Price ₹ 50
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

STUDENTS' JOURNAL
December 2012 Vol SJ3 Issue 12 Pages 36

Combating Money Laundering, Need of the Hour

Integrating Governance for Sustainable Success

Corporate Laws

President's Communication

Dear Students,

The year 2012 is drawing to an end reminding us that another year of our life is blending into history. If January is the month of resolutions, December is the month for introspection. It is the month to look back, analyze and find out what we have done and what we have missed out. It is also the month to accelerate the pace to achieve the targets. While looking back, we will find pleasant as well as not so pleasant events and experiences. All these should have made us smarter, more mature and wiser. In life, there are no mistakes but only lessons. The year-end is the apt time when one can assess what he has learnt during the year and at what cost.

To be successful is a universal dream. However, it is not possible to achieve success universally. The concept of success itself is highly subjective. Success cannot be measured in monetary terms. In reality, wealth and status can only be the indicators, but not the determinants of success. The real test of success is whether one has achieved the goals that one has set for oneself. These could include targets in academic achievements, high standards of ethical and professional performance, etc. The targets are also different for short-term and long term and, therefore, excellence in knowledge can be the medium term objective. All desire for success. However, not everybody easily succeed in achieving his or her goals. What is required is determination and continuous efforts. Even if you are not able to achieve what you wished for initially, take it as learning experience. Remember, one who keeps on striving is crowned with success, eventually. Success is the result of hard work, firm determination and dedication.

The November 2012 CA Examinations are just over and you might be in a jovial mood of refreshing yourself after putting a lot of arduous efforts to get through one of the most important examinations of your enduring professional career. I am hopeful that you will shimmer with resounding success. Now you must start thinking and act sincerely on achieving your professional endeavours. I believe that you will keep the spirit of positive attitude alive towards learning and uphold the values of the accounting profession.

The popularity of the accounting profession is growing along with a paradigm shift in our strong economy. The contemporary time is beckoning you to become all round professionals to face the global challenges successfully. To face the diverse challenges with confidence, you must hone your skills in the emerging areas and mould your personality in a holistic manner. As you know, the accounting profession demands ignited minds like yours that can spark brilliance and excellence. The horizons of CA profession are very wide and I am sure that you will be able to surpass all the encumbrances with a note of enthusiasm.

I believe, a few of you must have celebrated the Festival of Lights- Diwali with cheer and happiness. Since Diwali was clashed with the examinations, most of the students might have lost the chance of enjoying the festival amidst hectic preparations. Do not get disheartened as in life we have to make many sacrifices to realize our goals and fulfill our dreams.

The Institute, in all its endeavors, ensures to provide you an edge over others for measuring new heights of professional success. A potential Chartered Accountant gets advantage over his or her professional competitors. Our glorious profession has created very high standards of accounting and proved to be very effective in helping business. I expect that you should also remember that our profession is all about rich values so uphold these values and bring glory to our fascinating profession. I would also like to extend my heartiest greetings to all of you on the happy occasion of Christmas.

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.	January 2013	Information Technology
2.	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.

President and Editor-in-Chief
CA. Jaydeep Narendra Shah, Nagpur

Director – Board of Studies
Shri Vijay Kapur

Editorial Support
Prem Bhutani, Deputy Director
K. Sudhakaran, Assistant Director

Office
Board of Studies
The Institute of Chartered Accountants of India,
ICAI Bhawan, A-29, Sector-62, Noida-201 309.
Phone : 0120-3045938

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

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

Head Office
The Institute of Chartered Accountants of India,
ICAI Bhawan, Indraprastha Marg,New Delhi - 110104.
http://www.icai.org

Inside December

Annual Subscription Rates:

CA Students	:	₹	200
Members & Others	:	₹	500
Overseas	:	US $	100

Total Circulation: 2,72,253

Check your Address : All students should check their mailing address printed on back cover. In case, there is any change or the PIN Code (Postal Index Code) is either missing or is incorrect, kindly inform immediately the concerned Regional Office, giving full particulars of your address alongwith correct PIN Code. This would enable us to ensure regular and prompt delivery of the Journal.

Editor: CA. Nilesh S. Vikamsey
Printed and published by Shri Vijay Kapur, on behalf of The Institute of Chartered Accountants of India, New Delhi. Published at the Institute's Office at Indraprastha Marg, New Delhi and printed at International Print-O-Pac Ltd., B-204, 205, Okhla Industrial Area, Phase-1, New Delhi.

Combating Money Laundering, Need of the Hour

CS. Megha Goel

Introduction

Money Laundering has potentially devastating economic, security, and social consequences. It provides the fuel for drug dealers, terrorists, illegal arms dealers, corrupt public officials, and others to operate and expand their criminal enterprises. Unchecked, money laundering can erode the integrity of a nation's financial institutions. Due to the high integration of capital markets, money laundering can also adversely affect currencies and interest rates. Ultimately, laundered money flows into global financial systems, where it can undermine national economies and currencies. Money laundering is thus not only a law enforcement problem; it poses a serious national and international security threat as well.

Prevention of Money Laundering Act, 2002 (PMLA) was passed in 2002 to prevent money-laundering and to provide for confiscation of property derived from, or involved in, money-laundering and for matters connected therewith or incidental. It forms the core of the legal framework put in place by India to combat money laundering. PMLA and the Rules notified there under came into force with effect from July 1, 2005.

In November 2004, in an effort to meet international recommendations, the Indian Government established the Financial Intelligence Unit (FIU-IND) - an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. At the same time, the PMLA provides the FIU-IND with the authority to access financial, administrative and law enforcement information from a variety of sources as well as analyzing suspicious transaction reports (STRs) and processing information from other agencies.

Specifically, India uses a combination of a declaration system, pursuant to the Foreign Exchange Management Act (FEMA), which employs a Currency Declaration Form (CDF) and a disclosure system.

FIU's prime responsibility is to gather and share financial intelligence with the regulatory authorities including the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority (IRDA). All three regulators have issued instructions with respect to the implementation of the PMLA.

What is meant by Money Laundering?

Money Laundering is directly or indirectly attempting to indulge or knowingly assisting or knowingly is a party or is actually involved in any process or activity connected with the proceeds or crime and projecting it as untainted property. It is the process of moving illegally acquired cash through financial systems so that it appears to be legally acquired.

Whoever commits the offence of money laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven years and shall also be liable to fine, which may extend to five lakh rupees. The period of seven years may extend to ten years if the crime involved in money laundering relates to any offence specified under paragraph 2 of Part A of the Schedule.

Attachment of property involved in money laundering

The Director or any other officer not below the rank of Deputy Director authorized by him may by order in writing, provisionally attach property for a period not exceeding 150 days from the date of the order, in the manner provided in the Second Schedule to the Income Tax Act, 1961. He may attach the property when he has reason to believe on the basis of material in his possession, that:

(a) any person is in possession of any proceeds of crime;

(b) such person has been charged of having committed a schedule offence; and

(c) such proceeds of crime are likely to be concealed, transferred or dealt with in any manner which may result in frustrating any proceedings relating to confiscation of such proceeds of crime.

The officer shall immediately after attachment forward a copy of the order to the Adjudicating Authority in a sealed envelope in the prescribed manner.

The contributor is Section Officer, ICAI

The property here in question relates to both movable and immovable property. In case of immovable property, all persons claiming or entitled to claim any interest in the property shall not be prevented from enjoying it.

Adjudicating Authority

The Central Government shall by notification appoint an Adjudicating Authority to exercise jurisdiction, powers and authority conferred by or under this Act. An Adjudicating Authority shall consist of a Chairperson and two other Members out of which one Member shall be a person having experience in the field of law, administration, finance or accountancy.

The Chairperson and every Member shall hold office as such for a term of five years from the date on which he enters upon his office provided they shall not hold office as such after they have attained the age of sixty-five years.

The Adjudicating Authority shall not be bound by the procedure laid down by the Code of Civil Procedure, 1908, but shall be guided by the principles of natural justice and subject to the other provisions of this Act, the Adjudicating Authority shall have powers to regulate its own procedure.

Obligations of Banking companies, financial institutions and intermediaries

The Act provides that every banking company, financial institution and intermediaries shall maintain a record of all transactions, the nature and value of which may be prescribed and furnish this information to the Director when required to do so. They are also required to verify and maintain the records of the identity of all its clients in the prescribed manner.

Such records shall be maintained for a period of 10 years from the date of the transactions between the clients and the Banking Company or Financial Institution or Intermediary, as the case may be.

The Banking Companies, financial institutions, intermediaries and their officers shall not be liable to any civil proceedings against them for furnishing above mentioned information.

The Central Government may, in consultation with the RBI, prescribe the procedure and the manner of maintaining and furnishing the above mentioned information.

Appellate Tribunal

The Central Government shall, by notification, establish an Appellate Tribunal to hear appeals against the orders of the Adjudicating Authority and the authorities under this Act.

Appeals to Appellate Tribunal

The Director or any person aggrieved by an order made by the Adjudicating Authority or any Banking Company, Financial Institution or Intermediary aggrieved by any order of the Director may prefer an appeal to the Appellate Tribunal within a period of forty-five days from the date on which a copy of the order made by the Adjudicating Authority or Director is received and it shall be in the prescribed form and accompanied by prescribed fee.

After giving an opportunity of being heard, the Appellate Tribunal may extend the period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

The Appellate Tribunal may confirm, modify or set aside the order appealed against after giving the parties to the appeal an opportunity of being heard and send a copy of its order to the parties to the appeal and to the concerned Adjudicating Authority or the Director, as the case may be.

The Appeal filed with Appellate Tribunal shall be disposed off finally within six months from the date of its filing.

Special Courts

The trial of the offences of the money laundering is conducted by Special Court. The Central Government, in consultation with the Chief Justice of the High Court, by notification, designates one or more Courts of Session as Special Court or Special Courts for such area or areas or for such case or class or group of cases as may be specified in the notification.

Offence committed by companies

Where a company committed an offence under money laundering, every person who, at the time when the contravention was committed, was in charge of, and was responsible to the company, for the conduct of the business of the company as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. But if he proves that the contravention took place without his knowledge or that he exercised all due diligence to prevent such contravention, he will not be liable to punishment.

Where company has contravened any of the provisions of this Act or of any rule, direction or order made there under and it is proved that the contravention has taken place with the consent or connivance of, or is attributable to any neglect on the part of any director, manager, secretary or other officer of any company, there such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

Overriding effect

The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force.

Impact of Money Laundering

Although India is one of Asia's leading economies, with strong growth supported by economically benign demographics, it continues to live in the shadow of a range of money-laundering and terrorist-financing issues. The social and political costs of money laundering are enormous, if it left unchecked or dealt ineffectively, the outcome will be severe for the Indian society.

Indeed, some commentators estimate that money laundering accounts for between 4% and 5% of the global GDP. At the same time, while there are no official figures listing terrorist cells operating in the country, India continues to be a prime target for terrorist groups. Sadly, it has also been the victim of numerous attacks.

Some recent cases of Money Laundering

1. ICICI Bank and ING Vyasa Bank

In October 2012, RBI has slapped a penalty of ₹ 30 lakh on ICICI Bank and ₹ 55 lakh on ING Vyasa Bank for violating certain norms related to anti-money laundering while opening new accounts.

The RBI imposed penalties on these banks for contravention of various directions and instructions issued by the bank on Know Your Customer norms/ Anti-Money Laundering Standards/Combating of Financing of Terrorism /PMLA.

These include "failure to obtain adequate documents for opening accounts, failure to carry out sufficient customer identification procedures, failure to examine control structure of entities."

The RBI had issued show- cause notices to these banks and in response thereto, the Banks had submitted their written replies. On a careful examination of the banks' written replies, the RBI said "the violations were established and the penalties were accordingly imposed".

Although the maximum penalty that RBI can impose on a bank for violation of guidelines is ₹ 5 lakh, RBI can increase the level of penalty by compounding the offences - in other words, the penalty amount will be fixed for every instance of the same offence that has been detected by the regulator.

2. Enforcement Directorate attaches overseas bank accounts

In October, 2012, in a first-of-its-kind move, Enforcement Directorate (ED) has attached bank accounts in Switzerland in a money laundering case against Sayed Mohammed Masood, chairperson of City Limouzines and other companies of City Group. Masood has been booked under several provisions of Prevention of Money Laundering Act (PMLA), 2002 in a multi-crore ponzi scheme. ED claims to have found $1.25 million stacked in several overseas bank accounts.

ED is investigating City Group and Masood's role in money laundering. They have over a dozen cases registered across the country for cheating and criminal conspiracy under several sections of IPC.

In a released statement, ED said: "By floating ponzi schemes and offering astronomically high returns, M/s City Limouzines (India) Ltd, M/s City Realcom Ltd and Masood, along with other directors of the companies, have cheated thousands of investors across the country of funds to the tune of hundreds of crores."

ED claims to have unearthed huge money laundering involving Masood in India and abroad. The agency said it had issued as many as 14 orders attaching moveable and immoveable properties in India with a market value of over 130 crores in the names of City Group of Companies owned by Masood, his wife Chand Masood Sayed, daughter Masood Sayed, son Jibran Masood Sayed and other directors.

During the course of investigations, ED said, it stumbled upon huge transactions in Masood's bank accounts in Switzerland. The agency has hinted at more domestic and international attachments in a few days.

