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The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events

ACCOUNTING
(FOUNDATION)

**INCOME-TAX
LAW**
(INTERMEDIATE)

**ECONOMIC
LAWS**
(FINAL)

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SWACHH BHARAT - A STEP TOWARDS CLEANLINESS

PRESIDENT'S COMMUNICATION



My Dear Students,

As I write this message, the world is getting deeper into a serious life threatening challenge. **COVID-19**, an infectious disease caused by a novel Coronavirus is exponentially spreading illness and causing deaths to citizens throughout the globe. Keeping in mind the health of our students, the scheduled May 2020 examinations have now been rescheduled to be held in June 2020. However, this should not deviate you from your planned study regime and extra time should be duly utilized for revision and skill building. You must invest all your productive energy towards studies. Sincere efforts coupled with a disciplined approach will help you attain the desired results. For your benefit many steps like e-learning, video lectures, certain relaxation in GMCS/ITT for those whose May 2020 attempts were getting affected; absence arising of COVID-19 lockdown shall not be counted for the purpose of deduction of leaves, and option to change the Centre of Examination, have already been undertaken. Since, your time is valuable, you have to plan each day meticulously and work accordingly to achieve success. You must calibrate your efforts for all papers and apportion your time to achieve best results.

Pursuit of Excellence: The driving force behind success

At this juncture, my advice is to seek excellence by striving hard and pushing your limits to gradually improve upon your capabilities to deserve the success you desire. You must enjoy studying hard to be able to accomplish more in the given time. **Create and Customize your own knowledge learning systems focusing on your strengths.** Prepare summary or notes encompassing all the essential aspects of the topic as given in the study material.

BOS: For you, with you always...

The institute is mindful of your efforts and values your time immensely. We at ICAI are committed to provide the best learning resources and opportunities to you to ensure maximum success in examinations. With the introduction of **Multiple choice questions (MCQs)** in selected papers in CA Intermediate and Final, old and new schemes, you need to comprehend concepts and their context holistically to score well.

Board of Studies of ICAI provides a complete array of published resources as knowledge content such as duly updated **Study material** along with supplementary/practice questions in the form of **Revisionary Test Papers, Suggested Answers** for previous examination and **MCQs** for select few papers.

Numerous digital resources such as **E-Books** for CA Foundation and Intermediate complete with illustrations and audio, video content have already been prepared to enrich your knowledge and impart the desirable mobility along with

convenience. E-Books for CA Final will also be available shortly.

For knowledge delivery, **Live Virtual Classes (E-Pathshala)** have been organized to enable students of **CA Intermediate and Final**, all over the nation to learn through live lectures from renowned experts at your own pace, convenience within the comfort of your home and available at a nominal cost.

Besides the regular classes, **Revision classes** are also conducted for Intermediate during March 4 till 20, 2020 and from February 25 till March 21, 2020 for Final. All of you already registered for LVC can attend the revision classes for free. I hope that these classes would have helped you to streamline your preparation, revise the intricacies of subject topics as well as provide valuable presentation tips by the subject experts. Apart from these classes, exclusive free of cost **Open House sessions** are also conducted for CA Final students, focusing on the Electives to guide you on how to attempt the paper based on case studies. The first session on the papers: Financial Services & Capital Markets, Global Financial Reporting Standards and Multidisciplinary Case Studies was successfully conducted on March 17. In addition, case Studies and Case scenario based questions are also being prepared to enable you to practice extensively for the format. It may also be noted that the live Classes under e-Pathshala have been put on hold from 23.3.2020 in view of lockdown situation in the country. However, recorded lectures that have taken place till date are available and can be assessed by the students, any time at their convenience.

Suggested Answers for old as well as new scheme examination for November 2019 have already been uploaded at the BOS Knowledge Portal along with study material. These can be utilized for improving your performance.

I am sure that you must have benefitted from these initiatives and shall continue to participate in huge numbers in all our endeavors.

Students, your health and safety is of utmost importance. In this crucial time of outbreak of the novel Coronavirus or COVID-19, you are advised to take all safety measures to keep yourself and your family safe. It is my earnest advice that you stay at home and do not indulge in any group activity like classes, studies or outings. As advised by our Hon'ble Prime Minister you must follow social distancing to keep safe and wash your hands carefully every couple of hours. I am sure that you shall take all these precautions thus making a small but crucial contribution in preventing spread of the virus in our country.

As part of the integrated **learning cum revision capsule**, this issue comprises comprehensive features on Accounting for Foundation; Income Tax Law for Intermediate and Economic Laws for Final. These would help you to revise the subjects in minimal time. We shall continue to bring in many more innovative learning resources to guide you to excel in your efforts.

The great saint and philosopher **Swami Vivekananda** had said: **Take up one idea. Make that one idea your life - think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success.**

It is my firm belief that if you give your best with undeterred focus and singleness of purpose, you shall come out with flying colors in the forthcoming exams.

All the best!

CA. ATUL K. GUPTA
PRESIDENT, ICAI, NEW DELHI

VICE PRESIDENT'S COMMUNICATION ||



My Dear Students,

With about a month left for the examinations, it is time for the students to gear up their efforts. Now a days the whole world is suffering with COVID-19 a new disease, for which there is no specific treatment available. This means that COVID-19 could spread widely and quickly. I urge all the students to stay at home and maintain social distancing. Students who are preparing for the upcoming exams need not panic and should focus on their studies by taking required precautions. Chartered Accountancy examinations assess the professional knowledge and skills acquired by the students. The complete schedule of the respective examinations has been announced well in advance and you would be busy in giving a final touch to your preparation. I may advise you to keep your career goal before you and prepare for the exams with confidence to achieve it. You need to work on your strengths and work upon your weaknesses. Self-study and Self-confidence are foremost keys to unfold the doors of success in any professional examination. I hope that you might have started doing revision of your respective curriculum. Be consistent, systematic, precise and determined towards your set objectives. Do not develop the habit of rescheduling, it can dwindle your professional growth. I know that stress levels before and during the examinations are normally high but effective time management can help you to lower this stress and achieve success. Continue to work hard with eyes well set towards your goals.

"To succeed in your mission, you must have single minded devotion to your goal."

- Dr. A.P.J. Abdul Kalam

The Board of Studies is very prompt in facilitating our students with latest information and resources for learning. Nothing is more dynamic than information technology as the developments in information technology are unparalleled. The Board of Studies has adopted different methodologies to reach to the students and provide education. Recently, the Board has used technology and introduced e-Pathshala concept wherein, to start with, live virtual classes were conducted. Very soon we are extending the classes for Foundation students also. These live virtual classes will provide strong impetus in learning efforts of the students.

The Board of Studies has launched e-books for the students

and you may make use of the same for preparing for May, 2020 examinations. The work towards implementation of e-Books for Final Course has also started. The e-Books offer video lectures, self-assessment quizzes and summary capsules embedded inside the unit/ chapter itself for detailed conceptual clarity of a topic. It emphasises concept-based learning with all learning resources for a topic integrated at a single place for deeper understanding. After studying a chapter, the student can go through the visual representation of the summary of the chapter to get a quick recap and self-assess through a quiz of multiple-choice questions.

I am sure that the students would find these e-Books very useful for their preparation as they can annotate and make notes within the e-Book itself for later revision, highlight text with multiple colours defining importance of text, listen to the written text through software narration feature. You are not required to carry your study material and notes wherever you go, instead make best use of e-Books.

Since 2018, the Board of Studies has started an initiative of conducting practical training assessment in which the students are required to appear in an MCQ-based assessment at the end of the first and second year of practical training. This is an optional test and the average grade of both the levels is being included in the Final mark sheet of the students. The students are participating in huge numbers and are able to know as to how much they have learnt during their practical learning.

Wishing you the Best for your ensuing examinations.

Yours sincerely

A handwritten signature in black ink, appearing to read 'CA. Nihar Niranjana Jambusaria'.

CA. NIHAR NIRANJANA JAMBUSARIA
VICE PRESIDENT, ICAI, NEW DELHI

CHAIRMAN'S COMMUNICATION



My Dear Students,

This issue reaches you amidst complete lockdown in wake of widespread CORONA virus scare. The situation calls for keeping yourself calm and utilizing your time constructively. As you all know that exams have been postponed to be held between June 19 and July 4, 2020. It is all the more pertinent to maintain/impose self-discipline and a steady pace in studies, making the best use of all the resources. You need to devise a **sound Strategy, Plan diligently and Judiciously execute** for exhaustive preparation. This is time for detailed self-study followed by thorough practice on questions to identify learning gaps. You must set daily targets for yourself and follow a customized regimen diligently. This would help you to adhere to the schedule and enable to utilize your time optimally. It is time for detailed self-study followed by thorough practice on questions to identify learning gaps that you may work upon later. Keeping a close check on your time management will be beneficial to allocate time for revision. You must remember that there is no substitute for hard work. In the words of **Mahatma Gandhi: "The future depends on what we do in the present"**. Therefore, do your best with utmost dedication and success shall automatically follow.

Sound Strategy

Considering the voluminous syllabus, you must calibrate your effort required to complete a subject and apportion your time proportionately. You must be clear about **what to Study, How to study and Where to study from**. You must cover all important and major topics from the exam's perspective, taking into account previous questions papers. Follow a different study pattern for practical and theory papers. For theory papers, you must comprehend the concept and thereafter memorize vital aspects that are required to be stated/explained verbatim. For practical papers, you must try to practice as many questions as possible from different sources like the study material, Revision Test papers and Practice Questions. You must adhere to the study material for the scope of preparation. You may refer to other sources for practice questions.

To score well in MCQs you must emphasize on comprehending a concept and its overall context vis a vis the subject and other related concepts to be able to score well.

Diligent Planning

Planning is the backbone for success. It entails chalking out a micro-level regimen to be followed on daily basis including your study time, rest time, revision and self-assessment. Start your day as early as possible to be able to maximize time utilization.

Take breaks at regular intervals to rejuvenate yourself and at the end of the day, test your knowledge by attempting practice exercises to check your comprehension/retention.

Executing the Plan

You must judiciously stick to your plan and try not to digress/deter from your regimen as far as possible. This will instill the

much-needed confidence in you to face the exams and motivate you to further intensify your preparation. Remember execution transforms thoughts into action, converting it into a positive force. **Let the force be with you.**

BOS Initiatives

BOS being the academic arm of ICAI, provides numerous resources and conducts multiple initiatives to whet your knowledge and learning requirements. The resources include:

Published Content: Updated study material, revision test papers and suggested answers to provide ample questions for practice.

Online Content: E-Books replete with e-lectures; Video Lectures, Recorded webcasts and mentoring sessions.

Subject Capsules: Abridged contents of study material for all subjects at all levels have been prepared as capsules for the purpose of revision. You must refer to these for a quick re-cap of important concepts during revision.

Live Virtual Classes(E-Pathshala)for CA Intermediate and Final Students: You can learn by attending live lectures by subject experts. Classes were conducted from Sep 2019 till March 2020 for Intermediate. and April 2019 till March 2020 for Final.

Revision Classes (Crash Course): Live revision classes with 2-5 day intensive classes per subject were also conducted last month for Intermediate and Final

Open House Session (free of cost) for CA Final: An exclusive session covering **Financial Services & Capital Markets, Global Financial Reporting Standards and Multidisciplinary Case Studies** was conducted on March 17, 2020 to provide complete guidance regarding various aspects to attempt these case study based papers.

Due to complete lockdown owing to CORONA scare, all online classes including regular, revision and open house sessions have been stalled from 23.3.2020. Nevertheless, you can still access recorded lectures that have been held till date. The same will be resumed soon after the situation improves. Fresh announcements will be done shortly.

The current issue includes a capsule on **Accounting in Foundation, Income Tax law in Intermediate and Economic Laws in Final**. I am sure that the concise contents and comprehensive approach shall come handy while revising for the subjects, before exams.

In the current circumstances, I urge you to keep safe, stay put inside your homes, do not venture outside, avoid study in groups, exercise personal quarantine and social distancing. Ensure that you wash your hands carefully at regular intervals and take only home cooked food. As responsible citizens, it is our foremost responsibility to conform to the state advisory and take all preventive measures to check the spread of this virus.

I am sure that we shall soon overcome this passing phase and emerge even stronger, more prepared to take on any such challenge.

Keep the faith and stay healthy!

All the Best!

CA. (DR.) DEBASHIS MITRA
CHAIRMAN, BOARD OF STUDIES (ACADEMIC), ICAI

ECONOMIC LAWS

This capsule on Paper 6D: Economic Laws, Final (New) course is another step of Board of Studies in its endeavour to provide quality academic inputs to Final course students of Chartered Accountancy course. As students are aware that this is an open book examination and duration is 4 hours. The question paper would comprise five case studies of 25 marks each, out of which the student would be required to attempt any four. Students must divide their four hours between four case studies to be answered meticulously. Once the case studies have been opted, give them a comprehensively reading while attempting the same. Some of the illustrative case studies have been provided below for practice purpose. Students are suggested to solve the same in examination condition and check for the answers only after attempting the case studies.

CASE STUDY 1

Mr. M R Gulati is renowned and influential real estate agent. Mr. M R Gulati has over 30 year of experience in real estate business and enjoys good reputation, also due to standing of his father Late Mr. Rattan Mal Gulati, in education sector. Mr. Rattan Mal Gulati was managing trustee of Easy Key Educational Trust, along with other family members as stated below;

SN	Name	Relation to Mr. Rattan Mal Gulati	Status
1	Mr. Rattan Mal Gulati	Self	Managing Trustee
2	Mrs. Shashi Kala	Wife	Member Secretary
3	Mr. M R Gulati	Elder Son	Member Trustee
4	Mr. O P Gulati	Younger Son	Member Trustee
5	Mrs. Rita Gulati	Daughter-in-law (wife of Mr. M R Gulati)	Member Trustee
6	Mrs. Radha Gulati	Daughter-in-law (wife of Mr. O P Gulati)	Member Trustee
7	Mr. Alok	Grand-Son (Son of Mrs. Rita & Mr. M R Gulati)	Member Trustee

Easy Key Educational Trust runs group of agriculture colleges. Rita and Radha are cousin from Mohanty family with political background, which supports the businesses of Gulati Family, where ever possible.

Post to death of Mr. Rattan Mal Gulati last year, Ms. Alka admitted as member trustee to Easy Key Education Trust and Mr. M R Gulati took charge as managing trustee. Ms. Alka is daughter of Mrs. Radha & Mr. O P Gulati; she is studying Agriculture Economics and Business Administration in one of dual degree programme of Kansas State University, Manhattan, United States. Mr. O P Gulati remitted US \$ 260,000 to Ms. Alka through authorised person for tuition fee and personal expenditure.

On 21st birthday of Ms. Alka, both the parent Mrs. Radha & Mr. O P Gulati, decided to visit to Ms. Alka in States, to congratulate her and on same day there is 25th Wedding Anniversary of Mrs. Radha & Mr. O P Gulati. While passing by streets in Manhattan Mrs. Radha, find Jewelry showroom which offers latest design and exciting offers. Mr. O P Gulati agrees to buy gold for Mrs. Radha, who was fond of jewelry and from investment prospective. Price offered by Gold smith is US\$ 45 per gram, which is cheaper than

prevailing prices of gold in India. Therefore, Mr. O P Gulati apart from purchase of 70 grams of gold ornaments (jewelry) and 20 grams gold in form of gold coins; he also purchased latest gizmo device, which is not yet launched in India. On arrival to India, both Mrs. Radha & Mr. O P Gulati, pass through green channel; without making any disclosure/declaration to custom authority.

Mr. Pandey, a child-hood friend of Mr. M R Gulati approached him, and explained about financial crisis in his business and make a proposal to Mr. M R Gulati for sale of his ancestral land situated in Vikas-Khand (which now declared as an Industrial town, with tax holiday) at price below the market prevailed prices of similar land. Mr. M R Gulati, with intention to develop elite corporate plaza named 'G Square' where Board Meetings, Trade Conferences, Conventions, Workshops can be held, plans to buy land from Mr. Pandey. After negotiation, price for land settled at INRs 4 crore, out of which he paid INRs 1 crore in cash and balance INRs 3 crore in form of account payee cheque. Said cash of INRs 1 crore later deposited in joint personal account of Mrs. and Mr. Pandey in parts by Mr. Pandey. Mr. M R Gulati asked Mr. Pandey to register the plot in favour of Mr. Alok, and wish that his son should join his business.

To arrange fund for purchase of land situated in Vikas-Khand, Mr. M R Gulati sold one of his earlier acquired property for INRs 5 Crore. After making payment of INRs 4 crore with residual amount of INRs 1 crore, Mr. M R Gulati start a housing project named 'Paradise' which comprises 6 flats (1 building of 3 floors with 2 flat at each floor) in 650 Square Meters.

Advance equal to 25% of estimated (due to escalation clause) price collected from customer who booked the flats, and 20% of these advance amounts used to complete one of already existing ongoing project by Mr. M R Gulati and remaining amount kept in separate bank account. Project Paradise is not registered with Real Estate Regulatory Authority yet. Looking into the high demands among buyers, Mr. M R Gulati decided to enlarge the project by 4 flats, resultantly increase the floors from 3 to 5. Installment also collected as and when become due, and duly accounted for in books of accounts and acknowledgment is also provided to allottees. Mr. Rahman, who is friend to family of Mr. M R Gulati, is also qualified lawyer by qualification but hotelier by profession, told Mr. M R Gulati about registration requirements of project under Real Estate (Regulation and Development) Act, 2016; and Mr. M R Gulati applied for same. In mean time Mr. M R Gulati using his influence took permission from Municipal Corporation of city for increase of floor.

