

CORRIGENDUM TO SELECT PUBLICATIONS OF FINAL COURSE

Paper 4: Corporate and Allied Laws

Study Material (October, 2014 edition relevant for May, 2015 Examinations & onwards) – Printed Copy

Students may note that in the Study Material of the Corporate and Allied Laws, the notified definitions of the Companies Act, 2013 are given in the initial pages from Page No. xxiii to Page No. xxxv for the easy understanding of the Act. Below are some modifications made in the Study Material which students may refer while reading the same:

Definitions/Topics	Page No.	Particulars	Content
Associate Company [Section 2(6) of the Companies Act, 2013]	xxiii	Addition of a clarification issued by MCA dated 25 th June, 2014	The shares held by a company in another company in a 'fiduciary capacity' shall not be counted for the purposes of determining the relationship or 'associate company' u/s 2(6) of the Companies Act, 2013.
Financial year [Section 2(41) of the Companies Act, 2013]	xxvi	Addition of a clarification issued by MCA dated 3 rd June, 2014	Until the NCLT is constituted u/s 408 of the Companies Act, 2013, the Board of Company Law Administration constituted in pursuance of sub-section (1) of Section 10E of the Companies Act, 1956 shall exercise the jurisdiction, powers, authority and functions under the exception to Clause (41) of section 2 of the Companies Act, 2013.
Related Party [Section 2(76) of the Companies Act, 2013]	xxxii & 5.35	Replace the existing definition with the new one	Related party-with reference to a company, means— (i) a director or his relative; (ii) a key managerial personnel or his relative; (iii) a firm, in which a director, manager or his relative is a partner; (iv) a private company in which a director or manager or his relative is a member or director; (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital; (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager; (vii) any person on whose advice, directions or instructions a director or manager is accustomed to Act:

			Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity; (viii) any company which is— (A) a holding, subsidiary or an associate company of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary; (ix) such other person as may be prescribed. Rule 3 of the <i>Companies (Specification of Definitions Details) Rules, 2014</i> provides that for the purposes of sub-clause (ix) of clause (76) of section 2 of the Act, a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.
Section 149(5) of the Companies Act, 2013	3.2	Printing mistake (Transition period related to Resident Director)	It was earlier read as “<i>Transition period: Section 149(5) provides for the transition period of one year from the date of commencement i.e. 1st April, 2014 to comply with section 149(3).</i>” <i>It may be corrected as “Transition period: Section 149(5) provides for the transition period of one year from the date of commencement i.e. 1st April, 2014 to comply with section 149(4).”</i>
Current Account Transactions under chapter 21 i.e. Foreign Exchange Management Act, 1999	21.10	Two transactions to be added under (a) Transactions for which drawal of foreign exchange is prohibited	(i) Drawal of foreign exchange by any person for the purpose of travelling to Nepal and/or Bhutan; (ii) Drawal of foreign exchange by any person for a transaction with a person resident in Nepal or Bhutan. Provided that the prohibition in clause (ii) may be exempted by RBI subject to such terms and conditions as it may consider necessary to stipulate by special or general order.

Paper 7: Direct Tax Laws & Paper 8: Indirect Tax Laws

Supplementary Study Paper - 2014 for Direct and Indirect Tax Laws [October, 2014 Edition relevant for May, 2015 and November, 2015 Examinations] – Printed copy

(1) Direct Tax Laws

- (i) In page no.43, the following Note may be added after point (v) of para (c) –

Note - In case of non-corporate non-residents and foreign companies, the benefit of tax@10% (without giving effect to the indexation benefit and conversion of currency) would be available on long-term capital gains arising on transfer of unlisted securities by virtue of the specific provision contained in sub-clause (iii) of section 112(1)(c).

- (ii) At page no. 46, in the sentence “Mr. Ram made the following investments out of capital gains arising on sale of residential house”, the words “out of capital gains” be substituted with the words “**out of net consideration**”.
- (iii) At page no.51, in the first line of the answer, i.e., “Computation of taxable capital gain of Mr. H for the A.Y.2014-15”, the words “A.Y.2014-15” be substituted with the words “**A.Y.2015-16**”.
- (iv) At page 69, in the third column of the first row of the table, “5:11.1” be substituted by “5/11.1”.
- (v) At page 72, in the first line, i.e. “AMT Credit to be carried forward under section 115JEE”, “15JEE” be substituted with “115JD”.
- (vi) In page 113, in paras (ii) and (iii) of point (b), the words “two years from the date of order made under section 281B(1)” be substituted with the words “two years”.

(2) Indirect Tax Laws

- (i) At page no. 211, the table in the answer to the example be substituted with the following table:

Particulars	Rate of interest pa	Interest (₹)
Delay from 07.11.2014 - 06.05.2015	18% for first six months	5,445 [` 60,500 x 18% x 6/12]
Delay from 07.05.2015 - 06.11.2015	24% for next six months	7,260 [` 60,500 x 24% x 6/12]
Delay from 07.11.2015 - 06.01.2016	30% for period beyond one year	3,033 [` 60,500 x 30% x 61/365]
Total Interest		15,738

- (ii) In page nos. 130 and 226, the numeral “40,000”, wherever it appears, be substituted with the numeral “45,000”.