Prevention of Money Laundering (Amendment) Bill, 2011

The Government is set to give more teeth to the Prevention of Money Laundering Act (PMLA) to choke terror financing. The Prevention of Money Laundering (Amendment) Bill, 2011 was introduced in the Lok

Sabha on December 27, 2011 by the then Finance Minister, Mr. Pranab Mukherjee. This Bill seeks to amend the Prevention of Money Laundering Act, 2002. Investigating agencies may soon get more powers to attach and confiscate properties in cases of money laundering. The Prevention of Money Laundering (Amendment) Bill, 2011, is likely to propose sweeping changes in the procedures relating to attachment and confiscation of property. Below mentioned are the some key objectives for passing this bill:

(i) Expansion of the definition of offence under money laundering to include activities like concealment, acquisition, possession and use of proceeds of crime.

(ii) Removal of upper limit of the penalty of ₹ 5 Lakhs.

(iii) Introduction of the concept of 'corresponding law' to link the provisions of Indian law with the laws of foreign countries.

(iv) Adds the concept of 'reporting entity' which would include a banking company, financial institution, intermediary or a person carrying on a designated business or profession.

(v) To make the reporting entity, its designated directors on the Board and employees responsible for omissions or commissions in relation to the reporting obligations.

(vi) To provide for provisional attachment and confiscation of property of any person (for a period not exceeding 180 days). This power may be exercised by the authority if it has reason to believe that the offence of money laundering has taken place.

(vii) To confer powers upon the Director to call for records of transactions or any additional information that may be required for the purposes of investigation. The Director may also make inquiries for non-compliance of the obligations of the reporting entities.

(viii) To provide for appeal against the orders of the Appellate Tribunal directly to the Supreme Court within 60 days from the communication of the decision or order of the Appellate Tribunal.

(ix) To provide for the process of transfer of cases of the Scheduled offences pending in a court (which had taken cognizance of the offence) to the Special Court for trial. In addition, on receiving such cases, the Special Court shall proceed to deal with it from the stage at which it was committed.

(x) Part B of the Schedule in the existing Act includes only those crimes that are above ₹ 30 lakh or more whereas Part A did not specify any monetary limit of the offence. The Bill proposes to bring all the offences under Part A of the Schedule to ensure that the monetary thresholds do not apply to the offence of money laundering.

The changes are in line with recommendations of the global Financial Action Task Force (FATF), an inter-governmental policy making body, with a mandate to establish international standards for combating money laundering and terror financing. India became a member of FATF in June 2010. It gave an action plan in June 2010 and followed with an Action Taken Report in October 2010 and February 2011.

During the second meeting of the FATF Plenary in Paris this February, India reiterated its commitments to adopt, enforce and contribute to international best practices in anti-money laundering and counter terrorist financing.

Conclusion

Thus, from the above discussion, we can refer Money Laundering as a process or an entire system by which money is actually generated from serious crimes but they are given such shape that it looks like it has originated from legitimate sources. Money laundering is a problem not only in the world's major financial markets and offshore centers, but also for emerging markets. Indeed, any country integrated into the international financial system is at risk. As emerging markets open their economies and financial sectors, they become increasingly viable targets for money laundering activity.

Money laundering poses a serious threat to the health of India's financial sector. It is to be noted that even after so many efforts and prevailing laws, India is among six countries being actively monitored by Interpol and International banking watchdogs after the detection of massive money laundering because of inadequate internal compliance procedures.

References

http://www.indianexpress.com/news/money-laundering-ed-attaches-overseas-bank-accounts/1013482

http://www.business-standard.com/india/news/rbi-penalises-icici-bank-ing-vysya-bank/190419/on

http://pib.nic.in/newsite/erelease.aspx?relid=70251

Integrating Governance for Sustainable Success

Vincent Tophoff

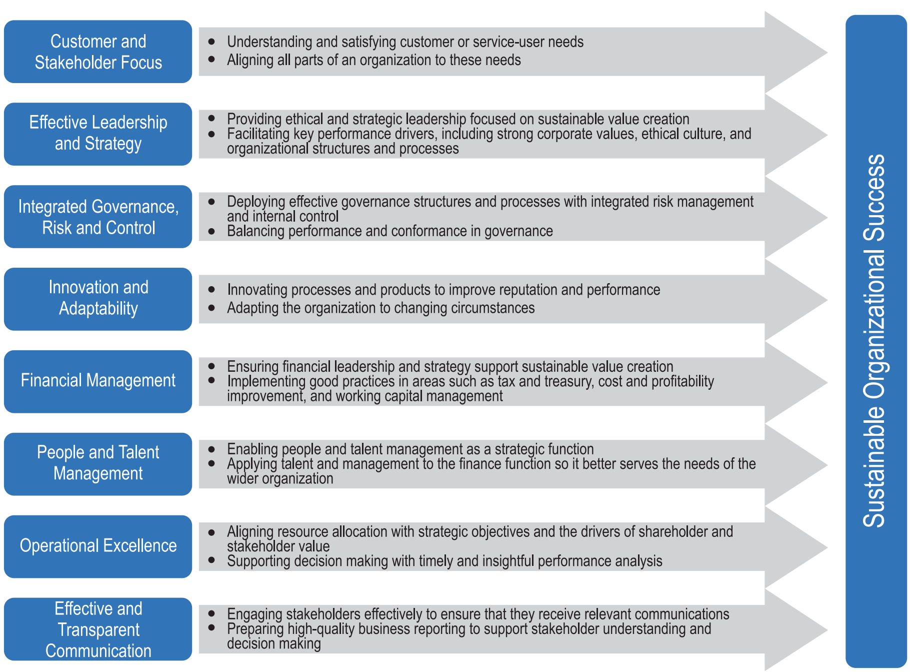
The ultimate objective of governance is to ensure the creation of sustainable organizational success and stakeholder value; these are the core elements of every organization that strives to be competitive and sustainable over the long term. Governance in an organization should, therefore, be about more than a compliance exercise designed with the sole purpose of satisfying regulatory requirements. Instead, good governance affects the entire organizational cycle of strategic planning, resource utilization, value creation, accountability, and assurance. Such a holistic approach ensures that governance is not "bolt on" but "built in"-integrated into all aspects of an organization.

Integrating Governance for Sustainable Success, a new report from the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC), analyzes, through illustrative case studies, how professional accountants in commerce, industry, financial services, education, and the public and not-for-profit sectors support their organizations in integrating governance into the key drivers of sustainable organizational success.

The report uses the key drivers of sustainable organizational success, previously identified in Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success, as the building blocks for integrating governance in all aspects of an organization. The report also includes illustrative case studies from around the world to provide an analysis of how professional accountants in business support their organizations in integrating governance into these drivers.

Since professional accountants in business are typically involved in the planning, implementation, execution, evaluation, and improvement of governance in their organizations, they are critical to integrating governance throughout an organization. In addition, many professional accountants in business have a responsibility to provide objective and accurate information and analyses to support all of these activities, and may have overall responsibility in governance areas, such as external business reporting. This puts professional accountants in an excellent position to ensure integration of governance throughout an organization-into its very DNA.

Drivers of Sustainable Organizational Success



Source: Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success (IFAC 2011)

The Contributor is Senior Technical Manager, IFAC

About the PAIB Committee

The PAIB Committee serves IFAC member bodies and professional accountants worldwide who work in commerce, industry, financial services, education, and the public and the not-for-profit sectors. Its aim is to promote and contribute to the value of professional accountants in business by increasing awareness of the important roles professional accountants play, supporting member bodies in enhancing the competence of their members, and facilitating the communication and sharing of good practices and ideas. The report is available on the PAIB section of the IFAC website at www.ifac.org/paib.

About IFAC

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 167 members and associates in 127 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce.

Announcement

APPLICABILITY/NON-APPLICABILITY OF NEGATIVE LIST AND RELATED TOPICS IN SYLLABUS OF PART II: SERVICE TAX AND VAT OF PAPER 4: TAXATION (IPCC) FROM MAY 2013 EXAMINATION ONWARDS

The Examination Committee at its 498th meeting held on September 23, 2012 has decided that the following sections of the Finance Act, 1994/rules will be covered under point no. 1 (Concepts and General principles) and point no. 2 (Charge of service tax and taxable services) of syllabus of Part II: Service tax & VAT in Paper 4: Taxation from May 2013 examination onwards:

(i) Section 64 - Extent, commencement and application

(ii) Sections 65B - Interpretations [only relevant ones which would be required to explain the concepts included]

(iii) Section 66B - Charge of service tax on and after Finance Act, 2012

(iv) Section 66D - Negative list of services

(v) Section 66F - Principles of interpretation of specified descriptions of services or bundled services.

(vi) Section 67A - Date of determination of rate of tax, value of taxable service and rate of exchange

(vii) Point of Taxation Rules, 2011

It may be noted that the above-stated Sr. No.(i) - Section 64 and Sr. No.(vii) - Point of Taxation Rules, 2011 have already been covered in the existing syllabus so far. Thus, only Sr. Nos.(ii) to (vi) have been included as new topics in the syllabus under point no.1 (Concepts and General principles) and point no.2 (Charge of service tax and Taxable services).

The Committee further decided that the following topics pertaining to service tax law will not be included in the syllabus:

(i) Section 66C - Determination of place of provision of service

(ii) Section 66E - Declared services

(iii) Place of Provision of Service Rules, 2012

(iv) Section 68(2) and Reverse Charge notification

(v) Export of Services vide rule 6A of the Service Tax Rules, 1994

(vi) Mega exemption notification and other exemptions

(vii) Abatement notification

In furtherance to the above-mentioned decision, it is clarified that other topics viz., valuation of taxable service, payment of service tax and filing of returns, topics related to VAT etc. as covered in the Study Material will continue to apply as they used to apply before.

In view of the far-reaching changes effected with the introduction of negative list approach of taxation in service tax, Study Material and Practice Manual of Part-II: Service tax & VAT of Paper 4: Taxation (contained in Volume III) [November edition] have been completely revamped. Students may note that the revised Study Material and Practice Manual have been prepared in accordance with the above-mentioned decision of the Examination Committee.

In other words, all the chapters of the revised Study Material and Practice Manual would be applicable for examination purposes.

Hence, students with the older editions of the Study Material and Practice Manual are advised to read the new edition [November edition].

Corporate Laws

Mohit Goyal

Corporate laws is a combination of two words viz. Corporate and Laws. The term 'Corporate' may be defined as "A separate legal entity with perpetual succession and common seal ,incorporated by a group of person to carry on common business by contributing money as its share capital".

Whereas the term 'Law' may be understood as cluster of three words i.e. Rules, Regulation and Restriction, made by the governing body to govern the behavior of the related persons ,which is influenced by the constitution of rights there in and thus creating an atmosphere of binding society.

Very interesting quote about laws in modern world-

"***Laws are like spider's webs: if some poor weak creature comes up against them, it is caught; but a bigger one can break through and get away.***"

Solon

Corporate laws are the laws governing the Corporate Entities. The Government seeks to protect and promote investors by creating rules from being cheated or defraud. There are various Corporate laws governing corporate in India, like -

- The Companies Act, 1956.
- The Depositories Act, 1996.
- The CLB (Fees on Applications and Petitions) Rules, 1991.
- The Companies (Fees on Applications) Rules, 1999.
- The Securities and Exchange Board of India Act, 1992.
- The Securities Contracts (Regulation) Act, 1956.
- The Emblems and Names (Prevention of Improper Use) Act, 1950.
- The Preference Shares (Regulation of Dividends) Act, 1960.
- The Foreign Exchange Management Act, 1999.
- The Monopolies and Restrictive Trade Practices Act, 1969.
- The Industries (Development and Regulation) Act, 1951.
- The Sick Industrial Companies (Special Provisions) Act, 1985.
- The Consumer Protection Act, 1986.
- The Foreign Trade (Development and Regulation) Act, 1992.
- The Competition Act, 2002.
- The Sick Industrial Companies (Special Provisions) Repeal Act, 2003.
- Companies Auditor's Report Order, 2003 [CARO, 2003] .
- Corporate Governance.
- The Banking Regulation Act 1949.
- The IRDA Act, 1999.
- The Electricity (Supply) Act, 1948.

This article is mainly focusing on the company legislation governed by the Companies Act,1956 and with the introduction of certain far-reaching changes and new concepts that are in lime light in respect to the law.

The Companies Act, 1956 -

According to Section 3 of Companies Act, 1956 the word "Company" has been defined as a company formed and registered under this Act or an existing company as defined in clause (ii) i.e.,company formed and registered under any of the previous company law.

Back Ground:-The main background of Companies Act, 1956 in India were taken from UK Companies Act, 1948. In India, Companies Act 1956 was made applicable on the recommendation of Bhabha Committee to whole of India. Since then the Companies Act was amended several times.

The author is a student of ICAI (Regn.No. NRO0271220)

"*The execution of the laws is more important than the making of them*".

-Thomas Jefferson

Followed by this Quote a legislative body was setup in the name of Ministry of Corporate Affairs by Government of India, primarily concerned with administration of the Companies Act, 1956, other Allied Acts and Rules and Regulations framed there-under mainly for regulating the functioning of the corporate sector in accordance with law.

