



# The Chartered Accountant Student

Your Monthly Guide to the CA News, Information & Events

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

STUDENTS' JOURNAL

June 2014 Vol SJ6 Issue 06

Pages 36

**Women** on  
Corporate  
Boards in India





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**Board of Studies**

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

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

Non-receipt of Students' Journal  
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**Head Office**

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

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#### Annual Subscription Rates:

|                  |         |     |                    |
|------------------|---------|-----|--------------------|
| CA Students      | : ₹     | 200 | Total Circulation: |
| Members & Others | : ₹     | 500 | 400,716            |
| Overseas         | : US \$ | 100 |                    |

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**Editor: CA. M. Devaraja Reddy**

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

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## President's Communication

Dear Students,

Warm Greetings to you

This edition of the Students' Journal would reach you in the middle of May 2014 Examinations. I sincerely hope

that you all must have performed well in the papers that you have already given. Prepare well and remain focused for the remaining papers. Once you complete all your papers, take a small break to relax. I wish and sincerely pray for better results for each one of you.

### Review and Introspection

Review and introspection is very essential for future accomplishments. I would like to advise you all to go for a thorough introspection about your performance in the examination. This will help you to take a stock on the areas, where you have lacked and take corrective measures.

### Start your preparations now

Those who are completing Intermediate and enrolling for Final should start their preparation for the subjects of Final Course in the right earnest. Those who have not fared well in the examinations and consequently not very hopeful of positive results should also continue to keep in touch with their subjects rather than waiting for the results to resume their studies. Quite a few students lose precious time on this count. They should also study the subsequent developments concerning Taxation and the amendments in Corporate Laws and the Institute's pronouncements like Statements and Standards, Guidance Notes, which are relevant for November 2014 Examinations.

### Utilize the Institute's inputs to the maximum

Providing our students with the best quality learning inputs is our priority. In addition to the printed materials, the Institute made available **Mobile enabled e Learning** and **Video on Demand Lectures** to the students across the country including those who live in far flung and in accessible areas. I would like to advise the students to make good use of the e Learning facilities such as the e Learning DVDs for CPT, Intermediate (IPC) Group-I and Group- II and Final (Group-I and Group-II) offering chapter wise study material, Practice Manual, e Lecture, self Assessment Quiz etc.

### Examination- New initiatives

I am happy to share with you that, as a green initiative, students will be provided certified copies of their answer books in soft copies. This will enable the students to view their answer books at their convenience. Another initiative is that the students after submission of their

examination forms can now correct their particulars and option of changing examination centre, group and medium opted etc. through a "Correction Window". Students can also communicate online with the Examination Department for making corrections in the examination forms.

### Applicability of Companies Act

For November 2014 final examinations, notified sections of Chapter IX, "Accounts of Companies" and Chapter X, "Audit and Auditors" of the Companies Act, 2013, along with the related Rules are also applicable in addition to 45 sections of the Companies Act, 2013 as announced earlier. For May 2015 examinations, the relevant sections of the Companies Act, 2013 notified till 30th September, 2014 would be applicable. Pursuant to the enactment of the Companies Act, 2013, the syllabi of certain papers have been revised comprehensively. The related announcements have been hosted on the Institute's website.

### Sharpen your Soft Skills

The Institute is fully aware of its responsibility to provide highest form of professional education to its students. We have been taking a lot of proactive measures for the overall development of the students especially in the area of soft skills development. The four-week's Residential Programme on Professional Skills Development has been very successful in developing the soft skills of our students. I am happy to share with you that the Institute has decided to revive the four-week's programme at the National Institute of Financial Management, Faridabad also.

### Practical Training makes you Perfect

I strongly believe that the practical training that you undergo during the course, mould you as a thorough accounting professional. It also opens you the door to a vast range of exciting career opportunities, in every sector of business and finance, both within the country and abroad. The practical knowledge and the skills that you acquire from your respective Principals during Articleship will definitely help you to become successful in the realm of accounting profession. I would suggest you to read the article series on Practical Training published in the Students' Journal on regular basis. I hope that the article on "**Effective Practical Training: Foundation for Professional Excellence**" appearing in the upcoming pages of this edition, would be very useful for you all.

Wish you all the best for your success

Yours sincerely

*K. Raghu*

CA. K. Raghu  
President,  
The Institute of Chartered Accountants of India



## Vice President's Communication

### My Dear Students,

A few more days are left for the completion of May 2014, examinations. I sincerely believe that those of you who are taking these examinations are putting in best and writing well. My best wishes to you for outstanding results. After appearing in the examinations, while you must take a leisurely break, you should not allow it unnecessarily cut into your precious time. You must get back to studies at the earliest and utilize your time wisely in a productive manner. This interval period is also ideal time for you to review and redefine your goals. You can also introspect on what you have achieved as a student of Chartered Accountancy so far and to what extent you have advanced towards achieving your targets. As Napoleon Hill rightly said ***"Whatever the mind of man can conceive and believe, it can achieve"***.

Dear students, you will agree with me that the road to success is not always a smooth one. When our plans are well executed, we succeed in what we want to accomplish. Remember, with strong determination and firm will to continue against all odds and with faith in ourselves, we can easily succeed.

As you know, the role of chartered accountants has significantly evolved over the past few decades. The traditional accountant is now a solid business confidant and strategist. Organizations are increasingly appreciating the contribution that a finance professional can bring in to the overall management of businesses. The Chartered Accountancy course prepares you in a comprehensive manner. It provides a holistic understanding of a number of varied subjects much more than the core areas of accounting, auditing, taxation and finance.

Once you become a Chartered Accountant, you will find a number of varied, involving and interesting tasks in your day-to-day professional life. Your knowledge base should be sound and strong to face the challenges you come across. The importance of the knowledge of a CA is being increasingly acknowledged world over. In your chosen field of

Chartered Accountancy, you need to remain abreast with the contemporary developments. Continuous learning and constant innovation are the tools, which will help you forge ahead.

The Institute has always been proactive in its approach towards the all round development of our students. Here I would like to mention the importance of practical training. The three years of practical training that you undergo, is a well designed platform for you to develop yourself. This period is also helping you to build a strong foundation for a wonderful and successful professional career ahead. The practical knowledge that you gain during this period will definitely help you to excel in your profession and render valuable services to the organizations you work for and the society in general. To quote former president of India – Fakhruddin Ali Ahmed ***"The Chartered Accountants by virtue of their qualifications, experience and training can render valuable services in these difficult times in areas which are vital to economic and industrial growth."***

You should also make use of the opportunities and facilities that are being extended by the Institute. The Board of Studies is organizing a number of conventions and conclaves throughout the country in coming months. A national Convention for CA Students is scheduled in Jaipur on 26<sup>th</sup> and 27<sup>th</sup> of June. I exhort all of you to attend these programmes in large numbers and reap their benefits. You will have the rare opportunity of interacting with a galaxy of professionals. Apart from listening to deliberations, such programmes also provide you opportunities to share your experiences with others. Besides you are also able to develop new relationships. You can also present papers and participate in debates. This will help you to develop oratory skills and remove your stage fright.

Best wishes for a successful future.

Yours sincerely,

CA. Manoj Fadnis

Vice President

The Institute of Chartered Accountants of India



## Chairman's Communication

Dear Students,

The issue would reach when some of you would be busy with your May 2014 examinations. So firstly I would wish you all the very best for ongoing examinations. The time is precious and the pressure would be immense but with hard work and strength, storms can be faced and rocks can be crumbled. I hope you face the examinations with confidence and aplomb and come out with flying colors. As **Swami Vivekananda** says "**Great work requires great and persistent effort for a long time. Character has to be established through a thousand stumbles**". Remember, to achieve success in life you should have an optimistic approach and willingness to put in lots of hard and sincere work.

I am happy to share with you that the **e learning facility** of the Board of Studies (BOS) which was initiated last year has proved useful for thousands of students. Encouraged by the positive response from students, the BOS has thought of further improving this facility. It has recently initiated the work of making **video lectures** for the practical subjects. We have tried to rope in good lecturers for these lectures and the recording of these lectures is already going on. So in few months you all will be able to view the video lectures by just a mouse click and utilize your time effectively. The BOS also organizes **Live Webcasts** on ICAI's TV by different faculty members and professionals from time to time to enrich your knowledge on important topics, various amendments and latest updates. It is my earnest advice that you should view these Webcasts live and enhance your knowledge. If you happen to miss a webcast, make sure you watch its recording as these are available on Institute's website.

Most Importantly, I would like to advise you to take your **Practical Training** seriously. Many of you may not appreciate the significance of practical training. It is in fact, a very important part of your CA curriculum. No other professional course in the country gives you hands on training for full three years. Articleship surely gives you the chance of

looking at all the areas of practical world from very close quarters. The 36 months that you spend with an articleship firm as an articulated trainee lay the foundation of a successful career ahead. During this period you learn to apply theoretical knowledge to practical situations. It gives you an interface with the industry and gives you an opportunity to develop into well rounded personality. Being exposed to a variety of areas – accounts, taxation, auditing, finance etc., you get a broader perspective of the real business world. Moreover, such experience certainly comes handy while answering questions in the CA examinations. Another important advantage of practical training is that it helps you inculcate professional values, ethics and attitudes. Training in ethics and values cannot be taught merely through theoretical instructions but has to be inculcated and imbibed through practical training. Therefore, my advice to you is to take the practical training very seriously; I assure you that you will immensely benefit from this.

The Council has decided to do away with collection of registration fee from students suffering from **permanent disability** of 50 per cent and above. However, such students shall be required to enclose the copies of the certificates issued by the Govt. Hospital duly attested by specified authorized persons.

The **Four Weeks Residential Programme** which is very famous amongst students had the handicap of limited seats. To overcome this, it has been decided to commence Four Weeks Residential Programme in **National Institute of Financial Management (NIFM)**, Faridabad. The programme structure, contents and duration will be same as followed in the Four Weeks Residential Programme, Centre of Excellence (CoE), Hyderabad. So those of you who reside in NCR will now have an opportunity to join the course at your nearby place and avail the maximum benefit.

Wishing you strength and success in life.

Yours Sincerely

**CA. M. Devaraja Reddy**  
**Chairman, BOS**

# Women on Corporate Boards in India

\*Prof. J. P. Sharma

\*\*Gunjan Khanna

## Abstract

Many proposals for governance reforms explicitly stress the importance of 'gender diversity' in the boardroom. It has been observed that in India despite increase in women's education and participation in labour force, representation of women on corporate boards is significantly low as compared to men. Studies that have been carried out so far in reference to the position in India provide a very miserable outlook about women representation on corporate boards. The present study reveals that out of 387 directors on the corporate boards of top 30 BSE-Sensex companies in the year 2011-2012, only 23 are women. There is thus a need to understand as to why many women in corporate sector in India do not make it to the top and to raise awareness of 'gender diversity' at board level as a business concern. Recommendations which could increase the 'gender diversity' on corporate boards include: no one size fits all approach; proactive leadership; top down and bottom up commitment; support labour market participation of women; conduct a self-assessment by companies; increase disclosure and accessibility of diversity data; support public policy and cultivate relationships with diverse communities; equal employment opportunity; internal diversity initiatives; external diversity initiatives; dedicate resources; promote a healthy work-life balance; balanced board composition; corporate commitment; outside the box thinking. An attempt in this paper has been made to throw some light on all such issues.

**Keywords:** Gender Diversity, Women on Board, Corporate Governance, Companies Bill 2012

## Introduction

Women on corporate boards need to be reinforced not only for the sake of creating more equality *per se*, but as a way of improving the Corporate Governance practices in India. The key Indian corporate laws e.g. the SEBI Act 1992, the SCRA, 1956 and the Companies Act, 1956, have no provisions on 'gender diversity'. On the contrary, a large number of countries have incorporated provisions on 'gender diversity' in their corporate laws. Yet, the recently passed Companies Act, 2013 proposes that prescribed class or classes of companies in India should have atleast one women on the Board. Explaining the impact of women on

corporate governance, Kramer; Konrad; Erkut<sup>1</sup> in their publication "critical mass on corporate boards: why three or more women enhance governance" stated, having a critical mass of women directors is good for corporate governance in at least three ways:



- 1) The content of boardroom discussion is more likely to include the perspectives of the multiple stakeholders who affect and are affected by company performance, not only shareholders but also employees, customers, suppliers and the community at large.
- 2) Difficult issues and problems are considerably less likely to be ignored or brushed aside, which results in better decision making.
- 3) The boardroom dynamics is more open and collaborative, which helps management hear the board's concerns and take them to heart without defensiveness.

## International Perspective

Countries around the world are making efforts to increase the representation of women on corporate boards. These efforts have broadly fallen into three distinct approaches: legislation, regulation and voluntary methods described as follows:

**Iceland:** In June, 2009 Corporate Governance guidelines of Iceland recommended that the nominating committee should address gender ratios on the company's board. Companies have to comply or explain the reasons for not complying.<sup>2</sup>

**Finland:** Recommendation 9 of the 2010 Finnish Corporate Governance Code for listed companies' provides both genders shall be represented on the board Companies. As on January the 1<sup>st</sup>, 2010 all listed companies have been required to have at least one man and one woman on the board. There are no penalties for non-compliance beyond the need to explain why the target has not been met.

The authors are

\* Professor & Head, Department of Commerce, Delhi School of Economics, Delhi University.

\*\* Assistant Professor, Lakshmi Bai College, Delhi University.

*Strive not to be a success, but rather to be of value. – Albert Einstein*

**Sweden:** Section 4.1 of the Swedish code of Corporate Governance 2010 provides the board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for equal gender distribution on the board. The company must report in their Corporate Governance report if the rule is not followed, along with an explanation of what action was taken instead of following this particular rule.