Study Material for Direct Tax Laws [November, 2014 Edition relevant for May 2015 and November 2015 Examination – printed copy]

- (i) At page 13.52, in Illustration 7, in the last line of the third column of the first row of the table, “5:11.1” be substituted by “5/11.1”.
- (ii) At page 13.56, in Illustration 9, in the last third line, i.e., “AMT Credit to be carried forward under section 115JEE”, “15JEE” be substituted with “115JD”.

Final Course

Corrigendum to Study Material, Practice Manual (January, 2015 Edition) and Compiler applicable for May and November, 2015 Examination

Group-I: Paper 3-Advanced Auditing and Professional Ethics

(A) Study Material – Module I (January, 2015 Edition) In Chapter 6 on The Company Audit, at Page No. 6.20, Para No. (c) “Right to receive notices and to attend general meeting” should be replaced with-

“Auditor to attend General Meeting: Section 146 of the Companies Act, 2013 discusses right as well as duty of the auditor. According to the section 146:

“all notices of, and other communications relating to, any general meeting shall be forwarded to the auditor of the company, and the auditor shall, unless otherwise exempted by the company, attend either by himself or through his authorised representative, who shall also be qualified to be an auditor, any general meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the auditor.”

Thus, it is right of the auditor to receive notices and other communications relating to any general meeting and to be heard at such meeting, relating to the matter of his concern, however, it is duty of the auditor to attend the same or through his authorised representative unless otherwise exempted.”

(B) Practice Manual (January, 2015 Edition)

1. At Page No. 6.3, in table, under heading “Equity & Liabilities” of Question No. 4(a), following sub-heads need to be added, corresponding to the data given:

Share Capital
Reserves & Surplus
Employee Stock Option Outstanding
Share Application Money

2. At Page No. 1.24, in Answer to Question No. 3(d); and at Page No. 1.66, in Answer to Question No. 39, the word “SA 4410” need to be replaced with the word “SRS 4410”.

3. Chapter 22- Professional Ethics:

- (i) At Page No. 22.7, Answer to Question No. 1(d), should be read as under:

Partnership with Non-Chartered Accountants: As per clause 4 of Part I of the First Schedule to the Chartered Accountants Act, 1949, a chartered accountant will be guilty of professional misconduct if he enters into partnership, in or outside India, with any person other than Chartered Accountant in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under clause (V) of sub-section (1) of section 4 or whose qualifications are recognized by the Central Government or the Council for the purpose of permitting such partnerships.

However, for the purpose of Limited Liability Partnership, Regulation 53B of the Chartered Accountants

Regulations 1988 permits a Chartered Accountant in practice to enter into partnership with other prescribed Professional Bodies which includes an Advocate, a member of Bar Council of India.

In the instant case, Mr. P, a Chartered Accountant, has entered into partnership with Mr. L, an advocate. Thus, he would not be guilty of professional misconduct as per Clause 4 of Part I of First Schedule read with Regulation 53B.

(ii) At Page No. 22.34, Answer to Question No. 21(b), should be read as under:

“As per Section 141(3)(d)(ii) of the Companies Act, 2013, a person who, or his relative or partner is indebted to the company, or its subsidiary, or its holding or associate company, or a subsidiary of its holding company, for an amount exceeding ` 5,00,000 then he is not qualified for appointment as an auditor of a company. There is no such similar provisions in the Income Tax Act.

Further, the Research Committee of the ICAI has expressed the opinion that where in accordance with the terms of his engagement by a client the auditor recovers his fees on a progressive basis as and when a part of the work is done without waiting for the completion of the whole job, he cannot be said to be indebted to the company at any stage.

However, as per Chapter X of Council General Guidelines, 2008 a member of the Institute in practice or a partner of a firm in practice or a firm shall not accept appointment as auditor of a concern while indebted to the concern or given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for amount exceeding ` 10,000/-.

In the instant Case, Mr. D is appointed to conduct a tax audit u/s 44AB of the Income Tax Act, 1961. He has received the entire audit fees of ` 25,000 in April, 2014 in respect of the tax audit for the year ended 31.3.2014 which is not on progressive basis. Furthermore, the monetary limit is also exceeding the limit of ` 10,000 as per Council General Guidelines. Therefore, Mr. D will be held guilty for misconduct.”

(iii) At Page No. 22.12, additional provisions to be inserted in Answer to Question No. 6(b):

“This is also a contravention of section 141(3)(f) of the Companies Act, 2013, which requires that a person shall not be eligible for appointment as an auditor of a company whose relative is a director or is in the employment of the company as a director or key managerial personnel.

In the given case, Mr. Shah, Chartered Accountant, has certified the financial statements of a company in which his wife is a director with substantial interest. Hence, this amounts to professional misconduct which attracts clause (4) of Part I of Second Schedule to the Chartered Accountants Act, 1949 and Mr. Shah has to vacate the office accordingly.

(iv) At Page No. 22.50, last part i.e. Conclusion part of Answer to Question No. 31(a), word “Professional Misconduct” should be read as “Other Misconduct”.

(C) Compiler

1. At Page No. 6.7, in Point No. (i) of Answer to Question No. 6, section 140(2) of the Companies Act, 2013 should be read as section 140(4) of the Companies Act, 2013.
2. Students are advised to refer corrigendum given above for Professional Ethics Chapter of Practice Manual