM	**Registration**
9.30 AM -11.30 AM	**INAUGURAL SESSION** CA. G. Ramaswamy, President, ICAI CA. Jaydeep Narendra Shah, Vice-President,ICAI CA. V. Murali, Chairman, Board of Studies, ICAI
12.15 pm - 1.15 pm	Technical Session-I: **Accounting & Auditing** Revised Schedule VI Convergence of IFRS vis-à-vis Ind-AS Forensic Audit - Recent Developments
3.00 pm - 4.00 pm	Technical Session-II: **Corporate Laws** Companies Bill, 2009 Role of CA's in Corporate Governance Merger & Acquisitions
7.00 pm - 9.00 pm	Cultural Programme
	DAY 2: Tuesday, 13-12-2011
11.00 am - 12.30 pm	Technical Session-III: **Taxation** Taxation of Capital Gains Tax Audit u/s 44 AB including Presumptive Tax Audits Survey, Search and Seizure under the Income-tax Act, 1961
2.15 pm - 3.30 pm	Technical Session-IV: **Emerging Areas** LLP's - An elucidation XBRL - Concept & Recent developments Derivative Instruments - A threadbare analysis
3.30 pm - 5.00 pm	Valedictory Session Distribution of Certificates Votes of Thanks

There will be four Special Sessions apart from Technical Sessions

Registration Fee: Rs 300 per student by demand draft in favour of "The Institute of Chartered Accountants of India" payable at Chennai and to be sent before 5th December, 2011 at Board of Studies Section, The Institute of Chartered Accountants of India, ICAI Bhawan, 122, Mahatma Gandhi Road, Post Box No.3314, Nungambakkam, CHENNAI-600 034.

Students are also invited to contribute Paper for Presentation (1500-2000 words) for various Technical Sessions and submit for approval a soft copy of the Paper at srobos@icai.in by 20th November, 2011 and a hard copy of the same along with student's Photograph (with his/her name on the back of the photograph), Registration Number, Course of Study, Complete Postal Address, Mobile Number, Landline Number and Email ID be also sent at Board of Studies Section, ICAI, Chennai. The students whose papers are selected for the Convention shall be exempted from paying registration fees and the outstation students shall also be reimbursed actual traveling expenses equivalent to 2-tier AC and DA @ 1500 per day for lodging, etc.

Students who are interested to participate in the Cultural Programme are requested to register before 20th November, 2011 at Board of Studies Section, ICAI, Chennai.

For further details,contact details: Tel: 044-30210310, 311, 312 and 325 Email: srobos@icai.in, vijayaragavan@icai.in, website: icai.org

National Convention for CA Students   Mumbai
Thursday, 24th November, 2011 & Friday, 25th November, 2011
Venue: Yogi Sabhagraha, Swami Narayan Temple, Dadar (E)
Organized by: BOARD OF STUDIES, ICAI
Hosted by : WIRC and WICASA of ICAI

Theme: "Breaking the Habit"

Registration fee: Rs. 500/-
Time : 9.00 a.m. to 6.00 p.m.
Registration : 8.30 am- 9.00 am

TOPICS

DEVELOP THE KNOWN (TECHNICAL SESSION)

- Present out of box direct tax solution with workable model
- How to maximize input tax credit with practical examples
- 360 degree approach to auditing
- How to analyse financial statements from competitors, investors or management perspective (at least two)

SHOW SOMETHING NEW (SPECIAL SESSION)

- Business Continuity Planning & Disaster Recovery Planning in BPO, travel and tourism and IT sector
- Forensic Investigation from a Cyber Crime perspective

THINK DIFFERENT TO DO DIFFERENT (MOCK SEESION)

- Revival strategy - Kingfisher/Air india
- Business restructuring for value creation with case studies and practical examples

LOOK BEYOND (TECHNICAL SESSION)

- Future of XBRL
- Impact of introduction of CFC Regulations in Direct Tax Code
- Changing role of Independent Directors under Companies Bill, 2011
- Future of LLP Format

BE VERSATILE (SPECIAL SESSION)
BE THE CHANGE TO BRING THE CHANGE (SPECIAL SESSION)

GO OUT OF ELEMENTS (MOCK SESSION)

For Seminar inquiry and registration contact Mr. Vijay /Ms Pallavi on 39802923/2922

To Register Online for event visit http://wirc-icai.org/onlineevents.aspx

National Convention for CA Students- Bhubaneswar
Date: 15th & 16th December, 2011
Organized by : BOARD OF STUDIES, ICAI
Hosted by : Bhubaneswar Branch of EIRC of ICAI

Theme: "Today's Reader - Tomorrow's Leader"

Registration Fees: Rs. 300/-
For Registration and other details, Students can contact

Bhubaneswar Branch of EIRC of ICAI
ICAI Bhawan,
A-122/1 Nayapalli,
Bhubaneswar - 751 012
Orissa.
Telephone: 0674- 2392391,0674- 2390773