**Norway:** Norway is the pioneer when it comes to setting binding gender targets for company boards. The relevant law was adopted in December 2003, which set out the target of 40% representation of both genders among board members. As per the Norwegian Public Limited Liability Companies Amendment Act, on boards consisting of two or three members, both men and women shall be represented; on boards consisting of four or five members, both genders shall be represented with at least two members each; on boards consisting of six to eight members, both genders shall be represented with at least three members each; on boards consisting of nine members, both genders shall be represented with at least four members each; and if the board consists of more than nine members each gender shall be represented by at least 40% each. Initially the companies were given a chance to meet that target on a voluntary basis, but since the voluntary measures did not result in much progress, the requirements were made obligatory as of January the 1<sup>st</sup>, 2006. The rules now apply to boards of all public limited companies, as well as a range of other companies, including state and municipality owned companies, and cooperative companies. The rules regarding the composition of the board are enforced according to general enforcement rules of company legislation, on equal footing with other requirements such as those for bookkeeping or accounting and through the normal control procedures of the Register of Business Enterprises.<sup>3</sup> Public limited companies had until January the 1<sup>st</sup>, 2008 to meet the requirements. The final consequence for non-compliance is dissolving the company, but no public limited company has been dissolved by a court order on account of the gender quotas till date.<sup>4</sup>

**Denmark:** The relevant provisions on 'gender diversity' have been in force since 1990. Section 11 of the Danish Gender Equality Act stipulates that boards in state-owned companies should, 'as far as possible', have an equal gender balance. According to Section 12 of that Act ministers and authorities that are empowered to suggest a member of a board are obliged to suggest a man and a woman for each post. The competent minister has a duty to report on the gender composition of the boards every third year.<sup>5</sup> Effective April the 1<sup>st</sup>, 2013, legislation will require a broad

group of companies to work actively toward gender equality. The boards of Danish companies with publicly listed shares or debt, large non-listed companies and limited liability companies owned by the government, and governmental institutions will be required to set a target for the under-represented gender on the board as well as to adopt a policy for increasing the underrepresented gender on the broader management of the companies.<sup>6</sup>

**Netherlands:** In the Netherlands, the relevant rules were adopted by means of a law amending the Civil Code. The amended Civil Code now obliges public limited companies and private limited companies to strive for a balanced representation of members of each sex on the company's management board and on the supervisory board. The law defines a 'balanced representation' as having at least 30 % representation of each sex on the board. This norm only applies to larger private and public limited companies. The requirement is not mandatory; rather, the "comply or explain" principle holds.

**Germany:** There are currently no gender quotas for women on supervisory or management boards. The government has discussed setting an aim of 30% representation by 2018.

**Belgium:** In Belgium law on gender diversity (minimum one-third male directors and one-third women directors) was approved on July the 28, 2011 that was made effective from September the 14, 2011. For some state-owned companies, the same rule was made applicable from the year 2012. Members of boards that do not reach the quota will lose the benefits that come with their jobs.<sup>7</sup>

**Luxembourg:** Luxembourg October, 2009 Corporate Governance Guidelines provides that the process of the appointment of directors should be sensitive to gender representation and in the case of non-compliance, proper explanation should be given. Further Div Biz, a new network on decision making was launched on October the 24th, 2011, which is aimed at actively promoting a better gender representation in management positions in the private sector.<sup>8</sup>

**France:** Quotas for women on big companies were introduced and are effective from January the 1<sup>st</sup>, 2017.<sup>9</sup> The proportion of women and men directors as per the provisions should not be below 40% in (1) companies whose shares are admitted to trading on a regulated market and (2) non-listed companies with revenues or total assets over €50 million employing at least 500 persons for three consecutive years; when the board includes eight directors or less, the difference between the numbers of directors of each gender should not be higher than two; any irregular director appointment means that no directors' fees can

be paid to anyone until the situation is regularized. During the transitional period to January the 1<sup>st</sup>, 2017, such companies whose shares are admitted to trading on a regulated market have to: reach a first step of 20% by the first AGM following January the 1<sup>st</sup>, 2014; appoint at least one board member of the other gender at the first AGM held after January 2011, appointing a director if a gender is not represented at the board as at the date the law was enacted.

**Italy:** The Law “Gender Balance on the Boards of Listed Companies,” became effective from August the 12<sup>th</sup>, 2011, which provides that the allocation of directors to be elected is carried out according to a policy that ensures balance between the sexes. The less represented gender must obtain at least a third elected representatives. This criterion of allotment applies for three consecutive terms. In the case of non-compliance, an administrative fine ranging from € 100,000 to € 1,000,000 shall be imposed and the members elected shall be removed from charge. A specific regulation was adopted in October 2012, by decree of the President of the Republic, to oversee compliance of state-owned companies with the law. The new rules require companies to change their statutes to ensure gender balance, which is considered reached when women comprise at least one-fifth of the elected members of the board of directors and statutory auditors. The percentage increases to one-third after directors’ first term. This requirement becomes effective on the first renewal of the corporate bodies following the entry into force of the regulation for three consecutive terms. This regulation is effective from February the 12<sup>th</sup>, 2013.<sup>10</sup>

**Spain:** On March the 22<sup>nd</sup>, 2007, the Spanish Parliament approved the “Law of Equality,” which recommends listed companies to appoint women up to 40% of all board seats. This law will be applicable to publicly traded companies with 250+ employees. Companies are allowed until 2015 to comply. While no penalties will apply for non-compliance, the Spanish Government has pointed out that it will take compliance into consideration when assigning certain public subsidies and contracts. The CNMV, Spain’s financial securities regulator, recommends that women with appropriate business backgrounds should be considered when appointing new directors. Companies that do not comply with this recommendation must provide an explanation.<sup>11</sup>

**Austria:** The Austrian Council of Ministers implemented a quota for supervisory boards on March the 15, 2011. The quota applies to companies in which the state’s ownership equals or exceeds 50%. Companies meeting this criterion are required to have 25% of their boards represented by women by 2013, increasing to 35% by 2018.<sup>12</sup>

**European Union:** Women account for around 45% of the people employed across the European Union.<sup>13</sup> The key indicator of gender representation on corporate boards in the EU shows that the proportion of women involved in top-level business decision-making remains very low, although there are small signs of progress. In January 2012, women occupied on average just 13.7% of board seats of the largest publicly listed companies in EU Member States.<sup>14</sup> Among the European countries, Norway has the greatest number of women directors, having 42% women serving on boards.<sup>15</sup> The European Union (EU) is taking steps to guarantee the equality between women and men, as mentioned in the Treaty of Rome of 1957. European Commissioner responsible for justice, fundamental rights and citizenship, has proposed legislation requiring a 30% board representation of women by 2015, expanding to 40% by 2020.<sup>16</sup>

**Malaysia:** On June the 27<sup>th</sup>, 2011, Prime Minister Datuk Seri Najib Tun Razak announced that the Malaysian Cabinet approved a policy where corporate companies must achieve at least 30% representation of women in decision-making positions in the private sector, to promote gender equality.<sup>17</sup> Women must comprise 30% of boards and senior management positions of public and limited liability companies, in which there are greater than 250 employees, by 2016.<sup>18</sup>

**South Africa:** The Women Empowerment and Gender Equality Bill were passed by the South African Cabinet in August the 29<sup>th</sup>, 2012. Provision 11 of the Bill states that: “All entities must, within their ambit of responsibilities develop measures to achieve at least 50% representation and meaningful participation of women in decision-making structures, which must include: setting targets for such representation and participation; building women’s capacity to participate; enhancing the understanding and attitudes of men and boys to accept the capabilities and participation of women and girls as their equals; and developing support mechanisms for women for the progressive realization towards 50% representation and meaningful participation of women.” There are no penalties for non-compliance beyond the need to explain why the target has not been met.

**United Kingdom:** In February 2011, Lord Davies launched an independent review into women on boards, which had been commissioned by the UK government. In his report<sup>19</sup>, he recommended that UK listed companies in the FTSE 100 should aim for a minimum of 25% women board member representation by 2015. The report said that companies should set targets for 2013 and 2015 to

ensure that more talented women can get into the top jobs in UK companies. On the basis of these recommendations, the government is encouraging all FTSE 350 companies to set out the percentage of women they aim to have on their boards in 2013 and 2015. In response to Lord Davies' report, the UK Financial Reporting Council (FRC) published two revisions to the UK CG Code to require companies to report annually on their boardroom diversity policy and to include gender diversity in the evaluation of board effectiveness. These took effect for periods commencing on or after 1<sup>st</sup> October 2012, but the FRC strongly encouraged early adoption.<sup>20</sup>

**United States:** In December 2009, the SEC approved a rule: Whether diversity is a consideration when directors are named; if so, how the diversity policy is implemented and how effectiveness is evaluated. These rules were effective from February the 28<sup>th</sup>, 2010. A number of organizations have formed to expedite the diversification of corporate boards which includes the Thirty Percent Coalition and its supporters strive to raise the representation of women on listed company boards to 30% by the year 2015.

**Canada:** In December 2006, a 50% quota for women board directors was passed in the province of Quebec for state-owned enterprises.<sup>21</sup> In June 2011, a 40% quota for both genders was proposed in the Senate of Canada for the country as a whole. Boards comprised of eight directors or fewer would be required to have a gender differential of no greater than two. The proposed legislation would apply to publicly traded companies, state-owned enterprises, and financial institutions, with a compliance target date of 2018-19 depending on the fiscal year end date. Boards would be required to reach 20% of each gender by 2015-16.<sup>22</sup> The Canadian government's 2012 budget proposed the formation of an advisory council of leaders from the private and public sectors to help increase the percentage and participation of women on corporate boards.<sup>23</sup>

**Australia:** The CG code (ASX CG Council Principles and Recommendations), was re-issued on June the 30<sup>th</sup>, 2010 contains a number of new recommendations relating to gender diversity. As of January the 1<sup>st</sup>, 2011, companies listed on the Australian Securities Exchange are required to: adopt and publicly disclose a diversity policy; establish measurable objectives for achieving gender diversity and assess annually both the objectives and progress toward achieving them; disclose in each annual report the measurable objectives for achieving gender diversity and progress toward achieving them; disclose in each annual report the proportion of women employees in the whole organization, in senior executive positions, and on the board; disclose the mix of skills and diversity the

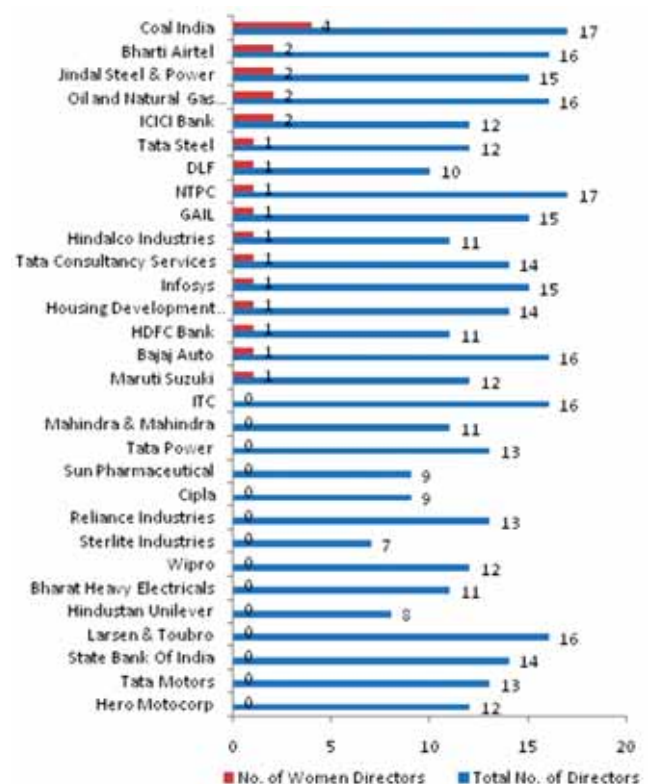
board is looking to achieve among members. While compliance with the new recommendations is not mandatory, companies that choose not to comply must provide an explanation in each annual report as to why.<sup>24</sup> Australia is second only to France in the pace at which it is adding women to its boards. In Australia increase in number of women directors is even more remarkable because it is not mandated by legislation.

## India

### Women on Corporate Boards of Top 30 Companies of BSE – SENSEX

India is ranked at 28<sup>th</sup> in terms of the presence of women directors, a slight improvement from last year's 30<sup>th</sup> position, according to Survey by Press Trust of India (March 03, 2013). The ranking is better than that of a few major countries like Japan.<sup>25</sup> This study dwells on the analyses of the percentage of women on corporate boards of top 30 companies of BSE-Sensex and found that the women constituted just 6% approx of the total number of board of directors. The following figure describes the representation of women of boards.

### Women on Corporate Boards of BSE-30 Companies (2012)



Source: Data compiled from annual report of the companies for the year 2011-2012. For the purpose of computation all directors on the board have been included (executive, non-executive and independent directors).

The above data indicates that approx 53% of the BSE-30 companies have one woman director on the board. Coal India led the pack with a high ratio of 24% approx. Following it ICICI Bank, with a ratio of 17% approx. From above sector wise analysis indicates that 9.5% of the women are there in public sector whereas only 5.09% are there in private sector.

#### Industry wise Percentage of Women on Corporate Boards (2012)



Source: Data compiled from annual report of the companies

An industry-wise analysis indicates that 4 out of 13 industries have no women on corporate boards.

#### Government Initiatives to Promote Women on Corporate Boards

Section 149(1) of the recently passed Company Law (i.e., the Companies Act, 2013) prescribes for certain class of companies to have at least one woman on Board. The then Union Minister of Corporate Affairs Mr. Sachin Pilot while promoting the Companies Bill observed “At present, there is preponderance of males on the boards of the companies. The provision regarding women directors in Companies Bill, 2012 is meant to bring in diversity and introduce a degree of gender sensitivity. We do hope that with the passage of time, the trend will gather momentum and the boards will be truly ‘balanced’.”<sup>26</sup>

#### Potential Benefits of Board Diversity

The recent shift to increasing the number of women in boardrooms subsequent to the Global Financial Crisis indicates the desire for a fresh direction in corporate leadership globally. Having on Board at least one woman is a move towards better corporate governance. Following are the benefits of board diversity:

- 4) **Improved Board Composition:** Diversity in the boardroom may lead to improved board composition.
- 5) **Effective Decision-Making:** A board may be vulnerable to groupthink when its members are homogenous. A study examined the Enron

board’s decision-making process following its disastrous collapse and concluded that it suffered from symptoms of groupthink.<sup>27</sup> One of the methods suggested to prevent groupthink in boardrooms is increasing gender diversity on boards. Therefore adopting a policy of diversity will promote the development of a higher level of corporate governance and help to improve the board’s decision-making process.

