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# The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

STUDENTS' JOURNAL

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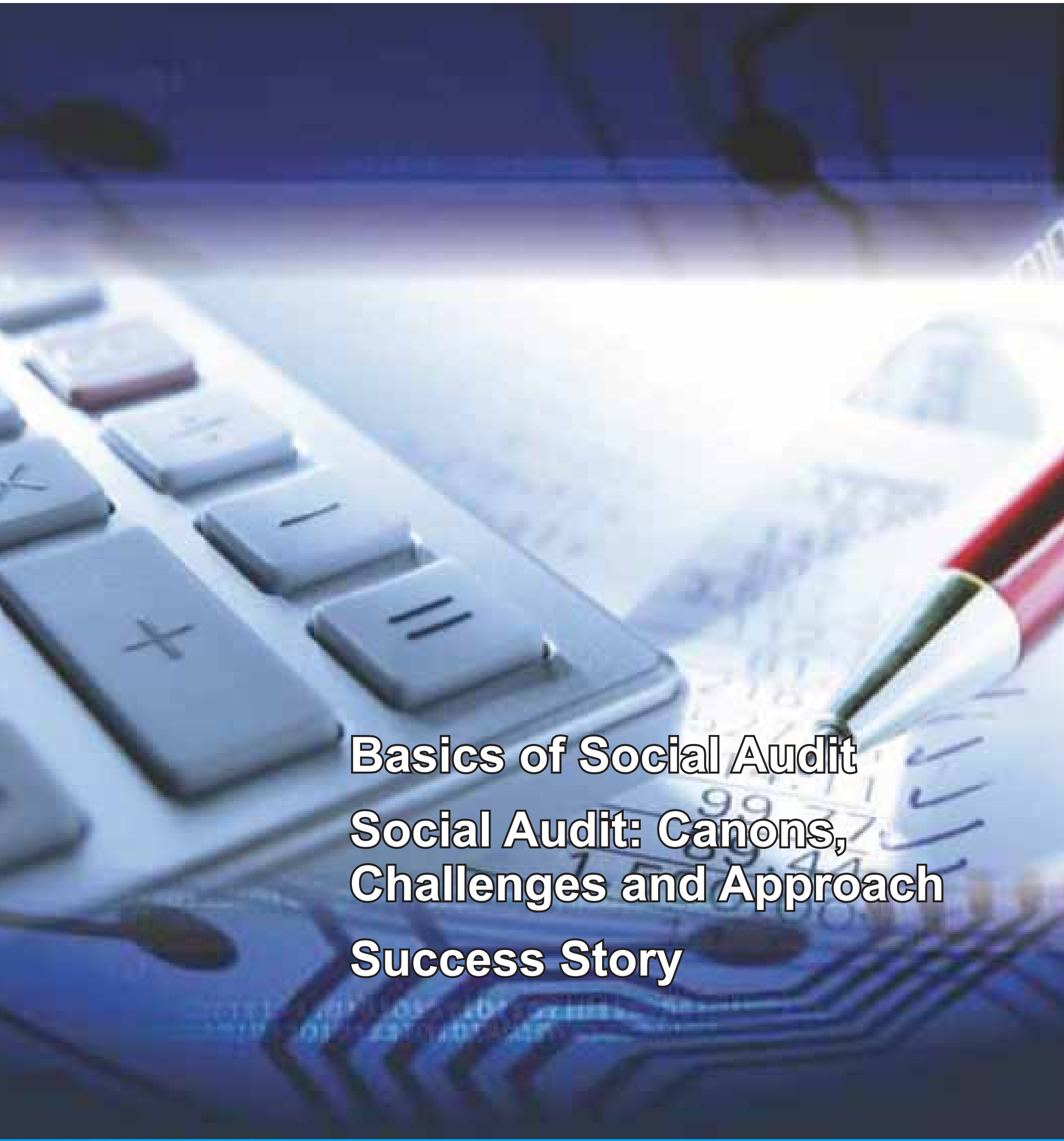

## Basics of Social Audit

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## Success Story

## President's Communication

**Dear Students,**

It is said that nature's greatest happiness lies in change. Change is a phenomenon that touches almost all aspect of our lives. Over a period of time the Institute of Chartered Accountants of India (ICAI) has also changed to acquire a leading position in the Indian economy. Another change that happens in ICAI every year is the change in the leadership. My tenure as the President of this august institute will be complete in the month of February, 2013. At this juncture, I would like to mention a few endeavors that ICAI has taken during the last year for our students.

Amongst the significant initiatives and achievements, the Introduction of Direct Entry Scheme to CA Course is worth notable. This will help the graduates and post graduates with prescribed percentage of marks to directly enter the CA Course. A direct entry will help the students who are otherwise qualified to save their time in pursuing Common Proficiency Test.

A focused strategy was made to spread awareness about the CA course among the school students so that they are able to make informed career choices. Eighty-nine Career Counseling Programmes were organized by twenty-one branches and two Regional Councils during the year. Career Counseling booklets and brochures were distributed to the students. In addition, ten branches have also organized Mega Career Counseling amongst schools and colleges.

Students have always been on the top of my priority list and hence, I had put a lot of emphasis on the holistic development of our students. I am very happy that in the previous year, the Institute successfully conducted various conferences and conventions at national level in addition to the branch and regional level programmes. A total of seventeen national conventions and one All India conference were organized throughout the country. An International conference was also organized in Nagpur wherein delegates from Sri Lanka, Pakistan, Nepal and Bangladesh, participated to make it huge success.

The Elocution and Quiz Contests organized at Regional and Branch levels brought the best out of the students. I am pleased that students took part in large numbers in these contests and exhibited their knowledge and communication skills. The All India Elocution and Quiz contests are scheduled on 2nd February in Mumbai. You should participate in large numbers to motivate the contesting students and also learn from their knowledge and soft skills.

Significant advancement in e-Learning has also been also made. The e-learning for Intermediate Course is ready to be used by the students. I strongly believe that this will provide the students, quality self learning facility, which is an important intent in distance education courses. I am sure that this will also provide learning and development at the convenience of students, anytime and anywhere, including in smaller towns where quality education facilities may not be easily available. The revision in e-Learning for the CPT Course was another important achievement during the last year.

I am really satisfied that I have tried my level best to accomplish my envisaged plans. I am sure that my successor will also continue to work for the betterment of our students and the accounting profession. Now, when I am relinquishing this office, I feel pride to state that I received overwhelming affection, and cooperation from our students and members.

I am sure that the show will go on with more path breaking initiatives coming our way. I owe a lot to my predecessors and hope that I have been able to keep up the pace and continuity of their exemplary contributions to the profession and wish my successor all the best to carry on the legacy of this great Institution and profession. I am particularly thankful to my council colleagues who have joined me in by sharing the responsibilities. I am also thankful to the officers and staff of ICAI who have provided their continuous support to various initiatives.

I convey my best wishes to all our students to achieve success in their all personal and professional endeavours.

Yours sincerely,

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

## Vice President's Communication

**Dear Students,**

At the outset, let me congratulate the successful candidates of Final examinations and Common Proficiency Test held in November, 2012 and December, 2012 respectively. Your constant and persistent efforts have proved their worth in bringing glory and adding one more feather in your cap. You should not think that passing of the examination is the end. Believe that this is just a beginning of your long lasting and rewarding professional career. I also convey my best wishes to the candidates of Professional Competence Examinations and Integrated Professional Competence Examinations that were held in November, 2012.

To be successful in the examinations, the students should study on the basis of a well defined plan. Prepare continuously, work hard on your weak areas and hone your strong points then you will be able to write success story in bold letters. I am very hopeful that through your unflinching efforts you will be able to achieve success in all your endeavours.

Having taken up the goal of joining the ranks of the members of the coveted profession of chartered accountancy, you should spare no efforts to achieve your aim within the minimum possible time. If you are devoted, honest and loyal to your work, then, the success will automatically chase you. Approach your theoretical education as well as Practical Training with utmost sincerity and seriousness. Adopt an "active learning" approach. Such an approach will involve not merely reading through the study materials and textbooks but also understanding and grasping the subject matter through a number of means such as making extensive notes, summaries, relevant diagrams etc. Taking an active approach to learning will result in more efficient use of your precious time than passive reading with no activities that reinforce what you are studying.

Judicious management of time is most important throughout your studentship and beyond. Many times, we feel that we do not have enough time at our disposal. Time is like an arrow, which has left the bow and it never returns. The scarcest resource that we have is our time. Time consciousness and management are the good habits, which once cultivated will automatically continue. Never forget that you are the future of the chartered accountancy profession. You are the torchbearers and trendsetters of this profession. Thus being the future leaders, it is very important that we all realize the importance of time. I am sure; you will understand this and approach accordingly. Keep in mind that successful Chartered Accountants of the future will be those who see the qualification as the starting point and not the end for their professional education and development. Continuous learning and constant innovation are the weapons, which will help you to forge ahead. The emphasis should be on self-learning and action learning. You must also have a constant desire to strive for excellence.

Above all, don't forget the importance of character, ethical values and a well disciplined life. Discipline of life is more precious than life itself, as it is out of the discipline, life derives its values. As more and more students decide to pursue CA as their profession, it is our utmost responsibility to provide them an easy access to the best education possible. I hope that your sincere efforts and support will help the profession to meet the challenges and bring it further glory.

Wish you all the best

Yours sincerely

**CA. Subodh Kumar Agrawal,**
**Vice President, ICAI,**

# Chairman's Communication

**My Dear Students,**

Come February and it is the time to say adieu to you as the Chairman, Board of Studies. The last twelve months have passed like a flash and it seems that it was only yesterday when I took over the charge as the Chairman of Board of Studies (BOS). But time has flown and it has left me with pleasant memories thanks to the collective efforts of my colleagues in the Council, officials in the BOS and the participation of our dear students. When I look back and ponder, I find that the last year was quite eventful. I had the opportunity of being in the company of young and aspiring students who have the dream of becoming successful Chartered Accountants tomorrow. I really feel energised being in the company of energetic and vivacious youth like you for the last full year.

For the benefit of student fraternity a number of measures were taken by the BOS during the year. One of the major decisions taken by the Institute was **easing of entry norms** for graduates and post graduates with specified percentage of marks as well as for Intermediate passed out students of Institute of Company Secretary of India and Institute of Cost Accountants of India. By exempting these students from appearing for the Common Proficiency Test, the Institute has saved these students a lot of time.

As a part of continuous process of updating the knowledge of students, the contents of various Study Material at all levels were updated/revised. The timely preparation, hosting and publication of the Suggested Answers and Revision Test Papers were other measures. The **conduct of Mock Tests** has helped students to assess their preparedness in exam conditions and improve on the weak areas before the examinations. Other measure taken in aiding students in their academic pursuits was initiating a policy to have **more number of Reading Rooms** across the country by tying up with Colleges, Schools, Local authorities, Charitable Trusts, etc. and successfully running existing reading rooms. I am confident that this policy of opening reading rooms which is in the initial phase will benefit thousands of students in times to come as we start tying up with more Reading rooms to carve out space for CA students. Besides, the BOS has recently revised the syllabi of Papers of Indirect Taxes and Information Technology to make them more contemporary. These revised syllabi are still to be approved by the Council. Once these are approved by the Council, the students will be informed appropriately and well in advance.

I feel happy that BOS has just launched in January an anytime, anywhere **online E learning facility – e-lectures/ e-learning** to Intermediate (IPC) Course students the details whereof are contained on Page 16 in the Journal. This learning facility consists of Power Point Presentations & Audio of leading professors in their respective topics. I am thankful to CA. A. Rafeq, Vice Chairman CA. Madhukar Hirgange and Mr. Ravi Arora in BOS for piloting this project & making it a reality. Presently about 130 hours have been uploaded & another 100+ hours are in the process of being uploaded in less than a months' time. These can be downloaded from the website anytime & from anywhere thus creating a very good facility of learning for students. I am very confident that this initiative will serve as a supplement to our distance learning programme and through this facility you will have the benefit of learning at your convenience and also assessing your learning through Self Assessment Quizzes.

I earnestly request all IPC students to use this facility & also give their constructive feedback to enhance on this initiative. Based on this experience the BOS has decided to do the E-learning for Final Course in the coming year.