Mr. Alok who is fickle minded young-star, graduated from top notch B-School willing to start his business of solar panels, he asked his father to help him with funds in establishing the business. Mr. M R Gulati helped the son to establish the business in form of private company with name 'Power Sun Private Limited' by allowing him to use the Vikas-Khand land, in order to avail tax benefit. Mr. Alok raised a loan from financial institution at relatively high interest rate. Due to his capricious nature, no experience in business of solar panel and stiff economic conditions; business went into losses. Situation of debt trap arises in second year of operation. Liquidity and solvency position of business of Mr. Alok is this much bad that he is unable to pay-off trade creditor, despite multiple month long reminders from vendors. One of unpaid operational creditor sent the demand notice under IBC, 2016 to Power Sun Private Limited on 15th November, 2019.

Ms. Alka came back to India after completing her academic programme; she joined the governing body of group of agriculture colleges operated by Easy Key Educational Trust. She planned for strategic restructuring of the business. She decided to attain dominance in market and beat the competition by acquisition of the only another agriculture college operational in state. New programmes are also launched which are research based and featuring industry immersion as unique selling point. She ensured that all the group agriculture colleges of group must be accredited from ICAR. Down the line having aspiration, that these affiliated colleges either must emerge as autonomous colleges or become research based universities. Due to monopoly in agriculture courses, all fees apart from tuitions fee doubled from upcoming academic year.

Questions

Part A- Multiple Choice Questions (2 Marks each)

- What will be amount of penalty, in regard to excess remittances in USD to United States done by Mr. O P Gulati:
 - USD 260,000
 - USD 200,000
 - USD 60,000
 - USD 30,000
- If the price of each flat is INRs 50 lakhs, then how much will be maximum amount of advance to book flat
 - INRs 1,50,000
 - INRs 5,00,000
 - INRs 6,00,000
 - INRs 6,50,000
- Out of the following acts of Mr. M R Gulati, which can be held as offence under Real Estate (Regulation and Development) Act, 2016
 - Not applied for registration of the project at earlier stage (prior to extension of floors)
 - Receive the advance and installments without/prior registration of Project.
 - Use 20% of Fund for completion of other already on-going existing project
 - Only ii
 - Both i and ii
 - Both i and iii
 - Both ii and iii

- In how many days 'Power Sun Private Limited' need to respond demand notice of operational creditor served on 15th November 2019
 - latest by 22nd November 2019
 - latest by 23rd November 2019
 - Latest by 25th November 2019
 - latest by 15th December 2019
- Can Mr. Alok be held as Benamidar under Prohibition of Benami Property Transactions Act, 1988?
 - Yes, because consideration paid by Mr. M R Gulati, but property registered in his name
 - Yes, because he is party to transaction
 - No, because he is son of Mr. M R Gulati, who paid the consideration
 - No, because he didn't participate in negotiation of price and payment there-of.

Part B- Descriptive Questions

- Is the act of Mrs. Radha & Mr. O P Gulati, on arrival to India, without making any disclosure and pass through green channel along with the article purchased from Manhattan, United States, constitute an offence under the Prevention of Money Laundering Act, 2002. **(5 Marks)**
- 'Power Sun Private Limited' find it difficult to run the operations further and it is already defaulting in making payment to both financial and operational creditors. So, if 'Power Sun Private Limited' wants to initiate insolvency resolution process, examine whether it can initiate the process? **(6 Marks)**
- Ms. Alka is highly passionate about implementing the strategies, that she learned during her business administration classes. Is any of her actions or implication of strategies adopted by her is in contravention to provisions of the Competition Act, 2002? Advise **(4 Marks)**

Answers

Part A

- (d) USD 30,000
Reason - Amount involved in contravention is USD 10,000 because amount permissible by Schedule III of Foreign Exchange Management (Permissible Current Account Transactions) Regulations 2000 is USD 250,000. Hence amount of penalty will be USD 30,000 (i.e. 3 times of USD 10,000) [Section 13 of Foreign Exchange Management Act, 1999]
- (b) INRs 5,00,000
Reason - Maximum amount of advance to book flat is INRs 5,00,000 (i.e. 10% of 50,00,000) [Section 13 (1) of Real Estate (Regulation and Development) Act, 2016]
- (b) Both i and ii
Reason - Section 3 require prior registration, if area of land for proposed project is more than 500 square meters or there are more than 8 units; Since area is 650 square meters, hence project require prior registration. No amount should be received from allottee prior to registration of project. Hence both i and ii shall be constituted as offence.
 Section 4(2) (l) d require 70% of amount realized for project from allottee need to be kept in separate bank

account and will be used for that projects according to degree of completion withdrawal from said account can be made. Here in this case 80% deposited into separate account, hence not an offence.

4. (c) Latest by 25th November 2019

Reason – Section 8(2) of Insolvency and Bankruptcy Code, 2016 provides, that corporate debtor shall, within a period of ten days of the receipt of the demand notice, bring to the notice of the operational creditor that either the litigation is pending or payment of unpaid operational debt done.

5. (c) No, because he is son of Mr. M R Gulati, who paid the consideration

Reason – By virtue of 2 (9) (A) (iii) - Property registered in name of child will not be considered as Benami transaction. Hence this property is not a Benami property and Mr. Alok is not Benamidar.

6. As per section 3 of the Prevention of Money Laundering Act, 2002, whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the **proceeds of crime** including its concealment, possession, acquisition or use and projecting or claiming it as untainted property, shall be guilty of offence of money-laundering.

Further as per section 2(u) “proceeds of crime” means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a **scheduled offence** or the value of any such property or where such property is taken or held outside the country, then the property equivalent in value held within the country or abroad.

Further as per paragraph 12 of part A of schedule to the Prevention of Money Laundering Act 2002, offences under the section 135 of Customs Act, 1962 regarding evasion of custom duty; and as per part B of schedule to the Prevention of Money Laundering Act 2002, offences under the section 132 of Customs Act, 1962 regarding False declaration, false documents, are considered as scheduled offence under the Prevention of Money Laundering Act, 2002.

Since baggage item are also subject to duty beyond certain limit and gold and jewelry purchased by Mrs. Radha & Mr. O P Gulati either not permitted as baggage through green channel and not filling declaration leads to evasion of duty. Hence, if no declaration made to custom officer on arrival at airport will constitute as scheduled offence.

Hence act of Mrs. Radha & Mr. O P Gulati, on arrival to India; without making any disclosure/declaration to custom authority and pass through green channel along with the article purchased from Manhattan, United States, constitute an offence under the Prevention of Money Laundering Act, 2002.

7. As per section 6 of the Insolvency and Bankruptcy Code, 2016, where any corporate debtor commits a default, a financial creditor, an operational creditor or the corporate debtor itself may initiate corporate insolvency resolution process in respect of such corporate debtor in the manner as provided under the section 7, 9, & 10 of the Code. Hence, yes ‘Power Sun Private Limited’ being a corporate debtor can

initiate insolvency resolution process against itself as per section 10 of the Code.

Initiation of corporate insolvency resolution process ‘Power Sun Private Limited’: Application shall be filed in form and manner with such fee as may be prescribed for initiating corporate insolvency resolution process with the Adjudicating Authority.

- Furnish the information relating to its books of account and such other documents relating to such period as may be specified; and the resolution professional proposed to be appointed as an interim resolution professional.
- The Adjudicating Authority shall, within a period of fourteen days of the receipt of the application, by an order either admit the application, if it is complete; or reject the application, if it is incomplete. Before rejecting an application, give a notice to the applicant to rectify the defects in his application within seven days from the date of receipt of such notice from the Adjudicating Authority.
- The corporate insolvency resolution process shall commence from the date of admission of the application.

However, ‘Power Sun Private Limited’ shall not be entitled to make an application to initiate corporate insolvency resolution process in terms of section 11 of the Code under any of the following situations:

- If already undergoing a corporate insolvency resolution process; or completed corporate insolvency resolution process twelve months preceding the date of making of the application
 - If violated any of the terms of resolution plan which was approved twelve months before the date of making of an application
 - If a liquidation order already has been made.
8. As per sub-section 1 to section 4 of the Competition Act, 2002, no enterprise or group shall abuse its **dominant position**.

Further as per explanation (a) to section 4 “dominant position” means a position of strength, enjoyed by an enterprise, in the relevant market, in India, which enables it to (i) operate independently of competitive forces prevailing in the relevant market; or (ii) affect its competitors or consumers or the relevant market in its favour.

Further as per section 4(2)(a)(ii), there shall be an abuse of dominant position if an enterprise or a group, directly or indirectly, imposes unfair or discriminatory price in purchase or sale of goods or service.

In given case, decision by Ms. Alka to attain dominance by acquisition of the another agriculture college operational in state, is not in contravention to provisions of the Competition Act, 2002.

But increasing all the fees apart from tuitions fee to double due to monopoly which comes out of dominance over market by killing the competition, is in contravention to provisions of the Competition Act, 2002.

[Note – Acquiring dominance is not offence, but abuse of dominance is an offence.]

CASE STUDY 2

In the year 2001, Keshav and Tanishk formed Ketan Builders and Constructions Private Limited (KBCPL) having registered office in Karol Bagh, New Delhi. The company provided spacious and plush homes with well-designed landscapes, gymnasiums along with multi-tiered security and recreational spaces involving more than one lac sq. ft. in Faridabad and Gurugram.

Their construction business was flourishing day-by-day. 'KBCPL' was now a brand which could attract persons from all walks of life i.e. professors, advocates, engineers, professionals, businessmen, government employees holding responsible positions, etc. Expanding business required Keshav and Tanishk to appoint Radhika and her husband Ratnesh, both architects by profession, as directors in the company. Radhika was the younger sister of Tanishk.

Time was passing on. It was in the month of July, 2015, that the KBCPL launched yet another project in Greater Noida whose completion date was given as June, 2018. This project involved construction of residential units, office spaces and a mall. The modus operandi was to invest around ₹ 1200 crore for developing the township at Greater Noida under 'committed returns plan'.

The 'committed returns plan' required the home-buyers to pay 80% percent of the total sale consideration up-front at the time of execution of the MOU and the promoters of KBCPL would undertake to pay 12% of the 'advance money' so received each month to the investors as 'committed returns' from the date of execution of the MOU till the time actual physical possession of residential units/office space, etc., was to be handed over to the buyer. The home-buyers also had the option to choose the construction-linked payment plan and possession-linked payment plan.

In comparison to construction and possession linked payment plan, the 'committed returns plan' proved to be an attractive one for the home-buyers belonging to different strata of society. Like many others, Aayush, by profession a computer engineer and working for a reputed MNC engaged in developing customized software, was also interested in this plan and applied for a residential unit as well as an office space. Aayush, who always wanted to be a self-employed person in the long run, kept some future plans in mind while applying for the office space.

Under the 'committed returns plan', Aayush was required to make a payment of ₹ 80.00 lacs (i.e. 80% of the cost of ₹ 1.00 crore for a 4BHK apartment and an office space in the mall). He discussed the matter with his father Ramashankar who arranged ₹ 65.00 lacs by raising loan against his fixed deposits. Remaining ₹ 15.00 lacs were arranged by Aayush as gold loan by pledging the jewelry of his wife Meera. According to the MOU entered by Aayush with the company, he would be paid ₹ 80,000 per month through NEFT from October, 2015 onwards till the handing over of the fully constructed property. The difference of ₹ 20.00 lacs (i.e. ₹ 1.00 crore minus ₹ 80.00 lacs) would be paid by Aayush when he will be having the possession of the apartment as well as office space.

Everything seemed to be fine in the first year of launching the project as the KBCPL paid the 'committed returns' to the home-buyers without any default but stopped the same thereafter without assigning any reason. Similar to the others, Aayush also noticed the default but comforted himself by assuming that the 'committed returns' would start soon after sometime.

There was, however, no ray of hope and the default

continued unhindered. Further, Aayush learned from certain other home-buyers that no construction activities were in sight at the earmarked plot. He made up his mind to visit the site personally and found the unthinkable revelations true. Aayush got extremely worried at the changed scenario. He contacted the officials of the company but received no reply. At a later date, when Aayush confronted the company officials, he was informed that the possession would be given within the next two years; but the time passed without anything concrete to happen.

Sensing dark clouds looming large over his head, he discussed the worrying matter with his uncle's lawyer, Vansh Agarwal. His uncle, Rajinder Kumar, was an exporter, exporting readymade leather bags of various sizes to South Africa, catering to latest fashion trends.

Vansh informed Aayush that due to some significant amendments in Insolvency and Bankruptcy Code, 2016 (IBC, 2016) home-buyers were also the financial creditors of the builders and developers. The premise of this amendment was based on an important fact that the home-buyers were also a reckoning force as other financial creditors; but they were being left high and dry when it came to playing a role in the decision-making process relating to initiation of insolvency resolution process against the defaulting builder/developer. Accordingly, he could also be referred to as a financial creditor and could initiate insolvency proceedings against the company as it had failed to pay back monthly 'committed returns' to him including non-delivery of apartment and office space at the stipulated time. The other investors could also sail in the same boat as they had the similar fate.

Vansh further clarified that 'debt' in this case was disbursed against the consideration for 'time value of money' which is the main ingredient that is required to be satisfied in order for an arrangement to qualify as financial debt and for the lender to qualify as a financial creditor under the scheme of IBC. This acted as silver lining for Aayush.

In the meantime, Aayush came across a public announcement through which claims from 'Financial Creditors' as well as other creditors of KBCPL were invited. On further enquiry, he gathered that the company had defaulted in repayment of a term loan of ₹ 100 crore which was obtained from National Bank of India. Accordingly, the Hon'ble National Company Law Tribunal (NCLT), Delhi, on the application of National Bank of India, had ordered the commencement of Corporate Insolvency Resolution Process (CIRP) against KBCPL. As mentioned in the public announcement, Aayush submitted his claim along with proof thereof in 'Form C' through the specified e-mail.

Questions

Part A - Multiple Choice Questions (2 Marks each)

- In the given case study, National Bank of India filed an application for corporate insolvency resolution process (CIRP) with National Company Law Tribunal, Delhi against KBCPL for default in repayment of term loan. If everything was in perfect order, from which date the corporate insolvency resolution process would have commenced?
 - From the date of submission of the application.
 - From the date of admission of the application.
 - From the date of ascertaining the existence of default by the NCLT.
 - From the date of appointment of Insolvency Resolution Professional (IRP).

2. Suppose Radhika had given a loan of ₹ 15,00,000 to KBCPL which remained outstanding when Corporate Insolvency Resolution Process was ordered. As financial creditor whether she could be a part of Committee of Creditors (CoC) after she submitted her claim in 'Form C'.
 - (a) Yes, she could be a part of Committee of Creditors (CoC) as she had given loan to KBCPL which was more than ₹ 5,00,000.
 - (b) No, she being a director of KBCPL, could not be a part of Committee of Creditors (CoC).
 - (c) Yes, she could be a part of Committee of Creditors (CoC), if Interim Resolution Professional (IRP) permitted her despite the fact that she was a director of KBCPL.
 - (d) Yes, she could be a part of Committee of Creditors (CoC), if Interim Resolution Professional (IRP) sought permission of minimum 75% of the shareholders of the company carrying voting rights.
3. In the case study, Ketan Builders and Constructions Private Limited had demanded advance payment of 80% of the project cost from the intending home-buyers. After coming into force of Real Estate (Regulation and Development), Act, 2016 (RERA), maximum how much advance money can be demanded by a builder.
 - (a) Not more than 5%
 - (b) Not more than 10%
 - (c) Not more than 15%
 - (d) Not more than 20%
4. Suppose the application for Corporate Insolvency Resolution Process against KBCPL filed by National Bank of India with the National Company Law Tribunal, Delhi is adjudged as incomplete in respect of certain matters. It was intimated to National Bank of India through notice issued on 24th October 2018. The said notice was received by National Bank of India on 26th October, 2018. The time period within which the defects must be rectified by National Bank of India, so that insolvency process may be started by the National Company Law Tribunal, Delhi.
 - (a) latest by 31st October, 2018
 - (b) latest by 2nd November, 2018
 - (c) latest by 5th November, 2018
 - (d) latest by 10th November, 2018
5. In the given case study, Aayush, as 'financial creditor', could also move an application for corporate insolvency resolution process because non-payment of debt by KBCPL was much more than the minimum amount stipulated for triggering a default against the company. Indicate that minimum amount by choosing the correct option:
 - (a) ₹ 50,000
 - (b) ₹ 1,00,000
 - (c) ₹ 10,00,000
 - (d) ₹ 20,00,000

Part B- Descriptive Questions

6. In this case study Aayush, who is a home-buyer, has been categorized as a 'financial creditor'. You are required to answer the following:
 - (a) Mention the provisions which enable a 'home-buyer' to be considered as a 'financial creditor'. (5 Marks)
 - (b) Identify when a 'financial creditor' can also be categorised as an 'operational creditor'? (5 Marks)
7. In the given case study, suppose Aayush having developed a customized software for KBCPL. Despite repeated reminders,

KBCPL did not settle his invoice of ₹ 5,00,000 raised in this respect. Ultimately, Aayush proceeded to file application for initiating Corporate Insolvency Resolution Process (CIRP) against KBCPL with the National Company Law Tribunal (NCLT), Delhi. What could have been the documents which Aayush might have furnished along with application filed for initiating Corporate Insolvency Resolution Process (CIRP)? (5 Marks)

Answers

Part A

1. (b) From the date of admission of the application.
Reason: According to Section 7 (6), the corporate insolvency resolution process shall commence from the date of admission of the application.
2. (b) No, she being a director of KBCPL, could not be a part of Committee of Creditors (CoC).
Reason: Refer First Proviso to Section 21 (2) which states that a financial creditor, who is a related party of the corporate debtor, shall not have any right of participation or voting in a meeting of the Committee of Creditors (CoC). Radhika being a director of the company was a 'related party' in terms of Section 5 (24).
3. (b) Not more than 10%
Reason: Refer Section 13 (1) of the Real Estate (Regulation and Development), Act, 2016 which states that a promoter shall not accept a sum more than ten per cent of the cost of the apartment, plot, or building as the case may be, as an advance payment or an application fee, from a person without first entering into a written agreement for sale with such person and register the said agreement for sale, under any law for the time being in force.
4. (b) latest by 2nd November, 2018
Reason: According to Proviso to Section 7 (5), any defect in the application needs to be rectified within 7 days of receipt of notice from the Adjudicating Authority. As the notice of NCLT was received by National Bank of India on 26th October, 2018, so it needs to be rectified within 7 days of receipt of notice i.e latest by 2nd November, 2018
5. (b) ₹ 1,00,000
Reason: Refer Section 4 (1) which states that the insolvency and liquidation in respect of corporate debtors shall be triggered where the minimum amount of the default is ₹ 1,00,000.