- 6) **Utilising the Talent Pool:** Less number of women on company’s boards may demonstrate a failure to utilise the talent pool. Expanding the pool by including women may satisfy some CG issues like insufficiently available independent and non-executive directors, some directors serving too many boards and therefore poor time of commitment to each company.
- 7) **Improved CG and Ethics:** A study has shown that the quality of corporate governance and ethical behaviour is high in companies with high shares of women on boards.<sup>28</sup>
- 8) **Access to Resources and Connections:** Most consumer decisive companies serve a wide variety of customers. The management of those companies is not always representative of the customer base that it serves, nor the workforce it employs. A diverse board may find it easier to understand its customers, connect with employees, and obtain multiple stakeholders’ perspectives that highlight new opportunities or challenges for the company. By selecting directors with different characteristics, firms may gain access to different resources.<sup>29</sup>
- 9) **Commitment to Equal Opportunity:** Diversity in the boardroom may signal to employees that company is committed to equal opportunity. Promotions at the highest levels are to be discussed in the boardroom; boardroom diversity is also a means of committing to a policy of non-discrimination against minority managers.<sup>30</sup>
- 10) **Corporate Reputation, Investor Relations and Social Responsibility:** Gender diversity is an asset for corporate image and helps to bring a company, its employees, shareholders and customers closer together.<sup>31</sup> The presence of women directors and racial diversity can enhance a firm’s reputation with consumers.<sup>32</sup> Board diversity can convey responsiveness to diverse stakeholders, and a general message of progressive leadership, which enhances the corporation’s public image. Having a more diverse board can be a means of acquiring legitimacy in the view of the public, the media and the government.<sup>33</sup> A study indicates that board gender

diversity improves in formativeness by increasing public disclosure in large firms.<sup>34</sup>

### Potential Costs of Board Diversity

Baker and Anderson, in their publication “Corporate Governance – A synthesis of theory, research and practice (2010)” have emphasized on potential costs of board diversity. Following factors could potentially hinder board effectiveness<sup>35</sup>:

- 1) **Conflict, Lack of Cooperation and Insufficient Communication:** Demographic dissimilarity may limit communication among subgroups, create conflict and reduce interpersonal attraction and group cohesiveness. Key problem associated with diversity is the possibility of communication breakdowns between top executives and minority outside directors. Outside directors rely on executives to gain access to firm specific information.<sup>36</sup> The reluctance of executives to share information with minority outside directors could compromise board effectiveness.
- 2) **Choosing Directors With Little Experience And Inadequate Qualification:** In case of gender diversity as the proportion of women in top executive positions is small but growing a preference for women director may lead to a board that is disproportionately less experienced and qualified. As qualified minority candidates may be in short supply, minority directors are likely to accumulate more board seats than the average director.
- 3) **Conflicts of Interest and Agenda Pushing:** A more diverse board may be in greater risk of being influenced by directors with distinct personal and professional agendas. The cause of this risk is not diversity *per se*, but an insufficient alignment with shareholder's interests. An excessive focus on some characteristics as a criterion for selecting directors may have the unintended consequences of appointing directors whose loyalties lie elsewhere.

### Factors Most Likely To Prevent Women from Advancing to Top

Following are the factors most likely to prevent women from advancing to top:

#### **Organizational, Cultural and Behavioral Obstacles:**

As per the ‘analysis of the situation and trends report on women and men in decision-making’ published in 2007,<sup>37</sup> “the predominance of men at key positions in the company, excludes women from the informal communication channels and the networks, combined with male codes of behaviour intensifies the women's impression of being put on the side within the

company.” Other factors include a company culture which favours professional behaviour based on ambition and permanent availability, conveying woman “stereotypes” which are often perceived as “passive, shy and held back by their family obligations”, and a Human Resource Policy which is often discriminating in its candidate selection processes and possibilities for career planning for women.

#### **Male Codes – Psychological Barriers for Women:**

According to McKinsey (2007)<sup>38</sup>, for women, the phenomena called “opting out” (voluntary decision to stop working in a career) in order to spend more time with the children, elderly parents...but also due to dissatisfaction with work, is an important factor most likely to prevent women from advancing to top may include a performance model i.e. “anytime, anywhere” (total availability, total geographical mobility, linear career development without interruptions), which is impossible to combine with the double burden (professional role and tasks in the home and family) not equally among couples.

**Missing Networks:** A study conducted by Inter Organization Network (ION)<sup>39</sup>, outlines the difficulty women face in integrating into the “right” networks: informal networks which are traditionally used by CEOs, selection committees and Executive firms.

**Glass Ceiling:** The concept of the “glass ceiling”<sup>40</sup> can explain the relative scarcity of women on corporate boards. “Glass ceiling” comes in many forms<sup>41</sup> like women's under-representation at the corporate hierarchy, gendered wage gap, occupational segregation, discriminative corporate policies, lack of attention to the specific needs women have, sexual harassment at the workplace, exclusion of women from informal networks. Women are still concentrated in the most precarious forms of work throughout the world and breaking the glass ceiling still appears elusive for all. The existence of the glass ceiling that retards the progress of women is a prime example of discrimination against women at work through vertical segregation by sex.

**Vicious Circle:** The current under-representation of women on corporate boards contributes to their future under-representation implies a high likelihood of perpetuating the “vicious circle”. The current board composition affects the attitude of a company towards gender equality and negatively influences the readiness to appoint more women board members. Research shows that mentoring and sponsorship confers a statistical benefit for men of up to 30% in terms of promotion and increased remuneration.<sup>42</sup> Thus the lack of women role models, mentors and sponsors undermines women's career progression and

reduces the number of potential women board members. A more gender-balanced board may even affect gender representation throughout the company, because organizations that have a higher number of women on their boards are more likely to hire senior women leaders.<sup>43</sup>

### Drivers towards Progress of Women on Corporate Boards

Government and forward looking companies have implemented policies and practices in place to promote women on corporate boards but there's still a long way to go. Following are the ways to promote women on corporate boards:

- 1) **Fix a Quota:** Set a target for percentage of diverse workforce not only at an organizational level but also at various levels within the organization.
- 2) **Include it in Key Result Areas (KRAs):** There is a need to have a key result area for all business leaders to attain certain ratio of men to women employees over the medium term, in the managerial levels and above.
- 3) **Create an Ecosystem:** Recognize that women employees may need flexible work arrangements, childcare facilities and so on. This will encourage women employees to remain in the workforce and contribute positively.
- 4) **Equal Pay:** Pay equity is another area where companies can internally regulate for gender parity. For nearly 30 years, IBM has conducted annual salary audits to ensure equal salary for equal work among its employees. In addition to monitoring for equal salary, IBM has an increasing number of women leaders.<sup>44</sup>
- 5) **Gender Certification and Pledge Programs:** Companies voluntarily assess their pay and workplace policies, agreeing to an evaluation by a third party. After an assessment, they are granted or denied certification – a seal of approval – for granting equal pay for equal work and for policies deemed “gender friendly.” The audit helps a company identify areas that need improvement, and can shape corporate workplace policies. The World Bank, non-profits, private companies and even governments offer gender certification. Some governments, including Switzerland, require pay equity certification for their procurement contractors.<sup>45</sup>
- 6) **Pipeline:** The pipeline connotes a cadre of women waiting in some tenuous corporate holding ground, picking up necessary business kit tools so that they can bust into c-suite and board positions. This approach suggests women will naturally advance to executive positions based on their accumulated experience. Many firms prefer pipelines to quotas, as it leaves them free to develop their own promotional agendas. What remains gloomy with the pipeline is how the flow valve to the top works. The low number of women on boards may well demonstrate this point.<sup>46</sup>Databases offering diverse candidate's profiles have become a pipeline alternative. One example of this is the Global Board Ready Women project, launched by the European Business Schools' Women on Boards Initiative in December 2012. Boasting an impressive 8,000 woman-strong database, this online search engine was motivated by the push to include more women in the boardroom. Viviane Reding championed the initiative.<sup>47</sup>
- 7) **Recruitment:** One key initiative, especially in industries where women have lower representation traditionally, focuses on the hiring process. Aspiration gender balance targets within succession planning will help to “leverage the increased Women pipeline.”<sup>48</sup>
- 8) **Company Diversity Programs:** Some companies establish their own diversity programs to reach out to traditionally unrepresented groups for leadership promotions. Ernst & Young have several programs that directly address gender issues, including the Career Watch program, which helps women become partners by outlining the steps for their advancement; the Inclusiveness Leadership program, which provides women mentoring from external coaches and executive board members and the Work Smart program, designed to help balance work-family issues.<sup>49</sup> Consistently given high marks for gender, racial/ethnic and disability policies, the firm has received numerous awards recognizing its achievements, most recently a top rating from Diversity Inc.<sup>50</sup>
- 9) **Championing Diversity:** In 2001, the US-based diversity-consulting firm Diversity Inc began surveying companies to assess their diversity management initiatives<sup>51</sup> Four categories are assessed in the survey (CEO Commitment, Human Capital, Corporate Communications and Supplier Diversity). Evaluation is based on firm-submitted data. Fifty firms participated in the initial survey; by 2012 that number swelled to nearly 6000. Each year 50 top slots are awarded to companies.<sup>52</sup>

### To conclude

If the corporate sector in India has to experience wide spread success on a sustained basis it is imperative

for a change in the mind set of all the concerned players that is governments, regulators, companies, voluntary organisation and other bodies acting in collaboration. Government and regulators should implement policies and practices in place to promote women on corporate boards. There is a need to understand as to why many women in corporate sector in India do not make it to the top and to raise awareness of 'gender diversity' at board level as a business concern. Recommendations which could increase the 'gender diversity' on corporate boards include: support labour market participation of women; conduct a self-assessment by companies; increase disclosure and accessibility of diversity data; support public policy and cultivate relationships with diverse communities; equal employment opportunity; internal diversity initiatives; external diversity initiatives; dedicate resources; promote a healthy work-life balance; balanced board composition; corporate commitment; outside the box thinking.

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<sup>3</sup> *Women in economic decision-making in the EU: Progress report* Retrieved from [http://ec.europa.eu/justice/gender-equality/files/women-on-boards\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/women-on-boards_en.pdf)

<sup>4</sup> Deloitte (2013), *Women in the boardroom: A global perspective*, Retrieved from [http://www.deloitte.com/assets/DcomGlobal/Local%20Assets/Documents/dttl\\_Women%20in%20the%20boardroom2\\_2013.pdf](http://www.deloitte.com/assets/DcomGlobal/Local%20Assets/Documents/dttl_Women%20in%20the%20boardroom2_2013.pdf)

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<sup>7</sup> Credit Suisse, *Gender Diversity and Corporate Performance*, August 2012. Retrieved from [https://infocus.creditsuisse.com/data/\\_product\\_documents/\\_shop/360145/csri\\_gender\\_diversity\\_and\\_corporate\\_performance.pdf](https://infocus.creditsuisse.com/data/_product_documents/_shop/360145/csri_gender_diversity_and_corporate_performance.pdf)

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<sup>9</sup> France Sets Quota For Women on Big Companies' Boards," Reuters, 13<sup>th</sup> January, 2011, Retrieved from <http://www.reuters.com/article/2011/01/13/us-france-equality-idUSTRE70C5ZA20110113>

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<sup>12</sup> [http://www.bka.gv.at/site/cob\\_42745/currentpage\\_0/7451/default.aspx](http://www.bka.gv.at/site/cob_42745/currentpage_0/7451/default.aspx)

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<sup>14</sup> [http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/index_en.htm)

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<sup>34</sup> Gul, Ferdinand A, Bin Srinidhi and Anthony C. Ng (2011), *Does Board Gender Diversity improve the Informativeness of Stock Prices?* *Journal of Accounting and Economics*, vol. 51, issue 3, pp. 314-338

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## ICAI Online e-Learning for CA Course Common Proficiency Test (CPT), Intermediate (IPC) Course and Final Course

<http://StudentsLMS.icaai.org>

### Introduction

The Board of Studies has made available online e-Learning with an objective to provide quality education/ learning from anytime and anywhere through a self learning facility through Students Learning Management System (LMS). Students can also access the e-Learning on Mobile Devices—Smart Phones & Tablets.

### Salient Features

- Anytime/ Anywhere Online Learning
- Foundation for understanding concepts and Self Study of Study Materials
- Examination Oriented
- Online Self-Assessment Quiz - Chapter, Subject, All Subjects
- Quality Lectures by leading Faculty
- Uniform training across the country
- Multimedia Lectures
- Presentation & Podcast Download
- Tracks Learning - Lesson/ Self Assessment completed

Mobile  
Enabled

### Anytime/ Anywhere Learning

This e-Learning facility takes learning and development to the doorsteps of students and they can now learn at

their convenience from their homes/ offices/ cyber cafes even in smaller cities and mofusil towns.

### How to Access?

Students of the Common Proficiency Course and Intermediate (IPC) Course of the Institute interested in pursuing the e-Learning can register themselves on the Students LMS using their Student Registration Number and start using the e-Learning facility immediately. **Currently free access.**

Students with temporary Student Registration Numbers or belonging to earlier courses or those who are not able to register are required to contact their concerned Regional Offices.

### Requirements

Multimedia Computer/ Laptop with Internet Connection and Adobe Flash Player, which is available for free download at [www.adobe.com](http://www.adobe.com).

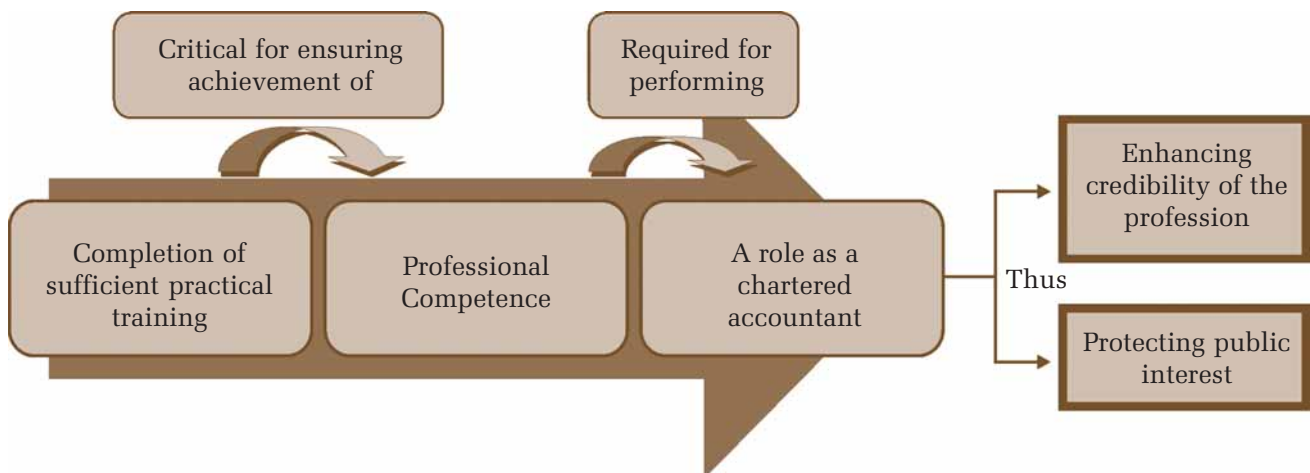
### E-Learning DVD(s)

E-Learning DVDs are now also made available as a part of the Study Material issued to students; and are available for sale @ Rs.100/- each.

# Effective Practical Training : Foundation for Professional Excellence

CA. Priya Subramanian

It would not be an overstatement to say that Practical Training is the bedrock on which ICAI's distinction as an esteemed professional institution has been strongly built. It is the Institute's firm belief that public interest would be protected and credibility of the profession would be enhanced only when those who meet the profession's competence requirements are permitted to be chartered accountants. Completion of sufficient practical training is critical for ensuring achievement of professional competence expected from a chartered accountant, which ultimately enhances credibility of the profession and protects public interest.