The over hauling of the contents of General Management and Communication Skills (GMCS) Course and introduction of **GMCS II** and the **Advanced Information Technology Training (ITT)**are significant steps in this direction. Substantial Progress has been made on GMCS II as also Advanced ITT , both of which would be ready for implementation shortly. Apart from this, during 2012-13, the BOS organized20 National Conventions, one All India Students Conference and one International Conference of Students and a number of State Level and Sub Regional Level Conferences. More than 20,000 students, inclusive of foreign student delegates from Sri Lanka, Pakistan, Nepal and Bangladesh, attended these Conventions/Conferences. I had the opportunity to attend many of these Conventions/ Conferences and interact with students. I was really amazed to see the enthusiasm and zeal amongst students. It was just infectious. Students also raised a number of queries in these events. I am happy that BOS answer most of these queries appropriately. For the benefit of the students, these queries and their answers have been compiled as FAQs and hosted on the Institute's website. Besides these, organizing National level Debate Competition at School level, organizing Joint Seminars with various universities and organizing 105 One day Seminars, 25 Sport Competitions and 16Youth Festivals were all aimed at ensuring that our students' hidden potentials are fully utilized.

Recently, results of CA Final and CPT were declared. I would like to compliment all the students who have cleared these examinations successfully and my special compliments to Ms Jayakumar Prema, who topped the CA Final examination. Her success goes to prove that if you are determined to achieve something worthwhile in your life, no obstacle – financial or otherwise, can deter you from achieving your goal. I would like to advise those who were less fortunate this time not to lose hope. Take a stock of what went wrong and try to ensure that in the next attempt the mistakes are not repeated. I am sure if you sincerely work hard and take the examination bull by its horn, the success will be all yours.

As I sign off with heavy heart, I would like to give you a piece of advice. Once you become member of this prestigious profession, do not let the quest for knowledge die in you. Keep the student in you alive. It is rightly said by Benjamin Franklin, **"An investment in knowledge pays the best interest."**

**Also, Do not limit your challenges, but Always Challenge your limits.**

MAY GOD BLESS YOU !

Good Bye and Good Wishes,

Yours sincerely,

N.S. Vikamsey

**Nilesh S. Vikamsey**
**Chairman, Board of Studies**

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# Inside *February*



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# Basics of Social Audit

*CA. Parveen Kumar/** Hima Arora

### *What is Social Audit?*

A social audit is a process by which citizens review and monitor government actions on the ground and use the findings from the review to place accountability demands on the government through the mechanism of a public hearing.

Social Audit is a tool through which government departments can plan, manage and measure non-financial activities and monitor both internal and external consequences of the departments' social and commercial operations.

### *What is the Need of a Social Audit?*

Of late, Government is introducing lot of socio-economic developmental schemes and various autonomous agencies like Panchayati Raj Institutions (PRI), Urban Local Bodies (ULB) etc are being made responsible for implementation of these scheme. Some of the schemes involve direct transfer of funds to those agencies. Especially after 73rd and 74th amendments to the constitution and as per recommendations of XI Finance commission there have been more responsibilities for these agencies. Hence need of Social audits to address new situation. Need of the Social Audits can be explained as under:


### *How Social Audit is defined?*

The concept of Social Audit is more comprehensive, having a greater scope than that of traditional audit. In general, Social Audit refers to a process for measuring, understanding and improving the social performance of an activity of an organization. In particular, it aims to involve all stakeholders in the process. It measures social performance in order to achieve improvement as well as to report accurately on what has been done. Social Audit is an ongoing process, often done in 12-month cycles that result in the preparation of annual Social Audit document or report of an organization.

### *How CAG Audit is different from Social Audit?*

CAG Audit is kind of a social audit, though it is Government process and focuses more on Government officials and Government auditors, whereas Social audits in broader in its scope and seeks to make the audit process more transparent and seeks to take audit findings to public and stakeholders, who are users of Government schemes, services and utilities.

### *What is difference between Social Audit, Operational Audit and Financial Audit?*

Social Audit is often misinterpreted as another form of audit to determine the accuracy of financial or statistical statements or reports and the fairness of the facts they present. **The Report of the Task Group on Social Audit (RTGSA)** published by Comptroller and Auditor General of India in the year 2010 has explained the difference as under

"*While **Social Audit** has a crucial role in implementation of social sector programmes and even in ensuring corporate social responsibility, its objectives cannot in standalone mode, sustain the complete audit objective of any of the three basic types of auditing (viz. financial, compliance and performance audits). All the objectives and processes adopted for social audit will fit into the audit objectives of one or more of the three fundamental types of audits.*"

Financial audit is geared towards verification of reliability and integrity of financial information. Similarly, operation audit looks at compliance with policies, plan procedures, laws, regulations, established objectives and efficient use of resources. On the contrary, Social Audit examines performance of a department/programme vis-à-vis its stated core values in the light of community values and the distribution of benefits among different social groups reached through good governance principles.

Centre of Good Governance, Government of Andhra Pradesh has published a paper ***Social Audit: A Toolkit*** (CGCSAT). The difference between Financial Audit,

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***Student of ICAI (Reg.No.NRO0278522)*

Operational Audit and Social Audit has been depicted in this paper as follows:

| Financial Audit | Operational audit | Social Audit |
|---|---|---|
| • Directed towards recording, processing, summarising and reporting of financial data | • Establishing standards of operation, measuring performance against standards, examining and analysing deviations, taking corrective actions and reappraising standards based on experience are the main focus. | • Social Audit provides an assessment of the impact of a department's non-financial obejctives through systematic and regular monitoring on the basis of the views of its stakeholders. |

### *Who carries out Social Audits?*

According to the RTGSA, Social Audit initiatives fall into two categories.

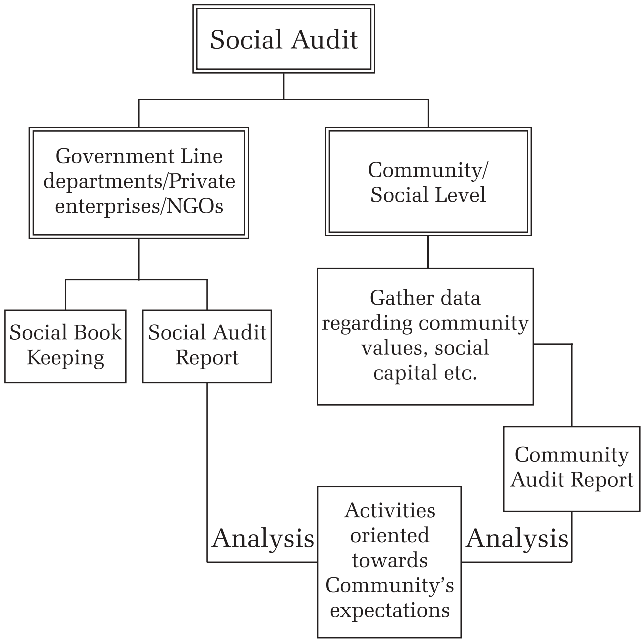
a) Social Audits carried out by Gram Sabhas / Panchayats or local level Vigilance and Monitoring Committees as stipulated by the Government in the guidelines of program

b) Social Audits carried out by civil society groups.

At the organizational level, it is internal as well as external. The internal component corresponds to social accounting and social book keeping, whereas the external component involves verification of social account by an independent Social Auditor or an audit panel.

### *How is working of Social Audit?*

The following diagram illustrates the working of social audit :




### *What are steps involved in Social Audit?*

According to CGCSAT, six steps have been defined for Social Audits. Like Financial Audit, it also has a one-year cycle. The steps are also comparable to activities carried out for financial audit or Operational Audit.

The six steps as described by CGCSAT are:

1. **Preparatory Activities**
   - Understand key principles of Social Audit
   - List core values of the department / program
   - List down social objectives the department is working towards or programs it aims to contribute.
   - Match activities with objectives
   - List current practices and delivery systems
   - Fix the responsibility for doing Social Audit in the department.
   - Budget for Social Audit.
2. **Defining Audit Boundaries and Identifying Stakeholders**
   - Elaborate key issues for Social Auditing based on social objectives
   - Prepare a statement of purpose, objectives, key issues and activities for Social Auditing.
   - Identify key stakeholders for consultations
   - Forge consensus on audit boundaries; identify stakeholders and formalise commitments.
3. **Social Accounting and Book-keeping**
   - Select performance indicators for social accounting.
   - Identify which existing records can be used,
   - Identify what additional data to be collected, who would collect this data, when and how.
   - Identify when stakeholders would be consulted and for what.
   - Prepare a social accounting plan and timeline.
   - Plan for monitoring social accounting activities
4. **Preparing and Using Social Accounts**
   - Prepare social accounts using existing information, data collected and views of stakeholders.
   - Identify key issues for action
   - Take stock of objectives, activities and core values
   - Set targets for future.
5. **Social Audit and Dissemination**
   - Presenting social accounts to Social Auditor
   - Social Auditor verifies data used, assess the interpretation and comment on the quality of social accounting and reporting.
   - Social Accounts revised in accordance with Social Auditor's recommendations
   - Social Auditor has to collect information from the stakeholders regarding programme implementation and benefits accrued to them.

- Disseminate Social Auditor's consolidated report to the decision-making committee that includes stakeholders.
- Disseminate report to civil society.
- Begin next cycle of social accounting.

**6. Feedback and Institutionalization of Social Audit**

- Feedback for fine-tuning policy, legislation, administrative functioning and programming towards social objectives.
- Follow-up action
- Reviewing support to civil society for its participation
- Institutionalization of the process

### *What are strengths and limitations of Social Audit?*

The Task group of CAG of India in its Report on Social Audit described social audit as an opportunity to fill in a long felt gap in the audit process and techniques used by the Department. In addition, it is also understood to strengthen the democratic process in governance and grievance redressal. It also provides the most important link between oral and documentary evidence and offers a means of securing accountability of the managers of public sector programs and renders the monitoring and appraisal mechanism multi perspective and transparent.

However, The Task Group felt that the scope of social audits is intensive but highly localized and covers only certain selected aspects out of a wide range of audit concerns in the financial, compliance and performance audits with the monitoring being informal and unprocessed.

### *Who are stakeholders and what is their role?*

According to CGCSAT, Stakeholders are those whose interests are affected by the issue or those whose activities strongly affect the issue; those who possess information, resources and expertise needed for strategy formulation and implementation and those who control relevant implementation, instruments.

Stakeholders are also extension of the department as they influence, execute or facilitate department functioning. Their participation in Social Audit would serve following purposes:

- Assessing the benefits as perceived by the beneficiaries;
- Giving the department an opportunity to seek suggestions for optimizing efforts;
- Contributing towards initiating ownership among all stakeholders.

The stakeholders of any organization can be *identified* from sectors like both the implementation sectors and the users/beneficiaries of the programme/organization who are directly or indirectly involved in the programme or the organization.

**For example**, if the programme selected is 'women empowerment through formation of self-help groups and micro credit societies', to enlist stakeholders and collect information on how these processes have contributed to empowerment, the stakeholders should include not only those who are current members of micro credit societies or self-help-groups, but also involve those who have benefited from the process to truly assess the achievement of the women empowerment objective.

Stakeholder's *involvement* needs to be integrated into the Social Audit process during the planning stage, and indicators on which information will be sought from the stakeholders need to be detailed out.

### *Can we have examples of Social Audit?*

***Social Audit in Jharnipalli Panchayat, Agaipur block, Bolangir district, Orissa***

In October 2001, the gram sabha members of Jharnipalli Panchayat conducted a one-day social audit of development works carried out in the panchayat over the preceding three years. This audit took place with the active participation of many individuals and agencies, including block and district administration officials, MKSS, NCPRI and Action Aid India.

The audit found that:

- Although the works were not carried out, the sanctioned funds were shown in the records as having been utilized.
- Contractors were banned under government guidelines, but 31 contractors were working on the project.
- Muster rolls were not maintained by the contractors.
- Instead of the target of 100 man-days of employment for families below the poverty line (BPL), only 12 half days of work were generated.
- The BPL families could not buy subsidized food from PDS shops as partial wages because they did not possess the needed ration cards.

