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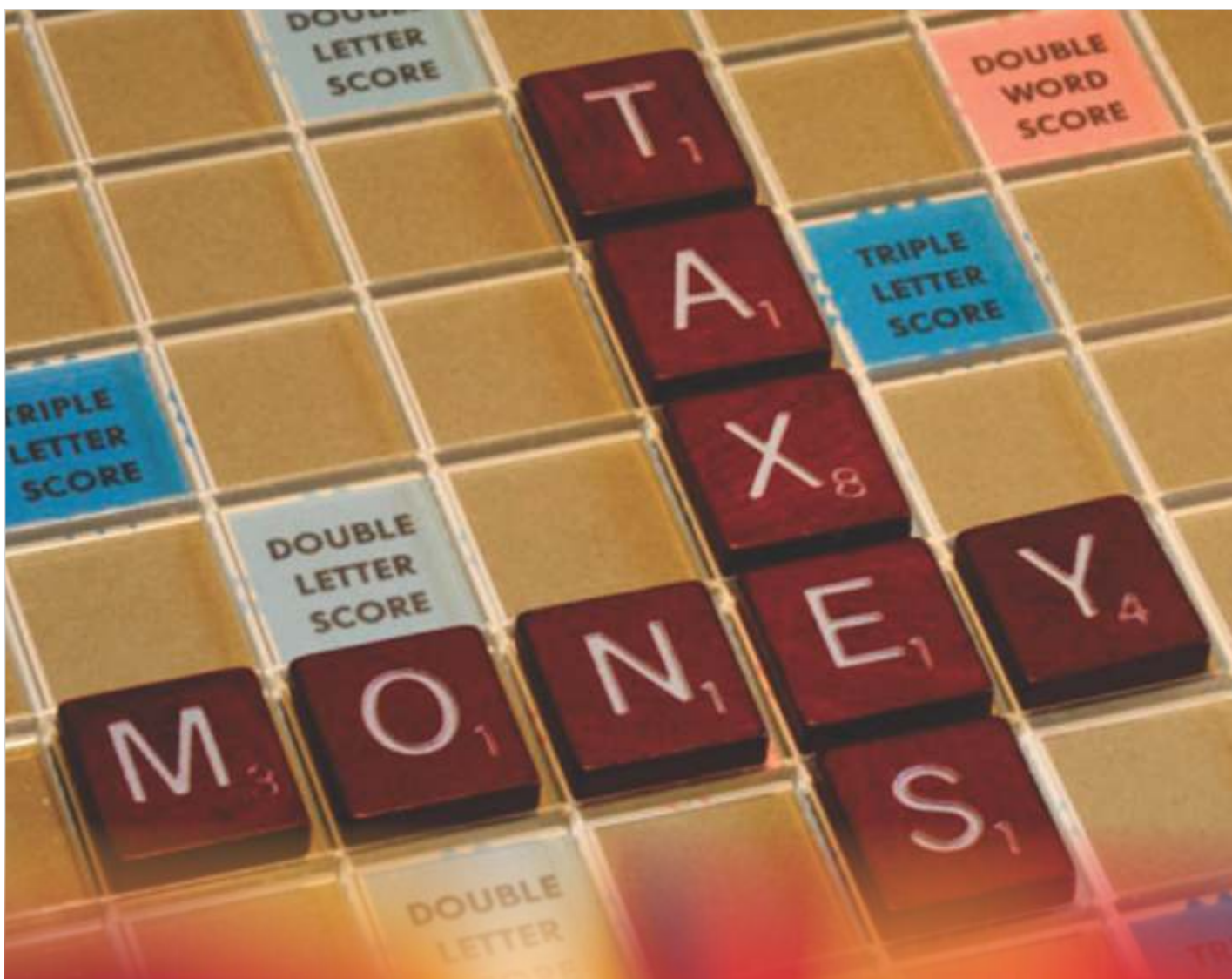
The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

STUDENTS' JOURNAL

February 2012 Vol SJ3 Issue 2

Pages 36



- **Income from House Property under DTC Bill -2010**
- **Insider Trading**
- **Spreading & Swapping Credit Default**



President's Communication

Dear Students,

The time has come when I have to say adieu to you as the President of this august Institute. I must admit that I have enjoyed my tenure as President and appreciate having

the opportunity to work with and for the members and students of the Institute.

After I assumed charge as President of the Institute, I shared with you some of my thoughts through this medium, relating to the CA course in general and the Board of Studies in particular. As I lay down my office as President of the Institute, I am very happy to note that the "Chartered Accountant Student" has established itself as a normal mode of communication between the Institute and the students. I am sure that the Students' Journal is now meeting your expectations in terms of the matters, which you wish to know from the Institute. Even though I will miss the relationships I have enjoyed with you, it is now time for me to move on.

Results of CA final and CPT courses were declared recently. I am happy to note that nearly 16 per cent of the students cleared both the Groups of Final and 26 per cent and 28 per cent passed Group I and Group II respectively. I would like to congratulate all the students who have achieved success in their November 2011 Examinations and my heart goes out for those who could not achieve success this time. Years ago, I was also a student of the CA course. Because of that, I always empathize with CA students. I can well understand their problems, their anxiety, the hope in their eyes about the future and the enthusiasm to take on the challenges of the world. This feeling makes the student life unique, and worth remembering in the whole life. Don't lose hope if you are not able to meet success this time. Try to analyse what went wrong. Start afresh with greater vigor; I am sure in the next attempt you will be able to get through.

Students are always on top of my priority list; hence, I put a lot of thrust on the overall development of our students. I am very happy that in the previous year, the Board of Studies not only successfully organized a record number of National Conventions for our students, it also organized Youth Festivals and Sports Competitions at various places. The All India Elocution and Quiz contest recently held in Chennai was another event, which brought the best out of the students. The Four Week Residential Programme on Professional Skills Development at the ICAI Centre of Excellence, Hyderabad has generated more enthusiasm among the students and the new concept and format of this programme has proved highly beneficial to them.

While I pen down this message, I feel some sort of happiness as I could fulfill the promises I made in the vision statement. The strengthening of academic activities of the Institute was top in my mind. As you know that our Institute plays a vital role in providing the best of infrastructure, learning facilities and technical skills in all the areas of Accounting Profession as it is being regarded as a very prominent and worthy profession in the society. I fully believe that during my tenure as President of the Institute, I have tried my best to provide ample and equal opportunities to explore your horizons in the right perspective. With a view to popularize the Commerce education, the Institute successfully organized a Global Commerce Education Summit towards the end of last year. We have also participated in the Education Boutiques held in Jaipur and New Delhi. Best efforts were also made to motivate the students to join for professional courses like ours. A number of Career Counseling Programmes and Joint Seminars with Universities were organized in different parts of the country to popularize the importance of CA qualification as a career option. Organising Special Counseling Programmes for IPC/PCC and Final students for those who had not been able to pass the CA. Examination despite repeated attempts was another feather in Institute's cap. The relaxation of entry requirements for the CA course was another vital step the Institute has taken to enroll maximum number of students for the CA course.

The launching of ICAI- Indian University Joint Education Programme was another noted achievement during my tenure as President. With a view to provide opportunity to members and students to enhance their knowledge and skills by pursuing graduate and post graduate courses, the Institute formalized an MoU with the University of Madras. The extension of Library facilities for our students and the launching of WEB TV were another important milestones during my tenure in office. Another important accomplishment during my tenure was successful organising of Faculty Development Programme at Hyderabad early this year. The programme was conducted for faculty members who taught CPT students. The emphasis of the programme was on teaching skills, methodology of teaching etc. so that faculty members, after having undergone the programme, would be able to impart coaching in a better and methodical manner. Its success has encouraged us to hold such programmes for IPCC and Final levels also.

I must congratulate the Board of Studies for making all the possible efforts to make these projects into realities.

Wishing you all the best for a wonderful time ahead

Yours sincerely

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

Attach yourself to your passion, but not to your pain. Adversity is your best friend on the path to success."



Vice-President's Communication

Dear Students,

At the outset, I wish to convey my heartiest congratulations to all the students who have come out with flying colours in the November 2011,

examinations. I am happy that nearly 16 per cent of the students cleared both the Groups of Final and 26 per cent and 28 per cent passed Group I and Group II respectively. I sincerely believe that your constant and dedicated efforts have rewarded you in a greater way and helped you all to bring glory and add one more feather in your cap. In this context, I would like to advice you that never consider this success as the end rather take this as just a beginning of your long lasting and rewarding professional career.

Success and acknowledging the same builds the momentum that you have to maintain throughout your professional career. Do not get carried away with the intense joy of success and fame. Keep going at a rate that defines your success and keep the momentum going stronger. For those who have not succeeded this time, it is the right time for a self introspection and regroup thought process. Dream big, work hard on your weak areas and hone your strong points, then you will be able to write your success story in golden letters. I am sure that through your unflinching efforts, you will be able to achieve success in all your endeavours. The Board of Studies also organizes Special Counselling Sessions for students. It has also published booklets on "How to prepare for CA Examinations" for all levels. Do attend these sessions and consult these booklets and get benefitted.

In my opinion, to improve performance of students in examination they should have practical approach in solving problems. This is the biggest factor in achieving success. I consider that the non-serious attitude towards the articleship training can lead to being unsuccessful. I urge you all to take both your articleship training and studies very seriously. Practical training would immensely benefit the students in their examinations as well as in acquiring practical experience. Since the Chartered accountants work at the highest levels, across all industry sectors, providing valuable financial and business advice, you should have the industry specific skills and experience

and not just academic and theoretical knowledge. You can acquire the required expertise only if you take the practical training period in its all seriousness. Being a chartered accountant is so much more than just 'balancing the books'. Chartered Accountants are respected for their understanding of complex financial information, and trusted for their strategic business advice. The period of your articleship can only provide you such experiences.

I am happy that the last year was quite eventful for the students. The Board of Studies organized a number of events and programmes for the overall development of students. A record number of National Conventions and Seminars were organized and a number of elocution and quiz contests were also held to sharpen academic acumen. Mock test papers and online tests were also conducted so as to enable students to face the actual examination successfully. Not only this, for overall personality development of the students, a number of sports competitions and youth festivals were also organized. I am sure the skills and experience you are gaining during the course will give you success in the career you have chosen.

The society has increasingly recognized the services of Chartered Accountants in the entire gamut of management consultancy services including management accounting, management information and control system, international finance, information technology and financial services sector. Realizing these factors, now-a-days, more and more students decide to pursue CA as their profession. So, it has become our utmost responsibility to provide them an easy access to the best education possible. Our students need many more skills than just good scorings in their respective examinations to obtain success. It is my belief that we, at the Institute, have always accepted and addressed the winds of change and challenges that come in our path in a positive manner. I hope that your sincere efforts and support will help us to meet the challenges and bring more and more glory to the accounting profession.

Yours sincerely,

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



Chairman's Communication

My Dear Students,

The last twelve months as Chairman, Board of Studies passed like a flash. It was an event filled year for us at the Board of Studies and we have been busy right from the word go. I have been enriched with pleasant memories and kind words which I shall cherish always. I am humbled by

the warmth and affection bestowed on me. It is said **"Kind hearts are the gardens; Kind thoughts are the roots; Kind words are the blossoms and Kind deeds are the fruits."**

POINTS TO PONDER

1. The Golden words of Swami Chinmayananda are relevant to CA Students: **"Don't put the key to your happiness in someone else's pocket. See the opportunity that is hidden in the difficulty. The secret of success in life lies in keeping the head above the storms of the heart. Be a master of all situations. Operate from strength. Be strong, be bold, refuse to be unhappy. One today is worth two tomorrows. So live in the present and utilize it to the fullest."**
2. Learning is a treasure which accompanies its owner everywhere. Live to learn, learn to live and learn from everyone.
3. Adjustment is always better than argument. Similarly a meaningful silence is better than meaningless words.
4. Two things to avoid in life: Comparing with others & expecting from others.
5. When you move your focus from competition to contribution, life becomes a celebration. Never try to defeat people, just try to win them.
6. Time & Tide waits for none. When time never stops for us, then why do we always wait for the right time? No time is wrong to do the right thing.
7. Bill Gates said **"In life and in business if you want to go fast go alone, but if you want to go far go together."**
8. Walk the past, live the present, think the future, be the change.
9. If you do everything with the feeling of happiness, there will be no task too difficult to perform.
10. Ralph Waldo Emerson aptly said **"What lies behind us and what lies before us are small matters compared to what lies within us."**
11. Words are the only weightless things in this world that could actually make you feel heavy. Use them with care.
12. Remember not only to say the right thing at the right time, but to leave unsaid the wrong thing at the tempting moment.
13. Adjustment with the right people is always better than argument with the wrong people.

KUDOS AND CONGRATULATIONS

The CA Final results are out and it gives me immense pleasure to welcome the new entrants. You have passed the Agni Pariksha and can have the coveted letters 'CA' before your name. Take pride and pleasure that you have earned this privilege due to your hard work and toil and I wish your future be a rosy one. A successful person does not quit trying once a goal is reached but sets a new one and keeps going.

TO THOSE WHO HAVE NOT BEEN FORTUNATE TO CLEAR THE CA FINAL EXAMS

Gear yourself to do better. The past is past. Reaffirm your faith in

your capacity to succeed, be convinced that you have the will and determination to persevere, persist and proceed. An average student prays to God "Don't give me problems". But the strong willed student prays to God "Give me the power to face problems." Do not dwell in the past, do not dream of the future but concentrate the mind on the present moment. Mistakes, failures and rejections are a part of progress and growth. Nobody ever achieved anything worth without facing these three things. Sometimes we feel all doors are closed in our life. But, all the closed doors are never locked. They may be just waiting for your knock. Life is very similar to a boxing ring. Defeat is not declared when you fall down. It is declared, when you refuse to get up. Nothing lasts forever; Not even your problems. Stay positive. Imagine yourself as a winner and work with the ideal in mind. Face your past without regret. Handle your present with confidence. Prepare for the future without fear. Keep the faith and drop the fear. Every obstacle is an opportunity to seek the best way possible to do something that seems impossible. Rabindranath Tagore said **"If you cry because the sun has gone out of your life, your tears will prevent you from seeing the stars."**

ENERGISE YOUR LIFE

George Bernard Shaw had this to say about life - **"Life is no brief candle for me. It is a sort of a splendid torch which I have got a hold of for the moment and I want to make it burn as brightly as possible before handing it over to the future generations."** Use & enjoy every moment of life. Don't save it. There is no courtesy desk for us to get a refund on our unused life. Life was sweet and simple when apple and blackberry were just fruits. A person asked life "Why are you so complicated?" Life smiled and said "It is because you never appreciate simple things." You cannot stop troubles from coming towards you but you need not offer them chairs to sit on. Life is not about regretting what you did. It is about regretting what you did not do. All fingers are not same in length but when they bend all stand equal. Life becomes easy when we bend and adjust to all situations. Love is the most important ingredient of success, without it your life echoes emptiness. With it, your life vibrates with warmth and meaning. Pave your way yourself. Set your path and follow it diligently. How the world sees you makes a small difference. How you see yourself makes all the difference. Never procrastinate, never waste time on trifles. Be steady and maintain momentum in your life. Have a unique character like salt. Its presence is not felt but its absence is certainly is. Don't feel bad that people remember you only when they need you. Instead, feel privileged that you are like the candle which comes to mind when there is darkness in their lives.

