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Limited Liability Partnership- A New Form of Business Organization
LLP: Emergence of a New Legal form of Business
Customer Relationship Management



President's Communication

Dear Students,

I convey my best wishes to all of you on the joyful event of Deepavali. The eternal message of the festival of lights is to dispel darkness

and illuminate every second of your life with the lamp of knowledge and bliss. I hope that you will understand the broad meaning of Deepavali and celebrate it with dignity and harmony. While celebrating, I am sure you will consider environmental aspect of noise and air pollution in mind. I also believe that this festival of gaiety and prosperity will light up your professional career. I hope that those of you who intend to appear in the ensuing November, 2012 examinations are putting enough time and energy in preparations while celebrating and enjoying the festive season. Continue your focus entirely on studies, learn and revise the course in a comprehensive manner. Being a professional course, the Chartered Accountancy requires seriousness and hard work. I also advise you to consider the inputs that I have given in my earlier communications. Your sincere efforts and dedication in dealing with the examinations will definitely bring to you the desired results. My best wishes will always be with you to succeed not only in the examinations but also in your future professional lives.

As you know, consistent good performance is the corner stone for the success of a professional. Consistent studies and practice lead to success. Inconsistency not only causes damage to constructive progress but also makes the progress already made ineffective. Many students have to understand and implement this principle in life not only in the course of their studies but in all their activities. I would advise you to apply the power of positive thinking in examinations also. One should always do one's best. Till the last paper of the examination and last minute in the examination hall, things are within the student's hands. Aim for the sky and you will reach mountain top. Many

students just want to pass. You should ideally aim for securing a rank. Your ultimate aim is to become a Chartered Accountant and not merely to pass the examination. Learn holistically by widening your knowledge sources. You should, become a Chartered Accountant with right mental aptitude and knowledge. If you work in a planned manner nobody can stop you from becoming a Chartered Accountant.

I had a chance to share my thoughts with the student community in the interactive meetings I had during my recent visits to Akola and Amravati branches. I found students to be highly receptive and knowledge hungry. Today the students are clear about what they wish to achieve and how to go about it. I am very happy to tell you that the response from students was very good after the entry norms to the CA profession have been eased. From 1st August 2012 graduates and post graduates with prescribed percentage of marks and intermediate level examination passed students of the Institute of Company Secretaries of India (ICSI) and the Institute of Cost Accountants of India had been exempted from Common Proficiency Test and have been allowed to register for Intermediate (Integrated Professional Competence) Course straightaway. A direct entry to the course will save crucial time of such students who were earlier required to pursue Common Proficiency Course. Under the Direct Entry scheme, more than 14000 students have applied for Integrated Professional Competence Course from all the five regions till 25th September 2012. It is my belief that more and more students will utilize this facility in the coming months to fulfill their dreams to become a Chartered Accountant. Wish you all the best.

Yours sincerely,

CA. Jaydeep Narendra Shah

President, ICAI, New Delhi

ARTICLES INVITED FOR STUDENTS' JOURNAL

The Board of Studies is planning to bring out theme based Special Issues of the Chartered Accountant Students' Journal in the coming months as per the following schedule:-

S.No	Month	Theme
1.	December 2012	Corporate Law
2.	January 2013	Information Technology
3.	February 2013	Accounting & Social Audit

Articles are invited from Members, Academicians, Students and others.

The theme-based articles must reach the Board of Studies latest by 10th of the preceding month in which the article is to be published. The article should comprise 1600 to 2400 words only. The Contributors are advised to enclose the following along with the articles, without which the article will not be considered:-

1. A formal & signed undertaking in the form of a letter stating that the article is original in all respects and does not infringe any copyright and has neither been published elsewhere nor has been sent for publication.
2. A latest passport size colour photograph (with full name and Membership/Registration No. written on the back).
3. A soft copy of the article, with complete communication and E- mail address.

An honorarium of ₹2500/- is paid if the article is published. All correspondence in this regard should be made to The Director, Board of Studies, ICAI Bhawan A-29, Sector-62, Noida - 201 309 giving full name, complete address and Membership/Registration No., if applicable.

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Inside

November

2. Message - President
4. Limited Liability Partnership- A New Form of Business Organization
7. LLP: Emergence of a New Legal form of Business
12. Limited Liability Partnership - An Upcoming Form of Business Presence
16. Corporate Governance-Defining the positions of Independent Directors and Audit Committee
20. Corporate Social Responsibility
23. Customer Relationship Management
26. Announcements

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Limited Liability Partnership- A New Form of Business Organization

Manish B. Raval & Ashish B. Gorvadiya

Introduction

The success or failure of the enterprise largely depends upon the type of organization it selects. There can be several types of organizations available for the business. A business can adopt sole proprietorship form, partnership form, private company, public company, etc. There is a development of a newer kind of organization in the recent years, which is termed as "Limited Liability Partnership". This format of the business enterprise is developed to remove some of the weaknesses of the sole proprietorship firm and partnership firm.

On 9th January, 2009, the Government of India passed an Act named "The Limited Liability Partnership Act, 2008". With the passing of the Act, a new form of organization was introduced in India. In this article it is attempted to deal with various subjects like- "what is the need for introducing LLP?", "what are its special features?", "how does it differ from other forms?", "is it suitable to certain types of business?", "is it tax efficient?", "is it advisable to convert common partnership to LLP?" etc.

The Concept of LLP

The LLP is a separate legal entity. It is liable to the extent of its assets. However, the liability of partners is limited to the extent of agreed contribution to LLP. Further, a partner of LLP is not liable for independent or unauthorized actions of other partners. Thus, individual partners are protected from joint and several liabilities arising out of wrongful business decisions or misconduct of other partners. The rights and duties of partners are regulated by an agreement between the partners or as provided under Schedule I of the LLP Act. Thus, LLP contains the features of both a "corporate structure" as well as "Partnership Firm Structure". Hence LLP is called a Hybrid between a Company and a Partnership Firm. The LLP is a body corporate and has a separate legal entity from its partners. So, the LLP has a perpetual succession.

Features of LLP form of Partnership

1. LLP is an organized model of business and it operates on the basis of an agreement like the common partnership.



Manish B. Raval



Ashish B. Gorvadiya

2. It is a flexible form of organization without the necessity for complying with detailed legal and procedural requirements.
3. It facilitates professional and technical expertise organizations to combine their risk taking capacity in an effective, innovative and efficient manner.
4. While a minimum of two partners are required for formation of an LLP, there is no limit for the maximum number of partners. The partners to LLP can be individuals as well as body corporate.
5. Any individual or a body corporate can become a partner in LLP except-
 - a. A Person who is found to be of unsound mind or
 - b. An undercharged insolvent or
 - c. A person who has applied to be adjudged as insolvent and his application is pending
6. Appointment of at least two designated partners shall be mandatory for an LLP. The designated partners shall be individuals and at least one of the designated partners should be resident in India. Corporate partners need to nominate individuals as designated partners. The designated partners shall be accountable for all regulatory and legal compliances, besides their liability as "Partners per se".
7. The LLP's are required to register with the Registrar of Companies.
8. Every LLP requires having a registered office.

The authors are Rajkot based academicians

9. The LLP requires having an incorporation document subscribed by at least two partners delivered to the registrar in the prescribed form.
10. The economic rights of partners are freely transferrable. The non-economic rights (e.g. management participation) are not transferrable.
11. The Name of the LLP must end with either the words 'Limited Liability Partnership' or the acronym 'LLP'.
12. Every partner is an agent of the LLP and not of the other partners.
13. An LLP must prepare a 'Statement of Accounts' and 'Solvency Statement' within a period of 6 months from the end of the financial year to which the statement or solvency relates - The statements must be filed with the Registrar.
14. Every LLP must file an annual return with the Registrar within 60 days of the end of the financial year - the Annual Return should be accompanied by a certificate from a Company Secretary confirming the veracity of the particulars/statements contained in such Annual Return.

No.	Particular	Partnership Firm	Limited Liability Partnership	Private Limited Company
1	Statute	It is governed by "the Indian Partnership Act, 1932."	It is governed by "the Limited Liability Partnership Act, 2008".	It is governed by "the Companies Act, 1956".
2	Regulated by	This is regulated by the Registrar of Firms of the state government.	This is regulated by the Registrar of Companies of the Central Government.	This is regulated by the Registrar of Companies of the Central Government.
3	Registration formalities	The registration is not mandatory.	The registration is mandatory.	The registration is mandatory.
4	Incorporation documents	Partnership deed is the main incorporation document.	Limited liability partnership agreement is the main incorporation document.	Memorandum of Association and Articles of Association are the main incorporation documents.
5	Change of registered office	Change of registered office from one state to another state is easily allowed.	Change of registered office from one state to another state is allowed with some formalities.	Change of registered office from one state to another state is allowed with lot of formalities.
6	Number of participants	Minimum two partners and maximum twenty partners are included.	Minimum two partners and maximum limit is not specified.	Minimum two partners and maximum fifty members are included.
7	Maintenance of Accounts and Audit	Accounts are maintained as per partnership deed.	Accounts are required to be audited if the turnover exceeds ₹ 40,00,000.	Maintenance of accounts and audit are compulsory.
8	Filing of Annual Return	Filing of Annual Return is not compulsory.	Filing of Annual Return is compulsory.	Filing of Annual Return is compulsory.
9	Liability of partners	Liability of partners is unlimited in all the cases.	Liability of partners is limited to capital contribution in all cases except deliberate fraud.	Liability of members is limited to capital of the company.
10	Admission of minor as participants	Minor can be admitted to the partnership for the benefit only.	Minor cannot be admitted in the LLP.	Legal Guardian can hold the shares on behalf of the minor.
11	Separate legal entity	Partnership firm is not a separate legal entity.	LLP is not a separate legal entity because it is a body corporate.	Private Company is a separate legal entity because it is a Body Corporate.
12	Common seal	Common Seal is not required.	Common Seal is optional.	Common Seal is optional.

No.	Particular	Partnership Firm	Limited Liability Partnership	Private Limited Company
13	Perpetual succession	Partnership firm does not have perpetual succession.	LLP has perpetual succession subject to dissolution and winding up.	Private Company has perpetual succession subject to dissolution and winding up.
14	Suit against and by	A registered firm can sue and can be sued in its' own name.	A LLP can always sue and can be sued in its own name.	A private company can always sue and can be sued in its own name.
15	Management	Management is done by the working partners. (minimum 1)	Management is done by designated partners. (minimum 2)	Management is done by Board of Directors (minimum 2)
16	Income of the Entity	The income of the partnership firm is assessed as a separate and distinct entity under the Income Tax Act, 1961.	The income of the Limited Liability firm is assessed as a separate and distinct entity under the Income Tax Act, 1961.	The income of the private company is assessed as a separate and distinct entity under the Income Tax Act, 1961.
17	Interest on Capital contribution by participants	Interest on capital is allowable as deduction in the hands of registered firm subject to limits.	Interest on capital is allowable as deduction in the hands of LLP subject to limits.	Interest on capital is not allowed as deduction.
18	Management remuneration	Management remuneration is allowable as deduction in the hands of registered firm subject to limits.	Management remuneration is allowable as deduction in the hands of registered firm subject to limits.	Management remuneration is allowable as deduction in the hands of private company and there is no limit specified.
19	Distribution of profit	No tax is to be paid on the distribution of profit by the partnership firm. Profit is exempt in the hands of partners.	No tax is to be paid on the distribution of profit by the LLP. Profit is exempt in the hands of partners.	Private company has to pay dividend distribution tax on dividend. Profit is exempt in the hands of share holder.
20	Loans and advances by the entity to the participants	It is not taxable.	It is not taxable. Except in the case of private company converted into LLP for the first three years after conversion.	It is taxable as deemed dividend u/s 2(22)(e) of the Income Tax Act, 1961, if certain conditions are met.