### *Conclusion*

Social audit is need of the hour. Broader in scope and little away from financial and operations audits, this is quite useful tool to provide assurance to the society and stakeholders. Despite its limitations, experience in Social Audits across the globe is encouraging. To understand the gap between what people need and what they get through social program, such check and feedback is quite useful and Andhra Pradesh Government's initiative is landmark in the direction.

# Social Audit: Canons, Challenges and Approach

CA. C.V. Sajan

Social Audit as a concept was pioneered in early 1950s. However its resurgence as a serious topic was in 1972 when Social audit Ltd was co founded by Charles Medawar. His ideas on professional accountability for corporate sector and governments in medicine policy and drug safety issues were the trigger for awakening on social impact. Business enterprises started evolving social audit as a tool for tracking their contribution to society by seeking public feedback. Therefore, the key element of social audit became participation of stakeholders in evaluating the effectiveness of programmes from a societal point of view. For instance, relocating a particular industry or closing down one of the units of an enterprise can have multiple implications on society .Trade unions, local government or NGOs representing the affected persons should be the ones best equipped to conduct an impact analysis in such cases.

During the early days of conceptualisation of social audit, it lacked any formal structure or procedure as acceptable criterion was not formulated. However, during the late 90s standard practices were developed to practice Social Audit. It was in 1997, the Social Enterprise Partnership developed the first European Social Audit programme, in which teams from Ireland, Spain, Finland, Sweden, Denmark, and England had taken part. As regards business corporations, social audit is the part of their CSR initiatives, whereby the companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis and appropriate assessment on the efficacy of such programs is made with the help of stakeholders' participation.

Government of India has attempted to give a refined definition to the concept of social audit. A study conducted at the instance of the Planning Commission of India in 2005, defined Social Audit as " a process in which, details of the resource, both financial and non-financial, used by public agencies for development initiatives are shared with the people, often through a public platform. Social Audits allow people to enforce accountability and transparency, providing the ultimate users an opportunity to scrutinize development initiatives." This enhanced concept of social audit was coined to suit the specific requirements in the Indian context in view of massive spending by government on various social welfare schemes.

Thus, the salient feature of social audit is that it focuses on social impact. It is one-step ahead of financial audit as it emphasises on tangible results and for evaluation, it corroborates nonfinancial variables with financial ones. Above all the stakeholders are the ones conducting the process.

### *Stakeholders*

Aim of a Social Audit is to comprehensively understand the social performance of an organisation or activity and for that purpose to measure, assess and report on each performance bench mark , so that steps to improve the performance can be carried out. Participatory techniques are used in the process by involving all stakeholders who are at the centre of the actions. Stakeholder is a broad term to cover all those who have some or other kind of interest in the activity of the organisation not necessarily economic always. They may be employees, some times. Other times customers, common people, shareholders or any one else.

Stakeholders' participation and their acknowledgement strengthen the legitimacy of activities and their positive effect on society. Building social consent arising out of public opinion is the best certification about the success of any program meant for public welfare. However, this is the other side of the coin. Primary point is that organisation has to be mindful of its objectives and shall keep in mind the stakeholder's interest in its activities. In other words establishing connectivity between the organisation and stakeholders well in advance is the primary aspect. Preparedness of the organisation as a whole, from its socio-historical objectives is an important element of such a connectivity with stakeholders. It can be described as **institutional.** Building connectivity with stakeholders is possible only if the managers and decision makers are in the loop fully aligned with the institutional goals on social objectives. Developing knowledge for managers in the social sector is imperative, in this context. This aspect can be described as **organisational.** Above all, the activities designed for discharging social responsibilities should adhere to the precise moral or

*(The author is a member of the Institute. Mem.No. 92146)*

welfare objectives. This attribute can be termed as **philosophical**. Stakeholders' connectivity with organisation from all these angles is essential for an environment that may facilitate successful social audit.

Social audit is conducted not just from a short-term point of view, it also looks at the social objectives of the organisation and the approach followed, from a holistic point of view. Therefore considering stakeholders in totality, without separating different stakeholders is key to success of social audit. Social Auditor will have to examine the aspirations of all stakeholders. Therefore critically analysing the social policy becomes part of Social Audit.

### *Canons of Social Audit*

Social Audit aims to achieve an assessment of the degree of effectiveness in the delivery of performance in relation and also in comparison to the chosen socials goals. Findings of social audit facilitate continuous improvement in performance. Principles that are to be followed for a social audit can be listed as follows.

**Comprehensive coverage:** All aspects of the organisation's work and performance that may have social effects need to be covered in a social audit. It is difficult to assess the social implications of any area of work of an organisation unless it is subjected to examination. Therefore mapping of the areas of examination shall not precede the assessment whether that particular area impacts the society or not and hence to be included in the scope of audit. On the other hand the assessment of the acts shall prove that the society is unaffected by a particular organisational activity and hence it can be kept out of the scope of social audit.

**Stakeholders' participation:** Each kind of stakeholder can have a different perspective. Similarly, focus of examination also would vary from category to category. Therefore, social audit shall aim to capture voices of all categories of stakeholders and in that pursuit shall facilitate participation by most of them, to make the audit highly effective. However, a structured approach has to be adopted by each of the category of stakeholders to garner feedback on multiple aspects.

**Continuous audit:** Social audit shall not be reduced to a one-time affair. The organisation and its program implementers shall be conscious of the concurrent check from stakeholders, which would make them more responsible and guarded. As a result, social accounts will be generated on regular basis and a culture of social accountability will develop in organisations.

**Professional and Structured approach.** While the stakeholders' participation is the cornerstone of social audit, they cannot be expected to be methodical all times. Therefore standardised, structured and procedure based audit process shall be put in place to make social audit effective and practical. The audit process shall facilitate feedback from all concerned including the management, before drawing adverse observations. Detailed report shall be prepared as the deliverable. Comparison with previous reporting periods shall be facilitated and therefore capturing data on earlier periods would be important .Auditor who engages in the job shall be competent to carry out the job and should have domain knowledge. Transparency shall be ensured by publishing the reports, duly verified by all concerned.

The above points are the foundations for implementing social audit as a means for engaging with the public. It achieves greater transparency .leading to accountability for people's representatives and government officials in the context of public administration. Therefore, in a democracy social audit holds immense value. Various state governments in India have introduced different kinds of social audits to check the effectiveness of welfare schemes like NREGA, Antyodaya etc. Social Audit at rural areas has great potential for improving local governance with better transparency and accountability.

### *Objectives of Social Audit*

Social audit is a mechanism that brings forth information and data that are critical to the management and decision makers to judge about the success or failure of a program and its cost versus benefit effect from social point of view. As far as governmental activities are concerned, assessing the benefits accrued to society from a program is the key objective. In the event of a failure report, the inputs from audit would facilitate analysis of reasons or scope for remedies. Therefore capturing all possible inputs through audit process becomes very important. The data so gathered are used for the following.

- To assess the degree of effectiveness of a program from its social impact point of view
- To measure the leakages, misuse, abuse or defalcation of funds intended for a social cause.
- To assess the relevance of a social program and its utility to the target community
- To assess the correctness of delivery mechanism followed in social programmes.
- To formulate socially responsible management strategies

- To fix accountability of persons involved in social policy and implementation
- To educate society and authorities on the need to show concerns on social needs
- To strategise the social welfare activities
- To develop institutions focussed on social subjects
- To communicate with public about the allocation of various resources

Social Auditing provides information not only about the expectations of stakeholders but also about the gap between the actual results and expectations .Authorities get alerted through social audits. Thus, it becomes a medium of interdependence between the government and the general public. Consequently public confidence and trust over the administration increases. This would lead to positive societal changes. Identification of specific goals that improve organisations would be necessary through audits to achieve this. Integration of social audit tools into regular management systems would help employees function effectively by keeping in mind the concerns of stakeholders. Validation and verification of data from third party sources is vital to the social audit tools. This enhances credibility about the accuracy of the data. When the performance on social parameters improve over time, which gives credence to the positive contribution of social audit to the overall performance. Social audits not contributing to improvement in social performance of organisations need sceptic viewing. Objectives of social audit is best achieved when departments that obtain the feed back from social audits take pro active steps in re-orienting their acts to suit the expectations of the stake holders.

### *Social audit approach:*

There cannot be any standard prescription for the information that is to be called for by a social auditor for conducting his job. Decisions on the kind of information needed for the purpose of Social Audit have to be taken after considering the overall scope of the social programme , nature of deliverables , social implications and the various stakeholders to be included .It would be impractical to source and verify the data when they are very old . Therefore, collection process for information shall not go beyond a reasonable period, say 2 years behind. However, there can always be exceptions when the matter involved has other significance.

Ideally, a list of all the information needed shall be prepared along with the pro-forma in which it has to be prepared. The Social Auditor is expected to share the responsibility of data collection with others once he finalises the list of information to be called for .Small groups of persons be allotted data collection by allocating location. Data collection is not confined to mere sourcing, as many a time direct information is not available. In such cases, indirect information related to qualitative and quantitative aspects of social and economic indices pertaining to affected persons will be cross-verified or analysed to gather appropriate information.

Process of social audit is primarily third party verification of the information either through direct corroboration or through indirect derivation method. Benefits from social acts, whether have reached to the level of targeted audience and to what degree and quality it has changed their lives or has created any kind of advantage is what is intended to be examined through verification with the help of external evidences.

**Source of information:** Field surveys will be the primary method to gather inputs. Questionnaires and personal interviews are accepted methods for obtaining feedback. In Indian context where social audit for government sponsored welfare programs are done, feedback from local administration and Gram Panchayat authorities is necessary. Further, they too need to be educated about the process of audit and about the response from ground.

Reports of official agencies, NGOs, media etc are secondary data that can be corroborated to the primary information. Research methodology of capturing of both quantitative and qualitative information at one go is a better method of data collection although not easy in all situations .Clarity of thought regarding the relevance of data collected and its ultimate use is essential to plan proper data collection. Further designing a Social Audit should also ensure that its output meets expectations of all stakeholders. Hence, analysis of the data collected shall be in the socio cultural context of the population of that data.

### Components to be analysed in a socio- cultural context:

1. **Economic components:** Per capita income, unemployment rate, wage rates etc.. are some of the economic indicators that reflect the economic upliftment consequential to a social or welfare programme. Periodical comparison of this economic variable by the Social Auditor can explain the economic features of the community concerned.
2. **Political components:** In the Indian context, multiplicity of political parties and regional politics has created various power centres of late,

even at the rural levels. General public are intimidated at many a time by the political class due to the unholy nexus of criminals and politicians. Overly politicised atmosphere does not facilitate distribution of the benefits of social welfare schemes to the targeted segments. Middlemen and corrupt bureaucracy also are obstacles. A recent decision of the government to change the mode of delivery of several welfare measure to cash transfers was to remove such obstacles to a proper delivery system. A social auditor is expected to measure the political setting in the community to have proper idea of the problems faced by community.

3. **Environmental components:** Variables that affect the quality of life in the area shall be studied to learn its effect on public life, the cause for worry and reasons for environmental damage if any .Elements like water, air, noise level etc are the basic ones to be analysed

4. **Standards of life components:** Health care and educational facilities, social relationships etc are useful measures that can be correlated with better functioning of social systems and higher standards of life . Social auditors shall reckon them with due importance.

### *Conclusion*

Overall welfare of humanity is the ultimate objective every human act. Social Audit is an effective tool for analysing the social impact of all kinds of human acts, be it conducting business, welfare programs or destructive acts. However its degree of effectiveness would largely depend on the degree of participation of the stake holders in the process and in analysing accurately all relevant data, after corroborating them with evidences collected from appropriate external sources. In a country like India where despite respectable economic growth in the last two decades and even after huge dole outs by the government for upliftment of the poor population, divide between poor and rich is very huge. Responsible corporate citizens and government agencies shall volunteer to conduct social audit with increased sincerity to find the reasons out.