WRAP UP POINT

We are part of the society we live in. Swami Vivekananda said **"The more we come out and do good to others, the more our hearts will be purified."** Hence, tread the path of compassion, warmth and goodness and you will find the way to your goal is smoother. As Wilfred Grenfell put it **"The service we render to others is really the rent we pay for our room on this earth."**

Always smile and make others smile. A smile is a beautiful curve that sets all the twists in your life smooth. So never let the curve fade. Let it glow on your face forever. Smile will be complete when it begins from your heart, reflects in your eyes and ends with a glow on your face. Wishing you smiling moments all your life.

As I sign off, bidding adieu to you, my heart is heavy and I shall miss the regular and wonderful interaction with you students, but I shall be positive and I look forward to a continued interaction when you become a member of the CA Fraternity.

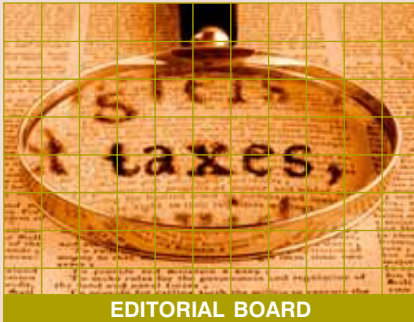
Good bye and Good Luck!

With Warm Professional Regards,

Forever, yours in service,

(CA.V. MURALI)

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The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, Noida-201 309.

Phone : 0120-3045938

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

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

Head Office

The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi - 110 104.
<http://www.icai.org>

Inside

February

2. Message - President
3. Message - Vice President
4. Message - Chairman, Board of Studies
- 6 A Glimpse of the Provisions of Income from House Property under Direct Taxes Code, Bill 2010
- 9 Insider Trading
- 12 Spreading and Swapping Credit Defaults
- 15 World Economic Situation and Prospects-2012
- 19 Academic Updates
- 25 Announcements
- 29 Notification
- 34 Poem

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A Glimpse of the Provisions of Income from House Property under Direct Taxes Code, Bill 2010

CA Megha Saxena

Ages back house property was commonly purchased at the time of old age viz. retirement or in late 50's but nowadays due to easy availability of home loans and the tax incentives, people buy houses at early age. Considering the necessity of an individual to own a house property, the Government provides some relaxation by way of deductions from the taxable income. Due to soft approach of the government on the taxation of the Income from House Property, it has become one of the favorite areas for the tax-planning of principally salaried assessee.

Direct Taxes Code, Bill 2010 (DTC) has made significant changes in this above mentioned head of income. The Bill classifies the total income of the assessee into "Income from ordinary sources" and "Income from special sources". Income from ordinary sources comprises of five heads of income. "Income from house property" is one of such five heads.

This paper is an attempt to summarize the provisions relating to income from house property under the Direct Taxes Code Bill, 2010 and to provide a comparison with the related present provisions under the Income-tax Act, 1961. Certain issues arising out of the proposed provisions have also been flagged in this paper.

Chargeability

Clause 24(1) of the DTC provides that the income from **letting of any house property** owned by any person shall be computed under the head "Income from house property". Further, clause 24(2) provides that the income from any house property shall be computed under this head notwithstanding that the letting, if any, of the property is in the nature of trade, commerce or business.

Under the Income-tax Act, 1961, income from house property is chargeable under section 22 which provides that the annual value of property consisting of any buildings or lands appurtenant thereto of which the **assessee is the owner, other than such portions of such property as he may occupy for the purposes of any business or profession carried on by him**, the profits of which are chargeable to income-tax, shall be chargeable to income-tax under the head "Income from house property".

The chargeability of section 22 itself has undergone drastic change which may raise concerns among the taxpayers.

In effect, under the Income-tax Act 1961, the annual value of any property owned by a person is chargeable under the head "Income from House Property" whereas under the DTC, only income from let out property is chargeable under this head.

As per **sub-clause (3) of Clause 24**, the income from any house property owned by two or more persons having definite and ascertainable shares shall be computed separately for each such person in respect of his share.

Sub-clause (4) of the abovementioned clause provides that in a case where the shares of the owners of the house property referred to in subsection (3) are not definite and ascertainable, such persons shall be assessed as an association of persons in respect of such property.

Non- applicability of the provisions of this section

The provisions of this section shall not apply to the house property, or any portion of the house property,

- which (i) is used by the person as a hospital, hotel, convention centre or cold storage; and(ii) forms part of Special Economic Zone,
- the income from which is computed under the head "income from business"; and
- to a house property which is not ready for use during the financial year.

Expected Concerns

Clause 24 of the DTC is chargeability section which provides that **ONLY** income from letting of any house property owned by any person shall be computed under the head "Income from house property". However, section 22 of the Income-tax Act, 1961 encompasses in its ambit all house properties owned by the assessee whether or not the same is let out.

Computation of income from house property

Clause 25 of the DTC provides that the income from house property shall be the gross rent as reduced by the aggregate amount of the deductions referred to in clause 27.

As per **Clause 26** of the DTC, the gross rent in respect of a house property or any part of the property shall

(The author is Sr. Executive Officer, ICAI)

be the amount of rent received or receivable, directly or indirectly, for the financial year or part thereof, for which such **property is let out**.

Expected Concerns

As per the existing provisions of the Income-tax Act, 1961, House property (other than self-occupied) income is taxed on deemed rent basis, even if not actually let out. Under the Direct Taxes Code Bill, 2010 House property income is taxable only where rent is actually received /receivable.

The determination of notional rent for computing income from house property has been a subject of litigation. Internationally also, in most jurisdictions, income from house property is taxed on the basis of rent from letting out of property. The Direct Taxes Code Bill, 2009 had also proposed that a notional rent would be chargeable to tax at a presumptive rate of 6%. However, concerns were raised by various organizations over this provision. The same was taken care of in the new draft bill introduced in 2010. Consequently, the provisions for taxation of notional rent on house property are proposed to be removed in the Direct Taxes Code Bill, 2010. This removes the hardship of taxation on notional basis on deemed to be let out house properties.

Deductions for the purpose of computation of income from house property

As per sub-clause (1) of **Clause 27 of DTC**, the following deduction shall be available, namely:-(a) the amount of taxes levied by a local authority in respect of such property, to the extent the amount is actually paid by him during the financial year;(b) a sum equal to 20% of the gross rent determined under section 26, towards repair and maintenance of such property;(c) the amount of any interest,-(i) on loan taken for the purposes of acquisition, construction, repair or renovation of the property; or (ii) on loan taken for the purpose of repayment of the loan referred to in sub-clause (i);

Sub-clause(2) of clause 27 provides that the interest referred to in clause (c) of sub-section (1) which pertains to the period prior to the financial year in which the house property has been acquired or constructed shall be allowed as deduction in 5 equal instalments beginning from such financial year.

Further, sub-clause (3) of the abovementioned clause provides that the interest deductible under **sub-clause (2)** shall be reduced by any part thereof which has been allowed as deduction under any other provision of this Code.

As per Section 22 of the Income-tax Act, 1961, any amount paid as taxes to the local authority has to be

deducted from gross annual value of the house property to arrive at the net annual value and was not provided as deduction under section 24 but in DTC, all deductions are provided at one place under Clause 27 of the code.

Expected Concerns

In view of the increased cost of construction, the proposed reduction from 30% to 20% is prima facie unjustifiable.

The amount of rent received in advance

As per Clause 28 of DTC, the amount of rent received in advance shall be included in the gross rent of the **financial year to which the rent relates**. Whereas as per **Income-tax Act, 1961** the amount of advance rent received is taxable in the year of receipt. However there is a contrary tribunal judgment [CIT v. Prince Rubber & Plastics (2004) 1 SOT 85 (Asr.)] - citing that advance rent cannot be rent received of the year of receipt.

As per clause 195(2) of DTC relating to TDS, tax to be deducted on advance rent in the year of receipt, since it is earlier. However taxability is postponed. This will cause difficulty in matching the tax with the income.

Expected Concerns

There will be a practical problem in taxing the advance rent as gross rent of the **financial year to which the rent relates**. It may create a situation of chaos as stated above there is a mismatch in the provisions of the TDS relating to taxation of advance rent and the provisions of house property.

The amount of rent received in arrears

Clause 29 of the DTC provides that the amount of rent received in arrears shall be deemed to be the income from house property of the financial year in which such rent is received. As per sub-clause (2), the arrears of rent referred to in sub-clause (1) shall be included in the total income of the person under the head "income from house property", whether the person is the owner of the property in that year or not. Sub-section (3) provides that a sum equal to 20% of the arrears of rent referred to in sub-section (1) shall be allowed as deduction towards repair and maintenance of the property.

The existing provision of the Income-tax Act, 1961, as regards the amount received as arrears of rent are almost same except that a sum equal to 30% would be allowed as deduction instead of 20%.

Deduction of interest on loan taken for house property

Clause 74 of the DTC provides that a person, being an individual or a Hindu undivided family, 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-clause (2). As per sub-clause (2) of the above clause, the deduction shall be allowed if ***the house property is owned by the person and not let out during the financial year (i.e self occupied)***; 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 the person obtains a certificate from the financial institution to whom the interest is paid or payable on the loan.

For deduction in respect of interest of Pre-Construction period sub-clause (3) provides that the interest which pertains to the period prior to the financial year in which the house property has been acquired or constructed shall be allowed as deduction in **5 equal installments** beginning from such financial year.

Under the Income-tax Act, 1961, deduction for interest on self-occupied property is allowable under section 24 in computing income from house property whereas under the DTC, the deduction is allowable from gross total income under clause 74(2).

Deduction for repayment of principal portion of housing loan is available under section 80C subject to an overall limit of ₹ 1,00,000/- (which is limit for all investments i.e. PPF, LIC etc.). However, no deduction is proposed under DTC for principal repayment of housing loan, which may cause genuine hardship to buyers of house property.

Expected Concerns

As there is a condition in the Proposed Direct Taxes Code, Bill 2010 under clause 74(2)(c) 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 Income-tax Act, 1961, no deduction shall be made unless the assessee furnishes a certificate, from the person to whom any interest is payable on the loan borrowed. A point for consideration is that when a taxpayer takes a loan from his employer or through a co-operative society then how would he produce a certificate from a financial institution for availing the facility of such loan?

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 clause. 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.

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 the 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 Income-tax Act, 1961, 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.

The DTC has in effect rationalized the provisions relating to taxation of income from house property by carrying only the "real income" into the tax net. The code has rightly done away with taxing notional income and removing the concept of "deemed let out property". House owners are eagerly awaiting the early implementation of DTC so that they would not face undue hardship by paying taxes on notional income.

It is also hoped that the issues arising out of the DTC provisions relating to income from house property as briefed in the earlier paragraphs will be taken care of before the code is finalized.

Insider Trading

Keerti Saxena

Introduction

Inside Trading refers to buying or selling the securities of a publicly traded firm by an insider to gain benefit from insider information. Insider trading is commonly restricted or prohibited by law. It is also called as Insider Dealing. The term Insider Trading is popularly used in the negative sense as it is perceived that the persons having access to the price sensitive and unpublished information used the same for their personal gains. But the term actually includes both negative as well as positive sense, means illegal and legal conduct.

- The term illegal refers to buying and selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material, non-public information about the security. Illegal Insider Trading therefore includes tipping others when you have any sort of non-public information.
- Insider Trading is legal, once the material information has been made public, at which time the insider has no direct advantage over other investors. The SEBI, however still requires all insiders to report all their transactions.

Insider Trading Laws in India: History

Insider Trading continued unabated until 1970 which is sum and substance would imply that it was practiced for 125 years in a country like India. The security market in India developed through the establishment of the Bombay Stock Exchange way back in 1875. It was realized that such a system is detrimental to the interest of the India Stock Exchange.

Due to inadequate provisions of enforcement in the Companies Act, 1956, many committees proposed recommendations for a separate statute regulating Insider Trading like the Sachar Committee in 1979, the Patel Committee in 1986 and the Abid Hussain Committee in 1989. Complying with the recommendations by these committees, India through Securities Exchange Board of India (Insider Trading) Regulation, 1992 prohibited this mal practice.

These Regulations were drastically amended in 2002 and renamed as Securities Exchange Board of India (Prohibition of Insider Trading) Regulation, 1992. All listed Companies and market intermediaries have to comply with the directions of these regulations.



Meaning of Insider

An 'Insider' as defined by the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 is

"any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access, by virtue of such connection, to unpublished price sensitive information in respect of securities of the company, or who has received or has had access to such unpublished price sensitive information."

SEBI experienced complexities in the above definition -- in proving a case of Insider Trading because of the word 'by virtue of such connection'. It proved to be a very tedious and problematic task for the SEBI, to prove a person to be an insider, even before proving the liability of the accused, SEBI had to establish first a connection with the company and how he acquired such information. In most of the cases, SEBI could not establish connection of the person accused to be an insider with the company.

In 2002, SEBI introduced amendments in which the words 'by virtue of such connection' omitted from the definition of an Insider, this simplified SEBI's task.

SEBI has amended the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with vide Notification dated 19th November 2008.

With this Notification, Capital Market Regulator SEBI has tightened its insider trading norms by broadening

(The author is a student of ICAI (Reg.No. Cro0271792))

the definition of the term insider, now any person who has received or has had access to such unpublished price sensitive information will be considered to be an Insider.