Comparison of Partnership Firm, LLP and Private limited Company

The above table compares and contrasts the three different forms of business organizations i.e. Partnership Firm, Limited Liability Partnership Firm and Private Company.

Thus, from the above discussion, it is quite clear that the Limited Liability Partnership is a new form of business organization. The government has passed the Limited Liability Partnership Act, 2008 to bring a change in the forms of business organization. This newer form of business organization will encourage the businessmen for the development of business in Indian market.

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LLP: Emergence of a New Legal Form of Business

CA. Shraddha

Introduction

The Indian economy is among the fastest growing economies of the world. Thus, the entity structure options (available in India) under which business would run its operations should be on more or less same footing with the entity structure prevalent outside India. The corporate structure is one of the most popular entity structures for doing business in India. However, there are other types of entity structures viz., Limited Liability Corporations, Limited Liability Partnership ("LLP") which are popular entity structures outside India amongst the business community.

Service sector is contributing significantly to the ever emergent economy. Generally, professionals like Chartered Accountants, Company Secretaries, Cost and Management Accountants, Advocates and Doctors are regulated not only by the legal entity structure under which they render services but more so by their governing statutes of which they are members. These governing statutes do not allow them to operate as a corporate body and the restricting nature of the partnership firm (restricting the number of partners to 20) coupled with unlimited liability was posing a major hindrance in the growth of professionals nationally as well as internationally. Thus, resistance was created in the growth of the entrepreneurs and the economy as a whole. The growing popularity and acceptance of the concept of LLP in overseas and the need of the hour for Indian professionals and the service sector led to the formulation of the "Limited Liability Partnership Act, 2008" ("the Act")

History and Genesis of the Act

The legacy of the Act can be traced to early French law. But the concept gained momentum due to the growth of limited liability business forms in the United States. New York was the first state of US to enact the first limited partnership and then it was adopted by almost all the states in US. These laws had a peculiar feature that provided:

a) The limited partner could not transact any business for partnership.

b) He cannot be employed as agent, attorney or otherwise for transacting any business of partnership.

Thus, in simple words the limited partner could not interfere in the general management of partnership. If he defaulted any of the abovementioned conditions, he would be deemed to be a general partner with unlimited liability. What construed as interference was not specifically enumerated in the Act and hence decided by the court of law regards to the facts of each case. This reduced the charm of the limited partnership.

In 1916, "The Uniform Limited Partnership Act" ("ULPA") was formed which made attempts to remove the fallacy mentioned above by expressly allowing limited partners to take part in certain business transactions, while retaining the original provision of restricting the right of the limited partner to take part in the management of the partnership. Thus, ULPA intended to protect the limited partner from unlimited personal liability.

Subsequently, ULPA was amended number of times so as to keep this entity structure in sync with the changing needs of the society and business requirement. The journey of changes in ULPA is summarized as under:

- In 1976, it was renamed as "Revised Uniform Limited Partnership Act (RULPA)".
- In 1985, RULPA was amended to allow limited partnership form by large business. Further, it was also provided that a new limited partner could be admitted without the unanimous consent of all the partners. This paved way for easy and hassle free entry of partners.
- In 1997 the LLP, which emerged from RULPA, was added to the "Revised Uniform Partnership Act (RUPA)" - dealing with general partnership. This enabled LLPs to avail the benefits of corporate type filings.

Rest of the world adopted the model of LLPs much later, in the 2000s. The LLP Act we have in India is largely based on the UK LLP Act, 2000 and the Singapore LLP Act, 2005.

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LLP Act 2008, in India

The need for LLP setup was overdue in the Indian economy. Recommendations from various committees, specially "The Naresh Chandra Committee-II" and the "Dr. Irani Committee on New Company Law" paved the way for the introduction of a separate Limited Liability Partnership Bill 2006, which finally received President's assent on January 7, 2009 and was notified on March 31, 2009. The major causes for the advent of said act are:

- With the increase in globalization, the Indian professionals are working with international and multinationals entities, which expose them to high risk of unlimited liability in absence of said act. LLP Act would enable them to work on the concept of limited liability even while dealing in international activities which was earlier not possible due to restrictions posed by their respective statute (generally they are not allowed to work as corporate), existing Indian Partnership Act, 1932 and the Companies Act, 1956.
- Indian Partnership Act, 1932 would not allow the professionals to have more than 10 or 20 partners, which restricted their scale of business.

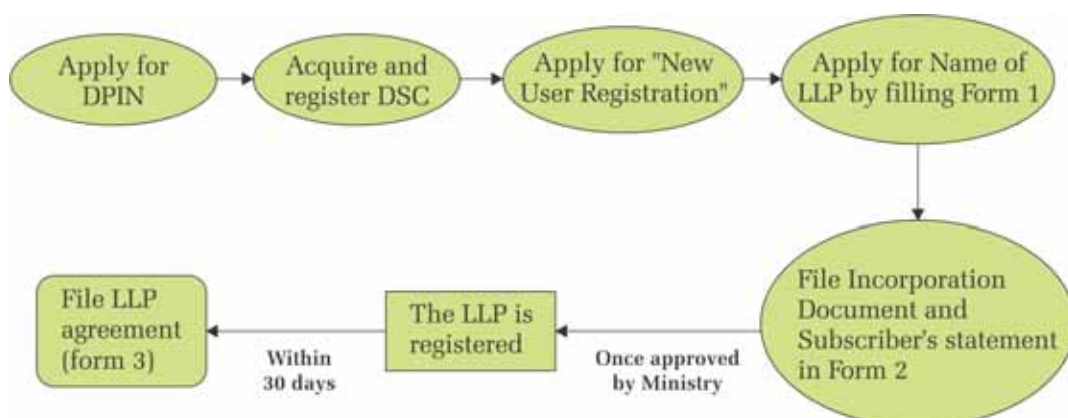
The Act removed both the above obstacles and rightly equipped the professionals and the service sector to meet the national as well as the international demands of the globalization. The Act has also facilitated the concept and formation of "Foreign LLPs".

The first LLP was registered on April 2, 2009.

Incorporation of LLP

The registration of LLP has been made compulsory under the Act. A LLP has to register itself with the Registrar of Companies ("ROC"). Following are the main steps while incorporating a LLP:

1. LLP requires at least 2 Designated Partners ("DP") to get itself registered. Said designated partners should be individuals and at least one of them should be a resident of India. If all the partners of LLP are body corporate then they must put forward their individual nominees who agree to act as DP and at least one of the nominees should be resident of India. Such designated partner has to apply for "Designated Partner Identification Number"("DPIN").
2. Apply and register for Digital Signature Certificate ("DSC").
3. New Users should register themselves at <http://llp.gov.in>, so as to avail any paid service on LLP portal and to file the forms electronically.
4. Use Form 1 to apply, reserve or change the
5. Use Form 2 for incorporation of LLP.
6. Once LLP is registered, file LLP agreement within 30 days of incorporation. The LLP agreement is a written document that determines the mutual duties and rights of the partners with the LLP or among partners.



Features of LLP

S.No.	Feature	Provisions
1.	Administration	According to LLP agreement.
2.	Capital Contribution	According to LLP agreement. Can be tangible, intangible, money, contracts for services performed or to be performed.
3.	Law of Agency	Every partner is an agent of the LLP but not liable for the wrongful acts of other partners.
4.	Unlimited Liability	(a) A partner is personally liable for a wrongful act, omission or fraud committed by him. (b) When the number of partners falls below 2 and the sole partner carries on business then he is personally liable.
5.	Limited Liability	(a) A partner is not liable for the wrongful acts of other partners. (b) Obligations of LLP are the sole responsibility of the LLP. Thus, such obligations are to be met only out of LLP's property and not personal property of partners.
6.	Form of existence	Body corporate, separate legal entity from than that of its partners and perpetual succession.
7.	Maintenance of accounts	Maintain books of accounts on cash or accrual basis.
8.	Statement of account and solvency	Statement of account and solvency duly signed by DP containing brief extracts of P&L A/c and Balance Sheet should be filed annually in Form 8 with ROC.
9.	Annual Return	Annual return duly signed by DP in Form 10 containing the details of partners, contributions and any changes therein should be filed within 60 days of closure of its financial year, with ROC.
10.	Assignment and Transfer of Partnership Rights	The rights to share profits/losses are transferable either wholly or in part. Transfer of rights does not result in winding up of the LLP. The transfer of rights does not entitle the transferee to either participate in management or activities or access information concerning transactions of LLP.
11.	Sharing of Profits and losses	According to the LLP agreement. In the absence of any provision for distribution of profits/losses, partners are entitled to share profits and losses equally.
12.	Registration as a Not for Profit Organization	LLPs are not allowed to operate as Not for profit organization.

Taxation of LLP

Income Tax Act, 1961 was amended by Finance Act 2009 for identifying LLPs as a taxable unit. As per the Finance Act, 2009, a LLP is treated at parity with traditional partnership firm. Thus, the Finance Act, 2009 amended the definition of Firm to include LLP as defined in the Act. Also, they brought LLP partners as defined in the LLP Act within the meaning of Partners under the Income Tax Act, 1961. The aforementioned amendments clearly brought LLPs within the tax ambit, akin to Partnership firms.

Some of the points to be considered in taxation of LLPs are as under:

- Profits will be taxed in the hands of LLP and not in the hands of partners.
- Remuneration to partners will be taxed under the head of "Profits and Gains from Business & Professions" (PGBP).