## ANNOUNCEMENT

### TOPPERS OF CHARTERED ACCOUNTANTS EXAMINATIONS

*Final Examination, November-2012*

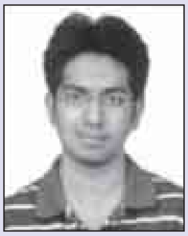
**Jayakumar Prema**
**First Rank**
**Mumbai**

**Indana Ashok Kumar**
**Second Rank**
**Rajamahendravaram**

**Gnanasampath M**
**Third Rank**
**Coimbatore**

*Common Proficiency Test, December- 2012*

**Sai Brahma**
**Teja Madala**
**First Rank**
**Guntur**



**Aviral**
**Shrimal**
**Second Rank**
**Jaipur**

**Appasani**
**Seetabhavani**
**Second Rank**
**Kakinada**

**Bommana**
**Vamsidhara Reddy**
**Third Rank**
**Guntur**

# NPA: Key Factor for Bank's Financial Health

**Shivani Gupta**

*The governor of Reserve Bank of India had a meeting with the chief executives of major scheduled commercial banks on 21st April, 1992. In that meeting he mentioned, that banks financial statements i.e. Balance Sheet should reflect true financial health of the banks and efficient system of recognition of income, classification of assets and provisioning for bad debts is established. So, for the above purpose, Narasimham Committee. The committee narrated that the policy of income recognition should be based on record of recovery rather than on any subjective considerations. Hence, the prudential norms for Assets Classification and Income Recognition saw the light of the day, which resulted into the concept of Non- Performing Assets (NPA).*

***Definition –*** A classification used by financial institutions that refer to loans that are in jeopardy of default. Once the borrower has failed to make interest or principal payments for 90 days the loan is considered to be a non performing asset, also known as "Non-performing loan".

A strong banking sector is important for flourishing economy. Over the decades, NPA has emerged as an alarming threat to the banking industry in our country. It reflects negative signal about the sustainability of the affected banks. The problem of NPA is not only affecting banks but also the whole economy. In fact , high level of NPAs in Indian banks is nothing but a reflection of the ill state of health of the industry and trade.

NPA reflect the performance of banks. A high level of NPA suggests high probability of a large number of credit defaults that affect the profitability and net worth of banks and also erodes the value of the asset. The NPA growth involves the necessity of provisions, which reduces the over all profits and shareholders value.

### Now let us study what is NPA

NPA: Income recognition and provisioning in respect of a credit facility are based on its status as performing or non- performing. In concept, a credit facility becomes non- performing "when it ceases to generate income for a bank".

NPA has been defined as a credit facility or an advance in respect of which as on the date of balance sheet the interest and/or installment of principal amount have remained 'Overdue' for a period of more than 90 days or 'Out of order'.

### Overdue

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

### Out of Order

An account should be treated as 'out of order',

- if the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power.
- in case where the outstanding balance in the operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet.
- Credits are not enough to cover the interest debited during the same period, these account should be treated as 'out of order'.

Banks can classify an account as an NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

NPA – the important key factor for deciding a Bank's Financial Health:

- As they decreases profitability
- As they reduce Capital Asset and lending limits
- As they increase loan loss reserves and,
- As they bring unwanted attention from Government Regulators

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*The author is a student of ICAI (Reg.No. CRO0408751)*

### Time Considerations

| Types of Advances | Time limits |
|---|---|
| Term Loan | Interest and/or installment of principal has remained overdue for a period exceeding 90 days. |
| CC/OD | The account remains out-of-order. (Further discussed in Temporary Irregularities) |
| Bills Purchased and discounted | The Bill remains overdue for a period exceeding 90 days |
| Agricultural advances/Loans | Interest and/or installment of principal is overdue for:<br>● Two crop season, in case loans granted for short duration crops,<br>● One crop season, in case loans granted for long duration crops (i.e. more than 1 yr.) |
| Other credit facilities | Any amount to be received is overdue for a period of more than 90 days. |

### NPA IS BORROWERWISE NOT FACILITYWISE

If anyone facility of a borrower becomes NPA , then his all facilities automatically becomes NPA

### Cash Credit Facility

It is a facility provided mainly to individuals or enterprises engaged in manufacturing and trading activities against the hypothecation of stock of goods, standing crops, bills/book debts etc.

In other words, a major part of working capital requirement of any manufacturing unit would consist of maintenance of inventory of raw materials, semi finished goods, stores and spares etc. In trading concern, the requirement of funds will be to maintain adequate stocks in trade. Finance against such inventories by banks is generally granted in the shape of cash credit facility where drawings will be permitted against stocks of goods.

- It is a running account facility where deposits and withdrawals are permitted.
- Cash Credit Advances are on Floating Interest Rate basis which may be reset depending on Bank's Prime Lending Rate.

### Temporary Irregularities

Classification of NPA can be done on account of certain temporary irregularities. But these may exist certain temporary deficiencies/irregularities likes

Outstanding exceeding limits,

Inadequate drawing power at times,

Non-submission of stock statements and

Non-renewal of limits.

These irregularities should not be taken as reasons enough for classifying an account as NPA. An asset can be classified as NPA only when such irregularities continue for a period of 90 days.

EXAMPLE:– Let the sanctioned limit of a Cash Credit Account be Rs. 6 Crores. Now, there can be four different cases. Lets discuss them in detail:

**CASE 1:** If the outstanding balance exceeds 6 crores but credit entries are there

There is the case of temporary irregularity and if this irregularity prevails continuously for 90 days , then this account will be declared as NPA.

**CASE 2:** If the credit entries are insufficient to cover interest charged during the period

In this case, if the credit entries are less than interest charged during the quarter, then the account will be out-of-order for a further period of 90 days.

******General formulae for NPA:

Case 1: Continuously Irregular =NPA

Case 2: Out- of- order= NPA (for 90 days)

***Now it is high time to take strict actions to control NPAs and see to it that the :***

***Non Performing Assets may not turn banks into Non-Performing Banks; instead steps should be taken to convert Non-Performing Assets into Now-Performing Assets.***

***It's now or never...***

# Companies Bill, 2012 - Provisions for Corporate Social Responsibility

**CA. Suresha Balachandran**

### Definition of Corporate Social Responsibility (CSR)

The world Business Council of Sustainable Development in its publication *Making Good Business Sense* by Lord Home and Richard Watts use the following definition:

*"Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."*

Thus, CSR basically is a term used to denote the fact that business houses apart from paying taxes are responsible for contributing to the development of community and society.

### Submission of Shri Sachin Pilot, Minister of Corporate Affairs:

While moving the Companies Bill, 2012 in Lok Sabha on 18th December, 2012 Shri Sachin Pilot, Minister of Corporate Affairs has said:

"Growth is important for country and to my mind growth should be long term, sustainable, equitable but more importantly, ***growth should also be responsible.*** Therefore, the responsibility of taking this country forward certainly lies with the Government but increasingly so, I think the corporate entities of this country, the private players, the enterprises, the entrepreneurs also have an increasingly larger role to share in making this country prosperous, functional forward looking nation. The issue of corporate social responsibility has been taken up in this Bill."

### Legislation of Corporate Social Responsibility in India and other countries:

Large studies were conducted to see the legislation with respect to Corporate Social Responsibility globally, the results were astonishing, there was some sort of regulations towards Corporate Social Responsibility only two countries viz., France and Indonesia. By enacting the provisions for Corporate Social Responsibility in the Companies Bill, 2012 India will be first country in the world to bring such provisions in the statute books.

### Provisions in the Companies Bill, 2012

Corporate Social Responsibility is covered under Chapter IX – Accounts of Companies and more specifically under Clause 135 of the Companies Bill, 2012

### Summary of Clause 135 of the Companies Bill, 2012

(1) During any financial year for a Company the net worth is rupees 500 crore or more, or turnover is rupees 1,000 crore or more or the net profit is rupees 5 crore or more then, a Corporate Social Responsibility Committee to be formed if the Board consisting of 3 or more Directors, out of which at least 1 shall be an Independent Director.

(2) Financial statements presented before the General Meeting shall contain the Board of director's report which include the composition of the Corporate Social Responsibility Committee.

(3) The functions of Corporate Social Responsibility Committee shall be:

   (a) Devise and recommend to the Board, a policy on Corporate Social Responsibility which indicates the activities that should be undertaken by the company as prescribed in Schedule VII

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### Activities prescribed in Schedule VII

| Sl.No. | Activity relating to |
|---|---|
| (i) | Eradicating extreme hunger and poverty |
| (ii) | Promotion of education |
| (iii) | Promoting gender equality and empowering women |
| (iv) | Reducing child mortality and improving maternal health |
| (v) | Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases |
| (vi) | Ensuring environmental sustainability |
| (vii) | Employment enhancing vocational skills |
| (viii) | Social business projects |
| (ix) | Contribution to Prime Minister's National Relief Fund or any other fund setup by Central or State Governments for socio-economic development and relief and funds for the welfare of the SC, ST and other backward classes, minorities and women |
| (x) | Other matters as may be prescribed |

(b) Recommend the amount of expenditure to be incurred on the activities referred above.

(c) From time to time monitor the Corporate Social Responsibility Policy of the company.

(4) Responsibility of the Board of the Company shall be:

(a) To approve the policy on Corporate Social Responsibility after the same is recommended by the Committee and to disclose the contents of the policy in its report presented before the General Meeting and also publish it in the company's website, if there be any.

(b) To ensure the activities that are included in the Corporate Social Responsibility Policy be undertaken by the Company.

(5) The Board of the Company shall ensure that the Company spends in every financial year at least 2% of the average net profits of the company made during the 3 immediately preceding financial years in pursuance of the policy.

(6) The Company shall give preference to the local area and areas around it where it operates, for spending the amount kept aside for Corporate Social Responsibility activities.

(7) If the Company fails to spend the earmarked amount, the Board shall, in its report presented before the General Meeting give the reasons for not spending such amount.

(8) Clause 134 (3)(o) states that the Financial Statements presented before the General Meeting, the report of the Board of Directors which shall also contain the details about the Corporate Social Responsibility Policy developed and implemented by the Company and initiatives taken during the year.

(9) Average profits for this Clause shall be as given in Clause 198 read with Clause 197 relating to profits for the purpose of calculating managerial remuneration.

*Sources: Companies Bill, 2012 as presented to Lok Sabha on 18th December, 2012 and the Submissions of Shri Sachin Pilot, Minister of Corporate Affairs while presenting the Companies, Bill 2012 to Lok Sabha.*

# Interview: Preparation and Presentation

*Neena Vijayvergiya **CA. Rajeev Vijayvergiya

An individual pursues career goals with a vision to acquire a high standard of education. The hard work and the grueling study schedule that students go through is aimed at successful culmination of the course resulting in acquiring a gainful activity making one worthy of utilizing the capabilities by constructive contribution to the corporate world and the society.

At this juncture one has to apply the theoretical knowledge to practical work so as to become a valuable social, economic and ethical asset. Choice of career is a meaningful question seeking answers such as how to find one's highest potential. Realization of this potential starts with the beginning of a job or entrepreneurship.

The point has been magnificently summed up by Dr. S Radhakrishnan - ***"The end product of education should be a free creative man, who can battle against historical circumstances and adversities of nature."***

The transition from a student to a full time worker needs many attributes in a person to make the transition happen.

Technical education is based on facts and empirical evidence, be it engineering, medicine, economics, commerce, finance, law, photography, journalism, auditing etc., therefore any technical education is a science. When this science is perfected in such a way that it gives practical solutions and desired out put, it becomes an art. Attending an interview is an art because interview is the stepping-stone that allows one to give the desired out put based on knowledge gained so far.

In short it can be said that soft skills are required to find a proper job or placement on completion of technical qualification.

These soft skills are mostly not imparted as a part of regular curriculum. Sometimes even a highly skilled professional fails to get a proper job or placement for lack of either these skills or lack of planning.

Knowledge detailed in a resume helps in getting an interview but to sail through it and make a positive impact, it is required to enhance and polish the soft skills.

In this article a discussion has been initiated which will help the readers to prepare and present themselves as well groomed professionals at the time of attending an interview for a prospective job. It is to help them through the transition from a student to a full time worker.

The points, which should generally be taken care of are explained in the may following paragraphs:-

### *Arrive in time*

It is a good practice to arrive at the venue of interview about 15 to 30 minutes in advance. Late comers are not appreciated and it signals towards casual attitude of the candidate. The time gap proves helpful in adjusting and acclimatizing to the environment and surroundings in which the interview is going to be held. Also, this time can be utilized by going through the in house literature of the organization, if it is available, as it improves knowledge about the organization and the same can be capitalized at the time of interview. Alternatively, one can carry a newspaper or a periodical and can go through it to spend the time. Reading helps in maintaining the concentration and focus.

