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IDEALS
THE INSTITUTE STANDS FOR
❑ to develop the Cost and Management Accountancy profe-ssion ❑ to develop the body of members and properly equip them for functions ❑ to ensure sound professional ethics ❑ to keep abreast of new developments.

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"ICWAI Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

VISION STATEMENT

"ICWAI would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

DISCLAIMER

The views expressed by the authors are personal and do not necessarily represent the views and should not attributed to ICWAI.

NOTIFICATION

Re : Upward revision of examination fees

The Council in its 259th meeting held on 21st December, 2009 has approved the enhancement in the examination fees from the term **December, 2010** as follows :

	New Fees (Rs.)
Foundation	800
Intermediate (Per Group)	850
Intermediate (Both Groups)	1600
Final (Per Group)	950
Final (Both Groups)	1800

S. M. Galande
Chief Executive Officer

Editorial

July 15, 2010 was an important day on the Indian calendar for it was the day when approval was given by the Indian Cabinet for a new symbol of the Indian rupee. With this, the rupee will join the select club of currencies, such as the US dollar, British pound sterling, euro, and Japanese yen that have a clear distinguishing identity. The symbol will standardize the expression for Indian Rupee in different languages, both within and outside the country, and will now also distinguish the Indian currency from those countries whose currencies are also designated as Rupee or Rupiah, such as Pakistan, Nepal, Sri Lanka and Indonesia. The symbol will be included in the "Unicode Standard", written in major scripts of the world, to ensure that it is easily displayed or printed in the electronic and print media.

While the cynics might well view this as "just a symbol", many experts bullish on Indian growth consider this as more than symbolic. For the latter club of people, this represents yet another step that India takes toward economic domination in the world. This development against the backdrop of weakening hold of Western nations over global economy gives an opportunity for us to dwell on whether the Indian rupee is truly prepared to take over the mantle of global reserve currency from the US dollar.

The strength of any nation's currency not only depends on the extent to which it is traded/accepted in international transactions but also on the fundamentals of the economy as indicated by its growth figures (both aggregated and per capita), inflation, indebtedness (public & private; internal & external), depth of financial and banking systems, reliance on exports of domestic sources for funding its growth, availability of reserves to act as a buffer against shocks and volatility of its exchange rate.

> the rupee will join the select club of currencies such as the US dollar, British pound sterling, euro, and Japanese yen

In terms of fundamentals, Indian economy offers a mixed bag. India demonstrated appreciable resilience in its growth during the recent global meltdown by clocking nearly 9% GDP growth rates; however, it ranks 139th in terms of per capita income in the world. High domestic savings at 35% fuel its growth story as opposed to exports/external sources of finance which impart stability to its growth process. Its financial and banking system is famed worldwide for its maturity and robustness. However, high fiscal indebtedness (both at Central ad State levels) at nearly 12% of GDP constrain its growth prospects and also fuel inflation. Despite very low share in world trade at 1.5%, India is ranked sixth in terms of forex reserves accumulated which evoke confidence in the economy.

Apart from the inherent economic scenario, curbs on full capital account convertibility imply that the share of Indian Rupee in total currency turnover is very small. BIS Triennial Central Bank Survey data for 2007 shows that India's daily average share in the total foreign exchange market turnover is 0.9% as compared to 34.1% for the UK and 16.6% for the USA.

This makes it clear that India has much work to do before the rupee can reign supreme on the global map. It needs to leverage on its strengths of a vast pool of skilled and English speaking manpower; technological prowess; its stable democracy and the ancient legacy of frugality and high moral values bequeathed to it.

It will also help, in this context, to see how China is charting a more graduated approach to making the yuan the global currency. First, China is propagating greater use of the yuan in settling trade transactions with Hong Kong, Taiwan and border areas of Pakistan. It is also actively pushing forward the concept of a Asian Currency Unit where the yuan will have a greater say. Finally, by emerging as the factory of the world, it is increasing its domination on global trade.

The US dollar continues to be the reserve currency of the world— more as a default currency in the absence of any alternative global currency. This is an opportunity for India to seize to ensure greater externalisation of the Indian rupee.

"Kaun Kehta hai, soorakh aasman mein nahin ho sakta,
Ek patthar to tabiyat se uchhalo yaron."

An Urdu Couplet

(Who says it is impossible to pierce even the sky, all you require is a spirited effort.)

B. M. Sharma, President

Dear Professional Colleagues,

My Greetings to all fellow Indians on the 64th Independence Day. I had the privilege of hoisting the National Flag at the ICWAI, H.Q, Kolkata in the presence of Council Members and officials of Kolkata Office. I am also happy to note that similar celebrations took place in our regions and chapter offices.

The Companies Bill 2009

We compliment the Standing Committee on Finance for paving the way for smooth passage of one of the most important pieces of legislation for corporate governance in the country by giving its recommendations to the Parliament on The Companies Bill, 2009. In its forward looking approach, the Committee has concurred with many of the proposals given by the Institute. New Clause 122A has provided for appointment of internal auditor for certain class or description of companies to be prescribed who shall be a Chartered Accountant or a Cost Accountant.

The Committee has also recommended to the Ministry of Corporate Affairs to consider favourably the suggestions of the ICWAI for appropriate coverage of corporate sector for mandatory maintenance of cost records, bringing within its ambit exploration, mining, processing, manufacturing, infrastructure and utilities, keeping in view the significance of cost control for industry. The Committee has also recommended changes in the methodology of appointment of cost auditors.

The Committee has expressed their concern to make the process of statutory audit and functioning of financial auditors truly independent, especially in view of the recent instances of corporate fraud committed in respect of Satyam. Constitution of National Advisory Committee for Auditing and Accounting Standards (NACAAS) to oversee the auditing standards is a right step towards achieving right standards of auditing.

Name Change :

As you are aware, The Cost and Works Accountants (Amendment) Bill, 2010, which was introduced to the Rajya Sabha, on April 28, 2010 was under consideration of the Parliamentary Standing Committee on Finance. The Committee submitted their report on August 31, 2010. It may not be out of place to mention that the same Committee in 2004 had recommended to the Government to change the name of our Institute to **"The Institute of Cost and Management Accountants of India"** after considering the objections of ICAI to the proposal of change of name of ICWAI. They supported the necessity of the change in the name in the context of positive leverage in Mutual Recognition Agreements, enhanced image of the Institute in the international platform strengthening prospects of professional members and in the national interest in having the due share in trade of Management Accountancy services in the world in open competition. In the present report, the Committee has noted that due to the *"vehement opposition expressed by ICAI to the proposal in particular"* has *"prompted a rethink in the matter"* and have indicated that *"upon considering the matter, the Committee are of the view that as proposed in the Companies Bill 2009, it would be preferable to term the designation attached to the profession "cost accountant"; and rename the Institute as the "Institute of Cost Accountants".*

It is unfortunate that the Institute of Chartered Accountants of India, which we have always considered as a sister professional body, took such a stand by virtue of their larger number and having members in influential positions. It may be noted that the objections of ICAI to our proposed name change is no different from the grounds that were taken by them in 2004, which was not found to have any merit. We from ICWAI made strong representation to the Standing Committee, refuting the concerns expressed by the ICAI, supported by references to national as well as global international practices.

It appears that the Committee considered the function of our members as defined under Section 2 of the CWA Act in its present form and has proposed to drop the word "Works" from the designation of a Cost Accountant. With due respect, I would like to submit that the Committee should on the same logic propose to change the name of the ICAI to "The Institute of Financial Accountants of India" since section 2 of the ICA Act states the function of its members as auditing and verification of **"financial"** transactions. In any case, the word "Chartered" is a legacy of the British Raj and the name itself was borrowed from the English Institute which had a Royal Charter. Our legislators should seriously consider whether we should continue with such a designation after celebrating the 64th year of Independence. I call upon our members and right thinking people of the society to impress upon the Legislators, Regulators and the Government of India to seriously consider whether an autonomous body constituted under an Act of Parliament of a sovereign country should be allowed to continue the word and designation "Chartered".

The ICAI in its argument has stated that the change in the name of ICWAI to ICMAI would create confusion about the role and scope of the members of the two Institutes. As per the proposal of the Committee, if our name is changed to "The Institute of Cost Accountants of India" (aka ICAI), we should then logically be allowed to use the abbreviations "ACA" and "FCA". I leave it to the judgment of the members of our Institute, members of the ICAI and the Government to decide which will be more confusing – the proposed name change as per original bill or as expressed in the Standing Committee Report.

The ICAI, which got constituted under an act of Parliament before ICWAI, have had the advantage of statutory and regulatory backing from the beginning which unfortunately ICWAI never had. As a true professional body, our Institute has always supported the cause of professionalism even during the period when the profession of Chartered Accountants faced the crisis of public confidence in their profession recently. We have always been of the opinion that all the three professional bodies should work hand in hand for the development of the country and improving the competitiveness and corporate governance of the economy. In the country's economic growth each profession has a vital role to play within the space which are clearly distinct and have been earmarked by the respective Acts of Parliament. The power that lies with the professionals should be harnessed to the country's development and not bent upon trying to stifle and suppress the growth of fellow professions.

I am sure that the Ministry of Corporate Affairs headed by an intellectual par excellence Hon'ble Minister of Corporate Affairs Shri Salman Khurshid ji with able support from team of experts led by Shri R Bandyopadhyay, Secretary, MCA will take into consideration all the issues and I am sure the Institute will get justice.

The Report provides in detail the arguments by the ICWAI and the solid and logical grounds put forward by the Ministry of Corporate Affairs, for the name change. The report is available on the website www.loksabha.nic.in

Direct Tax Code Bill 2010

The Ministry of Finance tabled the Direct Tax Code Bill 2010 in the Lok Sabha on August 30, 2010. The new Code aims to replace current Income-tax Act, 1961 and Wealth tax Act, 1957. It is proposed to be made effective from April 1, 2012, if enacted. The DTC will pave way for the Indian corporate and taxpayers to rethink on the existing structure and mode of conducting business.

The bill has been referred to Parliamentary Standing Committee on Finance and ICWAI will be making its representation before the Committee for recognition of its due role in the DTC and various other provisions.

Goods and Services Tax

All of you are aware that despite the best efforts put in by Hon'ble Finance Minister Shri Pranab Mukherjee to bring reforms in commodity taxation from April 1, 2011, this is getting deferred. The Constitutional amendment required and agreement of all the State Governments on various issues is the basic hurdle in the implementation of GST. In this connection, ICWAI has brought out a publication on "Guidance Note on GST" which has been widely appreciated by the Regulators and other professionals.

Other activities :

I along with the Vice-president Shri M.Gopalakrishnan met Shri Salman Khurshid ji, Hon'ble Minister of State (I/C) for Corporate Affairs and Minority Affairs on July 26, 2010. We apprised him of the developments and challenges being faced by the profession and offered all assistance from the Institute for undertaking various programmes of Government. We also met Shri R. Bandyopadhyay, Secretary, MCA, and thanked him for his constant guidance and cooperation from the Ministry. We apprised him the various relevant developments in the Institute also.

We called upon Shri P.D. Sudhakar, Special Secretary, MCA and Smt. Renuka Kumar, Joint Secretary, MCA on July 26, 2010. We also met Shri T.V. Somanathan, a member of our Institute, appointed recently as Joint Secretary, MCA and apprised him about the activities of the Institute.

It is my pleasure to share with you that Cost Accounting Standards issued by ICWAI are getting recognised in the corporate world. ICWAI and Standing Conference on Public Enterprise (SCOPE), a representative body having all Central Public Sector Undertakings as its members, jointly organised a Seminar on Cost Accounting Standards on July 30, 2010 at New Delhi. Shri Jitesh Khosla, Additional Secretary and OSD, IICA was the Chief Guest. I had the privilege to participate in this forum and exchange the views with senior officers of Central PSUs some of which are one of the largest employers for our members. I am happy to inform you that the Cost Accounting Standards is already having wide acceptability and the application of the standards, made mandatory for all cost certifications from April 1, 2010, is going to help the economy and the society at large in taking informed decision about matters related to cost and management accounting.

I was invited at AGM followed by the felicitation function for the newly elected President of ICWAI by NIRC on July 31, 2010 at New Delhi. During this widely attended function, as a Chief Guest, I interacted with senior members of the Institute who were presented with mementos and other awardees of the various programmes of the Regional Council. It was an opportunity to share and receive various suggestions from the members in respect of students' services, increasing the areas and scope of members in practice and opportunities for updating the knowledge of members in employment and practice.

I was also invited by WIRC to attend the felicitation function organised by them on July 31, 2010 in Mumbai. I have noted the suggestions and expectations of the members and I would like to inform that we are taking necessary steps in this regard.

Cuttack Bhubaneswar Chapter organized a seminar on August 27, 2010 on "The Role of Management Accountants in the inclusive growth of Indian economy". I participated in the seminar where Shri R. Bandyopadhyay, Secretary, MCA was the Chief Guest and Shri Saurabh Garg, Commissioner-cum Secretary, Department of Public Enterprises, Government of Orissa, was the Guest of Honour.

Government of Orissa celebrated "Investor Day" on August 28, 2010 and organised "Investor Awareness Programme". This programme was graced by Shri Salman Khurshid ji, Hon'ble Minister for State (I/C), Corporate Affairs and Minority Affairs, Government of India; Shri Navin Patnaik ji, Hon'ble Chief Minister, Government of Orissa; Shri R Bandyopadhyay, Secretary, Ministry of Corporate Affairs, Government of India and other senior state government officials. A guide for Investors, which is translated and printed by ICWAI in Odiya language, was released. I had the privilege to attend the panel discussion with Mr. J K Mohapatra, Secretary, Finance Department who was the Chairman of the Session.

The SAFA meeting was held on August 8 & 9, 2010 at Dhaka and I attended it along with Shri G.N. Venkata-raman, Immediate Past President and Shri A.N. Raman, CCM and Vice-president SAFA. The meeting addressed various issues confronting the profession in our region.

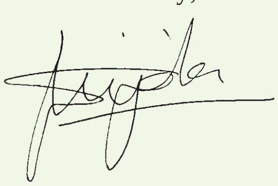
I am glad to inform members that UGC has recognized CWA Qualification for appointment as teaching faculty in universities and colleges in the area of Management/Business Administration as Assistant Professor, Associate Professor and Professor and Principal/Director/Head of Institution subject to fulfillment of other requirements. The relevant extract and full text of the Notification is available at the websites of the Institute and the UGC respectively.

The results of the June 2010 Examinations of the Institute have been declared. I congratulate all the students who have passed the examination and urge others to work harder for their future efforts. The Campus Placement initiative by the Training and Placement Directorate at New Delhi has been doing a commendable job and there is good response from the Corporates to participate in the Campus placement. They are also continuously approaching other corporates for more and more participation in the campus. The passed finalists are requested to upload their resume in the Institute website, so that they can participate in the Campus Placements to be held throughout the country.

We have proactively contacted many organizations within the Government and outside, for due recognition for our profession, wherever it has been brought to our notice. We assure our members that we will continue to take up all issues with the Government and other bodies, either proactively or as and when it is brought to our notice.

With the onset of festival season my best wishes for Janmashtami, Vinayak Chaturthi and Eid-ul-Fitr to all of you,

Yours sincerely,



(B.M. Sharma)

President

Date : 1st September, 2010

Role of forward contracts in Corporate Risk Management

Dr. L. N. Koli*

Dr. Brijesh Rawat**

Risk management often focuses on matters of insurance. However, there are several other major considerations when assessing areas of risk in our business like, for risk hedging, risk covering, risk avoiding and risk transferring. The paper deals with the "Role of forward contracts in corporate risk management."

Risk management is one of the specialized functions of general management. As such, risk management shares many of the characteristics of general management, and yet is unique in several important aspects. 'Management' may be defined as the process of planning, organizing, directing, and controlling the resources and activities of an organization in order to fulfill the objective of that organization at least possible cost.

1. The terms Risk and Uncertainty are used interchangeably but they have a distinct meaning. Risk is a situation when there are a number of specific probable outcomes and it is not certain which one will happen. Uncertainty is where even the probable outcomes are not known.

2. Risk management does not always mean risk reduction, but maintenance of risk at a desired level.

3. There are various types of risks to which a business may be subjected.

4. The tools available for managing the risk are: avoidance, loss control, separation, combination and transfer.

5. No foolproof system can ensure that risk is totally abolished and most of the techniques are based on past experience.