ARTICLE

- No tax is payable on the profits distributed to partners.
- Minimum Alternate Tax ("MAT") and Dividend Distribution Tax ("DDT") will not be applicable.
- Instead of MAT, the provisions for Alternate Minimum Tax (AMT) will be applicable on LLP.
- LLP is not required to pay surcharge.
- LLP is not eligible for presumptive taxation. LLP has been specifically excluded from the meaning of eligible assessee for the purpose of presumptive taxation. Thus, it is mandatory for a LLP to maintain its books of accounts irrespective of its scale of operations.
- Income tax return shall be signed and filed by DP. In case the DP cannot sign the tax return due to unavoidable circumstances or there is no DP then any partner can sign and file the return.
- It is mandatory for a LLP to get its accounts audited for a financial year if its annual turnover is more than 4 million or contribution exceeds 2.5 million.
- Upon conversion of a company into a LLP, capital gain tax will be exempted if the prescribed conditions are complied with.
- After the conversion, the succeeding LLP will be allowed the benefits of the following:
 - (a) Carry forward and set off of accumulated losses and unabsorbed depreciation.
 - (b) Amortization of expenditure incurred under the Voluntary retirement scheme.
- However, the succeeding LLP will not be allowed the credit of the MAT paid by the preceding company.
- For the purpose of Income Tax Act, 1961, a LLP shall always be deemed to be a resident in India, unless control and management of its affairs is situated wholly outside India.
- Effective tax rates as applicable on LLP:

According to Normal provisions of IT Act

Particulars	In %
Profit before tax	100
Less: Income tax (including cess @3%)	30.90
Profit after tax	69.10
Less: Statutory transfer to reserve	Nil
Profit available for distribution	69.10
Less: DDT @16.22%	Nil
Amount available for distribution	69.10
Effective tax rate	30.90

According to AMT provisions under section 115JC Chapter XII-BA of IT Act

Particulars	In %
Adjusted total income (ATI)	100
Less: AMT on ATI @ 18.50%	18.5
Less: Surcharge	NIL
Less: Cess @ 3% ($18.50 \times 3\% = 0.555$)	0.555
Amount available after taxes	80.945
Effective AMT rate	19.055

- A look at LLP from Foreign Direct Investment ("FDI") point of view:

FDI is the buzz word right now. The government is liberalizing the stringent provisions of FDI to facilitate easy and non-cumbersome entry of foreign capital into Indian market. With the advent of alternate legal entity structure called LLP, the foreign investor would definitely be looking up at LLPs as one the key forms of business through which they can invest in India and reap the benefits available to LLPs. Here are some of the key points that should be noted while funding a LLP through FDI:

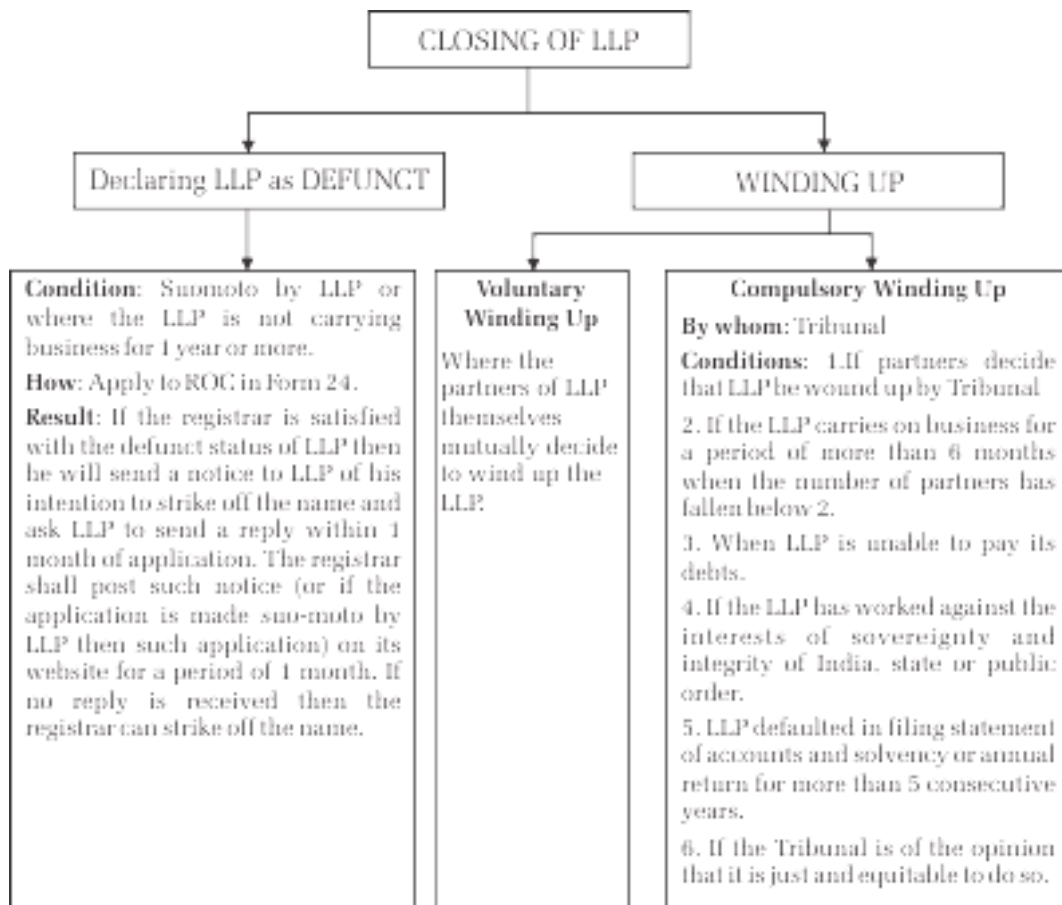
- (a) FDI in a LLP is allowed only through a Government approval route in those sectors and activities where 100% FDI is permitted through the automatic route and there is no FDI-linked performance related conditions like those related to Non-banking Finance Companies, Development of Townships, etc.
- (b) Since a LLP can be funded only with the contributions from partners, therefore while funding LLP through FDI capital can only be received by way of inward remittance through normal banking channel.
- (c) A LLP is not permitted to avail External Commercial Borrowings ("ECB").
- (d) FDI in a LLP cannot be used for downstream investment.
- (e) There would be no income-tax implications on introduction of capital into an LLP. But transfer pricing regulations shall be applicable on introduction of capital.
- (f) A LLP can also be funded by capital received from a FDI funded Indian companies, provided both entities are operating in the sector in which the LLP is permitted to receive FDI.
- (g) An Indian LLP can repatriate partner's capital to foreign partners subject to approval of RBI.

However, specific RBI notification in this regard is still awaited.

- (h) An Indian LLP is allowed to repatriate profits back to foreign partners without any restrictions and approval
- (i) An Indian LLP can repatriate surplus through royalties and FTS and income-tax implications in the hands of Indian LLP would be the same as in the case of an Indian company.
- (j) Partner's right to share in distribution and profits is a right which can be transferred wholly or partly and may result in a capital gain subject to tax in India under the Income Tax Act, 1961 subject to any relief which the partner may be entitled to under the tax treaty.
- (k) In case of FDI funded LLP, DP has to satisfy the condition of "resident in India" as provided in the LLP Act as well as under FEMA

Closing of LLP

The provisions with relation to winding up of LLP are enumerated in the Act, Rule 37 of LLP Rules 2008 and the "Limited Liability Partnership (Winding Up and Dissolution) Rules, 2010". LLP can be closed in any of the following manners:



Conclusion

LLP has with flexibility rightly mixed the essence of limited liability of companies with apt and better internal control, management and beneficial structure of partnership. Thus, LLP can be rightly called to be a hybrid of company and partnership firms. This model is best suited for professionals, small and medium businesses. The continuous upgrading of the Act and the Rules there under are steps to make this concept a success. The integration of the LLP site with the MCA site is a further assurance that this new concept of commerce is here to stay. ■

Limited Liability Partnership - An Upcoming Form of Business Presence

Anmol Bhatia

Over the past two decades, India has evolved as an 'open economy' and is transitioning into the next phase of growth cycle. As India navigates through an era of second generation reforms, one would witness a remarkable expansion of foreign presence on the Indian economic canvass and creation of ample opportunities for exploration and exploitation of the vast potential resources in our country. The liberalizations in the extant Foreign Direct Investment ('FDI') policy and amendments in the statutes such as the proposed Companies Bill, the Competition Act would stimulate fiscal consolidation.

With the west in crisis and growing pace of imminent reforms in India, global players with an objective of expanding their footprint seek to utilize the ever growing prowess of the 'services' sector in India.

Entrepreneurs/ professionals earlier had an option to explore setting up a proprietary concern, partnership firm or a corporate entity. However, professional services, where personalized expertise is of essence, were required to be rendered either by individuals or individuals who came together as partnerships. Amateur professionals or venture capitalists were also forced to form proprietary/ partnership firms owing to their simplicity and ease of function in the absence of capital required to start a large scale corporate entity.

Partnership reflects "any" sort of an association between persons who pool their resources with a view of carrying on business and participating in its profits and/or losses. Thus, they were never the first choice given the unlimited liability, mutual agency and lack of perpetual succession clauses. Moreover, a partnership always lacked the sufficient credentials in eyes of banks/ financial institutions as opposed to a company. Enormous compliance and administrative requirements coupled with high capital requirement acted as deterrents in formation of a company. Hence, emanated the need for a hybrid entity to bring the emerging entrepreneurs at par with their international competitors and enable the new entrants to establish business operations in India.

This notion gave birth to the LLP framework and it was recognized as a business form by the Limited Liability Partnership Act, 2008 (LLP Act) administered

by the Registrar of Companies (ROC) in India. Initially, the concept of LLP had surfaced in response to the financial crunch and crumbling prices during 1980's in the United States of America. Since then, it has been a prevalent business form in various countries across the globe. Even the Indian LLP Act is based on UK and Singapore LLP structure.



Meaning

'LLP' - is a form of business organization in which the liability of partners is limited to the extent of their interest in the partnership, owing to its company type, separate legal personality and yet having the organizational suppleness and tax treatment of a partnership - constituting the most recent epitomization of regulatory innovation.

The Key Characteristics

A LLP is a body corporate with a separate legal entity having perpetual succession. Since, a LLP contains the features of both a 'corporate structure' and a 'partnership firm' it helps to remove the defects of unlimited liability under partnership and rigidity of provisions prevalent for the companies under the Companies Act, 1956. With minimum number of designated partners as two, there is no bar on the maximum number of partners therein. The concept of mutual agency has also been scrapped allowing individual partners to be shielded from joint liability created by other partner's wrongful business decisions or misconduct. Further, as compared to a corporate entity, LLP has less compliance issues and is guided by an agreement between the partners wherein they can suitably retain the control and management as desired by them.

Benefits Unlimited

Vast entrepreneurial knowledge combined with risk capital and economy's proven resilience to counter

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macroeconomic challenges has veritably changed the Indian economic outlook. It is likely that in times to come Indian professionals would render various professional/ technical services in areas of taxation, litigation, accountancy, business restructuring etc. to a large number of businesses outside India. Such multi disciplinary teams offering a spectrum of services to international clients can opt for the LLP framework to conduct competitive operations. Enterprises in new knowledge and technology based fields, small and medium sector enterprises, producer companies in handlooms and handicrafts, professionals such as CA's, Cost Accountants, Company Secretaries, Lawyers etc., even venture capital funds can exploit the commercial benefits of a LLP's. Even 100 percent FDI in LLP is now permitted under Automatic Route in sectors where there are no FDI linked performance related conditions.

Given the above, we may say that LLP is a suitable corporate business vehicle. However, since the LLP Act skipped the question of taxation of LLP's, the issue whether a LLP would be taxed as a partnership or company or some other way was left open to be clarified by the Income Tax, Act, 1961.

The Taxation Side

Before we look into the taxation provisions of a LLP, it may be noted that globally LLP is generally considered as a fiscally transparent entity i.e. not subject to tax. In such a flexible system partners in LLP are subject to tax in respect of their share of income. Whereas, India for the purposes of taxation, follows the separate juridical approach.

The tax circumference of an LLP has been widely spread across the Income- tax Act, 1961 through the insertion of LLP provisions within various sections or consequent amendments to suitably accommodate the basic scheme of taxation of a LLP. Now let us have a look at the relevant provisions in the Income Tax Act.