Recent Development Under Company Law

Proposed Companies Bill, 2011

- The Ministry of Corporate Affairs has revised the Companies Act, 1956 in the form of the Companies Bill, 2011 and it was introduced in Parliament on Wednesday, 14th December 2011.
- The Companies Bill,2011 was approved by the cabinet with certain modifications in the starting of October, 2012. This bill is expected to be presented in Lok Sabha during the winter session of 2012.
- The Bill has 470 clauses and 7 schedules as against 658 Sections and 15 schedules in 29 Chapters in the Act.
- Concept of E-governance in all company processes is introduced vide Clause 120.
- Now "One Person Company" can be formed under Clause 3.
- Concept of Independent Directors has also been introduced for the very first time vide Clause 149.
- Board Meeting can now be done electronically i.e. on video conference etc.
- Mandatory Rotation of auditors (opportunity for new entrant in industry) vide Clause 139.
- Secretarial Audit and Secretarial Standards and statutory recognition is provided under Clause 204, 118(10) and 205 respectively.
- Earlier duties of auditors were defined but now in the Bill, the duties of director have been defined under Clause166.
- Concept of Corporate Social Responsibility is defined now.
- Concept of Dormant Company has been introduced.
- Statutory Status to the Serious Fraud Investigation has been defined.
- Protection to small investor.
- Limit on maximum number of members of private company increased to 200 from 50 [Clause 2(68)]

Revised Schedule VI

Ministry of Corporate Affairs revised Schedule VI to the Companies Act, 1956 on 28th February 2012 vide Notification F.No.2/6/2008-C.L.-V. It deals with revise format of Balance sheet and statement of Profit and Loss and disclosure made there in. It will apply to all companies for financial statement prepared on or after 1st April 2011.

- Apart from the disclosure required in Accounting Standards and the Companies Act 1956, additional disclosure is required to be made as prescribed in Part 1 and Part 2 of the schedule.
- All items of assets and liabilities should be bifurcated between Current and Non - Current.
- Any Asset or Liability should be classified as current if the following any of the condition is satisfied
  - It is expected to be realized in company's normal operating cycle.
  - It is held for the purpose of trading.
  - It is likely to be settled in twelve month after reporting date.
  - Any liability that company cannot defer settlement for at least 12 month after reporting date.
- All Asset or Liabilities other than Current should be classified as Non Current.
- Reconciliation of opening and closing outstanding number of shares and number of shareholders holding 5 % or more shares, required to disclosed.
- Terms and amount of share reserved for issue under option and commitments for divestment should be disclosed.
- For five preceding years, aggregate numbers of Share Allotted, Bonus Share, Share bought back, Conversion made and share forfeited should be disclosed.
- Loss should be shown under the head "Surplus" as negative amount.

- Loan Guaranteed by related part should be shown separately.
- Unpaid dividend should be shown under other current liabilities.
- Provision for Employ benefit should be shown separately under Provisions head.
- Asset under Lease should be shown separately.
- Investment in Companies, Partnership firm should be shown separately.
- Earlier there was a head for Miscellaneous Expenditure, which is omitted.
- Separate disclosure should be made of an aggregate amount of outstanding Trade Receivables exceeding for a period six months from the due date of invoice.
- Separate disclosure of Income and Expenditure, which exceeds 1% of revenue, or ₹ 100,000/- whichever is higher should be made.
- Expenses on ESOP should be shown separately.
- Net loss/ gain on foreign currency transaction should be shown separately under Finance cost.

XBRL

Meaning of XBRL- "**Extensible Business Reporting Language**" (XBRL), means a standardized language for communication in electronic form to prepare, analyze, express, report or Communication of financial information .It is one type of the XML language. In this language computer can automatically process financial data and reduce the error using defined taxonomy . In India, under Section 25 of the Act, a company in the name of XBRL INDIA has been setup to promote XBRL, develop taxonomies and represent India with XBRL International. In India, bodies like RBI, MCA, SEBI has adopted XBRL to report the financial data by the organization they govern.

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

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

- All Companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or
- All Companies having Paid Up Share Capital >=5Crore or
- All companies having Turnover >= 100 Crore
- All Banking, Insurance, Power Sectors and Non-Banking Financial companies are not require to file financial statements in XBRL mode for the financial year 2010-11.

User have to Map Company's each financial statement element to a corresponding element in published taxonomy and then create instant document and upload it on the MCA portal. Due to revision of Schedule VI to the Companies Act, MCA has made change in the taxonomy.

Here taxonomy means in Extensible Business Reporting Language (XBRL), an electronic dictionary for reporting the business data as approved by the Central Government in respect of any documents or forms indicated in this rule. Reporting of the business data is approved by the Central Government.

Consequential Changes in SEBI Listing Agreement Clause 41 due to Revised Schedule VI

Securities and Exchange Board of India has made consequential changes pursuant to revise schedule VI in SEBI Listing Agreement of Clause 41 regarding interim disclosure of financial results by listed entities to the stock exchanges vide CIRCULAR No. CIR/CFD/DIL/4/2012 dated April 16, 2012, which has been made applicable from year ended March 31, 2012.

The amendment is made in pursuant to the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992 and should form the part of the existing Listing Agreement of the stock exchange. SEBI has revised the format of Balance Sheet and Statement of Profit and Loss which will be same as prescribed in Revised Schedule VI .

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)(Amendment) Regulations, 2012

SEBI has further amended SEBI (ICDR) regulations vide notification dated **30th January, 2012**.

- ✓ In regulation 4, a new sub-regulation (3) is inserted, saying Warrants may be issued along with public issue or rights issue of specified securities, provided the tenure of such warrants shall not exceed twelve months from their date of allotment in the public/rights issue and not more than one warrant shall be attached to one specified security.
- ✓ Institutional Placement Programme (IPP) and offer for sale of shares through the stock exchange are the additional method, being introduced for the purpose of compliance with SCRR requirements are being introduced.
- ✓ IPP can be used for increasing public share holding in the company by way of fresh issue of share capital or by dilution by the promoters through an offer for sale for the purpose of complying with minimum public shareholding requirement.
- ✓ Offer would be made only to Qualified Institutional Buyers (QIBs).
- ✓ The issuing company has to file prospectus simultaneously with SEBI and ROC.
- ✓ The eligible seller shall announce a floor price or price band at least, one day prior to the opening of Institutional Placement Programme.
- ✓ The Prospectus will also be placed on concerned Stock Exchange clearly stating securities are issued under IPP can be purchased by QIBs.

Conclusion

Corporate laws are playing vital role in regulating the corporate and economy of any country. In American context some words are said in such a way -

"Trying to control corporate power and abuse by American corporate law has proven about as effective as drinking coffee with a fork"

Ralp Nadir

The corporate must consider the laws and regulations and its liabilities towards stakeholders and Government. Government of India has started several initiatives to protect investors and to promote corporates.

In the modern changing environment, Corporate laws and other laws are changing dramatically. In these changing conditions it very difficult and challenging to survive for professional like Chartered Accountants, Company Secretaries etc.

Change is life, without change there is no meaning of life-

Change and growth take place when a person has risked himself and dares to become involved with experimenting with his own life.

So one should keep on updating himself with the current laws and its application in the commercial situations in order to get a successful professional life. The value of any professional depends upon how and how much he updates himself. ■

Important Announcement

Sub: Exclusion of certain topics from the Paper 7A of IPCC - Information Technology for May 2013 examination and onwards

It has been decided that in IPCC Group II Paper 7A: Information Technology paper, no questions will be asked from the following Chapters/Units from the study material in May 2013 examination and onwards.

Chapter Number	Chapter/Unit Name	Excluded Portion
Chapter 1	Unit I: Introduction to Computers	Complete unit
	Unit II: Input and Output Devices	Complete unit
Chapter 4	Internet and Other Technologies	Electronic Data Interchange (EDI)

It is further clarified that complete Unit III "Software" of Chapter 1 and all other topics apart from EDI in Chapter IV: Internet and Other Technologies would continue to be applicable for May 2013 examination.

Director
Board of Studies

XBRL - Leader in Financial Reporting

Deepak Kumar Sethia

Introduction

XBRL is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data.

The addition of business rules to XML creates XBRL , thereby creating an information set that is more easily deciphered from a business perspective.

As said, "Necessity is the mother of all inventions" , the quest for a solution in the area of Financial Reporting along with the capabilities of XML for electronically reporting financial information gave birth to XBRL (eXtensible Business Reporting Language). XBRL is a language based on XML platform, which is a standard for the electronic exchange of data between businesses and on the internet

XBRL is being developed by XBRL International Inc., a non-profit consortium of over 450 companies and organizations which is promoting its worldwide use. More than 100 countries have embraced XBRL - the list includes China , Korea, Japan, USA and most recently India.

XBRL India is a provisional Jurisdiction of XBRL International. Its main objective is to promote and encourage the adoption of XBRL in India as the standard for electronic business reporting. Members of XBRL India include regulators, stock exchanges, software companies and others.

Need for XBRL

Every entity has to prepare and present financial reports to show its operations and its financial position. The applications which we are using (word, excel and pdf) for preparation and presentation of financial reports have different data structures and the output of one application is not automatically taken as input for the other. This involves manual re-entry of data which is tedious and error-prone subsequently wasting more time and energy on data mining and data gathering.

XBRL can handle data in different languages and accounting standards. It can flexibly be adapted to meet different requirements and uses. Data can be transformed into XBRL by suitable mapping tools or it can be generated in XBRL by appropriate software.

A Simple Explanation

XBRL is neither an Accounting Standard nor a computer program. It is just a language for transmitting information

Instead of treating financial information as a block of text, XBRL provides a computer-readable tag to identify each individual item of data. By attaching identifying tags to individual pieces of data, a business reporting document becomes "intelligent" data, allowing the exchange of business reporting data by encoding the information in a meaningful way. For instance , two companies X and Y use two different terms Accounts Payables and Payables. If we have to compare the data of both the companies , we cannot use a formula as the terminology is different. In XBRL, we tag both "Accounts Payable" and "Payables" to a common term "Trade Payables", thus solving the problem of inconsistency. These set of common terms recognized by XBRL are called "Taxonomies".

What is XBRL Taxonomy ?

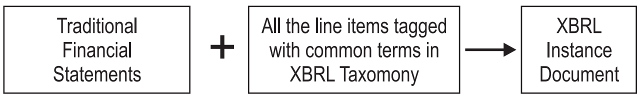
Taxonomies are the reporting -area specific hierarchical dictionaries used by the XBRL community. They define the specific tags that are used for individual items of data , their attributes and their interrelationships. These taxonomies will be used when storing or exchanging financial and operational information internally in a company, and when reporting externally to investors , analysts, regulators and customers.

Different taxonomies will be required for different business reporting purposes. Different XBRL

The author is a student of ICAI (Reg. No.SRO 0265958)

jurisdictions may have their own financial reporting taxonomies to reflect their local accounting regulations. Many different organizations , including regulators , specific industries or even companies, may require taxonomies to cover their own business reporting needs.

The working of XBRL



Instance document is the document generated by tagging the companies with XBRL Taxonomy.

XBRL is a powerful and flexible version of XML which has been defined specifically to meet the requirements of business and financial information. It enables unique identifying tags to be applied to items of financial data. XBRL can show how items are related to one another. It can thus represent how they are calculated.

Benefits of XBRL

XBRL offers major benefit at all stages of business reporting and analysis. The benefits are seen in automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision - making.

(i) Benefits and Uses for Business

All participants in the financial information supply chain benefit as XBRL enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time consuming comparison, assembly and re- entry of data. As just one example, searches for particular information which might in the past have taken hours can be completed with XBRL in a fraction of a second.

(ii) Data Collection and Reporting

By using XBRL, companies and other producers of financial data and business reports can automate the processes of data collection. For example , data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently if the sources of information have been upgraded to using XBRL. Once data is gathered in XBRL , different types of reports using varying subsets of the data can be produced with minimum effort.

(iii) Data Consumption and analysis

Users of data, which is received electronically in XBRL, can automate its handling, cutting out time-consuming and costly collation and re-entry of information. Software can also validate the data, highlighting errors and gaps which can immediately be addressed. It can also help in analyzing, selecting and processing the data for re-use. Human effort can switch to higher, more value-added aspects of analysis, review, reporting and decision-making.

The use of XBRL does not imply an enforced standardization of financial reporting. On the contrary, the language is a flexible one which is intended to support all current aspects of reporting in different countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organization level.

Uses of XBRL

Companies can use XBRL to save costs and streamline their processes for collecting and reporting financial information. Consumers of financial data, including investors, analysts, financial institutions and regulators, can receive, find, compare and analyze data much more rapidly and efficiently if it is in XBRL format.

XBRL Projects in India

- **Reserve Bank of India (RBI)**

RBI (India's central bank) has introduced eXtensible Business Reporting Language (XBRL) based data submission process by banks using internet and Indian Financial Network (INFINET).

In the phase I, a sizable portion of domestic banking business (7 returns) of the Indian banks was covered and the XBRL taxonomy developed in this process provided a considerable coverage of elements pertaining to reporting of information of Indian domestic banking system. All the scheduled banks in India were required to report through this platform.

Now, RBI is working on the Phase II and already floated the RFPs (Request for Proposal) for the same. The objective of RBI XBRL Phase II is to bring the external sector business information and offsite surveillance and monitoring information (42 returns) to the centralized XBRL database. In this phase, out of nearly 225 different returns for the banks and non-bank entities, 42 have been decided to be taken up. It is expected to be complete by 2014.