After all these amendments, new definition of 'Insider' is defined under Securities Exchange Board of India (Prohibition of Insider Trading) Regulations under section 2(e), which is as under:

Insider is the person who is "connected" with the company, who could have the unpublished price sensitive information or receive the information from somebody in the company.

Connected

It could be a director of the company, or is deemed to be a director, by virtue of sub-clause (10) of section 307 of the Companies Act, 1956. Any person having unpublished price sensitive information from the any subsidiary or group company is also stated to be connected person.

Connected person can also be from intermediary's like Stock Exchange, Merchant Bank, Transfer Agent, Debenture Trustee, Bankers & relative of promoter or of Board of Director.

Unpublished Price Sensitive Information

Price Sensitive Information is the one which relates directly or indirectly to a company. Such information as and when published is likely to materially affect the price of securities of the company. This is known as "PRICE SENSITIVE INFORMATION."

The following can be deemed to be "Price Sensitive Information."

- Periodical financial results of the company
- Intended declaration of dividend (interim or final)
- Merger, amalgamation or take over
- Major expansion plans
- Execution of new projects
- Issue of intended bonus share or buy back of securities
- Significant changes in policies, plans, or operations of the company

Insider Traders

- Directors and employees who traded the corporation's securities after learning significant and confidential corporate developments.
- Friends, Family members who traded the securities after receiving such confidential information.
- Other persons who misappropriated and took advantage of, confidential information from their employers.

Need For the Prohibition of Insider Trading

Need for prohibition of Insider Trading are as follows:

- To protect the interest of investors.
- To made transparency in securities market.
- To secure proper management of intermediaries.

Insider Trading Cases in India

In India, only 14 cases taken up by SEBI for Insider Trading in 2003-04 which went down to only seven in 2004-05. So India has fewer incidence of Insider trading. Some of the examples are as follows:

- Hindustan Lever
- ABS Industries
- Samir Arora (Alliance Capital Mutual Fund)
- Former Wockhardt CFO
- ET Bureau
- Dilip Pendse (Former MD of Tata Finance)

Hindustan Lever

SEBI pulls up Hindustan lever (now Hindustan Unilever) with its directors for alleged insider trading. The insider trading charges against HLL were with regard to the merger with Brooke Bond Lipton India Ltd. The case focuses on the legal controversy involved into HLL's purchase of 8 Lakh shares of BBLIL two weeks prior to the public announcement of the merger of the two companies (HLL & BBLIL) which, according to SEBI was price sensitive information. SEBI conducted enquiries after about 15 month. SEBI issued a show cause notice to the

Chairman, Directors and other members of HLL. It's the first case where SEBI passed an order on Insider Trading.

ABS Industries

This case highlighted the vulnerability of SEBI's 1992 regulations. Rakesh Agarwal, MD of ABS Industries Ltd. was involved in negotiations with Bayer, with intention to take over ABS. SEBI charges MD of ABS industries with insider trading as he had allegedly purchase his own company's shares from the market prior to the takeover. The case was settled through consent order with Agarwal paying a monetary penalty.

Samir Arora

Samir Arora, former Asia-Pacific head of Alliance Capital Mutual Fund (ACM) was the fund manager of the company. Knowing that the company was inviting bids for takeover of the same, he made special arrangement with Henderson Global Investors. For helping this company's takeover his present company, he purchased shares and when the price rose sold off the shares to get a considerable profit. In 2004, SEBI debarred Arora from dealing in securities directly or indirectly for 5 years. SEBI charged penalty of 15 crore on ACM and two associated Alliance entities. SAT set aside the order of SEBI.

Former WOCKHARDT CFO

Rajiv Gandhi former company secretary and CFO of wockhardt, along with his family members were alleged to have traded in the pharma company's shares on the basis of unpublished price sensitive information. SEBI imposed a penalty of Rupees 5 lakh on his wife sandhya Gandhi and his sister.

Penalty for Insider Trading

Penalty for Insider Trading is defined in Securities Exchange Board of India (Prohibition for Insider Trading) Regulations, 1992 under section - 15 G, according to which

Insider is liable for penalty of rupees 25 crore of rupees or 3 times of profit whichever is higher.

- In case he deals on his own behalf or on behalf of any other person in securities of body corporate listed on the stock exchange on the basis of unpublished price sensitive information.
- In case he communicates unpublished price sensitive information to any person with or without request unless it is necessary in the usual course of business or it is necessary under any provision of law.
- In case he procures for any person unpublished price sensitive information to deal on the basis of such information.

Conclusion

In order to make sense of insider trading, we must go back to a basic understanding of markets, prices and the role of market in the economy. The ideal securities market is one which does a good job of allocating capital in the economy. This function is enabled by "market efficiency", the situation where the market price of each security accurately reflects the risk and return in its future. The primary function of regulation and policy is to foster market efficiency; hence we must evaluate the impact of the insider trading upon market efficiency.

Insider Trading is a practice that has been prevalent since the very inception of stock markets and can never possibly be ended completely. But an endeavor can be made to curb this practice at all the levels of the society and not just by the SEBI but also by the people aware of any kind of Insider Trading practice being indulged in. Practically speaking, the practice of Insider Trading cannot be eradicated completely but an effort can be made to limit it to a great extent.

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Spreading and Swapping Credit Defaults

CA. Ashish Gupta

Derivative instruments are generally used for 'speculation', 'hedging' and 'arbitrage'. As compared to mere speculation, derivative products if used with proper caution and concern lead to scientific speculation and therefore instruments by nature are both riskier and also fetch higher returns. The growth of derivative market in India is not as phenomenal as growth in developed markets. The shock and shackles of the debt crisis have placed all countries on alert and countries which are facing the acuteness of debt default are looking forward for global support. Thankfully, India had no opportunity of inviting such risk and looking for its spread.

Generally, there is no insurance for equity and debt instruments that are floated in the market. Equity holders have no right to ask for dividends/or to be paid back their capital. In the case of debt holders, failure to pay debt results in paving way for right to get the company wound-up which is a lengthy process because bail-out package has to be worked out and the process has to be done under court of law. One has to wait and watch with pains and patience to recover the debt amount. How to protect oneself against Debt default? As compared to other instruments, default in the case of derivative (particularly credit derivatives) can be hedged out by making a Swap. Swap is one kind of derivative instrument (others being Forward, Future and Options)"

Credit Default Swap (CDS): These are like insurance (not in the strict sense) against the risk of default on a debt which may be in the form of Bonds, Debentures etc. To put it in simple words CDS is combination of three words; **Credit** (for loan given) **Default** (for non-Payment) and **Swap** (for exchange of liability or risk). Thus, under this agreement writer (seller) receives regular payment from buyer and in turn assumes the risk of underlying debt, if not paid including interest due therein.

General Features of CDS

The main features of CDS are as follows:

1. CDS is a non-standardized private contract between the buyer and seller. Therefore it is covered in the category of Forward Contract.
2. They are normally not traded on any exchange and hence remain free from the regulations of Governing Body.

3. The International Swap and Derivative Association (ISAD) publishes the guidelines and general rules used normally to carry out CDS contracts.
4. CDS can be purchased from third party to protect itself from default of borrowers.
5. Similarly, an individual investor who is buying bonds from a company can purchase CDS to protect his investment from insolvency of that company. Thus, it increases the level of confidence of investor in bonds purchased.
6. The cost or premium of CDS has a positive relationship with risk attached with loans. Therefore if higher the risk attached to Bonds or loans, higher will be premium or cost of CDS.
7. If an investor buys a CDS without being exposed to credit risk of the underlying bond issuer is called "naked CDS".

Uses of Credit Default Swap

As stated earlier, a CDS is used for

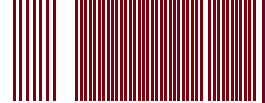
- **Hedging:** Main purpose of using CDS is to neutralize or reduce a risk to which CDS is exposed to. Thus, by buying CDS, risk can be passed on to CDS seller or writer.
- **Arbitrage:** It involves buying a CDS and entering into an asset swap. For example, a fixed coupon payment of a bond is swapped against a floating interest stream.
- **Speculation:** CDS can also be used to make profit by exploiting price changes. For example a CDS writer assumed risk of default, will gain from contract if credit risk does not materialize during the tenure of contract or if compensation received exceeds potential payout.

Why CDS needs Regulations?

As mentioned earlier, CDSs are not normally regulated and they are sold short (short sell) in the market. The main risks of such short selling can be:

- **Transparency deficiencies:** The deficiency in transparency in relation to short selling of CDS prevents the regulator from knowing beforehand the short positions causing danger to the market.
- **Risk of negative price spirals:** Short positions through CDS transactions could in some

(The author is Sr.Assistant Director, ICAI)



circumstances contribute to a decline of even sovereign bonds prices.

- **Failure of financial system** : Selling of CDS without first making investment or lending the money could endanger the stability of the financial system, as normally CDSs are sold in large number within short span of time.

Notable features of Global CDS products

Following are the main features of CDS product traded globally:

- Types of CDS : There are mainly three types of CDS which are as follows:
 - Single name or entity CDS* : Reference entity can be corporate undertaking e.g. IBM, Well Fargo & Co. Merrill Lynch & Co. or it can also be sovereign debts common of which are Kingdom of Spain, Federative Republic of Brazil etc.
 - Index*: Multiple constituents entities in an index with each entity having an equal share of the notional amounts.
 - Basket CDS* : Basically it is with more than one reference entity and normally name ranges between three to one hundred.
- Another notable feature of CDS is trading on indexes. Some of the popular indexes are also as follows:
 - Markit Traxx*: This is a standard European and Asian tradable CDS family of indices. It is comprised of the most liquid names in the European and Asian Markets.
 - Markit CDX*: This index covers multiple sectors.
- The CDS market also exists for other illiquid underlying such as:
 - Asset Based Security, whose value and income payments are derived from and collateralized (or blocked) by specified pool of underlying assets.
 - Mortgage-backed Security, an asset backed Security that represents a claim on the cash flows and mortgage loan through a process known as Securitization.
- Normally the major investment banks like Goldman, Deutsche, JP Morgan etc. are considered as market makers of the CDS market.
- Major participants in CDS market are Hedge funds, Commercial Bank, pension funds, mortgage houses insurance companies etc.
- The leading data provider on CDS market is 'Markit'.

Parties to CDS

In a CDS at least three parties are involved which are as follows:

- The initial borrowers: It is also called a 'reference entity', which are owing a loan or bond obligation.
- Buyer: It is also called 'investor' who is the buyer of protection. The buyer will make regular payment to the seller for the protection from default or credit event of reference entity.
- Seller: It is also called 'writer' of the CDS and makes payment to buyer in the event of credit event of reference entity. It receives a regular pay off from the buyer of CDS.

For example, BB Corp. buys CDS from SS Bank for the Bonds amounting \$ 10 million of Danger Corp. In such case, the BB Corp. will become the buyer, SS Bank becomes seller and Danger Corp. becomes the reference entity. BB Corp. will make regular payment to SS Bank of the premium and if Danger Corp. defaults on its debts, the BB Corp. will receive one time payment and CDS contract is terminated.

Settlement of CDS

Broadly, following are main ways of settlement of CDS.

- Physical Settlement**: This is the traditional method of settlement. It involves the delivery of Bonds or debts of the reference entity by the buyer to the seller and seller pays the buyer the par value. For example as mentioned above suppose Danger Corp. defaults SS Bank will pay \$ 10 Million to BB Corp. and will deliver \$10 Million face value of Bonds to SS Bank.
- Cash Settlement**: Under this arrangement, seller pays the buyer the difference between par value and the market price of a debt (whatever be the) of the reference entity. Continuing the above example suppose, the market value of Bonds is 30%, as market is of the belief that bond holder will receive 30% of the money owed in case company goes into liquidation. Thus, the SS Bank shall pay BB Corp. \$ 10 Million (100% - 30%) = \$ 7 Million.

In an effort to make Cash settlement even more transparent, the credit event auction was developed. Credit event auction set a price for all market participants that choose to cash settlement.

Pricing and Valuation of CDS

Broadly following are the two theories for pricing CDS.

- Probability Model**: This model is based on the present value of a series of cash flows weighted by their respective probability of non-default. This model is based on following four inputs.



- (a) Issue Premium
 - (b) Recovery Rate
 - (c) Credit Curve for reference entity and
 - (d) Inter banking offering rates e.g. LIBOR, MIBOR etc.
- (2) No Arbitrage Model: This approach was advocated by Duffie as well as Hull-White. This model is based on following assumptions:
- (a) There is zero cost of unwinding the fixed leg of the swap on default.
 - (b) There is no risk free arbitrage.

While the Duffie used the LIBOR as the risk free rate, whereas Hull and White used US Treasuries as the risk free rate.

As per this model price is derived by calculating the asset swap spread of a bond.

Growth Story of CDS in India

In India, RBI decided to implement the Guidelines relating to introduction of CDS for Corporate Bonds effective from 1st December, 2011.

As per the guidelines CDS player have been divided into following two categories:

- (a) Market- Makers: These are comprised of commercial banks, primary dealers (PDS) and non-banking financial companies (NBFCs). They can buy or sell without any underlying position in the bond i.e. Naked CDS.
- (b) Users: These are comprised of mutual funds (MFs), Insurance Companies, Housing Finance Companies, Provident Funds, Listed Companies and Foreign Institutional Investors (FIIs). They can use CDS only as a hedge tool to offset the risk of an underlying position, and are not allowed to sell CDS other than to exit the existing long positions.

Other important provisions of the Guidelines are as follows:

- (i) CDS will be allowed only on listed corporate bonds as reference obligations. However, CDS can also be written on unlisted but rated bonds of infrastructure companies.
- (ii) CDS transactions are not permitted to be entered into either between related parties or where the reference entity is a related party to either of the contracting parties. Related parties for the purpose of these guidelines will be as defined in 'Accounting Standard 18 - Related Party Disclosures'.
- (iii) There would be two sets of documentation:

- (a) one set covering transactions between user and market-maker and
 - (b) other set covering transactions between two market-makers.
- (iv) Contract will be standardized.
 - (v) The credit events specified in the CDS contract may cover: Bankruptcy, Failure to pay, Repudiation/moratorium, Obligation acceleration, Obligation default, Restructuring approved under Board for Industrial and Financial Reconstruction (BIFR), Corporate Debt Restructuring (CDR) mechanism and Corporate Bond Restructuring (CBR).
 - (vi) The parties to the CDS transaction shall determine upfront premium, the procedure and method of settlement (cash/physical/auction) to be followed in the event of occurrence of a credit event and document the same in the CDS documentation.
 - (vii) The accounting norms applicable to CDS contracts shall be on the lines indicated in the following Standards as approved by the ICAI.
 - (a) AS 30 - Financial Instruments: Recognition and Measurement
 - (b) AS 31- Financial Instruments: Presentation
 - (c) AS 32 - Financial Instruments: Disclosures
 - (viii) Participants shall follow the capital adequacy guidelines for CDS issued by their respective regulators.
 - (ix) Before actually undertaking CDS transactions, participants shall put in place a written policy on CDS which should be approved by their respective Board of Directors.
 - (x) In addition to the reporting done on the trade reporting platform, the participants shall also report to their regulators information as required by them such as risk positions of the participants vis-à-vis their net worth and adherence to risk limits, etc.