### *Introduce yourself at the reception desk*

Please do not forget to introduce yourself at the reception desk and also to tell them the purpose of your visit so that your attendance is marked and the reception desk can direct you to the proper person or ask you to wait. Though candidates are apprehensive about the whole process of interview, yet this stress and anxiety should be kept to the minimum and should not be reflected on the face or through the attitude. Interaction with the reception desk is the first link to the organization, positivism in this interaction helps in building up the confidence. This positivism can be created from your side by keeping a smiling face and adopting pleasing manners. Remember the famous saying: ***"You haven't lost your smile, its right under your nose. You just forgot it was there."***

### *Attire for attending an interview*

Attire is the dress that one wears while attending an interview. It is very important to pay attention to it because it introduces one to the interviewer even before the words are spoken or any formal introduction takes place.

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*(The authors are *Student Counselor, ICAI, **Member of ICAI. Mem.No.083682)*

It is generally felt that power dressing holds the fort in the corporate world. No doubt dress plays an important role and should be decent enough to suit the occasion but the concept of power dressing is more of a myth than a fact. Remember it is the power within the person and not in the dress that commands respect, attention, authority and affection. If dress had any power than Mahatma Gandhi, Shankaracharya, Ram Krishna Paramhans and Swami Vivekanand all should have been powerless.

Dress need not be tailor made for every interview. Some of the decent dresses would include a white, cream or light blue shirt, blue, grey, black or khaki trousers, navy blue jacket, a stripped tie, black shoes etc. a dress should not be too prominent, and it should not attract attention either for good or for bad. The dress should be coordinated with the weather conditions so as not to appear out of place. It is good not to wear heavy makeup or strong perfumes. A light deodorant may be used to eliminate body odor.

Attire should not be imposing rather it should be welcoming and should allow one to mix in the surroundings.

### *Salutation and greetings*

Salutation and greetings are the first spoken words that connect one to the interviewer. Please be careful to exchange pleasantries on entering the room where interview is to be held, it reflects on good manners and makes the atmosphere amiable.

After taking permission to enter the interview room salutation forms most important part of the procedure. Salutation should be formal with a smile on the face. Pitch of the voice should not be too loud but should be clearly audible. It is customary and courteous to add suffixes such as “Sir” or Madam” or both depending on the constitution of the interview board after the salutation. For example – good morning sir(s), good morning madam(s) etc.

Do not occupy the chair unless asked to do so. Say thanks after occupying the chair.

### *Copies of Resume and Testimonials*

Please offer to give a copy of the resume to the interviewer. This gesture supports the willingness to introduce you.

Resume should be neatly printed. Lot of attention needs to be paid to formation of sentences and grammar so as to avoid any mistake on this count. It is a good idea to get your resume vetted by your friend, relative or mentor. The details should not be imposing or in the nature of advertisement but academic and professional achievements should be highlighted in a clear and concise manner. Normal length of the resume should not exceed two pages; however, if you want to present some activity of yours in detail then a separate document can be prepared for the same and can be handed over to the interviewers if they appear interested.

### *Profile of the organization*

It is a good practice to get acquainted with profile of the organization, its management structure, major stake holders and its activities. Its vision and mission statement should be studied carefully. An understanding of the organization shows that an effort has been made and also reflects the extent of candidate’s interest and awareness.

### *Statement of interest for a particular job and knowledge of the job profile*

Before attending an interview it is required to go through the profile of the job. A statement showing why this particular job interests the candidate should be prepared even though the organization may not have asked for it. This statement of interest should state as to how the technical knowledge gained so far is going to be used while performing the said job and how the job profile is going to help the candidate in pursuing career goals.

### *Preparation for the interview*

Attending an interview and preparation for it needs full time attention and careful planning.

Brush up your subject and work related knowledge. Focus on areas that you think are your strengths.

In any of the statements try not to be controversial. Answers should be polite but be firm to maintain dignity.

Before answering, please be patient so as to allow the interviewer to finish the question.

At times the interviewers try to provoke one by saying that one does not have requisite experience or knowledge. In such situations calm should be maintained and emphasis should be laid on being a willing learner and that the learning capacity will more than compensate for any lack of knowledge or experience.

Build self confidence. Remember no one can make you feel inferior without your consent.

There may be situations when one does not know answers to most of the questions being asked. In this situation one should remain composed and try to persuade the interviewer to ask questions on the topic that is your strength. Think of a game of cricket where the bowler tricks the batsman to play the ball as per wishes of the bowler.

One may have to be pretentious but please keep in mind that the interviewer has passed through these stages and is dealing with the candidates on a regular basis which puts him or her in a better position to judge the candidate. While facing such situations try to sound reasonable with out being too emphatic on any particular issue.

Answers should be short and crisp but should not leave an impression of being rehearsed, even if that is the case.

There are some commonly asked questions like: tell us about your self, why you want to join this company, how will you add value to the organization, tell us about your weaknesses etc.

Answers should be grammatically correct with due regard to diction and voice modulation.

Please show willingness to join the company but do not show eagerness to jump the wagon.

***Thanks and Letter of thanks***

At the end of interview, before exiting the room, the candidate may request the interviewer to provide the candidate with e-mail address of the interviewer. This request has to be made keeping in mind the overall atmosphere prevailing at the time of interview.

Thank the interviewer for providing an opportunity to meet with them. The candidate should also express that interest of the candidate has increased to join the organization after meeting with the interviewer(s).

Next step is to e-mail a letter of thanks to the interviewer(s).

***Thank the reception desk***

Reception desk of any organization is its link with the outside world. This is the most important point where messages are communicated for further transmission. One of the ways that helps in developing a cordial relationship with the reception desk is to politely thank the persons at the reception desk while leaving the organization after attending the interview.

***Rehearsal before attending the actual interview***

Facing the interview is a practical art and the design of it changes from one situation to the other. This art can not be mastered through theoretical learning. Theory is only supportive in nature.

It is helpful to go by the words of the famous British Entrepreneur – Richard Branson, and those are:

***"You don't learn to walk by following rules. You learn by doing and falling over."***

So the big question is how to simulate the interview that is to say how to create a scenario that is similar to an actual interview but is not an actual interview in itself. If one can create such a scenario it is useful in the sense that it provides a platform for pre rehearsal of an interview. This will also help in lessening the hesitation, make mistakes apparent and give an insight into one's conduct at an interview. It is a practice platform.

***Reflect and introspect***

Any learning process is enhanced when after performing practically; the practical performance is compared with theoretical preparation of the same.

The preparation made to attend interview(s), as described in the previous paragraphs, is tested on the ground only at the time of actual interview. Interview process does not have any prescribed syllabus or curriculum that can be mastered to be successful; an approach that had been, mostly, followed till now for acquisition of formal qualification.

This is the time when a candidate has to switch over from structured theoretical learning to practical presentation of the same.

It is very necessary to judge one's own performance, if one wants to improve it in future. Therefore after every interview, please pause and reflect. This will give an insight of those points where performance could have been better. Also in some of the areas, the interviewer would have liked the performance a lot. A comparison of actual performance with the best desired performance would highlight the strong and weak points.

Always remember the famous saying of Voltaire (a French Enlightenment writer, historian and philosopher) - ***"Perfection is attained by slow degrees; she requires the hand of time."***

A practice to pause, reflect and think over the performance after every interview helps in sharpening the interview skills.

The task of comparing can be a difficult one as there are no hard and fast rules or standard yard sticks that can be applied. What appears to be perfect to one individual may require substantial change from another person's perspective. This may lead to confusion. This confusion can only be cleared through a process of self learning and seeking advice of those who have traveled long enough on this road.

There cannot be a better conclusion but to accept ***that "Challenges are what make life interesting, overcoming them makes life meaningful"***

# Accounting

## Amendments to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Equity Listing Agreement

SEBI has noticed that some listed entities have been framing their own employees benefit schemes wherein Trusts have been set up to deal in their own securities in the secondary market. It is apprehended that some entities may frame such schemes with the purpose of dealing in its own securities with the object of inflating, depressing, maintaining or causing fluctuation in the price of the securities by engaging in fraudulent and unfair trade practices.

In order to address the concerns over acquisition of shares by employee welfare Trusts from the secondary market, it has been decided to prohibit the listed entities from framing any employee benefit schemes involving acquisition of own securities from the secondary market. To implement this decision, some amendments (applicable with immediate effect) are being made in the SEBI (ESOS and ESPS) Guidelines 1999 and Equity Listing Agreement vide circular no CIR/CFD/DIL/3/2013 dated January 17, 2013.

***Equity Listing Agreement***

Certain listing conditions are hereby specified by way of inserting Clause 35C in the Equity Listing Agreement as given below:

"(i) The issuer agrees that all the employee benefit schemes involving the securities of the company shall be in compliance with SEBI (ESOS and ESPS) Guidelines, 1999 and any other guidelines, regulations etc. framed by SEBI in this regard.

(ii) The issuer further agrees that all the employee benefit schemes already framed and implemented by the company involving dealing in the securities of the company, before the insertion of this clause shall be aligned with and made to conform to SEBI (ESOS and ESPS) Guidelines, 1999 by June 30, 2013."

*SEBI* ***(ESOS and ESPS) Guidelines, 1999***

In respect of those companies, which have already framed and implemented before the date of this circular any employee benefit schemes involving dealing in the securities of the company, which are not in accordance with SEBI (ESOS and ESPS) Guidelines, it has been decided that:-

(i) such companies will be required to inform the details of their schemes to the Stock Exchanges within 30 days from date of this circular, in the prescribed format provided.

(ii) such companies shall align any existing employee benefit schemes with SEBI (ESOS and ESPS) Guidelines on or before June 30, 2013.

A new clause 22B has also been inserted after clause 22A in the SEBI (ESOS and ESPS) Guidelines 1999 as given below:

"**Prohibition on acquisition of securities from secondary market:** No ESOS/ESPS shall involve acquisition of securities from the secondary market".

[Source: www.sebi.gov.in]

***(Compiled by CA. Shilpa Aggarwal, BoS)***

## Corrigendum

**CPT Section A: 'Fundamentals of Accounting' Study Material**

CPT students may note that in the October, 2012 edition of the CPT Section A: 'Fundamentals of Accounting' Study Material, in para 6.1 'Accounting Treatment' given at page 9.25 of Chapter 9 Unit 1: 'Issue, Forfeiture and Reissue of Shares', "Miscellaneous Expenditure" should be read as "Other Non-current Asset."

The updated chapter has been hosted on the institute's website www.icai.org>>Students>>BoS Knowledge Portal>>Study Material>>CPT>>SECTION A:FUNDAMENTALS OF ACCOUNTING>> CHAPTER 9 PART 1.

# Accounting

## Requirement of Base Minimum Capital for Stock Trading Member

The BMC (Base Minimum Capital) deposit requirement for stock brokers trading on stock exchange has been prescribed by SEBI to be commensurate with the risks (other than market risk), that the broker may bring to the system. The various technological changes and the increased speeds of trading have brought to fore the greater quantum of risks arising during the course of execution of transactions. In light of this, based on deliberations at various forums, it has been decided to realign the BMC requirements with the risk profiles of the stock brokers / trading members in cash / derivative segment of the stock exchange vide circular no. CIR/MRD/DRMNP/ 36 /2012 dated December 19, 2012 which shall be implemented by March 31, 2013. This circular is being issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Accordingly, the requirement of BMC would be implemented in the following manner:

(i) It shall be enhanced for members holding registration as “stock-broker” in cash segment.

(ii) BMC shall be introduced for members holding registration as “trading member” in any derivative segment.

(iii) Stock brokers / trading members shall maintain the prescribed BMC based on their profiles –

| Categories | BMC Deposit |
|---|---|
| Deposit Only Proprietary trading without Algorithmic trading (Algo) | ₹ 10 Lacs |
| Trading only on behalf of Client (without proprietary trading) and without Algo | ₹ 15 Lacs |
| Proprietary trading and trading on behalf of Client without Algo | ₹ 25 Lacs |
| All Trading Members/Brokers with Algo | ₹ 50 Lacs |

Explanation: The profiling of members may be explained with the following example – A scenario may arise, wherein, a member has registration as a “stock broker” as well as a “trading member” and is engaged as a principal doing proprietary trading on cash segment and is also engaged as an agent and transacting only on behalf of the clients in the derivatives segment.