- **Ministry of Corporate Affairs (MCA)**

The MCA has mandated the reporting of financial statements for the following class of companies in its first phase of XBRL adoption:

1. All companies listed in India and their Indian Subsidiaries;
2. All companies having a paid up capital of Rs. 5 crores and above
3. All companies having a turnover of Rs. 100 crores and above.

- **Securities and Exchange Board of India (SEBI)**

SEBI is developing an XBRL filing and dissemination platform (SUPER-D Project) which can be used by Registered Intermediaries as well as by companies for filing their returns/reports with SEBI or with Stock Exchanges through SEBI. For this purpose, they will use ICAI taxonomy in so far as financial statements are concerned.

SEBI has formed XBRL Technical Advisory Committee (X-TAC) for guiding SEBI in its efforts for development of the above said platform.

This Committee is also working on implementing XBRL in Mutual Funds filing.

General Purpose Financial Reporting XBRL Taxonomy for Commercial and Industrial Companies - Acknowledged by XBRL International

Keeping in view the rising importance of XBRL and the advantages it has to offer, the Institute of Chartered Accountants of India constituted Steering Committee in January 2007, under the chairmanship of the President, ICAI. The main objective of the Group is to establish a forum for the development of XBRL in India including its promotion and to develop taxonomy for XBRL based reporting bearing in mind the peculiarities of the Indian Accounting Standards.

Role of Finance Professionals in XBRL Filings

XBRL provides excellent opportunities for finance professionals. Below listed are the fields of opportunities:

- Compliance with MCA regulatory environment
- Tagging line items with XBRL taxonomy
- Certification of XBRL Financials

It is the responsibility of the practitioner to certify that the XBRL financial statements are fairly present and are in accordance with the taxonomy prescribed by MCA.

ICAI has issued a guidance note in this regard, which entrusts the practitioner to ensure the accuracy, completeness, mapping and structure of XBRL Financial Statements.

List of a few XBRL software tools

- Allocation Solutions DataXchanger XBRL conversion solution: an easy to use but technologically sophisticated financial management / e-filing system
- Blast Radius has developed a flexible XBRL processor and associated prototype XBRL Web Express and XBRL Office Express, allowing users to import, create, validate and export XBRL instances in MS Excel; and an XMetal customization for creating financial reports using XBRL
- Business Wire is used by companies to transmit news releases and regulatory filings to the financial capital markets
- CaseWare and CaseWare IDEA have developed XBRL enabled tools that extend across the business reporting information supply chain.
- Clarity FSR provides an integrated XBRL solution that delivers SEC ready filings with mandated XBRL as a normal part of the closing process.

Conclusion

The rich and powerful structure of XBRL allows very efficient handling of business data by computer software. It supports all the standard tasks involved in compiling, storing and using business data.

In view of the immense benefits that XBRL offers, the future of XBRL throughout the world would be very bright. This is the age of information and communication. As XBRL helps in achieving the goal of paperless communication and in effective handling of the data, it can be considered as a green initiative taken.

For any system or change to be successful and acceptable, there should be a "WIN-WIN" situation for the preparers and the users. Since XBRL offers this scenario for both the preparers and the users, it has a brilliant future.

Source: www.xbrl.org ■

Insider Trading Regulations-An Indian Perspective

CS Aditi Jhunjhunwala/CS Nivedita Shankar

The recent cases of insider trading violations across the globe have reiterated the sensitivity of company related information and its potent misuse in the hands of the representatives of the company. Probably the importance of insider trading cannot be emphasized in a better way at a time when in India the Securities Appellate Tribunal ("**SAT**") in its recent judgment[1] (discussed subsequently) has also highlighted the same.

In India, the history of insider trading dates back to 1970s when the Sachar Committee was constituted. The first legislative attempt to curb the same was by means of disclosure requirements under section 307 and 308 of the Companies Act, 1956. The Securities and Exchange Board of India (Insider Trading) Regulations, 1992 with its subsequent amendments ("**Regulations**") is the legislation governing insider trading in India.

It is not hard to come across cases of insider trading violations in the recent past. The recent cases of such violations in United States of America ("**USA**"), United Kingdom have brought to the fore the importance and relevance of having a legislation regulating insider trading not only in India but also worldwide.

A. What is the need of the Regulations?

The earliest case of insider trading in USA history was in 1790 when William Duer, Assistant Secretary of Treasury tipped off his friends on valuable information regarding bets on bank stocks. Since, then there have been a number of cases of insider trading world over. This emphasizes that malafide use of information was persistent through the years worldwide which in turn led to enactment of legislations to prevent such a practice.

The primary intention of the Regulations was to curb misuse of the confidential information available to employees of a company, i.e. '*insiders*', by virtue of their position in the company. This is to ensure that such *insiders* do not gain unfair advantage or personal gain or benefit at the expense of the other stakeholders.

The essence of the requirement of the Regulations was very rightfully brought out by a High Powered Committee constituted in May 1984, which in its Report stated that:

Aditi Jhunjhunwala

Nivedita Shankar

*"7.25 Insider trading generally means **trading in the shares** of a company by the persons who are in the management of the company or are close to them on the basis of **undisclosed price sensitive information** regarding the working of the company, which they possess but **not available to others**. Such trading as it involves **misuse of confidential information** is unethical tantamounting to **betrayal of fiduciary position** of trust and confidence."* [Emphasis supplied]

The statement also brings out the gravity of using information which is privy to a select few in company. For many, the concept and importance of prevention of insider trading might be difficult to impress on. Further, some might not even be aware of such legislation. But, for any company, particularly a listed company, trading in lesser known information known to a select few gives an unfair advantage over others in the capital market. This is nothing but a 'white collar' crime, which also results in conflict of interests. In any listed company, the share prices are heavily driven by speculation, say for example pertaining to the company's performance, results or business plans, and in such a case, (unfair) use of the same by an insider i.e. directors, employees, their relatives, will result in insider trading.

B. Understanding *insider trading* in India in light of some cases

The Regulations do not particularly define the term 'insider trading'. However, as stated above, it would typically involve trading by an *insider* in securities of a company by misuse of *price sensitive information*, not available to others. It is, therefore, important to understand who would be an insider and what would constitute price sensitive information.

1. Meaning of insider:

Regulation 2(e) of Regulations defines "*insider*" as:

The authors are Practicing Company Secretaries *any person who,*

(i) is or was connected with **the company** or is deemed to have been connected with the company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of **a company**, or

(ii) has received or has had access to such unpublished price sensitive information; [emphasis supplied]

On a simple reading, it is apparent that an *insider* is a person who is in possession of such information which is Unpublished Price Sensitive Information ("**UPSI**") by virtue of his connection with the company. He should neither communicate, counsel, give assistance in any manner to anyone when he is in possession of such UPSI. In *SEBI v. DSQ Biotech Ltd*[2], it was held that m*ens rea* is not an essential ingredient for an offence under the Regulations. Consequently, a person may be convicted of offence irrespective of the fact that the information is leaked knowingly, intentionally, deliberately or not.

i. SEBI v. Shri Dilip S. Pendse[3]

Show Cause Notice was served on the Managing Director ("**MD**")of Tata Finance Limited ("**TFL**") and Niskalpa Investments and Trading Co. Limited ("**NITCL**") of having aided a Non-Executive Director ("**NED**") of TFL through counseling for the sale of shares held by him and his family in TFL on the basis of UPSI. NITCL was a subsidiary of TFL.

SAT held that the MD was an 'insider' as defined in the Regulations being the MD of TFL and had specific access to UPSI of TFL. This was on the basis of the fact that he had attended the board meeting dated January 31, 2001 of NITCL whereby a loss of ₹ 17.10 crores was noted. Past trends had proven that the results of NITCL had a definite bearing on that of TFL's.

The other matter in contention was whether the MD had *counseled* the NED in selling of one lakh shares held by him and his family.

SAT held that *counseling* includes act or process of "assisting" or "guidance" and does not necessarily mean prior tipping of information. Any 'assistance' or 'guidance' by an insider to another person to 'deal in securities' of a company on the basis of an UPSI can, therefore, be taken to fall within the scope of the Regulations. It was evident through a carefully orchestrated web of exchange of money between the companies and share brokers that the MD had through unfair means arranged for sale of shares held by the NED and his family in TFL at a higher price. This act of the MD was taken to amount to more than just *counseling*. This was clearly in violation of Regulation 3[4] of the Regulations.

ii. V.K. Kaul v. Adjudicating Officer, Securities & Exchange Board of India[5]

SEBI had issued Show Cause Notice ("**SCN**")to an NED of Ranbaxy Laboratories Limited ("**Ranbaxy**") on charges that his wife had traded on the shares of Solrex Pharmaceuticals Limited ("**Solrex**") on the information that Solrex was going to invest large amounts in Ranbaxy. Solrex being incapable of organizing funds for the investment, the same was to be provided by Ranbaxy.

SAT held that the decision to invest in Solrex was price sensitive information for Solrex and known only to the insiders of Solrex.

In deciding that whether the NED was an insider:

i. SAT relied on the fact that he was the member of audit committee and compensation committee of Ranbaxy. Further, he had attended all the meetings of the company held in the year of 2008.

ii. SEBI placed on record evidence to show that the NED was in touch with two directors of Ranbaxy from March 24, 2008 to March 26, 2008, a fact which was denied by the NED during proceedings.

On the basis of these two points, SAT concluded that the NED was an insider for the purpose of this Regulation and that he had sufficient knowledge regarding the opening of demat account, authorization to a director to sanction loan and the decision of Solrex to invest in Ranbaxy.

Attention was drawn by SAT to the fact that the definition of *insider* clearly differentiated between '*the company'* and '*a company'*. Thus, when the definition of insider refers to '*the company'*, the reference is to the company whose Board of Directors is taking a decision and when it refers to '*a company'*, the reference is to a company to which the decision pertains.

On a combined reading of both the cases discussed, it is evident that any person in possession of sensitive information pertaining to the company should abstain from trading in the shares of the company whether directly or indirectly. Further, the sensitive information should only pertain to *the* company in which the person is an insider.

2. Meaning of Price Sensitive Information:

Regulation 2(ha) of the Regulations, price sensitive information is defined as:

"price sensitive information" means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.

Explanation.—The following shall be deemed to be price sensitive information:—

(i) periodical financial results of the company;

(ii) intended declaration of dividends (both interim and final);

(iii) issue of securities or buy-back of securities;

(iv) any major expansion plans or execution of new projects.

(v) amalgamation, mergers or takeovers;

(vi) disposal of the whole or substantial part of the undertaking;

(vii) and significant changes in policies, plans or operations of the company

i. Hindustan Lever Ltd. vs. SEBI

In this case, SEBI had on August 04, 1997 issued SCNs to the Chairman, all Executive Directors, the Company Secretary and the previous Chairman of Hindustan Lever Limited ("**HLL**") to explain the purchase of 8 lakh shares of Brooke Bond India Limited ("**BBIL**") from Unit Trust of India ("**UTI**") two weeks before the public announcement of the merger of HLL and BBIL. HLL and BBIL were controlled by Unilever Inc. of U.K. Post the announcement of merger, the shares of BBIL soar to ₹ 410 from ₹ 320 thereby leading to tremendous loss to UTI.**(Footnotes)**

The order of the Appellate Authority ("**AA**") brought the following to the fore:

a) That information relating to the merger of the two companies was no UPSI. This was based on the fact that there were press reports speculating the merger around the same time that the shares were purchased. Thus, the testimony by an official of UTI that he was unaware of such an information which was being speculated should have not been relied by SEBI considering that due diligence on the part of UTI on this issue would have saved it from such a huge loss.

b) HLL had argued that in a case of merger, it is the information regarding swap ratio which is price sensitive. However, AA opined that price sensitivity as envisaged in the Regulations is when a weak company is merged into a strong company with a presumed beneficial effect on the share price of the weak company, which is not so in this case. The AA conceded SEBI's conclusion that information of merger is price sensitive.

It is after this case that the definition of UPSI was amended in 2002 to read as follows:

"unpublished" means information which is not published by the company or its agents and is not specific in nature.

Explanation.—Speculative reports in print or electronic media shall not be considered as published information. *[emphasis supplied]*

ii. Gujarat NRE Mineral Resources Ltd v. SEBI[6]

The matter under contention in this case was whether information by a listed *investment* company to dispose a part of its investment amounted to *price sensitive information.*

FCGL Industries Ltd ("**FCGL**"), a listed investment company having more than 90% of its assets as investment in associated or group companies, had, after convening its Board Meeting on July 04, 2005, sold its shares in Gujarat NRE Coke (Ltd.) for raising funds for acquiring coal mining leases in Australia. Corporate announcement to the stock exchanges did not mention this action of FCGL. Other companies, viz. Matangi Traders and Investors Limited and Marley Foods Private Limited, companies, which had common directors with FCGL, traded in the shares of FCGL, while in possession of UPSI in relation to FCGL pertaining to sale of shares of FCGL in Gujarat NRE Coke (Ltd.).

The SAT opined that since FCGL was in nature of an investment company, any decision taken by it to buy or sell its investments would have no effect on the price of its own securities. Thus, no investment company would be able to function, if it were to intimate every such action to the stock exchanges where it is listed.

Attention was also drawn to the definition of price sensitive information, as set out above, wherein, SAT opined that 'undertaking' in this context would not mean investments held by an investment company held as stock in trade. Thus, transaction executed in the normal course of business of the company would not be price sensitive and consequently not required to be disclosed.