ICAI has the onerous responsibility to ensure that chartered accountants have the competence expected of them by the public, employers and clients. Further, the chartered accountants have a continuing duty to ensure that clients, employers and other stakeholders receive competent professional service. In order to enable effective discharge of these responsibilities, practical training has been included as an integral part of the chartered accountancy course. Effective practical training would certainly lay the firm base for the ongoing development of professional competence throughout the career of a chartered accountant.

## Concurrent Practical Training: Pre-requisite for achieving Professional Competence

Practical training plays a vital role not only in developing the professional skills and competencies of chartered accountancy students, but also ingraining in them professional ethics. To achieve this end, it is essential to link a trainee's period of practical experience with his theoretical education, constructively and coherently. ICAI has effectively established this link through the mandatory requirement of **concurrent** practical training along with theoretical education. Thus, the three-year practical training that a student undergoes during the course of his study is an important and unique feature of the Institute's CA course, which is instrumental in helping him achieve the desired level of professional competence before he qualifies as a chartered accountant.

## Revised IES 5: Requirement of Sufficient Practical Experience by the end of Initial Professional Development (IPD)

The International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC) is an independent standard-setting body that serves the public interest by establishing standards in the area of professional accounting education. These standards are referred to as International Education Standards (IESs).

The IAESB has issued Revised IES 5 on Practical Experience, effective from 1<sup>st</sup> July, 2015, which requires aspiring professional accountants (i.e., CA students) to undertake **sufficient practical experience** to demonstrate that they have gained (a) technical competence; (b) professional skills; and (c) professional values, ethics and attitudes necessary for performing a role as a professional accountant.

*I attribute my success to this: I never gave or took any excuse. – Florence Nightingale*

### Sufficient Practical Experience : A balance of blend and depth

As per Revised IES 5, “sufficient practical experience” is one which has a blend of depth and breadth, knowledge and application and where appropriate, integration of material from different areas applied to a range of situations and contexts.

#### Factors affecting the breadth of Practical Experience:

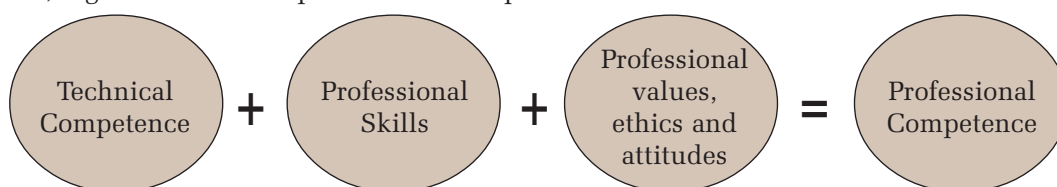
- Nature of role;
- Level of proficiency;
- National or local laws;
- Requirements of regulatory authorities; and
- Public expectation of professional competence.

#### Factors affecting the depth of Practical Experience:

- The variety and complexity of tasks; and
- The level of supervisory and mentoring support.

### ➤ Professional Competence: Integration of three individual components

Professional competence is the ability to perform a role to the defined standard. The three individual components, namely, technical competence, professional skills and professional values, ethics and attitudes, together constitute professional competence.



Revised IESs 2, 3 & 4 lay down the desired level of technical competence, professional skills and professional values, ethics and attitudes, respectively, to be achieved by the end of IPD. IPD continues until the aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.

### ➤ Development of Professional Competence: Role of Practical Training

The role of practical training in development of the individual components of professional competence, namely technical competence, professional skills and professional values, ethics and attitudes, is explained hereunder:

|     | Components                  | Meaning                                                                                                                                         | Role of Practical Training                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) | <b>Technical competence</b> | The ability to apply professional knowledge to perform a role to a defined standard.                                                            | Such professional knowledge (i.e., knowledge of different subjects) can be acquired primarily through theoretical education. In the context of developing technical competence, the role of Practical Training is to facilitate students in <b>understanding the application of professional knowledge gained through theoretical education, in real life situations.</b>                                                                                                                                                                                                                                                  |
| (2) | <b>Professional skills</b>  | The intellectual, interpersonal and communication, personal and organizational skills necessary to perform a role as a professional accountant. | Revised IES 3 [IPD: Professional Skills] recognizes that practical experience supervisors play an important role in helping aspiring professional accountants (i.e., CA students) to develop professional skills within the workplace. Further, it also highlights that practical experience enables aspiring professional accountants to <b>participate in assessment activities to demonstrate their professional skills.</b> Examples of such activities include –<br>(a) keeping a diary,<br>(b) participating in 360 degree assessments,<br>(c) compiling portfolios of evidence of achievement of learning outcomes. |

|     |                                                  |                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (3) | <b>Professional values, ethics and attitudes</b> | The professional behavior and characteristics that identify professional accountants as members of a profession. It includes the ethical principles which are essential in defining the distinctive characteristics of professional behavior. | As per Revised IES 4 (IPD: Professional Values, Ethics and Attitudes), the most realistic experiences on which to reflect may occur in the workplace. Also, ethical issues and potential dilemmas for aspiring professional accountants are likely to occur within the period of practical experience.<br>Discussion and facilitated resolution of ethical dilemmas as they arise in the workplace and reviews of ethical decision-making would form an ideal basis for assessing whether the desired level of competence as required under IES 4 has been achieved. |
|-----|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Thus, professional skills as well as professional values, ethics and attitudes can be more effectively imbibed through a well-structured and systematic practical training program than through theoretical education.

➤ **Practical Training : Platform for demonstration of learning outcomes**

Each component of professional competence, namely technical competence, professional skills and professional values, ethics and attitudes, is further described by a set of learning outcomes within a competence area. Practical training provides a suitable platform for students to effectively demonstrate achievement of learning outcomes under professional skills and professional values, ethics and attitudes.

**The following table contains the illustrative list of learning outcomes which can be demonstrated efficiently through Practical Training:**

| Components                                         | Competence Areas                                    | Learning Outcomes                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Professional Skills</b>                         | (a) Intellectual Skills                             | <ul style="list-style-type: none"> <li>▪ Evaluate information from a variety of sources and perspectives through research, analysis and integration;</li> <li>▪ Apply professional judgment, including identification and evaluation of alternatives, to reach well-reasoned conclusions based on all relevant facts and circumstances.</li> </ul> |
|                                                    | (b) Interpersonal and Communication Skills          | <ul style="list-style-type: none"> <li>▪ Display co-operation and teamwork when working towards organization goals;</li> <li>▪ Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.</li> </ul>                                                               |
|                                                    | (c) Personal Skills                                 | <ul style="list-style-type: none"> <li>▪ Apply professional skepticism through questioning and critically assessing all information;</li> <li>▪ Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.</li> </ul>                                                          |
|                                                    | (d) Organisation Skills                             | <ul style="list-style-type: none"> <li>▪ Undertake assignments in accordance with established practices to meet prescribed deadlines;</li> <li>▪ Apply appropriate tools and technology to increase efficiency and effectiveness and improve decision making.</li> </ul>                                                                           |
| <b>Professional Values, Ethics &amp; Attitudes</b> | (a) Professional skepticism & Professional judgment | <ul style="list-style-type: none"> <li>▪ Apply a questioning mindset critically to assess financial information and other relevant data;</li> <li>▪ Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.</li> </ul>                                                     |
|                                                    | (b) Ethical Principles                              | <ul style="list-style-type: none"> <li>▪ Identify ethical issues and determine when ethical principles apply;</li> <li>▪ Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior to ethical dilemmas and determine an appropriate approach.</li> </ul> |
|                                                    | (c) Commitment to the public interest               | <ul style="list-style-type: none"> <li>▪ Analyse the interrelationship of ethics and law, including the relationship between laws, regulations and the public interest.</li> </ul>                                                                                                                                                                 |

## Scheme of Practical Training: Evolution & Progress

### ➤ **Compulsory minimum training period of three years: Consistent position since ICAI's inception**

Ever since the inception of the Institute, the requirement of mandatory practical training has been pivotal to the overall scheme of education and training. During the last 65 years, this position has continuously been reestablished with added force by different Committees appointed from time to time. The Committees appraising this vital aspect, whether through survey or through direct interview, came to a consistent conclusion that the total duration of practical training should remain at a minimum of three years.

### ➤ **Publication of Training Guide : Facilitating well-structured and systematic training**

The Council of the Institute has been periodically reviewing the scheme of practical training to strengthen the system and make it more meaningful, through its Review Committees constituted from time to time.

One of the aspects considered by these Committees relate to the prescribed areas of work experience. The categories of work experience include accounting, auditing, direct and indirect taxation, corporate and allied laws, management services, information technology etc. It may, however, not be feasible to ensure that trainees are exposed to all areas of work experience. In this regard, the Committee for Review of Education and Training (CRET) (1978) has laid down the guiding principle in prescribing the practical experience requirement, namely, the need for distinction between “essential areas” and “permitted areas”. Whereas practical experience in “essential areas” (Accounting & Auditing) must be considered as “mandatory”, practical experience in “permitted areas” (for example, Management Services) may be considered desirable. Further, the CRET, in its Report submitted in 1998, also recognized the fact that imbalances arise in the range and depth of practical experience imparted to students mainly due to differences in the type of work available with chartered accountant firms depending upon their size, nature of work, location etc.

In order to overcome this shortcoming, the Institute, in its foresight, had published way back in 1966, a “Model Staff Training Programme” and in 1979, “Training Guide for Articled Trainees” to help members provide to the trainees, a well-balanced, properly planned and coordinated training, which would enhance the quality and standing of the profession. Thereafter, in 1990-92, the Perspective Planning Group gave its recommendations to the Council relating to “Practical Training: Monitoring and Re-orientation”. The Council considered the recommendations and assigned to the BoS, the task of developing a structured and systematic programme of practical training. This ultimately led to the publication of “Training Guide”, which dealt with the various aspects of training program, in-house theoretical training, categories of work experience, maintenance of students’ training records and progress records by members, monitoring of practical training and industrial training. The “Training Guide” was approved and adopted by the Council at its 170<sup>th</sup> meeting held in September, 1994.

Since then, the Training Guide has undergone periodic revision to upgrade its utility. It now incorporates the different aspects of Practical Training, its significance as well as the duties of members imparting practical training. The various aspects of Industrial Training are also discussed in an independent chapter. In addition, it also contains the important requirements of the Chartered Accountants Regulations, 1988 relating to Practical Training. A separate chapter has also been dedicated to the Monitoring of Practical Training.

### ➤ **Secondment Scheme : Promoting multi-disciplinary training**

Secondment scheme is a beneficial arrangement enabling a trainee to gain practical experience in areas where the principal may not be in a position to provide the same. It thus enables provision of comprehensive practical training to students in multi-disciplinary areas. Although the scheme of secondment had been in existence for several years and had become part of the established practice, a specific provision was incorporated only in the year 1988 vide Regulation 54 of the Chartered Accountants Regulations, 1988. Initially, Regulation 54 provided an informal method incorporating substantial flexibility to enable trainees to gain experience in diverse areas. No agreement was needed to be executed and no intimation was required to be given to the Institute. The present regulation, however, requires a statement, in the form approved by the Council, to be sent to the Secretary for records, within thirty days from the date of commencement of training on secondment.

The maximum period of secondment is one year, and the current regulation permits serving the entire tenure of one year with a single eligible member. Secondment with more than one member may be permitted by the Council, subject to the minimum period of secondment with a member being four months and the aggregate period served on secondment with all members not exceeding one year. Where the trainee is seconded to a member in industry, the aggregate period spent in industry, including the period of industrial training, should not exceed one year.

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*You can never cross the ocean until you have the courage to lose sight of the shore. – Christopher Columbus*

➤ **Industrial training : Facilitating exposure to business environment**

Regulation 51 of the Chartered Accountants Regulations, 1988 permits a student who has passed the Intermediate level examination (IIPCC/PCC/PE-II) to undergo industrial training for period of 9 to 12 months during the last year of practical training, in any financial, commercial, industrial undertaking with specified minimum fixed assets/total turnover/paid-up share capital.

The undertaking of industrial training is, however, at the discretion of the trainee. The fact that such training may not be required for those who aspire to enter into public practice is a significant reason for industrial training not being made compulsory. Those who wish to opt for service may, however, find exposure to industry very useful. Industrial Training would aid them in understanding the corporate and business environment and developing a broader vision.

➤ **Setting up of ICAI's Cloud Campus : Consolidation of all training resources under one umbrella**

Students pursuing chartered accountancy course are widely dispersed throughout the country. Further, the nature of experience gained by them would largely depend on the level of practice and the clientele of the firm in which they are undergoing practical training. Even in large-sized CA firms, a trainee is likely to specialize in a particular area and may get good exposure to the complexities involved in that area. The range of practical experience which he is exposed to may, however, be limited since the extent of specialisation is likely to be quite high in such firms. Thus, it may generally not be possible for any firm, irrespective of its size, to impart training in all areas to a trainee, consequent to which there may be certain gaps in practical training.

In order to fill this gap, ICAI proposes to place the resources on different areas of practical training on its Cloud Campus, which is to be launched in due course of time. Launching ICAI's Cloud Campus, a next generation interactive learning management system for students, is a significant initiative in the President's Action Plan 2014-15.

ICAI's Cloud Campus would help consolidate all student resources, including links to all existing student related portals, at one place with a sign-on facility so that registered students may be able to access the available resources. The access to the ICAI's Cloud Campus would, thus, provide a one-stop solution to all student requirements.

**Strengthening the Practical Training System : ICAI leaves no stone unturned**

A study of the history of Practical Training over decades indicates that the Institute has spared no efforts to strengthen the system of Practical Training to enable its students to acquire the skills and expertise which the profession requires. Towards this end, the Practical Training Scheme has been reviewed periodically by various Committees set up from time to time. The objective of periodic review is to ensure that the scheme continues to be contemporarily relevant and provides a professional environment in which trainees develop competence by enhancing their understanding of organizations and working of businesses.

Continuing its efforts in this direction, the Council has now constituted a new Committee for Review of Education and Training (CRET) including Five Regional Committees for Review of Education and Training. Its task list, includes, as a high-priority item, review of the effectiveness of the scheme of practical training, including supervision and monitoring, to ensure inculcation of professional values, ethics and attitudes as well as professional skills necessary for development of versatile and competent professional accountants. Thus, it is clearly evident that strengthening the system of Practical Training will continue to remain high on the agenda of the Institute for the years to come. This constant pursuit of excellence is, indeed, the foundation of the Institute's high standing.