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World Economic Situation and Prospects 2012

Recently the United Nations came out with the report "World Economic Situation and Prospects 2012". According to the Report the world economy is teetering on the brink of another major downturn. Output growth has already slowed considerably during 2011 and anaemic growth is expected during 2012 and 2013. The problems stalking the global economy are multiple and interconnected. The most pressing challenges lie in addressing the continued jobs crisis and declining prospects for economic growth, especially in the developed countries. As unemployment remains high, at nearly 9 per cent, and incomes stagnate, the recovery is stalling in the short run owing to the lack of aggregate demand. But, as more and more workers are out of a job for a long period, especially young workers, medium-term growth prospects will also suffer because of the detrimental effect on workers' skills and experience.

The Report has projected India's economic growth a little lower than 8 per cent in 2012 and 2013 despite fear of double blow arising from the problems in Europe and the U.S. South Asian economies are likely to grow by 6.7% this year and by 6.9% next year.

The UN Report expects inflation in most developing countries to decelerate this year along with an anticipated moderation in global commodity prices and lower global growth.

The report also says that the Indian economy is not likely to achieve its fiscal deficit target of 4.7% of GDP for 2011-12 as lower growth has affected tax revenues and the process of disinvestment.

Developed economics: rates of growth of real GDP, 2003-2013

Annual percentage change												
	2003-2010a	2003	2004	2005	2006	2007	2008	2009	2010	2011b	2012c	2013c
Developed economies	1.3	1.9	3.0	2.4	2.9	2.6	-0.1	-4.0	2.7	1.3	1.3	1.9
United States	1.4	2.6	3.5	3.1	2.7	1.9	-0.4	-3.5	3.0	1.7	1.5	2.0
Canada	1.7	1.9	3.1	3.0	2.8	2.2	0.7	-2.8	3.2	2.1	1.7	2.3
Japan	0.7	1.4	2.7	1.9	2.0	2.4	-1.2	-6.3	4.0	-0.5	2.0	2.0
Australia	2.8	4.2	3.0	3.1	3.6	3.8	1.4	2.3	2.5	0.5	2.8	2.6
New Zealand	2.0	3.9	3.6	3.2	2.2	2.9	-1.1	0.8	2.3	1.4	2.5	3.0
European Union	1.2	1.4	2.5	1.9	3.3	3.2	0.3	-4.3	2.0	1.6	0.7	1.7
EU-15	1.1	1.2	2.4	1.8	3.1	3.0	0.0	-4.3	1.9	1.5	0.5	1.6
Austria	1.7	0.9	2.6	2.4	3.7	3.7	1.4	-3.8	2.3	3.0	1.3	2.2
Belgium	1.6	0.8	3.3	1.7	2.7	2.9	1.0	-2.8	2.3	2.0	1.1	1.6
Denmark	0.7	0.4	2.3	2.4	3.4	1.6	-1.1	-5.2	1.7	0.8	0.2	1.2
Finland	1.8	2.0	4.1	2.9	4.4	5.4	1.0	-8.2	3.6	3.8	2.6	2.4
France	1.1	0.9	2.5	1.8	2.5	2.3	-0.1	-2.7	1.5	1.6	0.3	1.4
Germany	1.2	-0.4	1.2	0.7	3.7	3.3	1.1	-5.1	3.7	2.9	1.0	1.4
Greece	1.1	5.9	4.4	2.3	5.5	3.0	-0.2	-3.3	-3.5	-7.5	-5.7	0.0
Ireland	1.3	4.2	4.5	5.3	5.3	5.2	-3.0	-7.0	-0.4	1.5	0.0	0.8
Italy	0.0	0.0	1.5	0.7	2.0	1.5	-1.3	-5.2	1.3	0.6	-0.3	1.0
Luxembourg	2.7	1.5	4.4	5.4	5.0	6.6	0.8	-5.3	2.7	3.4	1.0	3.0
Netherlands	1.6	0.3	2.2	2.0	3.4	3.9	1.8	-3.5	1.7	1.5	1.0	1.2
Portugal	0.7	-0.9	1.6	0.8	1.4	2.4	0.0	-2.5	1.4	-1.7	-3.4	-1.5
Spain	1.6	3.1	3.3	3.6	4.0	3.6	0.9	-3.7	-0.1	0.7	0.3	1.1
Sweden	2.1	2.3	4.2	3.2	4.3	3.3	-0.6	-5.3	5.7	4.3	1.9	3.4
United Kingdom	1.0	3.5	3.0	2.1	2.6	3.5	-1.1	-4.4	1.8	0.9	1.1	2.6
Major developing economies												
Argentina	7.4	8.8	9.0	9.2	8.5	8.7	6.8	0.9	9.2	7.6	7.2	7.2
Brazil	4.4	1.1	5.7	3.2	4.0	6.1	5.2	-0.6	7.5	3.7	2.7	3.8
Chile	4.0	3.9	6.0	5.6	4.6	4.6	3.7	-1.7	5.2	6.4	3.4	6.0
China	11.1	10.0	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	8.7	8.5
Colombia	4.7	3.9	5.3	4.7	6.7	6.9	3.5	1.5	4.3	4.4	4.0	3.8
Egypt	5.6	3.1	4.1	4.5	6.8	7.1	7.2	4.7	5.1	1.3	3.8	5.5
Hong Kong SAR ^e	5.0	3.0	8.5	7.1	7.0	6.4	2.3	-2.7	7.0	4.9	4.1	4.5

REPORT

	2003-2010a	2003	2004	2005	2006	2007	2008	2009	2010	2011b	2012c	2013c
Major developing economies												
India	8.6	8.4	8.3	9.3	9.6	9.7	7.5	7.0	9.0	7.6	7.7	7.9
Indonesia	5.6	4.8	5.0	5.7	5.5	7.4	4.9	4.6	6.1	6.5	6.3	6.4
Iran, Islamic Republic of	3.8	7.9	5.1	5.3	6.1	8.3	1.0	0.1	1.0	2.6	3.0	3.1
Israel	4.3	1.5	4.8	4.9	5.6	5.5	4.0	0.8	4.8	4.3	2.5	2.9
Korea, Republic of	3.9	2.8	4.6	4.0	5.2	5.1	2.3	0.3	6.2	3.9	3.6	4.0
Malaysia	4.9	5.8	6.8	5.3	5.8	6.5	4.8	-1.6	7.2	4.6	4.4	5.0
Mexico	2.3	1.4	4.1	3.3	5.1	3.4	1.2	-6.3	5.8	3.8	2.5	3.6
Nigeria	6.0	10.4	33.7	3.4	7.5	5.1	2.3	-8.3	2.8	6.3	6.8	7.0
Pakistan	5.2	4.8	7.4	7.7	6.2	5.7	1.6	3.6	4.1	3.3	4.1	4.4
Peru	6.8	4.0	5.0	6.8	7.7	8.9	9.8	0.9	8.8	5.9	5.2	4.7
Philippines	5.2	5.0	6.7	4.8	5.2	6.6	4.2	1.1	7.6	4.3	4.4	4.9
Saudi Arabia	3.5	7.7	5.3	5.6	3.2	2.0	4.2	0.2	3.8	6.8	3.9	3.5
Singapore	6.9	4.6	9.2	7.4	8.7	8.8	1.5	-0.8	14.5	5.0	4.0	4.5
South Africa	3.7	2.9	4.6	5.3	5.6	3.6	-1.7	2.8	3.1	3.7	3.5	
Taiwan Province of China	4.5	3.7	6.2	4.7	5.4	6.0	0.7	-1.9	10.9	4.4	3.9	4.3
Thailand	4.1	7.1	6.3	4.6	5.1	5.0	2.5	-2.3	7.8	2.3	4.1	4.2
Turkey	4.8	5.3	9.4	8.4	6.9	4.7	0.7	-4.8	9.0	7.5	3.2	5.4
Venezuela, Bolivarian Republic of	6.5	-7.8	18.3	10.3	9.9	8.8	4.2	-3.3	-1.4	3.5	2.0	3.9

Developed economics: consumer price inflation, 2003-2013

Annual percentage change ^a											
	2003	2004	2005	2006	2007	2008	2009	2010	2011b	2012c	2013c
Developed economies	1.9	2.0	2.3	2.3	2.2	3.3	0.1	1.4	2.6	1.8	1.7
United Sates	2.3	2.7	3.4	3.2	2.9	3.8	-0.3	1.6	3.0	2.1	1.9
Canada	2.8	1.9	2.2	2.0	2.1	2.4	0.3	1.8	2.9	2.0	1.8
Japan	-0.2	0.0	-0.3	0.2	0.1	1.4	-1.4	-0.8	0.8	0.5	0.3
Australia	2.8	2.3	2.7	3.5	2.3	4.4	1.7	1.9	2.8	3.8	4.8
New Zealand	1.8	2.3	3.0	3.4	2.4	4.0	2.0	2.3	4.4	3.0	2.3
European Union	2.1	2.1	2.2	2.2	2.2	3.5	0.8	1.9	2.9	2.0	1.8
EU-15	2.0	1.9	2.1	2.2	2.1	3.3	0.7	1.9	2.9	1.9	1.7
Austria	1.3	2.0	2.1	1.7	2.2	3.2	0.4	1.7	3.2	2.1	1.8
Belgium	1.5	1.9	2.5	2.3	1.8	4.5	0.0	2.3	3.3	2.3	2.5
Denmark	2.0	0.9	1.7	1.8	1.7	3.6	1.1	2.2	2.8	2.1	2.2
Finland	1.3	0.1	0.8	1.3	1.6	3.9	1.6	1.7	3.4	2.1	2.1
France	2.2	2.3	1.9	1.9	1.6	3.2	0.1	1.7	2.2	1.7	1.8
Germany	1.0	1.8	1.9	1.8	2.3	2.8	0.2	1.1	2.3	1.8	1.7
Greece	3.4	3.0	3.5	3.3	3.0	4.2	1.4	4.7	2.9	1.3	0.7
Ireland	4.0	2.3	2.2	2.7	2.9	3.1	-1.7	-1.6	1.2	1.3	1.0
Italy	2.8	3.3	2.2	2.2	2.0	3.5	0.8	1.6	2.7	1.7	1.6
Luxembourg	2.5	3.2	2.5	2.7	2.3	3.4	0.4	2.3	3.4	2.6	2.0
Netherlands	2.2	1.4	1.5	1.7	1.6	2.2	1.0	0.9	2.3	2.0	1.6
Protugal	3.3	2.5	2.1	3.0	2.4	2.7	-0.9	1.4	3.2	1.0	1.2
Spain	3.1	3.1	3.4	3.6	2.8	4.1	-0.2	2.0	3.1	1.8	1.9
Sweden	2.3	1.0	0.8	1.5	1.7	3.4	1.9	1.9	1.4	1.1	2.1
United Kingdom	1.4	1.3	2.1	2.3	2.3	3.6	2.2	3.3	4.6	2.5	1.7
Major developing economies											
Argentina	13.4	4.4	9.6	10.9	8.8	8.6	6.3	10.8	11.0	11.0	10.5
Brazil	14.7	6.6	6.8	4.2	3.6	5.7	4.9	5.0	7.3	5.6	4.6
Chile	2.8	1.1	3.1	3.4	4.4	8.7	0.4	1.4	3.2	3.0	4.0
China	1.2	3.9	1.8	1.5	4.7	5.9	-0.7	3.3	5.7	4.2	3.6
Colombia	7.1	5.9	5.0	4.3	5.5	7.0	4.2	2.3	3.5	3.5	4.2
Egypt	4.5	11.3	4.9	7.6	9.3	18.3	11.8	11.1	13.3	11.0	9.1
Hong Kong SAR ^d	-2.5	-0.4	0.9	2.1	2.0	4.3	0.6	2.3	5.2	3.8	3.3
India	3.8	3.8	4.2	5.8	6.4	8.4	10.9	12.0	8.5	7.7	6.9
Indonesia	6.6	6.2	10.5	13.1	6.5	10.2	4.4	5.1	5.4	5.0	4.8
Iran, Islamic Republic of	16.5	14.8	13.4	11.9	17.2	25.6	13.5	10.1	17.0	14.5	12.5
Israel	0.7	-0.4	1.3	2.1	0.5	4.6	3.3	2.7	3.6	1.2	2.1
Korea, Republic of	3.5	3.6	2.8	2.2	2.5	4.7	2.8	2.9	4.6	3.5	3.0

	2003	2004	2005	2006	2007	2008	2009	2010	2011b	2012c	2013c
Major developing economies											
Malaysia	1.0	1.5	3.0	3.6	2.0	5.4	0.6	1.7	3.1	2.7	2.5
Mexico	4.5	4.7	4.0	3.6	4.0	5.1	5.3	4.2	4.3	4.3	4.3
Nigeria	14.0	15.0	17.9	8.2	5.4	11.6	11.5	13.5	10.8	10.1	10.1
Pakistan	2.9	7.4	9.1	7.9	7.6	20.3	13.7	13.9	12.2	10.1	9.0
Peru	2.3	3.7	1.6	2.0	1.8	5.8	2.9	1.5	3.2	2.5	3.0
Philippines	3.5	6.0	7.6	6.2	2.8	9.3	3.2	3.8	4.7	4.2	4.0
Saudi Arabia	0.6	0.3	0.7	2.2	4.2	9.9	5.1	5.3	5.5	4.4	3.9
Singapore	0.5	1.7	0.4	1.0	2.1	6.5	0.6	2.8	5.1	3.0	2.3
South Africa	3.7	2.9	4.6	5.3	5.6	3.6	-1.7	2.8	3.1	3.7	3.5
Taiwan Province of China	-0.3	1.6	2.3	0.6	1.8	3.5	-0.9	1.0	1.5	1.4	1.4
Thailand	1.8	2.8	4.5	4.6	2.3	5.4	-0.9	3.3	3.9	3.5	3.3
Turkey	25.3	10.6	10.1	10.5	8.8	10.4	6.3	8.6	8.2	7.0	6.0
Venezuela, Bolivarian Republic of	31.1	21.7	16.0	13.7	18.7	31.4	28.6	29.1	25.0	22.5	17.5