Though it may be difficult to outline specific targets for risk management, some broad objectives include

- Mere survival,
- Peace of mind,
- Lower risk management costs and thus higher profits,
- Fairly stable earnings,
- Little or no interruption in operations, continued growth,
- Satisfaction of the firm's sense of social responsibility, desire for a good image, and
- Satisfaction of externally imposed obligation.

Principles of Risk Management

The International Organization for Standardization identifies the following principles of risk management:

Risk management should :

- create value.
- be an integral part of organizational processes.
- be part of decision making.
- explicitly address uncertainty.
- be systematic and structured.
- be based on the best available information.
- be tailored.
- take into account human factors.
- be transparent and inclusive.
- be dynamic, iterative and responsive to change.
- be capable of continual improvement and enhancement.

Corporate Risk Management

Risk and return are two sides of the same coin. While an investor may be risk averse, every investor would like to get some positive return on his investments. As per the Institute of Chartered Financial Analysis of India : "Corporate risk management refers to the process of a company managing its risks at an acceptable level. It is a scientific approach to deal with various kinds of risk faced by a corporate entity." The main approaches to risk management are—

- risk avoidance loss control
- combination separation
- risk transfer
- risk retention, and
- risk sharing.

Risk Management process

The risk management process consists of

I. Risk Identification : To identify responsible factors for loss. The risk manager begins by identifying all of the resources for which his organization is responsible.

II. Risk evaluation : The second step in the risk management process is measurement and evaluation of risk in order to project the frequency and severity of future losses.

III. Risk control : To reduce the risk or eliminate the risk by various risk management tools or methods.

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** Director, SPCJIM (Dr. B. R. A. University), Agra.

IV. Developing of policy : To frame a policy or strategy against the responsible risk factor.

V. Implementation and review : To apply the strategy and policy upon the responsible factors for risk control, and to review the functions of risk management periodically.

Corporate Risk Management Tools

The main risk management tools are

- Hedging
- Forward contract
- Futures contract Options
- Swaps.

Hedging : An operation (such as entering into a forward contract) in order to protect the domestic currency value of an asset or a liability that is denominated in foreign currency.

Forward Contract : A non-marketable agreement to exchange certain assets at a set date in future.

Future Contract : Contract for future delivery of a specific quantity of a commodity or given currency, with price fixed at the time the contract is signed. The contact is traded on organized future exchanges and the gains and losses on the contract are settled each day.

Forward contract vs Future contract

Feature	Forward contract	Future contract
1. Maturity	Any date	Only dates fixed by exchange
2. Maximum life	Many years—1 year to seven or ten years	Nine month
3. Contract amount	There is no fixed amount	Contract amount fixed by the exchange
4. Secondary market	Can be offset only by an offsetting transaction	Can be sold off on the exchange
5. Guarantor for performance	Not required	Clearing house
6. Major Players	Basically hedgers	Basically speculators

Option Contract : A contract giving the holder the right, but not the obligation; hence 'option', to buy (call option), or sell (put option) a futures contract in a given commodity at a specified price at any time between now and the expiration of the option contract.

Swaps : It means exchange of the currency / commodity which contains risk. In the term of financial swaps, it means the agreed exchange of future cash flows with or without the exchange of cash flows at present.

Financial Risks that a corporate may face

Financial risks are associated with the way in which a company finances its activities. We usually gauge financial risk by looking at the capital structure ofa firm. Financial risks encompass risks of possible insolvency and variability in the earnings availableto common shareholders. It may be of various types, like

Market Risks : Marketing risk may be defined as the danger of loss from unforeseen circumstances such as changes in market conditions (or) changes in human behaviour or mainly or wholly out of natural causes.

Political Risks : These are risks of losses arising from the quirks of national politics, such as, the change in political decisions, events and conditions in a particular nation will affect the business environment.

Business Risks : Business risk refers to an investment with uncertain returns because of the uncertain business environment in which the organization operates. Business risk may be internal or external.

(a) Internal Business Risks : Risk that affects the internal environment of the firm is called internal business risk.

(b) External Business Risks : External business risks are associated with circumstances beyond a firm's control. Important external factors influencing all business are (a) the business cycle (b) demographic factors (c) government policies, and (d) social and regulatory factors.

Interest rate Risk : The return on an investment depends on the interest rate promised on it and on the changes in market rates of interest from time to time. These interest rates depends on the nature of investments, stocks, bonds, loans, monetary and credit policy which are not controlled by the investors, and they affect the riskness of investment.

Foreign exchange Risk : These risks arise because of unfavorable exchange rates in foreign exchange transactions, by which a firm may suffer losses.

Liquidity Risk : These risks refer to an investor's uncertain return because of the potential difficulty in liquidating the asset, i.e., inactive resale market for an asset.

Operational Risk : It involves increase in the cost of raw material and components due to a change in the value of the host's currency.

Economic Risk : It relates to actual transfer in foreign currencies. It occurs whenever a firm trades in a currency other than its own. This risk affects directly the cash flows if the value of the foreign currency changes during the course of the transaction.

Role of forward contracts in corporate risk management

Forward contracts are perhaps the oldest and simplest tools for managing financial risks. A forward contract represents an agreement between two parties to exchange an asset for cash at a predetermined future date called the settlement date for a price that is specified today. For example, if you agree on January 1 to buy 100 bales of cotton on July 1 at a price of Rs.800 per bale from a cotton dealer, you have entered into forward contract with the cotton dealer. As per this contract, on July 1 you will have to pay Rs.80,000 and the cotton dealer will have to supply 100 bales. According to this agreement, you have bought forward cotton or is short forward cotton. No money or cotton changes hand when the deal is signed. The forward contract only specifies the terms of a transaction that will occur in future.

Note that the terms "buy" and "sell" have a somewhat different meaning here.

It is helpful to think in terms of a :

— Short position which commits the seller to deliver an item at the contracted price on maturity.

— Long position which commits the buyer to purchase an item at the contracted price on maturity

The forward buyer is obliged to purchase the underlying instrument at the contract price or enter into an offsetting transaction.

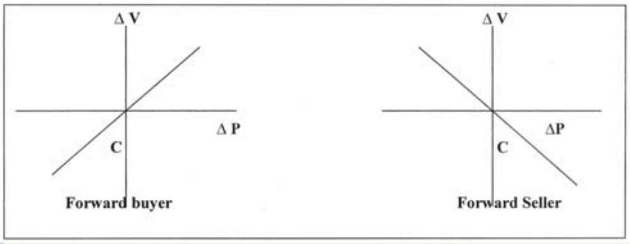
The payoff profile

What are the payoffs to the forward buyer and forward seller? When the spot price in future exceeds the contract price the forward buyer's gain is: spot price less contract price. If it is the other way, the forward buyer's loss is: contract price less spot price.

Forward buyer's gain = Spot price – Contract price.
Forward buyer's loss = Contract price – Spot price.

The payoff to the seller of a forward contract is the mirror image of the payoff to the buyer. The gain of the buyer is the loss of the seller and vice versa. The payoffs to the forward buyer and forward seller are shown in exhibit X.

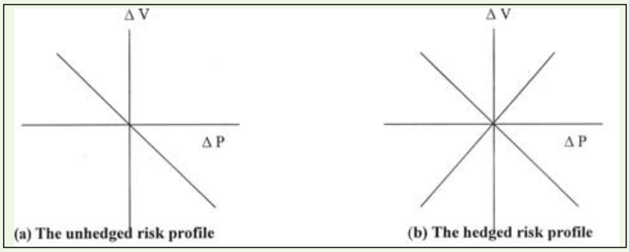
Exhibit X : Payoff profile for a forward contract



Hedging with forward contracts

To illustrate how forward contracts can be used for hedging, let us consider the case of a power company that uses oil as fuel. Assuming that the tariff that this company can charge cannot be adjusted quickly, a sudden change in the price of oil is a source of risk. The risk profile for this company, an oil buyer, is depicted in part A of Exhibit Y. What should this company do to cope with its oil price risk? It should buy a forward contract. If it does so, its exposure to unexpected changes in oil prices will be eliminated. The result is shown in part B of Exhibit Y.

Exhibit Y : Hedging with a forward contract



Important Terminology in respect of Forward contract

Settlement date : The date when value is given for funds transferred between banks.

Spot rate : The price at which commodity or currency can be bought or sold with payment done within a maximum of two working days.

Forward premium Discount : Annualised percentage difference between spot and forward rate.

Position day : The date that the exchange requires a long position report.

Price Risk : The chance of loss due to a change in the price of an assets.

Hedger : A person who faces some type of economic risk and chooses to eliminate or reduce it by some type of offsetting transaction.

Speculator : In the future market a speculator is a person who, for a price, is willing to bear the risk that the hedger does note want.

Conclusion

A forward contract is a popular and effective method of covering and hedging the financial risk exposure.❑

Corrigendum

Please refer to page 465 in June 2010 issue of the Management Accountant under the article titled Role of Cost and Management Accountant under Direct Tax Code. The starting line in the second paragraph of the said page inadvertently starts with ICAI though it should be read as ICWAI. The error is regretted.

Commodity Derivatives Market of India— An Overview

Bidisha Sarkar Datta*

Commodities derivatives market has geared up at a high pace post the inception of the national level multi commodity exchanges. The markets provide facilities of risk management to farmers and traders alike. Besides, the price discovery mechanism ensures that all market information is inputted into the final price of a commodity. This paper attempts to explain briefly the cause of emergence of commodity derivatives market. It also traces its evolution path in the Indian context. It brushes through the pricing mechanism of commodity futures, highlighting the cost of carry model. The roles of the participants in the market have been explained along with the trading, clearing and settlement mechanism of the Indian commodity markets.

The very basic necessity of a farmer to protect him self from price uncertainty of the harvested agri cultural commodities gave way to the evolution of commodity derivatives market.

A farmer (seller of crop) while sowing his crop has no clue as to the situation that might arise during its harvest after 4 months (say). An over-supply at the time of harvest might push commodity prices downward leading to lower realisations. However, if there is a scarcity of supply, the in-flows would be generous. On the other hand, the trader (buyer of crop) also faces the same uncertainty. An oversupply would enable him to purchase crops at low prices, whereas, if there is a scarcity, he would have to pay high amount to procure the crops. Both the parties are, therefore, exposed to price risk.

An effective way to manage this price risk—both by the farmer and the trader—is to enter into a contract whereby they mutually decide upon the price at which the crop would be delivered, much before the harvest and, hence, the farmer would be aware of the amount he would be able to realise and the trader would know his costs involved beforehand. Since such contracts are made for a forward date, they are called forwards contracts. The same contract, when traded through an organised exchange, is called a future contract. These are called Derivative contracts because their values are derived from the value of some under lying asset. In case of commodity derivatives the underlying asset is an agriciltural commodity.

Although the primary purpose of the inception of the forward or futures contract was hedging, gradually, many traders who had no intention to buy or sell crops started entering the market to buy or sell contracts, purely by speculating crop price movements in order to make profits.

Origin and Evolution of Commodity Derivatives Market

Way back in 1848, the first organised commodity trading started in Chicago, United States, through CHICAGO BOARD OF TRADE (CBOT).

The first organised futures market of India is Bombay Cotton Trade Association Limited, set up in 1875. Thereafter Gujarati Vyapari Mandali started trading in oilseeds in 1900 and futures trading in raw jute and jute goods began in Kolkata (the then Calcutta) with the establishment of the Calcutta Hessian Exchange Ltd., in 1919. In 1920 gold trading started in Bombay. Gradually, organised forwards market shaped up in commodities like cotton, groundnut, groundnut oil, raw jute, castor seed, wheat, rice, sugar, gold, silver etc.

Post-independence, in the 1950s and 1960s, stringent policy measures made future trading difficult. Further, during the 1960s and 1970s, futures trading in some commodities like oilseeds, jute, and cotton was suspended, doubting the role of the futures market in hiking the crop spot prices. However, it was reincorporated into the Indian system in the 1980s on recommendation of Dantwala Committee (1966) and Khusro committee (1980). But this time trading was allowed in only few commodities like jaggery, jute, pepper, turmeric, etc. The essential commodities were kept out of the trading domain. The commodity derivatives market, however, remained a poor performer, owing to intense government intervention, restrictions, downgraded arrangements and lack of standardisation of physical delivery of crops, lack of proper warehouses, improper documentation process etc. The Kabra Committee set up in 1993, drafted recommendations meant for development of futures markets in India, which have largely been implemented and have led to the new-day commodities trading culture in India. Deregulation and liberalization following the Forex crisis, in early 1990s, also necessitated policy changes which led to re-introduction of futures trading in commodities in India. The growing realization of forthcoming issues post-global-

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ization and non-sustainability of the Government support to commodity sector led the Government to explore the alternative of market-based mechanism, viz., futures markets, primarily to cope with price-volatility in the commodity sector.

On 1st April 2003 Government issued notifications, by virtue of which commodity futures trading was permitted for all commodities. A commodity option trading is, however, still not allowed in India.

The Government notification of permitting future trading in agricultural commodities marked the advent of national level multicommodity exchanges in India. NATIONAL MULTICOMMODITY EXCHANGE OF INDIA LIMITED, AHMEDABAD (2002), NATIONAL COMMODITY AND DERIVATIVES EXCHANGE LIMITED, MUMBAI (2003), MULTICOMMODITY EXCHANGE OF INDIA LIMITED, MUMBAI (2003), INDIAN COMMODITY EXCHANGE LIMITED, GURGAON (2009), are the four national level commodity exchanges operating in the country currently. Apart from these a number of regional commodity exchanges are also adding to the commodity derivatives segment.

The national level online commodity exchanges are technology fed common platforms to bring buyers and sellers together, and bring out the best price of a commodity by adjusting the demand and supply forces. The mechanism of futures trading is also a great price risk management technique, whereby the sellers can sell their produce in advance to hedge against price falls, and buyers can protect themselves from probable price rises. It helps convergence of the markets, participants and the commodities to a common ground. It helps in dissemination of information too, and integrates the entire industry

The Forwards Contract Regulation Act, 1952, regulates the forwards and futures contracts in commodities in India. The Forwards Market Commission (FMC) under the Ministry of Consumer Affairs, Food and Public Distribution, Government of India, is the regulating authority of all the future exchanges in India.

What are Commodity Futures

A commodity futures contract is an agreement between two parties to buy or sell a specified, standardised quantity and quality of a commodity at a certain time in future at a price agreed upon at the time of entering into the contract through the commodity futures exchange.

Pricing of Commodity Futures

The process of arriving at the figure at which a buyer buys and seller sells a future contract for a specific expiration date is called price discovery. The commodity exchanges acts as a focal point for all vital information relating to supplies, transportation, storage, exports, imports, currency values, interest rates, etc. All these information form the basis of quoting and adjusting bid prices by the buyers and sellers. The price at any particular moment is derived when the buyer's price matches that of the seller. However, the price at the very next instant might vary due to the reflec-tion and digestion of some new information by the buyer and / or sellers. This is called price discovery.

When an individual buyer needs an asset in the future he has two options;

(i) Buy the underlying asset today in the spot market and hold it till requirement

(ii) Buy it in the forward market.

If option (i) is exercised the buyer incurs an initial outlay, hence involves opportunity costs. Besides he also incurs cost of storing the asset till the date of requirement. If option (ii) is exercised, the seller is incurring the same til! the date of requirement and hence would charge a higher price from the buyer to realise the cost of storage. This forms the basis of cost of carry model.

Futures price (using continuous compounding), after considering the storage costs is defined as :

$F = (S+C)\, e^{r}T$

where

F = future price

S = spot price

C = present value of all storage costs

R = annualised cost of financing

T = time till expiration.

The above formula depicts the relationship between the futures and the related spot price of a commodity. The difference between the two prices is called the basis. As a futures contract arrives the date of expiration, the two prices gradually converge, i.e. the basis moves towards zero. If there remains any price difference on the date of expiry the traders by trying to exploit the opportunity of making gains by using the differences will either increase demand pressure or supply pressure (as the case may be) and will nullify the opportunity.

Participants in the commodity market

The primary participants in the commodity derivatives markets are:

(i) HEDGERS

(ii) SPECULATORS

(iii) ARBITRAGERS

Hedgers

Hedgers use commodity derivatives to lock in the asset prices and transfer price risks and thus reduce the potential for unanticipated loss or competitive disadvantage. Hedge technique is to establish a position in the futures market that is equal and opposite to the position in the physical market. This technique enables to offset the loss in one market by the gain in the other. This strategy works because the futures and the cash prices tend to move in tandem and converge on the date of expiry.