*Disclaimer : The views expressed in this article are the personal views of the author and does not necessarily reflect the views of the Institute.*

*(The author is Deputy Director, ICAI)*

**ANNOUNCEMENT**

**Attention: WICASA Students**

The 49th Annual General Meeting of the Students of the Western India Chartered Accountants Student's Association (WICASA) will be held at 7 p.m on Sunday, 29 June 2014 at the Institute of Chartered Accountants of India, ICAI Tower, Plot No. C-40, 'G' Block, Opp. MCA Ground, (Adjacent to Standard Chartered Bank), Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051.

Election of Students representatives to the Managing Committee of WICASA will also be held on the same day from 8.00 am to 12.00 Noon. Details are hosted on WIRC Website: [www.wirc-icai.org](http://www.wirc-icai.org)

# Significant Changes Relating to Appointment of Auditors under Companies Act, 2013

Tanvi Bandi

## Introduction

Companies Act 2013 is an Act to consolidate and amend the law relating to companies. It was passed by the Lok Sabha on 18<sup>th</sup> December 2012 and the Rajya Sabha on 8<sup>th</sup> August 2013. It received the assent of the President of India on August 29, 2013 replacing the nearly six decade old regulations that governed the companies in India.

Sub-Section 3 of Section 1 of Companies Act, 2013 empowers the Central Government, by notification in the Official Gazette, to appoint different dates of commencement for different provisions of this Act.

On 12<sup>th</sup> September 2013 the Ministry of Corporate Affairs (MCA) notified 98 sections. A majority of remaining sections of the Act, including Section 138 to Section 144, were notified by MCA vide its Notification dated 26.03.2014 to be effective from 1<sup>st</sup> April 2014.

These sections are further supplemented by 'The Companies (Audit and Auditors) Rules, 2014 and "The Companies (Accounts) Rules, 2014 notified by the Ministry of Corporate Affairs which also became effective from 1<sup>st</sup> April 2014.

## Applicability

The Ministry of Corporate Affairs had received requests for clarification with regard to the relevant financial year with effect from which provisions of the new Act relating to maintenance of books of account, preparation, adoption and filing of financial statements (and attachments thereto), Auditors report and Board's report will be applicable. Accordingly the MCA has, on 4<sup>th</sup> April 2014 vide its General Circular No. 08/2014 clarified that the financial statements (and the documents required to be attached thereto), auditor's report and Board's report in respect of financial years that commenced earlier than 1<sup>st</sup> April 2014, shall be governed by the relevant provisions/Schedules/rules of the Companies Act, 1956.

Based on the above circular of MCA, the Auditing and Assurance Standards Board (AASB) of The Institute of Chartered Accountants of India (ICAI), has issued a clarification stating that the auditor's report of a company pertaining to any financial year commencing on or before 31<sup>st</sup> March 2014, would be in accordance with the requirements of the Companies Act, 1956 even if that financial year ends after 01<sup>st</sup> April 2014.

For example, where the financial year of a company is 01<sup>st</sup> January 2014 to 31<sup>st</sup> December 2014, the statutory auditor's report signed, therefore, would be in accordance with the requirements of the Companies Act, 1956.

## Rotation of Auditors

One of the significant changes introduced by the Companies Act, 2013 is the concept of Rotation of Auditors.

According to Sub-Section 2 of Section 139 of Companies Act 2013, no listed company shall appoint or reappoint an individual as auditor for more than 1 term of 5 consecutive years. In case an audit firm (including Limited Liability Partnership incorporated under the Limited Liability Partnership Act, 2008) is appointed, the said firm shall not be appointed or reappointed as an auditor in the same company for more than 2 terms of 5 consecutive years. It is further provided that there should be a gap of at least 5 years, for the individual auditor or audit firm as the case maybe, to be reappointed in the company in which their maximum tenure i.e. 5 years or 10 years, as the case maybe, has completed.

It is also provided that, to comply with the provisions of Sub-Section 2 of Section 139 of Companies Act 2013, a transitional period of 3 years from the date of commencement of this Act is given to every company which existed on or before the commencement of this Act.

Sub-Section (2) of section 139 empowers the Central Government to prescribe the class of companies to which the provisions of rotation of auditors will apply. The MCA has notified the Companies (Audit and Auditors) Rules, 2014 which have become applicable from 1<sup>st</sup> April 2014. Rule 5 of the said Rules provide that the concept of rotation of auditors will not apply to any unlisted public companies having paid up share capital of less than rupees ten cores and on any private limited companies having paid up share capital of less than rupees twenty cores. It is also provided in the rule that for the above mentioned companies, public borrowings from the financial institutions, banks or public deposits should also be less than rupees fifty cores. Thus the said Rule 5 provides relief to the small and medium bodies corporate.



It is clarified in the Rule 6 that for the purpose of Section 139(2), the period for which the individual/firm has held office as an auditor prior to the commencement of the Act shall also be included in the calculation of period of 5 or 10 consecutive years as the case maybe.

As per the explanation in the rule, the consecutive years shall mean all the preceding financial years for which the individual auditor/audit firm had been the auditor until there had been a gap of five years or more.

The following illustrations will amply clarify the provisions on rotation of auditors.

### Illustrations

#### Illustration 1

An individual auditor has already served as an auditor of a company for 4 consecutive years before commencement of the Act. The maximum period he can serve in the same company is 5 years as per Section 139(2). Thus, now he can be reappointed as auditor for 1 more year only. However, considering the transitional period allowed for 3 years from commencement of the Act, the individual can be reappointed for 3 more years. Hence in the given case, individual's aggregate period as auditor can extend up to maximum of 7 years.

In a similar case, if period already served is only 1 year then he can serve for 4 more years. His aggregate period as auditor here will be 5 years.

Thus when the balance period (5 years less period already served) is less than three years (the transitional period) then the auditor can continue to hold the office for three more years. However if the balance period is more than three years then such individual auditor will be eligible to serve the entire balance period. The following table as given in the rules further clarifies the provision:

| Period already served          | Maximum period for which the firm may be appointed in the same company (including transitional period) | Aggregate period in which auditor can complete in same company. |
|--------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| 5 years (or more than 5 years) | 3 years                                                                                                | 8 years or more                                                 |
| 4 years                        | 3 years                                                                                                | 7 years                                                         |
| 3 years                        | 3 years                                                                                                | 6 years                                                         |
| 2 years                        | 3 years                                                                                                | 5 years                                                         |
| 1 year                         | 4 years                                                                                                | 5 years                                                         |

#### Illustration 2

An audit firm has already served as an auditor of a company for 8 consecutive years before commencement of the Act. The maximum period he can serve in the same company is 10 consecutive years as per Section 139(2). Thus, the firm can be reappointed as auditor for 2 more years. However, considering the transitional period allowed for 3 years from commencement of the Act, the firm can be reappointed for 3 more years. Hence in the given case, a firm's aggregate period as auditor can extend up to maximum of 11 years.

Similarly, if an audit firm has already served as an auditor of a company for 4 consecutive years before commencement of the Act, the firm can be reappointed as auditor for another 6 years. Hence its aggregate period as auditor will be 10 years.

Thus when the balance period (10 years less period already served) is less than three years (the transitional period) then the auditor can continue to hold the office for three more years. However if the balance period is more than three years then such audit firm will be eligible to serve the entire balance period. The following table as given in the rules further clarifies the provision:

| Period already served            | Maximum period for which the firm may be appointed in the same company (including transitional period) | Aggregate period in which auditor can complete in same company. |
|----------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| 10 years (or more than 10 years) | 3 years                                                                                                | 13 years or more                                                |
| 9 years                          | 3 years                                                                                                | 12 years                                                        |
| 8 years                          | 3 years                                                                                                | 11 years                                                        |
| 7 years                          | 3 years                                                                                                | 10 years                                                        |
| 6 years                          | 4 years                                                                                                | 10 years                                                        |
| 5 years                          | 5 years                                                                                                | 10 years                                                        |
| 4 years                          | 6 years                                                                                                | 10 years                                                        |
| 3 years                          | 7 years                                                                                                | 10 years                                                        |
| 2 years                          | 8 years                                                                                                | 10 years                                                        |
| 1 year                           | 9 years                                                                                                | 10 years                                                        |

### Qualifications and Disqualifications

#### 1. Constitution of Audit Firm

As per the definition for "a firm of Chartered Accountants" given in Section 2 of Chartered Accountants Act 1949, all the partners of the firm must

be members of the Institute of Chartered Accountants of India and in practice. The Section 2 was amended by the Chartered Accountants (Amendment) Act, 2011 that came into force w.e.f. 1st February, 2012. It now provides that a firm of Chartered Accountants can consist of one or more chartered accountants and members of any other professional body having prescribed qualifications.

Although the Chartered Accountant Act was amended in 2011 to facilitate the multi-disciplinary partnership firms, yet on account of the requirement of the Companies Act such firms could not be appointed as auditors. Section 226 of the Companies Act, 1956 stated that an audit firm would be qualified to be appointed in its firm name to be auditor of a company where all the partners of the firm are Chartered Accountants within the meaning of the Chartered Accountants Act, 1949 and are practicing in India.

The above difficulty has now been resolved. Sub-Section 1 of Section 141 of Companies Act 2013 provides that an audit firm is eligible to be appointed in its firm name where the majority of its partners are Chartered Accountants practicing in India.

The provisions now in the statutes make it possible for multi-disciplinary firms to be appointed as auditors.

## 2. Relative's interest in Auditee

Section 141 of Companies Act 2013 deals with Qualifications and Disqualifications of the auditors. A significant change has been made in the new Act regarding qualification of auditors. Earlier, as per Section 226 of Companies Act, 1956 a person was disqualified to be appointed as an auditor of a company if only he was holding any security in that company. There was no prohibition on his relative being the shareholder in a company. But now, according to Section 141(3)(d)(i), even if any relative or a partner of a person is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company of a sum of face value as may be prescribed, then such a person will be disqualified to be appointed as an auditor of that company.

Section 141 empowers the Central Government to prescribe the limit upto which a relative/partner may hold securities in a company. Sub-Rule (1) of Rule 10 of the MCA's notified Companies (Audit and Auditors) Rules, 2014 has provided that a relative of an auditor may hold securities in the company of face value not exceeding rupees one lakh.

It is clarified in the said rule that if the above mentioned threshold limit exceeds the limit then the auditor shall take corrective actions within sixty days of such acquisition to maintain the limits.

## 3. Borrowings and Guarantees

According to Section 226 of Companies Act 1956, a person was disqualified to be appointed as an auditor, who was indebted to the company for an amount exceeding one thousand rupees, or who had given any guarantee or provided any security in connection with the indebtedness of any third person to the company for an amount exceeding one thousand rupees.

Now, it is provided in Section 141(3)(d)(ii) of Companies Act, 2013 that a person who or whose relative or partner is indebted to the company or its subsidiary or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed shall not be eligible for appointment. The Central Government has by way of Sub-Rule (2) of Rule 10 of the Companies (Audit and Auditors) Rules, 2014 prescribed the limit for the purpose of Section 141(3)(d)(ii) as rupees five lakhs. Thus, as per the new act the limit now stands increased from rupees one thousand to rupees five lakhs. A prohibition of relative being indebted has been introduced in the new Act.

Likewise, as per the provisions of Section 141(3)(d)(iii) of Companies Act, 2013 read with Sub-Rule (3) of Rule 10 of the Companies (Audit and Auditors) Rules, 2014, any person who or whose relative or partner has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of rupees one lakh shall not be eligible for appointment. Hence the said limit is now enhanced to rupees one lakh. Also a prohibition of relative giving guarantee or providing any security in connection with the indebtedness of any third person to the company has been introduced in the new Act.

## 4. Business Relationship

A new concept of business relationship has been introduced as yet another disqualification in the Companies Act 2013.

Clause (e) of Sub-Section (3) of Section 141 states that a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed shall not be eligible for appointment as an auditor of a company.

The term "Business Relationship" used above is defined in Sub-Rule 4 of Rule 10 of the Companies (Audit and Auditors) Rules, 2014 as any transaction entered into for a commercial purpose, except –

- (i) commercial transactions which are in the nature of professional services permitted to be rendered by an auditor or audit firm under the Act and the Chartered Accountants Act, 1949 and the rules or the regulations made under those Acts;
- (ii) commercial transactions which are in the ordinary course of business of the company at arm's length price - like sale of products or services to the auditor, as customer, in the ordinary course of business, by companies engaged in the business of telecommunications, airlines, hospitals, hotels and such other similar businesses.

#### 5. Prohibition on rendering of certain services

A restriction has been imposed in the new Act over certain non-audit services that can be rendered to the company by its auditors. According to Section 144 of Companies Act 2013, an auditor rendering the following services directly or indirectly to a company or its holding or subsidiary company shall be disqualified to be appointed as an auditor of that company:

- (a) Accounting and book keeping services;
- (b) Internal audit;
- (c) Design and implementation of any financial information system;
- (d) Actuarial services;
- (e) Investment advisory services;
- (f) Investment banking services;
- (g) Rendering of outsourced financial services;
- (h) Management services; and
- (i) Any other kind of services as may be prescribed

However, it is provided that an auditor or audit firm who or which has been performing any of the above mentioned services on or before the commencement of this Act shall comply with the provisions of this section before the closure of the first financial year after the date of such commencement.

Example: "A" an auditor of X Ltd was rendering Management Services to it. But now to be eligible to continue as auditor, he will have to stop rendering such services by 31st March 2014.

#### 6. Limit over number of audit assignments.

As per Section 224 of Companies Act 1956, an individual or partner could not be appointed as auditor for more than 20 public companies out of which not more than 10 companies should have a paid up share capital of more than rupees 25 lakh. The above mentioned section was not applicable with respect to private companies.

Section 141(3)(g) of Companies Act, 2013 provides that if a person or a partner of a firm, at the date of appointment, is holding appointment as auditor of more than twenty companies then he shall not be eligible to be appointed or reappointed as auditor of any other company.

This ceiling limit now stands applicable for both private and public companies irrespective of their paid-up share capital.

Example: "Let's say "X" and "Y" are partners of ABC and Co. The firm is holding appointment of 20 public companies with paid up share capital of more than 25 lakh and 19 private companies. Now, can the firm be appointed as auditor in LM Ltd. who's paid up capital in more than 25 lakh?

ABC and Co. can hold appointment as auditor in maximum of any 40 companies (20 companies each of X and Y). As ABC and Co. is already holding appointment as auditor of 39 companies, it can be appointed for only one more company. Hence ABC and Co. can be appointed as auditor in LM Ltd. irrespective of its paid-up share capital or irrespective of the fact that it is a private or a public company.