Therefore, in nutshell, transactions executed in the normal course of business of a company shall not have any material effect on the price of securities of the company and shall not be considered as UPSI.

3. Model Code of Conduct

Regulation 12 of the Regulations requires all companies to frame a code of internal procedures and conduct.

i. Hindustan Dorr Oliver Limited and Ors. V. SEBI[7]

The issue was whether a listed company can be said to have contravened the provisions of its code of conduct if it had failed to close the trading window[8] for its directors and key employees when in possession of price sensitive information.

Hindustan Dorr Oliver Limited ("**Appellant**") was in the business of contracting and executing engineering contracts. The Appellant had informed the stock exchanges regarding bagging of two contracts relating to setting up of projects for third parties on February 25, 2009 and March 25, 2009. However, on both these occasions, the Appellant had failed to close its trading window, which was allegedly in violation of Clause 1.2, 3.2(1) and 3.2.3(d) of the Model Code of Conduct of the Regulations.

SAT opined that information relating to awarding of two new contracts is price sensitive and the same was intimated to the stock exchange. The Model Code of Conduct of Regulations requires the trading window to be closed only when any insider is in possession of information as given in clause (a) to (g) of clause 3.2.3 of the model code of conduct. Sub-clause (d) reads as follows:

(d) Any major expansion plans or execution of new projects

SAT opined that the information referred to in the sub-clauses relates to '*the company*'. Thus, any major expansion plan or execution of new projects has to be with respect to '*the company*'. In the instant case, the execution of new projects was not for the Appellant but what it had undertaken to do for third parties. It was thus opined by SAT that the Appellant had not violated the provisions of the Regulations.

C. Disclosures under Regulations

Regulation 13 relates to '*Disclosure of interest or holding in listed companies by certain persons*'. Provided below are the instances of disclosure required to be made under the Regulations:

i. Initial Disclosure

Person who holds more than 5% shares of voting rights	Any person who is a director or officer of a listed company	Any person who is a promoter or part of promoter group of a list company
• Disclose in Form A to the company • Within 2 working days of: • the receipt of intimation of allotment of shares; or • the acquisition of shares of voting rights	• Disclose in Form B the number of shares or voting rights held and positions taken in derivatives by him and his dependents • Within two working days of becoming a director or officer of the company	• Disclose to the company in Form B the number of shares or voting rights held by such person • Withing two working days of becoming such promoter or person belonging to promoter group

ii. Continual Disclosure

All disclosures illustrated below should be done within two working days of receipt of intimation of allotment of shares or acquisition of shares or voting rights.

Any person who holds more than 5% shares for voting rights in any listed company	Any person who is a director or officer disclose	Any person who is a promoter or part of promoter group
• Disclose in Form C to the company, the number of shares or voting rights held and change in shareholding or voting rights • If such chage results in shareholding falling below 5%, if there has been change in such holdings from the last disclosre made under Regulation 13(1) or Regulation 13(3) and such change exceeds 2% of total shareholding or voting rights in the company	• The total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such person and his dependents from the disclosure made under Regulation 13(2) or 13(4), and the change exceeds ₹ 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower • Disclose to the company and stock exchange in Form D	• The total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person from the last disclosure made under Listing Agreement or under sub-regulation 13(2A) or 13(5), and the change exceeds ₹ 5 lakh in value of 25,000 shares or 1% of total share-holding or voting rights, whichever is lower • Disclose to the company and stock exchange in Form D

Conclusion

A healthy securities market and smooth operations of the same depends on integrity of the market. Only then can an investor fully repose confidence on such market. Few determinants of such a healthy market are of course elimination of insider trading, price rigging, with an assurance that all the investors are on an equal footing as others. With even foreign investors also participating in the Indian market the Regulators have greater responsibility towards the market integrity. The confidence of investors is surely fragile and should be handled with care.

References

[1] http://www.sebi.gov.in/cms/sebi_data/attachdocs/1349843808090.pdf

[2] http://www.indiankanoon.org/doc/1033106/

[3] http://www.indiankanoon.org/doc/1017419/

[4] No insider shall—

(i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or

(ii) communicate or counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities :

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business 22[or profession or employment] or under any law.

[5] supra note 1

[6] http://www.sebi.gov.in/cms/sebi_data/attachdocs/1321605333083.pdf

[7] http://www.watchoutinvestors.com/Press_Release/sat/ST1383.PDF

[8] Trading window is referred to in Clause 3.2 of the Regulations whereby directors/ employees are prohibited from trading in the company's securities during the time it is closed.

Inter-Corporate Loans and Investments

Resham Chandarana

Introduction

Consider the following situation:

Imagine a company XYZ Ltd. having a capital base comprising of

– Equity Capital (50000 shares of ₹ 10/-) ₹ 500,000/-

– Preference Capital (20000 shares of ₹ 10/-) ₹ 200,000/-

– Accumulated balance in free reserve – ₹ 75000/-

Total funds which the company can call on its own is – ₹ 775,000/-

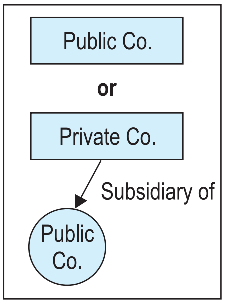
Now envision that a loan of ₹ 500,000/- has been given to Company ABC Ltd. without consulting the shareholders about the same.

The shareholders came to know of the transaction and they are apprehensive that the transaction which involves such a hefty amount, might not only lead to endangering their interest, but also would endanger the company's liquidity and doom its very existence.

Taking cue from such instances which could threaten the member's interest and also endanger the companies' going concern assumption and sound health, it was felt necessary to empower the shareholders to take a decision for or against and also to ensure that control is exercised over such transactions by imposing certain conditions which was done by inserting section 372A in the Companies Act, 1956.

Applicability

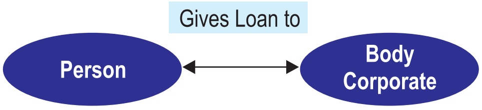
Provisions of section 372A, are applicable only to Public companies and Private companies which are subsidiaries of Public companies. The morale behind making the provisions applicable only to public companies is that the capital of the same is collectively funded by the public at large and not by a handful of people privately. And when the general public's money is involved, it gets imperative to protect their interests against any unfavorable decision of the Board of directors.



Scope of Section 372A: [Section: 372A(1)]

Section 372A regulates only the following transactions:

1. Making any loan to any other body corporate
2. Acquiring the securities of any other body corporate
3. Giving any guarantee or providing any security for :



Hence, as evident from above, all the transactions undertaken by a public company (or Private company which is a subsidiary of a Public Company) won't be governed by this section unless they fall under the above three categories of transactions.

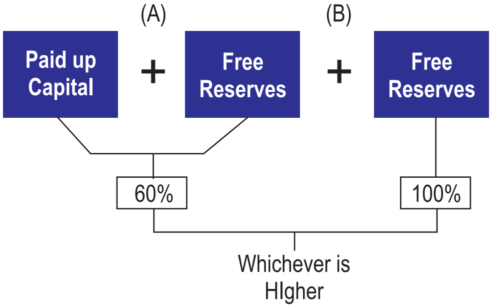
For the purpose of this section:-

'**Loan**' includes debentures or any deposit of money made by one company with another company, not being a banking company.

'**Investment**' means investment in the securities of any other body corporate, which includes shares, debentures, convertible debentures, bonds, etc. as defined under the Securities and Exchange Board of India Act, 1992 and the Securities Contract (Regulation) Act, 1956.

The Ceiling Limit

Calculation of the ceiling limit forms the crux of this section. The same is represented in the form of a chart as given below.



In the above figure,

(A) represents 60% of the Paid up Capital and Free Reserves taken together

(B) represents 100% of the amount of the Free reserves that a Company has

---

The author is a student of ICAI (Regn.No. WRO 0363501)

The higher amount of (A) and (B) shall be taken as the Ceiling Limit.

'**Paid up capital**' includes both Equity and Preference share capital.

'**Free reserve**' means those reserves which, as per the latest audited balance sheet of the company, are free for distribution as dividend and shall include balance to the credit to the security premium account but shall not include share application money.

Illustration

Let us understand the application and calculation of the Ceiling Limit with the help of an Illustration.

Table A calculates the ceiling limit with the help of the data made available from the last audited balance sheet.

Table B calculates the Aggregate amount of the transactions (and not individual transactions) which fall under the ambit of section 372A undertaken by the company.

Table A

No.	Particulars	₹
a)	Paid up Capital as per last audited Balance Sheet (equtiy & Preference share capital)	150 Cr
b)	Free Reserve as per last audited Balance Sheet	110 Cr
c)	**Total ₹**	260 Cr
	60% of the total at (c) or 100% of reserves (b), *whichever is higher* **Ceiling Limit**	**156 Cr**

Table B

No.	Transaction covered by sec. 372A	₹
a)	**Loan** to any other body corporate including Deposit and debenture	70 Cr
b)	**Guarantee**/Security, in connection with loan made by any other person to any body corporate & vice versa	19 Cr
c)	**Security,** in connection with loan made by body corporate to any other person & vice versa	20 Cr
d)	Investment by way of subscription, purchase or other wise in securities of any other body corporate	50 Cr
	Total ₹	**159 Cr**

Total of Table B has exceeded the ceiling limit. Hence, compliance with the additional conditions becomes mandatory.

Compliance with this section leads to fulfillment of certain conditions, which is dealt with in detail later. Meaning that, not exceeding the ceiling limit would have entitled the company to undertake transactions without taking a step forward to comply with the additional conditions enumerated in the said section.

Conditions to be Fulfilled

➢ **When the ceiling limit is not exceeded:**

If the ceiling limit is not exceeded, then the transaction can be undertaken:-

- **By Board of Directors (Prior) Approval -** Approval of the Board has to be taken irrespective of the quantum and volume of transactions and prior to making any loan, investment, etc.
- **Unanimous Approval** - All the directors must vote in favour of the decision.
- Resolution must be passed at the **Board Meeting**.
- Resolution by Circular or the one taken by a Committee of Directors is not enough.

➢ **If ceiling limit is exceeded, then:**

When the ceiling limit is exceeded, in addition to the above conditions, the below conditions have to be fulfilled:

- Approval by shareholders gets mandatory.
- Approval must be through Special Resolution in a General Meeting.
- Serving a specific Notice of such resolution is mandatory. The notice must contain the following particulars:
  - The specific limits
  - The particulars of other body corporate with which transaction is sought
  - Purpose of making loan, investment, guarantee, or security.
  - Specific sources of funding such transaction/s.

Other conditions to be fulfilled

➢ **No blanket permission to be given by the shareholders** - a blanket or en-block approval by the shareholders empowering the Board to make loans, investments, guarantee or security upto a certain limit will not be adequate compliance of the provisions (except in the case of guarantee where the resolution may indicate an amount of annual basis).

➢ **No default in respect of public deposits is subsisting** - A company which has defaulted in compliance with Sec. 58A (relating to pubic deposits) cannot make any loan, investment, guarantee, or security, until such default is subsisting. As such, where a company fails to repay public deposits or interest thereon, on the due date, it may make loan, investment, guarantee, security only after the default has been made good.

➢ **Power to make Inter Corporate Loans and Investments cannot be delegated** - It must be ensured that delegation of power under Section 292(1)(d) or 292(1)(e) does not result in a contravention of Section 372A. Power to make inter-corporate loans and investments cannot be delegated by a public company.

➢ **Minimum rate of interest - Not less than**

prevailing "bank rate" - The rate of interest chargeable on any inter-corporate loan shall not be less than the prevailing bank rate, being the standard rate made public under section 49 of Reserve Bank of India Act, 1934.

'Bank rate' means the rate at which Reserve Bank of India lends money to commercial banks. In view of the above referred RBI announcement, w.e.f. 13 February 2012, the minimum rate of interest for purposes of Section 372 A (3) of the Companies Act is 9.5%.

- **Approval of Public Financial Institution (PFI) is mandatory when:-**
    - **Case 1**: Term Loan is taken from PFI and the company is a defaulter in repaying the loan;
    - **Case 2**: A Term Loan is taken from PFI, the company is not a defaulter and the present and proposed inter corporate loans, investments and guarantees exceed 60% of (Paid up Share Capital + Free Reserves).

Relaxations Granted

- No Special Resolution will be required for giving **Guarantee** even if ceiling limit is exceeded provided the following conditions are fulfilled:

I. A unanimous resolution for the same is passed in the Board meeting.

II. There exist exceptional circumstances which prevent the company from passing a special resolution.

III. Resolution of the Board is confirmed within 12 months:

i. In the General Meeting; or

ii. In the Annual General Meeting

Whichever held immediately after passing the Board's resolution.

Non - Applicability

Nothing contained in this section applies to:

- Banking, Insurance and Investment Company
- Housing Finance Company
- A Private Company, not a Subsidiary of a Public Company.
- Investment made in shares allotted in pursuance of a Right issue
- Loan or Guarantee made by a Holding Company to its wholly - owned Subsidiary. **(to 100% Subsidiary)**
- Acquisition by a Holding Company of securities of its wholly - owned Subsidiary. **(in 100% Subsidiary)**

Register to be maintained [Section - 372A (5) & (6)]

- **Contents** - Name of the Body Corporate, amount, terms, purpose and date of the investment / loan/ security / guarantee.
- **Time Limit for entry** - 7 days
- **Place** - Registered Office
- **Rights of Members** - Inspect and take extracts from the Register.
- **Consequences of default** - fine upto ₹5000 and upto ₹500 for every day of default. **[Section - 372A (10)]**

Consequences of Non-Compliance

- Transaction becomes void and ineffective.
- Company and every Officer in default shall be punishable with:
    - imprisonment upto 2 years, or
    - with fine upto ₹50,000
- Provided where the loan or any such loan in connection of which guarantee was given, has been repaid in full, no punishment by way of imprisonment shall be imposed and where there is part repayment, punishment of imprisonment will be appropriately reduced.
- All the person who are knowingly parties will be jointly and severally liable to repay the loan or to make good the amount which the company may be called upon to pay by virtue of the guarantee given or securities provided by the company.