Developed economies: unemployment rates,^{a,b} 2003-2013

Percentage of labour force											
	2003	2004	2005	2006	2007	2008	2009	2010	2011b	2012c	2013c
Developed economies											
United States	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6	9.1	9.2	9.1
Canada	7.6	7.2	6.8	6.3	6.0	6.1	8.3	8.0	7.6	7.4	7.1
Japan	5.3	4.7	4.4	4.1	3.9	4.0	5.1	5.1	5.0	4.1	4.1
Australia	5.9	5.4	5.0	4.8	4.4	4.2	5.6	5.2	5.6	5.7	5.7
New Zealand	4.8	4.1	3.8	3.9	3.7	4.2	6.1	6.5	6.1	5.5	5.6
European Union											
EU-15	8.1	8.3	8.3	7.8	7.2	7.2	9.1	9.6	9.5	9.6	9.4
Austria	4.3	4.9	5.2	4.7	4.4	3.8	4.8	4.4	4.1	4.3	4.2
Belgium	8.2	8.4	8.5	8.3	7.5	7.0	7.9	8.3	7.3	8.2	7.7
Denmark	5.4	5.5	4.8	3.9	3.8	3.4	6.1	7.4	7.5	7.3	7.1
Finland	9.1	8.9	8.3	7.7	6.9	6.4	8.2	8.4	7.9	7.4	7.0
France	9.0	9.2	9.3	9.2	8.4	7.8	9.5	9.8	9.8	9.9	9.6
Germany	9.8	10.5	11.2	10.1	8.8	7.6	7.7	7.1	6.2	6.0	6.0
Greece	9.7	10.5	9.9	8.9	8.3	7.7	9.5	12.6	14.8	17.4	17.6
Ireland	4.6	4.5	4.4	4.5	4.6	6.3	11.9	13.7	14.3	14.5	14.9
Italy	8.5	8.0	7.7	6.8	6.1	6.8	7.8	8.4	8.1	8.5	8.3
Luxembourg	3.8	5.0	4.6	4.6	4.2	4.9	5.1	4.6	4.7	5.0	4.8
Netherlands	4.1	5.1	5.3	4.3	3.6	3.1	3.7	4.5	4.2	4.2	4.0
Portugal	7.1	7.5	8.6	8.6	8.9	8.5	10.6	12.0	12.5	13.4	14.0
Spain	11.1	10.6	9.2	8.5	8.3	11.4	18.0	20.1	20.8	20.5	19.9
Sweden	6.6	7.4	7.7	7.1	6.1	6.2	8.3	8.4	7.5	7.5	7.3
United Kingdom	5.0	4.7	4.8	5.4	5.3	5.6	7.6	7.8	8.0	8.5	8.1
Developing Asia											
China	4.0	4.3	4.2	4.2	4.2	4.1	4.0	4.2	4.3	4.2	4.1
Hong Kong SAR ^m	7.3	7.9	6.8	5.6	4.8	4.0	3.5	5.2	4.3	4.3	3.5
India	–	–	5.0	–	–	–	–	–	9.4	–	–
Indonesia	9.1	9.5	9.9	11.2	10.4	9.4	8.4	8.0	7.2	6.8	6.8
Iran, Islamic Republic of	12.8	–	10.3	11.5	–	10.5	10.3	11.5	13.5	11.3	11.3
Israel	10.3	10.7	10.4	9.0	8.4	7.3	6.1	7.6	6.7	5.6	5.6
Jordan	14.4	14.8	12.5	14.8	14.0	13.1	12.7	12.9	12.5	12.3	12.3
Korea, Republic of	3.3	3.6	3.7	3.7	3.5	3.2	3.2	3.6	3.7	3.4	3.4
Malaysia	3.5	3.6	3.6	3.6	3.6	3.3	3.3	3.3	3.6	3.3	3.1
Pakistan	8.3	8.3	7.7	7.7	6.2	5.3	5.2	5.5	5.8	6.0	6.0
Palestinian Occupied Territory	31.3	25.6	26.8	23.5	23.6	21.5	26.0	24.5	23.7	25.9	25.9
Philippines ^{n,o}	10.2	10.2	10.9	7.8	7.9	7.3	7.4	7.5	7.3	7.2	7.2
Saudi Arabia	5.3	5.6	5.8	6.1	6.3	6.1	6.3	6.3	6.2	5.9	5.9
Singapore	3.6	4.0	3.4	3.1	2.7	2.1	2.1	3.0	2.2	2.0	2.0
Sri Lanka ^p	8.8	8.1	8.1	7.7	6.5	6.0	5.4	5.8	5.0	4.3	4.3
Taiwan Province of China	5.2	5.0	4.4	4.1	3.9	3.9	4.1	5.8	5.2	4.4	4.4
Thailand	2.4	2.2	2.1	1.8	1.5	1.4	1.4	1.5	1.0	0.8	0.8
Turkey	10.3	10.5	10.3	10.3	9.9	10.2	10.9	14.0	11.9	10.1	10.1
Viet Nam ^f	6.0	5.8	5.6	5.3	4.8	4.6	4.7	4.6	4.3	4.3	4.3

World trade^a: changes in value and volume of exports and imports, by major country group, 2003-2013

Annual percentage change											
	2003	2004	2005	2006	2007	2008	2009	2010	2011b	2012c	2013c
Dollar value of exports											
World	16.1	21.4	13.7	15.2	16.3	14.1	-19.9	17.1	13.9	9.2	10.6
<i>Developed economies</i>	15.3	18.7	9.5	12.6	15.6	11.4	-20.1	13.6	12.4	4.8	7.4
North America	4.8	13.9	11.0	11.5	11.7	10.0	-17.1	17.1	9.7	4.6	8.1
EU Plus other Europe	19.3	19.9	9.2	13.6	17.4	11.5	-20.5	10.4	13.8	4.6	7.5
Developed Asia	13.8	21.0	8.5	8.5	11.1	14.0	-23.4	30.5	8.9	7.2	5.4
<i>Economies in transition</i>	25.5	34.6	26.9	24.3	21.6	30.9	-32.0	27.1	17.6	11.9	11.2
South-Eastern Europe	34.1	23.5	12.3	18.5	23.9	18.8	-21.2	10.0	11.8	8.3	9.4
Commonwealth of Independent States	24.6	35.8	28.4	24.8	21.4	32.0	-32.8	28.7	18.1	12.2	11.3
<i>Developing economies</i>	17.2	26.0	21.2	19.2	17.0	17.0	-18.1	21.8	15.9	15.2	14.7
Latin America and the Caribbean	8.0	22.9	20.3	18.6	12.9	15.5	-21.0	31.2	10.3	11.5	8.2
Africa	22.2	24.8	28.8	23.7	14.6	27.2	-22.1	14.3	8.3	10.9	15.9
Western Asia	22.7	31.4	31.2	19.0	15.3	28.3	-26.7	15.1	20.2	9.7	10.2
East and South Asia	18.0	25.9	18.6	18.8	18.6	13.7	-14.8	22.2	17.2	17.5	16.7
Dollar value of imports											
World	16.0	21.2	13.4	14.5	16.0	14.4	-20.6	17.5	13.9	9.2	10.6
<i>Developed economies</i>	16.0	19.0	11.4	13.0	13.6	11.3	-22.5	14.2	13.6	5.9	7.7
North America	8.2	16.0	13.0	10.6	6.5	7.6	-22.2	19.7	9.2	4.2	5.5
EU Plus other Europe	20.2	20.1	10.5	14.5	17.1	11.6	-22.3	10.9	15.0	5.8	8.5
Developed Asia	13.4	20.5	12.7	9.6	10.5	20.8	-24.8	23.2	16.6	10.9	7.9
<i>Economies in transition</i>	24.7	29.2	19.7	23.8	33.7	28.6	-30.2	21.3	20.4	14.8	13.5
South-Eastern Europe	29.6	24.8	8.1	15.4	30.9	22.2	-28.4	0.3	17.4	7.1	9.8
Commonwealth of Independent States	23.7	30.2	22.1	25.4	34.2	29.7	-30.5	24.6	20.7	15.8	13.9
<i>Developing economies</i>	15.4	26.1	17.4	17.2	19.4	19.3	-15.8	22.9	13.8	13.9	14.7
Latin America and the Caribbean	3.5	20.4	18.7	18.1	19.5	20.7	-20.5	29.0	9.7	13.5	12.9
Africa	19.4	20.2	20.4	18.2	26.9	26.0	-13.4	7.5	16.9	12.0	14.6
Western Asia	18.4	30.4	21.3	19.9	28.8	22.4	-17.5	13.1	13.7	17.4	12.5
East and South Asia	17.7	27.5	16.2	16.4	16.8	17.5	-14.6	25.7	14.4	13.7	15.5
Volume of exports											
World	5.1	10.6	7.8	9.4	7.0	2.7	-9.2	12.3	6.4	4.5	5.8
<i>Developed economies</i>	1.9	8.2	5.8	8.5	6.1	1.9	-12.2	11.0	6.1	3.3	5.0
North America	0.5	8.2	5.4	6.7	7.2	3.5	-10.4	10.3	6.0	3.3	6.8
EU Plus other Europe	1.8	7.8	5.9	9.2	5.7	1.5	-12.0	10.3	6.7	3.0	4.5
Developed Asia	6.0	11.2	5.7	7.7	7.0	2.1	-17.5	18.2	2.1	6.3	5.5
<i>Economies in transition</i>	11.4	12.9	4.0	7.0	7.4	2.0	-6.9	4.2	5.2	1.9	3.3
South-Eastern Europe	9.4	7.3	8.9	10.3	6.2	3.9	-14.0	13.7	5.0	5.7	5.8
Commonwealth of Independent States	11.6	13.3	3.6	6.8	7.5	1.8	-6.4	3.5	5.2	1.6	3.1
<i>Developing economies</i>	11.0	15.0	12.0	11.2	8.4	4.2	-4.4	15.3	7.0	6.4	7.0
Latin America and the Caribbean	3.8	12.5	7.7	6.5	4.8	1.8	-10.1	11.1	6.4	5.1	4.9
Africa	7.0	7.0	9.4	12.1	4.4	9.2	-5.9	3.7	-2.2	8.6	9.1
Western Asia	15.1	13.5	10.2	6.2	5.6	2.4	-5.9	4.8	5.3	3.7	4.1
East and South Asia	12.8	17.6	14.1	13.7	10.7	4.6	-2.5	20.1	8.6	7.0	7.7

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(Compiled by Prem Bhutani, BoS)

Significant Legal Decisions - Income Tax

1. Can the Assessing Officer issue notice under section 154 to rectify a mistake apparent from record in the intimation under section 143(1), after issue of a valid notice under section 143(2)?
2. Can the Assessing Officer reassess issues other than the issues in respect of which proceedings were initiated under section 147 when the original "reason to believe" on the basis of which the notice was issued ceased to exist?

CIT v. Haryana State Handloom and Handicrafts Corporation Ltd. (2011) 336 ITR 699 (P&H)

On this issue, the Punjab and Haryana High Court referred to the Delhi High Court ruling in *CIT v. Punjab National Bank (2001) 249 ITR 763*, where it was held that rectification of an intimation cannot be made after issuance of notice under section 143(2) and during the pendency of proceedings under section 143(3). It was held that if any change was permissible to be effected, the same can be done in the assessment under section 143(3) and not by exercising the power under section 154 to rectify the intimation issued under section 143(1).

In the present case, the Punjab and Haryana High Court relying, *inter alia*, on the said decision held that the scope of proceedings under section 143(2) is wider than the power of rectification of mistake apparent from record under section 154. The notice under section 143(2) is issued to ensure that the assessee has not understated the income or has not computed excessive loss or underpaid the tax. It is only on consideration of the matter and on being satisfied that it is necessary or expedient to do so that the Assessing Officer issues the notice under section 143(2). Therefore, the Assessing Officer has to proceed under section 143(3) and issue an assessment order. If issue of notice under section 154 is permitted to rectify the intimation issued under section 143(1), then it would lead to duplication of work and wastage of time.

Therefore, it was concluded that proceedings under section 154 for rectification of intimation under section 143(1) cannot be initiated after issuance of notice under section 143(2) by the Assessing Officer to the assessee.

Ranbaxy Laboratories Ltd. v. CIT (2011) 336 ITR 136 (Delhi)

In the present case, the assessee company was engaged in the business of manufacture and trading of pharmaceutical products. The Assessing Officer accepted the returned income filed by the assessee but initiated reassessment proceedings under section 147 in respect of the addition to be made on account of club fees, gifts and presents and provision for leave encashment. It was observed that the Assessing Officer had reason to believe that income has escaped assessment due to claim and allowance of such expenses and accordingly, he issued notice under section 148. However, after sufficient enquiries were made during reassessment proceedings, the Assessing Officer came to the conclusion that no additions are required to be made on account of these expenses. Therefore, while completing the reassessment he did not make additions on account of these items but instead made additions on the basis of other issues which were not the original "reason to believe" for the issue of notice under section 148. The Assessing Officer made such additions on the basis of Explanation 3 to section 147 as per which the Assessing Officer may assess the income which has escaped assessment and which comes to his notice subsequently in the course of proceedings under section 147 even though the said issue did not find mention in the reasons recorded in the notice issued under section 148.

The issue under consideration is whether the Assessing Officer can make an assessment on the basis of an issue which came to his notice during the course of assessment, where the issues, which originally formed the basis of issue of notice under section 148, were dropped in its entirety.

As per section 147, the Assessing Officer may assess or reassess such income **and also** any other income chargeable to tax which has escaped assessment and which comes to his notice in the course of proceedings under this section. The Delhi High Court observed that the words "and also" used in section 147 are of wide amplitude.