Part B

- 6 (a). In order to categorise the home-buyers as 'financial creditors', Section 5 (8) of the Insolvency and Bankruptcy Code, 2016, which defines the term 'financial debt', was amended by the *Insolvency and Bankruptcy Code (Second Amendment) Act, 2018 w.e.f. 06-06-2018*. The amendment involved inserting Explanation (i) in Clause (f) of Section 5 (8) as under:

Explanation (i) - 'any amount raised from an allottee under a real estate project shall be deemed to be an amount having the commercial effect of a borrowing'.

By inserting above-mentioned Explanation (i) in Section 5 (8) (f), the law makes it clear that the 'financial debt' includes any amount which is raised from an allottee under a real estate project. Further, such amount shall be deemed to be an amount having the commercial effect of a borrowing. The phrase 'commercial effect of a borrowing' means that the

borrower has borrowed money for the purpose of business activities.

The payment made by Aayush to KBCPL for purchasing an apartment and office space is, therefore, a 'financial debt' and accordingly, Aayush is a 'financial creditor'.

(b). According to Section 5 (20) of the Insolvency and Bankruptcy Code, 2016, the term 'operational creditor' means a person to whom an operational debt is owed and includes any person to whom such debt has been legally assigned or transferred.

Further, according to Section 5 (21) the term 'operational debt' means a claim in respect of the provision of goods or services including employment or a debt in respect of the payment of dues arising under any law for the time being in force and payable to the Central Government, any State Government or any local authority.

In order to categorise, Aayush as 'operational creditor' also, in addition to 'financial creditor', he should have made provision of goods, for example, supply of construction material to KBCPL and the payment for which remains unpaid. Or else, he should have made provision of certain services but the company, till date, has not honoured the invoice raised by him. Another limb of operational debt is 'employment dues' i.e. Aayush was/is in the employment of the company but his employment dues are still pending.

7. As required by Section 9(3) of the Insolvency and Bankruptcy Code, 2016, Aayush by having developed a customized software for KBCPL, provided a service to KBCPL. Thus, he acts as an operational creditor. So, by section 9 of the IBC, operational creditor will be regulated for initiation of CIRP against Corporate Debtor. As per sub-section 9(3), Aayush as an 'operational creditor' might have furnished the following documents along with the application for CIRP:

- (a) a copy of the invoice demanding payment or demand notice delivered by the operational creditor to the corporate debtor.
- (b) an affidavit to the effect that there is no notice given by the corporate debtor relating to a dispute of the unpaid operational debt.
- (c) a copy of the certificate from the financial institutions maintaining accounts of the operational creditor confirming that there is no payment of an unpaid operational debt by the corporate debtor, if available. [this requirement under (c) is not mandatory w.e.f. 06-06-2018]
- (d) a copy of any record with information utility confirming that there is no payment of an unpaid operational debt by the corporate debtor, if available; and
- (e) any other proof confirming that there is no payment of an unpaid operational debt by the corporate debtor or such other information, as may be prescribed.

CASE STUDY 3

Rajath and his two sons, Lokesh and Ramesh are the promoters of **RAJATH BEVERAGES LTD (RBL)**. Rajath is the Chief Managing Director (CMD) of the Company.

Lokesh looks after finance and marketing; Ramesh takes care of production and human resources.

Production unit is located in Patna, Bihar. The business of the Company is manufacturing and selling of mineral water. The company was formed with a small investment of ₹ 25 Lacs initially as a private limited company, however, later converted into an unlisted Limited Liability Company. The promoters, through their hard work and business competence ensured that RBL is profitable.

Lokesh is an ambitious as well as a shrewd business man. He always tried to beat the competition through flexibility in pricing of his products. Sometimes he even sold some of the products at prices below the costs. He always looked for new avenues for business development, diversification and expansion, for which Ramesh ably assisted him by providing him with the required feasibility reports, analysis and technical information.

Years passed. Board of Directors of RBL decided to go for public issue and listing of its Equity Shares, mainly for expansion, initially with setting up a new large scale mango juice preparation plant. The public offer was a great success and the required shares were duly allotted.

A new large scale mango juice manufacturing plant was established in Patna, location next to the existing mineral water unit. First year of operation was just breakeven. However, unfortunately, the second year of operation turned out to be negative for the Mango Juice Unit due to bad monsoons and bad weather. There was scarcity in supply of mangoes, mango pulp and some other basic raw materials required for production of mango juice during the year 2017 in Bihar. Consequently, all the mango juice manufacturing units in Bihar, through their trade

association, entered into an Understanding for price fixing with the sole purpose of defeating competition during the time of scarcity. However, the said Understanding was not in writing and also not intended to be enforced by legal proceedings.

In due course of time, RBL entered into a joint venture agreement with **RAMAN PULP PRIVATE LIMITED (RPPL)** of Punjab to ensure continuous supply of mango pulp and some other raw materials to its mango juice manufacturing unit. With this JV and some other continuous supplies arrangements, RBL could gradually reach an advantageous position in Bihar for local sales of Mango Juice within the State. Production and sales of RBL increased by more than 10 times within a short period of time.

RBL also entered into various distribution agreements with different retail distributors within the state of Bihar to sell its products only in the area exclusively identified or allocated to each of them. Different agreements relating to prices, quantities, bids and market sharing with the competitors and other non-competing entities were also entered into by RBL.

RBL enhanced its production efficiency, introduced various cost saving measures, and could substantially increase its market share in the sale of its products over a period of time. Many of the bankers, financial institutions and potential investors approached the Company, offering further financial assistance/investment. With all the productive measures, RBL could achieve the position of strength in Bihar market to operate independently of competitive forces. RBL soon also diversified into other segments of businesses in Beverages.

However, the continuing business competition also resulted in the Commission receiving formal information from one of the Trade Associations in Bihar that there is abuse of dominance by RBL by contravening various provisions of the relevant law. The Commission initiated an enquiry and was of the opinion that

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there exists a prima facie case and directed the Director General (DG) to cause an investigation to be made into the matter and report the findings to the Commission.

After due investigation, the DG submitted his Report to the Commission within the specified period. However, the allegations against RBL of the contravention of the law could not be substantiated during investigation and were found to be mainly because of the business competition. The Report of the DG recommended that there is no contravention, since there is no appreciable adverse effect on competition.

The Commission forwarded copies of the Report to both the parties. After due consideration of the objections and suggestions, the Commission agreed with the recommendations of the DG, closed the matter and passed the appropriate Orders.

Questions

Part A- Multiple Choice Questions (2 Marks each)

- Board of Directors of RBL decided to go for public issue and listing of its Equity Shares, for business expansion, initially with setting up a new large scale mango juice preparation plant. The public offer was a great success and the required shares were duly allotted. In the context of above case, which one of the following statement is correct?
 - Shares cannot be considered as "goods", since nothing has to do with manufacturing, processing, or mining.
 - Shares can be considered as "goods" at the share application stage, since application monies are paid for acquisition of shares.
 - Shares can be considered as "goods" only during their purchase or sale i.e. trading in the Stock market or otherwise.
 - Shares can be considered as "goods" after allotment.
- RBL also entered into a joint venture agreement with RAMAN PULP PRIVATE LIMITED (RPPL) of Punjab to ensure continuous supply of mango pulp and some other raw materials to its mango juice manufacturing unit. Joint Venture agreement between RBL and RPPL:
 - Is an anti-competitive agreement, since resulted in increased turnover for one company, as against others
 - Not to be considered anti- competitive, since it enhanced the production efficiency of RBL
 - Is anti- competitive, since RBL could reach advantageous position in Bihar because of this Agreement
 - The agreement between RBL and RPPL is void and inoperative ab- initio since resulted in more sales to one Company as compared to others in Bihar.
- The continuing business competition also resulted in the Commission receiving formal information from one of the Trade Associations in Bihar that there is abuse of dominance by RBL by contravening various provisions of the relevant law. The composition of the said Commission, which received the formal information hereinabove, as per the relevant law shall be:
 - Chair Person and not less than 2 and not more than other 6 members, to be appointed by the State Government.
 - Commissioner and not less than 3 and not more than 5 members, to be appointed by the Central Government
 - Chair Person and not less than 2 and not more than other 6 members, to be appointed by the Central Government.
 - Chief Executive officer and not less than 3 and not more than 5 members, to be appointed by the State Government

- All the mango juice manufacturing units in Bihar, through their trade association, entered into an Understanding for price fixing with the sole purpose of defeating competition during the time of scarcity. However, the said Understanding was not in writing and also not intended to be enforced by legal proceedings. The Oral Understanding entered into by Trade Association of Bihar in the aforesaid case:
 - Is only an arrangement, not enforceable
 - Can be converted into a written Agreement at a later date and can be enforceable only thereafter.
 - a valid Agreement
 - a valid Agreement only if all the parties involved therein confirm it in writing at a later date.
- Lokesh tried to beat the competition sometimes even by selling some of the products at prices lesser than costs. The sale of goods or provision of services, at a price below the cost, as may be determined by the regulations, of production of the goods or provision of services, with a view to reduce competition or eliminate the competitors is termed as:
 - Monopolistic price
 - Minimum Retail Price (MRP)
 - Eliminatory Price
 - Predatory Price

Part B- Descriptive Questions

- With all the productive measures, RBL could achieve the position of strength in Bihar market to operate independently of competitive forces. *"An enterprise has the legal right to grow its business and achieve the position of strength to the maximum extent possible, unless such position has been intentionally exploited to gain undue advantages"*. Analyze the statement with reference to the provisions of the relevant law in India, including the factors which the Commission will consider to determine the facts. (5 Marks)
- The Commission initiated an inquiry and was of the opinion that there exists a *prima facie* case and directed the Director General to cause an investigation to be made into the matter and report the findings to the Commission.
 - Instead of any directions by the Commission, is there any possibility of a Director General to *suo motu* initiate investigation in the above case under any of the provisions of the relevant Indian law? (1 Mark)
 - Imagine in the aforesaid case, the Commission passes an Order directing the division of the enterprise, RBL. *"The Order of the Commission may provide for any or all the matters on division of enterprise enjoying position of strength as stated under the law"*. Enumerate the provisions of the relevant Law on the matters that may be provided for in the Order? (3 Marks)
 - The Articles of Association of RBL provides that the Managing Director and the Directors are entitled to claim compensation to the extent mentioned therein, if there is division of enterprise for any reasons and in case they cease to hold their office(s) in consequence thereof. Is Ramesh, one of the directors of RBL, on cessation of his office entitled to claim compensation, because of the position stated in point (b) above i.e. Commission passing an Order for division of enterprise? (1 Mark)
- In the above case, RBL has entered into various types of agreements with various entities. *"Any Agreement at different stages or levels of the production chain in different markets for trade in goods or provision of services shall be*

void, if it causes or is likely to cause an appreciable adverse effect on competition in India". Identify and enumerates such Agreements. (5 Marks)

Answers

Part A

1. (d)

Reason: Refer to Section 2 (i) (B) of the Competition Act, 2002

2. (b)

Reason: Refer to Provision to Section 3 (3) of the Competition Act, 2002

3. (c)

Reason: Refer to Section 8 of the Competition Act, 2002

4. (c)

Reason: Refer to Definition in Section 2 (b) of the Competition Act, 2002

5. (d)

Reason: Refer to Explanation (b) to Section 4 of the Competition Act, 2002

Part B

6. "An enterprise has the legal right to grow its business and achieve the position of strength to the maximum extent possible, unless such position has been exploited to gain undue advantages".

It may be noted that attaining the position of strength or "dominant position" is not prohibited; Every enterprise has the freedom and legal right to grow up; but it is only the "abuse of dominant position" in an area, affecting the competition and as such prohibited under the Competition Act, 2002. Mere achieving of the position of strength in Bihar market by RBL to operate independently of competitive forces does not come under the area of prohibition under any of the Indian laws.

Abuse of dominant position impedes fair competition between firms, exploits consumers and makes it difficult for the other players to compete with the dominant undertaking on merit.

Under Section 4 Explanation (a) of the Competition Act, 2002, "dominant position" means a position of strength, enjoyed by an enterprise, in the relevant market, in India, which enables it to—

- (i) Operate independently of competitive forces prevailing in the relevant market; or
- (ii) affect its competitors or consumers or the relevant market in its favor.

Section 4 (1) of the Competition Act, 2002 expressly prohibits any enterprise or group from abusing its dominant position. There shall be "abuse of dominant position" if an enterprise or group

- (a) directly or indirectly, imposes unfair or discriminatory-
 - (i) condition in purchase or sale of goods or services or
 - (ii) price in purchase or sale (including predatory price) of goods or services or
- (b) limits or restricts production of goods or provision of services or market there for or technical or scientific development relating to goods or services to the prejudice of consumers or
- (c) indulges in practice or practices resulting in denial of market access in any manner or
- (d) makes conclusion of contracts subject to acceptance by other parties of supplementary obligations which by

their nature or according to commercial usage have no connection with the subject of such contracts or

- (e) uses its dominant position in one relevant market to enter into, or protect, other relevant market.

For the purpose of determining whether an enterprise enjoys dominant position or not under Section 4, the Competition Commission of India (CCI) shall have due regard to all or any of the following factors viz,

- (i) Market Share of the enterprise;
- (ii) Size and Resource of the enterprise;
- (iii) Size and importance of the competitors;
- (iv) Economic power of the enterprise including commercial advantages over competitors;
- (v) Vertical integration of the enterprises or sale or service network of such enterprises;
- (vi) Dependence of consumers on the enterprise;
- (vii) Monopoly or dominant position whether acquired as a result of any statute or by virtue of being a Government or a public sector undertaking or otherwise;
- (viii) Entry barriers including barriers such as regulatory barriers, financial risk, high capital cost entry, marketing entry barriers, technical entry barriers, economies of scale, high cost of substitutable goods or service for consumers;
- (ix) Countervailing buying power;
- (x) Market structure and size of market;
- (xi) Social obligations and social costs;
- (xii) Relative advantage, by way of the contribution to the economic development, by the enterprise enjoying a dominant position having or likely to have an appreciable adverse effect on competition;
- (xiii) Any other factor, which the Commission may consider relevant for the inquiry.

It may be noted that the Commission shall have due regard to the "relevant geographic market" and "relevant product market" for determining as to what constitutes a "relevant market"

For determining the "relevant geographic market" the Commission shall have due regard to all or any of the following factors, viz.,

- (i) Regulatory trade barriers;
- (ii) Local specification requirements;
- (iii) National procurement policies;
- (iv) Adequate distribution facilities;
- (v) Transport costs;
- (vi) Language;
- (vii) Consumer preferences;
- (viii) Need for secure, regular supplies or rapid after-sales service.

Similarly, while determining "relevant product market", the Commission shall have due regard to all or any of the following factors viz.,

- (i) Physical characteristics or end use of goods;
- (ii) Price of goods or service;
- (iii) Consumer preferences;
- (iv) Exclusion of in-house production;
- (v) Existence of specialized producers;
- (vi) Classification of industrial products.

7. (a) No. The role of the Director General is actually to assist the Competition Commission in the effective discharge of its duties. The Director General would be able to act only if so directed by the CCI, but will not have any suo motu powers for initiating investigations. Under Section 16, the Central Government may, by notification, appoint a Director General for the

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purposes of assisting the Commission in conducting inquiry into contravention of any of the provisions of the Competition Act, 2002 and for performing such other functions as are, or may be, provided by or under the Act.

- (b) Section 28 of the Competition Act, 2002 deals with the provisions relating to division of enterprise enjoying dominant position.

The Commission may, notwithstanding anything contained in any other law for the time being in force, by Order in writing, direct division of an enterprise enjoying dominant position to ensure that such enterprise or group does not abuse its dominant position.

The Order of the Commission referred to above may provide for all or any of the following matters, viz.,-

- (i) The transfer or vesting of property, rights, liabilities or obligations;
 - (ii) The adjustment of contracts either by discharge or reduction of any liability or obligation or otherwise;
 - (iii) The creation, allotment, surrender or cancellation of any shares, stocks or securities;
 - (iv) The formation or winding up of an enterprise or the amendment of the memorandum of association or articles of association or any other instruments regulating the business of any enterprise;
 - (v) The extent to which, and the circumstances in which, provisions of the Order affecting an enterprise may be altered by the enterprise and the registration thereof;
 - (vi) Any other matter, which may be necessary to give effect to the division of the enterprise or group.
- (c) Notwithstanding anything contained in any other law for the time being in force or in any contract or in any

Memorandum or Articles of Association, an officer of a Company, who ceases to hold office as such in consequence of the division of an enterprise, shall not be entitled to claim any compensation for such cesser. [Section 28 (3) the Competition Act, 2002]. As such, Ramesh is not entitled to claim any compensation.