The number of future contracts to be bought or sold in order to hedge a certain quantity of cash assets is determined with the help of the hedge ratio. Hedge ratio is determined as :

H = p (o-ACP / o-AFP)

where,

H = hedge ratio

ACP = change in cash price

AFP = change in futures price

cfACP = standard deviation of ACP

aAFP = standard deviation of AFP

P = coefficient of correlation between ACP and AFP

Speculators

Next categories of participants are speculators. They accept the risk that the hedgers wish to transfer. They anticipate the future price movements and take positions likewise. They become buyers of future contracts when it seems to them that the future prices are undervalued, and they become sellers on assumption of overvaluations. They have no offsetting cash market position.

Artibragers

Arbitragers profit by taking advantage of the price discrepancies of the same product across different markets. However, the act of arbitraging increases the buying or selling pressure of commodities where arbitrage opportunities exist, thus pushing or pulling the prices back to rational or normal levels.

The Operational Procedure

Operational procedures might vary across the exchanges. However, a general discussion has be done.

The entire operations constitutes of three stages :

(iv) TRADING

(v) CLEARING

(vi) SETTLEMENT

Trading

Wowadays, online commodity exchanges usually trade within 10.00 am to 5.00 pm. However, the trade timings differ amongst exchanges. On the first day of the contract the exchange decides the base price of the commodity, which is the sum of a notional price based on the spot market price of that commodity on the previous day and a notional carrying cost. The trading systems provide automated screen based trading for futures on commodities on a nationwide basis with online monitoring and surveillance. The market is order driven, where the orders match automatically on the base of price, time and quantity. If an entered order finds a match then trace is generated, if not, the active order becomes passive and queues up in the respective outstanding order book. The units of trading, delivery unit, lot size, tick size, expiry date are all specified by the exchange. At the end of the day, the trading system calculates the closing price as the weighted average price of all the trades executed in the last thirty minutes (usually). During the trading session of the day, the prices are allowed to vary only within a certain specified range, called the daily circuit filter. It varies from commodity to commodity. orders in violation of the circuit filter are rejected by the system. At the end of the life of the contract, i.e. the expiry date, the contract is settled at the due date rate, usually calculated as the weighted average of the last 1 or 3 or 5 days prices in the spot market (of the market place \ vhere the contracts based) or as prescribed by the exchange in contract specification. The entities the trading system are :

(i) TCM-trading cum clearing member who can trade on their own account as well as on account of their clients through a unique id assigned by the exchange.

(ii) PCM—professional clearing members are entitled to clear trades executed by the other members of the exchange.

The membership charges vary between exchanges. They have to pay an initial security deposit, as well as additional security deposits to increase ther exposure limits.

Clearing

Futures contracts are settled either by physical settlement or cash settlement. A clearing house or clearing corporation remains in charge of the clearing and settlement functions. The system of clearing house helps in ensuring fulfilment of all commitments made on the trading exchanges. A settlement guarantee fund, guaranteeing the settlement of the net settlement liability of clearing members, is maintained with the exchange. However, this liability is limited to the extent of net pay in and pay out, as well as the final settlement amount. Physical settlement (by delivery) or financial settlement (by price difference) of contract is monitored by the clearing house.

Settlement

Futures contracts are settled by mean of mark to market settlement and final settlement. Under mark to market settlement, the system keeps track of national and booked losses, or gains, incurred by every member up to the last executed trade. On the day of entering the contract, the profit or loss is determined as the difference of entry value and daily settlement price for that day. On the other days it is the difference between daily settlement price for that day and the previous day's settlement price. This helps to curb any default in the process of day trading. On the day of expiry of contract, trades are settled against the final settlement price. Final settlement price is the spot price on the expiry day, but is done by the method of boot strapping.

The prime difference between a commodity and financial derivative occurs in the settlement process. Financial derivatives are mostly cash settled. However, the commodity derivatives are often settled physically. Due to the weighty nature of the underlying asset, necessity of warehousing comes up. The problem is the limited storage facilities available, and restrictions on interstate movements of commodities. Besides, the duties and taxes also impact on the cost of goods. The process of delivery might vary among exchanges slightly. However, a generalist process has been discussed here.

The members having outstanding position on the expiry date of the contract have to give intention of tendering or lifting delivery in writing along with the quantity, quality, preferred delivery centre. If a member (buyer or seller) makes the intention but subsequently fails to complete commitment, then his position will be closed out at the due date rate and they also have to pay an additional penalty, major portion of which goes to the other party for compensating their losses.

Prescribed delivery orders have to be filled in by the sellers, clearly stating the quantity, quality, delivery centre. The location mentioned for delivery should not be one where there is a restriction against movement of goods. The quality of good delivered should be in accordance with the grade permitted by the exchange. The goods should accompany an accredited surveyor or assayer's certification of quality. However, some tolerance limits are specified regarding the quality and quantity of goods. When goods come to the authorised warehouse for delivery they are tested and graded, according to some prespecified parameters. Depending on the outcome or level of variation from the stated quality, quantity, some discount or premium is adjusted with the final price. This makes the process more rational, since some variations during physical delivery might be out of control. And the price adjustment process protects the buyer from any sudden loss which could incur due to deteriorated quality at time of delivery.

The parties involved in the physical delivery process are, therefore, the accredited warehouse, approved registrar and transferred agents, approved surveyor.

Only the approved assayer / surveyor has the capacity to grade the commodities brought to the warehouse, and specify the expiry date of the commodity. Delivery of a commodity post its validity / expiry date would be considered bad delivery. Grade certificates are also provided by the assayer. They also have the right to inspect the warehouses specified by the exchange.

The accredited warehouses should meet the specific standards as set by the exchange. They can accept good only after proper gradation has been done and can store the same till the validity period, after which it has to be kept separately, till the concerned member removes such goods.

The process of dematerialisation and rematerialisation of commodities are done through the registrar and transfer agents in coordination with the warehouse, exchange and depository.

All concerned parties should have their sales tax registration number, or an agent / nominee with such number, through whom goods can be delivered. If due to default in tax payment of one party, loss is suffered by the other, exchange can impose a charge on the defaulting party, and compensate the suffering party with the amount so collected.

Conclusion

The commodities derivatives have travelled at a stupendous growth rate since the inception of the online commodities exchanges post 2002. Total volumes of trading in the futures market had been 314.46 lakh tonnes in 2002-2003 which rose by 517% to reach 1,942.10 lakh tonnes in 2004-2005. Corresponding value of trading rose from Rs. 66,530.74 crores to Rs. 5,71,759.56 crores. Further, the volumes rose to 5,573.41 lakh tonnes in 2007-2008 with value at Rs. 40,65,989.47 crores. TABLE 1 depicts the gradual change in volumes and values in the futures commodity market from 2003 to 2009.

The reason for such growth, apart from the effective functioning of the online commodity exchanges, can also be attributed to the inherent features of the commodity derivatives trading. It helps to combat the effects of violent price fluctuations, by pulling it down during peaks and raising it up during falls. It also increases competition in the market and acts as a price barometer to farmers and other concerned trading parties. Besides, the price volatility of commodities in the global markets affects India too, since it is obligated to open its agricultural sector to world trade under WTO. Futures trading are a solution to deal with the price volatility. But, in spite of all the above-mentioned sugary progress of the commodity derivatives markets, a few more steps could take the market to a new altitude altogether. The first among them is the introduction of options trading in commodity derivatives. This would increase the scope of the market and reap in higher volumes. Traders would get the option of taking opportunity of upswing of prices, along with the current advantage of hedging against downswings. Besides, the warehouse standards need to be upgraded and increased in number to meet the requirement of a vast agricultural country like India. The law which prohibits cash settlement of commodities on maturity forces the participants to square off their position before expiry, failing which they might be compelled to take or receive delivery, failing which, again, they would be subjected to penalties. This leads to hassles for the participants which might discourage participation to a certain extent. Also, an independent regulatory body also might have been more equipped to take quicker, independent, effective decisions. Currently, FMC is under the Ministry of Consumer Affairs, Food and Public Distribution and hence, dependent on it for funds. Pending permission to banks, mutual fund companies and foreign institutional investors, if granted, would provide more liquidity to the commodities market and would also give the aforesaid institutions an opportunity to diversify their portfolio too. ❑

VOLUME OF TRADING AND VALUE OF TRADE DURING PERIOD APRIL-MARCH 2002-03 TO 2008-09 AT MAJOR COMMODITY EXCHANGES

Volume of Trading—In Lakh tones

Value — In Rs. crores

Sl. No. Name of Exchange	2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09 (Nov' 08)	
	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume
1. Multi Commodity Exchange of India Ltd., Mumbai	0.00	0.00	0.04	2456.23	108.37	165146.92	1409.65	961632.61	1595.23	2293723.93	2697.25	3125959.12	2251.59	2888994.23
2. National Commodity and Deriative Exchange Ltd. Mumbai	0.00	0.00	163	1490.58	266338.28	430.34	1066686.42	106686.42	3839.00	116279.39	2453.66	775590.65	1392.50	374418.81
3. The National Multi Commodity Exchange of India Ltd., Ahmedabad	18.89	4572.48	74.62	23840.87	37.70	1398.20	70.44	18385.34	368.66	112798.51	47.96	25414.75	59.59	21274.77
4. National Board of Trade	88.14	34376.42	131.54	53013.68	140.92	58462.84	145.92	53683.09	173.36	74887.46	178.99	95306.65	39.86	12326.43
5. The Ahmedabad Commodity Exchange Ltd. Ahmedabed	50.66	8601.22	36.87	6690.97	35.31	6099.97	35.15	5599.29	35.83	6841.26	46.10	10600.00	13.68	3947.38
6. Rajkot Commodity Exchange Ltd., Rajkot	33.78	5617.76	31.87	5900.26	30.85	5353.50	20.82	3443.17	19.07	3465.71	28.39	6243.02	16.14	4707.04
7. The Chamber of Commerce Hopur	31.52	2744.49	38.40	5783.98	45.87	8496.11	46.60	8104.60	47.80	9370.18	7211	17391.69	23.62	7104.74
8. Vijai Beopar Chamber Ltd.	41.55	3672.43	34.37	2872.02	40.71	4657.27	27.46	3745.55	14.58	1954.88	10.37	1133.09	128	179.72
9. Surendranagar Cotton Oil Oilseeds Association Ltd., Surendranagar	0.00	0.00	101.01	20913.93	190.44	33036.59	160.66	27071.06	17.29	3251.30	15.86	3710.40	6.87	1786.07
Total of these above Exchanges	**264.55**	**59584.00**	**450.35**	**2262.18**	**1879.74**	**561519.68**	**6747.04**	**2148351.13**	**6110.82**	**3673572.62**	**550.69**	**4061350.18**	**3805.13**	**3314739.19**
Other Commodity Exchanges	**49.91**	**6945.94**	**42.63**	**6401.49**	**62.36**	**10179.18**	**41.67**	**6770.89**	**18.46**	**3354.05**	**22.71**	**4439.29**	**5.77**	**1467.73**
Grand Total	**314.46**	**66530.74**	**492.99**	**128363.60**	**1942.10**	**57171.56**	**6788.71**	**2155122.02**	**6129.25**	**3676926.67**	**5573.41**	**40065989.47**	**3810.90**	**3316206.92**

Note : Natural Gas is not included in the Total Volume of the MCX, Mumbai became its Unit is mBtv : million British Thermal Unit.

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Interest Rate Futures in India — Needs a Huge Revival

D. Muthamizh Vendan Murugavel*

Interest rate derivatives account for over 70% of total outstanding positions in the derivatives space on a worldwide basis, according to Bank for International Settlements (BIS) statistics. In India, the trading in the newly launched derivates or, more popularly, the interest rate futures, began on August 31, 2009 on Currency Derivatives Segment clocking trading volumes of Rs 276 crore in their first day of trade. The introduction of trading in Interest Rate Futures (IRFs) in India is one more step towards integration of the Indian Securities Market with the rest of the world. Globally, interest rate derivatives are the favourite of the market and account for around 70% of the total derivatives transactions across the economies. In India, it may be seen as a path breaking initiative because it is expected to pave the way for various innovations at the derivatives front in the time to come.

Interest Rate Future is a financial derivate based on an underlying security, actually a debt obligation that moves in value as interest rates change. That is, buying an interest rate futures contract will allow the buyer to lock in a future investment rate. When the interest rates scale up, the buyer will pay the seller of the futures contract an amount equal to the profit expected when investing at a higher rate against the rate mentioned in the futures contract. On the flip side, when the interest rates go down, the seller will pay off the buyer for the poorer interest rate when the futures contract expires. According to experts, the interest rate futures market had priced the futures so that there is sparse room for arbitrage.

IRFs are an agreement to buy or sell an underlying debt security at a fixed price on a fixed day in the future, and the prices of these derivatives mirror the rise and fall in the yield of the underlying government bonds. Unlike overnight interest rate swaps, IRFs have to be traded on exchanges rather than over the counter. The Securities and Exchange Board of India (SEBI) and the Reserve Bank of India have limited the maturity of IRF contracts between a minimum of three months and a maximum of 12 months. This time around, banks have been allowed to hedge interest rate risks as well as take bets on the rate trajectory. Also, foreign institutional investors have been given access to the market.

Who can trade?

A company, or a bank, or a foreign institutional investor, or a non-resident Indian or a retail investor can trade.

Where can be traded?

It can be traded live in interest rate futures on the currency derivatives segment of the National Stock Exchange while you could also soon trade the contracts on the Bombay Stock Exchange once it is launched. The foreign exchange derivatives bourse of the newly launched Multi-Commodity Exchange MCX-SX is awaiting the regulatory approval to commence trading in the segment.

The contract size and quotation

Globally, the interest rate futures are almost 25-30 per cent of all derivatives In India the trading on the NSE will see a minimum contract size of Rs 200,000. As far as the quotation is concerned, it would be the same as the quoted price of GoI securities and with a count convention of 30 / 360-day. While the maximum tenor of the futures contract is 1 year or 12 months, usually it will have to be rolled over in three months—making the contract cycle span over four fixed quarterly contracts.

Daily settlement calculation and procedure for final settlement

Under normal circumstances, the weighted average price of the futures contract for the final 30 minutes would be taken as the daily settlement price. However, at times when this trading is not carried out, the exchange would fix the theoretical price as the daily settlement rate. Usually, the daily settlement is done on a daily marked-to-market procedural basis while the final settlement would be through physical delivery of securities.

In India, the underlying factor for interest rate futures trading is the Government of India's securitized 10-year notional coupon bond. The qualification ofGoI securities to be used as underlying assets is that it should have a maturity status between seven-and-a-half years and 15 years from the first day of the delivery month. This apart, the outstanding should be for a minimum value of Rs 10,000 crore (Rs 100 billion). There will be a regular publishing of the list of deliverable-grade securities at the Exchanges.

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Short Hedge in Futures

A bank whose asset portfolio has an average duration longer than the average duration of its liabilities has a positive Duration Gap. A rise in the market interest rate will cause the value of the bank's assets to decline faster than the liabilities, reducing the bank's net worth. In this instance, a short hedge in financial futures can be used. The bank's asset-liability manager should sell contracts calling for future delivery of securities on a futures exchange around the time new deposit borrowings will occur, when a fixed-rate loan is made. Later, as borrowings and loans approach maturity or securities are sold and before the first futures contract matures, alike amount of futures contract is purchased on the futures exchange. If market interest rates have risen significantly, the interest cost of the bank's borrowings will increase and the value of any fixed rate loans and securities held by the bank will decline. However, those losses will be approximately offset by a price gain on the futures contract. On the other hand, the bank can use a long hedge in futures when it has a negative duration gap and expects the interest rates to decline in the economy.

Trading in Interest Rate Futures contracts on the Sharp Decline

IRFs were introduced to allow participants to buy protection against, and bet on, interest rate changes. It is an agreement to buy or sell an underlying debt security at a fixed price on a fixed day in the future. The prices of these derivatives reflect the increase or decrease in the yield of the underlying government bonds. IRF was first introduced in the country in 2003 but was disbanded as it failed to evoke much response as banks were not allowed to hedge interest rate risks. In the global market, IRFs account for 30% of the derivatives transactions.