The correct interpretation of the Parliament would be to regard the words '**and also**' as being "conjunctive and cumulative with" and not "in alternative to" the first part of the sentence, namely, "the Assessing Officer may assess and reassess *such income*". It is significant to note that Parliament has not used the word 'or' but has used the word 'and' together and in conjunction with the word 'also'. The words '*such income*' in the first part of the sentence refer to the income chargeable to tax which has escaped assessment and in respect of which the Assessing Officer has formed a reason to believe for issue of the notice under section 148. Hence, the language used by the Parliament is indicative of the position that the assessment or reassessment must be in respect of the income, in respect of which the Assessing Officer has formed a reason to believe that the same has escaped assessment and also in respect of any other income which comes to his notice subsequently during the course of the proceedings as having escaped assessment. If the income, the escapement of which was the basis of the formation of the "reason to believe" is not assessed or reassessed, it would not be open to the Assessing Officer to independently assess only that income which comes to his notice subsequently in the course of the proceedings under the section as having escaped assessment. If he intends to do so, a fresh notice under section 148 would be necessary.

3. **Can winnings of prize money on unsold lottery tickets held by the distributor of lottery tickets be assessed as business income and be subject to normal rates of tax instead of the rates prescribed under section 115BB?**

CIT v. Manjoo and Co. (2011) 335 ITR 527 (Kerala)

On the above issue, the Kerala High Court

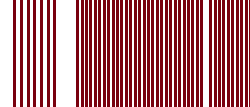
observed that winnings from lottery is included in the definition of income by virtue of section 2(24)(ix). Further, in practice, all prizes from unsold tickets of the lotteries shall be the property of the organising agent. Similarly, all unclaimed prizes shall also be the property of the organising agent and shall be refunded to the organising agent.

The High Court contended that the receipt of winnings from lottery by the distributor was not on account of any physical or intellectual effort made by him and therefore cannot be said to be "income earned" by him in business. The said view was taken on the basis that the unsold lottery tickets cease to be stock-in-trade of the distributor because, after the draw, those tickets are unsaleable and have no value except waste paper value and the distributor will get nothing on sale of the same except any prize winning ticket if held by him, which, if produced will entitle him for the prize money. Hence, the receipt of the prize money is not in his capacity as a lottery distributor but as a holder of the lottery ticket which won the prize. The Lottery Department also does not treat it as business income received by the distributor but instead treats it as prize money paid on which tax is deducted at source.

Further, winnings from lotteries are assessable under the special provisions of section 115BB, irrespective of the head under which such income falls. Therefore, even if the argument of the assessee is accepted and the winnings from lottery is taken to be received by him in the course of his business and as such assessable as business income, the specific provision contained in section 115BB, namely, the special rate of tax i.e. 30% would apply.

Therefore, the High Court held that the rate of 30% prescribed under section 115BB is applicable in respect of winnings from lottery received by the distributor.

4. **Would non-resident match referees and umpires in the games played in India fall within the meaning of sportsmen to attract taxability under the provisions of section 115BBA, and consequently attract the TDS provisions under section 194E in the hands of the payer?**



Indcom v. Commissioner of Income-tax (TDS) (2011) 335 ITR 485 (Calcutta)

On this issue, the Calcutta High Court observed that, in order to attract the provisions of the section 194E, the person should be a non-resident sportsperson or non-resident sports association or institution whose income is taxable as per the provisions of section 115BBA.

The umpires and the match referees can be described as professionals or technical persons who render professional or technical services, but they cannot be said to be either non-resident sportsmen (including an athlete) or non-resident sports association or institution so as to attract the provisions of section 115BBA and consequently, the provisions of tax deduction at source under section 194E are also not attracted in this case. Though for the purpose of section

194J, match referees and umpires are considered as professionals, the tax deduction provisions thereunder are attracted only in case where the deductee is a resident individual, which is not so in the present case.

Therefore, although the payments made to non-resident umpires and the match referees are "income" which has accrued and arisen in India, the same are not taxable under the provisions of section 115BBA and thus, the assessee is not liable to deduct tax under section 194E.

Note - *It may be noted that since income has accrued and arisen in India to the non-resident umpires and match referees, the TDS provisions under section 195 would be attracted and tax would be deductible at the rates in force.*

*(Compiled by CA.Priya Subramanian/
CA. Nidhi Agarwal, BoS)*

Accounting

Revised Capital Adequacy Framework for Off-Balance Sheet Items for NBFCs

RBI vide notification No. DNBS.CC.PD.No.252/03.10.01/2011-12 dated December 26, 2011 (Amended further by DNBS.CC.PD.No.254/03.10.01/2011-12 dated December 30, 2011) felt necessary that NBFCs should move over to modern techniques of risk measurement to strengthen their capital framework. This is because, off balance sheet exposures of NBFCs have increased with the increased participation, in the designated currency options and futures and interest rate futures, as clients for the purpose of hedging their underlying exposures.

The Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and The Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 require the NBFCs to maintain a minimum CRAR based on risk weights assigned to both on and off balance sheet items. Earlier, explanation (2) to para 16 of the aforementioned Regulations, recognized only 6 items as off balance sheet items which had linkages to NBFI activities.

Now, it has been considered necessary to expand the off-balance sheet regulatory framework to introduce greater granularity in the risk weights and credit conversion factors for different types of off balance sheet items. For this purpose, NBFCs will need to

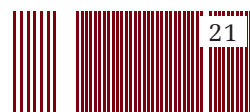
calculate the total risk weighted off-balance sheet credit exposure as the sum of the risk-weighted amount of the market related and non-market related off-balance sheet items. (Refer point D)

For the off-balance sheet items already contracted by NBFCs, the risk weights shall be applicable with effect from the Financial Year beginning April 01, 2012. For all new contracts undertaken including CDS, the new risk weights shall be applicable from the date of the circular.

The amending Notifications DNBS.PD.No.237/ CGM (US) 2011 and DNBS.PD.No. 238/CGM (US) 2011 both dated December 26, 2011 (further amended by DNBS.PD.No.239/ CGM (US) 2011 and DNBS.PD.No. 240/CGM (US) 2011 respectively both dated December 30, 2011) amending the Non- Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) directions, 2007 (herein after referred to as the said Directions) and the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 respectively have been issued for meticulous compliance. As per these notifications, RBI directs that the Directions shall be amended with immediate effect as follows, namely -

1. In para 16 (2), Explanation No. (2) may be replaced with the following:

'(2) Off-balance sheet items



A. General

NBFCs will calculate the total risk weighted off-balance sheet credit exposure as the sum of the risk-weighted amount of the market related and non-market related off-balance sheet items. The risk-weighted amount of an off-balance sheet item that gives rise to credit exposure will be calculated by means of a two-step process:

- (a) the notional amount of the transaction is converted into a credit equivalent amount, by multiplying the amount by the specified credit conversion factor or by applying the current exposure method; and
- (b) the resulting credit equivalent amount is multiplied by the risk weight applicable viz; zero percent for exposure to Central Government/State Governments, 20 percent for exposure to banks and 100 percent for others.

B. Non-market-related off- balance sheet items

- i. The credit equivalent amount in relation to a non-market related off-balance sheet item will be determined by multiplying the contracted amount of that particular transaction by the relevant credit conversion factor (CCF).

Sr. No.	Instruments	Credit Conversion Factor
i.	Financial & other guarantees	100
ii.	Share/debenture underwriting obligations	50
iii.	Partly-paid shares/debentures	100
iv.	Bills discounted/rediscouted	100
v.	Lease contracts entered into but yet to be executed	100
vi.	Sale and repurchase agreement and asset sales with recourse, where the credit risk remains with the NBFC.	100
vii.	Forward asset purchases, forward deposits and partly paid shares and securities, which represent commitments with certain draw down.	100
viii.	Lending of NBFC securities or posting of securities as collateral by NBFC, including instances where these arise out of repo style transactions	100
ix.	Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of up to one year over one year	20 50
x.	Similar commitments with an original maturity upto one year, or which can be unconditionally cancelled at any time.	0
xi.	Take-out Finance in the books of taking- over institution (i) Unconditional take-out finance (ii) Conditional take-out finance Note: As the counter-party exposure will determine the risk weight, it will be 100 percent in respect of all borrowers or zero percent if covered by Government guarantee.	100 50
xii.	Commitment to provide liquidity facility for securitization of standard asset transactions	100
xiii.	Second loss credit enhancement for securitization of standard asset transactions provided by third party	100
xiv.	Other contingent liabilities (To be specified)	50

Note:

- i. Cash margins/deposits shall be deducted before applying the conversion factor
- ii. Where the non-market related off-balance sheet item is an undrawn or partially undrawn fund-based facility, the amount of undrawn commitment to be included in calculating the off-balance sheet non-market related credit exposures is the maximum unused portion of the commitment that could be drawn during the remaining period to maturity. Any drawn portion of a commitment forms a part of NBFC's on-balance sheet credit exposure'.

C. Market Related Off-Balance Sheet Items

- i. NBFCs should take into account all market related off-balance sheet items (OTC derivatives and Securities Financing Transactions such as repo / reverse repo/ CBLO etc.) while calculating the risk weighted off-balance sheet credit exposures.
- ii. The credit risk on market related off-balance sheet items is the cost to an NBFC of replacing the cash flow specified by the contract in the event of counterparty default. This would depend, among other things, upon the maturity of the contract and on the volatility of rates underlying the type of instrument.
- iii. Market related off-balance sheet items would include:
 - a. interest rate contracts - including single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate futures;
 - b. foreign exchange contracts, including contracts involving gold, - includes cross currency swaps (including cross currency interest rate swaps), forward foreign exchange contracts, currency futures, currency options;
 - c. Credit Default Swaps; and
 - d. any other market related contracts specifically allowed by the Reserve Bank which give rise to credit risk.
- iv. Exemption from capital requirements is permitted for -
 - a. foreign exchange (except gold) contracts which have an original maturity of 14 calendar days or less; and
 - b. instruments traded on futures and options exchanges which are subject to daily mark-to-market and margin payments.

- v. The exposures to Central Counter Parties (CCPs), on account of derivatives trading and securities financing transactions (e.g. Collateralised Borrowing and Lending Obligations - CBLOs, Repos) outstanding against them will be assigned zero exposure value for counterparty credit risk, as it is presumed that the CCPs' exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP's credit risk exposures.
- vi. A CCF of 100 per cent will be applied to the corporate securities posted as collaterals with CCPs and the resultant off-balance sheet exposure will be assigned risk weights appropriate to the nature of the CCPs. In the case of Clearing Corporation of India Limited (CCIL), the risk weight will be 20 per cent and for other CCPs, the risk weight will be 50 percent.
- vii. The total credit exposure to counterparty in respect of derivative transactions should be calculated according to the current exposure method as explained below:

D. Current Exposure Method

The credit equivalent amount of a market related off-balance sheet transaction calculated using the current exposure method is the sum of a) current credit exposure and b) potential future credit exposure of the contract.

- a) Current credit exposure is defined as the sum of the gross positive mark-to-market value of all contracts with respect to a single counterparty (positive and negative marked-to-market values of various contracts with the same counterparty should not be netted). The Current Exposure Method requires periodical calculation of the current credit exposure by marking these contracts to market.
- b) Potential future credit exposure is determined by multiplying the notional principal amount of each of these contracts, irrespective of whether the contract has a zero, positive or negative mark-to-market value by the relevant add-on factor indicated below according to the nature and residual maturity of the instrument.

Credit Conversion Factors for interest rate related, exchange rate related and gold related derivatives

Credit Conversion Factors (%)		
	Interest Rate Contracts	Exchange Rate Contracts & Gold
One year or less	0.50	2.00
Over one year to five years	1.00	10.00
Over five years	3.00	15.00

- i. For contracts with multiple exchanges of principal, the add-on factors are to be multiplied by the number of remaining payments in the contract.
- ii. For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date. However, in the case of interest rate contracts which have residual maturities of more than one year and meet the above criteria, the CCF or add-on factor is subject to a floor of 1.0 per cent.
- iii. No potential future credit exposure would be calculated for single currency floating / floating interest rate swaps; the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market value.
- iv. Potential future exposures should be based on 'effective' rather than 'apparent notional amounts'. In the event that the 'stated notional amount' is leveraged or enhanced by the structure of the transaction, the 'effective notional amount' must be used for determining potential future exposure. For example, a stated notional amount of USD 1 million with payments based on an internal rate of two times the lending rate of the NBFC would have an effective notional amount of USD 2 million.

E. Credit conversion factors for Credit Default Swaps(CDS) :

NBFCs are only permitted to buy credit protection to hedge their credit risk on corporate bonds they hold. The bonds may be held in current category or permanent category. The capital charge for these exposures will be as under:

- (i) For corporate bonds held in current category and hedged by CDS where there is no mismatch between the CDS and the hedged bond, the credit protection will be permitted to be recognised to a maximum of 80% of the exposure hedged. Therefore, the NBFC will continue to maintain capital charge for the corporate bond to the extent of 20% of the applicable capital charge. This can be achieved by taking the exposure value at 20% of the market value of the bond and then multiplying that with the risk weight of the 2 issuing entity. In addition to this, the bought CDS position will attract a capital charge for counterparty risk which will be calculated by

applying a credit conversion factor of 100 percent and a risk weight as applicable to the protection seller i.e. 20 per cent for banks and 100 per cent for others.

- (ii) For corporate bonds held in permanent category and hedged by CDS where there is no mismatch between the CDS and the hedged bond, NBFCs can recognise full credit protection for the underlying asset and no capital will be required to be maintained thereon. The exposure will stand fully substituted by the exposure to the protection seller and attract risk weight as applicable to the protection seller i.e. 20 per cent for banks and 100 per cent for others.
- 2. In the notes to the table under 'Explanations: On balance sheet items' in para 16(2), the note no.4 may be deleted.

(Source: www.rbi.org.in)

Note: This notification is not applicable for CA Final May-2012 Examination.

ICAI Presents Report on Accounting Standards to HRD Minister; Recommends Accounting Standards issued by ICAI be made Mandatory to Educational Institutions (Release ID :79701)

As per a press release dated 18th January, 2012 by Ministry of Human Resource Development (HRD), a report on Implementation of Accounting Standards in Educational Institutions of Department of Higher Education, Ministry of Human Resource Development was presented to the Union Minister for Human Resource Development by the President and other council members of the ICAI. The report has been brought out by a working group consisting of members from ICAI and those nominated by the Ministry of HRD for the purpose.