8. Any agreement amongst enterprises or persons at different stages or levels of the production chain in different markets, in respect of production, supply, distribution, storage, sale or price of, or trade in goods or provision of services shall be a void agreement if it causes or is likely to cause an appreciable adverse effect on competition in India, including-

Tie in arrangement: includes any agreement, requiring a purchaser of goods, as a condition of such purchase, to purchase some other goods;

Exclusive supply agreement: includes any agreement restricting in any manner the purchaser in the course of his trade from acquiring or otherwise dealing in any goods other than those of the seller or any other person.

Exclusive Distribution agreement: includes any agreement to limit, restrict or withhold the output or supply of any goods or allocate any area or market for the disposal or sale of the goods.

Refusal to deal: includes any agreement, which restricts or is likely to restrict, by any method the persons or classes of persons to whom goods are sold or from whom goods are bought.

Resale price maintenance: includes any agreement to sell goods on condition that the prices to be charged on the resale by the purchaser shall be the prices stipulated by the seller unless it is clearly stated that prices lower than those prices may be charged.

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INCOME TAX LAW : A CAPSULE FOR QUICK RECAP

This Capsule on Income-tax law attempts to give an overview of the provisions relating to advance tax, tax deduction at source and tax collection at source and provisions relating to filing of return of income and self-assessment, as amended by the Finance Act, 2019 and Finance (No. 2) Act, 2019 to the extent included in the syllabus of Intermediate (New) Paper 4A: Income-tax Law and relevant for May, 2020 and November, 2020 examinations. These provisions are contained in Chapters 9 and 10 of Module 3 of the August 2019 edition of the Study Material of Intermediate (New) Paper 4A: Income-tax Law. The capsule is relevant for IIPCC (Old) Paper 4A: Income-tax also, with the exception of the portions relating to tax collection at source and self-assessment.

ADVANCE TAX, TAX DEDUCTION AT SOURCE AND INTRODUCTION TO TAX COLLECTION AT SOURCE

I. TAX DEDUCTION AT SOURCE						
Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
192	Salary	Basic exemption limit (₹ 2,50,000/ ₹ 3,00,000, as the case may be). This is taken care of in computation of the average rate of income-tax.	Any person responsible for paying any income chargeable under the head "Salaries"	Individual (Employee)	Average rate of income-tax computed on the basis of the rates in force.	At the time of payment
192A	Premature withdrawal from Employee Provident Fund	Payment or aggregate payment ≥ ₹ 50,000	Trustees of the EPF Scheme or any authorised person under the Scheme	Individual (Employee)	10% [In case of failure to furnish PAN, TDS@ Maximum Marginal Rate]	At the time of payment
193	Interest on Securities	> ₹ 10,000 in a F.Y., in case of interest on 8% Savings (Taxable) Bonds, 2003/7.75% Savings (Taxable) Bonds, 2018. > ₹ 5,000 in a F.Y., in case of interest on debentures issued by a Co. in which the public are substantially interested, paid or credited to a resident individual or HUF by an A/c payee cheque. No threshold specified in any other case.	Any person responsible for paying any income by way of interest on securities	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194A	Interest other than interest on securities	> ₹ 40,000 in a F.Y., in case of interest credited or paid by – (i) a banking company; (ii) a co-operative society engaged in banking business; and (iii) a post office on any deposit under a notified Scheme. In all the above cases, if payee is a resident senior citizen, tax deduction limit is > ₹ 50,000. > ₹ 5,000 in a F.Y., in other cases.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover from business or profession do not exceed the monetary limits specified u/s 44AB in the immediately preceding F.Y.) responsible for paying interest other than interest on securities.	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194B	Winnings from any lottery, crossword puzzle or card game or other game of any sort	> ₹ 10,000	The person responsible for paying income by way of such winnings	Any Person	30%	At the time of payment
194BB	Winnings from horse race	> ₹ 10,000	Book Maker or a person holding licence for horse racing or for arranging for wagering or betting in any race course.	Any Person	30%	At the time of payment

I. TAX DEDUCTION AT SOURCE						
Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
194C	Payments to Contractors	Single sum credited or paid > ₹ 30,000 (or) The aggregate of sums credited or paid to a contractor during the F.Y. > ₹ 1,00,000 Individual/HUF need not deduct tax where sum is credited or paid exclusively for personal purposes	Central/State Govt., Local authority, Central/State/Provincial Corpn., company, firm, trust, registered society, co-operative society, university established under Central/State/Provincial Act, declared university under the UGC Act, Govt. of Foreign State or a foreign enterprise, any association or body established outside India, individual/HUF liable to tax audit u/s 44AB(a)/(b) in the immediately preceding F.Y.	Any Resident contractor for carrying out any work (including supply of labour)	1% of sum paid or credited, if the payee is an Individual or HUF 2% of sum paid or credited, if the payee is any other person.	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.
194D	Insurance Commission	> ₹ 15,000 in a F.Y.	Any person responsible for paying any income by way of remuneration or reward for soliciting or procuring insurance business	Any Resident	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194DA	Any sum under a Life Insurance Policy	≥ ₹ 1,00,000 (aggregate amount of payment to a payee in a F.Y.)	Any person responsible for paying any sum under a LIP, including the sum allocated by way of bonus	Any resident	1% [5% of the amount of income comprised w.e.f. 1.9.2019]	At the time of payment
194E	Payment to non-resident sportsmen or sports associations of income referred to in section 115BBA	No threshold limit	Any person responsible for making the payment	Non-resident sportsman (including an athlete) or entertainer who is not a citizen of India or non-resident sports association or institution	20%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194EE	Payment of deposit under NSS	≥ ₹ 2,500 in a F.Y.	Any person responsible for paying	Individual or HUF	10%	At the time of payment
194G	Commission on sale of lottery tickets	> ₹ 15,000 in a F.Y.	Any person responsible for paying any income by way of commission, remuneration or prize (by whatever name called) on lottery tickets	Any person stocking, distributing, purchasing or selling lottery tickets	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194H	Commission or brokerage	> ₹ 15,000 in a F.Y.	Any person (other than an Individual or HUF whose total sales, gross receipts or turnover from business or profession do not exceed the monetary limits specified u/s 44AB in the immediately preceding F.Y.) responsible for paying commission or brokerage.	Any resident	5%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194-I	Rent	> ₹ 2,40,000 in a F.Y.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover from business or profession do not exceed the monetary limits specified u/s 44AB in the immediately preceding F.Y.) responsible for paying rent.	Any resident	For P & M or equipment- 2% For land or building, land appurtenant to a building, furniture or fittings -10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194-IA	Payment on transfer of certain immovable property other than agricultural land	≥ ₹ 50 lakh (Consideration for transfer)	Any person, being a transferee (other than a person referred to in section 194LA responsible for paying compensation for compulsory acquisition of immovable property)	Resident transferor	1%	At the time of credit of such sum to the account of the transferor or at the time of payment, whichever is earlier.

I. TAX DEDUCTION AT SOURCE						
Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
194-IB	Payment of rent by certain individuals or HUF	> ₹ 50,000 for a month or part of a month	Individual/ HUF (other than Individual/ HUF whose total sales, gross receipts or turnover from business or profession exceed the limits specified u/s 44AB in the immediately preceding F.Y.) responsible for paying rent.	Any Resident	5%	At the time of credit of rent, for the last month of the P.Y. or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment, whichever is earlier
194-IC	Payment under specified agreement referred to in section 45(5A)	No threshold limit	Any person responsible for paying any sum by way of consideration, not being consideration in kind, under a registered agreement, wherein L or B or both are handed over by the owner for development of real estate project, for a consideration, being a share in L or B or both in such project, with payment of part consideration in cash.	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
194J	Fees for professional or technical services/ Royalty/ Non-compete fees/ Director's remuneration	> ₹ 30,000 in a F.Y., for each category of income. (However, this limit does not apply in case of payment of director's remuneration).	Any person, other than an individual or HUF; However, in case of fees for professional or technical services paid or credited, individual/HUF, whose total sales, gross receipts or turnover from business or profession exceed the monetary limits specified u/s 44AB in the immediately preceding F.Y., is liable to deduct tax u/s 194J, except where fees for professional services is credited or paid exclusively for his personal purposes.	Any Resident	2% - Payee engaged only in the business of operation of call centre 10% - Others	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.
194LA	Compensation on acquisition of certain immovable property other than agricultural land	> ₹ 2,50,000 in a F.Y.	Any person responsible for paying any sum in the nature of compensation or enhanced compensation on compulsory acquisition of immovable property	Any Resident	10%	At the time of payment
194M (w.e.f. 1st Sep, 2019)	Payments to contractors (or) Commission / brokerage (or) Fees for professional services	> ₹ 50,00,000 in a F.Y.	Individual or HUF other than those who are required to deduct tax at source u/s 194C or 194H or 194J	Any Resident	5%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.
194N (w.e.f. 1st Sep, 2019)	Cash withdrawals	> ₹ 1 crore	- a banking company or any bank or banking institution - a co-operative society engaged in carrying on the business of banking or - a post office	Any person	@2% of sum exceeding ₹ 1 crore	At the time of payment of such sum

Notes –

- (1) Section 206AA requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the higher of the following rates, namely, -
 - (i) **at the rate specified** in the relevant provision of the Income-tax Act, 1961; or
 - (ii) **at the rate or rates in force;** or
 - (iii) **at the rate of 20%.**
- (2) The threshold limit given in column (3) of the table is with respect to each payee

II. ADVANCE PAYMENT OF TAX				
Liability for payment of advance tax [Sections 207 & 208]				
- Tax shall be payable in advance during any F.Y. in respect of the total income (TI) of the assessee which would be chargeable to tax for the A.Y. immediately following that F.Y. Advance tax is payable during a F.Y. in every case where the amount of such tax payable by the assessee during the year is ₹ 10,000 or more. - However, an individual resident in India of the age of 60 years or more at any time during the P.Y., who does not have any income chargeable under the head “Profits and gains of business or profession” (PGBP), is not liable to pay advance tax.				
Instalments of advance tax and due dates [Section 211]				
Advance tax payment schedule for corporates and non-corporates (other than an assessee computing profits on presumptive basis u/s 44AD or section 44ADA) – Four instalments				
Due date of instalment		Amount payable		
On or before 15 th June		Not less than 15% of advance tax liability.		
On or before 15 th September		Not less than 45% of advance tax liability (-) amount paid in earlier instalment.		
On or before 15 th December		Not less than 75% of advance tax liability (-) amount paid in earlier instalment or instalments.		
On or before 15 th March		The whole amount of advance tax liability (-) amount paid in earlier instalment or instalments.		
Advance tax payment by assessee computing profits on presumptive basis u/s 44AD(1) or section 44ADA(1)				
An eligible assessee, opting for computation of profits or gains of business or profession on presumptive basis in respect of eligible business referred to in section 44AD(1) or in respect of eligible profession referred to in section 44ADA(1), shall be required to pay advance tax of the whole amount on or before 15th March of the F.Y.				
However, any amount paid by way of advance tax on or before 31 st March shall also be treated as advance tax paid during the F.Y. ending on that day.				
Interest for defaults in payment of advance tax [Section 234B]				
(1)	Interest u/s 234B is attracted for non-payment of advance tax or payment of advance tax of an amount less than 90% of assessed tax.			
(2)	The interest liability would be 1% per month or part of the month from 1st April following the F.Y. upto the date of determination of total income u/s 143(1) and where regular assessment is made, upto the date of such regular assessment.			
(3)	Such interest is calculated on the amount of difference between the assessed tax and the advance tax paid.			
(4)	“Assessed tax” means the tax on total income determined u/s 143(1)/under regular assessment, as the case may be, less TDS & TCS, any relief of tax allowed u/s 89, any tax credit allowed to be set off in accordance with the provisions of section 115JD.			
(5)	Where self-assessment tax is paid by the assessee u/s 140A or otherwise, interest shall be calculated upto the date of payment of such tax and reduced by the interest, if any, paid u/s 140A towards the interest chargeable under this section.			
Interest for deferment of advance tax [Section 234C]				
(a)	Manner of computation of interest u/s 234C for deferment of advance tax by corporate and non-corporate assessee: In case an assessee, other than an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1), who is liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by such assessee on its current income on or before the dates specified in column (1) below is less than the specified percentage [given in column (2) below] of tax due on returned income, then simple interest@1% per month for the period specified in column (4) on the amount of shortfall, as per column (3) is leviable u/s 234C.			
	Specified date (1)	Specified % (2)	Shortfall in advance tax (3)	Period (4)
	15 th June	15%	15% of tax due on returned income (-) advance tax paid up to 15th June	3 months
	15 th September	45%	45% of tax due on returned income (-) advance tax paid up to 15th September	3 months
	15 th December	75%	75% of tax due on returned income (-) advance tax paid up to 15th December	3 months
	15 th March	100%	100% of tax due on returned income (-) advance tax paid up to 15th March	1 month
	Note – However, if the advance tax paid by the assessee on the current income, on or before 15th June or 15th September , is not less than 12% or, as the case may be, 36% of the tax due on the returned income, then, the assessee shall not be liable to pay any interest on the amount of the shortfall on those dates.			
(b)	Computation of interest u/s 234C in case of an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1): In case an assessee who declares profits and gains in accordance with the provisions of section 44AD(1) or section 44ADA(1), who is liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by the assessee on its current income on or before 15th March is less than the tax due on the returned income, then, the assessee shall be liable to pay simple interest at the rate of 1% on the amount of the shortfall from the tax due on the returned income.			

(c)	Non-applicability of interest u/s 234C in certain cases: Interest u/s 234C shall not be leviable in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimate or failure to estimate – (i) the amount of capital gains; (ii) income of nature referred to in section 2(24)(ix) i.e., winnings from lotteries, crossword puzzles etc.; (iii) income under the head "Profits and gains of business or profession" in cases where the income accrues or arises under the said head for the first time. (iv) income of the nature referred to in section 115BBDA(1) i.e., dividend in aggregate exceeding of ₹ 10 lakhs including in the assessee's total income. However, the assessee should have paid the whole of the amount of tax payable in respect of such income referred to in (i), (ii), (iii) and (iv), as the case may be, had such income been a part of the total income, as part of the remaining instalments of advance tax which are due or where no such instalments are due, by 31st March of the F.Y.
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Tax due on returned income = Tax chargeable on total income declared in the return of income – TDS – TCS – any relief of tax allowed u/s 89 – any tax credit allowed to be set off in accordance with the provisions of **section 115JD**

III. TAX COLLECTION AT SOURCE [SECTION 206C]

(a)	Sellers of certain goods are required to collect tax from the buyers at the specified rates. The specified percentage for collection of tax at source is as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #ffcc00;"> <th style="width: 5%;">Nature of Goods</th><th style="width: 95%;">Percentage</th></tr> </thead> <tbody> <tr><td>(i) Alcoholic liquor for human consumption</td><td>1%</td></tr> <tr><td>(ii) Tendu leaves</td><td>5%</td></tr> <tr><td>(iii) Timber obtained under a forest lease</td><td>2.5%</td></tr> <tr><td>(iv) Timber obtained by any mode other than (iii)</td><td>2.5%</td></tr> <tr><td>(v) Any other forest produce not being timber or tendu leaves</td><td>2.5%</td></tr> <tr><td>(vi) Scrap</td><td>1%</td></tr> <tr><td>(vii) Minerals, being coal or lignite or iron ore</td><td>1%</td></tr> </tbody> </table> However, no collection of tax shall be made in the case of a resident buyer, if such buyer furnishes a declaration in writing in duplicate to the effect that goods are to be utilised for the purpose of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes	Nature of Goods	Percentage	(i) Alcoholic liquor for human consumption	1%	(ii) Tendu leaves	5%	(iii) Timber obtained under a forest lease	2.5%	(iv) Timber obtained by any mode other than (iii)	2.5%	(v) Any other forest produce not being timber or tendu leaves	2.5%	(vi) Scrap	1%	(vii) Minerals, being coal or lignite or iron ore	1%
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(b)	Every person who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest in any - parking lot or - toll plaza or - a mine or a quarry to another person (other than a public sector company) for the use of such parking lot or toll plaza or mine or quarry for the purposes of business. The tax shall be collected as provided, from the licensee or lessee of any such licence, contract or lease of the specified nature, at the rate of 2%, at the time of debiting of the amount payable by the licensee or lessee to his account or at the time of receipt of such amount from the licensee or lessee in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier																
(c)	Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, shall, at the time of receipt of such amount, collect tax from the buyer @1% of the sale consideration.																