How to verify the same while on Audit?

The below flow chart can prove to be very useful while checking the application of section 372A.

However to take support of the above chart reliance has to be placed on the below documents.

- Last audited Balance Sheet
- Management Representation Letter
- Minutes of Board Meetings
- Correspondence with Stock Exchange or SEBI or Central Government.
- Approval From Public Financial Institutions
- Any legal or corporate consultant's Letter of opinion in this matter.

References

The Companies Act, 1956

Corporate and Allied Laws, The Institute of Chartered Accountants' of India.

Insider Trading - A Parasite of Securities Market

Sonam Chauhan

While deliberating about the importance of ethics and values in life, the teacher posed an interesting question in front of her class - What is the definition of a secret? A student smartly replied - "***A secret is something which you tell everybody, not to tell anybody***". The teacher smiled and asked the student not to practice the definition; otherwise he would never be able to have good friends in school. She very intellectually articulated the principles of truth, honesty, loyalty and explained their significance in one's life with citing various other examples to her students.

Practically speaking, the answer to the question was absolutely correct. These basic principles of life are often forgotten by people at work, in business dealings and even in many instances in their personal lives.

In the lore of finance and investing, an insider also takes his place alongside embezzlers, frauds, and all other varieties of scam artists. He uses privileged knowledge gained from executive friends told over a cup of tea or a game of golf to earn enormous profits in the stock market. Solely by virtue of personal connections or occupation, one gains important sensitive information which is not available to the rest of the world, before the destined date. 'Insider Trading', a subset of securities fraud, is a dominant evil in stock markets across the globe.

Insider trading - What is Illegal about it?

Insider trading involves the deliberate exploitation of unpublished price sensitive information obtained through or from a privileged relationship to make profit or avoid loss by dealing in securities of a publicly listed company when the price of securities would be materially altered if the information were disclosed. It is seen as an abuse of insider's position of trust and confidence and as harmful to the securities markets because outsiders can be cheated by insiders who are not able to deal on equal terms, as a result the investors lose confidence in the market. The offending transactions generally are in relation to equities where prices are more sensitive to financial conditions. But such transactions could also impact upon bonds and of course upon convertibles with an equity element.

The rationale behind the prohibition of insider trading is "the obvious need and understandable concern about the damage to public confidence which insider dealing and its related forms are likely to cause. The core philosophy guiding the need to regulate insider trading is based on both equity and efficiency. With regard to equity, the government needs to ensure that everyone involved in the stock market has equal information and that any information available to one active participant in the market is available to all participants.

Relating to efficiency considerations, in order to allocate capital in an efficient manner in an economy requires the market to be efficient. Basic macroeconomic theory holds that for markets to be efficient there should be information symmetry i.e. all market participants should have equal access to information. A commodity (i.e. a stock or an options contract) would be priced efficiently if all information known or knowable is incorporated in the price.

For instance, in an efficient market, let's say Apple invents a revolutionary smart phone leading to triple inflation of profits within a year propitiously combined with 50% rise in market share. The price of Apple's share should immediately rise by three times as all market participants learn of this fact simultaneously. However, if there is unequal access to information then the market is said to be inefficient.

The misuse of confidential information is frowned upon for several reasons as it:

- may reduce a company's access to capital;
- give rise to potential conflict of interests in which the country's interest may wrongfully take second place to the insider's personal interest;
- brings disrepute and may be a disincentive to investment in market;
- amounts to breach of fiduciary position of trust and confidence.

Legislating Insider Trading

USA was first to enact the law on insider trading through the Securities Exchange Act, 1934. It is a broad and general anti-fraud provision in law giving

The author is a student of ICAI (Reg.No. NRO0246698)

the Securities and Exchange Commission authority to tackle fraud in the securities markets.

In India, the first legislative attempt to curb insider trading was in shape of a disclosure requirement regarding company director's shareholdings. Considerable progress has since been made in the legislation. Presently, the Securities and Exchange Board of India (Insider Trading) Regulations, 1992 ('SEBI Regulations') lay down the governing law for this category of offenses.

- The definition of the term "**insider**" as per clause (e) of Regulation 2 has two limbs, both of which may be split and presented as follows:

  "*Any person who -*

  is or was connected with the company or is deemed to have been connected with the company

  and

  who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or who has received or has had access to such unpublished price sensitive information."

  In order to brand a person an insider any one of the two tests stipulated in the first limb, and one of the three tests stipulated in the second limb, of the definition must be established.

  The above definition leads to a further investigation into the following words used within it:

- The expression "**connected person**" [Clause (c) of Regulation 2] has been defined to include the following:

  (i) a director or a shadow director of the company;

  (ii) an officer or an employee of the company; or

  (iii) a person holding a position involving a professional/ business relationship between himself and the company [temporary/ permanent] and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company.

- Clause (h) of Regulation 2 provides a very wide definition of the phrase "**person is deemed to be a connected person**" i.e. the persons who do not have a direct relationship with the company. It identifies seven broad categories of secondary insiders within which there are a few sub-categories as well.

- **Unpublished** [Clause (k) of Regulation 2] would mean information which is not published by the company or its agents and is not specific in nature. It is pertinent to note that speculative reports in print or electronic media would not be considered as published information.

- **Price Sensitive Information** [Clause (ha) of Regulation 2] refers to any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company. The following shall be deemed to be price sensitive information:

  (i) periodical financial results of the company;

  (ii) intended declaration of dividends (both interim and final);

  (iii) issue of securities or buy-back of securities;

  (iv) any major expansion plans or execution of new projects.

  (v) amalgamation, mergers or takeovers;

  (vi) disposal of the whole or substantial part of the undertaking; and

  (vii) significant changes in policies, plans or operations of the company;

- Regulation 3 lays down that the **offense of insider trading** can be committed in three ways:

  – dealing in securities the price of which will be affected by the inside information which is in that person's possession;

  – by encouraging another person so to deal; and

  – by disclosing the inside information to another person.

- The SEBI Regulations also set out a **detailed investigation procedure** and various powers of the Company's Board while inquiring into a potential or actual act of insider trading.

- Regulation 12 requires all listed companies and organizations associated with securities markets along with intermediaries, self-regulatory organizations recognized by the Board, recognized stock exchanges, clearing houses, Public Financial Institutions as defined in Companies Act, 1956 and professional firms such as auditors, lawyers etc. assisting or advising such companies to frame a **code of internal procedure and necessary disclosures**, ensuring strict compliance of the same.

- By way of Regulation 13, SEBI ensures supervision on the interest or holding by directors, officers, promoters or persons belonging to promoter groups and substantial shareholders in listed companies. These stipulations ensure **initial and continual disclosures** of such interest/ holding to the Company, and in turn by the Company to the recognized stock exchange.

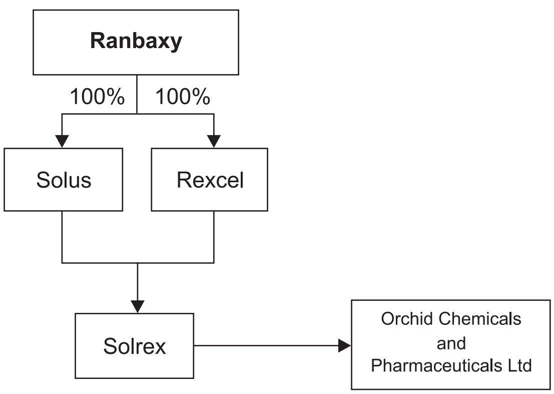
The Parasitic Attack - Case Studies

As one of the biggest challenges to good corporate governance, the term insider trading became a buzzword at the stock market recently in the wake of two high profile controversies at Ranbaxy and the fall of Wall Street bigwig Rajat Gupta.

Ranbaxy Laboratories Limited ('Ranbaxy')

V.K. Kaul, a non-executive independent director at Ranbaxy, was penalized for INR 60 lakhs and prosecuted under the SEBI Regulations of India for insider trading.

Entity Link - Rexcel Pharmaceutical Limited (Rexcel) and Solus Pharmaceutical Limited (Solus) were wholly owned subsidiaries of Ranbaxy. Solrex was a partnership firm comprising of two partners viz. Rexcel and Solus. Therefore, one can say Solrex was ultimately controlled by Ranbaxy.



The Story:

Solus and Rexcel intended to acquire Orchid Chemicals and Pharmaceuticals Ltd. ('Target Company'). However, they did not have the required liquidity to make such investments in the shares of a target company.

Accordingly, Board of Directors ('BoD') of Solus and Rexcel passed a resolution on March 20, 2008 to open a joint account in their name on behalf of Solrex. The funds were then provided by Ranbaxy to the tune of 151 crores. This funding was authorized by the BoD of Ranbaxy on March 28, 2008 giving a green signal to Mr. Malvinder Mohan Singh, the then CEO and Managing Director of Ranbaxy, vide power of attorney authorizing him transactions up to ₹ 800 crores. Solrex bought shares of Target Company from 31 March 2008 onwards. No other trading was done in this demat account.

The Twist:

The real controversy lies between the dates of March 20, 2008 and March 31, 2008. The decision of Solrex to purchase shares of Target Company in a large quantity was a **price sensitive information** known only to the insiders (i.e. Directors etc.) since the date of passing of resolution for opening of the demat account. Mr. V. K. Kaul had access to this beneficial transaction by virtue of his directorship in Ranbaxy, his attendance in the meetings of the audit committee as well as the compensation committee of Ranbaxy and frequent telephone calls to Mr. Malvinder Singh.

On 27th and 28th March 2008, Mr. V.K. Kaul placed orders on behalf of his wife, Mrs. Bala Kaul with his broker for purchasing 35,000 shares of the Target Company at an average price of INR 131.71 (funds were made available by Mr V.K. Kaul to his wife). The said transaction took place j**ust before the purchase of shares of the target company by Solrex on March 31, 2008.**

Further, Mrs. Bala Kaul sold the shares on 10 April 2008 at an average price of ₹ 219.94 and the sale proceeds were transferred to the account of Mr. V.K. Kaul.

The Verdict:

The Securities Appellate Tribunal ('SAT') concluded that Mr. V. K. Kaul had traded in the scrip of the Target Company in the name of his wife when he was in possession of Unpublished Price Sensitive Information that Solrex was about to make significant profitable investments in the near future for which funds were being arranged by Ranbaxy. Consequently, Mr. V.K. Kaul was held guilty for insider trading.

McKinsey & Company

Former McKinsey boss and Goldman Sachs and Procter & Gamble director Rajat Gupta, in October 2012, was sentenced to 2 years imprisonment and a fine of USD 5 million for leaking Board room secrets to Raj Rajaratnam.

Raj Rajaratnam was the founder of a billionaire hedge fund management firm - The Galleon Group. He was found guilty of insider trading and is serving a 11 year sentence in prison in USA for a massive securities fraud. The group was alleged to have acquired material information about certain blue chip companies from multiple consultants, bankers, traders, company directors, one being Rajat Gupta.

On 23 September 2008, Rajat Gupta passed on confidential information with regard to the business transacted at Goldman Sachs board meeting to Rajaratnam. Circumstantial evidence inter alia phone records and wire tapes of conversations between the two guilty, in essence, proved that Rajat Gupta conveyed to Rajaratnam infusion of capital into Goldman Sachs by way of sale of preferred shares worth $5 billion to Warren Buffet. Immediately after the phone call Galleon bought about 1,75,000 shares of Goldman Sachs, minutes before the market closed. This transaction brought to Galleons account a profit of more than $9,00,000 according to the Securities Exchange Commission of USA.

The detailed and well considered order pronounced by the US Jury in case of Rajat Gupta was clearly a deviation from the standard sentencing guidelines. Unlike the Indian law provisions, even in the absence of concrete evidences and no motive of personal profit, this verdict is likely to be a significant in sentencing jurisprudence as far as securities law violations are concerned. This decision was brought about balancing various considerations not only significant to such a business icon with impeccable reputation but would also be relevant to the overall impact of enforcing laws against insider trading.

Would Rajat Gupta's be held guilty in India??

Though SEBI has drafted and enforced stringent insider trading regulations, India's legal system does not support prosecution for economic offenses. While criminal proceedings can put an insider behind the bars, it requires proof beyond reasonable doubt. Gathering appropriate evidence for booking people involved in insider trading in the absence of superior technology is the biggest challenge before the market regulator. According to media reports, the regulator is seeking powers to have access to call records, call data records etc and it has sought permission to tap phones to strengthen its insider trading investigations, but the same is not available with it as on date.

Though, SEBI is taking a number of steps to curb activities plaguing the capital markets, but a lot is yet to be achieved. Till date, SAT has levied monetary fines on insiders making improper profits, however unlike other countries, nobody has been ever imprisoned for it.