Let us get on to the basics

As per the Act, LLP shall be treated at par with partnership firm i.e. a separate judicial entity. The said equality was brought in by amending the definition of the terms 'firm' and 'partner' to include 'a LLP' and 'partner of a LLP' within its ambit respectively. Determination of residential status of LLP shall be based on its control and management i.e. a LLP shall be a resident in India, if it is wholly/ partly controlled and managed from India. The effective rate of tax is 30.9% (tax rate of 30% and education cess of 3%) and

share of profits in the hands of the partners would be exempt. The return of income ('ROI') of an LLP shall be signed by the designated partner and in case, the designated partner is unable to sign the return, any other partner may sign the return.

Taxability of LLP as a Partnership Firm

- a) Owing to the equivalent status as a partnership, provisions of Section 40(b) of the Act would come into play. Interest on capital up to 12% p.a. on simple interest basis and remuneration up to 60% of Book profits, subject to overall ceiling of monetary limits specified in section 40(b), are allowable as deduction while computing business income of LLP, if the conditions of Sec 184 are satisfied. Interest or remuneration in excess of such prescribed limits would be disallowed and taxed in the hands of LLP.
- b) In the case of change in constitution of LLP, the loss proportionate to the share of retired or deceased partner shall not be allowed to be carried forward.
- c) An LLP shall be assessed as a firm, provided conditions given in section 184 of the Act are complied with. The following criteria's should be satisfied by a LLP ***otherwise no deduction of interest, remuneration, salary etc shall be allowed:***
 - LLP should be evidenced by an instrument i.e. LLP agreement ('the Agreement')
 - Individual shares of the partners are specified in the Agreement;

Assessment of Partners of LLP

As per section 10(2A) of the Act, share of income from the LLP in the hands of the partner are exempt from tax. If conditions of section 184/ 40(b) as detailed above are satisfied, any salary/remuneration/interest/ bonus/ commission paid/payable by LLP to its partners would be taxable in their hands as business income. (to the extent, these are allowed as deduction in the hands of the LLP)

Advantages of being taxed as a 'Firm'

Seen as a capacity-enhancing tool, a LLP has an edge over companies.

- *Dividend Distribution Tax* ('DDT') is only payable by resident companies upon distribution of profits to shareholders. Thus, LLP is not liable to pay DDT on profits distributed to its partners.

- *Deemed Dividend* provisions describing specific transaction like distribution of accumulated profits or extension of loans to shareholders etc. as 'deemed dividend' are applicable to only companies. Thus, a LLP would escape the same
- *Wealth Tax* provisions are not applicable to LLP.
- *Alternate Minimum Tax instead of Minimum Alternate Tax*: LLP is liable to pay Alternative Minimum Tax ('AMT') on adjusted total income as prescribed under section 115JC of the Act with effect from 1 April 2011 (currently being 19.05% i.e. 18.5% plus education cess) of the adjusted total income vis-à-vis MAT which is set at 20.01% and 19.44% (18.5% + surcharge @ 2% + 3% Education Cess) of book profits for domestic and foreign companies respectively, whose total income exceeds ₹1 crore. MAT vs. AMT benefit comparison is tabulated below:

S. No.	Particulars	Company (₹ in lakhs)	LLP (₹ in lakhs)
A	Profit Before Tax	200	200
	Less: Tax adjustments/ deduction	50	50
B	Taxable Income	150	150
C	Income tax on B	48.67	46.35
	Book Profit for MAT	100	–
	Income from MAT	–	150
D	MAT on A	40.01	–
	AMT on B	–	28.58
E	Tax (higher of C and D)	48.67	46.35
	Profit after tax (A-E)		

Therefore, there is a significant difference in the computation mechanism of MAT and AMT. The starting point for MAT is Book Profit, which includes all kinds of income, while for AMT is the taxable income, which is adjusted for income-related deductions.

Following is another illustration depicting the LLP advantage in the form of substantial tax savings (up to 10.05%) and increase in distributable profits (up to 16.8%):

Particulars	Company (₹ in lakhs)	LLP (₹ in lakhs)
Profit Before Tax	100	100
Less: Income Tax	32.45	30.90
Profit after tax	67.55	69.10
Less: Transfer to Reserves	6.75	–
Less: DDT@ 16.22%	8.50	–
Dividends/ profits available for distribution	52.30	69.10
Total Tax	40.95	30.90

Shortcomings of being a LLP

Though LLP as a business form has its own share of benefits, it also suffers certain disadvantages of not being a corporate entity.

Incentives under the Act	Company	LLP
200% weighted deduction for expenditure on in-house scientific research	✓	X
Investment linked tax deduction for laying/ operating cross-country natural gas/ crude/ petroleum oil pipeline network	✓	X
Profit linked tax deduction for developing, operating and maintaining "infrastructural facility", business of ship, hotel	✓	X
Amortization of expenditure on amalgamation/ demerger of Companies in 5 years	✓	X
State Incentives under section 80-IC/ deduction under section 10AA/ Benefits of presumptive taxation	✓	X

Tax implications in case of Conversion to LLP

The LLP Act provides flexibility to the existing partnership firms, private limited companies and unlisted public companies to get converted into a LLP. After highlighting the basic tax provisions governing a LLP, let us analyze the tax implications which are likely to arise upon conversion into a LLP.

(i) Conversion of a firm into LLP

There is no specific provision discussing the tax consequences arising upon conversion of a partnership firm into LLP, however, Explanatory Notes to the provisions of the Finance (No. 2) Act, 2009, clarified that the conversion of partnership firm into a LLP will have no tax implications if the rights and obligations of the partners remain the same after conversion and there is no transfer of asset or liability after conversion. In case of violations of the prescribed conditions, provisions relating to Capital Gains shall apply accordingly.

(ii) Conversion of company into LLP

On account of conversion of private company/ unlisted public company into LLP, 'transfer of any capital /intangible asset by such company to LLP' or 'transfer of any share/ shares held in the company by a shareholder as a result of conversion shall not be regarded as 'transfer' upon fulfillment of the following conditions as contained in section 47(xiiib) of the Act:

- Transfer of all assets and liabilities immediately before the conversion to the LLP;



- b) All shareholders of the company shall become partners in LLP with capital contribution and profit sharing ratio in proportion of their shareholding in the company.
- c) Shareholders not to receive any direct/indirect consideration or benefit except by way of share in profits and capital contribution in LLP;
- d) Aggregate of profit sharing ratio of shareholders of the company in LLP should not be less than 50% at any time for a period of 5 years from the date of conversion;
- e) Total sales, turnover or gross receipts of the business of the company in any of 3 PY's preceding the PY in which the conversion takes place should not exceed INR 6 million; and
- f) No direct/ indirect payment should be made to any partner out of the balance of accumulated profits standing in accounts of the company for a period of 3 years from date of conversion.

An important observation with regard to condition (e) can be seen in Circular No. 1 of 2011 issued by Central Board of Direct Taxes dated 6 April 2011 wherein in addition to the abovementioned words, the terms "**which are taxable under the head 'Profits and gains of the business or profession'**" had been inserted within the said condition. Thus, only sales/total receipts under the head PGBP shall be taken for computation of INR 6 million. However, with regard to the definition of total sales/turnover, still there exists some ambiguity. Further, the condition (f), in a way, attempts to take within its ambit the concept of deemed dividend as prevalent in case of companies. Certain other issues which lack clarity are payment of stamp duties, conversion fee etc. in relation to

property at the time of conversion. Further, the methodology of valuation of assets at the time of conversion is not prescribed in the LLP Act. Whether the assets are to be transferred at book value/ market value or any other basis is not provided. The LLP Act and related schedules simply provide that the assets stand transferred to the converted LLP.

The following benefits also may not be available upon breach of any of the above mentioned conditions:

- Profits/ gains arising from transfer of capital/ intangible asset or shares shall be deemed to be chargeable to tax in the hands of successor LLP or shareholders of the predecessor company, for the PY in which the requirements are not complied with.
- Carry forward and set-off of business loss and unabsorbed depreciation to the successor LLP would not be allowed. Further, such set-off and allowance made in any previous year shall be deemed to be the income of the LLP in the year in which such conditions are not complied.

Conclusion

The new hybrid entity structure could be of immense utility for emerging entrepreneurs as well as the professionals. The LLP model would provide an impetus to the growth of professional services sector and make them globally competitive. However, it would be prudent to watch out how the law makers address uncertainties on various issues before the idea of a LLP structure gains momentum.

References

- ¹ Notified in the Official Gazette on 9 January 2009
- ² Adjusted total income = Total income + deduction claimed in chapter VIA (except 80-P) + deduction claimed u/s 10AA ■

Academic Updates

Accounting

Maintenance of Statutory Liquidity Ratio (SLR) - Local Area Banks

In exercise of the powers conferred by sub-section (2A) of Section 24 of banking Regulation Act, 1949 (10 of 1949) as amended from time to time, RBI vide notification DBOD.No.Ret.BC.48 /12.02.001/2012-13 dated September 28, 2012 has decided that Statutory Liquidity Ratio for Local Area Banks be reduced from 25 per cent to 23 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning August 11, 2012.

(Compiled by CA. Shilpa Aggarwal, BOS)



Corporate Governance-Defining the positions of Independent Directors and Audit Committee

A. Aananthi

Corporate Governance-Meaning

The term "Corporate Governance" refers to streamlining the business activities by top management with the aim of achieving better management of funds and resources entrusted with it by the shareholders. For this, unbiased decision-making on the part of top management is necessary. It is now imparted by laws and regulations.

Corporate Governance-The Indian Scenario

In India, the concept of corporate governance got its popularity during the mid 80's. Now, Corporate Governance is imparted by the following laws mandatorily. They are

- Section 292A of the Companies Act, 1956
- Clause 49 of Listing Agreement of recognized Stock Exchange

The above two laws are mandatory in nature. In addition to the above, the Voluntary Guidelines of Ministry of Corporate Affairs, 2009 also encourages better practices, which is to be followed by the companies voluntarily.

Section 292A of the Companies Act, 1956

Companies to whom the provisions are applicable:

Under this section, every public company having a paid up share capital of not less than five crore rupees shall constitute a committee of board known as "Audit Committee".

Composition of Audit Committee

The audit committee shall consist of not less than 3 directors and such number of directors, of which two thirds of total number of members shall be directors other than managing or whole time directors. The members should elect a Chairman among them. Annual Report of the company should disclose the composition of Audit Committee.

Powers & Duties of Audit Committee

- The Committee should act in accordance with the terms of reference to be specified in writing by board.
- The Committee shall have discussions with the auditors periodically about internal control systems, the scope of audit including observations of auditors.

- The Committee shall review the half-yearly and annual financial statements before submission to the board and also ensure compliance of internal control systems.
- The Committee shall have the authority to investigate into any matter in relation to the items specified in this section or referred to it by the board and for this, the committee shall have full access to information contained in the records of the company and external professional advice if necessary.
- Recommendations of this Committee relating to financial management including audit report shall be binding on the board.
- If the board does not accept the recommendations, it shall record reasons there for and communicate such reasons to the shareholders.
- The auditors, internal auditors and director-in-charge of finance shall attend and participate at meetings of the Audit Committee. But, they shall not have the right to vote.
- The chairman of the Committee shall attend the Annual General Meeting to provide any clarification on matters relating to audit.



Provisions in case of default

If default is made in complying with the provisions of this section, the company and every officer who is in default shall be punishable with imprisonment for a term which may extend to one year or with a fine which may extend to fifty thousand rupees or with both.

Clause 49 of the Listing agreement

Companies to whom the provisions apply

Clause 49 of the listing agreement applies on the companies as per the following arrangements.