PROVISIONS FOR FILING RETURN OF INCOME AND SELF ASSESSMENT

Section	Particulars						
139(1)	Assessee required to file return of income compulsorily (i) Companies and firms (whether having profit or loss or nil income); (ii) a person, being a resident other than not ordinarily resident, having any asset (including any financial interest in any entity) located outside India or signing authority in any account located outside India or if beneficiary of any asset located outside India, whether or not having income chargeable to tax; (iii) Individuals, HUF, AOPs or BOIs and artificial juridical persons whose total income before giving effect to the provisions of Chapter VI-A and sections 54, 54B, 54D, 54EC or 54F exceeds the basic exemption limit. (iv) Any person who during the P.Y. – - has deposited more than ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank - has incurred expenditure of more than ₹ 2 lakh for himself or any other person for travel to a foreign country; - has incurred expenditure of more than ₹ 1 lakh towards consumption of electricity - fulfils such other conditions as may be prescribed Due date of filing return of income 30th September of the A.Y., in case the assessee is: (i) a company; (ii) a person (other than company) whose accounts are required to be audited; or (iii) a working partner of a firm whose accounts are required to be audited. 31st July of the A.Y., in case of any other assessee (other than assessee who are required to furnish report u/s 92E, for whom the due date is 30th November of the A.Y.).						
234A	Interest for default in furnishing return of income Interest u/s 234A is payable where an assessee furnishes the return of income after the due date or does not furnish the return of income. Assessee shall be liable to pay simple interest @1% per month or part of the month for the period commencing from the date immediately following the due date and ending on the following dates – <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #ffcc00;"> <th style="width: 50%;">Circumstances</th><th style="width: 50%;">Ending on the following dates</th></tr> </thead> <tbody> <tr> <td>Where the return is furnished after due date</td><td>the date of furnishing of the return</td></tr> <tr> <td>Where no return is furnished</td><td>the date of completion of assessment</td></tr> </tbody> </table> However, where the assessee has paid taxes in full on or before the due date, interest u/s 234A is not leviable.	Circumstances	Ending on the following dates	Where the return is furnished after due date	the date of furnishing of the return	Where no return is furnished	the date of completion of assessment
Circumstances	Ending on the following dates						
Where the return is furnished after due date	the date of furnishing of the return						
Where no return is furnished	the date of completion of assessment						

INCOME TAX LAW ||

234F	Fee for default in furnishing return of income Where a person who is required to furnish a return of income u/s 139, fails to do so within the prescribed time limit u/s 139(1), he shall pay, by way of fee, a sum of – (i) ₹ 5,000, if the return is furnished on or before the 31st December of the A.Y.; (ii) ₹ 10,000 in any other case However, if the total income of the person does not exceed ₹ 5 lakhs , the fees payable shall not exceed ₹ 1,000																																										
139(3)	Return of loss An assessee can carry forward or set off his/its losses provided he/it has filed his/its return u/s 139(3), within the due date specified u/s 139(1). Exceptions Loss from house property and unabsorbed depreciation can be carried forward for set-off even though return has not been filed before the due date.																																										
139(4)	Belated Return A return of income for any P.Y., which has not been furnished within the time allowed u/s 139(1) , may be furnished at any time before the: (i) end of the relevant A.Y. ; or (ii) completion of the assessment , whichever is earlier.																																										
139(5)	Revised Return If any omission or any wrong statement is discovered in a return furnished u/s 139(1) or belated return u/s 139(4) , a revised return may be furnished by the assessee at any time before the : (i) end of the relevant A.Y. ; or (ii) completion of assessment , whichever is earlier. Thus, belated return can also be revised.																																										
139A	Permanent Account Number (PAN) As per section 139A(1), the following persons mentioned in column (2), who have not been allotted a permanent account number (PAN), to apply to the Assessing Officer within the time specified in column (3) for the allotment of a PAN – <table><tr><th></th><th>Persons required to apply for PAN</th><th>Time limit for making such application</th></tr><tr><th>(1)</th><th>(2)</th><th>(3)</th></tr><tr><td>(i)</td><td>Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any P.Y. exceeds the maximum amount which is not chargeable to income-tax</td><td>On or before 31st May of the A.Y. for which such income is assessable</td></tr><tr><td>(ii)</td><td>Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakhs in any P.Y.</td><td>Before the end of that F.Y. (P.Y.).</td></tr><tr><td>(iii)</td><td>Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a F.Y.</td><td>On or before 31st May of the immediately following F.Y.</td></tr><tr><td>(iv)</td><td>Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of any person referred in (iii) above or any person competent to act on behalf of such person referred in (iii) above</td><td>On or before 31st May of the immediately following F.Y. in which the person referred in (iii) enters into financial transaction specified therein.</td></tr></table> Quoting of PAN is mandatory in all the following documents: (a) in all returns to, or correspondence with, any income-tax authority; (b) in all challans for the payment of any sum due under the Act; (c) in all documents pertaining to such transactions entered into by him, as may be prescribed by the CBDT in the interests of revenue. In this connection, CBDT has notified the following transactions, namely: <table><tr><th>S. No.</th><th>Nature of transaction</th><th>Value of transaction</th></tr><tr><td>1.</td><td>Sale or purchase of a motor vehicle or vehicle, other than two wheeled vehicles.</td><td>All such transactions</td></tr><tr><td>2.</td><td>Opening an account [other than a time-deposit referred to at Sl. No.12 and a Basic Savings Bank Deposit Account] with a banking company or a co-operative bank</td><td>All such transactions</td></tr><tr><td>3.</td><td>Making an application to any banking company or a co-operative bank or to any other company or institution, for issue of a credit or debit card.</td><td>All such transactions</td></tr><tr><td>4.</td><td>Opening of a demat account with a depository, participant, custodian of securities or any other person registered under SEBI Act, 1992.</td><td>All such transactions</td></tr><tr><td>5.</td><td>Payment to a hotel or restaurant against a bill or bills at any one time.</td><td>Payment in cash of an amount > ₹ 50,000.</td></tr><tr><td>6.</td><td>Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.</td><td>Payment in cash of an amount > ₹ 50,000</td></tr><tr><td>7.</td><td>Payment to a Mutual Fund for purchase of its units</td><td>Amount > ₹ 50,000</td></tr></table>		Persons required to apply for PAN	Time limit for making such application	(1)	(2)	(3)	(i)	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any P.Y. exceeds the maximum amount which is not chargeable to income-tax	On or before 31st May of the A.Y. for which such income is assessable	(ii)	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakhs in any P.Y.	Before the end of that F.Y. (P.Y.).	(iii)	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a F.Y.	On or before 31st May of the immediately following F.Y.	(iv)	Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of any person referred in (iii) above or any person competent to act on behalf of such person referred in (iii) above	On or before 31st May of the immediately following F.Y. in which the person referred in (iii) enters into financial transaction specified therein.	S. No.	Nature of transaction	Value of transaction	1.	Sale or purchase of a motor vehicle or vehicle , other than two wheeled vehicles.	All such transactions	2.	Opening an account [other than a time-deposit referred to at Sl. No.12 and a Basic Savings Bank Deposit Account] with a banking company or a co-operative bank	All such transactions	3.	Making an application to any banking company or a co-operative bank or to any other company or institution, for issue of a credit or debit card.	All such transactions	4.	Opening of a demat account with a depository, participant, custodian of securities or any other person registered under SEBI Act, 1992.	All such transactions	5.	Payment to a hotel or restaurant against a bill or bills at any one time.	Payment in cash of an amount > ₹ 50,000.	6.	Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.	Payment in cash of an amount > ₹ 50,000	7.	Payment to a Mutual Fund for purchase of its units	Amount > ₹ 50,000
	Persons required to apply for PAN	Time limit for making such application																																									
(1)	(2)	(3)																																									
(i)	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any P.Y. exceeds the maximum amount which is not chargeable to income-tax	On or before 31st May of the A.Y. for which such income is assessable																																									
(ii)	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakhs in any P.Y.	Before the end of that F.Y. (P.Y.).																																									
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139AA	Quoting of Aadhar Number Aadhar Number to be quoted by every person on or after 1/7/2017 in the application for allotment of PAN and in Return of Income. If a person does not have Aadhar Number, the Enrolment ID of Aadhar application form issued to him at the time of enrolment shall be quoted. Aadhar Number to be intimated to prescribed authority on or before a date notified by the Central Government i.e., 31.12.2019. Inter-changeability of PAN with the Aadhaar number Every person who is required to furnish or intimate or quote his PAN may furnish or intimate or quote his Aadhar Number in lieu of the PAN w.e.f. 1.9.2019 if he - has not been allotted a PAN but possesses the Aadhar number - has been allotted a PAN and has intimated his Aadhar number to prescribed authority.																																				
140	Persons authorised to verify Return of Income This section specifies the persons who are authorized to verify the return of income u/s 139. <table><tr><th>S. No.</th><th>Assessee</th><th>Circumstance</th><th>Authorised Persons</th></tr><tr><td>1.</td><td>Individual</td><td>(i) In circumstances not covered under (ii), (iii) & (iv) below</td><td>- the individual himself</td></tr><tr><td></td><td></td><td>(ii) where he is absent from India</td><td>- the individual himself; or - any person duly authorised by him in this behalf holding a valid power of attorney from the individual (Such power of attorney should be attached to the return of income)</td></tr><tr><td></td><td></td><td>(iii) where he is mentally incapacitated from attending to his affairs</td><td>- his guardian; or - any other person competent to act on his behalf</td></tr><tr><td></td><td></td><td>(iv) where, for any other reason, it is not possible for the individual to verify the return</td><td>- any person duly authorised by him in this behalf holding a valid power of attorney from the individual (Such power of attorney should be attached to the return of income)</td></tr></table>	S. No.	Assessee	Circumstance	Authorised Persons	1.	Individual	(i) In circumstances not covered under (ii), (iii) & (iv) below	- the individual himself			(ii) where he is absent from India	- the individual himself; or - any person duly authorised by him in this behalf holding a valid power of attorney from the individual (Such power of attorney should be attached to the return of income)			(iii) where he is mentally incapacitated from attending to his affairs	- his guardian; or - any other person competent to act on his behalf			(iv) where, for any other reason, it is not possible for the individual to verify the return	- any person duly authorised by him in this behalf holding a valid power of attorney from the individual (Such power of attorney should be attached to the return of income)																
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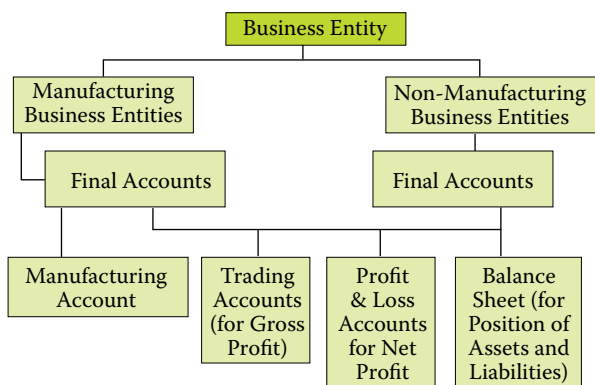
140	S. No.	Assessee	Circumstance	Authorised Persons
	2.	Hindu Undivided Family	(i) in circumstances not covered under (ii) and (iii) below	- the karta
			(ii) where the karta is absent from India	- any other adult member of the HUF
			(iii) where the karta is mentally incapacitated from attending to his affairs	- any other adult member of the HUF
	3.	Company	(i) in circumstances not covered under (ii) to (vi) below	- the managing director of the company
			(ii) (a) where for any unavoidable reason such managing director is not able to verify the return; or	- any director of the company
			(b) where there is no managing director	- any director of the company
			(iii) where the company is not resident in India	- a person who holds a valid power of attorney from such company to do so (such power of attorney should be attached to the return).
			(iv) (a) Where the company is being wound up (whether under the orders of a court or otherwise); or	- Liquidator
			(b) where any person has been appointed as the receiver of any assets of the company	- Liquidator
			(v) Where the management of the company has been taken over by the Central Government or any State Government under any law	- the principal officer of the company
			(vi) Where an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.	- insolvency professional appointed by such Adjudicating Authority
	4.	Firm	(i) in circumstances not covered under (ii) below	- the managing partner of the firm
			(ii) (a) where for any unavoidable reason such managing partner is not able to verify the return; or	- any partner of the firm, not being a minor
			(b) where there is no managing partner.	- any partner of the firm, not being a minor
	5	LLP	(i) in circumstances not covered under (ii) below	- Designated partner
			(ii) (a) where for any unavoidable reason such designated partner is not able to verify the return; or	- any partner of the LLP
			(b) where there is no designated partner.	- any partner of the LLP
	6.	Local authority	-	- the principal officer
	7.	Political party	-	- the chief executive officer of such party (whether he is known as secretary or by any other designation)
	8.	Any other association	-	- any member of the association or the principal officer of such association
	9.	Any other person	-	- that person or some other person competent to act on his behalf.
140A	Self-Assessment Where any tax is payable on the basis of any return required to be furnished u/s 139, after taking into account – (i) the amount of tax, already paid, (ii) the tax deducted or collected at source (TDS/TCS) (iii) any relief of tax claimed u/s 89 (iv) any tax credit claimed to be set-off in accordance with the provisions of section 115JD (i.e., alternate minimum tax). the assessee shall be liable to pay such tax together with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax before furnishing the return. Where the amount paid by the assessee falls short of the aggregate of the tax, interest and fee as aforesaid, the amount so paid shall first be adjusted towards the fee payable and thereafter, towards interest and the balance shall be adjusted towards the tax payable.			

PRINCIPLES AND PRACTICE OF ACCOUNTING: A CAPSULE FOR QUICK RECAP

The objective of Paper 1 “Principles and Practice of Accounting” at Foundation level is to develop an understanding of the basic concepts and principles of Accounting and apply the same in preparing financial statements and simple problem solving. It has always been the endeavour of Board of Studies to provide quality academic inputs to the students. Keeping with this objective, it has been decided to bring forth a crisp and concise capsule on the topics of Preparation of Final Accounts of Sole Proprietors and Partnership Accounts covered in this paper. At Foundation level, both these topics largely involve understanding the types of Business entities, manufacturing expenses, overhead expenses and preparation of final accounts and accounts of partnership firm, Features of a partnership, number of Partners, Limited Liability Partnership, clauses required in a partnership deed, Powers of partners, Fixed and Fluctuating Capital, Interest on capital, Interest on drawings, valuation of goodwill, admission, retirement and death of a partner. The concepts involved in each sub-topic have been gathered and presented through pictorial presentations in this capsule which will help the students in grasping the intricate practical aspects. This Capsule facilitates the students in undergoing quick revision of Chapters 7 and 8 of the study material, under no circumstances, such revision can substitute the detailed study of the material provided by the Board of Studies. Students are advised to refer the March, 2019 Edition of the Study Material for comprehensive study.

FINAL ACCOUNTS OF SOLE PROPRIETORS

BUSINESS ENTITIES



MANUFACTURING ENTITIES

The manufacturing entities generally prepare a separate Manufacturing Account as a part of Final accounts in addition to Trading Account, Profit and Loss Account and Balance Sheet. The objective of preparing Manufacturing Account is to determine manufacturing costs of finished goods for assessing the cost effectiveness of manufacturing activities. Manufacturing costs of finished goods are then transferred from the Manufacturing Account to Trading Account.

- Trading account shows Gross Profit while Manufacturing Account shows cost of goods sold which includes direct expenses.
- Manufacturing account deals with the raw material, and work in progress while the trading account would deal with finished goods only.

Manufacturing account serves the following functions:

- It shows the total cost of manufacturing the finished products and sets out in detail, with appropriate classifications, the constituent elements of such cost. It is, therefore, debited with the cost of materials, manufacturing wages and expenses incurred directly or indirectly on manufacture.
- It provides details of factory cost and facilitates reconciliation of financial books with cost records and also serves as a basis of comparison of manufacturing operations from year to year.
- The Manufacturing Account may also be used for various other purposes. For example, if the output is carried to the Trading Account at market prices, it discloses the profit or loss on manufacture. Similarly, it may also be used to fix the amount of production of profit sharing bonus when such schemes are in force.

MANUFACTURING COSTS

Manufacturing costs are classified into:

Raw Material Consumed	
+Direct Manufacturing Wages	
+Direct Manufacturing Expenses	
Direct Manufacturing Cost	
+Indirect Manufacturing expenses or Manufacturing Overhead	
Total Manufacturing Cost	

DIRECT MANUFACTURING EXPENSES

Direct manufacturing expenses are costs, other than material or wages, which are incurred for a specific product or saleable service.

Examples of direct manufacturing expenses are

- Royalties for using license or technology if based on units produced,
- Hire charge of the plant and machinery used on hire, if based on units produced, etc.

INDIRECT MANUFACTURING EXPENSES OR OVERHEAD EXPENSES

These are also called Manufacturing overhead, Production overhead, Works overhead, etc. Overhead is defined as total cost of indirect material, indirect wages and indirect expenses.

$$\text{Overhead} = \text{Indirect Material} + \text{Indirect Wages} + \text{Indirect Expenses}$$

NON-MANUFACTURING ENTITIES

Non-manufacturing entities are the trading entities, which are engaged in the purchase and sale of goods at profit without changing the form of the goods.

At the end of the accounting year, the entity must be interested in knowing the results of the business so they prepare financial statements at the end of the year

PRINCIPLES AND PRACTICE OF ACCOUNTING ||

INCOME STATEMENT	POSITION STATEMENTS
Profit or loss is disclosed in the Income Statement prepared at the close of the financial year	It exhibits assets and liabilities of the business as at the close of the financial year.
Income Statement is sub-divided into following two parts for a non-manufacturing concern: (i) Trading account; and (ii) Profit and Loss account	Apart from balance sheet to judge financial position of the business, sometimes additional statements are also prepared like cash flow statement, value added statement etc. which is not mandatory for non-corporate entities. These additional statements are prepared for the better understanding of the financial position of the business.
Income Statement discloses net profit of the business after adjusting from the income earned during the year, all the expenditures of the business incurred in that year.	Position statement discloses the assets and liabilities position as on a particular date.

PREPARATION OF FINAL ACCOUNTS

The **BASIC PRINCIPLES** in regard to accumulation of accounting period data are:

- (i) a distinction should be made between capital and revenue receipts and payments;
- (ii) also income and expenses relating to a period of account should be separated from those of another period.
- (iii) different items of income and expenditure should be accumulated under significant heads so as to disclose the sources from which capital has been procured and the nature of liabilities, which are outstanding for payment.