It may be observed that the nature of the offense is such that no piece of legislation, however carefully drafted, can hope to cover and thereby suppress this practice in its entirety. Even if the legislation is not entirely successful in suppressing such improper transactions, a high standard code of conduct should be maintained, and continuous surveillance of the insiders may also be imperative.

References:

1 Section 307 and 308 of the Companies Act, 1956

2 clause (13) of section 2 of the Companies Act, 1956 (1 of 1956)

3 sub-clause (10) of section 307 of that Act

CROSSWORD

Novmeber, 2012

Solution

1 F	I	R	E	W	A	L	2 L		3 P	4 N	5 B
							A		6 O	P	U
	7 N	8 S	9 E				W		10 W	A	N
11 T	E	E	M		12 S				E		D
13 A	G	R	I	14 C	U	15 L	T	U	R	A	L
16 N	A	V		17 N	G	O					E
	18 T	E		19 N	A	G		20 I	P	21 A	D
22 L	I	R	A		R		23 A	C		C	
	V						24 M	O	25 D	E	M
26 L	E	S	S	O	R		27 T	N	T	S	

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

No.13-CA(EXAM)/ISA/D/2012: - In pursuance of Rule 7 of Schedule 'F' to Regulation 204 of the Chartered Accountants Regulations, 1988 (as amended vide Notification No. 1-CA(7)/59/2001 dated 28th September 2001), the Council of the Institute of Chartered Accountants of India is pleased to notify that the Information Systems Audit (ISA) Course Assessment Test will be held on 22nd December 2012 (Saturday) from 10.30 AM to 2.30 PM at the following cities provided that sufficient number of candidates offer themselves to appear from each city as detailed below.

Sl. No.	Name of the Cities	Sl. No.	Name of the Cities	Sl. No.	Name of the Cities
1	AGRA	20	GURGAON	39	MUMBAI
2	AHMEDABAD	21	GUWAHATI	40	NAGPUR
3	AHMEDNAGAR	22	GWALIOR	41	NASIK
4	AKOLA	23	HUBLI	42	PATNA
5	ALLAHABAD	24	HYDERABAD	43	PUNE
6	AMRITSAR	25	INDORE	44	RAIPUR
7	AURANGABAD	26	JAIPUR	45	RAJKOT
8	BANGALORE	27	JALANDHAR	46	RANCHI
9	BAREILLY	28	JALGAON	47	ROHTAK
10	BHOPAL	29	JAMNAGAR	48	ROURKELA
11	BHUBANESWAR	30	JAMSHEDPUR	49	SIVAKASI
12	BILASPUR	31	JODHPUR	50	SOLAPUR
13	CHANDIGARH	32	KANPUR	51	SURAT
14	CHENNAI	33	KOLHAPUR	52	THRISSUR
15	COIMBATORE	34	KOLKATA	53	UDAIPUR
16	DELHI / NEW DELHI	35	KOTA	54	VADODRA
17	ERNAKULAM	36	LATUR	55	VARANASI
18	GHAZIABAD	37	LUCKNOW		
19	GORAKHPUR	38	LUDHIANA		

The Council reserves the right to withdraw any centre at any stage without assigning any reason. The above Test is open only to eligible Members of the Institute who are already registered with the Institute for the said course. The fees payable for the above Assessment Test is ₹ 1000/-.

Applications for admission to the Assessment Test is required to be made in the prescribed form which may be obtained from the Additional Secretary (Exams), The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi - 110 002 on payment of Rs.100/- per application form. **The forms are also available in the Regional and Branch Offices of the Institute and can be obtained upon cash payment on or from 14th November, 2012. Alternatively, the format of application form can be downloaded from the website of the Institute viz. www.icai.org and the cost of the application form of ₹ 100/- can be added to the Assessment Test fee of ₹ 1000/- and the Demand Draft for ₹ 1100/- has to be sent. The last date for receipt of duly filled in application forms is 30th November, 2012.**

Payment of fees for the Assessment Test should be made only by Demand Draft. The Demand Draft may be of any Scheduled Bank and should be drawn in favour of "The Secretary, The Institute of Chartered Accountants of India, payable at New Delhi" only. The applications together with the prescribed fee be sent by Speed Post / Registered Post to the Additional Secretary (Examinations), New Delhi. The applications received after **30th November, 2012** will not be entertained under any circumstances.

(G. SOMASEKHAR)
ADDITIONAL SECRETARY (EXAMS.)

"ICAI Bhawan", Post Box No.7112
Indraprastha Marg, New Delhi-110 002, India

Telephones: 3054829, 3054823, 3054822
(Dial code from Delhi and other places 0120)
Fax:0120-3054843/3054841 E-Mail: examcoob@icai.org

Applicability of BOS Publications for May 2013 Final Examination

(for Paper 7: Direct Tax Laws & Paper 8: Indirect Tax Laws)

In order to ensure clarity as regards the applicability of provisions of Direct Tax Laws (**DTL**) and Indirect Tax Laws (IDTL) for May 2013 examination, as well as the BOS publications relevant for the said examination, the details regarding the same are briefed hereunder:

I. Applicability of Finance Act, Assessment Year etc. for May 2013 Final Examination

(1) The amendments made by the **Finance Act, 2012** in DTL & IDTL;

(2) The provisions of direct tax laws as applicable for the **assessment year 2013-14**;

(3) The significant **notifications and circulars issued upto 31st October, 2012** (DTL & IDTL)

II BOS Publications relevant for May 2013 Final Examination

	Publication	**Edition**	**Objective & Content**
(1)	Study Material on DTL (Vol. I & II) **(A.Y.2013-14)** **(As amended by the Finance Act, 2012)** **(Thoroughly revised and** updated)	October, 2012	This edition of the Study Material is based on the provisions of the Income-tax Act, 1961 and Wealth-tax Act, 1957, **as amended by the Finance Act, 2012 and applicable for A.Y.2013-14**, and the significant notifications and circulars issued upto 30.6.2012. Study each topic of your syllabus thoroughly for conceptual clarity. The aim of the Study Material is to build a strong conceptual base by explaining the complex tax laws in a lucid manner. Do keep the Bare Acts i.e., Income-tax Act, 1961, and Wealth-tax Act, 1957 by your side for reference purposes. This will facilitate understanding of the language of law and the logical sequence of the sections. You should make it a habit to read the tax provisions along with the relevant sections so that you are able to relate the provisions of law, circulars and notifications with the respective sections.
	Practice Manual on DTL (Vol. III) **(Thoroughly revised and updated)** **(Questions adapted/modified and solved on the basis of provisions of law applicable for A.Y.2013-14)**	October, 2012	Each problem contained in this edition of the Practice Manual has been solved on the basis of the provisions of law applicable for A.Y.2013-14. The amendments made by the Finance Act, 2012 and significant notifications and circulars issued upto 30.6.2012 have been taken into account. The Practice Manual has also been grouped chapter-wise and contains a variety of questions and problems in each topic for the better understanding and application of the concepts explained in the Study Material. **In the Practice Manual, questions set at the past Final examinations of chartered accountancy course have been modified and adapted and answered on the basis of the provisions of law applicable for A.Y.2013-14.** After reading each chapter in the Study Material, try to work out the problems in the corresponding chapter of the Practice Manual on your own, and thereafter compare your answers with the answers given therein. This would help you to identify your mistakes and also learn from your mistakes. Further, this process would help in revision of the concepts and principles contained in each chapter of the Study Material and application of the same while solving practical problems. **Note** - *After you complete study of the entire syllabus content, solve all the questions in the Practice Manual once again to make sure there are no grey areas.*
(2)	Study Material on IDTL (Vol. I & II) **(As amended by the Finance Act, 2012)** **(Thoroughly revised and updated)**	November, 2012	This edition of the Study Material is based on the provisions of indirect tax laws, **as amended by the Finance Act, 2012** and the significant notifications and circulars issued upto 30.6.2012. **Students appearing in May 2013 examination are advised to read this edition of the Study Material, since the concept of taxation of services has undergone a complete change from a positive to negative approach. Therefore, the service tax portion of the Study Material has been completely revamped.** The objective of the Study Material on IDTL and manner of studying is the same as described for the Study Material on DTL.
	Practice Manual on IDTL (Vol. III) **(Thoroughly revised and updated as per the law as amended by the Finance Act, 2012)**	November, 2012	The questions contained in this edition of the Practice Manual have been adapted/modified and solved on the basis of the provisions of law as **amended by the Finance Act, 2012** and significant notifications and circulars issued upto 30.6.2012. The objective of the Practice Manual on IDTL and the manner of solving the questions is the same as given for the Practice Manual on DTL.
(3)	Supplementary Study Paper - 2012 (DTL & IDTL) **[A discussion of amendments made by the Finance Act, 2012 in DTL & IDTL]**	2012	This publication explains the amendments made by the **Finance Act, 2012** in DTL & IDTL as well as the **significant circulars and notifications issued between 1.7.2011 and 30.6.2012.** It is especially relevant in case you have the earlier edition of the DTL & IDTL Study Materials (i.e., the November 2011 & December 2011 editions, respectively), which is based on the provisions of law as amended by the Finance Act, 2011.

			However, even if you have the latest edition of the DTL & IDTL Study Materials (i.e. the October, 2012 and November, 2012 editions, respectively), you are still advised to read the Supplementary Study Paper-2012 for a better understanding of the statutory amendments.
(4)	Select Cases in Direct & Indirect Tax Laws - 2012 **[Under preparation]**	2012	The BOS would be coming out with the 2012 edition of this annual publication, which is relevant for students appearing in May, 2013 examination. This publication is a **compilation of significant recent judicial decisions of Supreme Court and High Courts** which, when read in conjunction with the DTL & IDTL Study Materials, will enable you to appreciate the significant issues involved in interpretation and application of tax laws.
(5)	Revision Test Paper (RTP) for May 2013 Examination **[Revision material for self-assessment and updation]**		The October, 2012 edition of DTL Study Material & the November 2012 edition of the IDTL Study Material, updated on the basis of the amendments made by the Finance Act, 2012 and significant notifications and circulars issued upto 30th June, 2012, are the Study Materials relevant for May, 2013 examination. However, the significant notifications and circulars issued upto 31st October, 2012 are applicable for May 2013 examination. **The RTP for May 2013 would, therefore, contain the significant notifications and circulars issued after the date up to which they are covered in the DTL & IDTL Study Materials i.e. the significant notifications and circulars issued between 1st July, 2012 and 31st October, 2012.** The RTP also helps you self-assess your preparation by solving the questions contained therein independently and comparing the same with the answers given.

Note:

(i) The publications mentioned in (1), (2) & (3) above, namely the Study Materials and Practice Manuals of DTL & IDTL and the Supplementary Study Paper-2012, have been hosted at the BOS Knowledge Portal on the Institute's website www.icai.org.

(ii) The publication mentioned in (4) above, namely, the 2012 edition of the Select Cases in Direct and Indirect Tax Laws relevant for May 2013 examination, would be hosted at the BOS Knowledge Portal by 31st December, 2012.

(iii) The RTP for May 2013, mentioned in (5) above, would be hosted by the first week of February, 2013.

Applicability of BOS Publications for May 2013 IPCE: Paper 4: Taxation

In order to ensure clarity as regards the applicability of provisions of income-tax, service tax and VAT for May 2013 IPCE, as well as the BOS publications relevant for the said examination, the details regarding the same are briefed hereunder:

I. Applicability of Finance Act, Assessment Year etc. for May 2013 IPCE

(1) The amendments made by the **Finance Act, 2012** in income-tax and service tax;

(2) The provisions of income-tax law as applicable for the **assessment year 2013-14**;

(3) The significant **notifications and circulars issued upto 31st October, 2012** (income-tax and service tax)

II BOS Publications relevant for May 2013 IPCE

	Publication	Edition	Objective & Content
(1)	Study Material (and Practice Manual) on Taxation **Volume I** **Study Material** **(Part I: Income-tax)** **(A.Y.2013-14)** **(As amended by the Finance Act, 2012)** **(Thoroughly revised and updated)**	November, 2012	Volume I of this edition of the Study Material is based on the provisions of the Income-tax Act, 1961, **as amended by the Finance Act, 2012 and applicable for A.Y.2013-14,** and the significant notifications and circulars issued upto 30.6.2012. Study each topic of your syllabus thoroughly for conceptual clarity. The aim of the Study Material is to build a strong conceptual base by explaining the complex tax laws in a lucid manner.
	Volume II **Practice Manual** **(Part I: Income-tax)** **(Thoroughly revised and updated)** **(Questions adapted/modified and solved on the basis of the provisions of law applicable for A.Y.2013-14)**	November, 2012	Each problem on income-tax contained in Volume II of this edition of the Practice Manual has been adapted/modified and solved on the basis of the provisions of law applicable for **A.Y.2013-14**. The amendments made by the Finance Act, 2012 and significant notifications and circulars issued upto 30.6.2012 have been taken into account. The Practice Manual has also been grouped chapter-wise and contains a variety of questions and problems in each topic for the better understanding and application of the concepts explained in the Study Material. **In the Practice Manual, questions set at the past PE-II, PCC, and IPCC level examinations of chartered accountancy course have been modified and adapted and answered on the basis of the provisions of law applicable for A.Y.2013-14.**