The Group has recommended that all educational

institutions should be mandated to apply accrual basis of accounting; Accounting Standards issued by the ICAI should be made mandatory to educational institutions; Fund based accounting may be introduced for Earmarked / Designated Funds; All educational institutions should follow a common format for presentation of its general purpose financial statements to ensure proper accountability, financial discipline, end-use of funds and to meet the needs of stakeholders. The accounting standards should enable the society, the student and the citizen:-

- (i) to define transparently the revenue earned through various sources - tuition fees and other charges, income from consultancy or from intellectual property owned by the institution (for higher educational institutions) etc;
- (ii) to recognize segment reporting of accounts (each school under the same institution being considered as a separate segment for accounting purposes);
- (iii) to recognize costs and revenue separately for UG and PG programmes and for research and teaching activities;
- (iv) to define relevant financial ratios derived from accounts for inter se comparison on research to total expenditure, income from fees to total income, salary expenditure to total expenditure etc). These ratios could enable greater understanding of funding needs especially in respect of government funding.
- (v) to identify if surpluses are being generated and the manner in which the surpluses are utilized or invested;
- (vi) to disclose related party transactions;

(Source www.pib.nic.in)

(Compiled by C.A. Shilpa Agrawal, BoS)

Completion of Articleship/GMCS

All the students who have passed their CA Final in Nov 2011 Examination should complete their Articleship /GMCS before start of campus interview at any centre in Campus Placement Programme, Feb-Mar, 2012. The date of start of interview is 22nd February, 2012.

On Line Articles Placement Portal for selection of Articled Assistants by CA Firms

The Board of Studies of the ICAI has been providing Optional Campus Placement Scheme for selection of Articled Assistants by CA Firms through its Articles Placement Portal. It provides a platform to the firms of Chartered Accountants having vacancies for Articled Assistants to shortlist eligible students for selection of articled assistants, and call them for Interview at their offices, as per date and time convenient to them. The eligible candidates who have either (a) Passed Group-I or both Groups of the IPCC examination, or (b) Passed either of the Groups or both groups of PE-II examination and are willing to join articled training can register themselves on the portal. The candidates shortlisted by CA Firms would be automatically informed by e-mail through the Portal, to appear for interview at their respective Offices, at the designated date and time.

The services of Online Placement Portal are active for facilitating the placement of Articles in CA Firms on pan India basis. Both eligible CA firms and candidates who are willing to avail of this facility shall have to register themselves online through the Articles Placement Portal at <http://bosapp.icai.org>. The services on the Portal would be available for two months from the date of registration by the firms as well as students.

Please refer the detailed guidelines available at the institutes' website www.icai.org and on the Portal.

In case of any clarification, please contact the Board of Studies, ICAI Bhawan, A-29, Sector-62, Noida-201309, Tel. No. 0120-3045930/931; E-mail: bosapp@icai.org.

Director, Board of Studies

January 19, 2012

Procedure for providing inspection/certified copies of evaluated answer-books to the concerned examinees

A. General:

1. The procedure laid down hereinafter specifically applies to providing inspection and /or certified copies of answer books relating to November 2011 examinations and onwards only.
2. An application by an examinee seeking inspection of his/her evaluated answer books and/or certified copies thereof is independent of and distinct from an application made by him/her for verification of marks under the existing Regulation 39(4) of the Chartered Accountants Regulations, 1988 for which a process/procedure is already in place. For details visit www.icai.org
3. Inspection/certified copies of evaluated answer books of the examinees would be provided to the concerned examinee only and to no other person, under any circumstances.
4. Inspection/certified copies of evaluated answer books provides information for their academic guidance but does not provide any remedy in case of any discrepancies that may be noticed in the process. The remedy lies in the existing process of verification of answer books, which is independent and distinct from the inspection/certified copies process. Hence, examinees may make a separate application for verification of answer books, without waiting for inspection/certified copies of answer books. Examinees may note that request for verification of answer books has to be made within 30 days from the date of declaration of results.
5. Examinees should not combine application for verification of answer books with the application seeking inspection/certified copies of evaluated answer books. Application for verification of answer books, if any, should be sent in a separate envelope, as per the existing procedure already hosted on the website.
6. Applications by an examinee seeking inspection/certified copies of answer books can be made by him/her, in respect of any examination conducted by ICAI, within 75 days from the date of declaration of respective result(s), with the applicable fee. However, examinees can seek inspection/certified copies of evaluated answer books beyond 75 days but within 90 days from the date of declaration of results, with the late fee prescribed. Applications received later than 90 days from the date of declaration of results will not be entertained under any circumstances.

7. The fee structure is as follows:

For inspection and/or supply of certified copies of evaluated answer books:

Details	Fees (without late fee) -(If the application is received within 75 days from the date of declaration of result of the particular examination)	Fees (inclusive of late fee) (If the application is received after 75 days but within 90 days from the date of declaration of result of the particular examination)
For Final, PCE, IPCE/ATE/ Unit, CPT, post qualification courses ISA-AT, IRM, ITL & WTO, MAC/TMC/CMC	₹ 500/- per paper	₹ 750/- per paper

Explanation:

Any application received in the Institute's office at New Delhi after 75 days but within 90 days of the declaration of the relevant result shall be liable for payment of late fee. For reckoning the applicability of late fee, the date of demand draft in conjunction with the date of dispatch of the application as evidenced by the Speed/Registered Post receipt issued by post office shall only be taken into account. No cognizance will be taken of the receipts issued by private couriers/ordinary post.

8. Inspection of evaluated answer books will be provided, generally, within 30 days from the date of receipt of the application by ICAI.
9. Certified copies of evaluated answer books will be sent to the examinees by Registered/Speed Post, generally within a period of 30 days from the receipt of the application by ICAI.

B. Procedure:

1. An examinee can apply for inspection and/or certified copies of his/her evaluated answer books **necessarily in his/her own handwriting**, in the prescribed format, (copy enclosed) giving specific details of the following along with the requisite fees:
- Name of the examinee
 - Examination, say PCE, IPCE, Final etc
 - Year and Month of the examination
 - Roll No of the examinee
 - Answer books of paper(s)/subjects to be inspected/certified copies sought
 - Student Registration Number
 - Address for communication
 - E-mail address
 - Mobile number
2. Physically/visually/mentally challenged examinees who had been permitted by ICAI to engage the services of a scribe/writer for writing the examination, shall submit the application seeking inspection of the relevant evaluated

answer books, in the handwriting of the same scribe/writer.

3. If the examinee had appeared in Hindi medium, his/her application should be in Hindi.
4. Typewritten applications will not be entertained.
5. The application should be duly signed by the examinee.
6. The examinee shall also furnish a declaration in the format prescribed. (Copy enclosed)
7. The hand written application accompanied by the applicable fee and a copy of the admit card should be sent at the following address:-
- The Deputy Secretary (Examination)
AB Cell,
Examination Department,
The Institute of Chartered Accountants of India
ICAI Bhawan
Indraprastha Marg
New Delhi 110 002
8. The envelope containing the application should be superscribed "**Application seeking inspection/ certified copies of evaluated answer books**" and should be sent by registered post or by speed post only and not by any private courier or ordinary post, at the above address. Examinees are advised to retain a copy of the receipt issued by the postal authorities while sending their application as evidence of having despatched their application.
9. Applications incomplete in any respect and/or with illegible entries shall be liable to be rejected.
10. The fees is payable by way of a demand draft drawn in favour of "The Secretary, The Institute of Chartered Accountants of India" payable at New Delhi and sent along with the application for inspection/certified copies of evaluated answer books. Examinees are advised to write their name and roll number on the reverse of the demand draft.
11. Upon receipt of an application from an examinee seeking inspection/certified copies of answer books, an acknowledgement will be sent to the examinees. A list of such candidates who have sought inspection/certified copies will also be hosted on the website.

12. Under no circumstances, inspection/certified copies of answer books will be given to those examinees whose results have been withheld/cancelled/have not been declared for any reason whatsoever. Similarly no access to answer books will be allowed to examinees against whom unfair means cases are reported/under consideration.
13. ICAI reserves the right to decline the request of any examinee for inspection/certified copies of evaluated answer books, in case it has reason to believe that the request has been made with a malicious intention to discredit the examination system of the Institute.
14. Delay in giving inspection/certified copies of evaluated answer books to an examinee, for whatsoever reason, shall not vest any right in the examinee to seek extension of time for applying for verification of answer books.
15. If the examinee is found guilty of any misuse of the inspection/certified copies of the evaluated answer books, he/she shall be liable for award of punishment, such as debarment from appearing at further examination(s) or other action as may be deemed fit by the Examination Committee/Council of the Institute in this regard.
16. The decision of the Examination Committee/Council of the Institute in this regard will be final.
17. For any/all dispute(s) relating to examinations conducted by the Institute, including on the abovementioned matters, the Courts at New Delhi shall have exclusive jurisdiction.
18. Contact details: Email ID: abc@icai.in Tel. 0120-3054805 Fax 0120-3054841/843

C. Points relevant to inspection of evaluated answer books only:

1. The examinee will be advised in writing, the date and time at which he/she can inspect his/her evaluated answer books. They will be required to come for inspection at the appointed date and time only and request for change of date/time will generally not be permitted.
2. ICAI shall also host the details of the roll numbers of the examinees and the dates on which they should appear for inspection of the evaluated answer books on its website www.icai.org on a regular basis for the information of the examinees.
3. Inspection of answer books will be given only to the examinees, at their own cost, and not to their parents, guardians, or any other person representing the examinee, in this behalf. At the time of physical inspection, only the examinee will be permitted to inspect and no one else will be permitted to accompany him/her.
4. Physically challenged examinees (including those who are visually challenged and those challenged by cerebral palsy etc) and have been allowed the facility of a writer for the examination in question, will have the option to bring along the same person,

who acted as his/her writer, for inspection of his/her answer books, at their own cost.

5. Inspection of evaluated answer books will be given only at the ICAI's office at NOIDA, at the following address, on working days at the appointed date and time. Inspection of the answer books shall not be allowed at any other location of the Institute's offices.
The Institute of Chartered Accountants of India
ICAI Bhawan
A-29, Sector 62,
Dist. Gautam Buddh Nagar (U.P)
NOIDA 201309
6. The examinee will be required to produce his/her admit card or his student identity card or any other photo identity card duly certified by a Chartered Accountant, at the time of inspection of answer books as a proof of his identity.
7. The examinee will not be allowed to carry mobile phone, camera or any other electronic gadget or any paper or pen at the time of inspection.
8. However, the examinee will be permitted to carry the relevant question paper and also note down question-wise marks secured by him/her, on a sheet of paper with pencil supplied by the Institute.
9. No queries relating to the examination, evaluation, or any other thing that may arise from the inspection of the answer books or otherwise, by the examinees, will be entertained during the process of inspection.
10. The examinees are required to sign a register in acknowledgement of having availed of the inspection of evaluated answer books.
11. Inspection of a set of evaluated answer books will be permitted only once.

Points relevant to providing certified copies of evaluated answer books only:

1. Certified copies of the same set of evaluated answer books will be provided only once.
2. ICAI shall provide certified copies of evaluated answer books (in single copy only).
3. ICAI shall host the details of the roll numbers of the examinees whose applications for certified copies have already been dispatched, on its website www.icai.org on a regular basis for information of the examinees.
4. On receipt of certified copies of the evaluated answer books, the examinee shall be the sole custodian of it and under any circumstances the examinee shall not part with the custody/possession of the same and also shall not use the same for any other purpose/s, including reference to experts/media etc.
5. The certified copies so obtained by the examinee shall be for his/her exclusive use. Neither the said examinee nor any other person can use the said copy to dispute or challenge the quality of assessment or quantum of marks assigned to the answers therein.

ANNOUNCEMENT**Application format for seeking inspection/certified copies of evaluated answer books
(Necessarily in examinee's own handwriting)**

Date:

The Deputy Secretary (Exams)
The Institute of Chartered Accountants of India
AB Cell
Examination Dept
ICAI Bhawan
Indraprastha Marg
New Delhi 110 002

Dear Sir

I hereby apply for the following:

Name of the candidate:

Contact no : Land line: STD Code:

No.

Mobile:

E-mail address :

Address for correspondence:

Student Registration No :

Examination : CPT/PCE/IPCE/ATE/Units/Final/CPT/ ISA/IRM/ITL&WTO/MAC/TMC/CMC

Month

Year

Roll No

Particulars of answer books, copies/inspection of which sought: (tick the relevant boxes)

Paper No.	Name of the subject	Inspection	Certified copies

Details of Fees paid :DD No :

Date:

Drawn on :

For Rs.

Declaration:

I hereby declare and affirm that the details mentioned above relate to me only and are true to the best of my knowledge and belief.

I hereby declare that I have read and understood the terms and conditions of the scheme framed by the ICAI regarding providing inspection/certified copies of evaluated answer books and that I shall abide by them in letter and spirit.

I am seeking inspection/certified copies of my evaluated answer books for my own academic guidance and shall not use them, for any other purpose.

I understand that the certified copies so obtained by me shall be for my exclusive use. I shall be the sole custodian of the copies of the evaluated answer books as and when they are made available to me by the Institute and I shall not under any circumstances part with the custody/possession of the same and shall not use the same for any other purpose/s.

Date:

Place:

Signature of candidate

Name:.....

Regn No.....

Exam

Roll No.....

Address:

.....

.....

City:.....

Pincode:

**TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA****NOTIFICATION****2nd January, 2012**

No. 13-CA (EXAM)/M/2012: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to notify that the Professional Competence Examination (PCE), Integrated Professional Competence Examination (IPCE) and Final examinations will be held on the dates given below at the following centres provided that sufficient number of candidates offer themselves to appear from each centre.

Similarly Post Qualification Course viz: Insurance and Risk Management (IRM) examination will also be held on the dates given below at the following centres (centres in India only) in terms of provisions as contained in Schedule "G" of the Chartered Accountants Regulations, 1988 respectively, provided that sufficient number of candidates offer themselves to appear from each centre.

PROFESSIONAL COMPETENCE EXAMINATION (PCE)

[As per syllabus contained in the scheme notified by the Council under Regulation 28 C (3) of the Chartered Accountants Regulations, 1988]

Group-I:	3rd , 5th & 14th May 2012
Group-II:	8th, 10th & 16th May 2012

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION (IPCE)

[As per syllabus contained in the scheme notified by the Council under Regulation 28 E (3) of the Chartered Accountants Regulations, 1988]

Group-I:	3rd, 5th, 8th & 10th May 2012
Group-II:	12th, 14th & 16th May 2012

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

FINAL EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 31 (ii) of the Chartered Accountants Regulations, 1988.]