Having regard to these basic principles, the various matters to which attention should be paid for determining the different aspects of transactions, a record of which should be kept, and the different heads of account under which various items of income and expenditure should be accumulated, are stated below:

(a) Distinction between personal and business income:- Since the final statements of account are intended to show the profitability of the business and not that of its proprietors, it is essential that all personal income and expenditure should be separated from business income and expenditure.

(b) Distinction between capital and revenue expenditure:- A distinction should be made between capital and revenue, both receipts and expenditure. Different types of income and expenditure should be classified under separate heads. Assets should be included in the Balance Sheet by following accounting principles and accounting standards. Likewise, a provision for income and expenses which have accrued but not paid, should be made by estimation or otherwise on the same basis as in the previous year.

(c) All material information to be disclosed:- Every information, considered material for judging the profitability of the business or its financial position, should be disclosed. For example, when the labour charges have increased on account of bonus having been paid to workmen, the amount of bonus paid should be disclosed. Similarly, if some of the items of inventory are not readily saleable, these should be valued at their approximate net realisable value and the basis of valuation and value of such inventory should be shown separately.

(d) Record only current period transactions:- Though the record of transactions should be maintained continuously, at the end of each accounting period, the transactions of the closing accounting period should be cut off from those of the succeeding period.

(e) Only transactions completed before close of accounts should be given effect:- It should be seen that only the effect of transactions, which were concluded before the close of period of account, has been adjusted in the accounts of the year. For example, when a sale of goods is to take place only after the goods have been inspected by the purchaser and the inspection had not been made before the close of the year, it would be incorrect to treat the goods as a sale in the accounts of the year.

MATCHING PRINCIPLE

This principle demands that expenses incurred to earn the revenue should be properly matched. This means the following:

(a) If a certain revenue and income is entered in the Trading / Profit and Loss Account all the expenses relating to it, whether or not payment has been actually made, should be debited to the Trading / Profit and Loss Account. This is why at the end of the year an entry is passed to bring into account the outstanding expenses. That is also the reason why the opening inventory of goods is debited to the Trading Account since the relevant sale is credited in the same account.



(b) If some expense has been incurred but against its sale will take place in the next year or income will be received next year, the expense should not be debited to the current year's Profit and Loss Account but should be carried forward as an asset and shown in the Balance Sheet. It will be debited to the Profit and Loss Account only when the relevant income will also be credited. The same reason applies to depreciation of assets also. The part of the cost which is used to earn current year revenue is debited in same year.



(c) If an income or revenue is received in the current year but the work against it has to be done and the cost in respect of it has to be incurred next year, i.e. income received in advance the income or the revenue is considered to be of next year. It should be shown in the Balance Sheet on the liabilities side as "income received in advance" and should be credited to the Profit and Loss Account of the next year. E.g. Newspapers or magazines usually receive subscriptions in advance for a year. The part of subscription that covers copies to be supplied in the next year is treated as income received in advance.



An exception: There appears to be one exception to the rule that only such costs as have yielded or is expected to yield revenue should only be debited to Profit and Loss Account. For example, if a fire has occurred and has damaged the firm's property the loss must be debited to the Profit and Loss Account to the extent it is not covered by insurance. A loss, resulting from the fall of selling price below the cost or from some debts turning bad, must similarly be debited to the Profit and Loss Account. If this is not done the profit will be over-stated.

|| PRINCIPLES AND PRACTICE OF ACCOUNTING

	Adjustment	Adjustment Entry		Treatment in Profit & Loss A/c		Treatment in Balance Sheet
1.	Closing Stock	Closing Stock A/c To Trading A/c	Dr.	Shown on the credit side		Shown on the assets side
2.	Goods sold but omitted to be recorded	Debtors A/c To Sales A/c	Dr.	Added to sales on the credit side		Added to Debtors on the assets side
3.	Goods purchased but omitted to be recorded	Purchases A/c To Creditors A/c	Dr.	Added to purchases on the debit side		Added to Creditors on the liabilities side
4.	Sale of goods on approval basis	(i) Sales A/c To Debtors A/c (Sale value of goods) (ii) Closing Stock A/c To Trading A/c (Cost price of goods)	Dr. Dr.	Deducted from sales on the credit side Added to closing stock on the credit side		Deducted from debtors on the assets side. Added to closing stock on the assets side.
5.	Goods distributed as free samples	Free samples A/c To Purchases A/c	Dr.	Deducted from purchases on the debit side	Shown on the debit side	
6.	Drawings in goods	Drawings A/c To Purchases A/c	Dr.	Deducted from purchases on the debit side		Deducted from capital on the liabilities side
7.	Depreciation	Depreciation A/c To Asset A/c	Dr.		Shown on the debit side	Deducted from the concerned asset on the assets side
8.	Provision for Doubtful debts	Profit & Loss A/c To Provision for Doubtful Debts A/c	Dr.		Added to Bad-debts on the debit side	Deducted from Debtors on the assets side
9.	Provision for discount on Debtors	Profit & Loss A/c To Provision for Discount on Debtors A/c	Dr.		Shown on the debit side as a separate item	Deducted from Debtors on the assets side
10.	Further Bad-debts	Bad-debts A/c To Sundry Debtors A/c	Dr.		Added to Bad-debts (given in Trial Balance) on the debit side	Deducted from debtors on the assets side.
11.	Outstanding Expenses	Expenses A/c To Outstanding Expenses A/c	Dr.	Added to the respective expense on the debit side	Added to the respective expense of the debit side	Shown on the liabilities side
12.	Prepaid or unexpired expenses	Prepaid Expenses A/c To Expenses A/c	Dr.	Deducted from the respective expense on the debit side	Deducted from the respective expense on the debit side	Shown on the assets side
13.	Accrued Income (Income earned but not received)	Accrued Income A/c To Income A/c	Dr.		Added to the respective income on the credit side	Shown on the assets side
14.	Unearned Income (Income received in advance)	Income A/c To Unearned Income A/c	Dr.		Deducted from the respective income on the credit side	Shown on the liabilities side
15.	Interest on capital	Interest on capital A/c To Capital A/c	Dr.		Shown on the debit side	Added to the capital on the liabilities side
16.	Interest on Drawings	Interest on Drawings A/c To Interest on Drawings A/c	Dr.		Shown on the credit side	Added to the drawings and then deducted from Capital
17.	Interest on Loan (taken from someone)	Interest on Loan A/c To Loan A/c	Dr.		Shown on the debit side	Added to the loan on the liabilities side
18.	Abnormal loss of stock	Insurance Company A/c Profit & Loss A/c To Purchases A/c	Dr. Dr.	Total amount of loss is deducted from purchases on the debit side	Amount not recovered from the insurance company is shown on the debit side	Amount recovered from the insurance company is shown on the assets side.
19.	Charity in the form of goods	Charity A/c To Purchases A/c	Dr.	Deducted from purchases on the debit side	Shown on the debit side	
20.	Manager's Commission	Manager's Commission A/c To Outstanding Commission A/c	Dr.		Shown on the debit side	Shown on the liabilities side

PRINCIPLES AND PRACTICE OF ACCOUNTING ||

PARTNERSHIP ACCOUNTS

INTRODUCTION TO PARTNERSHIP ACCOUNTS



DEFINITION OF PARTNERSHIP

As per Section 4 of the Partnership Act, 1932

Partnership is the relation between persons who have agreed to share the profit of a business carried on by all or any of them acting for all.

ACCOUNTS OF PARTNERSHIP FIRM

-  Trading and Profit and Loss Account and Balance Sheet
-  Profit and Loss Appropriation Account
-  Capital accounts of partners: fixed capital method or fluctuating capital method

FEATURES OF A PARTNERSHIP

Existence of an agreement

The relation of partnership arises from contract between parties and not from status as it happens in case of HUF (Hindu Undivided Family). **A formal or written agreement is not necessary to create a partnership.**

Business

A partnership can exist only for business. **Section 2 (b) of Indian Partnership Act, 1932 states that business includes every trade, occupation and profession.**

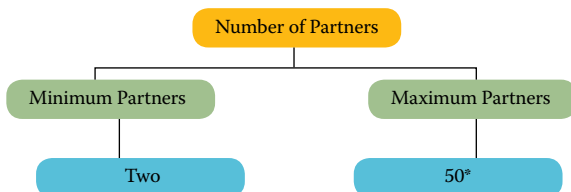
Sharing of profit

The persons concerned must agree to share the profits of the business. Section 4 of Indian Partnership Act, 1932 does not insist upon sharing of losses. Thus, a provision for sharing of loss is not necessary.

Mutual agency

It means that the business is to be carried on by all or any of them acting for all. Thus, if the person carrying on the business acts not only for himself but for others also so that they stand in the positions of principals and agents, they are partners.

NUMBER OF PARTNERS



* As per Section 464 of the Companies Act, 2013, no association or partnership consisting of more than 100 number of persons as may be prescribed shall be formed for the purpose of carrying on any business. Rule 10 of Companies (incorporation) Rules 2014 specifies the limit as 50. Thus, maximum number of members in a partnership firm are 50.

LIMITED LIABILITY PARTNERSHIP

The Limited Liability Partnership (LLP) is viewed as an alternative corporate business proposal that provides the benefits of limited liability but allows its members, the flexibility of organizing their internal structure as a partnership, which is based on a mutually arrived agreement.

The LLP will be a separate legal entity, liable to the full extent of its assets, with the liability of the partners being limited to their agreed contribution in the LLP which may be of tangible or intangible nature or both tangible and intangible in nature.

No partner would be liable on account of the independent or un-authorized actions of other partners or their misconduct.

The liabilities of the LLP and partners who are found to have acted with intent to defraud Creditors or for any fraudulent purpose shall be unlimited for all or any of the debts or other liabilities of the LLP.

The main benefit in an LLP is that it is taxed as a partnership, but has the benefits of being a corporate, or more significantly, a juristic entity with limited liability.

An LLP has the special characteristic of being a separate legal personality distinct from its partners. The LLP is a body corporate in nature.

The Limited Liability Partnerships (LLPs) in India were introduced by Limited Liability Partnership Act, 2008 which lay down the law for the formation and regulation of Limited Liability Partnerships.

DEFINITION OF LLP

Section 2 of the Limited Liability Partnership (LLPs) Act, 2008 defines

Limited liability partnership as a partnership formed and registered under this Act; and limited **liability partnership agreement** means any written agreement between the partners of the limited liability partnership or between the limited liability partnership and its partners which determines the mutual rights and duties of the partners and their rights and duties in relation to that limited liability partnership.

MINIMUM NUMBER OF PARTNERS IN CASE OF LLP

As per the LLP Act, any individual or body corporate may be a partner in a limited liability partnership; provided that an individual shall not be capable of becoming a partner of a limited liability partnership, if-

he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;	he is an undischarged insolvent; or	he has applied to be adjudicated as an insolvent and his application is pending.
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Every limited liability partnership shall have atleast two partners.

If at any time the number of partners of a limited liability partnership is reduced below two and the limited liability partnership carries on business for more than six months while the number is so reduced, the person, who is the only partner of the limited liability partnership during the time that it so carries on business after those six months and has the knowledge of the fact that it is carrying on business with him alone, shall be liable personally for the obligations of the limited liability partnership incurred during that period.

Distinction between an ordinary partnership firm and an LLP

	Key Elements	Partnerships	LLPs
1	Applicable Law	Indian Partnership Act 1932	The Limited Liability Partnerships Act, 2008
2	Registration	Optional	Compulsory with ROC
3	Creation	Created by an Agreement	Created by Law
4	Body Corporate	No	Yes
5	Separate Legal Entity	No	Yes
6	Perpetual Succession	Partnerships do not have perpetual succession	It has perpetual succession and individual partners may come and go

7	Number of Partners	Minimum 2 and Maximum 50	Minimum 2 but no maximum limit
8	Ownership of Assets	Firm cannot own any assets. The partners own the assets of the firm	The LLP as an independent entity can own assets
9	Liability of Partners / Members	Unlimited: Partners are severally and jointly liable for actions of other partners and the firm and their liability extends to personal assets	Limited to the extent of their contribution towards LLP except in case of intentional fraud or wrongful act of omission or commission by a partner.
10	Principal Agent Relationship	Partners are the agents of the firm and of each other	Partners are agents of the firm only and not of other partners

MAIN CLAUSES REQUIRED IN A PARTNERSHIP DEED

1. Name of the firm and the partners;
2. Commencement and duration of business;
3. Amount of capital to be contributed by each partner;
4. Amount to be allowed to each partner as drawings and the timings of such drawings;
5. Rate of interest to be allowed to each partner on his capital and on his loan to the firm, and to be charged on his drawings;
6. The ratio in which profits or losses are to be shared;
7. Whether a partner will be allowed to draw any salary;
8. Any variations in the mutual rights and duties of partners;
9. Method of valuing goodwill on the occasions of changes in the constitution of the firm;
10. Procedure by which a partner may retire and the method of payment of his dues;
11. Basis of the determination of the executors of a deceased partner and the method of payment;
12. Treatment of losses arising out of the insolvency of a partner;
13. Procedure to be allowed for settlement of disputes among partners;
14. Preparation of accounts and their audit.

RULES IN THE ABSENCE OF PARTNERSHIP DEED

1. No partner has the right to a salary
2. No interest is to be allowed on capital
3. No interest is to be charged on the drawings
4. Interest at the rate of 6% p.a is to be allowed on a partner's loan to the firm
5. Profits and losses are to be shared equally

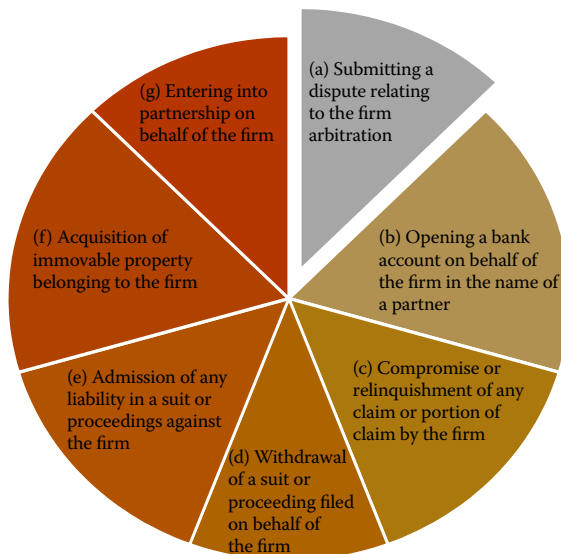
Note: In the absence of an agreement, the interest and salary payable to a partner will be paid only if there is profit.

PRINCIPLES AND PRACTICE OF ACCOUNTING ||

POWERS OF PARTNERS

- (a) Buying and selling of goods
- (b) Receiving payments on behalf of the firm and giving valid receipt
- (c) Drawing cheques and drawing, accepting and endorsing bills of exchange and promissory notes in the name of the firm
- (d) Borrowing money on behalf of the firm with or without pledging the inventories-in-trade
- (e) Engaging servants for the business of the firm

In certain cases an individual partner has no power to bind the firm. This is to say that third parties cannot bind the firm unless all the partners have agreed. These cases are:



The rights, duties and power of partners can be changed by mutual consent.

ACCOUNTS

Partnership Act doesn't specify any format for preparation of accounts of Partnership Firm and thus accounts are prepared as per Basic rules of Partnership accounts.

There is not much difference between the accounts of a partnership firm and that of sole proprietorship (provided there is no change in the firm itself).

The only difference to be noted is that instead of one Capital Account there will be as many Capital Accounts as there are partners.

When a partner takes money out of the firms for his domestic purpose, either his Capital Account can be debited or a separate account, named as Drawings Account, can be opened in his name and the account may be debited.

In a Trial Balance of a partnership firm, one may find Capital Accounts of partners as well as Drawings Accounts

Finally the Drawings Account of a partner may be transferred to his Capital Account so that a net figure is available.

Generally the Drawings Account or Current Account (as it is usually called) remains separate.

PROFIT AND LOSS APPROPRIATION ACCOUNT

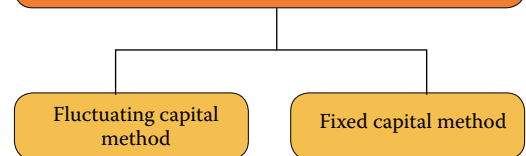
During the course of business, a partnership firm will prepare Trading Account and a Profit and Loss Account at the end of every year.

The final accounts of a sole proprietorship concern will not differ from the accounts of a partnership firm.

The Profit and Loss Account will show the profit earned by the firm or loss suffered by it.

This profit or loss has to be transferred to the Capital Accounts of partners according to the terms of the Partnership Deed or according to the provisions of the Indian Partnership Act (if there is no Partnership Deed or if the Deed is silent on a particular point).

Two methods of accounting



No current account is maintained. All such transactions and events are passed through capital accounts. Naturally, capital account balance of the partners fluctuates every time. So, in fixed capital method, a fixed capital balance is maintained over a period of time while in fluctuating capital method capital account balances fluctuate all the time.

Generally initial capital contributions by the partners are credited to partners' capital accounts and all subsequent transactions and events are dealt with through current accounts. Unless a decision is taken to change it, initial capital account balance is not changed.

PRINCIPLES AND PRACTICE OF ACCOUNTING



INTEREST ON CAPITAL

The amount of interest is debited to interest on capital accounts and credited to the capital accounts, if capitals are fluctuating and current accounts, if capitals are fixed. Interest on capital account is then closed by transfer to profit and loss appropriation account.