			After reading each chapter in the Study Material, try to work out the problems in the corresponding chapter of the Practice Manual on your own, and thereafter compare your answers with the answers given therein. This would help you to identify your mistakes and also learn from your mistakes. Further, this process would help in revision of the concepts and principles contained in each chapter of the Study Material and application of the same while solving practical problems. **Note -** *After you complete study of the entire syllabus content, solve all the questions in the Practice Manual once again to make sure there are no grey areas.*
	Volume III Study Material & Practice Manual (Part II: Service tax and VAT) (Thoroughly revised and updated with the amendments made by the Finance Act, 2012)	November, 2012	Volume III comprising of the Study Material and Practice Manual on Part II: Service tax & VAT has been amended by the **Finance Act, 2012** and the significant notifications and circulars issued upto 30.6.2012. Each problem on service tax contained in the Practice Manual has been adapted/modified and solved on the basis of the provisions of law as amended by the Finance Act, 2012 and significant notifications and circulars issued upto 30.6.2012. **Students appearing in May 2013 examination are advised to read this edition of the Study Material, since the concept of taxation of services has undergone a complete change from a positive to negative approach. Therefore, the service tax portion of the Study Material has been completely revamped.** The objective (purpose) of the Study Material and manner of solving the questions in the Practice Manual on Part II: Service-tax and VAT are the same as described for Part I: Income-tax.
(2)	Supplementary Study Paper - 2012 (Taxation) **[A discussion of amendments made by the Finance Act, 2012 in income-tax and service tax]**	2012	This publication explains the amendments made by the **Finance Act, 2012** in income-tax and service tax as well as the **significant circulars and notifications in income-tax issued between 1.5.2011 and 30.4.2012**. The amendments by way of significant circulars and notifications in service tax issued between 1.5.2011 and 30.6.2012 are hosted at the BOS Knowledge Portal. It is especially relevant in case you have the earlier edition of the Taxation Study Material (i.e., the December 2011 edition), which is based on the provisions of law as amended by the Finance Act, 2011. However, even if you have the latest edition of the Taxation Study Material (i.e. the November, 2012 edition), you are still advised to read the Supplementary Study Paper-2012 for a better understanding of the statutory amendments. This publication has been hosted at the BOS Knowledge Portal on the Institute's website *www.icai.org*.
(3)	Revision Test Paper (RTP) for May 2013 Examination **[Revision material for self-assessment and updation]**		The November 2012 edition of the Study Material, updated on the basis of the amendments made by the Finance Act, 2012 and significant notifications and circulars issued upto 30th June, 2012, is the Study Material relevant for May, 2013 examination. However, the significant notifications and circulars issued upto 31st October, 2012 are applicable for May 2013 examination. **The RTP for May 2013 would, therefore, contain the significant notifications and circulars issued after the date up to which they are covered in the November 2012 edition of the Study Material on Taxation, till 31st October, 2012.** The RTP also helps you self-assess your preparation by solving the questions contained therein independently and comparing the same with the answers given. The RTP for May 2013, would be hosted at the BOS Knowledge Portal by the first week of February, 2013.

THE CHARTERED ACCOUNTANTS STUDENTS BENEVOLENT FUND (CASBF)

The Board of Trustees of The Chartered Accountants Students Benevolent Fund have decided to grant financial assistance to 200 students (who are currently undergoing articled training in accordance with The Chartered Accountants Regulations, 1988 and are poor, needy but meritorious) requiring financial assistance to pursue the Chartered Accountancy course @ ₹ 1000/- p.m. for one year with effect from 1st April, 2012 to 31st March, 2013 to be paid in lump sum.

The eligibility criteria for obtaining financial assistance from CASBF are as under:

i) Passed 10 + 2 examination with a minimum of 70 percent marks and also Passed Common Proficiency Test of ICAI in the first attempt

or

Passed B.Com Examination of a recognized University with a minimum of 60% marks.

ii) Currently undergoing articled training as per CA Regulations.

iii) Annual income of parents from all sources be not more than ₹ 1.50 lakh.

Students who are needy, poor but meritorious and are fulfilling the above criteria may apply for financial assistance from the Chartered Accountants Students Benevolent Fund. Students may send their request in the prescribed form, duly filled in to the Member Secretary, Chartered Accountants Students Benevolent Fund at the following address so as to reach on or before 31st December, 2012. The form can be downloaded from website of the Institute www.icai.org.

The Board of Trustees will consider each such cases on merit basis and decide at their discretion the amount of financial assistance to be granted.

Member Secretary
Chartered Accountants Students Benevolent Fund
C/ O The Institute of Chartered Accountants of India,
"ICAI Bhawan", Indraprastha Marg, New Delhi-110002
website www.icai.org email : cabf@icai.in

ANNOUNCEMENT

[No.13-CA(Exams)/WdngPlcy/2012 - November 16, 2012]

In terms of the provisions of Regulation 39 (4) of the Chartered Accountants Regulations, 1988, the candidates of an examination conducted by the Institute have the facility to apply for verification of their answer books as to whether their answers in any particular paper or papers have been examined and marked. Similarly, they also have the facility to apply for inspect and/or have a photocopy of their answer books in terms of the related procedure as approved by the Council of the Institute.

The answer books involving applications received seeking verification, inspection and/or photocopy, as also the applications received under the Right to Information Act, 2005, in relation to a given examination are retained for a maximum period of one year from the date of declaration of results of relevant examination. As regards answer books involving matters which are subjudice [(i.e. involving litigation (either within the Institute or outside the Institute such as Hon'ble Courts of judicature, Central Information Commission or other similar forums)], the same are retained till the conclusion of the litigation proceedings in such fora.

All other answer books in relation to a given examination are retained for a period of four months (120) days from the date of declaration of result of the relevant examination.

The above is for the information of all concerned.

State Level CA Students Conference- Mangalore

Dates: 13th and 14th December 2012

Venue: Sri T V Ramana Pai Convention Centre, Kodialbail, Mangalore-575003

Organised By: Board of Studies, ICAI

Hosted By: Mangalore Branch of SIRC & Mangalore Branch of SICASA

Theme: "DISHAA" Enlightening towards the right path

PROGARMME DETAILS

Time	Particulars
13-12-2012	**Day 1**
8.30 AM - 9.00 AM	Registration
9.00 AM - 10.00 AM	Inauguration Session
Technical Session 1	
10.00 AM - 11.30 AM	Negative List and Reverse Charge Mechanism, in Service Tax
Technical Session 2	
11.45 AM - 01.15 PM	Audit & Taxation of Charitable and Religious Institutions
Special Session 1	
2.00 P.M to 3.15 P.M	Interaction with Shri Vijay Kapur, Director, Board of Studies
Special Session 2	
3.30 P.M to 5 P.M	Career Opportunity - Chartered Accountancy as passport to Success
6.00 PM - 8.00 PM	Cultural Evening
14-12-2012	**Day 2**
Special Session 3	
9.00 AM - 10.00 AM	Yoga- Key for Better Health and New Life
Technical Session 3	
10.00 AM - 11.30 AM	Internal Audit- Scope and Value Addition
Technical Session 4	
11.45 AM - 1.15 PM	Company Law and LLP
Special Session 4	
2.00 P.M to 3.30 P.M	Personality Development - Create a Competitive edge over Others
4.00 PM - 5.00 PM	Valedictory Session

Students are hereby requested to register for the Conference at the earliest. The details of the registration are given are as follows:

Registration fees	₹ 300/- per student	Accommodation(if required)	Contact Mangalore branch
Payment Mode	Cash/DD/Cheque are to be drawn in favour of "Mangalore Branch of SIRC of ICAI," payable at Mangalore.		

For Registration Contact:

Mangalore Branch of SIRC of ICAI, ICAI Bhawan, II Floor, Mahendra Arcade, Mangalore-575003,

Phone : 0824-2495722/4279104, Email : mangalore@icai.org

Students are invited to contribute paper presentations (1500 to 2000 words) for topics in Technical Sessions and submit for approval a soft copy of the paper at mangalore@icai.org by 20th November 2012 and hard copy of the same along with Student's Photograph (with his/her name on the back of the photograph), Regn. Number, Course pursuing, Complete Postal Address, Mobile, Landline numbers and Email ID be also sent to the Mangalore Branch.

Each Technical Session will have presentation by 2 students, for 30 minutes each, 15 minutes for questions and answers, 15 minutes for concluding remark by the Chairman of the session. Students who are interested to participate in the cultural programme are requested to register before 20th November 2012 at Mangalore Branch.

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

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.

IFAC Delegation visit

IFAC President, Mr. Goran Tidstrom along with ICAI President CA. Jaydeep Narendra Shah, visit and meet Union Corporate Affairs Minister (Ind Charge) Shri Sachin Pilot in New Delhi.

IAESB Meeting in London

ICAI President and IAESB Member CA. Jaydeep Narendra Shah along with International Accounting Education Standards Board Chairman, Mr. Peter Wolnizer and another IAESB Officials.

Visit to Ahmednagar Branch

ICAI President CA. Jaydeep Narendra Shah with the Managing Committee Members of Ahmednagar Branch of WIRC and Students.

Residential Programme, COE

Shri Vijay Kapur, Director, Board of Studies, ICAI addressing the participants at the inaugural session of the four weeks Residential Programme at Centre of Excellence, Hyderabad.

Quiz Competition, Bellary Branch

CA.Chandrappa. K V, SICASA Chairman, and Members CA. Bharth Kumar, CA. C K Gopal and CA. Iylli Guruprasad at the Quiz Competition conducted by the Bellary Branch of SIRC.

Quiz Competition, Patna Branch

CA. Bisheshwer Lal Raju, Chairman, Patna Branch of CIRC of ICAI and CA. Kumar Hari, CICASA Chairman, Patna Branch with the winners of the Quiz Contest, Mr. Viccky Bhagat and Mr. Amrit Deep.

RNI No. 66180/97

REGISTERED: DL- (C)-01/1280/2012-2014
LICENSED TO POST WITHOUT PREPAYMENT U(C)-208/2012-2014
POSTED AT N.D.P.S.O. ON 26th, 27th and 28th NOVEMBER 2012
Date of Publication: 26.11.2012

CROSSWORD

1	2	3	4	5		6		7	8	9	10	■
11					■		■	12				
	■	13			■		■	14				■
	■	15			16		17					18
19			■	■		■		■		■		
■	■	20	21			■		■	■	■	■	
22	■	■		■	■	23		24				
25	26	27	■	28	29				■	■	■	■
30			■	31					■	32	33	■
34			35									36
■	37			■	■	■		■	■	38		
■		■		■	■	■	■	39	■	40		
41	■	■		■	42		43		44			■
45					■	■	46			■	■	■
	■	■	47							■	■	■

ACROSS

1. _____ is a mechanism that isolates a network from the rest of the Internet, permitting only specific traffic to pass in and out.
1. The capability of an operating system to handle multiple processing tasks, apparently, at the same time is referred as _________.
11. _____ the rod and spoil the child.
12. A senseless person.
13. A _____chart is a circular chart divided into sectors, illustrating proportion.
14. A prefix meaning a billionth.
15. The ability to perform 'What If?' analysis is a key feature of __________software.
19. To institute legal proceedings.
20. A latin word meaning half.
23. Employees benefit cost should not be charged to profit & loss account as cost of defined _______ plan.
25. _____ trading is done directly between two parties, without any supervision of an exchange.
28. ______ Domestic Product minus Depreciation is Net Domestic Product.
30. A robotic spacecraft currently orbiting moon.
31. Debates or discusses
32. One of the six oil and gas super majors in the world.
34. Costs not tied to a clear cause and effect relationship between inputs and outputs.
37. A way of measuring the success of an online advertising campaign for a particular website.
38. To speak falsely.
40. _____ is a financial term for a type of computer system that facilitates trading of financial products outside of stock exchanges.
42. Service tax is paid under___________ charge in case of legal services provided to a business entity by an advocates
45. A number of _____-visual aids are now used to impart education.
46. Sri Lanka is the highest _____ exporting country of the world.
47. Buying and selling securities

DOWN

1. _____is an operating system for x86-based personal computers.
2. State with highest population in India.
3. Falls into disuse.
4. A journey or a voyage.
5. An institute for environmental safety of nuclear weapons production, ozone layer depletion, and other issues relating to energy.
6. An association to support people with attention deficit disorder.
7. A persons relatives.
8. The Gem state of the USA.
9. Existing accounting standard number corresponding to Ind AS 18 Revenue
10. Sticky and often sweet.
16. A fixed payment amount made by a borrower to a lender at a specified date each calendar month.
17. Transfer pricing has been extended to specified ____ transactions w.e.f. A.Y.2013-14.
18. To incline in opinion.
21. *exemplī grātiā*
22. Every banking company has to maintain the Statutory Liquidity Ratio (SLR) in cash, unencumbered approved securities and _________
23. _____ up means to start (a computer) by loading and initializing the operating system.
24. An organization of the Government of India for conducting regular socio-economic surveys.
26. A crafty or underhanded device, maneuver, stratagem.
27. An outlay of money, labour, time etc.
28. A construction group involved in the expansion and modernisation of IGI Airport - New Delhi.
29. A measure to show the amount of net income returned as a percentage of shareholders equity.
32. Cotton is generally measured in ____.
33. _____ cap mechanisms is one of the form of rate regulations as per the Guidance Note on "Rate Regulated Activities"
35. Debit what comes in, ____ what goes out.
36. Japanese currency.
39. Showing great mental acumen.
41. A form of computer data storage.
43. A continuously variable transmission for automobiles.
44. A worthless piece of cloth

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