#### Appointment of Internal Auditor

Section 138 empowers the Central Government to prescribe such class or classes of companies which are required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

The Companies (Accounts) Rules, 2014 has prescribed the following class of companies which are required to appoint internal auditors under section 138:

- (a) Every listed company;
- (b) Every unlisted public company having-
  - (i) Paid up share capital of rupees 50 crore or more or turnover of rupees 200 crore or more during the preceding financial year; or
  - (ii) Outstanding loans or borrowings from banks or public financial institutions exceeding rupees 100 crore or outstanding deposits of rupees 25 crore or more at any point of time during the preceding financial year; and
- (c) Every private company having-
  - (i) Turnover of rupees 200 crore or more during the preceding financial year; or
  - (ii) Outstanding loans or borrowings from banks or public financial institutions exceeding rupees 100 crore or more at any point of time during the preceding financial year.

It is also provided that an existing company covered under any of the above criteria shall comply with the requirements of section 138 within six months of commencement of such section i.e. by 30th September 2014.

The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

### Other Changes

1. According to Section 139(2), no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years.

Example: If “A” partner of X and Co, auditing the books of RST ltd. for last 10 years is now partner in Y and Co. In such a case, Y and Co. will also be disqualified.

2. Role of Audit committee

As per Section 139(11), in case of companies where an audit committee is constituted under

Section 177, auditor must be appointed or a casual vacancy must be filled after taking into account the recommendations of such committee.

3. As per the explanation in the Rule 6 the Companies (Audit and Auditors) Rules, 2014, the incoming auditor or audit firm shall not be eligible if such auditor or audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms. “Same Network” here includes the firms operating or functioning, now or in future, under the same brand name, trade name or under common control.
4. As per the explanation given in Rule 6, where a company has appointed two or more individuals or firms as joint auditors, the company may follow the rotation of auditors in such a manner that all of the joint auditors do not complete their tenure in the same year so that at least one firm will be experienced in the company to avoid any functional difficulties.

*The contributor is a student of ICAI  
(Reg.No.CRO0397493)*

## ANNOUNCEMENT

### Video on Demand (VoD) - Lectures for CPT, IIPC & Final Courses

The Board of Studies of the Institute has made available Video lectures on “How to Qualify and Excel in CA Exams”, Strategy to Qualify and Excel in respective subjects of the Common Proficiency Course (CPC), Intermediate (IPC) Course and Final Course; and Accounting Standards on <http://icaitv.com>. These lectures have been captured in interactive webcasts contributed by leading faculty members that aim to mentor Students on the successful strategies to succeed in their forthcoming examinations. Details of the Video on Demand (VoD) webcasts are available on the Students Home Page (<http://students.icai.org>) under “Announcements for Students” for respective courses – CPT, IIPC & Final. Direct link is: [http://www.icai.org/new\\_post.html?post\\_id=9630&c\\_id=344](http://www.icai.org/new_post.html?post_id=9630&c_id=344).

Students of the CA Course are encouraged to refer to the aforementioned VoDs to succeed in their forthcoming examinations.

**Director, Board of Studies**

### Important Announcement

As per the Council’s decision, students who registered for Practical Training on or before April 30, 2012 were required to undergo **General Management Communication Skills (GMCS) Course** before applying for membership of the ICAI as per Regulation 51A/72A of the Chartered Accountants Regulations, 1988.

With a view to make the GMCS more effective, the Council at its 331st Meeting decided to discontinue the existing GMCS course with effect from 1st April, 2014 and directed that students registered for Practical Training on or before April 30, 2012 shall be required to undergo GMCS-II course only instead of existing GMCS course before applying for membership of the ICAI as per Regulation 51A/72A of the Chartered Accountants Regulations, 1988.

In this connection, above students are advised to register at the portal [www.icaionlineregistration.org](http://www.icaionlineregistration.org) or contact the nearest Regional Council/Branch for registration in GMCS-II Course.

**Director, Board of Studies**

# Black Apple Inc. – A Case Study of Cross Border Capital Budgeting

CA. Ashish Gupta

**B**lack Apple Inc, a listed company on New York Stock Exchange, is based in California, USA. It is in the business of manufacturing mobile apps exclusively used in US market. The Company is considering stopping of the development of one of its apps called 'Gen Y' gradually over a span of 4 years as it requires development facilities for development of other apps. 'Gen Y' is specifically designed for the students at undergraduate level, as it is primarily meant for downloading and reading study material.

The Ministry of HRD, Government of India (GOI) is planning to develop similar mobile app in India for Indian IIT students. This App will be called as TMT Tutorial and will be a comprehensive tool for the students to understand the various topics of subjects such as Mathematics, Randomized Algorithms, Quantitative Techniques, Engineering, and Physics etc. Further, it shall also include possible quizzes and questions along with answers for self-assessment. For this purpose, the Ministry of HRD (GOI) has signed an MOU with Black Apple Inc.

As per the MOU, the Black Apple Inc, shall be allowed to install its development facilities in India and shall sell App 'Gen Y' in US Market for a period of the 4 years. Thereafter, all development rights as well as facilities shall be transferred to GOI, for Rs. 450 Crore after tax (not subject to inflationary increases).

## Present Status

Currently each unit of 'Gen Y' sold in US contributes \$20. This contribution is expected to continue for coming 4 years irrespective of inflationary increases. In the first year (2015) development and selling of 'Gen Y' is estimated to be 4,00,000 units and expected to fall by 20% each year from 2016 to 2018. Further, it is expected that development of 'Gen Y' shall be stopped after 2018. However, if development is stopped immediately net assets would be sold for \$23 Million and cost of closing down the project including cost of redundancy labour shall be \$17 Million. If this closure is made after 4 years then cost of closure shall be equal to the amount realized from the sale of assets.

## Data related to Cost of Development and Sales

The following data pertains to development of 'Gen Y' in India.

### Initial Cost

- Land & Building Rs. 150 Crores
- Plant & Machinery\* Rs. 80 Crores

(\*Subject to depreciation on straight line basis of over next 4 years, realizable value to be Nil.)

- Working Capital\* Rs. 40 Crores

(\*subject to increase with rate of inflation in India. Further it shall be released back to Black Apple Inc after 4 years).

### Expected Production

|           |                |
|-----------|----------------|
| Year 2015 | 1,20,000 units |
| Year 2016 | 2,20,000 units |
| Year 2017 | 4,70,000 units |
| Year 2018 | 6,00,000 units |

### Expected Revenue/Cost for the year 2015

| Particulars                                                                        | Amount       |
|------------------------------------------------------------------------------------|--------------|
| Sale Price per app                                                                 | \$70         |
| Variable Cost including commission (Direct) to Sales Agent, or Authorized showroom | Rs. 1,350    |
| Royalty Cost to be paid to Black Apple Inc. per App                                | \$7          |
| Contribution incurred to Black Apple after deducting misc. charges                 | \$4          |
| Total Fixed Cost for the year 2015                                                 | Rs. 30 crore |

It is expected that costs are subject to increase as per inflation rate prevailing in India, but selling price of App shall remain fixed to \$ 70 throughout 2015 to 2018.

### Tax Structure

The tax rate applicable to Black Apple Inc in India is 20% and in USA it is subject to tax rate of 30%. There exists Double Taxation Avoidance Agreement between India and US according to which tax paid in India shall be allowed to set off against tax payable in US. Further, as per the tax provisions of both countries losses are allowed to be carried forward and set-off against the future profits for the calculation of tax liability.

### Financing and Beta of the Project

The company has decided that whole project should be financed by borrowing in India. SBI has agreed to finance the project @ 13%, of which 6% shall be subsidized by GOI. Black Apple can borrow funds in US @ 5%.

The existing capital structure of Black Apple consisted of 25 crore share being currently quoted on NY Stock Exchange at \$ 2.40 per share and \$400 million 7% Debenture of \$1,000 trading in market at \$1,428, due to prevailing low interest rate in US market. Black Apple Inc.'s existing geared beta is 1.17. The return on US Treasury Bonds is 3% and market risk premium in US is about 6%.

Due to the nature of the project the applicable beta for the project shall be 0.4 more than the ungeared beta of Black Apple Inc. Further, it is expected that if proposal is accepted the WACC (Cost of Capital) applicable for the cash flows in USA shall be 7%.

### Exchange and Inflation Rates

The Current exchange rate of \$ is Rs 55. The inflation rate (annual) in USA is 3% and 9% in India.

#### Required:-

- Decide whether to take the project in India and stop its production in US with immediate effect or not. The decision should be supported by necessary computations and assumptions.
- Suggest some possible strategies that can be adopted by Black Apple Inc to mitigate the exchange rate risk.

(Students are requested to mail their answer to the questions to "ashish.gupta@icai.in" latest by June 30, 2014. The best answer will be published in one of the forthcoming issues of the Student's Journal)

*(The contributor is Sr. Assistant Director, ICAI)*

### Important Announcement

**Attention: Intermediate (IPC) and Final Course students – November 2014 examinations**

**Subject: Applicability of notified sections of Chapter IX, "Accounts of Companies" and Chapter X, "Audit and Auditors" of the Companies Act, 2013 along with its Rules for November 2014, Examinations for Final Course**

Attention of students is invited to the announcement dated 15<sup>th</sup> March, 2014 hosted on the students' portal at <http://220.227.161.86/32800bos-announ15mar14.pdf> regarding applicability of 53 sections and 45 sections of the Companies Act, 2013 for November 2014 examinations for Intermediate (IPC) and Final Course respectively.

**Final course students may note that in addition to 45 sections of the Companies Act, 2013, notified sections of Chapter IX, "Accounts of Companies" and Chapter X, "Audit and Auditors" of the Companies Act, 2013, along with its Rules are also applicable for November 2014 examinations in respect of following papers:**

Paper 1: Financial Reporting (Group I)

Paper 3: Advanced Auditing and Professional Ethics (Group I)

Paper 4: Corporate and Allied Laws (Group I)

As far as Intermediate (IPC) Course students are concerned, **only** 53 sections of the Companies Act, 2013 as announced earlier would continue to apply for November 2014 examinations.

It is also clarified that along with the applicable sections of the Companies Act, 2013, the remaining provisions of the Companies Act, 1956, if any, would continue to apply for November 2014 examinations.

**Director, Board of Studies**

### ANNOUNCEMENT

### Convocation-2014

It has been decided by the Institute that newly enrolled members who, due to any reason, could not participate in the Convocation held in the month of January, 2014 at Delhi, Kolkata, Bangalore, Mumbai and Kanpur will now be given opportunity to participate in the next Convocation to be held in the month of July / August, 2014 at various cities under Regional offices of ICAI.

Such participants are advised to be in touch with Regional offices in the matter.

**Joint Secretary  
MC&MSS Section**



The Institute of Chartered Accountants of India

[Set up by an Act of Parliament]

Post Box No.7112, 'ICAI BHAWAN', Indraprastha Marg

New Delhi-110002

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

NOTIFICATION

5<sup>th</sup> May, 2014

No.13-CA(EXAM)/ISA/J/2014: - In pursuance of Regulation 204 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to notify that the Information Systems Audit (ISA) Course Assessment Test (which is open to the members of the Institute) will be held on **28<sup>th</sup> June, 2014 (Saturday) from 10.30 AM to 2.30 PM** at the following cities provided that sufficient number of candidates offer themselves to appear therefrom.

| Sl. No. | Name of the Cities | Sl. No. | Name of the Cities | Sl. No. | Name of the Cities |
|---------|--------------------|---------|--------------------|---------|--------------------|
| 1       | AGRA               | 21      | GOA                | 41      | MEERUT             |
| 2       | AHMEDABAD          | 22      | GUWAHATI           | 42      | MORADABAD          |
| 3       | ALIGARH            | 23      | HISAR              | 43      | MUMBAI             |
| 4       | AMRAVATI           | 24      | HYDERABAD          | 44      | NAGPUR             |
| 5       | AURANGABAD         | 25      | INDORE             | 45      | NASIK              |
| 6       | BANGALORE          | 26      | JABALPUR           | 46      | PATNA              |
| 7       | BELGAUM            | 27      | JAIPUR             | 47      | PUNE               |
| 8       | BHOPAL             | 28      | JALANDHAR          | 48      | RAIPUR             |
| 9       | BHUBANESWAR        | 29      | JALGAON            | 49      | RAJAMAHENDRAVARAM  |
| 10      | BIKANER            | 30      | JAMMU              | 50      | RAJKOT             |
| 11      | CHANDIGARH         | 31      | JAMNAGAR           | 51      | ROHTAK             |
| 12      | CHENNAI            | 32      | JHANSI             | 52      | SHIMLA             |
| 13      | COIMBATORE         | 33      | JODHPUR            | 53      | SILIGURI           |
| 14      | CUTTACK            | 34      | KANPUR             | 54      | SOLAPUR            |
| 15      | DELHI / NEW DELHI  | 35      | KOLHAPUR           | 55      | SURAT              |
| 16      | DURGAPUR           | 36      | KOLKATA            | 56      | UDAIPUR            |
| 17      | ERNAKULAM          | 37      | KOZHIKODE          | 57      | VADODRA            |
| 18      | FARIDABAD          | 38      | LUCKNOW            | 58      | VARANASI           |
| 19      | GANDHIDHAM         | 39      | LUDHIANA           | 59      | VIJAYAWADA         |
| 20      | GHAZIABAD          | 40      | MANGALORE          |         |                    |

The Council reserves the right to withdraw any centre at any stage without assigning any reason. The above Test is open only to the Members of the Institute who are already registered with the Institute for the ISA course and passed the related eligibility test. The fee payable for the above Assessment Test is ₹ 1000/-.

An application for admission to the Assessment Test is required to be submitted online by visiting <http://isaat.icaiaexam.icaai.org> and the sum of ₹ 1100/- (₹ 1000/- as examination fees and ₹ 100/- towards the examination form) has to be paid online using Master/Visa/Maestro Credit or Debit Card on or from 22<sup>nd</sup> May, 2014. Alternatively, the format of application form can be downloaded from the website of the Institute viz. [www.icaai.org](http://www.icaai.org) and the cost of the application form of ₹ 100/- can be added to the Assessment Test fee of ₹ 1000/- and the Demand Draft for ₹ 1100/- of any Scheduled Bank drawn in favour of "The Secretary, The Institute of Chartered Accountants of India", payable at New Delhi only has to be sent to the Joint Secretary (Exams), The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi-110002 so as to reach him on or before 4<sup>th</sup> June, 2014. The applications received after 4<sup>th</sup> June, 2014 will not be entertained under any circumstances.