- For entities seeking listing for the first time, at the time of seeking in principal approval of such listing.

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- For existing listed entities, those having a paid-up share capital of three crore rupees or above or a net worth of twenty five crore rupees or more at any time during the history of the company, by December 31, 2005.
- Companies complying with the existing clause 49 shall continue to do till the revised clause is complied with or till 31st December, 2005 whichever is earlier.

The requirements for the execution of the Clause 49 can be categorised into mandatory and non-mandatory requirements.

Mandatory Requirements

1. Board of Directors

Composition: The Board shall have an optimum combination of executive and non-executive directors with not less than 50% of Directors comprising of non-executive directors. If Chairman is non-executive, one third of Directors should be independent Directors and if Chairman is executive, one half of the directors should be independent. But, if Chairman is non-executive but relative, one half of the directors should be independent.

Compensation for non-executives: All fees for non-executives shall be fixed by the board and prior approval of shareholders at AGM is necessary. But, if the sitting fee is paid within the limits of the Companies Act, 1956, without the approval of the Central Government, prior approval of shareholders is not necessary.

Meetings: The board shall meet at least four times a year, maximum time gap between two meetings being not more than four months. There is minimum information which should be made available to the board.

Directorship/Chairmanship: The directors should not be a member of more than ten committees and chairman of more than five committees across all companies in which they are members of the board. For this, only public company directorship is considered except private companies, foreign companies and companies incorporated u/s 25 of the Companies Act, 1956. Chairmanship will include only Audit Committee and investors grievances committee chairmanships.

Code of conduct: The board shall lay down a code of conduct for the board members and senior management personnel and post it on the website of the company. All members and senior management should affirm compliance with the code on an annual basis. Annual Report of the company shall contain a declaration to this effect signed by the CEO.

2. Audit Committee

The Audit Committee should consist of minimum three directors of which two thirds are independent directors. All members should be financially literate (i.e., able to read and understand basic financial statements) and at least one member should have accounting or related financial management expertise. Chairman should be independent director and he shall present at AGM to answer shareholder queries. Audit committee may invite executives (finance head) to present at the meetings. Finance Director, head of internal audit and statutory auditors may present as invitees for meetings. Company Secretary shall act as the secretary to the Committee.

Meetings: The Committee should meet at least four times a year and not more than four months shall elapse between two meetings.

Quorum: Two members or one third of members whichever is greater but at least two independent members should be present.

Powers & duties

- Investigate within its term of reference, seek information from employees, and obtain outsiders' or legal advice.
- Oversight of financial reporting and disclosure.
- Recommending appointment, re-appointment, and removal of statutory auditors and fixation of their fees.
- Approval of payment to statutory auditors for other services rendered by them.
- The Audit Committee should review the following with management:
 - The annual financial statement before submission to board
 - Quarterly financial statements before submission to the board for approval
 - Statement of uses/application of funds received through an issue
 - Performance of statutory and internal auditors
 - Adequacy of internal audit function
 - Discussion with internal auditors any significant findings and follow-up
 - Findings of internal investigation for fraud, etc.,
 - Pre-audit and post-audit discussions with statutory auditors
 - Look into the reasons for substantial defaults in the payments to depositors, debenture holders, shareholders and creditors

- Management discussion and analysis
- Related party transactions
- Management letter/letter of internal audit weaknesses reported by statutory auditors
- Internal audit reports relating to internal control weaknesses
- Appointment, removal and term of remuneration to chief internal auditors

3. *Subsidiary companies*

Rules regarding subsidiary companies are:

- One independent director of holding company be a director of material non-listed subsidiary company
- Audit Committee of holding company should review the financial statements of unlisted subsidiary company
- Minutes of unlisted subsidiary company should be placed at the board meeting of listed holding company.

In addition to the above, the management should give statement of significant transactions and arrangements entered into by unlisted subsidiary company to the Board of the holding company.

4. *Shareholders*

Quarterly results should be posted on the website or sent to stock exchange to enable it to put it on its website.

A Board Committee should be formed under the chairmanship of a non- executive director to redress the shareholder's complaints under the name of "Shareholder's/Investor Grievances Committee". The board should redress the complaints within a month.

5. *Certification*

The CEO/CFO should certify that

They have reviewed the financial statements and cash flow statements and there is no untrue statements or omit of fact or nothing misleading.

The financial statements give a true and fair view and prepared in accordance with applicable as and laws and regulations.

There is no fraud transactions suspected or found by the management in the year.

It is the responsibility of CEO/CFO and the Board for internal control for financial reporting and they have evaluated the same and taken steps for rectifying any weaknesses in the internal control system.

They have reported to the auditors and the Audit Committee about the weaknesses in the system of internal control and steps taken for rectifying the same.

6. *Disclosure requirements*

The following facts should be disclosed to the Audit Committee by the management.

- Related party transactions in the ordinary course of business
- Related party transactions which are not in the ordinary course of business
- Related party transactions not in an arm's length transaction, together with the justification of the management.
- Different accounting treatment other than those required by AS, facts should be disclosed in the financial statement together with management's explanation.
- Proceeds from public issue-use of funds for other than those mentioned in the offer document.

The following should be disclosed in the annual report:

- Elements of remuneration package and criteria for fixation of remuneration of non-executive directors
- Number of shares held by non-executive directors
- Management discussion and analysis

7. *Report & Compliance*

A separate section on corporate governance should be in the Annual Report. Non compliance of any requirements should be disclosed and compliance with non-mandatory requirements should also be highlighted.

Certificate from Auditors/Practicing Company Secretaries should be obtained and annexed with the Directors report which is sent to the shareholders. The certificate should also be sent to the stock exchanges.

Non-mandatory requirements

Some important non mandatory requirements are summarized below:

Non-executive chairman shall maintain office at company's expense. Independent director's tenure should not exceed nine years and should have requisite qualification.

The remuneration committee should frame a remuneration package for executive directors .It should have at least three non-executive directors and chairman should be a non-executive director. Chairman shall present at AGM.

Half-yearly declaration of financial performance including a summary of significant events shall be sent to each household of shareholders.

A peer group should consist of all board members except the one being evaluated should be formed. It should evaluate and decide whether to extend/continue the appointment of non-executive directors.

There should be a mechanism for employees to report to management about unethical behaviour, fraud, etc., and there should be safeguard against victimization of employees. The employees should be allowed direct access to the chairman of Audit Committee in exceptional cases.

Penalty for non-compliance

Section 23 of the **Securities Contracts (Regulation) Act, 1956** imposes penalty for non-compliance of provisions of clause 49 of listing agreement.

Sec 23A: Penalty for failure to furnish information: If any person who is required to furnish information, books, documents or report to a recognized stock exchange fails to do so within the time specified, shall be liable to a penalty of **one lakh rupees for each day** during which such failure continues or **one crore rupees whichever is less**, for each such failure.

Sec 23C: Penalty for failure to redress investor grievances: A stock broker or a sub-broker or a company after called upon by SEBI or a recognized stock exchange to redress the grievances of investors fails to redress within the time specified, shall be liable to a penalty of **one lakh rupees for each day** during which such failure continues or **one crore rupees whichever is less**, for each such failure.

Sec 23E: Penalty for failure to comply with listing conditions: A company which fails to comply with the listing or delisting conditions of a recognized stock exchange shall be liable to a penalty **not exceeding twenty-five crore rupees**.

Sec 23H: Penalty for contravention where no separate penalty has been provided: Any person whoever fails to comply with any provisions of this act or rules or regulations of recognized Stock Exchange or directions of SEBI for which no separate penalty has been provided, shall be punishable with a penalty which **may extend to one crore rupees**.

Sec 23-I to 23-O: Procedure for penalty and appeals: Section 23-I to 23-O lays down the procedure for imposing penalty, appointment of adjudicating officer, appeals to Securities Appellate Tribunal and award of penalty.

Sec 24: Offences by companies: Where an offence has been committed by a company, every person in charge of business activities and the company shall be liable to be proceeded against and punished accordingly.

Provided that nothing contained in this sub-section shall render any person liable to any punishment provided in this Act, if he proves that the offence was

committed without his knowledge or that he exercised all due diligence to prevent the commission of offence.

Voluntary Guidelines of Ministry of Corporate Affairs, 2009

In 2009, the Ministry of Corporate Affairs introduced guidelines for corporate governance practices which shall be followed by companies voluntarily. It covers appointment of Board members, responsibilities of Board, constitution of Audit Committee and their powers and duties, appointment of Statutory Auditors and Internal Auditors, Secretarial Audit and mechanism for whistle-blowing.

Points highlighted by these guidelines, other than those already mentioned either in the **Companies Act, 1956** or in **Clause 49** are:

- Separation of offices of chairman and CEO/MD
- Number of directorships should be limited to seven public companies.
- Tenure for Independent Directors should be six years and three year cooling period should be there and like this, only three tenures should be provided for each independent director.
- Rotation of Audit firms after five years and a cooling period of five years should elapse before re-appointment.
- Rotation of Audit partners after three years and a cooling period of three years should elapse before re-appointment.
- Secretarial Audit: The Company may get Secretarial Audit conducted by a competent professional. The Board should give its comments on the Secretarial Audit in its report to the shareholders.

Conclusion:

Thus, both the Companies Act, 1956 and Securities Contracts (Regulation) Act, 1956 insist for a transparent and ethical corporate governance practices. In this, role of Independent Directors and the Audit Committee is of prominent importance. In addition, the Voluntary Guidelines by the Ministry of Corporate Affairs, 2009 are also encouraging better practices. Of all, it is in the hands of the company and all individual management personnel to do business in an ethical manner.

References:

www.sebi.gov.in

Voluntary Guidelines of Ministry of Corporate Affairs
Advanced Auditing and Professional Ethics, The
Institute of Chartered Accountants of India ■

Corporate Social Responsibility

Rupal Sharma



"There is no pleasure in this or in the other world equal to the joy of being helpful to those around you"

Help, The word help is not just enough unless it is combined with a sense of duty and this is the point, which I want to discuss with you in the name of

Corporate Social Responsibility which focusses on the social responsibility of the whole corporate world.

A very simple example I will take for creating a basic understanding in the readers' mind. Just like for a tree to stand for a long time and be as fruitful too, its roots must be firmed, similarly, if an organisation wants to stay for a long time in the market, it needs to work ethically, by being socially responsible.

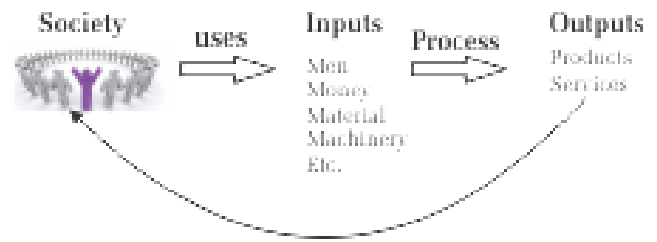
Meaning and Concept of CSR

Many philosophers have defined CSR in their own language but as per my point of view

"It refers to the obligation of whole corporate world to take care of different interest groups which are directly or indirectly being affected by the pursuit of business activities"

It seems to be so peculiar that how organisations run their business by over sighting their social responsibility but in today's time when society is aware of its rights and now organisations are expected to contribute something for the betterment of society, simply because business enterprises are the creatures of society, not the opposite that is why they must fulfill the society's demands and if they don't then either society will force them to do so through laws or will not permit to survive for a long time.