Business Growth of Interest Rate Futures

Though the market picked up initially, it gradually lost its momentum and almost dead. From the table it is understood that in September 2009 the total trading volume in interest rate futures was Rs 1473.37 crore from 79,648 contracts, with average trading value of Rs 77.55 crore. In December 2009 trading value dropped to Rs 215.32 crore and average to Rs 10.25 crore. Now, in February 2010 the trading value has dropped to a piffling Rs 57.42 crore (a fall of 96 per cent from the peak) and the average to only Rs 3.02 crore.

Month/ Year	No. of Contracts Traded	Trading Value (Rs. Cr)	Average Daily Trading Value (Rs. Cr)	Open Interest at the end of	
				No. of Contracts	Trading Value (Rs. Cr.)
Aug 09	14,559	267.31	267.31	1,893	34.66
Sep 09	79,648	1,473.370	77.55	4,952	92.28
Oct 09	21,198	394.090	19.71	6,128	113.57
Nov 09	18,134	337.000	16.84	6,600	124
Dec 09	11,687	215.320	10.25	2,305	42.22
Jan 10	6443	118.820	5.94	2,576	47.77
Feb 10	3,124	57.415	3.02	3,547	64.92
Mar 10	6,101	111.380	5.57	758	14.15
Aug 09-Mar 2010	160,894	2,975	21.25	758	14.15

Source : NSE

Trading in interest rate futures contracts on the slide

Month / Year	Average Daily Turnover (Rs.Cr.)	Growth Ratio (%)
Sep 2009	77.55	—
Oct 2009	19.71	-74.58
Nov 2009	16.84	-78.28
Dec 2009	10.25	-86.78
Jan 2010	5.94	-92.34
Feb 2010	3.02	-96.11
Mar 2010	5.57	-92.82

Source : NSE

Interest among banks, insurance companies, primary dealers and mutual funds in trading in interest rate futures contracts has been steadily declining since derivative contract was re-introduced on the NSE on August 31, 2009. The average trading value per day has declined from Rs 77.55 crore in September last year to around Rs 3 crore in February and the aggregate trading value has dropped 96% from the time it was reintroduced on the National Stock Exchange. In contrast, the average daily turnover of the equity markets, which includes BSE and NSE cash and F&O, account for around Rs 1 lakh crore.

Why Interest Rate Futures not taking off in India?

Interest rate future is on a steep decline due to complete lack of interest among the participants. Lack of awareness among the Indian financial institutions is a major reason while the foreign financial institutions find the Indian market too small and the size of the deals tiny.

Another reason is the lack of depth because only two government securities have been introduced for future options while large number of other government bonds and corporate bonds are still out of the purview of interest rate futures.

One of the main reasons for the derivative product not taking off is the illiquid nature of the instruments. Currently, the underlying instrument for interest rate futures are two 10-year government bond bearing a notional interest rate of 7%. Bankers say they are going short on bond trades as they fear the interest rates will rise further and result in a gradual grind up in yields.

The product itself is defective. Only the seller gains as he has the discretion of delivering either liquid or illiquid securities.

Also, the large supply of bonds has resulted in a gradual grind up in yields, making traders wary of buying any non-benchmark security. So, while the liquidity of on-the-run bonds has been quite good given the easy monetary stance, the liquidity of non-benchmark securities has been very low in recent times.

Suggestions and Conclusion :

Unless some structural changes are carried out at the earliest, it seems this market is heading for a silent second death. In order to revive this promising financial product and to make it robust, a long term planning is required.

There is a need to create much more awareness on the usefulness of interest rate future as a hedging tool against interest rate volatility. Also, there should be many more securities.

More money from retail investors must be canalised to institutions like mutual funds, insurance companies and pension funds so that they become much bigger in size.

If insurance companies start participating, there will be players on the long side which may improve the liquidity. At present, there is no insurer trading on the platform.

Developed markets where IRFs have already taken off allow short-selling and provide a good repo market. In India, short-selling is not allowed beyond five days, and the repo market is not adequately developed. If we have good shorting in the spot market, then people will come to repo market for borrowing.

If these structural changes are properly done, interest rate futures trading on stock exchanges would soon be a huge hit in India. ❏

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- www.google.co.in

CANCELLATION OF REGISTRATION UNDER REGULATION 25(1) OF CWA ACT, 1959

REGISTRATION NUMBERS CANCELLED FOR DECEMBER 2010 EXAMINATION UPTO

ERS/001320
NRS/001792, 1800-1803, 1851-1987, 2071-2200, 2411-2423, 2441-2447
SRS/004483, WRS/004079, RSW/076209, RAF/005837

RE-REGISTRATION

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Arnab Chakraborty,
Director of Studies

Date : 21st June 2010

Public-Private Partnership (PPP) as an Instrument of Faster Economic Growth of India: Perspectives on Policies and Practices in Selected Infrastructural Sectors

Dr. Parimal Kr. Sen*, Dr.Tapas Kr. Bose**

Palash Garani***

Public-Private Partnership (PPP) is now accepted as an effective and novel instrument for stimulating economic growth all over the world, especially in mixed economies. In an emerging economy like India the importance of PPP has gained greater momentum for increasing and sustaining the current pace of socio-economic development. The Government of India (GOI) is also encouraging PPP as a mechanism for faster economic growth, especially in the infrastructural sectors. At this backdrop, this article seeks to examine the concept and policy framework of PPP in the Indian context. It also intends to highlight policies and practices relating to PPP in selected infrastructural sectors in India.

The concept of PPP has emerged as an instrument of far-reaching significance for rapidly advanc ing the socio-economic development of countries, especially those in the Third World. This is because the development has become an urgent agenda which can not be done by the government alone. Since the challenge, the skilled and ability are widely distributed in the vast population that India has, the combination of public and private efforts is necessary to overcome the formidable challenges of poverty, illiteracy, healthcare and hunger that plagues the nation.

Recently, the policy makers have a consensus that the infrastructural development in any country needs partnership between private and public sectors. Previously government had undertaken the initiative for the development of infrastructure and private sector couldn't participate. However, conditions have undergone a radical change and now government emphasizes the Public-Private Partnership (PPP) model for infrastructure development. The PPP has been a preferred approach due to its ability to attract private sector fund and bring efficiency in operations and management. The private sector construction companies have been investing to develop infrastructure, mainly through the Build-Operate and Transfer (BOT) model. PPP is in vogue in the country later on its introduction for more than a decade and there exists extensive literature on what constitutes PPP in terms of ownership of assets and responsibility, operation, and maintenance. The PPP arrangements through concessions are clear, stable and based on understandable principles not being prone to unpredictable changes. Inevitably, the public sector occupies powerful position relatively according to political considerations, rather than market demand and economic compulsions. Public figures also tend to prefer spectacular projects over those that make incremental but useful changes and there lies the advantage of PPP. The government is well aware of its contribution to enable regulatory transformation and provide some financial support to ensure viability of the projects.

Public-Private Partnership (PPP)—A Conceptual Framework

Public-Private Partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or 3Ps. It involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP, the cost of using the service is borne exclusively by the users of the service, and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government.

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Government may promote in many more ways. It may place any of its assets or facilities under private management for public goods and services. In projects that are aimed at creating public goods as in the infrastructure sector, the government may provide a capital subsidy in the form of a one-time grant, so as to make it more attractive to the private investors. In some other cases, the government may support the project by providing revenue subsidies, including tax breaks or by providing guaranteed annual revenues for a fixed period.

Government Policy towards Public-Private Partnership (PPP)

PPP is an offshoot of the disinvestment policy and practices of India initiated as apart of the new Industrial Policy Statement announced in July 1991. The policy stated that the government would divest a part of its holding in selected Public Sector Undertakings (PSUs). The objectives of the policy on disinvestment were to improve management, enhance availability of resources for the PSUs, yield resources for the exchequer and encourage public participation in management and ownership to promote greater accountability. It was expected that the necessary measure would provide further market discipline to the performance of PSUs. To expedite the process of disinvestment, the government set up The Disinvestment Commission (DC) on 23rd August 1996 as an advisory body for a period of 3 years for advising the government on related matters. It will also take into consideration the interests of stakeholders, workers, consumers and others having a stake in the relevant Public Sector Undertakings. However, the Commission was disbanded at the end of 1999. Instead, the government setup the Department of Disinvestment as a separate department on 10th December 1999. The Department of Disinvestment was subsequently renamed as Ministry of Disinvestments, GOI, on 6th September 2001. From 27th May 2004, the Department of Disinvestment has been functioning under the Ministry of Finance, GOI. On November 13th 2005. Government of India established the National Investment Fund (NIF) to which proceeds the sale of PSUs shares will be credited.

The major objectives of NIF are :

(i) To invest the proceeds in social sectors like education, health and employment generation.
(ii) To finance the capital projects in potential profitable PSUs.
(iii) To promote Public–Private Partnership (PPP) projects.

It may be recalled that due to the lack of political consensus privatization programme could not be implemented by the former UPA Government, though privatization was a part of the new economic policy as well as the Common Minimum Programme (CMP), 1996, introduced by the GOI. Recently the thinking of the present government is to involve private sector in ownership and management of public projects, instead of privatizing PSUs. This arrangement is largely visible in infrastructure and service sector which covers a wide range of core services such as transport (including railways, roads, ports and civil aviation), communications (including postal and telecommunication services) and other public goods and public utilities (including water supply and sanitation, solid waste management, urban transport and other public utilities for greater efficiency of operation at customers satisfaction, etc.)

The Need for Public-Private Participation (PPP) in Infrastructure Sectors in India

The major objective of inviting private investment for infrastructural development is to increase the volume of investment and the level of operational efficiency in the provision of services throughout the length and breadth of the country. The ability to provide quick and efficient services is more pronounced in the private sector than in the public sector. This is generally true when the service provider operates in an environment where more efficient providers can contest for the market. Competition is already a reality in many segments like power generation and supply, telecom, airports, ports, roads, and urban transport. Many other segments, unfortunately, are not amenable to competition and market contestability such as water supply and sanitation, the ‘wires’ segment of the power sector, and rural roads services. Competition in these segments has to be centered on the right to provide services. Incentives to provide these services must be calibrated in a manner that furthers the objectives of economy efficiency and adequacy. Mechanisms that mimic competition should assign provision of services to the party that is able to provide them most efficiently. This is called ‘competition for the market’.

Major Initiatives for Infrastructural Development in India

Infrastructure means the basic facilities and services that an economy provides to generate and sustain developmental activities. These include energy, transport, communication, health and hygiene, banking and insurance, etc. Infrastructural construction projects are confined within energy, transport and communication. A preponderant part of the energy sector is occupied by the power sector. Transport sector consists of railways, roads, shipping and civil aviation. Communication includes posts and telegraph, telecommunication, etc.

As most of the infrastructural sectors have long gestation period with investment of huge capital, high capital-output ratio, high risk and low return, traditionally in India the public sector has played dominant role for developing and maintaining infrastructural services. However, over the decades, constraints on government funds and competing demands for public investments in social sectors have forced the government to encourage Public-Private Partnership (PPP) including foreign investment in infrastructure sectors in India.

India provides a good example of innovative measures for financing huge investment needs for infrastructure development. Traditionally, infrastructure investment was being financed mostly by the government due to long gestation period, high Incremental Capital Output Ratio (ICOR), low return, high risk and lumpiness of huge capital, which is, mostly, sunk investment. However, over the years, demands have increased tremendously and the available public funds are inadequate, especially at the regional levels, to meet growing demand. Private funding has thus become a necessity.

Consequently, both the centre and state governments are encouraging private participation including foreign investment and foreign loans for infrastructure development. Some innovative measures have also been devised to attract private capital. For construction of roads, three such methods are the build-operate-transfer (BOT) route, the annuity method and the Special Purpose Vehicle (SPV) method.

In the last decade, there has been a significant evolution of the role of the State in the provision of these public goods. Government has significantly shifted away from the production of public goods to focusing on the regulatory and policy framework that would generate adequate provision of these public goods. Through this Public-Private Partnership (PPP), of government as regulator and the private sector as producers, many improvements can be made in the infrastructural sectors in India.

PPP Policies and Practices in Selected Infrastructural Sectors in India

Major policy initiatives taken by the government in recent years in selected infrastructural sectors are outlined :

Railway Sector

Imbued with the sources of Public–Private Partnership (PPP) experiments in many developing countries including India. Indian Railways (IR) in its Budget 2008–09 has taken a landmark step by allocating a historic amount of Rs.1 trillion (US $25 billion) for PPP Projects to upgrade and modernize the Indian Railways high-tech network. According to Sudha Choba, the Financial Commissioner, Indian Railways, PPP route is specially accepted for boosting investment to improve the facilities and amenities, but it will not be involved in operating the railway systems and its maintenance. To broaden the area of operation of PPP in Indian Railways, the following steps have been initiated:

- Rail Vikas Nigam set up in January 2003.
- Metro Rail in Delhi city started operations under PPP.
- A Greenfield railway network dedicated to freight traffic (Freight Corridor) has been planned, along with additions to Greenfield metro projects at mega cities.
- Presentation of vision 2020 as a part Railway Budget 2010-11 by Honorable Railway Minister Ms. Mamata Banerjee on 24th February 2010.

The current Railway Budget 2010-2011 announced by Ms Banerjee, Railway Minister proposes Public-Private Partnership (PPP) in railway high-tech network expansion, upgrade and maintenance of the production units, world-class stations, adarsh / model stations and multi-functional complex, railway coach / wagon manufacturing, including shopping malls, hospitals and sports stadiums among others.

Power Sector

The most important factor which can act as a constraint on economic growth of a country is the availability of energy and power. India is both a major power producer as well as a major power consumer.

The following steps have been taken for promoting PPP in the power sector :

- Electricity Act notified in June 2003 allows State Electricity Reforms Commissions (SERC) to fix tariffs through a transparent process of bidding as per guidelines issued by the central government.
- 28 States have signed the tripartite agreement for one-time settlement of the dues of State Electricity Boards to the Central Public Sector Undertakings, and 27 States issued the bonds amounting to Rs. 290 billion.
- 50,000 MW hydroelectric initiatives launched in May 2003.

- 100% FDI permitted in Generation, Transmission & Distribution—the government is keen to draw private investment into the sector.
- Policy framework in place: Electricity Act 2003 and National Electricity Policy 2005.
- Incentives : Income tax holiday for a block of 10 years in the first 15 years of operation; waiver of capital goods import duties on mega power projects (above 1,000 MW generation capacity).
- Independent Regulators: Central Electricity Regulatory Commission for Central PSUs and inter-State issues. Each State has its own Electricity Regulatory Commission.
- Hydel Station of Himachal Pradesh; Koldam, Tehri Dam, Sewa-Li, North Karanpura 500 MW. Kahalgaon, Barh, Unchahar, Dulhasti Tehri Pump Storage 904 MW. Dadri, Damodar Valley Corporation, Tala (Bhutan), Badarpur and joint project in Haryana—4,870 MW generation projects.
- MoU has been signed with Petronet LNG Ltd for supply of 7.3 mmscmd gas for the following new power projects: 350-MW combined cycle Pragati phase II gas-based power station near existing Pragti Power Station and 1,000-MW combined cycle gas turbine Pragati (phase III) power project at Bawana.
- Many private firms like CESC, Tata Power, KEC International, Jyoti Structure, Kalpataru Power, PTC India, Adani Power, JSW Power, GVK Power, ABB, etc. are working in close collaboration with state government and the central government for generation, transmission and distribution of power side by side with public sector power generation companies like NTPC, DVC, WBPDC Ltd., etc.

Telecom Sector

Public-Private Partnership is necessary to resolve the tele-connectivity problem faced by 70% of the population living in the rural areas. Moreover, the Government of India has set an ambitious target of providing 200 million rural telephone connections and a rural telecom density of 25% by 2012. To increase the rural penetration, about 18,000 towers are to be installed additionally. Despite the global economic melt down, the Indian Telecom Industry is on a growth trajectory.

The following policy initiatives have been taken by the Government of India to promote PPP in the telecom sector :

- The FDI limit for telecom was recently increased to 74% from 49%.
- Unified licensing regime for telecommunication services and license for Unified Access (Basic and Cellular) service introduced.
- Interconnection Usage Charges (IUC) Regulations, 2003, notified.
- Universal Social Obligation Fund (USOF) set up as a separate non-lapsable fund.

The Indian Telecom Industry has always allured foreign investors. In fact, the cumulative FDI inflow, from August 1991 to March 2007, in the telecommunication sector amounted to US $ 7,513.22 million. This makes telecommunication the third-largest sector to attract FDI in India in the post liberalization era. The investment was mostly in handset manufacturing and telecom service provider.