(T. Karthikeyan)  
Secretary

ANNOUNCEMENT

**Manner of Reporting by the Auditors In Respect of RBI's Circular on Deferred Tax Liability on Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961**

1. The Reserve Bank of India, on 20th December 2013, issued Circular No. DBOD. No.BPBC.77/21.04.018/2013-14 for all commercial banks (excluding Regional Rural Banks) in respect of Deferred Tax Liability on Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961.
2. RBI, in its aforesaid Circular has noted that some banks were not creating deferred tax liability (DTL) on Special Reserve as per Accounting Standard 22, 'Accounting for taxes on Income' (AS 22) on the grounds that they do not intend to withdraw from such Reserve in the future. In many cases banks have formalised such intent by having resolutions passed by their Boards or Committees to this effect.
3. RBI, vide its aforesaid Circular, has required that as a matter of prudence, banks should create DTL on such Special Reserve. Further, for this purpose, banks may take the following course of action:
  - a) If the expenditure due to the creation of DTL on Special Reserve as at March 31, 2013 has not been fully charged to the Profit and Loss account, banks may adjust the same directly from Reserves.  
The amount so adjusted may be appropriately disclosed in the Notes to Accounts of the financial statements for the financial year 2013-14.
  - b) DTL for amounts transferred to Special Reserve from the year ending March 31, 2014 onwards should be charged to the Profit and Loss Account of that year.
4. RBI Circular also states that in view of the requirement to create DTL on Special Reserve, banks may reckon the entire Special Reserve for the purpose of computing Tier-I Capital.
5. The Council of ICAI has considered the impact of the accounting dispensation prescribed by RBI with respect to treatment of expenditure on creation of DTL as at 31st March 2013 (as referred to in paragraph 3.a above) on the report of the banks' statutory auditors.
6. On a consideration of the matter, the Council is of the view that any specific accounting treatment prescribed by a regulator, even if at variance with the Accounting Standard/s, was an integral part of the financial reporting framework applicable to the entity falling under the jurisdiction of such regulator and the entity would be required to follow such prescribed accounting treatment. Accordingly, the statutory auditors need not modify their audit opinion in respect of such prescribed accounting treatment. However, the fact may be brought out by the statutory auditors in their audit report by way of an "Emphasis of Matter" paragraph in accordance with the Standard on Audit (SA) 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report", issued by ICAI, provided the matter of departure from the requirements of the Accounting Standard/s pursuant to the aforesaid regulatory requirement is appropriately disclosed, with quantification, by the entity by way of the notes to the accounts in the financial statements.
7. An illustrative "Emphasis of Matter" paragraph is as follows:  
"Emphasis of Matter  
We draw attention to Note X to the financial statements, which describes the accounting treatment of the expenditure on creation of Deferred Tax Liability on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 as at 31st March 2013, pursuant to RBI's Circular No. DBOD. No.BPBC.77/21.04.018/2013-14 dated 20th December 2013. Our opinion is not qualified in respect of this matter."
8. The aforesaid disclosure in the Notes to the Accounts would normally include the following information in respect of creation of Deferred Tax Liability (DTL) on Special Reserve for the following:
  - Amount of expenditure due to the creation of DTL on Special Reserve as at March 31, 2013 not fully charged to the Profit and Loss Account as adjusted directly against Reserves
  - Impact on Profit & Loss Account had the amount of hitherto unprovided DTL been charged to the Profit and Loss Account instead of Reserves directly as required by the RBI Circular.
9. An illustrative Note to Accounts in this regard is as follows:  
"Pursuant to Reserve Bank of India's (RBI's) Circular No. DBOD. No.BPBC.77/21.04.018/2013-14 dated 20th December 2013, the Bank has created Deferred Tax Liability on the Special Reserve under section 36(1)(viii) of the Income-tax Act, 1961. As required by the said RBI Circular, the expenditure, amounting to Rs. XXXX due to the creation of DTL on Special Reserve as at March 31, 2013, not previously charged to the Profit and Loss Account, has now been adjusted directly from the Reserves. Had this amount been charged to the Profit & Loss Account in accordance with the generally accepted accounting principles in India, the amount of Profit for year had been lower/ amount of Loss for the year higher\* by such amount."

Source : <http://220.227.161.86/33363aasb22982.pdf>

### Important Announcement

#### Revalidation of Registration for continuation of CA Course

The Council of the Institute of the Chartered Accountants of India has announced a Scheme for Re validation of registration after expiry of its scheduled time period enabling students to continue the respective CA Course they are registered in.

The scheme is effective from 1<sup>st</sup> January, 2013 and details are given as under:-

**1. Common Proficiency Course (CPC):**

- Initial registration for Common Proficiency Course (CPC) is valid for 3 years.
- Fee for revalidation is Rs.300/- for a period of 3 years.

**2. Intermediate (Integrated Professional Competence) Course :**

- Initial registration for Intermediate (IPC) Course is valid for 4 years
- Fee for revalidation is Rs.400/- for a period of 4 years.

**3. Final Course:**

- Initial registration for Final Course is valid for 5 years.
- Fee for revalidation is Rs.500/- for a period of 5 years

Accordingly students who could not complete their course in its entirety in the stipulated period of registration have to revalidate their registration so as to continue CA course. Students' desirous to continue the course may apply for revalidation of registration by filing the prescribed Application Form to their respective Regional Office of ICAI as available on the Institutes website [www.icaai.org](http://www.icaai.org) or on link: <http://220.227.161.86/31554bos21626.pdf> along with prescribed revalidation fee as stated above.

**Students may note that only such students having valid registration will be allowed to apply and appear at CPT, Intermediate (IPC) and Final Examination, as the case may be.**

Director, Board of Studies

### Important Announcement

#### Attention: Intermediate (IPC) and Final Course students

**Subject: Applicability of notified sections of the Companies Act, 2013 for May 2015, Examinations**

This is to bring to the notice of students that the relevant sections of the Companies Act, 2013 notified till 30<sup>th</sup> September, 2014 would be applicable for May 2015 examinations in respect of the following papers:

**At the Intermediate (IPC) Course**

- Paper 1: Accounting (Group I)
- Paper 2: Business Laws, Ethics and Communication (Group I)
- Paper 5: Advanced Accounting (Group II)
- Paper 6: Auditing and Assurance (Group II)

**At the Final Course**

- Paper 1: Financial Reporting (Group I)
- Paper 3: Advanced Auditing and Professional Ethics (Group I)
- Paper 4: Corporate and Allied Laws (Group I)

For reference and benefit of our students, the Board of Studies would release relevant material applicable for May 2015 examinations well in advance before the examinations.

It is also clarified that along with the applicable sections of the Companies Act, 2013, the remaining provisions of the Companies Act, 1956, if any, would continue to apply for May 2015 examinations.

Director, Board of Studies

## ANNOUNCEMENT

## November 2014 Examination: Practice Manuals of Select Papers based on revised syllabus web-hosted

The syllabi of following papers have been revised in terms of the decision of the Council taken at its 324<sup>th</sup> meeting held in March, 2013:

| Course             | Paper                                          |
|--------------------|------------------------------------------------|
| Final              | Paper 6: Information Systems Control and Audit |
| Intermediate (IPC) | Part II: Indirect Taxes of Paper 4: Taxation   |
|                    | Paper 7A: Information Technology               |

It has been decided to hold the examinations of the aforesaid papers in accordance with the revised syllabi from November, 2014 onwards. *[Refer the detailed Announcement and Note explaining significant changes made in the syllabi published in September, 2013 issue of this Journal as also hosted on the Institute's website.]*

The Study Materials of these papers prepared in accordance with the revised syllabi are already available at Institute's website as also at the sale counters of the Institute. Now, the Practice Manuals prepared on the basis of the revised syllabi of these papers have also been **hosted at the Institute's website on BoS Knowledge Portal**.

The questions included in the Practice Manual of Part II: Indirect Taxes of Paper 4: Taxation have been adapted and answered on the basis of the indirect tax laws as amended by the Finance Act, 2013.

The revised Practice Manuals will be available at the sales counters of the Institute.

**Director, Board of Studies**

## Important Announcement

It has been decided to grant extension to students, who were registered for practical training on or after 1st May, 2012 and completed one year of their practical training but not completed the GMCS-I course are required to complete GMCS-I Course latest by 30<sup>th</sup> September, 2014.

The above students are advised to register at the portal [www.icaionlineregistration.org](http://www.icaionlineregistration.org) or contact the nearest Regional Council/Branch for registration in GMCS-I Course and complete the same at the earliest but not later than 30<sup>th</sup> September, 2014.

**Director, Board of Studies**

## Important Announcement

**Attention: Intermediate (IPC) and Final Course students- May 2015 examinations and onwards**

As students may be aware, the Companies Act, 2013 has been notified in the Official Gazette on 30th August, 2013 stating that different dates may be appointed for enforcement of different provisions of this Act through notification of the Central Government in this regard.

Having regard to the above development, the Council at its 333<sup>th</sup> meeting, revised the syllabus in a comprehensive manner in the following papers of Intermediate (IPC) and Final Course(s).

**Intermediate (IPC) Course**

Paper 1: Accounting (Group I)

Paper 2: Business Laws, Ethics and Communication (Group I)

Paper 5: Advanced Accounting (Group II)

Paper 6: Auditing and Assurance (Group II)

**Final Course**

Paper 3: Advanced Auditing and Professional Ethics (Group I)

Paper 4: Corporate and Allied Laws (Group I)

**Director, Board of Studies**

## ANNOUNCEMENT

## Attention of Publishers

The Board of Studies of ICAI has decided to discontinue the practice of recommending Books to its students written by any author and hence has withdrawn its approval regarding recommendation of Books.

Therefore all publishers are hereby advised and put on notice not to use the phrase either 'Recommended by ICAI' or any other phrase giving an impression that the same book has been recommended by ICAI or any of its departments/sections on the cover page of the book or elsewhere (inside the book, pamphlet etc.) in the revised edition or re-print of any existing edition with effect from April 1, 2014.

If any publisher is found using ICAI's name on the books published by them, appropriate action would be initiated against such publishers.

**Director, Board of Studies**

## Announcement

The following Conventions/Conclaves for CA students have also been planned as of May, 2014. For further details, please contact the respective Branch

| S.N | Branch    | Name of the Programme | Proposed Dates                               | Contact Details                                                          |
|-----|-----------|-----------------------|----------------------------------------------|--------------------------------------------------------------------------|
| 1.  | Jaipur    | National Convention   | 26 <sup>th</sup> & 27 <sup>th</sup> June, 14 | <b>Phone:</b> (141)- 3044 200, 3989 398, <b>Email:</b> jaipur@icai.in    |
| 2.  | Cuttack   | National Conclave     | 4 <sup>th</sup> & 5 <sup>th</sup> July, 14   | <b>Phone:</b> (671) 2505348, 2506348, <b>Email:</b> cuttack@icai.org     |
| 3.  | Hisar     | National Convention   | 5 <sup>th</sup> & 6 <sup>th</sup> July, 14   | <b>Phone:</b> (166) 2231 074, <b>Email:</b> hisar@icai.org               |
| 4.  | Nagpur    | National Convention   | 25 <sup>th</sup> & 26 <sup>th</sup> July, 14 | <b>Phone:</b> (712) 2443 968, 2441 196, <b>Email:</b> nagpur@icai.org,   |
| 5.  | Surat     | National Convention   | 1 <sup>st</sup> & 2 <sup>nd</sup> Aug, 14    | <b>Phone:</b> (261) 2472 932, 2464 413, <b>Email:</b> surat@icai.org     |
| 6.  | Jalgaon   | National Conclave     | 9 <sup>th</sup> & 10 <sup>th</sup> Aug, 14   | <b>Phone:</b> (257) 2224305, 2232213, <b>Email:</b> jalgaon@icai.org     |
| 7.  | Ernakulam | National Convention   | 12 <sup>th</sup> & 13 <sup>th</sup> Dec, 14  | <b>Phone:</b> (484) 2369 238, 2372 953, <b>Email:</b> ernakulam@icai.org |
| 8.  | Bilaspur  | National Convention   | 13 <sup>th</sup> & 14 <sup>th</sup> Dec, 14  | <b>Phone:</b> (775) 2428 611, <b>Email:</b> bilaspur@icai.org            |

## CROSSWORD

May, 2014

**Solution**

|                 |                 |                 |                 |                 |                 |                |                 |                 |                 |                 |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <sup>1</sup> T  | <sup>2</sup> E  | <sup>3</sup> A  |                 | <sup>4</sup> N  | <sup>5</sup> A  | <sup>6</sup> V |                 | <sup>7</sup> A  |                 | <sup>8</sup> I  |                 |
| <sup>9</sup> R  | O               | D               |                 | <sup>10</sup> E | G               | O              |                 | <sup>11</sup> R | <sup>12</sup> O | T               | <sup>13</sup> A |
| E               | N               |                 |                 | <sup>14</sup> G | O               | U              | T               |                 | <sup>15</sup> B | E               | T               |
| E               |                 | <sup>16</sup> B | <sup>17</sup> C | A               |                 | C              |                 |                 | <sup>18</sup> J | M               | M               |
|                 | <sup>19</sup> S | U               | I               | T               |                 | H              | <sup>20</sup> S |                 | E               |                 |                 |
| <sup>21</sup> S | U               | F               | F               | I               | <sup>22</sup> C | I              | E               | N               | C               | <sup>23</sup> Y |                 |
| <sup>24</sup> O | A               | F               |                 | <sup>25</sup> V | E               | N              | T               |                 | <sup>26</sup> T | I               | <sup>27</sup> N |
| <sup>28</sup> R | V               | E               |                 | <sup>29</sup> E | I               | G              | H               | T               |                 | <sup>30</sup> E | G               |
| <sup>31</sup> T | E               | R               | <sup>32</sup> M |                 | L               |                |                 |                 | <sup>33</sup> I | L               | O               |
| I               |                 |                 | A               | <sup>34</sup> C |                 |                |                 |                 | <sup>35</sup> O | D               | D               |
| <sup>36</sup> N | E               | <sup>37</sup> I | T               | H               | E               | R              |                 |                 | <sup>38</sup> N | E               | <sup>39</sup> D |
| G               |                 | <sup>40</sup> V | E               | I               | L               |                |                 |                 | <sup>41</sup> A | D               | O               |

## National Convention for CA Students – Kolkata

**Dates:** 26<sup>th</sup> & 27<sup>th</sup> July 2014

**Venue:** Science City Auditorium, Kolkata

**Organized by:** Board of Studies, ICAI

**Hosted by:** EIRC of ICAI & EICASA

**Theme:** CA Students: Grow Tall on Solid Foundation

| DAY 1             |                                                                                                                                                                                                                                                                                                       |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11:00am – 12.30pm | <b>Technical Session 1: Financial Reporting &amp; Auditing &amp; Assurance</b><br>(i) Effect on Consolidation of Account as per Companies Act,2013 (ii) Transitional effect on depreciation (iii) Audit Consideration relating to an entity using a service organization-SA 402                       |
| 12.30pm – 1.30pm  | <b>Special Students' Interactive Session with Chairman, Board of Studies</b>                                                                                                                                                                                                                          |
| 2.30pm – 3.30pm   | <b>Special Session 1 by Jain School</b>                                                                                                                                                                                                                                                               |
| 3.30pm – 4.30pm   | <b>Special Session 2: How to shape your future?</b><br>Speaker : Padmashree CA T N Manoharan, Past President, ICAI                                                                                                                                                                                    |
| 5.00pm – 7.00pm   | <b>Motivational Talk on Optimising Performance</b><br>Speaker : Mr. Shiv Khara                                                                                                                                                                                                                        |
| DAY 2             |                                                                                                                                                                                                                                                                                                       |
| 9.30am- 11:00am   | <b>Technical Session 2 : Companies Act 2013 ( Blessing in Disguise)</b><br>(i) Corporate Governance – Role of Independent Directors (ii) Auditor's Role & liability in the Companies Act 2013 (iii) Corporate Social Responsibility                                                                   |
| 11:00am – 12:00pm | <b>Special Session 3 : Panel Discussion : FDI in Retail Sector</b>                                                                                                                                                                                                                                    |
| 12:00pm – 1:30pm  | <b>Technical Session 3: Taxation (Direct &amp; Indirect)</b><br>(i) Advance Pricing Agreement and Safe Harbour Rules (ii) Taxation on sale of Immovable Properties vis-à-vis Deemed Valuation as per section 50 C of Income Tax Act, 1961 (iii) Service tax implication on Work Contract and Job Work |

**\*(Subject to Confirmation)**

Inaugural Session will be held on Day-1 and Valedictory function and Certificate distribution on Day-2.