Long term survival, a dream of an organisation can be best served when management assumes its social responsibility and for long term success it matters a great deal if a business enterprise has a favourable image in the public mind. Therefore, it is important for management to consider whether their policies and actions are likely to promote the public good and advance the basic values of society. As business enterprises make use of resources of society and earn from the members of the society, it must do something for society. (See diagram)



Object of CSR or organisation's responsibility towards different groups:

Like for making a coordinated family two ways communication is needed, similarly, if somebody contributes something to an organisation that means a responsibility with a sense of duty has been created to be fulfilled which specifies the needs and demands of that person. Different contributors needs are explained below:

- A) **Towards Shareholders:** Shareholders are those persons who invest in an organisation and in return they demand
 - Fair and regular return on investment.
 - Safety of investment.
 - Regular, accurate and full information about the working and progress of the company.
 - Transparent decision-making regarding the use of capital.
- B) **Towards Employees:** Employees are considered as pillars of an organisation, they contribute their efforts, pass their knowledge and in return they demand
 - Fair wages and salaries with no discrimination.
 - Acceptable and good working conditions.
 - Adequate service benefits such as medical facilities, retirement benefits etc.
 - Having progressive human resource policies.
- C) **Towards customers:** Customer is treated as the "King of the Market" to whom an organisation sells its goods and makes profit. If someone is a customer of an organisation it means he is purchasing goods by relying upon it then in return he hopes:
 - Regular supply of right quality goods at right time and place.
 - Charge reasonable prices.

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- True and fair information through advertisement.
 - Avoid unfair and unethical malpractices like black marketing.
- D) **Towards suppliers:** Suppliers are those who supply to an organization inputs like raw material, components, equipments, services etc. and in return they too demand
- regular payment to them.
 - fair dealings with them.
 - protection and assistance to small scale suppliers by placing orders with them.
 - guidance and assistance in improving quality of their products.
- E) **Towards environment:** An organization explores resources of environment which creates an obligation on it in the form of
- Production of safe items.
 - Using biodegradable packages.
 - Educating people on Product use and disposal.
 - Working by keeping a view of sustainable development in mind.
- F) **Towards Government:** Government is like the "Head of the Family". It just makes rules like a leader and all have to follow them. Otherwise Government intervention may be required to restrict their flexibility and freedom of making decisions.
- For example:** Government passed the Consumer Protection Act, 1986 to prevent adulteration, black marketing and other anti-social practices. Thus, social responsibilities are essential for avoiding government action against business.
- Organization's responsibilities towards government
- To abide by rules, regulations and laws.
 - To pay taxes and duties on time.
 - To adopt fair dealing especially involved in external trade to maintain country's reputation.
 - To cooperate in planning, investigation and administration activities of Government
- G) **Towards Community:**
- To help the weaker section of the society by providing employment opportunities.
 - Providing progressive economic stability.
 - To promote national integration.

- Improve public health, education and preserve cultural values of community.

Strategies in implementation of CSR

A company makes its strategy which is a game plan used by the management to achieve its objectives. Every company has different main objectives, like Profit Earning, Gratify customers, Long term Survival etc., whatever objectives they have they can be achieved only when they work with ethical means and for it, it is needed to implement CSR in organisation. So, I would like to explain those strategies in implementation of CSR -:

- 1) **Top management initiative:** The top level has to:
 - Engulf CSR measures in entity's Mission, Vision and values statements etc.
 - Prepare a matrix of CSR actions.
 - Develop ideas for proceeding and decide directions, approach, boundaries and focus areas.
 - Develop a working definition of CSR.
 - Review corporate documents, processes, activities and internal capacity.
- 2) **Management Structure:** Management should
 - Establish a CSR committee for promotion & enforcement of CSR.
 - Identify and evaluate the key CSR issues.
 - Research what others are doing and assess the value of recognized CSR instruments.
 - Integration of CSR in all decision-making.
- 3) **Accountability of CSR in Job profiles**
 - An entity should clearly state all guidelines, examples, tools at time of recruitment.
 - It must highlight entity's commitment towards CSR.
 - CSR activities should carry an appropriate weightage in selection of employees.
- 4) **Traning programmes**
 - Conduct training and develop programmes, emphasizing the importance of CSR.
 - Employees should be trained about their roles in attainment of CSR objectives.
 - Prepare a preliminary draft and hold discussions with major stakeholders.
 - Proposals and initiatives by the employees should be welcome.



5) **Employees recognition and rewards**

- Implement a 'Reward Programme'.
- Employees involved in dandy working should be recognized and rewarded whereas wrong behaviour must be punished.
- Award may be in the form of letter of appreciation, certificates, memento or small gifts like pen, watch etc.
- Entity should participate in the award ceremonies organised at state and national level for motivating employees.

6) **Implementation of CSR**

- Prepare and implement the CSR business plan.
- Take a review of CSR measurable targets.
- Measure everyone's performance.
- Review of internal and external communication plans.
- To influence others to be socially responsible.

7) **CSR reporting and audit**

- Entity should regularly publish CSR reports.
- Highlight the CSR activities undertaken by the entity.
- It should reflect that the Top management is serious about its commitment towards CSR and it is not just for the name sake or for building image.
- An entity may decide to obtain an independent third party verification of CSR report. Alternatively, it may get CSR Audit done by external auditors and publish the results of such audit.

Benefits or advantages of CSRI. **Human Improve resource:** *A genuine culture of 'doing the right thing' within an organisation can even offset the risk of frequent labour turnover and associated recruitment and training costs.*

In the present era, promotion and hiking perks are not only the motivational factors, people want to work with such organisations too who are in accordance with their own values and beliefs. Employees would like to work for an entity which is ethical and reputed rather than which pays more but unethical.

II. **Build-up brand image and reputation:** *Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents.*

Today's customers are more sophisticated,

becoming more selective and sensitive to a company's reputation and image and definitely good CSR commitments image serves as a strategic branding tool in differentiating from competitors, too helps in building trust with all stakeholders and reduce an entity's business risk.

III. **License to operate:** Corporations, keen to avoid interference of government in their business can do so if they understand their social responsibility. Such an entity may also be given preferential treatment while applying for permits, licenses and regulatory clearances. If an accident occurs, an entity will be regarded more favourably if it has been transparent and socially responsible in the past.IV. **Reduce operating costs / Increase operational efficiency:** CSR initiatives definitely has the power to reduce operational costs or to increase operational efficiency and I would like to prove it by taking an example -:

Suppose if entity's human resource is gratified through CSR then it will try to recycle the waste material which would even reduce waste-disposal costs and will generate income, reduce absenteeism, increase productivity which will show an operational efficiency of organisation.

V. **Improve financial position:** Investors are more willing to finance an entity, which is considered as socially responsible. Thus an entity with good CSR standing is likely to secure its funds with most ease, this too will help to reduce the "cost of capital" which would ultimately make an organisation's financial position better.VI. **Increase sales or turnover:** This is possible when all different groups are satisfied. If customers are satisfied then they would purchase that entity's goods more, if suppliers are happy they will provide inputs at a reasonable price, government support will always be there, shareholders will invest more, employees will try to increase its operational efficiency and ultimately entity's earnings will flourish.

At last if I give a sum and substance of whole, then

CORPORATE SOCIAL RESPONSIBILITY works as a "Beaming Light of Success" towards an organisation's goal because a company's strategy is at full power only when its many pieces are united.

That means an entity's performance can't reach to its full potential unless each area whether directly (i.e all its different groups) or indirectly (i.e community) related to it does not form its part.

And this is what CSR concept mentors for being socially responsible towards different groups and community. ■

Customer Relationship Management

Shaleen Suneja

Rohit, who works in Delhi gets an SMS from his telecom service provider informing that they have started a new network site at Bandra (West), Mumbai. Around a month back, he was in Bandra and faced intermittent difficulty in network connectivity. Calls kept on dropping and using data services was not easy. To solve the problems of customers, when the telecom service provider initiated a new network tower, they not only informed the people who are staying in the area but also informed the people who have visited the place in recent past. Naturally, the company is maintaining the roaming records of the people, and effectively using it to build better relations with the customers. A simple communication through SMS can change the customer's views and perception about the company. They can feel that they are being cared for.

The success of any business today depends on how best they are able to connect to their existing and prospective customers. Modern marketing calls for customer centric approaches. The fierce competition in the present business environment, where supply outstrips demand manifold, relying solely on traditional methods such as advertising does not guarantee success. Customer satisfaction no longer ensures customer loyalty. Competition and better parity of products forces businesses to create and focus on differentiators to win and maintain customers. Organisations need to do much more for a long term commercial success that they were doing in yesteryears.

Customer relationship management or CRM as it is popularly known, is being considered as an effective tool for improving the satisfaction level of customers. CRM harnesses technology for the advantage implementing strategy. With the evolution of technology, there is huge transition in the way businesses are being conducted. Organisations are increasingly using the information technology to create sustainable relationships with the customers. Proper communication can help in earning the loyalty of the consumers.

What is CRM?

CRM is a business approach of establishing, maintaining and enhancing lasting relationships with the customers. It works on formation of bonds between the organisation and its customers. CRM is

often confused with the different technology systems that are being marketed by IT businesses.

Although, CRM is very useful to create and maintain customers, it is not merely a marketing tool. After thoroughly researching the concept, a comprehensive definition is offered by Pennie Frow and Adrian Payne (Journal of business market management - Vol 3, 2009/1). The definition is as follows:

CRM is a cross-functional strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. It typically involves identifying appropriate business and customer strategies, the acquisition and distribution of customer knowledge, deciding appropriate segment granularity, managing the co-creation of customer value, developing integrated channel strategies and the intelligent use of data and technology solutions to create superior customer experiences.

They have also highlighted the importance of adoption of strategic definition of CRM and distinguishing it from its incorrect associations of CRM technology. CRM technology and systems are created to support CRM processes, which are directed towards enhancing the value of the customer relationships.

How does CRM help?

a. Prospecting new customer

Businesses need new customers for expansion, growth and for maintaining existing sales level. With the exhaustive information, CRM helps in prospecting new customers. It helps in targeting the prospects and establish communications with the hope that efforts will eventually lead to a closed sale and a new customer.

b. CRM is a feedback system

CRM is a platform through which a customer can make suggestions, provide feedback and vent-out his problems. Organisations attempt to gauge the satisfaction level of customers using CRM. For example, sometimes after our interaction with the executive in a call centre a SMS is received requesting our feedback about satisfaction on interaction with the executive.