Roads & Highways Sector

Traditionally, the road projects were financed only out of the budgetary grants and were controlled / supervised by the Government. The road sector has attracted very limited private sector participation in the past. While the traffic has been constantly increasing at a rapid pace, the traditional system of financing road projects through budgetary allocations has proved to be inadequate. It was in this context that the necessity for exploring the innovative means of financing the highly capital intensive road projects was felt.

PPP is mostly prominent in Roads and Highway Sector in India as shown :

- Ongoing Build-Operate and Transfer (BOT) involving with PPP:

In a Build-Operate and Transfer (BOT) project, the private sector is required to meet the upfront cost and the expenditure on annual maintenance. It will enjoy the right to recovers the entire upfront cost along with the interest and a return on investment out of the future toll collection.

BOT (Toll) Scheme : As on April 2007, 79 projects have been taken up valued about Rs.22,249 crores with a length of about 3,613 kms on BOT basis (Toll based projects). Out of this, 29 projects have been completed and 50 projects are under progress.

- The National Highway Development Plan (NHDP) has been extended to seven phases, covering 65,000 kms of national highways, from the previous two phases, involving 13,000 kms.
- Bharat Joro Projects (Golden Quadrilateral Projects) for development of 10,000 kms of roads connecting state capitals with National

Highways launched in collaboration with private construction firms, both domestic and foreign.

- National Highways Act, 1956. Amended in 1992 to open the way for more PPP.
- 100% FDI up to Rs.1,500 crore allowed.

Civil Aviation Sector

A projected investment of $ 8.5 billion has been planned for the development of Indian airports during the 11th Plan (2012-2016) with private participation. Mumbai and Delhi airports have already been privatized. These two airports are being upgraded at an estimated cost of US $4 billion for the period 2006-2016. Development of airport infrastructure is a focused area for the government. There has been a significant uptrend in domestic and international air traffic.

To encourage the PPP in Civil Aviation Sector the following measures have been undertaken as a part of the government policy :

- The government has allowed the restructuring and privatization of Delhi, Kolkata and Mumbai airports and construction of Greenfield airports at six metro cities.
- To allowed Public-Private Partnership in expansion and modernization of airport infrastructure.
- To build world-class airports with modern technology and efficient management practices.
- To make the airport user friendly and achieve higher level of customer satisfaction.
- To lay special emphasis on the development of infrastructure for remote and inaccessible areas.
- To provide airport capacity ahead of demand.
- To encourage greater efficiency in Airport Operations.
- To provide multi-modal linkages.

Port Development Sector

Public-Private Partnership (PPP) in infrastructure projects, and more specifically in ports, commenced on a large scale across the globe sometime in the 1990s. Each country and region has followed its own model for PPP and India has not been an exception either. What stands out, in terms of uniqueness, is the high degree of transparency in today's bidding process for building terminals in the major ports. Further, the level of standardization of documents and the concession agreement is outstanding and has been done for the first time in the world. However, the Indian coastline is dotted with ports under the jurisdiction of the Central Government (major ports) as well as that of the state government (non-major ports). The development of the ports, under the purview of the state governments, has taken either the PPP route wherein they are bided for or the MoU route.

To encourage the PPP the government has initiated schemes such as the :

- The government has initiated the National Marine Development Program (NMDP), which envisages investment of US $13.6 billion (US $1.4 billion a year) over 2004-2014.
- Sager Mala project launched for integrated development of ports, shipping and inland waterways.
- Construction of deep seaports in Andaman and Nicobar Islands to facilitate the movement of international vessels and cargos.

Conclusion

For solving the countless socio-economic problems of the country, PPP has been playing valuable role. Most countries of the world have accepted it as a quick road to economic success. Even the communist countries like China and Vietnam are increasingly depending on the PPP for solving their economic problems. India, though late in realizing the potential of PPP, is fast catching up with the rapidly growing country by utilizing the devises of PPP in various fields, especially in infrastructural sectors. In this context that considerable public opinion – from the government as well as from the civil society—is needed to make PPP a great success in India. The media have an important role to play in popularizing the PPP as an important vehicle for rapid economic development. However, the policies and programmes relating to the PPP need to be carefully monitored and supervise in order to protect the larger interest of the people and the country. It is also felt that a clear government policy backed by adequate regulatory institution is required for successful planning and implementation of the PPP in all fields of development including defense and security establishment of the country. Strict enforcement of the relevant laws and regulations should also be done along with review of the same from time-to-time to cope with the emerging changes in the domestic and international business environment. ❏

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Shri A. K. Srivastava

NEW GOVERNMENT NOMINEE

Shri A. K. Srivastava, Joint Secretary, Ministry of Corporate Affairs, Government of India, has been appointed as Central Government Nominee to the Council of Members of ICWAI in place of Shri Jaikant Singh, Director, Ministry of Corporate Affairs, Government of India.

CONGRATULATIONS

Hearty congratulations to Shri Aman Kalra (M. No. 16163) of Chandigarh who has been promoted as Asstt. Vice- President (Comm. & Accts.) in Vardhman Textiles Ltd. unit at Baddi.

Investment vis-a-vis Financing Decisions

Sabyasachi Sengupta*

The study of Finance is based on two "canons" whose importance and utility can hardly be over emphasized while dealing with Corporate Finance decision making process. The investment and financing decisions are interlinked and hence, any attempt at treating them in isolation may lead to wrong decisions. Moreover, while adopting financing strategies, due care needs to be taken in order to ensure that such strategies would not culminate into asset liability mismatch issues at some later date. Faltering on any of these so called "canons" of finance would invariably lead to questionable finance decisions which would adversely affect performance of companies. The enclosed case study (along with the exhibits and list of review questions) attempts to provide a practical insight to the impact and relevance of these "canons" in the financial decision making process.

Mr. Chatterjee, the CEO of M/s Canons of Finance Limited, had every reason to feel happy and satisfied. He was recalling those days almost seven years back when his friends, relatives and well wishers advised him against accepting the offer of becoming the CEO of this new venture (with uncertain future) leaving his stable and lucrative job (where he was doing so well). Yet, he had taken the plunge shouldering the risk of leading this new venture from the front as the CEO of the company. This company was generally operating in a highly competitive white goods sector and during those days the entire white goods market was dominated by blue chip Indian companies and reputed multinational players. During those early days his company found it exceedingly difficult to position their products in the market because the multinationals (and their Indian counterparts) were calling the shots. Initially, his company—under the able guidance of the team of professional managers (led by him)—had to struggle a lot to position their product portfolio in the market. His entire team had devoted lot of time, energy and resources in order to manufacture high quality products and create a strong and sustainable brand through an appropriate mix of novel marketing strategies and advertising clouts. Last seven years was not really a plain sailing experience for his company but the dedicated management team—despite minor hiccups—had functioned as a well oiled machine taking their venture to new heights in the very true sense of the term. Today, he is in a position to boast that he is heading an Rs 2750 million company that enjoys significant market share, turnover nearing Rs 3000 millions netting profits in excess of Rs 400 millions. It gave him immense pleasure to look at the published financial resultsof his company pertaining to the last financial year.He looked at the Income Statement (Refer Exhibit IX,the Balance Sheet (Refer Exhibit II) and the sheet showing comparative financial indicators of his company as against the sector as a whole (Refer Exhibit III). Yes, the efforts and struggle of his entire team had fetched rich dividends—the financial numbers said so !!

During the last couple of years he had been toying with the idea of indulging in a massive expansion project by creating two new technologically advanced automated plants in two key locations of the country which would call for substantial CAPEX investments. However, the recessionary global trends of the recent past had discouraged him due to which he had shelved the idea. However, he was wondering whether the economic condition is favourable for going for it NOW—especially when the world is admitting that the time has come when countries like China and India would be paving the way for economic progress with all other countries following suit. He believed that the time is just right to undertake the expansion proposal without any further delay. With this idea in mind he called two of his most trusted lieutenants, namely, Mr. Dutta, VP (Operations) and Mr. Rao, VP (Marketing), and had a detailed discussion with them regarding the possibility of venturing into such expansion plans. The two senior managers assured him that they would look into the matter and undertake a detailed technical study in respect of such proposed expansion plans.

Mr. Dutta and Mr. Rao had since conducted the study jointly and both of them provided a somewhat detailed feedback about the proposal to the CEO in a month's time. Both of them were of the opinion that the time is just ripe for their company to undertake the expansion project (which would call for an initial investment of around Rs 850 millions) because such investment would fetch rich rewards in future years.

* Professor (Finance), XLRI (Jamshedpur).

However, they had opined that this investment would have a gestation period of about three years and this investment would start generating substantial cash flows post gestation period. Mr. Chatterjee (CEO) commented that as the technical study revealed that the project is worth undertaking, the company should now look at the financing aspect of the proposal (especially because the project involves substantial initial outlay). Now, the CEO had reasons to believe that, as at the present moment, it would be difficult to raise finances tapping the route of share issue simply because the controlling Group of his company would neither be interested to pump in additional cash for fresh investment purposes nor would they be interested in diluting their controlling stake. Naturally, alternative financing options would have to be considered for financing this project. In view of the same, Mr. Chatterjee felt that there would be a need to look at the financial forecasts of the company at least for one-year period before he may take a final decision on the issue. This one-year financial forecast would aid in crystallizing his thoughts and he would only give his final "go-ahead" once the one-year financial forecasts depicts satisfactory numbers. He opined that he would request his Financial Consultants to create a full fledged Project Report pertaining to the said proposal only after going through the one-year forecast. He requested Mr. Dutta and Mr. Rao to create a one-year financial forecast in consultation with GM (Finance), namely Ms. Dasgupta.

Now, Ms. Dasgupta, a young qualified accountant by profession had, joined the company a couple of months back and due to a number of reasons she was not in very friendly terms with her seniors, especially Mr. Dutta and Mr. Rao. Therefore, this duo was not very inclined to consult Ms. Dasgupta while developing the financial forecasts. In fact, they were of the opinion that the exercise of develop-ing one-year forecasts may comfortably be handled jointly by them, considering the substantial efforts they had already put in while conducting the technical study. Having complete faith on their own abilities, Mr. Dutta & Mr. Rao developed the one-year financial forecasts and submitted the same to the CEO for his views and comments. These financial forecasts essentially comprised a Projected Income Statement (Refer Exhibit IV) and a Projected Balance Sheet (Refer Exhibit V). However, Mr. Chatterjee came to know that such financial forecasts had been developed solely by Mr. Dutta & Mr. Rao and the same had not been cleared by Ms. Dasgupta as she was not even consulted while developing the forecasts.

Before even looking at these forecasts, the CEO forwarded the financial forecasts to Ms. Dasgupta, specifically requesting for her views and comments in respect of the financial forecasts. Ms. Dasgupta had a good look at the forecasted financials and promptly sends it back to the CEO with the following comments:

Financial forecasts are developed with the primary understanding that the company for which it had been prepared should adhere to the same. Now, I am sorry to state that if our company attempts to adhere to these forecasts (as constructed by my esteemed colleagues), it would be disastrous for our company. There is an urgent need to revise (rather redraft) these forecasts.

List of Review Questions

(a) Why did Ms. Dasgupta make such drastic comments in respect of the one-year financial forecasts? Is their any merit in her comments or was she trying to meet her personal vendetta?

(b) This case study essentially stresses on two crucial concepts of corporate finance, which may perhaps be regarded as the cornerstone of the finance profession. Identify those two "canons" of cor-porate finance on which this case has primarily been based.

(c) A very simple (rather common) tool of financial management may be effectively applied in order to extract those crucial concepts of corporate finance which are implicitly embedded in the case information. Identify that tool and apply the same on the case information in order to clarify the point. ❑

Exhibit No. I

The Income Statement of
M/s Canons of Finance Limited
For the Year Ended 31st March 2010

Details	Rs Millions
Income	
Sales	2681
Other Income	233
	2914
Expenditure	
Cose of Goods Sold	1756
Other Establishment Expenses	368
Depreciation Charges	203
Interest Charges	39
	2366
Profit Before Tax	548
Taxation	137
Profit After Tax	**411**
Dividend	100
Transfer to Reserves	60
Retained Earnings	251

Exhibit No. II

The Balance Sheet of M/s Canons of Finance Limited For the Year Ended 31st March 2010

Details	Rs Millions	Rs Millions
Capital Employed		
Share Capital		506
Reserves & Surpluses		388
Loans		162
Total		**1056**
Employment of Capital		
Fixed Assets		683
Current Assets		
Inventories	349	
Receivables	469	
Cash & Bank Balances	100	
	918	
Current Liabilities	255	
Trade Creditors	270	
Expenses Creditors	270	
Bank Overdraft	50	
	545	
Net Current Assets	373	
Total	**1056**	

Exhibit No. IV

The Forecasted Income Statement of M/s Canons of Finance Limited For the Year Ended 31st March 2010

Details	Rs Millions
Income	
Sales	3050
Other Income	250
	3300
Expenditure	
Cose of Goods Sold	1880
Other Establishment Expenses	405
Depreciation Charges	171
Interest Charges	165
	2621
Profit Before Tax	679
Taxation	170
Profit After Tax	**509**
Dividend	100
Transfer to Reserves	50
Retained Earnings	359

Exhibit No. III

A Few Financial Indicators (Near Approximations Only)

Financial Indicators	M/s Canons of Finance Limited	Industry Averages
Asset Utilization Indicator		
Capital Turnover Ratio	2.54 : 1	2.75 : 1
Solvency Indicators		
Current Ratio	1.68 : 1	1.05 : 1
Debt Equity Ratio	0.18 : 1	1 : 1
(Long Term Loans Only)		
Profitability Indicators		
Gross Profit Ratio (%)	35	30
Net Profit Ratio (%)	14	12
Return on Investment (%)	43	38
Earnings Per Share (Rs)	81.23	65.00
Price Earning Multiple	6.75	5.00

Exhibit No. V

The Forecasted Balance Sheet of M/s Canons of Finance Limited For the Year Ended 31st March 2010

Details	Rs Millions
Capital Employed	
Share Capital	506
Reserves & Surpluses	797
Loans	142
Total	**1445**
Employment of Capital	
Fixed Assets	1362
Long Term Investment	40
Current Assets	
Inventories	419
Receivables	563
Cash & Bank Balances	120
	1102
Current Liabilities	
Trade Creditors	248
Expenses Creditors	297
Bank Overdraft	314
Public Deposis	200
	1059
Net Current Assets	43
Total	**1445**

The Nexus Theory and some Issues in the Interpretation of "Input Service" under CENVAT Credit Rules, 2004

P. Ravindran*

The fundamental underpinning of any Value Added Tax System is the provision for and avail ability of input tax credits in the hands of the registered tax payer. When this facility is either denied or indiscriminately restricted, it is a reflection on the VAT philosophy and detracts from the merit of the Value Added Tax System. In our country, we have been operating a Value Added Tax System at the Central level since 1986. It was not a full-fledged value added system at its origin in our country and hence it was officially called MODVAT – Modified Value Added Tax. It was—actually a fledgling, tentative and truncated Input Credit Tax System. It was heavy on procedure and 'formality. This was gradually expanded, liberalized and slowly evolved into the current CENVAT—Central Value Added Tax. At the States level, the local sales tax has also been replaced by a Value Added Tax with provision for Input Tax Credit as its justification. Thus, it goes without saying that the economic efficiency and tax justice in the Value Added Tax System relies primarily on the extent and availability of Input Tax Credits. The Value Added Taxes in India—both at the Central and the States levels confer input tax credit on:

- **Inputs** (goods of diverse kind used in or in relation to the business purpose such as manufacturing, provision of service etc.)
- **Capital goods** (used in or in relation to the business purpose such as manufacturing, provision of service etc.)
- **Input Services** (services received and essential to run the business — manufacturing and service sector — for a variety of uses).

In this article, it is proposed to discuss the scope and extent of the statutory definition of input services in the CENVAT Credit Rules, 2004, and examine the practices and reality in regard to the provision of credit of service tax paid on such input services.