Students are hereby requested to register for the Convention as per the following details:-

|              |                                                                                                                              |                                                         |
|--------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Regn Fees    | ₹ 500/- per student                                                                                                          | Accommodation @ ₹ 400/- per day over and above Reg fees |
| Payment Mode | Cash/DD/Cheque to be drawn in favour of <b>"The Institute of Chartered Accountants of India, EIRC"</b> , payable at Kolkata. |                                                         |

Outstation students shall confirm their participation by 26<sup>th</sup> June, 14 for making accommodation arrangements accordingly. They should send their payment in Demand Draft along with duly filled-in delegate registration form. Delegate fee can be paid in cash only in case of submission in Person (not through Post /Courier) at EIRC office w.e.f 1<sup>st</sup> June 2014 during office hours on all working days- Monday to Friday.

**For registration queries contact:-**

EIRC of ICAI, ICAI Bhawan, 7, Anandilal Poddar Sarani, Kolkata - 700 071, Ph: (33) 39893989 , Email: [ero@icai.org](mailto:ero@icai.org)

Students are invited to contribute papers for presentation (1500 to 2000 words in MS word) on topics in Technical Sessions and submit for approval a soft copy of the Paper at [erobos@icai.in](mailto:erobos@icai.in) and [jyoti.luharuka@icai.in](mailto: jyoti.luharuka@icai.in) by 20<sup>th</sup> June ,2014 along with Student's scanned photograph, Regn No, Course pursuing, complete postal address, Mobile, Landline numbers and e-mail ID . Selected outstation paper writers shall be reimbursed actual travelling expenses equivalent to 2 tier AC and DA @ 1500 per day for lodging etc.

|                                                                                                       |                                                                                                             |                                                                                             |                                                                                   |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <b>CA. Sumantra Guha</b><br>Convention Director &<br>Member<br>Board of Studies, ICAI                 | <b>CA. Prafulla Premsukh Chhajed</b><br>Convention Co-Chairman &<br>Vice-Chairman<br>Board of Studies, ICAI | <b>CA. M. Devaraja Reddy</b><br>Convention Chairman &<br>Chairman<br>Board of Studies, ICAI | <b>CA. Subodh Kumar Agrawal</b><br>Convention Advisor &<br>Past President<br>ICAI |
| <b>CA Pramod Dayal Rungta</b><br>Convention Co-Coordinator & Chairman<br>EICASA & Vice Chairman, EIRC |                                                                                                             | <b>CA Subhash Chandra Saraf</b><br>Convention Coordinator & Chairman<br>EIRC                |                                                                                   |

## National Convention for CA Students – Indore

**Date:** 12th & 13th July, 2014

**Venue:** ICAI Auditorium, Sch. No. 78, Vijay Nagar, Indore

**Organized by:** Board of Studies, ICAI

**Hosted by:** Indore Branch of CIRC of ICAI & Indore Branch of CICASA

**Theme:** “Combating the Change – Challenges & Opportunities”

### DAY 1

|                    |                                                                                                                                                                                    |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11.00am to 01.30pm | <b>Technical Session-I</b><br>(i) Audit U/s 44AB include Presumptive Tax Audits (ii) Penalty & Prosecution Under TDS (iii) Deemed Dividend U/s 2(22)(e) under Income Tax Act, 1961 |
| 2.00pm to 3.00pm   | <b>Special Session - “Interactions with Chairman, Board of Studies”</b>                                                                                                            |
| 3.00pm to 5.45pm   | <b>Technical Session-II</b><br>(i) Auditor Responsibility Under New Era of Companies Act 2013 (ii) Depreciation Rules Under New Companies Act 2013                                 |
| 5.45pm to 6.30pm   | <b>Special Interactive Session</b>                                                                                                                                                 |
| 6.30pm             | <b>Cultural Program</b>                                                                                                                                                            |

### DAY 2

|                   |                                                                                                                                                                                            |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.00am to 12.00pm | <b>Technical Session-III</b><br>(i) IT & Information System Audit – Future Benefits (ii) Forensic Audit – Audit under ERP Environment (iii) Accounting of Shares & Derivatives Transaction |
| 12.00pm to 1.00pm | <b>Special Interactive Session</b>                                                                                                                                                         |
| 2.00pm to 4.00pm  | <b>Technical Session-IV</b><br>(i) Negative List under Service Tax Act (ii) Reverse Charge Mechanism under Service Tax Act                                                                 |

Inaugural Session will be held on Day-1 and Valedictory function and Certificate distribution on Day-2. Students are requested to get register for the Convention as per the following details:-

|              |                                                                                                     |                                              |
|--------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------|
| Regn fees    | ₹ 500/- Per Student                                                                                 | For Accommodation details contact the branch |
| Payment mode | Cash/DD/Cheque to be drawn in favour of “ <b>Indore Branch of CIRC of ICAI</b> ”, payable at Indore |                                              |

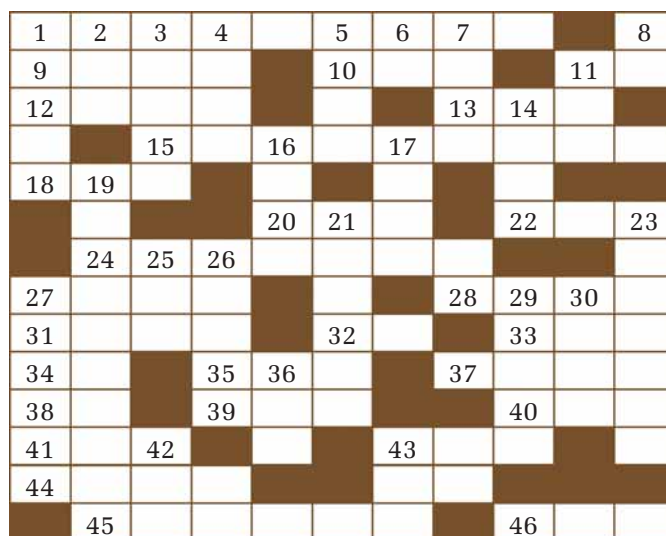
### For registration queries contact:-

Indore Branch of CIRC of ICAI, 'ICAI Bhawan', Plot No. 19-B, Scheme No. 78, Near SICA School, Indore-452010, Phone: 0731-2570052,53, 4298198 & Email: [cicasa\\_indore@icai.org](mailto:cicasa_indore@icai.org), [indore@icai.in](mailto:indore@icai.in), Website: [indore-icai.org](http://indore-icai.org)

Students are invited to contribute papers for presentation (**1500-2000 words**) for topics in technical session and submit for approval a soft copy of the paper at [indore@icai.in](mailto:indore@icai.in) with a copy to [cicasa\\_indore@icai.org](mailto:cicasa_indore@icai.org) by **30th June, 14** and a hard copy of the same along with student's photograph (with his/her name on the back of the photograph), regn no, course pursuing, complete postal address, mobile number, landline number and email id be also sent to the Branch. Outstation Paper Presenters shall be reimbursed actual travelling expenses equivalent to **Two Tier AC and DA @ Rs 1500 per** day for lodging and other expenses. Student who are interested to participate in the cultural program are requested to register before **30<sup>th</sup> June, 14** at the branch.

|                                                                                     |  |                                                                                                          |  |                                                                                                    |  |
|-------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------|--|
| <b>CA. Narendra Bhandari</b><br>Convention Coordinator &<br>Chairman, Indore Branch |  | <b>CA. Prafulla Premeek Chhajed</b><br>Convention Co-Chairman &<br>Vice-Chairman, Board of Studies, ICAI |  | <b>CA. M. Devaraja Reddy</b><br>Convention Chairman &<br>Chairman, Board of Studies, ICAI          |  |
| <b>CA. Vikas Jain</b><br>Convention Director                                        |  | <b>CA. Tejsingh Kothari</b><br>Convention Secretary                                                      |  | <b>CA. Abhishek Maheshwari</b><br>Convention Co-Coordinator &<br>Chairman, Indore Branch of CICASA |  |
|                                                                                     |  |                                                                                                          |  | <b>CA. C.L. Yadav</b><br>Regional Coordinator &<br>Chairman, CICASA                                |  |

## CROSSWORD



### ACROSS

1. \_\_\_\_\_ is the risk that the auditor will not detect a material misstatement that exists.
9. Latin word meaning in the same place.
10. \_\_\_\_\_ refer to the use of automated methods to process commercial data
11. Roman numeral for 51
12. Regulator for securities market in India.
13. A document which, along with the memorandum of association, forms the company's constitution.
15. The study of the origin of words and the way in which their meanings have changed throughout history.
18. To \_\_\_\_\_ on it means to hold someone or something back.
20. The \_\_\_\_\_, India, is an apex body established by the Government of India in 1957 to develop reading habits and creation of book culture in the country.
22. A weekly Indian magazine that publishes research and analysis on economics, political, sociology and history.
24. \_\_\_\_\_ Layer in OSI sets up, coordinates, and terminates conversations; exchanges and dialogs between the applications at each end.
27. A cartel formed by oil producing countries.
28. The Planning Commission of India launched \_\_\_\_\_ in 2013 for effective implantation of its core programmes and policies.
31. A legendary abominable snowman.
32. Indefinite article in English language.
33. Spare the \_\_\_\_\_ and spoil the child.
34. The highest court of justice in India.
35. In CPT of ICAI, the students are required to mark their answers on \_\_\_\_\_ sheets.
37. The \_\_\_\_\_ is an intergovernmental military alliance based on the North Atlantic Treaty which was signed on in 1949.
38. A Font format.
39. A negative vote.
40. An internet slang.
41. \_\_\_\_\_ is the ability to support a unified view of data and information for an entire organization.
43. A scam or flim flam.
44. \_\_\_\_\_ learning is a memorization technique based on repetition.

45. A lawyer or person with legal training who is licensed by the state to perform acts in legal affairs, in particular witnessing signatures on documents.
46. A \_\_\_\_\_ price is the highest price that a buyer is willing to pay for a good.

### DOWN

1. \_\_\_\_\_ is an item of storage medium in the form of circular plate.
2. Another word for Alien.
3. Lhasa is the capital of \_\_\_\_\_.
4. Which menu includes the command 'Find' in MS Word 2007?
5. Swarming
6. \_\_\_\_\_, ego and super-ego are the three parts of the psychic apparatus defined in Sigmund Freud's structural model of the psyche.
7. \_\_\_\_\_: generally called queen of all gemstones.
8. Roman numeral for 101.
11. An industry should take into consideration major lead and \_\_\_\_\_ factors while making any financial decision.
14. To exude slowly.
16. Longs or urges.
17. Germanic word meaning "rich".
19. \_\_\_\_\_ consists of examining records, documents or tangible assets.
21. Which kind of mathematics does the computer use in operations?
23. A Personal Computer operating system from Microsoft.
25. In the \_\_\_\_\_ method of taxation for savings, the contributions towards certain savings are deductible from income, the accumulation/accretions are exempt from tax till such time as they remain invested and all withdrawals at any time are subject to tax at the applicable marginal rate of tax.
26. Descendant
27. A person's strong point
29. CPU is also called the \_\_\_\_\_ of a computer.
30. A very small amount
36. International Labour Day is celebrated on \_\_\_\_\_ first.
42. \_\_\_\_\_ is a company's outsourcing of computer or Internet related work, such as programming, to other companies.
43. Shy



ICAI President, CA. K. Raghu inaugurating the Kurnool Branch of SIRC of ICAI in the presence of CA. M. Devaraja Reddy, Chairman, Board of Studies and CA. J. Venkateswarlu, Central Council Member and other dignitaries.



ICAI President, CA. K. Raghu addressing the students and members of Kurnool Branch after the inauguration. Among other dignitaries, CA. M. Devaraja Reddy, Chairman, Board of Studies and CA. J. Venkateswarlu, Central Council Member seen in picture.



ICAI President, CA. K. Raghu inaugurating the Ananthpur Branch of SIRC of ICAI in the presence of CA. M. Devaraja Reddy, Chairman, Board of Studies, CA. J. Venkateswarlu, Central Council Member, CA. P.V. Rajarajeswaran Chairman, SIRC and other dignitaries.



ICAI President, CA. K. Raghu with the students and other dignitaries after the inauguration of Ananthpur Branch of SIRC of ICAI.



ICAI President, CA. K. Raghu with the students of Tirupur Branch of SIRC of ICAI on the occasion of a Students' Meet. CA. M. Devaraja Reddy, Chairman, Board of Studies, Central Council Members, CA. Babu Abraham Kallivayalil and CA. G. Sekar also seen in picture.



ICAI President, CA. K. Raghu interacting with the students of Ahmedabad Branch of WIRC of ICAI.



ICAI President, CA. K. Raghu to a rousing reception accorded by the Bangalore Branch of SIRC of ICAI on the occasion of a Career Counseling Programme. . CA. M. Devaraja Reddy, Chairman, Board of Studies, CA. Babu K. Thevar, Chairman, Bangalore Branch also seen in picture.



ICAI President, CA. K. Raghu addressing the students on the occasion of a Career Counseling Programme in Bangalore.



ICAI President, CA. K. Raghu and Chairman, Board of Studies, CA. M. Devaraja Reddy jointly releasing the e-Newsletter of Bangalore Branch of SIRC of ICAI. CA. Babu K. Thevar, Chairman, Bangalore Branch also seen in picture.



ICAI President, CA. K. Raghu being welcomed at the Interactive Programme organized by the Kolkata Branch of EIRC of ICAI.