The author is Deputy Director, ICAI



c. CRM makes things convenient

Shyamsunder, staying in Delhi used to find it extremely difficult to book a LPG refill. The telephone number of the agency remained busy endlessly. Many a times, the customer had to go to the shop for a simple task of booking gas refill. Today, at a few selected cities, the oil marketing companies in India have interactive computerised systems that have simplified the process of booking and delivery. There is no human interaction as the customer only needs to make a simple call from his registered telephone. Different SMSs are received by customers informing the booking confirmation, expected time that would be taken, date of delivery and a confirmation after actual delivery.

d. It helps in up-selling and cross-selling

Saumya a food connoisseur called up a leading fast food restaurant to order a medium size pizza. From the system, the sales executive was aware about the sweet tooth of the customer. He informed her about the discount offer on desserts with large pizza. He deliberately mentioned the chocolate dessert that she normally orders. Tempted, she ordered a large pizza instead of medium one (up-selling) and additionally paid a nominal sum towards the dessert (cross-selling). Empowered with the information about previous purchases, taste and preferences, organisations are easily able to increase the sales. In up-selling a customer is stimulated to purchase a more expensive or profitable product or service. In cross-selling, a customer is stimulated to purchase a product or service in addition to another purchase.

e. Information flows faster

CRM collects information about the customer and stores them in a structured and orderly way for easy retrieval. For example, if a sales executive wishes to have details on service related issue that happened in past with a particular customer, then CRM will provide it immediately. In the traditional methods, such information had to be sought from the concerned department and the salesperson had to wait. Naturally, then the customer also has to wait. Many organisations are information rich, however, the information is compartmentalised. In such cases, ability to access information is low and the customer service gets compromised. CRM helps the organisation to become customer centred by putting all information relevant to customers in a structured manner. Then it makes available relevant information to authorised people within the organisation.

Care in implementing CRM.

a. A well thought marketing strategy preludes CRM

Acquisition of a 'state of art' CRM software will not give any results until it is backed by a sound business strategy. CRM acts as enabler for achieving the strategic objectives of organisations.

b. Create a technology conducive business organisation

Implementation of CRM is not restricted to the function of marketing. CRM accesses and provides information to different parts of organisations. Organisations need to clearly define external linkages with the customers and internal systems such as hierarchy, job description, training, compensation, performance measures, rewards and so on.

c. Privacy of customers must be maintained

CRM collects a lot of data with regards to profile, taste, preference, purchase habits of individuals and customers. The visit of Rohit to Mumbai was a private affair. Privacy issues are involved when such data are recorded without consent. Even if data is collected as part of normal working, the confidentiality must be maintained. The personal information should be used only for the intended use and should never be allowed to reach in the hands of unauthorised persons. Over a period of time privacy issues have become extremely critical. Recently, Justice A. P Shah panel has recommended overarching law to protect personal data and privacy of individuals. A need is felt for focussed legal system to protect privacy and it is matter of time when it gets in shape.

d. Give enough space to customer

There is a possibility that the customer can react negatively to the use of CRM by the organisation. In the efforts to attract new customers, some organisation may overdo. Telephone calls, sending e-mails, SMSs can be really annoying at times. Organisations need to maintain a delicate balance in their communication with the customers.

e. Record relevant information in timely manner

Temptation to record everything related to customers should be avoided. Only information relevant to present or future use should be stored. Further, information must be stored as it happens.

Making notes or scribbling on paper for updating systems on weekly or periodical basis will not deliver the results. A person may tend to forget something in case there is time gap between a event and recoding it.

Endnote

CRM should not be taken as system. It should be considered as philosophy. Purchase of CRM software is not panacea for lack of proper management. Organisations need leadership and proper business strategy for their survival, growth and prosperity. CRM should be implemented after careful organisation-wide planning. If the approach is used with due care and attention, it will have a positive effect on the business. ■



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Intermediate/PE-II/ PCE/IPCE examinations (i) Duplicate marks sheets/Pass Certificate/Rank Certificate etc. (ii) IPCE examination application form submission, Admit Card, Centre /Medium change requests, withheld result related queries, verification / certified copies of answer sheets and merit list etc.	Shri Kishan Singh Bisht, LDC	3054836/3054842	dms_examhelpline@icai.in
	Shri Hatinder Kumar, Assistant Secretary	3894832	ipce_examhelpline@icai.in
	Shri Radha Kishan, Assistant Secretary	3894810	ipce_examhelpline@icai.in
	In-charge IPCC : CA. B. Muralidharan, Deputy Secretary, Tel. Nos. 3894819, 9310598719, e-mail ID. bmurali@icai.in		

ANNOUNCEMENT

Activity	Name & Designation of dealing official	Tel. No. (STD Code-0120)	E-mail ID
Final Examination			
(i) Duplicate marks sheet/Pass Certificate/Rank Certificate etc.	Ms. Preeti Goyal, Assistant	3054836/3054842	dms_examhelpline@icai.in
(ii) Final examination application form submission, Admit Card, Centre /Medium change requests, withheld result related queries, verification / certified copies of answer sheets and merit list etc.	Shri J. P. Saini Assistant Secretary	3054808/3054809	final_examhelpline@icai.in
In-charge Final : Shri Sanjay Kumar Garg, Joint Secretary, Tel. Nos. 3054819, 9350852388, e-mail ID. skgarg@icai.in			
Issuance of Accounting Technician Certificate	Mrs. Manju Sharma Section Officer (SU)	3054836/3054842	dms_examhelpline@icai.in
Post Qualification Courses in MAC/TMC/CMC, DIRM, IFL&WTO and ISA-AT Examination matters (like exam form, admit card, result, Mark Sheet, Pass Certificate, Rank Certificate etc.)	Mrs. Geetha Sreejit, Assistant	3054836/3054842	examhelpline@icai.in
Confirmation of CA Students'/ Members' passing details, to Govt./PSUs	Ms. Preeti Goyal, Assistant	3054836/3054842	dms_examhelpline@icai.in
Transcripts of CA qualification for the purpose of higher studies abroad/immigration etc.			
On-line submission Form enquiry related to PDF generation/duplicate payment etc.	Shri Ashutosh Arora, Deputy Secretary	3054834	ashu@icai.in

Examination Help Desk - 0120-3054835, 3054851, 3054852 & 3054853.

BOARD OF STUDIES

ICAI Bhawan, , A-29, Sector-62, Noida-201 309, Dist. Gautam Budh Nagar (U.P.)

Phone: 0120-3045930/31; e-mail: bosnoida@icai.org

Overall in-charge : Shri Vijay Kapur, Director, Board of Studies, (Tel. No. 0120-3045901/02, 9350799908), e-mail ID: vijaykapur@icai.org; or psdos@icai.org

Sl. No.	Activity	Name & Designation of dealing official	Tel No. STD Code - 0120	E-mail ID
1.	Scholarships for Students & Articles Placement Portal	Shri Gagandeep Singh, Section Officer	3045930/31	GagandeepSingh@icai.org
2.	Four Weeks' Residential Programme & MOUs with University	Shri Ashok Kumar Dua, Assistant Secretary	3045935	ashokdua@icai.org
		Mrs. Srishti Gupta, Sr. Executive Officer	3045935	srishti@icai.org
3.	Students' Journal	Mr. Yashwant Singh Bisht, Assistant	3045903	nosj@icai.org

Board of Studies - Faculty

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Direct Tax: CA. Priya Subramanian, Deputy Director priya@icai.org CA. Nidhi Agarwal, Executive Officer agarwalnidhi@icai.org Land line No. 0120 - 3045913	Indirect Tax : CA.Smita Mishra, Deputy Secretary smita@icai.org CA.Shefali Jain, Assistant Secretary shefali.jain@icai.in CA. Swati Aggarwal, Executive Officer swati.bos@icai.org; Land line No. 0120 - 3045906

Laws : Ms.Nisha Gupta , <i>Executive Officer</i> nisha.gupta@icai.org CA. Shraddha , <i>Executive Officer</i> shraddha.bos@icai.org Land line No. 0120 - 3045939 Ms.Megha Goel , <i>Section Officer</i> megha.goel@icai.in	Management Accounting / Cost Accounting : Dr. N.N. Sengupta , <i>Assistant Director</i> nnsengupta@icai.org Land line No. 0120 - 3045919 CA. Deepak Kumar Gupta , <i>Assistant Director</i> deepak.k.gupta@icai.org Land line No. 0120 - 3045937 CA. Sanjit Lal Sharma , <i>Executive Officer</i> sanjit.sharma@icai.org Land line No. 0120 - 3045937
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Notification



The Institute of Chartered Accountants of India

[Set up by an Act of Parliament]

Post Box No.7112, 'ICAI BHAWAN', Indraprastha Marg
New Delhi – 110002

TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA

NOTIFICATION

15th October, 2012

No.13-CA(Exam)/N/2012/II: In partial modification of the Institute's Notification No. 13-CA(Exam)/N/2012 dated 4th July, 2012, it is notified for general information that in view of the Election to the Himachal Pradesh State Legislative Assembly, Group - 1, Paper - 2, Business Laws, Ethics and Communications of Integrated Professional Competence Examination and Group - 1, Paper - 3, Law, Ethics and Communication of Professional Competence Examination scheduled to be held on Sunday, the 4th November, 2012 at Shimla centre stand postponed and the examination in the said papers shall now be held at Shimla centre on Monday, 19th November, 2012 at the same venue and at the same timings i.e. 2.00 PM to 5.00 PM. Admit Cards already issued would remain valid.

(G. Somasekhar)

Additional Secretary (Examinations)

Tatva- The Basic Element

Tatva is a Sanskrit word meaning 'thatness', 'principle', 'reality' or 'truth'.

According to various Indian schools of philosophy, a tatva is an element or aspect of reality. Although the number of tatvas varies, depending on the philosophical school, together they are thought to form the basis of all our experience.

In our context, Centre of Excellence (COE) has been the Tatva- The basic element of our life as a Chartered Accountant and thus we chose this distinguishable name as the identity of 14th Batch of Residential programme at COE, Hyderabad.

A catch phrase which very well defines 43 participants in the 14th Batch - ***Divided by States but United by Profession.***

When we stepped out of our homes, we never really knew what the 28 days ahead had in store for us; however, the air of Hyderabad itself was welcoming. The mere view of COE was so mesmerizing that it is almost impossible to pen down in words.

In the words of George Eliot- It's never too late to become what you might have been and the same held true for us, and there came our time to become what we could really be: ***Perfectly groomed Chartered Accountants.***

We all being a part of the Chartered Accountancy course could never really experience college life & God blessed us with this Residential Programme, where we not just experienced 4 years of college life in a short time span of 4 weeks, moreover, managed to make 42 friends each, infact 80 odd professional friends.

To top it all, having India's Best faculty to guide and lead us was a matter of pride and honour.

The philosophy of acceptance & adjustment, realisation and recognition of the winner in oneself, presentations, working in teams etc. etc. and each and every task boosted team spirit in us. What mattered for us was '***WE***' and not '***ME***'.

It is rightly said; sometimes we need a good storm to refresh our mind. Devil's Advocate was no less than a storm, and helped us gather our guts, stand in front of a crowd and speak out on top of our voice, fearless, with mouth wide open, reaching every individuals heart. But what is important is to be willing to give up what we are, for becoming what we can. And we did it! Yes, We did it!!

We have gained confidence in public speaking or atleast we know the techniques to curb our fear & speak



ICAI President, CA. Jaydeep Narendra Shah and Director, Board of Studies, Shri Vijay Kapur and CA. P.K. Agrawal, Sr. Consultant, CoE with the participants of 14th Batch.

confidently. We know the mantra for solving most of the problems which we might face in future.

Not just that, but bringing about a change in overall thinking was one of the main objects and we all succeeded. Be it leadership, business etiquettes, the importance of the present moment or the art of negotiation, we learnt it all.

Our hidden talents were no more hidden, neither from our own selves nor from our batch mates. The entire group which was an alien on the first day became a bunch of best friends by the time we left.