The statutory definition of Input Services is interesting. The divergences with the other two

Category	Timeline for taking credit	Location of use	Restriction on credit	Documentary re quirements
INPUTS	To be taken immediately, but this does not mean that credit will be denied if not taken then and there. Tribunal has allowed later credits for sufficient cause.	Within the factory of manufacture, though removals for job work / tests are permitte	Instant credit in full. No one-one correlation with output. But, inputs should not be exclusively utilized in the manufacture of exempted products and in provision of exempted services. Restriction u / r 6 of CCR 2004 when used in exempted and taxable categories	Input Tax invoice as per rule 9 of CER2004
CAPITAL GOODS	As above	Within the factory of production but deployment outside registered premises permitted in select cases for both manufacturers and service providers	50% restriction in the year of receipt for all the eligible duties barring the 4% additional duty of customs. The goods should not be exclusively used in the manufacture of exempted goods / services	Capital goods tax invoice as per rule 9 of CCR 2004

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Category	Timeline for taking credit	Location of use	Restriction on credit	Documentary requirements
INPUT SERVICES	Credit can be taken only after settling the input vendor for the value and the tax mentioned therein. Otherwise, no prescribed time limit	No location specified. The input services should only be used for providing output service	Credit can be taken only after settling the input vendor for the value and the tax mentioned therein. Input services should not be used in providing exempted services or in the manufacture of exempted goods	Input service tax invoice and in some cases tax challan, as per rule 9 of CCR 2004

categories—Input and Capital goods—are remarkable. The same may be summarized here :

The statutory definition of input services is reproduced as follows :

"Input Service" means any service—

(i) used by a provider of taxable service for providing an output service, or

(ii) used by the manufacturer, whether directly or indirectly, in or in relation to the manufacture of final products and clearance of final products up to the place of removal,

and includes services used in relation to setting up, modernization, renovation or repairs of a factory, premises of provider of output service, or an office relating to such factory or premises, advertisement or sales promotion, market research, storage up to the place of removal, procurement of inputs, activities relating to business, such as accounting, auditing, financing, recruitment and quality control, coaching and training, computer networking, credit rating, share registry, and security, inward transportation of inputs or capital goods and outward transportation up to the place of removal.

Thus, it can be seen that the definition of input service for the purposes of availing CENVAT credit is really wide, liberally worded and encompasses multiple levels. This can be viewed as follows :

● **Generalized provision :** (to be called the "general clause")

Input services used for the purpose of manufacturing and for providing an output service in the case of manufacturer and service provider, respectively.

● **Enumeration of specified services:** (to be called the "Enumeration Clause")

Setting up

Modernization

Renovation

Repair of a factory, premises of service provider or an office relating to such factory or premises

Advertisement

Sales promotion

Market research

Storage up to the place of removal

Procurement of inputs

● **Activities relating to business "such as":** (to be called the "Business activity clause")

Accounting

Auditing

Financing

Recruitment and Quality control

Coaching and Training

Computer Networking

Credit Rating

Share Registry

Security

Inward Transportation of inputs or capital goods

Outward transportation up to the place of removal

The wide descriptions of the input service would properly lead to the following understanding :

(A) In the case of manufacturing industries

The manufacturers can avail CENVAT credit of input service tax in respect of any input service used by the manufacturer—whether directly or indirectly—in or in relation to the manufacture of final products and clearance of final products up to the place of removal. Unlike in the case of inputs and capital goods, there is no express restriction that an input service should be received and consumed within the factory premises. Even if it is assumed as is being done by the officers of the Department of Service Tax that there should be a nexus between the input service and manufacture, things are not lost for manufacturers. They can very well rely on the next two categories viz. the enumeration clause and the business activity clause. Therefore, it would appear that it is an erroneous and unsustainable impression that for a manufacturing unit, the CENVAT credit on input services is not available if the input service is not shown to have a perceptible direct nexus with the manufacturing operations.

(B) In the case of service providers

For a service provider, the ambit of input service is unmistakably wider. The rule defining input service specifies that the input service can be used for providing any output service. There is no requirement to link the input service with use and consumption within the premises of the service provider. What is legally needed is only a link with the rendering of the service. The service provider has additional head-room with the help of the enumeration clause and the business activity clause.

With this understanding, we will now be in a position to analyze the prescriptive tendencies in the Department of Service Tax and the judicial trends in related interpretation seen at the Tribunal.

Issues in the Interpretation of Input Service

The hot and controversial topics in this regard can be summarized as :

- Whether the Enumeration Clause and the Business Activity Clause apply equally to the manufacturers and service providers?
- Whether in the case of manufactures a nexus between the input service and the manufacturing is required? And if there is such a nexus, what is the extent and scope of such nexus?
- Whether outward transportation up to the place of removal as specified in the list of illustrations to the Business Activity Clause has the restrictive effect of disallowing outward transportation in other situations?
- Whether input service used by a manufacturer for clearance of final product up to the place of removal will not include outward transportation booked for clearing the Factory cargo beyond the place of removal such as factory and Depot and branch?

Now, we shall turn our attention to a discussion of these issues.

Whether the Enumeration Clause and the Business Activity Clause apply equally to the manufacturers and service providers?

It is interesting to observe that even though the definition of input service is seen to be more liberally scoped in the case of service providers, the law has apparently brought about a kind of level playing field by making the enumeration clause and the business activity clause apply without distinction or reservation as between the manufacturers and service providers. There is no express bar in the rules that the enumeration clause and the business activity clause are different for manufacturers and service providers. The position that both manufacturers and service providers are equally entitled to the beneficial scope of the enumeration and business activity clauses will lead to clarity in understanding further down the line.

Whether in the case of manufactures a nexus between the input service and the manufacturing is required? And if there is such a nexus, what is the extent and scope of such nexus?

If we accept the principle that the enumeration and business activity clauses apply equally to manufacturers and service providers, it produces a salutary impact on the above controversial issues. The vexed question of nexus between the input service received and the business purpose is at the heart of many disputes in relation to CENVAT credit on input services. The controversy is more acute in the case of manufacturers. For service providers, the definition is so broad that the requirement of nexus is placed on easy terms for them. They have to establish only that the input service received was used for providing the output service. On the other hand, the manufacturers have been placed in a particularly difficult position regarding the requirement of nexus. The department has been invariably insisting on such a clear and direct nexus, especially at the field level. It is disconcerting to note that several decisions rendered by the Hon'ble CESTAT have demanded proof of nexus in such draconian terms that it would well nigh be impossible for the manufacturers to avail CENVAT credit on many input services. Such maverick decisions of the Hon'ble Tribunal have tended to call in question the observable trend in CESTAT decision-making in favor of a liberal view of the nexus theory.

The following decisions of the Tribunal calling for proof of clear nexus may be noted :

- VIKRAM ISPAT V CCE, RAIGAD – 2009 916) 195 (T-M)
- FINOLEX INDUSTRIES LTD V CCE, PUNE-1 – 2010 (17) STR 393 (T-M)
- TELENET SYSTEMS PVT LTS V CCE, BELAPUR – 2010 (17) STR 163 (T-M)

In these cases, the Tribunal declined to permit CENVAT credit unless the nexus between the input service and the manufacturing operations was established.

However, on the other hand, Input services such as the following have been allowed into CENVAT credit entitlement by many decisions rendered by different Benches of the Hon'ble Tribunal :

- Mobile Phones
- Land Phones even when installed in the residences of company officials, provided the bills

are in the name of the company and paid for by the company

- Maintenance and security services at staff residential colonies
- Medical and personal accident insurance policy for the staff
- Group Personal Accident Policy
- Vehicle maintenance
- Canteen catering
- Landscaping of factory gardens
- Garden maintenance
- Travel related to business
- Transportation of employees.

Some of these landmark cases are :

■ **STANZEN TOYOTETSU INDIA PVT LTD V CCE, BANGALORE III- 2009 914) STR 316 (Tri—Bangalore)**

In this decision, the Tribunal allowed service tax credit paid on the following input services :

✓ Canteen services
✓ Transportation of employees
✓ Group insurance for employees.

■ **CCE, RAIPUR V BEEKAY ENGINEERING & CASTINGS LTD – 2009 (16) STR 709 (Tri—Bangalore)** – in this case law, the Tribunal allowed credit on the following input services :

✓ Mobiles & landline phones
✓ Taxi service
✓ Insurance
✓ Courier
✓ Air travel
✓ Maintenance services.

■ **HEG LTD V CCE, RAIPUR – 2010 (17) STR 178 (Tri—Delhi)** – in this case, the Tribunal allowed cenvat credit on the following input services :

✓ Group Personal Insurance
✓ Mediclaim.

■ **MILLIPORE INDIA LTD V CCE, BANGALORE II – 2009 (13) STR 616 (Tri—Bang)** – In this case, credit on the following input services were allowed :

✓ Medical policy
✓ Insurance
✓ Vehicle services
✓ Catering services
✓ Landscaping.

■ **CCE, GUNTUR V CCL PRODUCTS (I) LTD – 2009 (16) STR 306 (Tri—Bang)—in this case, credit on the following services were allowed :**

✓ Insurance
✓ Repair of vehicles
✓ AMC service.

■ **CCE, JAIPUR II V J.K. CEMENT WORKS LTD – 2009 (14) STR 538 (Tri—Del)** – in this case, the credit on the following input services were allowed:

✓ Repair of car and other motor vehicles
✓ Maintenance & repair service
✓ Rent-a-cab service.

■ **IN RE : PIAGGIO VEHICLES PVT LTD – 2009 (14) STR 568 (Commr – Appeals)** – in this case, credit on the following input services were permitted :

✓ Insurance for employees
✓ Health club
✓ Insurance for assets.

■ **COMMISSIONER OF SERVICE TAX V CONVERGYS INDIA PVT LTD – 2009 (16) STR 981 (Tri—Del)** – In this case, it was laid down that the inclusion of the cost of the various input services in the value of the output service would make the input services concerned eligible in terms of the definition of input services under the CENVAT Credit Rules, 2004.

■ **CCE, MUMBAI –IV V GTC INDUSTRIES LTD – 2008 (12) STR 468 (T-LB)** – In this larger bench decision—which would be binding on all the lower benches—the Tribunal justified the CENVAT credit on canteen catering service by laying down the following principles: These were in addition to the view of the Tribunal in that case that the inclusive clause of the definition is independent of the general clause.

➢ **Inclusion under CAS 4**

If the input services are within the scope of the CAS No 4, it should be allowed. This is in accordance with the concept of business expenditure adopted in GST jurisdictions in developed countries for allowing input tax credit.

➢ **Reliance on Government policy**

In this case, the Tribunal cited the press note dated 12-8-2004 of the government to underlie the fact it was the intention of the executive to allow CENVAT credit on inputs—where they form part of the assessable value of the goods and services.

It is natural that the Department of Central Excise has opposed CENVAT credit availment in respect of the above services. The Tribunal, while tending to follow a more liberal outlook in deciding such controversial input services, has not spoken with one voice. Several Benches of the Tribunal have struck discordant notes. In **Commissioner of Central Excise, Nagpur vs Manikgarh Cement Works—2010 (17) STR 275 (Tri-**

bunal—Mumbai), the CESTAT insisted that any input service which is apparently covered by the parameters of the 'inclusive' part of the definition of input service should also satisfy quintessential requirements of the main part of the definition. Accordingly, any person claiming the benefit of input service in terms of the inclusive part of the definition of input service should establish that such input service was used directly or indirectly, in or in relation to the manufacture of his final products, or the clearance of such products from his factory.

An attempt has been made to rope in the very different ratio of the Apex Court in the case of **Maruti Suzuki Ltd V CCE, Delhi (2009 -TIOL- 94- SC- CX)** in which the Court understandably required a nexus between INPUTS and manufacturing operations to permit credit on such inputs. The point is that this decision was confined to inputs and did not touch input services at all. Still, the ratio of this case is sought to be imported into the arena of input services disregarding the different way in which the statute handles the input services. Decisions of this kind have tended to crop up on occasions giving an impression that the Tribunal has spilt views on such issues. It also does not help that the larger bench decisions are not treated as putting paid to contrarian views of lesser / single member bench.

Recently, a single member decision from the CESTAT, Chennai **{CCE, Chennai I V SUNDARAM BRAKE LININGS LTD – 2010 - TIOL- 863 – CESTAT - MAD}** has raised a big question mark on the virtually settled issue of CENVAT credit eligibility in regard to outdoor catering service. An interesting logic in this decision was that since the manufacturers will not be in a position to take CENVAT credit of excise duty paid on biscuits and other food items consumed by their staff in the course of such outdoor catering service, the catering service by itself, becomes barred for availment of credit. When such strange logic emanates from the esteemed Tribunal, the effect is to stoke the dying embers of once-controversial issues. Such maverick decisions serve to reinforce the prescriptive tendencies witnessed in the officialdom at the ground level of tax administration, including its vaunted audit.

The theory of nexus with its inexorable requirement of discharge of proof of clear and direct connection between the input service and the manufacturing in the course of which such input service is received and consumed is a creation whose continued existence is not predicated on a sound footing of the definitional scope of input service in the CENVAT Credit Rules. Unlike a raw material, a part or a component or an accessory or item of package which is physical, observable and tangible, the input services do not possess such attributes. It will be difficult for the Industry to justify such a connection, given the requirement of onerous proof exacted by the Department and some Tribunal Benches. Nor has the Tribunal attempted to lay down in clear detail the scope of the "nexus". The liberal words used in the definition of the input service such as "directly or indirectly" and "in or in relation to" clearly point to an opposite conclusion and militate against an overdoing of the nexus theory. The statutory terms are very wide and in their amplitude do not prescribe a limitation in scope by insisting on clear and direct nexus between the input service and manufacturing.

Even if it is assumed that there is a warranted nexus between input service and manufacture, it should be remembered that the definition of input service operates at multiple levels which are seen to be independent of each other. If the "general provision" clause requires clear and direct nexus, with the effect of debarring a host of input services from the entitlement of CENVAT credit, recourse to the enumeration clause and the business activity clause is triggered, to save and retain the credit entitlement. The argument of the Tribunal in the Manikgarh Cement Ltd case that the enumeration clause and the business activity clause are subsidiary in legal effect and that they follow from the general provision clause requiring nexus is a new fangled idea which is not borne out by a plain reading of the three clauses.

For example, consider the input service of advertising of company brand or even a feel-good or social advertising by companies or even credit rating and share registry services. Can these input services be connected to manufacturing at all? They would best be related to the business. But the business needs these input services. Without them, the prospects for the organization might be dim. The definitional scope of the CENVAT credit rules has allowed these input services despite the fact that these input services cannot be directly or indirectly traced to the manufacturing operations. The intention of the legislature is starkly clear. The policymakers wanted the widest definition to the legal meaning of "input service" which they ensured by devising the additional clauses of enumerated services and the input services constituting 'activity relating to business'. The employment of the phrase "mean … and include …" is interpreted in law as guaranteeing the independent existence of the categories covered in the inclusive clause. When categories are specified by the inclusive cause, it remains unaffected by the meaning of the foregoing part ofthe definition – (page 270 & 271 – MAXWELL ON THE

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Legal News*

■ **25% public holding in listed companies :** The government made it mandatory for listed companies to raise public shareholding to 25%, with at least 5% dilution a year, a move that would attract more investors and check price share manipulation vide livemint.com dated 4th June 2010.

■ **Commerce benches in High Court :** Exclusive benches will be setup in all High Courts to deal with commerce matters vide law minister's statement The Hindu dated 4th July 2010.

■ **Employment visa :** Fresh guidelines issued by the Central Government simplifying the employment visa process so as to benefit foreign nationals working in India, in the information technology sector.

■ **Service Tax on houses :** Those looking to book a house should do so before July 1. All sales of under-construction houses from July 1 will attract service tax with the finance ministry notifying tax on new services—vide The Economic Times dated 25th June 2010.

■ **Banks can close an account :** A bank is justified in closing the account of a customer who fails to provide permanent account number (PAN) card details, Delhi's top consumer court has said. Refusing to grant any relief to the customer whose account was closed by the HDFC Bank for want of PAN card details, Delhi State Consumer Disputes Redressal Commission's President B. A. Zaidi said: "The HDFC bank cannot be faulted for its attitude in closing the account in the circumstances." Vide the Times of India dated 20th June—2010.

■ **Dishonour of cheques due to Alterations:** RBI indicated its earlier circular on the subject is effective from 1st Dec. 2010 and will be applicable only for cheques cleared under the image-based Cheque Truncation System (CTS). Collecting banks should ensure, ab initio, that such cheques are not accepted for presentment in CTS. It is not applicable to cheques cleared under other clearing arrangements such as MICR clearing, non-MICR clearing, over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House arrangement—vide RBI circular No.RBI / 2009-10 / 503 DPSS. CO. CHD. No. 2806 / 04.07.05 / 2009-10 dated 22nd June 2010.