Group -I:	2nd, 4th, 7th & 9th May 2012
Group -II:	11th, 13th, 15th & 17th May 2012

(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

INSURANCE AND RISK MANAGEMENT (IRM) EXAMINATION

[As per provisions contained in "Schedule G" of Chartered Accountants Regulations, 1988]

Modules I to IV	11th, 13th, 15th & 17th May 2012
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(Afternoon Session: 2.00 PM to 5.00 PM) (IST)

EXAMINATION CENTRES: (FOR ALL EXAMINATIONS)
CITIES IN INDIA

1	AGRA	46	GUNTUR	91	PANVEL
2	AHMEDABAD	47	GURGAON	92	PATNA
3	AHMEDNAGAR	48	GUWAHATI	93	PATIALA
4	AJMER	49	GWALIOR	94	PIMPRI-CHINCHWAD
5	AKOLA	50	HISAR	95	PONDICHERY
6	ALAPPUZHA	51	HUBLI	96	PUNE
7	ALIGARH	52	HYDERABAD	97	RAIPUR
8	ALLAHABAD	53	INDORE	98	RAJAMAHENDRAVARAM
9	ALWAR	54	JABALPUR	99	RAJKOT
10	AMBALA	55	JAIPUR	100	RANCHI
11	AMRAVATI	56	JALANDHAR	101	RATLAM
12	AMRITSAR	57	JALGAON	102	REWARI
13	ANAND	58	JAMMU	103	ROHTAK
14	ASANSOL	59	JAMNAGAR	104	ROURKELA
15	AURANGABAD	60	JAMSHEDPUR	105	SAHARANPUR
16	BANGALORE	61	JODHPUR	106	SALEM
17	BAREILLY	62	KANPUR	107	SAMBALPUR
18	BATHINDA	63	KARNAL	108	SANGLI
19	BEAWAR	64	KISHANGARH*	109	SATARA
20	BELGAUM	65	KOLLAM	110	SHIMLA
21	BELLARY	66	KOLHAPUR	111	SIKAR
22	BERHAMPORE	67	KOLKATA	112	SILIGURI
23	BHARAUCH	68	KOTA	113	SIRSA
24	BHAVNAGAR	69	KOTTAYAM	114	SOLAPUR
25	BHILWARA	70	KOZHIKODE	115	SONEPAT
26	BHOPAL	71	KUMBAKONAM	116	SRI GANGANAGAR
27	BHUBANESWAR	72	LATUR	117	SURAT
28	BHUJ	73	LUCKNOW	118	THANE
29	BIKANER	74	LUDHIANA	119	THIRUVANANTHAPURAM
30	BILASPUR	75	MADURAI	120	THRISSUR
31	CHANDIGARH	76	MANGALORE	121	TINSUKIA
32	CHENNAI	77	MATHURA	122	TIRUCHIRAPALLI
33	COIMBATORE	78	MEERUT	123	TIRUPATI
34	CUTTACK	79	MORADABAD	124	TIRUPUR
35	DEHRADUN	80	MUMBAI	125	TUTICORIN
36	DELHI/NEW DELHI	81	MUZAFFARNAGAR	126	UDAIPUR
37	DHANBAD	82	MYSORE	127	UDUPI
38	DURG	83	NAGPUR	128	UJJAIN
39	ERNAKULAM	84	NANDED	129	VADODARA
40	ERODE	85	NASHIK	130	VAPI
41	FARIDABAD	86	NELLORE	131	VARANASI
42	GANDHIDHAM	87	NOIDA	132	VELLORE
43	GHAZIABAD	88	PALGHAT	133	VIJAYAWADA
44	GOA	89	PALI MARWAR	134	VISAKHAPATNAM
45	GORAKHPUR	90	PANIPAT	135	YAMUNA NAGAR

* Subject to approval of competent authority.

OVERSEAS CENTRES: (FOR PROFESSIONAL COMPETENCE EXAMINATION (PCE), INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION (IPCE) AND FINAL EXAMINATIONS ONLY)

- 1) ABU DHABI 2) DUBAI 3) KATHMANDU 4) MUSCAT*

* Subject to necessary clearances etc. from competent authorities.

Payment of fees for the examinations should be made by Demand Draft only. The Demand Drafts may be of any Scheduled Bank and should be drawn in favour of The Secretary, The Institute of Chartered Accountants of India, payable at New Delhi only.

The Council reserves the right to withdraw any centre at any stage without assigning any reason.

Applications for admission to these examinations are required to be made either online at <http://icaiaexam.icaai.org> free of cost (i.e. ₹ 500/- for PCE, IPCE & Final candidates for the cost of application form shall not be charged if applications are filled in online) or in the relevant prescribed form, copies of which may be obtained from the **Additional Secretary (Examinations), The Institute of Chartered Accountants of India, 'ICAI BHAWAN', Indraprastha Marg, New Delhi - 110 002** on payment of ₹ 500/- per application form in respect of Professional Competence Examination, Integrated Professional Competence Examination and Final Examination candidates. The cost of Examination application form for Insurance and Risk Management (IRM) examination is ₹ 100/- per application form. The forms shall also be made available in the Regional and Branch Offices of the Institute and can be obtained there from on cash payment on or from **6th February, 2012**.

Applications together with the prescribed fee by Demand Draft of any Scheduled Bank may be sent so as to reach the Additional Secretary (Examinations) at New Delhi not later than **29th February, 2012**. However, applications will also be received direct by Delhi Office after **29th February, 2012** and upto **7th March, 2012** with late fee of ₹ 500/-. Applications received after **7th March, 2012** shall not be entertained under any circumstances. Applications for the students' examinations only duly filled in will also be received by hand delivery at the office of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Delhi, Ahmedabad, Bangalore, Hyderabad, Jaipur and Pune upto **7th March, 2012**. Candidates residing in these cities are advised to take advantage of this facility.

However, application forms duly completed for the Post Qualification Course Examination i.e. Insurance and Risk Management (IRM) will be received **only** at the New Delhi office of the Institute.

The candidates who fill up the examination application form online at <http://icaiaexam.icaai.org> from 6th February, 2012 to 29th February, 2012 and remit the fee online by using either VISA or MASTER Credit/ Debit Card shall not be charged Rs.500/- in case of PCE, IPCE AND Final Examination (i.e. cost of application form fee) in order to popularize filling-in of application form online. The candidates of PCE, IPCE and Final Examinations can continue to fill in application forms online from 1st March, 2012 to 7th March, 2012 (during which period late fee of ₹ 500 will have to be paid by them as well).

The fees payable for the various examinations are as under:

PROFESSIONAL COMPETENCE EXAMINATION (PCE) and INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION (IPCE)

For Both the Groups and Unit - 9 of IPCE	₹ 1600/-
For one of the Groups and Unit 1 to 8 of IPCE	₹ 1000/-
Overseas Centres	US \$ 350
Nepal Centre	INR 2250/-
FINAL EXAMINATION	
For Both the Groups	₹ 2250/-
For one of the Groups	₹ 1250/-
Overseas Centres	US \$ 400
Nepal Centre	INR 3000/-

INSURANCE & RISK MANAGEMENT (IRM) EXAMINATION ₹ 1000/-

Candidates of Professional Competence Examination (PCE) / Integrated Professional Competence Examination (IPCE) and Final Examination opting for Dubai/Abu Dhabi/Muscat Centre are required to remit, US\$ 350 and US\$ 400 respectively or its equivalent Indian Currency irrespective of whether the candidates appear in a group or in both the groups or in a unit .

Candidates of Professional Competence Examination (PCE) / Integrated Professional Competence Examination (IPCE) and Final Examinations opting for Kathmandu centre are required to remit Indian ₹ 2250/- and Indian ₹ 3000/- respectively or its equivalent relevant foreign currency irrespective of whether the candidates appear in a group or in both the groups or in a unit.

OPTION TO ANSWER PAPERS IN HINDI:

Candidates of Professional Competence Examination (PCE)/ Integrated Professional Competence Examination (IPCE) and Final Examinations will be allowed to opt for Hindi medium for answering papers. Detailed information will be found printed in the notes for information and guidance of applicants attached to the relevant application form. However the medium of Examination will be only English in respect of Insurance and Risk Management (IRM) Examination.

**(G. SOMASEKHAR)
ADDITIONAL SECRETARY (EXAMS)**

TOPPERS OF CHARTERED ACCOUNTANTS EXAMINATIONS

Final Examination, November-2011



Roohi Aggarwal
First Rank
Hyderabad



Pawan Sarda
Second Rank
Nagpur



Pavan Pal Sharma
Third Rank
Bangalore

Common Proficiency Test - December, 2011



**Manthangode
Abhinav**
First Rank
Vijayawada



Sree Lekha K
Second Rank
Vijayawada



Ankit Jain
Second Rank
Jaipur

All India Elocution and Quiz Contests – 2011-12

The All India Elocution and Quiz Contests for the Year 2011-12 were held in Chennai on 18th January, 2012. The following contestants were declared winners and runners-up for the Quiz Contest and first three prize winners for the Elocution Contest:-

Quiz Contest

Winners : Team WIRC

- Mr. Anand Gautamchand Bedmutha (WRO – 0274972)
- Mr. Devendra Santosh Dugad (WRO – 02901691)

Runners-up: Team CIRC

- Ms. Dvipal Bhandari (CRO – 0217326)
- Mr. Kunal Jethani (CRO – 0344559)

Elocution Contest:

First Prize – Ms. Shabnam Abdul Salam (SRO- 0311160)

Second Prize – Ms. Shivi Tandon (CRO – 0304716)

Third Prize – Ms. Aashka Kiran Bhatt (WRO – 0358280)





Chairman BOS being Felicitated with a Flower Bouquet at the National Convention for CA Students at Pune on 15th January, 2012.



Chairman BOS inaugurating the Finals of the All India CA Student Elocution Competition and CA Student Quiz held on 18th January 2012 in the presence of CA.K.Shanmukha Sundaram, Chairman SIRC of ICAI, Mr.Vijay Kapur, Director of Studies, Mr.Tulsiani, Quiz Master and other officials of ICAI



CA.V.Pattabhi Ram, Mrs.J.Sabita, Mr.Vijay Kapur, Mr.Tulsiani, Chairman BOS, Judges of the All India Elocution Contest



The Winners of the All India Quiz Contest and All India Elocution Competition with the Judges and Quiz Master.



A group photo taken on the occasion of National Convention of CA Students, Delhi. Prof. Rajni Abbi, Hon'ble Mayor of Delhi, CA. Naveen ND Gupta, Vice Chairman, BoS, CA. Rajesh Sharma, Chairman, NIRC of ICAI also seen in picture.



Shri Vijay Kapur, Director, Board of Studies, ICAI, CA. Ankur Tayal, CA. Vinay Mittal and CA. Umesh Gupta at the National Convention of CA Students in Ghaziabad.

A Farewell Poem Written by CA.V.MURALI, Chairman, BOS of ICAI Dedicated to the CA Students

IT IS WITHIN YOU

*The spirit to succeed is within, the spark of hope lies within;
Your aim to shine like the brightest star is fired by
resources from within.*



*You have the raw materials to mould your fate;
You have the necessary wherewithals to enter the winner's gate.*

*Toil diligently and seek within;
You are bound to find the beginnings of a grand win.*

*The CA course is not all that tough, if you conquer the rough;
Then you will find the sailing smooth; It all comes from within.*

*Dream big, strategise and channelise your energy in pursuit;
New reserves of strength from within will guide you in your route.*

*Its all within your reach so brush yourself up if u stumble or fall;
Gird yourself, unstinted hard work will see you stand tall.*

*Leave no stone unturned, no avenue for doubt and shortcuts;
Stay steady on your course, u will find in the end,
Faith will triumph all.*

BECUZ, It is all WITHIN!



Chief Guest, Hon'ble CA.K.Rahman Khan, Deputy Chairman, Rajya Sabha inaugurating the Convocation at Chennai in the presence of Guest of Honour, Hon'ble Justice V.Ramasubramanian, Judge Madras High Court, CA.G.Ramaswamy, President, ICAI and other dignitaries



Rank Holder of CA Final Exam – May 2011 being given the rank certificate by Hon'ble CA.K. Rahman Khan, in the presence of Hon'ble Justice V.Ramasubramanian, CA.G.Ramaswamy, President, ICAI, CA.K.Shanmukha Sundaram, Chairman SIRC of ICAI and Chairman BOS.



Chief Guest, Hon'ble CA.K.Rahman Khan, Deputy Chairman, Rajya Sabha, Guest of Honour, Hon'ble Justice V. Ramasubramanian, Judge Madras High Court, CA.G.Ramaswamy, President, ICAI and other dignitaries with the rank holders of CA Final Exam 2011 from South India at the Convocation at Chennai on 14th January, 2012



CA.G.Ramaswamy, President ICAI being felicitated with a flower bouquet by Chairman BOS in the presence of Chief Guest, Hon'ble CA.K.Rahman Khan Deputy Chairman, Rajya Sabha



CA.G.Ramaswamy, President ICAI releasing the booklet of BOS "Tips for Facing the CA Examination" in the presence of Faculty, CA.P.R.Aruloli, Regional council Member, SIRC of ICAI and Chairman, BOS of ICAI



CA.G.Ramaswamy, President, ICAI, with Chairman BOS and CA.P.R.Aruloli, Regional Council Member, SIRC of ICAI at the inauguration of the GMCS Batch at Chennai on 20th January, 2012.



Hon'ble Dr.Farooque Abdullah, Union Minister for New and Renewable Energy Resources inaugurating the Convocation at New Delhi on 12th January 2012 in the presence of CA.G.Ramaswamy, President, ICAI and other dignitaries.



CA.G.Ramaswamy, President ICAI felicitating Hon'ble Dr.Farooque Abdullah Chief Guest at the Convocation held at New Delhi



CA.G.Ramaswamy President, ICAI presenting a floral bouquet to Hon'ble Dr.Farooque Abdullah, Chief Guest at the Convocation at New Delhi in the presence of dignitaries on the dais.



CA.Jaydeep N.Shah, Vice President, ICAI with dignitaries on the dais at the Inaugural Ceremony of the National CA Convention for CA Students at Pune on 14th January, 2012.