Further, the member may not have availed facility for algorithmic trading. In such a case, the profile of such a member shall be assessed as “Proprietary trading and trading on behalf of client without Algo”. The applicable BMC deposit for such a member shall be ₹ 25 Lacs.

This BMC deposit requirement stipulated in the above table, is applicable to all stock brokers / trading members of exchanges having nation-wide trading terminals.

(iv) For stock brokers / trading members of exchanges not having nation-wide trading terminals, the deposit requirement shall be 40% of the above said BMC deposit requirements.

(v) The BMC deposit shall be maintained for meeting contingencies in any segment of the exchange. For members having registration for more than one segment of the same exchange, the BMC deposit requirement shall not be additive for such number of segments and shall be the highest applicable BMC deposit, across various segment.

(v) No exposure shall be granted against such BMC deposit. The Stock Exchanges shall be permitted to prescribe suitable deposit requirements, over and above the SEBI prescribed norms, based on their perception and evaluation of risks involved.

(vi) Minimum 50% of the deposit shall be in the form of cash and cash equivalents. The existing guidelines on collateral composition shall continue to remain applicable.

The relevant SEBI circular no SMD/SED/RCG/270/96 dated January 19, 1996 and circular no MRD/DoP/SE/Cir-07/2005 dated February 23, 2005, stand modified suitably. All other relevant provisions shall continue to remain applicable.

*(Source: www.sebi.gov.in.)*

***(Compiled by CA. Shilpa Agrawal, BoS)***

# Corporate Laws

## SEBI's Consultative Paper on review of Corporate Governance norms in India

The Securities and Exchange Board of India (SEBI) to further strengthen corporate governance norms among Indian companies, has released on 4th January, 2013, a consultative paper on review of Corporate Governance norms and is planning to change norms related to Independent Directorships, CEO pay packets, Audit Committees, making Whistle Blower Mechanisms a compulsory requirement and disclosing the same, among others.

All the proposals mentioned in the Companies Bill, 2012, MCA Voluntary Guidelines, 2009 and the MCA - Guiding principles of corporate governance have been perused and necessary reference has been made in the concept paper at relevant places, so that there is no variation with the guiding principles prescribed by MCA. Pending enactment of the Companies Bill, SEBI may prescribe these conditions detailing the governance conditions of the listed companies, which are mostly in line with the principles and text of the provisions of the Companies Bill, 2012. In case of variations, the clause 49 will be revisited on enactment of the Companies Bill, 2012.

The objective of the concept paper is to entice a wider debate on the governance requirement for the listed companies so as to adopt better global practices. While it needs to be ensured that the proposals suggested would not result in increasing the additional cost of compliances by huge margin and that the cost should not outweigh the benefit of listing, at the same time, it is necessary to bring back the confidence of the investors back to the capital market, for channelizing savings into investment, which is the need of the hour.

Though some of these proposals are already provided for in the Companies Bill, 2012 and the Companies Bill is waiting parliamentary nod, it is proposed to advance the implementation of these proposals to listed companies to make them acclimatize to these provisions.

The following are the proposals laid down by the paper:

(i) Appointment of Independent Directors by minority shareholders

(ii) Cumulative voting for appointment of Independent Director

(iii) Formal letter of appointment to Non-Executive Directors and Independent Directors

(iv) Certification course and training for Independent Directors

(v) Treatment of nominee director as Non-Independent Director

(vi) Mandate minimum and maximum age for Independent Directors

(vii) Mandating maximum tenure for Independent Director

(viii) Requiring Independent Directors to disclose reasons of their resignation

(ix) Clarity on liabilities and on remuneration of Independent Directors

(x) Performance evaluation of Independent Director

(xi) Lead Independent Director

(xii) Separate meetings of Independent Directors

(xiii) Restriction on the number of Independent Directorships

(xiv) Separating the position of Chairman and that of the Managing Director/CEO

(xv) Board diversity for better performance

(xvi) Succession Planning to ensure that plans are in place for the orderly succession for appointments to the board and senior management.

(xvii) Development and implementation of risk management policy

(xviii) Internal Auditor should report directly to the Audit Committee or its equivalent

(xix) Mandatory rotation of audit partners

(xx) Making Whistle Blower Mechanism a compulsory requirement

(xxi) Making the Remuneration committee a mandatory one and expanding its scope

(xxii) Enhanced disclosure of remuneration policies

(xxiii) Constitution of Stakeholders Relationship Committee

(xxiv) Mandating e-voting for all resolutions of a listed company

(xxv) Abusive RPTs (Related Party Transactions): Some of the proposals to curb abusive RPTs are as follows:

   a) Requiring approval by shareholders for divestment of major subsidiaries

   b) Immediate and continuous disclosures of material RPTs

   c) Prohibiting/regulating grant of affirmative rights to certain investors

   d) Approval of major RPTs by 'Majority of the minority'

   e) Pre-approval of RPTs by Audit Committee and encouraging them to refer major RPTs for third party valuation.

   f) Approval of Managerial Remuneration by disinterested shareholders

   g) Expanding the scope of Related Party Transactions

(xxvi) Fiduciary responsibility of controlling shareholders

(xxvii) Strengthening Private Sector Enforcement

(xxviii) Improving investor education and awareness for better participation and deliberations at General Meetings

(xxix) Provision for regulatory support to class action suits

(xxx) Role of Institutional Investors

(xxxi) Enforcement for non-compliance of Corporate Governance Norms

SEBI has sought public comments on the subject on or before January 31.

Source: www.sebi.gov.in

***(Compiled by CS. Megha Goel, BoS)***

# Legal Decisions - Income-tax

1. **In case of a house property registered in joint names, whether the exemption under section 54F can be allowed fully to the co-owner who has paid whole of the purchase consideration of the house property or will it be restricted to his share in the house property?**

   ***CIT v. Ravinder Kumar Arora (2012) 342 ITR 38 (Delhi)***

   In the present case, the assessee filed the return of income showing long-term capital gain on sale of plot of land. The assessee claimed exemption under section 54F from such long-term capital gain on account of purchase of new residential house property within the stipulated time period as mentioned in the aforesaid section. He claimed exemption under section 54F taking into consideration the whole of purchase price of the residential house property. However, after going through the purchase deed of the house property, the Assessing Officer found that the said house property was purchased in joint names of assessee and his wife. Therefore, the Assessing Officer allowed 50% of the exemption claimed under section 54F, being the share of the assessee in the property purchased in joint names.

   The assessee submitted that the inclusion of his wife's name in the sale deed was just to avoid any litigation after his death. He further explained that all the funds invested in the said house were provided by him, including the stamp duty and corporation tax paid at the time of the registration of the sale deed of the said house. This fact was also clearly evident from the bank statement of the assessee. The assessee claimed that the exemption under section 54F is to be allowed with reference to the full amount of purchase consideration paid by him for the aforesaid residential house and is not to be restricted to 50%. The Assessing Officer did not deny the fact that whole amount on account of purchace of the house was contributed by the assessee and nothing was contributed by his wife. However, the Assessing Officer opined that exemption under section 54F shall be allowed only to the extent of assessee's right in the new residential house property purchased jointly with his wife, i.e. 50%.

   Considering the above-mentioned facts, the Delhi High Court held that the assessee was the real owner of the residential house in question and mere inclusion of his wife's name in the sale deed would not make any difference. The High court also observed that section 54F mandates that the house should be purchased by the assessee but it does not stipulate that the house should be purchased only in the name of the assessee. In this case, the house was purchased by the assessee in his name and his wife's name was also included additionally. Therefore, the conditions stipulated in section 54F stand fulfilled and the entire exemption claimed in respect of the purchase price of the house property shall be allowed to the assessee.

2. **Can benefit of self-occupation of house property under section 23(2) be denied to a HUF on the ground that it cannot occupy a house property, being a fictional entity?**

   ***CIT v. Hariprasad Bhojnagarwala (2012) 342 ITR 69 (Guj.) (Full Bench)***

   The assessee, being a Hindu Undivided Family (HUF), claimed the benefit of self occupation of a house property under section 23(2). However, the Assessing Officer did not accept the said claim and denied the benefit of self occupation of house property to the HUF arguing that such benefit is available only to the owner who can reside in his own residence i.e., only an individual assessee, who is a natural person, and not to an imaginary assessable entity being HUF or a firm, etc.

   On the above mentioned issue, the Gujarat High Court observed that a firm, which is a fictional entity, cannot physically reside in a house property and therefore a firm cannot claim the benefit of this provision, which is available to an assessable entity who can actually occupy the house. However, the HUF is a group of individuals related to each other i.e., a family comprising of a group of natural persons. The said family can reside in the house, which belongs to the HUF. Since a HUF cannot consist of artificial persons, it cannot be said to be a fictional entity. Also, it was observed that since singular includes plural, the word "owner" would include "owners" and the words "his own" used in section 23(2) would include "their own".

Therefore, the Court held that the HUF is entitled to claim benefit of self-occupation of house property under section 23(2).

3. **Can the repayment of loan by passing mere adjusting book entries by the asseessee be taken to be in contravention of provisions of section 269T to attract penalty under section 271E?**

***CIT v. Triumph International Finance (I.) Ltd. (2012) 345 ITR 270 (Bom.)***

In the present case, the assessee is a public limited company, registered as category-I merchant banker with SEBI, engaged in the business of stock broking, investment and trading in shares and securities. The assessee had taken a loan from the Investment Trust of India. During the previous year in question, the assessee had transferred shares of a company held by it to the Investment Trust of India. Therefore, in the current assessment year, the assessee was liable to pay the loan amount to the Investment Trust of India and had a right to receive the sale price of the shares transferred to Investment Trust of India. In order to avoid the unnecessary circular transfer of shares, both the parties agreed to set-off the amount payable and receivable by way of passing journal entries and the balance loan amount was paid by the assessee by way of an account payee cheque. The amount of loan settled by way of passing journal entries exceeds ₹ 20,000.

The Assessing Officer passed the assessment order levying penalty under section 271E for the contravention of the provisions of section 269T on the argument that since section 269T put an obligation on the assessee to pay loan only by way of an account payee cheque or an account payee draft, the settlement of a portion of the loan by passing journal entry would be a mode otherwise than by way of an account payee cheque or an account payee draft and therefore, the penal provisions under section 271E shall be attracted.

The assessee argued that the transaction of repayment of loan or deposit by way of adjustment through book entries was carried out in the ordinary course of business and the genuineness of the assessee's transaction with the Investment Trust of India was also accepted by the Tribunal. It is a bonafide transaction. The assessee further contended that section 269T mentions that in a case where the loan or deposit is repaid by an outflow of funds, the same has to be by an account payee cheque or an account payee demand draft. However, in case the discharge of loan or deposit is in a manner otherwise than by an outflow of funds, as is the situation in the present case, the provisions of section 269T would not apply.

Considering the above mentioned facts and arguments, the Bombay High Court held that, the obligation to repay the loan or deposit by account payee cheque/bank draft as specified in section 269T is mandatory in nature. The contravention of the said section will attract penalty under section 271E.

The argument of the assessee cannot be accepted since the section 269T does not make a distinction between a bonafide or a non-bonafide transaction neither does it require the fulfillment of the condition mentioned therein only in case where there is outflow of funds. It merely puts a condition that in case a loan or deposit is repaid, it should be by way of an account payee cheque/ draft. Therefore, in the present case the assessee has repaid a portion of loan in contravention of provisions of section 269T.

However, the cause shown by the assessee for repayment of the loan otherwise than by account payee cheque/bank draft was on account of the fact that the assessee was liable to receive amount towards the sale price of the shares sold by the assessee to the person from whom loan was received by the assessee. It would have been mere formality to repay the loan amount by account payee cheque/draft and receive back almost the same amount towards the sale price of the shares. Also, neither the genuineness of the receipt of loan nor the transaction of repayment of loan by way of adjustment through book entries carried out in the ordinary course of business has been doubted in the regular assessment. Therefore, there is nothing on record to suggest that the amounts advanced by Investment Trust of India to the assessee represented the unaccounted money of the Investment Trust of India or the assessee and also it cannot be said that the whole transaction was entered into to avoid tax. This is accepted as a reasonable cause under section 273B.