■ **Nomination of insurance policy :** Mere nomination does not have effect of conferring any beneficial interest in amount payable under LIC, Insurance Act, 1938, Sec 39—vide Chakaram Samal and Anr Vs Radhamani Palaka & others, AIR 2010 Orissa 73.

■ **Evidence :** Certified copy of document more than 20 years old is admissible as evidence under the Evidence Act, 1872, vide Allahabad High Court in the case of Dani Ram (deceased by LRs) V Jamuna Das (deceased by LRs), AIR 2010 (NOC 524 2010(1) ALI 706.

Power of attorney : The Madras High Court held that the power of attorney does not create any interest in immovable property unless the same is registered vide the decision given in the case of Mrs. B. Maragathamani ors vs Member secretary Chennai Metropolitan Development Authority & Ors, AIR2010.

Labour Laws

■ **Workmen compensation Act, 1923 :** Revised monthly wage ceiling limit of 50% of Rs.4000 increased to Rs. 8000—Employees Compensation Act for maximum compensation calculation—vide. Notification No. S.O. 1258(E) vide Ministry of Labour & Employment dated 31st May 2010.

Gratuity Ceiling enhanced : The amendment to Gratuity Act got assent of President on 17th May 2010 and published in the Official Gazette on 18th May 2010. Henceforth, maximum limit for payment of gratuity is Rs. 10 lakhs without deduction of income tax—vide gazette notification dated 17th May, 2010. Consequent to this change, the income tax threshold limit for claiming tax exemption on gratuity payment will also stand increased for emplo-yees who are working for private sector companies which are not even covered by the Payment of Gratuity Act (ie covered by any other schemes too)—vide CBDT notification No.43 / 2010 dated 11th June 2010 and the same is effective from 24th May 2010.

■ **EDLI ceiling enhanced :** The government has increased the existing limit of the Employees Deposit Linked Insurance (EDLI) amount from Rs 60,000 to Rs 1 lakh. The amount will be paid to the next of kin of an employee in case of his death. In a notification issued on June 18, the government in the newly modified employees Deposit Linked Insurance (Amendment) Scheme, 2010, said the benefits will be for Employees of

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both the public and private sector—vide the Business Standard dated 8th July 2010 Madras 61.

Reserve Bank of India

Notifications

■ **RBI forms Redressed Committee:** RBI said it has constituted a committee under the chairmanship of former Sebi chairman M Damodaran to look into banking services rendered to retail and small customers, including pensioners. "The committee will also look into the system of grievance redress mechanism prevalent in banks, its structure and efficacy and suggest measures for expeditious resolution of complaints"—vide The Economic Times dated 4th June 2010 directors :

■ **Salary of CEO & wholetime Directors:** RBI came out with draft guidelines proposing to restrict the fixed component of annual salary hikes of CEOs and wholetime Directors of private banks to 10-15% vide The Times of India dated 3rd July, 2010.

■ **Repo and Reverse repo rates:** In an attempt to contain the rising inflation RBI decided to take steps to push up interest rates and hence increased the repo rate to 5.5% and reverse repo rate to 4% each by this increase of 25 basis points as compared to pre revision vide TOI dated 3rd July 2010.

■ **Non-convertible debentures:** RBI had issued new norms for NCD issues and the new norms indicate that NCDs may be issued at face value carrying a coupon rate. Similarly, it can be issued at a discount to face value as zero coupon instruments, as determined by the corporate—vide the Financial Express dated 24th June 2010.

■ **Export proceeds of goods and software:** the facility of inward remittance of export proceeds of export of goods and software within one year is extended upto 31st March 2011.

Accounts & Audit

■ **No pass certificates from ICSI :** Preserve your Marksheets as NO more CS Pass Certificates for Foundation & Executive will be issued by ICSI on passing Company Secretary Exams.

■ **Revised/New drafts of AS :** ICAI had issued revised draft in respect of AS 14—Business combinations (Corresponding to IFRS 3), AS30—Financial Instruments recognition and treatment (corresponding to IAS 38), AS 31—Financial instruments presentation (corresponding to IAS 32), AS 32 Financial instruments disclosure—(corresponding to IFRS 7)—and new drafts AS 40—Financial instruments (corresponding to IFRS 9) and AS 41 First time adoption of Accounting Standards (corresponding to IFRS 1) for comments.

■ **IRDA can appoint surveyors:** The Delhi HC held that IRDA can appoint insurance surveyor to decide the quantum of loss due to damage under the insurance policies issued by the insurance companies vide the decision given in the case of New India Assurance company Ltd Vide The Business standard dated 31st May 2010.

■ **XBRL :** To support users of the IFRS Taxonomy, the IASC Foundation has published a number of updated support materials for the 2010 taxonomy: vide XBRL update dated 10th June 2010, issued by IASB.

■ **IASB and FASB convergence work :** IASB and FASB are in the process of developing a modified strategy for convergence with target completion date of June 2011 to many projects identified by the MOU —vide news from IASB.

Income Tax

■ **TDS rules amended :** The Central Board of Direct Taxes (CBDT) have amended the Rules relating to TDS provisions date and mode of payment of tax deducted at source (TDS), TDS certificate and filing of 'statement of TDS' (TDS return) vide Notification No.41/2010; SO No.1261(E) dated 31.05.2010. The amended rules will apply only in respect of tax deducted on or after 1st day of April 2010. As per the revised circular TDS returns are to be filed by 15th of the month following the quarter excepting for quarter ending 31st March which allows TDS return filing by 15th May following the quarter. Further TDS certificates to be furnished by 31st May following the year ending in respect of salaried employees and others within 15 days from the date of filing the TDS returns to government.

■ **Deduction of TDS at lower rate :** Mandatory issue of certificates by IT department for deduction of TDS at lower rate to be through the ITD system unless urgently required which may be issued manually but the data entered in the system within 7 days of such issue vide CBDT instructions No.4/2010 dated 25th May 2010.

■ **Effect of rulings obtained :** Bombay High Court held that the binding effect of a ruling obtained by a tax payer will not be affected by a contrary ruling rendered in the case of another tax payer—vide Bombay High Court in the case of Prudential Assu-rance Company Limited.

■ **New Tax rate return forms :** The new tax return forms notified for the financial year 2009-10 (AY 2010-11) have been notified by the CBDT vide

■ **New draft DTC :** CG had published revised draft discussion paper on Direct tax code on 15th June, 2010 for comments.

■ **PE :** The maintenance of stock of goods by the foreign enterprise at the customer's location may not give rise to PE—vide ITAT Mumbai in the case of Airlines Rotables Ltd UK vs JDIT appeal No.3254/ Mumbai/2004 decided in June 2010.

■ **Penalty :** The Delhi High Court has held that an entity seeking tax deduction cannot be penalized just because it has not supported the claim with documents in its annual return. The judgment was passed on a petition filed by the Income Tax Department, seeking imposition of penalty on the Industrial Finance Corporation of India Limited (IFCI) because it had allegedly furnished "inaccurate particulars" of income to claim tax deduction—vide The Hindustan Times dated 16th June 2010.

■ **To view TDS/Self Assessment tax credits :** The tax payers can now view tax credit statement in Form No.26AS without registering at NSDL through www.incometaxindiaefiling.gov.in

■ **Transfer pricing :** Penalty is not leviable in case of a bona fide difference of opinion in selection and application of a Transfer pricing method—vide ITAT Mumbai decision in the case of ACIT vs Firmenich Aromatics India Ltd ITA No.4654/Mum /2009.

■ **Comparable sale price :** The rates given by independent media and press like Times of India/Accommodation Times etc is certainly more reliable than comparable sale instances—vide ITAT Mumbai in the case of Kumar K Chhabria vs ITO 2010 TIOL 277.

■ **No penalty :** If deduction is claimed on the basis of advise of the tax consultant supported by tax audit report no penalty can be leived on the disallowance of the same—vide ITAT Mumbai in the case of Yogesh R Desai V ACIT 2010 38 DTR 101.

■ **Deduction under Section 80 :** If the assessee is not able to compute exact profit independently from old and expanded plant, and computing the priofit on proportionate basis it would be considered as no independent unit has come into existence for the purpose of claiming deduction either under Section 80HH or 80I—vide ITAT Pune in the case of J. B. Electronics V JCIT (2010) 38 DTR 393.

■ **Deduction under Section 80IA :** Commercial production and not the Trial production year will be the basis for allowing eligible deduction under section 80IA—vide Delhi High Court in the case of CIT V Nestor Pharmaceuticals Ltd 231 CTR 337.

■ **Eligible profits for 80IB :** DEPB/Duty drawback benefits flow from the schemes framed by the government, hence incentives profits are not profits derived from eligible business under Section 80IB vide Supreme court in the case of Liberty India vs Commissioner of Income Tax (2009) 317 ITR 218.

Central Excise

■ **CENVAT Returns :** CBEC issued notification amending wef 1.6.2010 the Central Excise Rules 2002 and the CENVAT Credit Rules 2004 to provide the statements/returns electronically in the case of manufacturer of the final products who has paid total excised duty of Rs 10 laks or more including the amount of duty paid by utilization of CENVAT credit in the preceding financial year. The details of the statements/ returns can be seen from the notification No.20/2010-CE (N.T) dated 18.5.2010.

■ **CENVAT on trading services :** CESTAT Ahmedabad held that the amount of CENVAT Credit attributable to Trading activities should be reduced from the pool of eligible CENVAT credit available for utilization as per the standard accounting principles vide decision in the case of Orion Appliances Ltd Vs CIT Ahemdabad 2010-TIOL-752-CESTAT Ahmedabad.

Customs ACT

■ **Valuation of warehouse goods for Import & Export :** CBEC has issued clarifications on the valuation of goods warehoused for export/imports etc —vide Circular No. 11 dated 3rd June 2010. As per this in the case of sale of imported goods after they are warehoused on Indian Territory, the value at which such transaction took place will not qualify as the transaction value, as per Section 14 for the purpose of levy of customs duty.

■ **Drawback rules :** CBEC has amended the Customs, Central Excise & Service Tax Drawback Rules, 1995 and the Re-Export of Imported Goods (Drawback of Customs Duties) Rules, 1995—vide Notifications No. 49/2010-Customs (N.T) and 48/2010-Customs (N.T) both dated 17th June 2010. The time limits for filing applications for fixation of Brand Rate of Drawback, supplementary claims of Drawback and for claiming drawback under Section 74 of the Customs Act, 1962, have been revised vide CIRCULAR NO. 13/2010-CUSTOMS dated 24th June, 2010.

Service Tax

■ **Finance Act 2010 :** CG has appointed 1st July 2010 as the date of coming effect of new services and also in respect of new services proposed in the Finance Act, 2010. vide CBEC notification No.35/2010-Service tax dated 22nd June 2010.

■ **Utilization of accumulated CENVAT Credit:** CBEC issued trade notification indicating that as no lapsing provision was incorporated and that the existing Rule 6(3) of the CENVAT Credit Rules does not explicitly bar the utilization of the accumulated credit, the department should not deny the utilization of such accumulated CENVAT credit by the taxpayer after 01.04.2008. Further, it must be kept in mind that taking of credit and its utiliza-tion is a substantive right of a taxpayer under value added taxation scheme. Therefore, in the absence of a clear legal prohibition, this right cannot be denied vide Notification No.14/2009 dated 13th March 2009.

■ **Air passenger service tax :** Service tax in excess of 10% of ticket value or Rs 100, whichever is lower, in case of domestic journey in any class is exempted and similarly service tax in excess of 10% of ticket value or Rs 500, whichever is lower, in case of inter-national journey in economy class is also exempted vide CBEC notification No.26/2010-ST dated 22.6.2010.

■ **Transport of goods by govt Rail :** The effective date of levy of service tax in respect of transport of goods by govt. rail is extended from 1.7.2010 to 1.1.2011 vide CBEC notification No.33,34,35/2010-ST dated22.6.2010.

■ **Eligibility for service tax:** Even if the input service provider fails to deposit the service tax collected, Cenvat credit in respect of input services is allowable—vide CESTAT Chennai decision in the case of Lasor India Pvt Ltd vs Commissioner of Service Tax Chennai 2010 (18) STR 626.

GST

■ **New draft rules—place and time of supply**: Government to avoid disputes and for smooth operation is going to put draft rules indicating the place and time of supply under the proposed GST system, by end of July 2010 calling comments—vide the Business Standard dated 5th July 2010.

Company Law

■ **Companies Exit Scheme :** CG had announced "Easy Exit Scheme, 2010" (EES) to provide a fast track exit for defunct companies by Ministry of Corporate Affairs under the Companies Act, 1956, and the scheme shall be in force up to 31st Aug 2010 and is applicable to companies registered but have remained inoperative since their incorporation or have not commence business after 1st April 2008—vide circular issued by the Ministry of Corporate Affairs, No. 1/2010 dated 26.05.2010.

■ **Company Law Settlement Scheme :** The Ministry of Corporate Affairs has issued circular No. 1/2010 dated 26.5.2010 announcing the Company Law Settlement Scheme 2010 (CLSS) which shall come into force from 30th May 2010 and shall remain in force up to 31st August 2010 and is specially for companies which have not filed their due documents timely with the office of ROC to clear their default by paying filing fee and an additional fee of 25% of actual additional fees.

■ **Public holding :** Listed Companies requiring maintaining Public Shareholding of minimum 25% with detailed guidelines for existing and new IPO issues—vide Ministry of Finance Press Release No. BY/GN-182/10 dated 4th June 2010.

■ **Oppression or mismanagement :** Disputes in relation to the implementation of the agreement cannot constitute acts of oppression or mismanagement—vide CLB Chennai in the case of Econo Vaves P Ltd And others vs V. L. Sridharan and Others (2010), Comcas 353.

■ **Acts of Directors :** Acts done by a directorshall be valid even though subsequently his appointment is invalid or has defect. However, this protec-tion will not be available to a director or a companyto salvage unauthorized act—vide Gujarat High Court Sintex Industries Ltd in (2010) 156, Com.Cas 367 (CLB)

SEBI

■ **MF retaining expenses:** A SEBI panel on Monday recommended to retain the expense ratio, which mutual funds deduct annually from investors' net assets value (NAV), at 2.25 per cent—vide the Economic Times dated 31st May 2010

■ **Distribution of Mutual Funds :** The SEBI has issued Notified that wef 1st June 2010, distributors, agents or any persons employed or engaged or to be employed or engaged in the sale and / or distribution of Mutual Fund products shall be required to have a valid certification from the National Institute Securities Markets (NISM) by passing certification examination vide Notification No. LAD-NRO / GN / 2010-11 / 09 / 6422 dated 31st May 2010.

■ **Valuation of debt and money market instruments:** SEBI had indicated the revised date of implementation of valuation debt and money market instruments to 1st Aug. 2010 from earlier date of 1st July 2010 contained in the circular No. SEBI / IMD / Cir / No.16 / 193388 / 2010 dated 2nd Feb. 2010 vide Circular No. Cir / IMD / DF / 4 / 2010 dated 21st June 2010.

Insurance

■ **Valuation rules for Insurance companies:** Insurance companies will be required to adhere to the Reserve Bank of India's latest guidelines on pricing of shares of unlisted companies, increasing the amount investors would have to pay for buying into them. According to the new RBI norms, shares of unlisted companies can be transferred at a price not less than the fair value, which is to be deter-mined by a SEBI registered merchant banker or chartered accountant as per the discounted free cash flow method—vide The Economic Times dated 25th June 2010. ❑

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INTERPRETATION OF STATUTES – 12th Edition).

Confusions galore in the interpretation of Goods Transportation Services

The general clause of the definition of input service clearly allows input services used for the clearance of final products from the factory to the place of removal. The Business Activity clause in its illustration permits the outward transportation up to the place of removal. The place of removal for excise law is the factory, or premises of manufacture, a depot or warehouse or any place from where the excisable goods are to be sold after their despatch from the factory. It does not get extended to the premises of the customer automatically. This double take of a single theme in CENVAT credit rules has been interpreted by the department to deny the credit on Goods Transport services when these involve delivery at the premises of the buyers. However, the Tribunal in the case of **ABB LTD V CCE & ST, BANGALORE – 2009 (15) STR 23 (T-LB)** has allowed the credit on outward transportation to the fullest extent and justified it under the Business Activity clause.

Not happy with this development, the department has filed a petition in the Karnataka High Court whose judgment is awaited. A disturbing dissenting decision of the **ABB Ltd** case can be found in the case of **INDIA CEMENTS LTD V CCE, TRICHY – 2010 (249-ELT 530 (T—Chennai)** where the two-member Tribunal Bench has declined to act in accordance with the **ABB Ltd** verdict reached by a larger bench and chosen to await the case result in the Karnataka High Court.