Website: www. icai.org / branch website: http://www.bbsricai.org/

Chief Guest Hon'ble . Dr.Justice AR.Lakshman, Guest of Honour Hon'ble Mrs.Justice Chitra Venkataraman & CA.G.Ramaswamy President, ICAI at the Convocation at Chennai

CA. G. Ramaswamy, President, ICAI and CA. Jaydeep N. Shah, Vice President, ICAI alongwith Hon'ble Minister of Corporate Affairs Shri Veerappa Moily at the inaguration of IT training lab of Dubai Chapter of ICAI on 1st October 2011

Chairman BOS addressing students at the 6 Weeks Residential Course of GMCS at Cente of Excellence, Hyderabad

Articles Invited for Students' Journal

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

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

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

1. A formal and signed undertaking in the form of a letter stating that the article is original in all respects and does not infringe any copyright and has not been published elsewhere or has been sent for publication.
2. A latest passport size colour photograph (with full name and registration number written on the back of the photograph).
3. A soft copy of the article with complete communication and E- mail address. Articles received without the details/ enclosures specified above will not be considered.

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

RNI No. 66180/97

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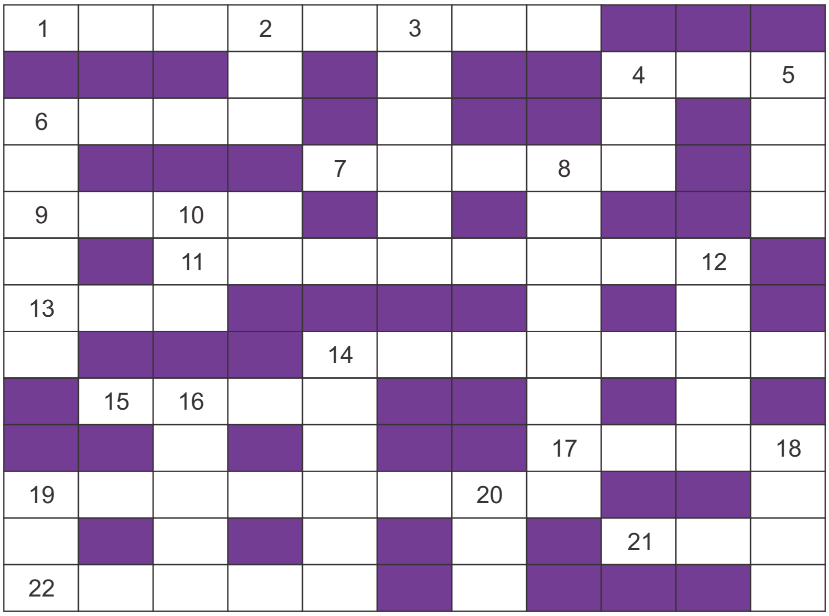
POSTED AT N.D.P.S.O. ON 26th, 27th and 28th OCTOBER, 2011

CROSSWORD



Across

1. An _______ confirmation represents audit evidence obtained by the auditor from a third party.
4. An autonomous organization set up in 1931 to solve the short run balance of payments problems faced by countries.
6. Which protocol is used to transfer mails between computers on the Internet?
7. Doctrine of Caveat Emptor means let the _______ beware.
9. Gross Domestic Product minus depreciation is _______ Domestic Product.
11. Under the Indian Contract Act, 1872, an agreement to pay money or money's worth on the happening or non-happening of a specified uncertain event is a _______ agreement.
13. A brand name in toys.
14. Under the Companies Act, 1956, the statutory gap between two Annual General Meetings can be up to a period of _______ months.
15. Clause 4(i) (b) of _______ 2003 requires the auditor to comment whether the fixed assets of the company have been physically verified by the management at reasonable interval.
17. _______ of the companies can allot shares unless minimum subscription is received from the public.
19. _______ means keeping price very high.
21. The _______ Act confers right to the citizens to know as to how the taxpayers' money is being spent by the Government.
22. Account for trading shares online.

Down

2. An ______ is an integrated software package that manages the business process across the entire enterprises.
3. According to Adam Smith, Economics is an enquiry into the ______ and causes of the wealth of the nations.
4. A tool used in capital budgeting to measure and compare the profitability of investments.
5. ______ replaced FERA in India.
6. An auditor may face the situation of incomplete records when records are kept on ______ entry basis.
8. Goods which are in existence at the time of the Contract of Sale are known as ______ goods.
10. Monochrome monitors can display ______ colors.
12. Under MCA 21 systems, filing of Returns on-line are known as ______ initiatives.
14. Revised Schedule VI has prescribed the ______ for Statement of Profit and Loss which was not there in the old Schedule VI.
16. An ______ is a logical statement that is assumed to be true.
18. Revenue-Operating expenses (OPEX) + Non-operating income is equal to ______.
19. Unhappy
20. Section 25 of the Companies Act, deals with ______.

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