In effect, the assessee has violated the provisions of section 269T by repaying the loan amount by way of passing book entries and therefore, penalty under section 271E is applicable. However, since the transaction is bona fide in nature being a normal business transaction and has not been made with a view to avoid tax, it was held that the assessee has shown reasonable cause for the failure under section 269T, and therefore, as per the provisions of section 273B, no penalty under section 271E could be imposed on the assessee for contravening the provisions of section 269T.

***Note:*** *In order to mitigate the hardship caused by certain penalty provisions in case of genuine business transactions, section 273B provides that no penalty under, inter alia, section 271E shall be imposed on a person for any failure referred to in the said section, if such person proves that there was* ***reasonable cause*** *for such failure.*

**4. Is the commission paid to doctors by a diagnostic centre for referring patients for diagnosis be allowed as a business expenditure under section 37 or would it be treated as illegal and against public policy to attract disallowance?**

***CIT v. Kap Scan and Diagnostic Centre P. Ltd. (2012) 344 ITR 476 (P&H)***

On the above mentioned issue, the Punjab and Haryana High Court held that the argument of the assessee that giving commission to the private doctors for referring the patients for various medical tests was a trade practice which could not be termed to be illegal and therefore, the same cannot be disallowed under section 37(1), is not acceptable. Applying the rationale and considering the purpose of *Explanation* to section 37(1), the assessee would not be entitled to deduction of payments made in contravention of law. Similarly, payments which are opposed to public policy being in the nature of unlawful consideration cannot also be claimed as deduction. The assessee cannot take a plea that businessmen are entitled to conduct their business even contrary to law and claim deduction of certain payments as business expenditure, notwithstanding that such payments are illegal or opposed to public policy or have pernicious consequences to the society as a whole.

As per the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002, no physician shall give, solicit, receive, or offer to give, solicit or receive, any gift, gratuity, commission or bonus in consideration of a return for referring any patient for medical treatment.

The demanding as well as paying of such commission is bad in law. It is not a fair practice and is opposed to public policy and should be discouraged. Thus, the High Court held that commission paid to doctors for referring patients for diagnosis is not allowable as a business expenditure.

**5. Can *Explanation* to section 11(2) be applied in respect of the accumulation up to 15% referred to in section 11(1)(a), to treat the donation made to another charitable trust from the permissible accumulation upto 15% as income of the trust?**

***DIT (Exemption) v. Bagri Foundation (2012) 344 ITR 193 (Delhi)***

The assessee is a charitable trust registered under section 12AA and recognized under section 80G. The assessee filed the return of income for the previous year declaring nil income. On perusal of the application of income made during the year it was found that donation to the corpus of another trust was made which was much higher than the gross total income declared in the return of income. The source of the excess donation was the accumulation of income of the past made under section 11(1)(a) (i.e., out of permissible accumulation upto 15%) and encashment made out of these accumulations/funds.

The Assessing Officer added the donation made out of the accumulations or the set apart income, applying the *Explanation* to section 11(2) and accordingly, computed taxable income of the assessee.

Considering the above mentioned issue, the Delhi High Court held that, as per the provisions of section 11(1)(a), the accumulations upto 15% is permitted and no additional conditions are attached with such accumulation. It is an absolute exemption.

However, as per section 11(2) accumulations in excess of 15% is also allowed but subject to certain conditions mentioned therein and also subject to provisions of *Explanation* to section 11(2), which mentions that the amount accumulated in excess of 15% under section 11(2) cannot be donated to another trust. Such an explanation is not mentioned under section 11(1). Therefore, the *Explanation* to section 11(2) cannot be said to be applicable to the accumulations under section 11(1)(a) i.e. accumulations upto 15%, unless there is an express mention in the Act for the same.

Therefore, it follows that even if the donations by the assessee to another charitable trust were out of past accumulations under section 11(1)(a) i.e. upto 15%., the same would not be liable to be included in the total income as assessed by the Assessing Officer.

6. **What would be the nature of the repair and reconditioning expenditure incurred on a machine which broke down years ago – Revenue or Capital?**

***Bharat Gears Ltd. v. CIT (2011) 12 taxmann.com 256 (Delhi)***

In the present case, the assessee had machinery which broke down many years back and was not in use. In the current year the assessee got that machinery repaired and reconditioned and claimed that expenditure as “current repairs” i.e., revenue expenditure. The assessee contended that this was neither a case of replacement of asset nor acquisition of a new asset. The defects in the machinery were only being removed and therefore, the expenditure should be treated as current repairs. The Assessing Officer disallowed the claim since the expenditure incurred has given a benefit of enduring nature to the assessee by increasing the useful life of the machinery and therefore, has to be treated as a capital expenditure on which depreciation is allowable.

After considering the above mentioned arguments, the Delhi High Court held that the machinery which was repaired had outlived its utility and huge expenditure was incurred by replacing many vital parts in order to make the same functional. The expenditure was of such nature that it brought into existence a new machinery altogether and consequently, there was a benefit of enduring nature to the assessee even though technically no new asset came into existence. Therefore, the Delhi High Court observed that it is in the nature of capital expenditure on which depreciation can be claimed.

7. **Where the provision for bad and doubtful debts under section 36(1)(viia) relates to rural advances, can deduction for actual write off under section 36(1)(vii) in respect of urban advances be restricted to the amount in excess of the credit balance in the provision for bad and doubtful debts made under section 36(1)(viia)?**

***Catholic Syrian Bank Ltd. v. CIT (2012) 343 ITR 270 (SC)***

As per the provisions of section 36(1)(viia), a scheduled bank can claim deduction in respect of provision of deduction for bad and doubtful debts in respect of its rural advances. Further, as per proviso to section 36(1)(vii), deduction under section 36(1)(vii) in respect of bad and doubtful debts written off shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts created under section 36(1)(viia). The issue under consideration is whether the claim for bad debts under section 36(1)(vii) in respect of urban advances can be restricted to the amount in excess of the credit balance in the provision for bad and doubtful debts made under section 36(1)(viia) in respect of rural advances.

On the above issue, the Supreme Court observed that the deduction on account of provision for bad and doubtful debts under section 36(1)(viia) relating to rural advances of a scheduled bank is distinct and independent of the provisions of section 36(1)(vii), where such bad debts are in respect of urban advances.

In effect, where the provision under section 36(1)(viia) is in respect of rural advances and the bad debts write off under section 36(1)(vii) is in respect of urban advances, the restriction contained in the proviso to section 36(1)(vii) would not apply. The Supreme Court held that in such a case, the benefit of deduction under section 36(1)(vii) in respect of urban advances would be available to the bank, subject to provisions of section 36(2).

***(Compiled by CA. Nidhi Agarwal, BoS)***

# May 2013 Intermediate (IPC) Examinations Paper 4 – Taxation: Some Essentials for Preparation

In order to ensure clarity as regards the applicability of provisions of income tax, service tax and VAT for May 2013 Intermediate (IPC) Examinations, 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 Examinatins**

(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 Examinatins**

| | 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.<br>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.**<br>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.<br>***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.* |

| | Publication | Edition | Objective & Content |
|---|---|---|---|
| | **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. Questions in Practice Manual are adapted/ modified and solved on the basis of the provisions of law as amended 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.<br>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.<br>**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.**<br>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.<br>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.<br>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. |
| (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 30$^{th}$ June, 2012, is the Study Material relevant for May, 2013 examination. However, the significant notifications and circulars issued upto 31$^{st}$ 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 31$^{st}$ October, 2012.**<br>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 -*** *The three volumes of the Study Material and Practice Manual of Intermediate (IPC) Course Paper 4: Taxation, updated on the basis of the amendments made by the Finance Act, 2012, are hosted at the BOS Knowledge Portal on the Institute's website www.icai.org. The Supplementary Study Paper – 2012 for Intermediate (IPC) Course is also hosted at the BOS Knowledge Portal. All these publications are available at the sale counters of the branches and regional offices of the Institute. The RTP for May 2013 Intermediate (IPC) Examination, would be hosted by the first week of February, 2013.*

# May 2013 Final Examination: Some Essentials for Preparation

## 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.<br>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.<br>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.<br>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.<br>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.**<br>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.<br>***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.* |

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| (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.<br>**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.**<br>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.<br>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.**<br>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 | | This publication 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.**<br>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:*** *All the publications mentioned above have also been hosted at the BOS Knowledge Portal on the Institute's website www.icai.org.* | | | |

**The Institute of Chartered Accountants of India**
*[Set up under an Act of Parliament]*
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New Delhi-110002

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

**NOTIFICATION**

**2nd January, 2013**

No.13-CA (EXAM)/CPT/ June/2013: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to notify that the **Common Proficiency Test (Paper- Pencil Mode)** will be held on **Sunday, 16th June, 2013** in two sessions as below, at the following centres provided that sufficient number of candidates offer themselves to appear from each centre.

[This Common Proficiency Test will be conducted as per provisions of Regulation 25 D (3) of the Chartered Accountants Regulations, 1988 and the syllabus as published in the pages 291-293 of the Journal 'The Chartered Accountant' August 2006 issue and pages 12-13 of Chartered Accountants Students' Newsletter August 2006 issue.]

| | |
|---|---|
| **First Session (i.e. Morning Session)** | **10.30 AM to 12.30 PM (IST)** Section - A Fundamentals of Accounting Section - B Mercantile Laws |
| **Second Session (i.e. Afternoon Session)** | **2.00 PM to 4.00 PM (IST)** Section - C General EconomicsSection - D Quantitative Aptitude |

**EXAMINATION CENTRES (IN INDIA) :**

| | | | | | |
|---|---|---|---|---|---|
| 1 | AGRA | 49 | GURGAON | 97 | PATNA |
| 2 | AHMEDABAD | 50 | GUWAHATI | 98 | PATIALA |
| 3 | AHMEDNAGAR | 51 | GWALIOR | 99 | PIMPRI-CHINCHWAD |
| 4 | AJMER | 52 | HISAR | 100 | PONDICHERRY |
| 5 | AKOLA | 53 | HUBLI | 101 | PUNE |
| 6 | ALAPPUZHA | 54 | HYDERABAD | 102 | RAIPUR |
| 7 | ALIGARH | 55 | INDORE | 103 | RAJAMAHENDRAVARAM |
| 8 | ALLAHABAD | 56 | JABALPUR | 104 | RAJKOT |
| 9 | ALWAR | 57 | JAIPUR | 105 | RANCHI |
| 10 | AMBALA | 58 | JALANDHAR | 106 | RATLAM |
| 11 | AMRAVATI | 59 | JALGAON | 107 | REWARI |
| 12 | AMRITSAR | 60 | JAMMU | 108 | ROHTAK |
| 13 | ANAND | 61 | JAMNAGAR | 109 | ROURKELA |
| 14 | ASANSOL | 62 | JAMSHEDPUR | 110 | SAHARANPUR |
| 15 | AURANGABAD | 63 | JODHPUR | 111 | SALEM |
| 16 | BANGALORE | 64 | KAKINADA | 112 | SAMBALPUR |
| 17 | BAREILLY | 65 | KANPUR | 113 | SANGLI |
| 18 | BATHINDA | 66 | KARNAL | 114 | SATARA |
| 19 | BEAWAR | 67 | KISHANGARH | 115 | SHIMLA |
| 20 | BELGAUM | 68 | KOLLAM | 116 | SIKAR |
| 21 | BELLARY | 69 | KOLHAPUR | 117 | SILIGURI |
| 22 | BERHAMPORE | 70 | KOLKATA | 118 | SIRSA |
| 23 | BHAGALPUR | 71 | KOTA | 119 | SIVAKASI |
| 24 | BHARAUCH | 72 | KOTTAYAM | 120 | SOLAPUR |
| 25 | BHAVNAGAR | 73 | KOZHIKODE | 121 | SONEPAT |
| 26 | BHIWANI | 74 | KUMBAKONAM | 122 | SRI GANGANAGAR |
| 27 | BHILWARA | 75 | LATUR | 123 | SURAT |
| 28 | BHOPAL | 76 | LUCKNOW | 124 | SURENDRANAGAR |
| 29 | BHUBANESWAR | 77 | LUDHIANA | 125 | THANE |
| 30 | BHUJ | 78 | MADURAI | 126 | THIRUVANANTHAPURAM |

| | | | | | |
|---|---|---|---|---|---|
| 31 | BIKANER | 79 | MANGALORE | 127 | THRISSUR |
| 32 | BILASPUR | 80 | MAPUSA (GOA) | 128 | TINSUKIA |
| 33 | CHANDIGARH | 81 | MARGAO (GOA) | 129 | TIRUCHIRAPALLI |
| 34 | CHENNAI | 82 | MATHURA | 130 | TIRUPATI |
| 35 | COIMBATORE | 83 | MEERUT | 131 | TIRUPUR |
| 36 | CUTTACK | 84 | MORADABAD | 132 | TUTICORIN |
| 37 | DEHRADUN | 85 | MUMBAI | 133 | UDAIPUR |
| 38 | DELHI/NEW DELHI | 86 | MUZAFFARNAGAR | 134 | UDUPI |
| 39 | DHANBAD | 87 | MYSORE | 135 | UJJAIN |
| 40 | DUNDLOD | 88 | NAGPUR | 136 | VADODARA |
| 41 | DURG | 89 | NANDED | 137 | VAPI |
| 42 | ERNAKULAM | 90 | NASHIK | 138 | VARANASI |
| 43 | ERODE | 91 | NELLORE | 139 | VELLORE |
| 44 | FARIDABAD | 92 | NOIDA | 140 | VIJAYAWADA |
| 45 | GANDHIDHAM | 93 | PALGHAT | 141 | VISAKHAPATNAM |
| 46 | GHAZIABAD | 94 | PALI MARWAR | 142 | YAMUNA NAGAR |
| 47 | GORAKHPUR | 95 | PANIPAT | | |
| 48 | GUNTUR | 96 | PANVEL | | |