Alternatively, credit the capital (or current) account of the partner concerned and debit the profit and loss appropriation account.

FOR ALLOWING INTEREST ON CAPITAL

Profit and Loss Appropriation Account Dr.
To (Individual) Capital (or Current) Accounts of Partners

Net loss and Interest on Capital

Subject to contract between the partners, interest on capitals is to be provided out of profits only. Thus in case of loss, no interest is provided. But in case of insufficient profits (i.e. net profit less than the amount of interest on capital), the amount of profit is distributed in the ratio of capital as partners get profit by way of interest on capital only.

INTEREST ON DRAWINGS

Calculation of Interest on Drawings: Total Drawings x Interest Rate x Multiplication Factor

(a) Fixed Amount is drawn:

Time of drawings	Multiplication Factor	Time of drawings	Multiplication factor
Beginning of every month	6.5/12	Beginning of each quarter	7.5/12
Middle of every month	6/12	Middle of each quarter	6/12
End of every month	5.5/12	End of each quarter	4.5/12

Note: Where the date of drawings not given then interest on drawing is always calculated for 6 months /multiplication factor will be 6/12

(b) Different amount is withdrawn at various dates: use product method

For charging interest on drawings

(Individual) Capital (or Current) Accounts of Partners Dr.
To Profit and Loss Appropriation Account

GUARANTEE OF MINIMUM PROFIT

Sometimes, one partner can enjoy the right to have minimum amount of profit in a year as per the terms of the partnership agreement.

In such case, allocation of profit is done in a normal way if the share of partner, who has been guaranteed minimum profit, is more than the amount of guaranteed profit.

However, if share of the partner is less than the guaranteed amount, he takes minimum profit and the excess of guaranteed share of profit over the actual share is borne by the remaining partners as per the agreement.

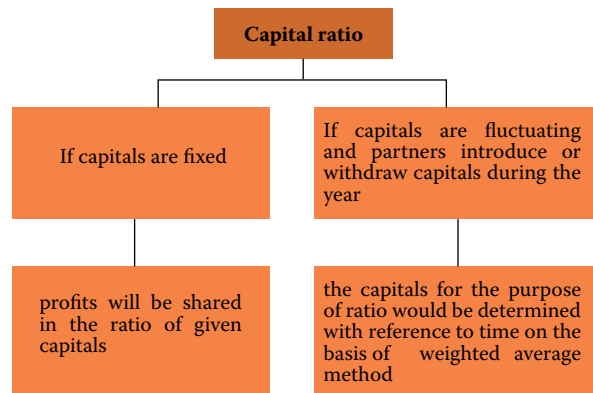
There are three possibilities as far as share of deficiency by other partners is concerned. These are as follows:

- Excess is payable by one of the remaining partners.
- Excess is payable by at least two or all the partners in an agreed ratio.
- Excess is payable by remaining partners in their mutual profit sharing ratio.

If the question is silent about the nature of guarantee, the burden of guarantee is borne by the remaining partners in their mutual profit sharing ratio.

CAPITAL RATIO

Partners may agree to share profits and losses in the capital ratio.



VALUATION OF GOODWILL

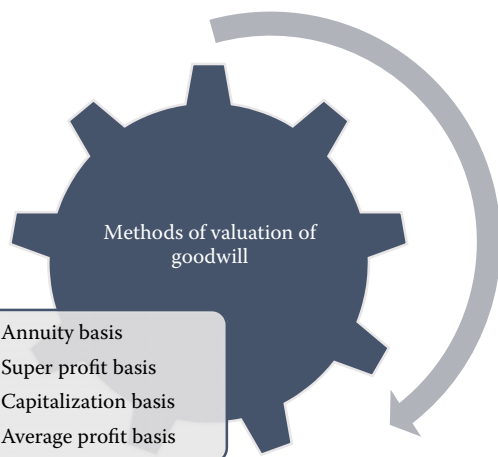
Goodwill is the value of reputation of a firm in respect of profits expected in future over and above the normal rate of profits.

Necessity for valuation of goodwill

Necessity for valuation of goodwill			
Change in profit sharing ratio	Admission of partner	Retirement or death of partner	When business is dissolved or sold*

* This situation is not covered at Foundation level.

PRINCIPLES AND PRACTICE OF ACCOUNTING ||



Average profit basis

- Average Profit = Total profit / Number of years
- Goodwill = Average Profit x No. of Years' purchased
- The profits taken into consideration are adjusted with abnormal losses, abnormal gains, return on non-trade investments and errors.

Super profit basis

- Calculate Capital Employed
- Assets
- Less: Liability
- Capital Employed
- Find the normal Rate of Return(NRR)
- Find Normal Profit=Capital Employed X Normal rate of Return
- Find Average Actual Profit
- Find Super Profit=Average Actual Profit-Normal Profit
- Find Goodwill=Super Profit X Number of Years Purchased

Annuity basis

- Goodwill=Super Profit x Annuity Number

Capitalization basis

- Goodwill = Super Profit / Normal Rate of Return

ADMISSION OF A NEW PARTNER

New partners are admitted for the benefit of the partnership firm. New partner is admitted either for increasing the partnership capital or for strengthening the management of the firm.

Revaluation Account or Profit and Loss Adjustment Account for revaluation of assets and liabilities

Adjustment of goodwill amongst the old partners in their sacrificing gaining ratio

Admission of partner

Profit/loss on revaluation account is transfer to old partners in their old profit sharing ratio

Reserve lying in the balance sheet transferred to the capital accounts of old partners in their old profit sharing ratio

Revaluation Account or Profit and Loss Adjustment Account

- When a new partner is admitted into the partnership, assets are revalued and liabilities are reassessed. A Revaluation Account (or Profit and Loss Adjustment Account) is opened for the purpose.
- This account is debited with all reduction in the value of assets and increase in liabilities and credited with increase in the value of assets and decrease in the value of liabilities.
- The difference in two sides of the account will show profit or loss. This is transferred to the Capital Accounts of old partners in the old profit sharing ratio.

ACCOUNTING ENTRIES

1	Revaluation Account	Dr.	
	To Assets Account		with the reduction in the value of the assets
	(Individually which show a decrease)		
	To the Liabilities Accounts		with the increase in the liabilities.
	(Individually which have to be Increased)		
2	Assets Account (Individually)	Dr.	with the increase in the value of the of assets
	Liabilities Accounts	Dr.	with the reduction in the amount liabilities
	To Revaluation Account		
3	Revaluation Account	Dr.	with the profit in the old profit sharing ratio.
	To Capital A/cs of the old partners		
Or			
	Capital A/cs of the old partners	Dr.	with the loss in old profit sharing ratio.
	To Revaluation Account		

Whenever a new partner is admitted, any reserve etc. lying in the Balance Sheet should be transferred to the Capital Accounts of the old partners in the old profit sharing ratio.

GAINING PARTNERS

The partners whose profit shares have increased as a result of change are known as gaining partners.

GAINING RATIO

The ratio in which the partners have agreed to gain their shares in profit from the other partner or partners.

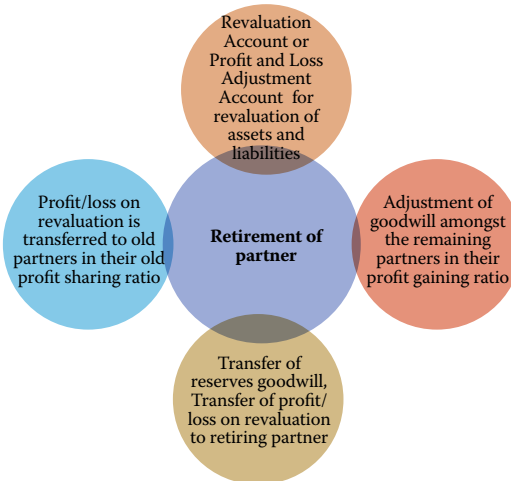
Gaining ratio = difference between new profit shares and old profit shares

HIDDEN GOODWILL

When the value of the goodwill of the firm is not specifically given, the value of goodwill has to be inferred as follows:

Particulars	
Incoming partner's capital x Reciprocal of share of incoming partner	xxx
Less: Total capital after taking into consideration the capital brought in by incoming partner	xxx
Value of Goodwill	xxx

RETIREMENT OF A PARTNER



REVALUATION OF ASSETS AND LIABILITIES ON RETIREMENT OF A PARTNER

On retirement of a partner, it is required to revalue assets and liabilities.

To arrive at profit or loss on revaluation of assets and liabilities, a Revaluation Account or Profit and Loss Adjustment Account is opened.

Profit or loss on revaluation, such profit or loss should be distributed amongst the existing partners including the retiring partner at the existing profit sharing ratio.

Revaluation Account or Profit and Loss Adjustment Account is closed automatically by transfer of profit or loss balance to the Partners' Capital Accounts.

If it is decided that revalued figures of assets and liabilities will not appear in the balance sheet of the continuing partners, then a journal entry should be passed with the amount payable or chargeable to the retiring partner which the continuing partners will share at the ratio of gain.

RESERVES

On the retirement of a partner any undistributed profit or reserve standing at the Balance Sheet is to be credited to the Partners' Capital Accounts in the old profit sharing ratio.

Alternatively, only the retiring partner's share may be transferred to his Capital Account if the others continue at the same profit sharing ratio.

FINAL PAYMENT TO A RETIRING PARTNER

The following adjustments are necessary in the Capital A/c:

(i) Transfer of reserve

(ii) Transfer of goodwill

(iii) Transfer of profit/loss on revaluation

After adjustment of the above mentioned items, the Capital Account balance standing to the credit of the retiring partner represents amount to be paid to him.

The continuing partners may discharge the whole claim at the time of retirement. Then the journal entry will be

Dr. Retiring Partner's Capital A/c
To Bank A/c

Sometimes the retiring partner agrees to retain some portion of his claim in the partnership as loan. The journal entry will be

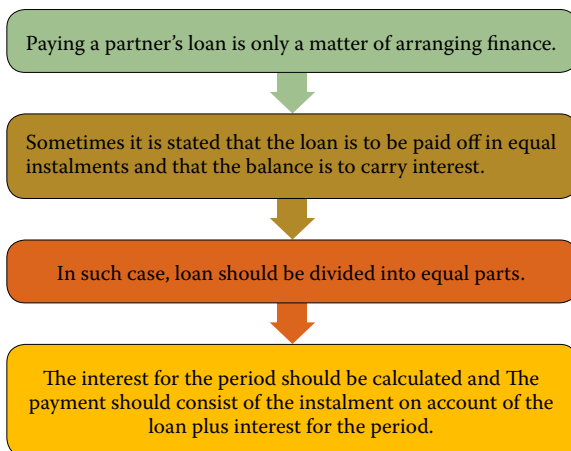
Dr. Retiring partner's Capital A/c
To Retiring Partner's Loan A/c
To Bank A/c

As a rule, the payment is made according to terms of partnership agreement which might provide one of the following alternatives:

- Repayment may be made in instalments over a period of time and the interest is paid on outstanding balance which will be treated as a loan of the outgoing partner.
- The amount due may be treated as a loan to the firm and in return the firm will either pay interest at a fixed rate or share of the profit of the firm.
- An annuity may be paid to a retired partner for life or for an agreed number of years for the life of some dependent.

PRINCIPLES AND PRACTICE OF ACCOUNTING ||

PAYING A PARTNER'S LOAN IN INSTALMENT



DEATH OF A PARTNER

When the partner dies the amount payable to him/her is paid to his/her legal representatives.

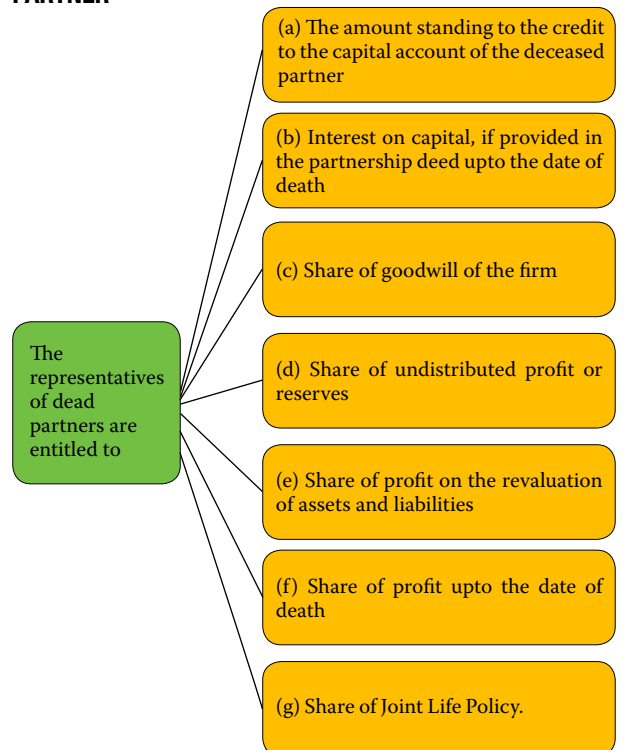
Right of outgoing partner in certain cases to share subsequent profits

As per provisions of Section 37 of the Indian Partnership Act., Where any member of a firm has died or otherwise ceased to be a partner, and the surviving or continuing partners carry on the business of the firm with the property of the firm without any final settlement of accounts as between them and the outgoing partner or his estate, then, in the absence of a contract to the contrary, the outgoing partner or his estate is entitled at the option of himself or his representatives to such share of the profits made since he ceased to be a partner as may be attributable to the use of his share of the property of the firm or to interest at the rate of six per cent per annum on the amount of his share in the property of the firm.

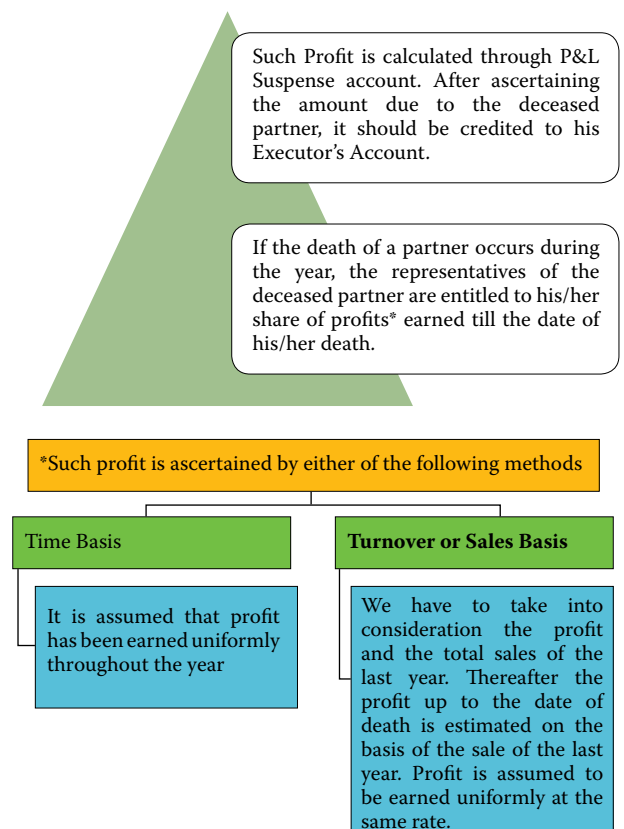
Provided that whereby contract between the partners an option is given to surviving or continuing partners to purchase the interest of a deceased or outgoing partner, and that option is duly exercised, the estate of the deceased partner, or the outgoing partner or his estate, as the case may be, is not entitled to any further or other share of profits; but if any partner assuming to act in exercise of the option does not in all material respects comply with the terms thereof, he is liable to account under the foregoing provisions of this section. This way, the outgoing partner has the option to receive, interest at the rate of 6% p.a. or the share of profit earned on the unsettled amounts for the period till his dues are settled by the firm in the absence of any contract made to the contrary.

It may be noted that the outgoing partner is not bound to make election until the share of the profit that would be payable to him has been ascertained.

AMOUNT PAYABLE TO LEGAL REPRESENTATIVES OF DEAD PARTNER



CALCULATION OF PROFIT UPTO THE DATE OF DEATH OF A PARTNER



HIGHLIGHTS OF ECONOMIC SURVEY 2019-20

The Economic Survey 2019-20 was tabled recently by Union Finance Minister Smt. Nirmala Sitaraman in Parliament. The Key Highlights of Economic Survey are –

State of World Economy

- ◆ The year 2019 was a difficult year for the global economy with world output growth estimated to grow at its slowest pace of 2.9 per cent since the global financial crisis of 2009, declining from a subdued 3.6 per cent in 2018 and 3.8 per cent in 2017.
- ◆ A weak environment for global manufacturing, trade, and demand adversely impacted the Indian economy.