It has been rightly said by George Bernard Shaw- Life isn't about finding yourself, Life is about Creating yourself & during these 28 days we were created, infact we Lived.

Thank You COE!!!

and special thanks to ICAI & Board of Studies for giving us this wonderful opportunity. As a cup of coffee is incomplete without cream, similarly our journey would have been incomplete without the presence of our esteemed President CA Jaydeep N.Shah and Director Board of Studies Sh.Vijay Kapur Ji.

The price of success is- hard work, dedication to the work at hand and the determination that whether we win or lose. We have applied the best of ourselves to the task at hand. With the same feeling of SUCCESS and loads of memories, each one of us stepped out of the COE campus, with dreams of attaining heights of glory in the years to come...

(Contributed by the participants of the 14th batch of Residential Programme on Professional Skills Development at Centre of Excellence, Hyderabad)

"AMIGOS": United By Dreams

*Phoolon Nei Mehekna Sikha Diya,
Panchhi Nei Udna Sikha Diya,
Kya Rehmat ki Ai Khuda Nei,
Ki COE Nei Amigos Se Mila Diya*

"AMIGOS is a Spanish word which means FRIENDS FOREVER"

We believe that our destiny has brought us to this place where all came from different parts of the country, mingled together and made a CA Family.

That is why the Tagline we gave to our title is "United By Dreams"

Hence, we name it as, AMIGOS - United By Dreams

We came as strangers, met as fellow mates, worked as team mates, lived together as room mates and finally came the everlasting friendship which could not be possible if Centre OF Excellence wouldn't have been there.

Its actually COE who made us believe that we are the best and capable of doing everything we desire.

Its an honor for us to be a participants of such a dynamic, prestigious, and extraordinary faculties with remarkable personalities who shared their wonderful experiences which would surely help us in being successful in life. We actually learnt the meaning of Success i.e. Success is when your signature turns into an Autograph.

Group Discussions, personal interviews, presentation and last but never the least the most important The Devil's Advocate did the remarkable job in killing the devil within ourselves. The Devil which is our fear. It helped us in facing the public and removed our stage fear.

We acknowledge that getting not 41 but actually 84 gems of the nation at cost of Rs. 40,000 is a great deal.

It is a really a life changing experience as coming closer to each other we realized that there was such a great talent buried inside us which we



ICAI President, CA. Jaydeep Narendra Shah and Director, Board of Studies, Shri Vijay Kapur and CA. P.K. Agrawal, Sr. Consultant, CoE with the participants of 15th Batch.

gave up with the moving footsteps towards our CA course. The passion to work hard for our objective was missing. We all collectively removed the hindrances and took out the hidden talent which gave us the huge confidence, courage, spirit, passion and strong determination to live up and work hard for the achievement of our Goals.

Once again I, on behalf of our batch Amigos would like to thank COE for making us realize what our profession mean to us and the world wide requirement of our profession.

Just like Finance is life line for a business similarly COE is an essence for THE INSTITUTE OF CHARTERED ACCOUNTANT OF INDIA.

***Zindagi Mei Ek Aisa Samaah Ayega,
Amiri Gareebi Ka Faasla Khatam Ho Jayega,
Khuda ki Rehmat Ek Aisa Mod Dikhayega,
Ki COE Ka Naam SUNEHRE AKSHARO MEI
LIKHA JAYEGA***

(Contributed by the participants of the 15th batch of Residential Programme on Professional Skills Development at Centre of Excellence, Hyderabad)

National Convention for CA Students- Coimbatore

Dates : 21st & 22nd December 2012

Venue : PSG College of Arts & Science, Avinashi Road, Coimbatore.

Organized by : Board of Studies, ICAI

Hosted by : The Coimbatore branch of SIRC of ICAI & The Coimbatore branch of SICASA

Programme Details

Date	Time	Particulars
21-12-2012	9.30 - 11.00 am	Inauguration
	11.30 - 01.00 pm	Technical Session - I : Auditing - Audit Evidence and Documentation - Auditing a practical experience during the Articleship Training.
	02.00 - 03.15 pm	General Session
	3.30 - 5.00 pm	Technical Session - II : Indirect Tax - Provision under VAT - Service tax- recent development
	05.00 pm onwards..	Entertainment Program
22-12-2012	9.00 - 10.00 am	Spiritual Session
	10.00 - 11.30 am	Technical Session - III : Direct Tax - Taxation of Capital Gains - TDS under Income Tax Act, 1961
	11.45 - 01.15 pm	Technical Session - IV : Accounting Standards - Revised Schedule VI: Raising presentation level by Indian Corporate - Financial reporting and financial frauds
	02.00 - 3.30 pm	Presentation by BOS
	04.00 - 05.00 pm	Valedictory Session

Students are hereby requested to register for the convention at the earliest. The details for registration are as follows:-

Registration fees	₹300/- per student	Accommodation (if required)	₹100/- per student
Payment Mode	Cash/DD/Cheque		To be drawn in favour of "The Coimbatore branch of SICASA" , payable at Coimbatore.

For registration queries contact:-

The Coimbatore branch of SIRC of ICAI OR The Coimbatore branch of SICASA, ICAI Bhawan, No. 08, D.B. Road, R. S. Puram, Coimbatore - 641 002.	Phone 0422 - 2552872 / 2547764 Email : coimbatore@icai.org, Website: www.coimbatoreicai.org
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Aspiring Students are also invited to contribute papers for presentation (1500 to 2000 words) for topics in Technical -Sessions and submit for approval a soft copy of the Paper at coimbatore@icai.org / bos@icai.org by 30th November 2012 and a hard copy of the same along with Student's Photograph (with his/her name on the back of the photograph), Registration Number, Course pursuing, complete postal address, Mobile, Landline numbers and e-mail ID be also sent to the Coimbatore Branch of SIRC of ICAI. Outstation students shall be reimbursed actual travelling expenses equivalent to 2 tier AC and DA @ 1500 per day for lodging etc.

Students who are interested to participate in the cultural programme are requested to register before 30th November 2012 at Coimbatore Branch of SIRC of ICAI.



ICAI President CA. Jaydeep Narendra Shah addressing the audience at a function held in connection with his visit to Akola Branch of WIRC of ICAI.



Akola Branch Building Construction in Progress: ICAI President CA. Jaydeep Narendra Shah with his better half Smt. Harsha Shah at the site of the Branch building under construction.



ICAI President CA. Jaydeep Narendra Shah with his better half Smt. Harsha Shah at a function organized in connection with his visit to Akola Branch of WIRC of ICAI.



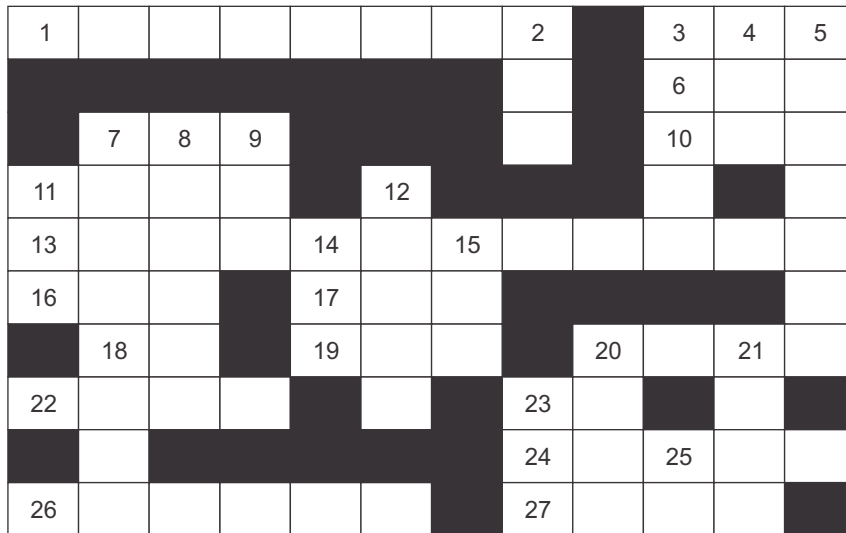
Amravati Branch Building Construction in Progress: ICAI President CA. Jaydeep Narendra Shah with his better half Smt. Harsha Shah, Branch Chairman CA. Sanjay D. Lakhota and members of the Amravati Branch of WIRC at the site of Branch building under construction.



Shri Vijay Kapur, Director, Board of Studies, addressing the students at the Interactive Session organized in connection with the State Level Conference for CA Students at Madurai. Shri Rajesh Bhalla, Deputy Secretary, Board of Studies also seen in picture.



Shri. Abhishek Rao K P, Assistant Professor, Department of Commerce, Manipal University addressing the ICAI- Manipal University Joint Seminar at Manipal. Mr. Bharath Krishna Nayak, Chief Financial Officer, Manipal Group, CA. Murlidhar Rao, Assistant General Manager, Karnataka Bank, Mangalore, Dr. G K Prabhu, Registrar, Manipal University, C A Nanu R Mallya and Mr. Sandeep Shenoy, In Charge/Head of the Department of Commerce, Manipal University also seen in picture.



CROSSWORD

ACROSS

1. _____ is a mechanism that isolates a network from the rest of the Internet, permitting only specific traffic to pass in and out.
3. A nationalized bank in India.
6. The _____ is the nomenclature for the UYK-3 computer.
7. India's largest stock exchange.
10. A computer network that covers a broad area.
11. To be full of things, abound or swarm.
13. Section 35CCC has been inserted by the Finance Act, 2012 to provide a weighted deduction in respect of expenditure incurred on notified _____ extension project.
16. _____ is the value of an entity's assets less the value of its liabilities, often in relation to open-ended mutual funds.
17. A legally constituted organization created by natural or legal persons that operates independently from any form of government.
18. A measure of how closely a portfolio follows the index to which it is benchmarked.
19. To scold or find fault constantly.
20. A line of tablet computers designed and marketed by Apple Inc.
22. Former currency of Italy.
23. A firm is earning just normal profits when its _____ is equal to AR.
24. A device which converts digital signals into analog signals and vice-versa is _____.
26. A non cancellable lease can be cancellable only with the permission of the _____.
27. Useful explosive materials with convenient handling properties.

DOWN

2. Non-compliance by the entity with _____ and regulation may result in a material misstatement of the financial statements.
3. Additional depreciation @ 20% of the actual cost of plant and machinery has been extended to _____ sector undertakings from A.Y. 2013-14.
4. A _____ is a loan in respect of which the interest and/or installment of principal has remained 'past due' for a specified period of time.
5. Services which have the elements of more than one service are known as _____ services.
7. In India, services are taxed on the basis of a _____ list of services.
8. _____ is a computer that shares its resources, such as printers and files, with other computers on the network.
9. _____ is used to pay off both interest and principal each month, so that over a specified number of years, the loan is paid off in full.
11. A trigonometric function.
12. The Finance Act, 2012 has extended the investment-linked tax deduction under section 35D to the business of setting up and operating a warehousing facility for storage of _____.
14. A TV channel for news, business and sports etc.
15. _____ is the mathematical operation that is the inverse of exponentiation, or the result of this operation.
20. A graphic symbol, usually representing a file, folder, disk or tool.
21. E-governance initiative of CBEC.
23. The tax which was introduced last year in respect of LLPs but extended to all assessees, other than companies this year.
25. _____ committee assists the ICAI in its issues relating to direct taxes.