**Overseas Centres** :- (1) ABU DHABI (2) DUBAI (3) BAHRAIN (4) DOHA (5) KATHMANDU

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

Applications for admission to Common Proficiency Test is required to be made in the relevant prescribed form as contained in the Information Brochure, which may be obtained from the **Additional Secretary (Examinations)**, The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi – 110 002 on payment of Rs. 1000/- (Rs.500/- towards examination fee and Rs. 500/- towards cost of application form and Information brochure) per application form. The fee for candidates opting for Abu Dhabi, Dubai, Doha and Bahrain centres will be US $160 (US $ 150 towards examination fee and US $ 10 towards cost of application form and information brochure) or its equivalent Indian Currency. The fee for the candidates opting for Kathmandu centre are required to remit INR.1350/-(INR 850/- towards examination fee and INR 500/- towards the cost of application form and information brochure) or its equivalent foreign Currency. Since the cost of Information brochure containing Common Proficiency Test application form includes the examination fee, no separate fee is required to be remitted at the time of submitting the filled in application form. The Information brochure containing Common Proficiency Test application form will also be available in the Regional and Branch Offices of the Institute and can be obtained there from on cash payment on or from **3rd April, 2013.**

Common Proficiency Test application forms duly filled in may be sent so as to reach the **Additional Secretary (Examinations)** at New Delhi not later than **24th April, 2013.** Applications received after **24th April, 2013** shall not be entertained under any circumstances. Applications duly filled in will be received by hand delivery at the offices of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Ahmedabad, Bangalore, Hyderabad, Jaipur and Pune upto **24th April, 2013**. Candidates residing in these cities are advised to take advantage of this facility. **It may be noted that there is no provision for acceptance of application forms after 24th April, 2013 with late fee.**

The candidates who fill up the examination application form **online** at http://icaiexam.icai.org from **3rd April, 2013 (10.00 hrs) to 24th April, 2013 (17.30 hrs)** and remit the fee online by using either VISA or MASTER Credit/ Debit Card **shall not be charged Rs. 500/-** (i.e. cost of application form fee) in order to popularize filling-in of application form online.

**Common Proficiency Test (CPT) is open only to those students who are already registered with the Institute of Chartered Accountants of India for the said course on or before 2nd April, 2013 and fulfill the requisite eligibility conditions**.

## QUESTION PAPER BOOKLET LANGUAGE:

Common Proficiency Test will be an objective type multiple choice questions based examination. Candidates will be allowed to opt for Hindi medium Question Paper Booklet for answering the questions. Detailed information will be found given in the Information brochure.

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

# Surmounting the Odds

The dream of a lifetime materialized for Prema Jayakumar, when the 24-year-old topped the All India Chartered Accountancy Final Examination in her first attempt. Prema, whose father drives an auto for a living, is now determined to use the milestone as a stepping-stone towards providing her parents with a life of comfort.

*Prema Jayakumar with her father, Jayakumar Perumal in their auto rickshaw*

Residing in a crammed one-room chawl in suburban Malad in Mumbai with her parents and brother, the 24-year-old said, she was ecstatic to have secured the first rank in the examination conducted in November 2012 by the Institute of Chartered Accountants of India.

Prema's four-member family squeezes itself into a 300 sq ft room in S B Khan Chawl, Malad. Beaming over her success, she said, "The day I start working, I will ensure that my father can rest at home. He has always toiled for my welfare." Prema, who outshone her peers in academics since her school days, scored a remarkable 607 on 800 in the Final Examination.

This is not her first stint on a toppers' list. She scored 90 per cent in her Third Year B Com examination from the University of Mumbai, standing second. Prema said that she owed a debt of gratitude for the professors at her college, who had worked hard with her. The graduate from Nagindas Khandwala College also completed her M Com from the University of Mumbai.

*Prema Jayakumar with her parents and her brother Dhanraj and younger sister at their 300 sq ft room in S B Khan Chawl, Malad.*

While achieving her own personal goals, Prema has also been a guiding force for her 22-year-old brother Dhanraj, who also cleared his CA examination with his sister in his first attempt.

"We registered together with the Institute of Chartered Accountants of India and appeared for the examination in November 2012, Prema said. My brother completed his B.Com in 2010. But he started studying for the CA examination after his Higher Secondary Course. He managed to gather registration fees for the examination by working at a call centre while completing his degree course."

After completing her B Com in 2008, Prema appeared for the Common Proficiency Test (CPT) entrance in December 2008. In November 2009, she cleared both groups of the Integrated Professional Examination (IPCE), which made her eligible for the articleship. The stint made her eligible for her CA final."

While sharing the tips for success in one of the toughest professional examinations in the country, Prema said, "I have noticed that people fail their CA examinations many times. We used to study from 7.30 am till 12 midnight. We used to rest at night. Sleep is very important when you are studying hard the whole day. If the person doesn't rest adequately then exhaustion will hamper preparations. We used to take a single break for lunch. We used to watch TV for half an hour before going to bed, just to relax.

**(Compiled by the Editorial Support Team)**

**IPC-E-LEARNING**

*ICAI President, CA. Jaydeep Narendra Shah, Vice President, CA. Subodh Kumar Agrawal and Past President, CA. G. Ramaswamy with other Central Council Members on the occasion of the inauguration of IPC-E-Learning in the Council Hall of ICAI, New Delhi.*


**Students' Convention, Bhubaneswar**

*ICAI President, CA. Jaydeep Narendra Shah, Sri S.K.Srivastava, Chief Commissioner of Income Tax, Odisha, Dr. Chandra Sekhar Kumar, Commissioner and Secretary, Employment, Technical Education & Training, Govt. of Odisha and Shri Vijay Kapur, Director, Board of Studies paying Respect to the ICAI Moto.*

**Foundation Stone Laying, Raipur**

*ICAI President, CA. Jaydeep Narendra Shah with CA. Manoj Fadnis and CA. Anuj Goyal, Central Council Members on the occasion of Foundation Stone laying ceremony of ICAI Bhawan, Raipur.*


**Students' Convention, Mumbai**

*CA. Nilesh S. Vikamsey, Chairman, Board of Studies, ICAI at the Special Session in Mumbai.*


**Students' Convention, Coimbatore**

*CA. G. Ramaswamy, Past President, ICAI, Shri Vijay Kapur, Director, Board of Studies, ICAI at the inaugural ceremony.*

**Students' Conference, Rajkot**

*CA. Mahesh Sarda, Central Council Member, ICAI addressing the Students.*

RNI No. 66180/97

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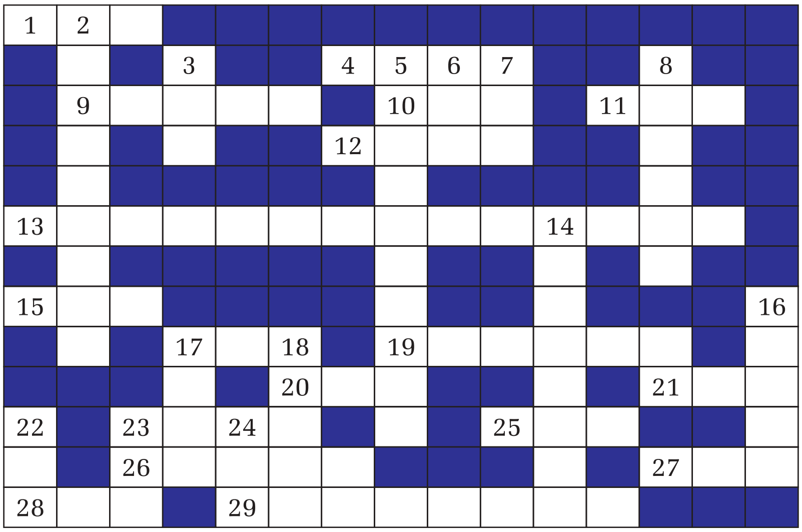
Date of Publication: 26.01.2013

# CROSSWORD




**ACROSS**

1. ______ port" means that the seller pays for transportation of the goods to the port of shipment, plus loading costs.
4. ______ has been deferred to be effective from A.Y. 2016-17.
9. SA 299 is on Responsibility of________Auditors.
10. An outsourcing that involves the contracting of the operations and responsibilities of specific business functions to a third-party service provider.
11. The threshold limit for tax audit under section 44AB is Rs. ______ crore from financial year 2012-12.
12. A macroeconomic model that demonstrates the relationship between interest rates and real output in the goods and services market and the money market.
13. The _____ theory of ethics is based on maxim 'Greatest happiness of the greatest number".
15. An estimate of a firm's economic profit – being the value created in excess of the required return of the company's investors.
17. The deductions with respect to _____ are eligible under Section 10(13A) of the Income Tax Act.
19. A student who is undergoing supervised practical training.
20. ____ replaced the League of Nations in 1945.
21. The amount of tax getting deducted from the person (Employee/Deductee) by the person paying (Employer/Deductor).A software application for searching files stored on a local area network or a hard disk
23. Organisation of six eastern African countries focused on their development initiatives.
25. A costing methodology that identifies activities in an organization and assigns the cost of each activity with resources to all products and services according to the actual consumption by each.
26. In the _____network, communication moves in the line of hierarchy of management.
27. A Latin expression meaning "and other things" or "so on".
28. Compressed Natural ____ is a fossil fuel substitute for gasoline (petrol), Diesel fuel, or propane/LPG.
29. _____Costing implies the use of pre-determined levels of price and performance as the standard.

**DOWN**

2. 'Framework for the Preparation and Presentation of Financial Statements' deals with the _____ of financial statements.
3. Every existing company must obtain__________ for compliance of MCA 21 project.
5. _______Costing is a basic cost accounting method in which fixed factory overhead is added to inventory.
6. An interactive array-oriented language in computers.
7. ____ is a class of storage medium used in computers and other electronic devices.
8. For claiming deduction u/s 54 EC, one must ____ in RECL or NHAI Bonds within 6 months.
14. Due date for filling return of income, in the case of an assessee who is required to furnish a report referred to in section 92E is 30th ______ of the assessment year.
16. ________Standard is never altered once established.
17. When rate of return on savings is ____, people tend to save more.
18. An_______Trail refers to a situation where it is possible to relate 'one-to-one' basis, the original input along with the final output.
22. A lead – ____ effect, especially in economics, describes the situation where one leading variable is correlated with the values of another variable at later times.
23. ____is the use of a device with Internet access such as 3G cellular service, broadband via Ethernet, or other Internet gateway as an access point for other devices.
24. _____Board of the ICAI formulates Engagement Standards, Standards on Quality Control and Statements on Auditing so that these may be issued under the authority of the Council of the ICAI.

If undelivered, please return to:
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ICAI Bhawan, Indraprastha Marg
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