State of Indian economy

- ◆ The GDP growth rate is estimated to be 5% in 2019-20 as compared to 6.8% in 2018-19. The GDP growth decelerated for the sixth consecutive quarter. In 2020-21, India's GDP growth rate is expected to be in the range of 6.0%-6.5%.
- ◆ Amidst a weak environment for global manufacturing, trade and demand, the Indian economy slowed down with GDP growth moderating to 4.8 per cent in H1 of 2019-20, lower than 6.2 per cent in H2 of 2018-19
- ◆ A sharp decline in real fixed investment induced by a sluggish growth of real consumption has weighed down GDP growth from H2 of 2018-19 to H1 of 2019-20. Real consumption growth, however, has recovered in Q2 of 2019-20, cushioned by a significant growth in government final consumption.
- ◆ Based on CSO's first Advance Estimates of India's GDP growth for 2019-20 at 5 per cent, an uptick in GDP growth is expected in H2 of 2019-20. The government must use its strong mandate to deliver expeditiously on reforms, which will enable the economy to strongly rebound in 2020-21

Agriculture and Food Management

- ◆ The share of agriculture and allied sectors in the total GVA of the country has been continuously declining on account of relatively higher growth performance of non-agricultural sectors, a natural outcome of development process.
- ◆ GVA at constant (2011-12) prices for 2019-20 from 'Agriculture, Forestry and Fishing' sector is estimated to grow by 2.8 per cent.
- ◆ Agriculture Mechanization helps the Indian farming transform into commercial from the subsistence farming. The overall farm mechanization in India is about 40 per cent, which is lower compared to China (59.5 per cent) and Brazil (75 per cent).
- ◆ Livestock income has become an important secondary source of income for millions of rural families and has assumed an important role in achieving the goal of doubling farmers' income.
- ◆ Livestock sector has been growing at a compound annual growth rate (CAGR) of 7.9 per cent during last five years.
- ◆ Fertilizer sector achieved a growth of 4.0 per cent during 2019-20 (April-November) as compared to (-)1.3 per cent during 2018-19 (April-November).
- ◆ Doubling farmer's income will require addressing issues such as access to credit, insurance coverage, and investments in agriculture. India has relatively lower farm mechanisation which needs to be addressed. Further, the food processing sector requires more focussed attention

as it can play an important role in reducing post-harvest losses and aid the creation of an additional market for farm outputs.

Industry and Infrastructure

- ◆ The industrial sector as per Index of Industrial Production (IIP) registered a growth of 0.6 per cent in 2019-20 (April-November) as compared to 5.0 per cent during 2018-19 (April-November)
- ◆ As per the estimates of Gross Domestic Product by National Statistical Office (NSO), the real GVA of industrial sector grew by 1.6 per cent in first half of 2019-20, as compared to 8.2 per cent in H1 of 2018-19. The low growth in industrial sector is primarily due to manufacturing sector which registered a negative growth of 0.2 per cent in 2019-20 H1.
- ◆ Crude steel production witnessed growth of 1.5 per cent during 2019-20 (April-October).
- ◆ The installed capacity of power generation has increased to 3, 64,960 MW as on 31 October 2019.
- ◆ Report of the Task Force on National Infrastructure Pipeline has projected total infrastructure investment of ` 102 lakh crore during the period FY 2020 to 2025.

Service Sector

- ◆ The services sector's significance in the Indian economy has continued to increase, with the sector now accounting for around 55 per cent of Gross Value Added (GVA) and GVA growth, two-thirds of total FDI inflows into India and about 38 per cent of total exports.
- ◆ The services sector now accounts for more than 50 per cent of Gross State Value Added in 15 out of the 33 states and UTs. Sub-sectors such as trade, hotels, transport, communication & services related to broadcasting, financial and real estate services saw a deceleration during this period.
- ◆ Gross FDI equity inflows into services sector have witnessed a strong recovery and services exports have maintained their momentum during April-September 2019.

External Sector

- ◆ India's Balance of Payments (BoP) position witnessed improvement from US\$ 412.9 billion of forex reserves in end March, 2019 to US\$ 433.7 billion in end September, 2019, anchored by narrowing of current account deficit (CAD) from 2.1 per cent in 2018-19 to 1.5 per cent of GDP in H1 of 2019-20. India's foreign reserves stood at US\$ 461.2 billion as on 10th January, 2020
- ◆ In sync with an estimated 2.9 per cent growth in global output in 2019, global trade is estimated to grow at 1.0 per cent after having peaked in 2017 at 5.7 per cent. However, it is projected to recover to 2.9 per cent in 2020 with recovery in global economic activity.
- ◆ India's merchandise trade balance has improved from 2009-14 to 2014-19 although most of the improvement in the latter period was on account of more than fifty per cent decline in crude prices in 2016-17.
- ◆ India's top five trading partners continue to be USA, China, UAE, Saudi Arabia and Hong Kong.

HIGHLIGHTS OF ECONOMIC SURVEY 2019-20

Prices and Inflation

- ◆ Inflation Trends: Inflation witnessing moderation since 2014- Consumer Price Index (CPI) inflation increased from 3.7 per cent in 2018-19 (April to December, 2018) to 4.1 per cent in 2019-20 (April to December, 2019)
- ◆ During 2019-20, WPI based inflation has been on a continuous fall declining from 3.2 per cent in April 2019, only marginally rising in November and December to end at 2.6 per cent in December 2019.
- ◆ During 2019-20 (April- December), food and beverages emerged as the main contributor to CPI-C inflation, with 54 per cent of the inflation during this period attributable to this group.

Social Infrastructure, Employment and Human Development

- ◆ The expenditure on social services (health, education and others) by the Centre and States as a proportion of GDP increased from 6.2 per cent in 2014-15 to 7.7 per cent in 2019-20 (BE)
- ◆ India's ranking in Human Development Index improved to 129 in 2018 from 130 in 2017.
- ◆ Total formal employment in the economy increased from 8 per cent in 2011-12 to 9.98 per cent in 2017-18.
- ◆ Access to health services inter-alia through Ayushman Bharat and Mission Indradhanush across the country has improved.
- ◆ Jal Shakti Abhiyan launched to accelerate progress on water conservation activities in water stressed districts of India.

Fiscal Developments

- ◆ Revenue Receipts registered a higher growth during the first eight months of 2019-20, compared to the same period last year, which was led by considerable growth in Non-Tax revenue.
- ◆ Structural reforms undertaken in taxation during the current financial year include change in corporate tax rate and measures to ease the implementation of GST.
- ◆ The States have continued on the path of fiscal consolidation and contained the fiscal deficit within the targets set out by the FRBM Act.
- ◆ The General Government (Centre plus States) has been on path of fiscal consolidation.

Monetary Management and Financial Intermediation

- ◆ Monetary policy remained accommodative in 2019-20.
- ◆ The repo rate was cut in four out of five meetings held in 2019-20 (till December). The repo rate has been cut by 110 bps in 2019-20 so far.
- ◆ Bank credit growth slowed down in 2019-20 and stands at 7.1 per cent (YoY) as of December 20, 2019, as compared to a growth of 12.9 per cent in April 2019.
- ◆ The growth (YoY) of loans from NBFCs declined from 27.6 per cent in September 2018 and 21.6 per cent in December 2018 to 9.9 per cent at end September 2019.

Sustainable Development and Climate Change

- ◆ India is moving forward on the path of Sustainable Development Goals (SDG) implementation through well-designed initiatives for inclusive development which

is enshrined in its policies. India's achievement in the composite Sustainable Development Goals (SDG) index is commendable as the score has improved from 57 in 2018 to 60 in 2019.

- ◆ India launched the Coalition of Disaster Resilient Infrastructure (CDRI), focusing on developing resilience in ecological, social and economic infrastructure.

The Way Head

Targeting Ease of Doing Business in India

- ◆ Ease of doing business is key to entrepreneurship, innovation and wealth creation.
- ◆ India has jumped from 142 in 2014 to 63 in 2019 in ease of doing business rankings. However, India continues to trail in various parameters such as ease of starting business (rank 136), registering property (rank 154), paying taxes (rank 115), and enforcing contracts (rank 163). These parameters provide a scope for further improvement.

Creating Jobs and Growth by Specializing to Exports in Network Products

- ◆ By integrating "Assemble in India for the world" into Make in India, India can raise its export market share to about 3.5 per cent by 2025 and 6 per cent by 2030. This will create 4 crore well-paid jobs by 2025 and 8 crore by 2030.
- ◆ Exports of network products, which is expected to equal \$7 trillion worldwide in 2025, can contribute a quarter of the increase in value-added for the \$5 trillion economy by 2025.

Entrepreneurship and Wealth Creation at the Grassroots

- ◆ Survey highlighted that the "Start-up India" campaign of the Government of India recognizes entrepreneurship as an increasingly important strategy to fuel productivity growth and wealth creation in India.
- ◆ India ranks third in number of new firms created, as per the World Bank. New firm creation in services is significantly higher than that in manufacturing, infrastructure or agriculture.

Pro-Business Versus Pro—crony

- ◆ India's aspiration to become a \$5 trillion economy depends critically on promoting "pro-business" policy that unleashes the power of competitive markets to generate wealth, on the one hand, and weaning away from "pro-crony" policy that may favour specific private interests, especially powerful incumbents, on the other hand.

Wealth Creation: The Invisible Hand Supported by the Hand of Trust

- ◆ The Survey posits that India's aspiration to become a \$5 trillion economy depends critically on strengthening the invisible hand of markets together with the hand of trust that can support markets.
- ◆ Invisible hand in market reflected in openness in economic transactions while hand of trust appealed to ethical and philosophical dimensions.

<https://pib.gov.in/newsite/PrintRelease.aspx?relid=197771>

<https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf>

FINANCE UPDATES

Hedged trades may cost less as SEBI likely to lower margin requirements

The Securities and Exchange Board of India (SEBI) is expected to reduce the margin requirements for 'hedged positions' that could lead to the cost of such trades coming down by 60-70 per cent.

The plan to lower initial margins comes in the wake of a growing clamour among market participants to ease growing pressure of high trading costs.

<https://economictimes.indiatimes.com/markets/stocks/news/hedged-trades-may-cost-less-as-sebi-likely-to-lower-margin-requirements/articleshow/73287285.cms?from=mdr>

SEBI to tighten open offer norms, proposes 10% interest in case of delay

The SEBI has proposed that in case of delay of an open offer, the revised offer price may be calculated after addition of ten per cent interest rate.

https://www.business-standard.com/article/markets/sebi-to-tighten-open-offer-norms-proposes-10-interest-in-case-of-delay-120020301420_1.html

SEBI may reclassify mid cap, small cap mutual funds to offer more flexibility

SEBI is looking at reclassification of mid cap and small cap mutual fund schemes. The move is aimed at allowing these products to invest in a wider set of stocks, said mutual fund industry officials. SEBI has also stipulated minimum investment criteria for large, mid and small cap companies. According to this, a large cap fund is required to maintain 80% of its portfolio in large cap stocks, while a mid-cap and small cap fund would have to maintain a minimum of 65% of its portfolio in these stocks.

<https://economictimes.indiatimes.com/mf/mf-news/sebi-may-reclassify-mid-cap-small-cap-mutual-funds-to-offer-more-flexibility/articleshow/73942541.cms>

SEBI asks exchanges to review commodity derivatives contracts' performance on annual basis

SEBI has asked the stock exchanges to review the performance of all contracts in the commodity derivatives segment on annual basis for each financial year and disclose it by June 30 of the following financial year.

The performance review shall be consulted with the Product Advisory Committee, the markets regulator said in a circular. "The circular would be effective from April 01, 2020. The stock exchanges shall be required to undertake and disclose performance review of all contracts traded on their exchange from FY 2019-20," it added.

<https://www.livemint.com/news/india/sebi-asks-exchanges-to-review-commodity-derivatives-contracts-performance-on-annual-basis-11580816205335.html>

Individual investment advisors cannot provide distribution services, says SEBI

The SEBI has said that an individual investment advisors cannot provide distribution services to clients, as the markets regulator segregated advisory and distributing activities.

In a press release, the markets regulator said it will introduce an upper limit on the fees charged to clients by investment advisers. SEBI also said that there will be enhanced eligibility criteria for registration as an investment advisor, including net worth, qualification and experience requirements.

<https://economictimes.indiatimes.com/markets/stocks/news/investment-advisors-cannot-provide-distribution-services-says-sebi/articleshow/74175390.cms?from=mdr>

SEBI move to curb POA abuse with new margin process

SEBI has now set a new process for brokers to take shares as margin from clients. From June 1, 2020, shares of clients lying in demat accounts with brokers will have to be specifically marked 'shares pledged for the purpose of margin'.

Till now, most brokers did not require any special permission from clients to further pledge their shares as they already held the Power Of Attorney (POA) for the demat accounts.

<https://www.thehindubusinessline.com/markets/stock-markets/sebi-move-to-curb-poa-abuse-with-new-margin-process/article30919389.ece#>

IEX to launch trading platform Indian Gas Exchange; norms yet to be framed

India's leading power trading platform Indian Energy Exchange (IEX) has started looking for members and gas buyers for its natural gas trading platform, Indian Gas Exchange (IGX). However, the Petroleum and Natural Gas Regulatory Board (PNGRB) is yet to come up with guidelines for gas trading in the country.

https://www.business-standard.com/article/markets/iex-launches-trading-platform-indian-gas-exchange-norms-yet-to-be-framed-120030200568_1.html

Govt likely to allow direct overseas listing of Indian companies

The government is expected to allow direct listing of Indian companies abroad as part of a plan to allow them access a larger pool of capital and enable the move towards fuller capital account convertibility.

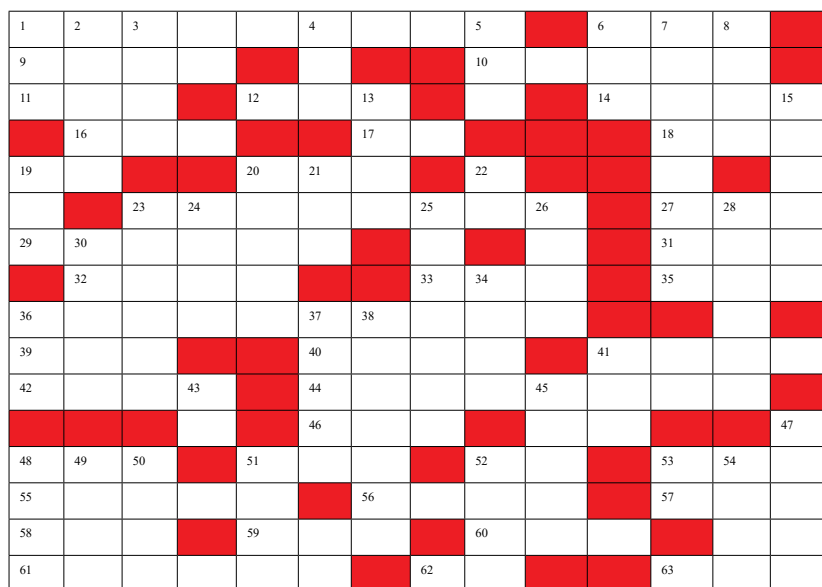
Currently, Indian companies go for the depository receipts route to tap investors globally but that window has become less attractive in recent years, prompting the government and the SEBI to eye a direct listing window.

<https://timesofindia.indiatimes.com/business/india-business/govt-likely-to-allow-direct-overseas-listing-of-indian-companies/articleshow/73534280.cms>

CROSSWORD SOLUTION – MARCH 2020

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CROSSWORD - APRIL 2020



25. Loser
26. Measure of amount of computational work done by a computer is _____.
28. Sullied
30. Fear
34. An extension set of C/C++ and Java libraries that provide Unicode and globalisation support for software application.
36. ____ 4J is a graph database management system.
37. Selling of retail goods online.
38. _____ unit coordinates various operations using timing signals.
41. The radio spectrum reserved internationally for industrial, scientific and medical purposes.
43. Opposite of yes.
45. Long
47. Troubleshoot
48. Journey
49. Wireless networking technology
50. An innovative e-Commerce technology company
51. A company _____ is a device for embossing the company's name onto documents.
52. Make a _____
54. Attractive, gorgeous.

ACROSS

1. _____ Group is the global design, research and consultancy specialist for Golf.
6. An apex organisation under Ministry of Labour for the training programmes including Women's Vocational Training and Employment Services.
9. Length multiplied by breadth gives _____ of a rectangle.
10. _____ Alec: Wise guy!
11. An entertaining or amusing person or situation.
12. The administrative revenue service of the government of India.
14. The accounting standard adopted by the U.S. Securities and Exchange Commission.
16. A _____ form used to file income tax details .
17. 51 in Roman numerals.
18. Exercise, exert.
19. _____ code is used for transferring data across an erasure channel depends on continuous two-way communication.
20. An organisation dealing with the rules of trade between nations.
23. Part of network designed to block unauthorized access.
27. _____ is used to form adjectives from nouns.
29. A _____ Time is an adventures novel written by Jude Watson.
31. One of the highest-ranking executive positions in an organization.
32. Keep a record or tabulate.
33. _____ Kate Isobelle Furler is an Australian Singer.
35. Immoral act
36. One thousand millionth of a second
39. The theory of motivation proposed by Clayton Alderfer.
40. A wrongful act that leading to legal liability.
41. A European multinational company that manufactures small COMs, Single-board Computers, radars and other embedded systems.
42. Portent
44. Studied in detail.
46. A U.K. based television production company
48. Pair
51. The ratio of liquid assets to the demand and time liabilities is called _____
52. The _____ is calculated as a percentage of basic salary to mitigate the impact of inflation on people.
53. An output signals used in microprocessors to give information of ADO-AD7 contents.
55. Clean
56. Special.
57. Erase
58. (In verbs) To make or become
59. Afflict
60. National Income: _____ at factor cost
61. Rastor graphics is composed of _____
62. A method of evaluating computer and network security
63. An error in a computer programme

DOWNWARD

1. Droop
2. A particular quality in personality
3. A software used for creating Web services.
4. Equivalence
5. An Indirect Tax on the supply and goods services
6. A socially inept person.
7. _____ is one of five major key elements in design of multimedia application.
8. Latin word means 'and others'.
13. _____ and steady wins the race.
15. _____ is an interpreted, general-purpose programming language.
19. System of rules
20. Formal written orders issued by judicial.
21. Sony _____ is an Indian Pay TV sports network.
22. Microsoft Intermediate Language Code
23. Periphery
24. _____ facto .

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