The irony is that when tour operator and other travel services are eligible for CENVAT credit without limitation, it is the goods transport service which is in the vortex of an unedifying interpretational storm. It is interesting to note that the general clause of the definition pertaining to transportation of goods before its amendment read as "… clearance of final products **from the place of removal"**. This was changed to "… clearance of final products **up to the place of removal"**. This practically meant that a manufacturer despatching his final products for transport to his customer directly from the factory cannot take credit unless the transportation service ended at his factory! In other words, he would not be in a position to avail the CENVAT credit on goods transportation service if he directly dispatched to the premises of his customer. The Department toned down the rigor of the law by stating in a clarification, dated 23-8-2007, that if the contract was on FOR destination basis, with sale taking place in law at the customers' place, credit can be taken. Such extra-statutory concessions by the Executive to mitigate the rigor of the law are not unknown in common law jurisdictions.

Conclusion

It becomes clear that fixation with nexus theory has caused vexatious litigation in the arena of input service. Such disputes are an unwelcome baggage in the looming transition to the era of GST. A good model would be to see if input services related to business expenditure are permitted in the direct tax law for deduction of the business expenditure and extend the benefit to CENVAT credit. ❑

IFRS 9 : Financial Instruments — An Overview

CMA Shantonu Moitra*

IFRS 9 issued by IASB with a view to simplify the process and accounting of Financial Instruments by replacing present IAS 39 (Financial Instruments Recognition and Measurement). However, as of now, IFRS 9 reads only about Financial Assets (FA). Guidelines about Financial liabilities and Fair valuation are still to come under Phase II of the standard. In FA itself the standard recommended for major changes about classification and categorization by bringing the concept of 'Business Model Test'. Once adopted in full, this standard has a long lasting impact on the accounting world, particularly for Financial and Banking industries.

IFRS 9 was issued on 12th November 2009 as part of completion of Phase I "Classification and Mea surement" —the IASB's Project replacing existing IAS 39.

Phase II Impairment Methodology (Exposure Draft on 'Amortied Cost and Impairment 'was published on 5th Nov 2009); Phase III Hedge Accounting will be published in due course by IASB eventually replacing IAS 39.

The scope of IFRS 9 is limited to financial assets already included in scope of IAS 39 and financial liabilities are excluded from its scope of application.

The standard will be effective from 1st Jan 2013 though early adoption is permitted.

Initial Recognition

IFRS 9 requires that, on initial recognition, all Financial Assets are classified into one of the two measurement categories

1) Amortised Cost
2) Fair Value

IFRS 9 thus eliminates the a) Held till Maturity (HTM) b)Available for Sale (AFS), and c) Loans and Receivables, measurement categories which were present in IAS 39.

Now the question arises—what is to be recognised at Amortised cost and what is to be recognised at Fair Value.

IRFS 9 requires that a Financial Asset is to be measured at Amortised Cost if both the following conditions are satisfied

1. The Entities Business Model for managing Financial Assets
2. Contractual Cash Flow Characteristics of the Financial Assets

Business Model

An asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows. The entities Business Model for managing financial Assets is determined by the Key Management Personnel.The entities business model test is not determined at the level of every instrument but is determined at higher level —at least portfolio level or higher.

The application guidance to IFRS 9 makes it clear that changes to an entity's business model are expected to be infrequent. IFRS 9, however, notes that an entity may have more than one business model for managing it's financial instruments.

Although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows the entity need not hold all the assets till maturity. An entity's business model can be to hold all of those assets to collect contractual cash flows even when sales of financial assets occur. However, if more than infrequent number of sales are made out of the portfolio the entity needs to reassess whether and how such sales are consistent with an objective of collecting contractual cash flows.

Cash Flow Characteristics

Contractual cash flows are solely for repayment of principal and interest on the principal amount outstanding. Having established which financial Assets are held for the collection of contractual cash flows, an entity is required to assess whether the contractual cash flows of each of the financial assets are solely for payments of principal and interest on the principal outstanding. In contrast to the initial business model test this second test is applied on an individual asset basis and not on a portfolio basis.

Few cases where the Asset is measured at Amortised Cost meeting the aforesaid tests

1. Bond with variable Interest Rate and an interest cap
2. A fixed Interest Loan
3. Zero Coupon Bond
4. Variable Interest Loans including a positive spread determined at the inception ie LIBOR + 200 basis points

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* B.Com (H), M.Com, AICWA, CS, MBA, CIA (IIA)

5. Purchase of Impaired / Discounted Loans which are held to collect the contractual Cash Flows.

Few Cases where the Asset does not qualify for measurement at Amortised Cost not meeting the aforesaid tests

1. Convertible Loan
2. Inverse Floating interest Loan which has an inverse relation with market rates as it does not represent consideration for time value of money and Credit Risk.

If the Asset qualifies both the tests it can be measured at Amortised Cost.

Fair Value Option

However an Option designate an Asset at Fair Value Through Profit and Loss (FVTPL) exists. Like IAS 39 an entity can choose to designate a Financial Asset which is otherwise eligible for Amortised Cost treatment as FVTPL only if it eliminates or significantly reduces a recognition and measurement inconsistency (Accounting Mismatch). This is available only on initial recognition and is irrevocable. For example, an entity may have issued FCCB (Foreign Currency Convertible Bonds) that is measured in Fair value. The amount is Invested in Fixed Rate Bonds and meets both the stipulated criteria for Amortised Cost. This accounting mismatch can be reduced by designating the Financial Asset at Fair Value Through Profit and Loss as per IFRS 9.

Equity Instruments Through FVTPL

Under IFRS 9 all equity investments must be measured at Fair Value. The Current exemption in IAS 39 that requires unquoted equity instruments to be measured at cost less impairment where fair value is not reliably ascertained is not available in IFRS 9. IFRS 9 however does contain guidance on when cost might be the best estimate of fair value of an unquoted equity investment that is difficult to value because of little / no timely / relevant informations

IFRS 9 requires all equity instruments to be measured at Fair Value and all gains and losses arising out of equity investments should be recognised through Profit & Loss Account (FVTPL).

Option for valuing equity (not held for trading) through OCI (Other Comprehensive Income)

IFRS 9 gives an option at initial recognition only to present changes in fair value of an investment in equity (not held for trading) through OCI (other comprehensive income). The election is irrevocable and can be made on instrument to instrument basis.

When option of OCI is opted dividends received from these investments will be recognised in Profit & Loss unless they represent a recovery of part of the cost of investment. Fair value changes in these investments will be recognised in OCI without recycling of gains and losses between profit or loss and OCI even on impairment or on sale or disposal of investment.

For equity Instruments designated at fair value through OCI the following additional disclosures are required

Investments that have been measured at Fair Value through OCI

1. The reasons for selection of this alternative
2. Fair value of each Investment at the end each reporting period
3. Dividends recognised during the period separately for a) Investments derecognised during the reporing period b) those related to investments held at the end of the reporting period
4. Transfers of Cumulative gain or loss within equity (viz from OCI to retained earning) during the reporting period and the reasons for such transfers.

If an entity derecognises investments in such equity instruments disclosure needs to be made

1. Reasons for disposing Investments
2. Fair Value of Investments at the date of derecognition
3. Cumulative gain or loss on disposal.

This option is designed to deal with Strategic Equity Investments which are held not to benefit from changes in fair value.

Treatment of Embedded Derivatives

IAS 39 treatment of financial asset of contract with embedded features, to be accounted for separately at fair value through Profit and Loss with the host contract remaining either at amortised cost or at fair value with changes in value, other than impairment and certain foreign currency movements being recorded in equity.

For those contracts where the host contract is a financial instrument within the scope of IFRS 9 the entire contract is recorded at fair value or amortised cost depending on the business model and the instrument's cash flow characteristics.

For cases where the host contract is not within the scope of IFRS 9 the existing requirement for separation of embedded derivative will continue to apply.

Impairment

With reduction in number of categories of investments into two categories in IFRS 9 means only one impairment method is necessary.

For financial Assets valued at Fair Value all gain or losses are recognised in Profit & Loss or Other Comprehensive Income (OCI) if the company so elects and it is not necessary to test these assets for impairment.

In IFRS impairment requirements are only applicable to Assets being held at Amortised Cost.

Reclassification

A change in the Business Model for managing financial assets may call for reclassification of effected financial assets to reflect the revised business model. Such changes are expected to be infrequent, If a Financial instrument is reclassified from Amortised cost to Fair Value, it should be measured at fair value and the difference between carrying value and Fair value needs to recognised as a separate line item in the income statement.

If an Instrument is reclassified from Fair Value to Amortised cost, the fair value of the instrument on the date of classification becomes the new carrying value.

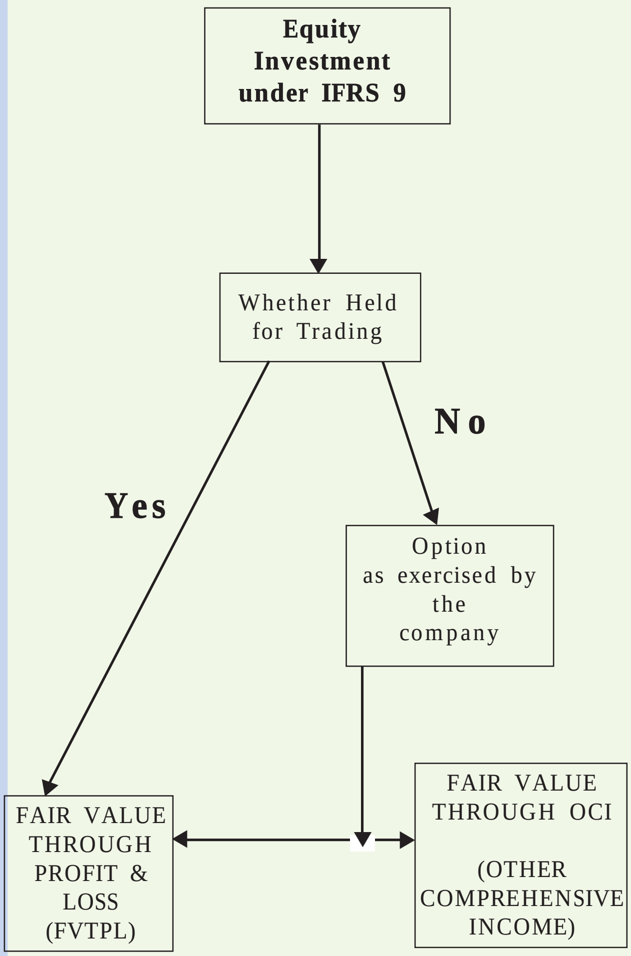
Reclassification needs to be accounted prospectively from the reclassification date which is defined as the first day of the reporting period following change in business model that results in an entity reclassifying financial asset.

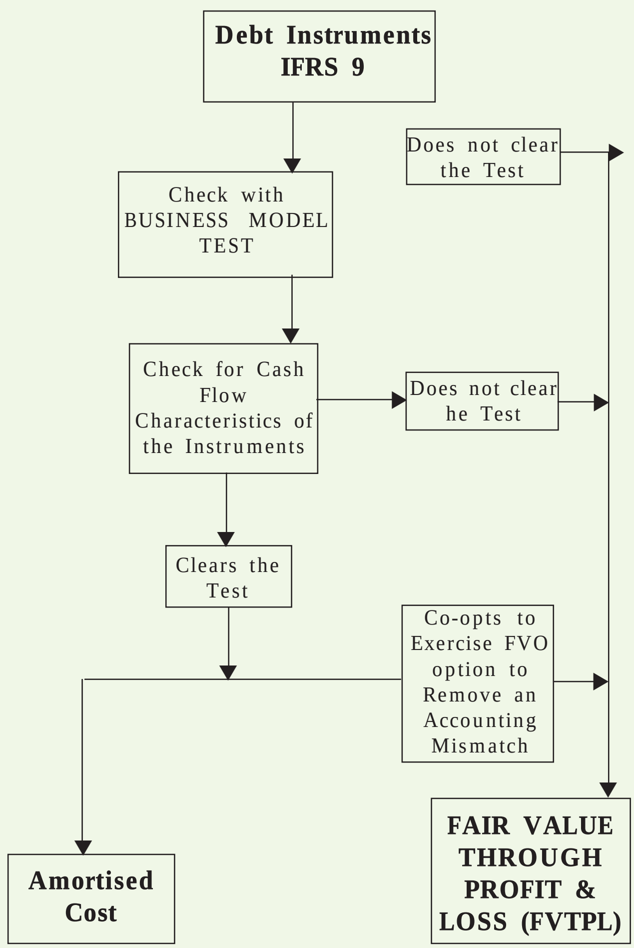
Conclusion

IFRS 9 is effective for annual periods beginning on orafter 1 January 2013 with earlier adoption being permitted. To facilitate early adoption a firm that applied IFRS before financial periods beginning before the first of 2012 is not required to restate comparatives.

The impact of IFRS 9 on companies will depend on what type of Financial Assets an entity holds, how it has been classified previously and what choices it makes in the new classification model.

Indian Accounting Standard 30 on financial Instruments Recognition and Management which is mandatory for financial periods commencing on or after 1st April 2011 is based on IAS 39 and with IFRS9and IASB in the process of amending IAS 39 it is to be seen how we align to the requirements of IFRS. ❏





An Introduction to COSO Tools for Evaluating Internal Control

CMA K. S. Ravi*

CMA Madhusudhan K**

Internal control is a very important management function to manage and mitigate risks in organizations. No doubt establishments have some form of controls—both formal and informal—but a comprehensive control method is generally not put into place as a matter of corporate philosophy. Professional bodies like AICPA, AM, IIA, IMA and FEI have worked to develop a tool called the COSO (Committee of Sponsoring Organization of Treadway Commission) Tool with the object of establishing a formal internal audit and control process in industries to manage and mitigate risks. The whole gamut of control aspects applicable to commercial organizations have been identified and classified as six interrelated components of business environment. This article is written with the object of identifying and explaining the merits and usefulness of the tool which is developed in the international arena.

World over, the domain of internal control is of great interest and importance to auditors, managers, accountants and legislators while they are attempting to carry out their respective functions, roles and responsibilities. The public gaze is on them to ensure a fair play and it has become all the more important with the onset of governance in the corporate arena. This avowed object has resulted in the development of several tools and documents to understand and evaluate internal control processes of various business entities. Two decades of efforts by professionals in the field have resulted in defining, assessing and reporting on concepts of internal control.

The four important internal control documents generated by professional bodies include—

Consideration of internal control structure in financial statement audit (SAS 55 —1988) as amended by SAS 78 (1995) — developed by the American Institute of Certified Public Accountants;

System's auditability and control (SAC — 1991) as revised in 1994 — developed by the Institute of Internal Auditor's Research Foundation;

Committee of Sponsoring Organisations of the Treadway Commission's — Internal control an integrated framework (COSO — 1992);

Control objectives for information and related technology (COBIT — 1996) — developed by the Information Systems Audit and Control Foundation.

Applicability of Conceptual Documents

Although each of the above documents has been released at different points of time, they have evolved by relying on the earlier documents. However, they have their own individual audience, while the platform on which they perform basically remains 'internal control'. While COBIT provides a tool for business process owners to efficiently and effectively discharge there IS Control responsibilities, SAC provides assistance to internal auditors on the control and audit of information systems and technology. COSO, on the other hand, is a management tool to evaluate control systems, report and improve them. SAS 55 and SAS 78 provide guidance to external auditors, on the impact of internal control on the planning and performing an audit of an organization's financial statements.

The set of tools, to evaluate an entity's internal control system, developed by COSO is offered with a management perspective. Therefore, the internal auditors and statutory auditors would immensely benefit by urging the management to go in for it, and help them document and gradually build internal controls prevailing in the business entity. Thereby, the auditor's limited time gets focussed on critical issues. This paper, therefore, attempts to briefly discuss issues emanating from it.

The CO.SO Committee

The Committee of Sponsoring Organisation of Treadway Commission was constituted by professional bodies, which oversaw the development of the tools to evaluate the internal controls prevailing and practised, by different business enterprises. The representative bodies included :

(i) American Institute of Certified Public Accountants
(ii) American Accounting Association
(iii) The Institute of Internal Auditors
(iv) Institute of Management Accountants
(v) Financial Executives Institute.

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Scope and Limitation of COSO Tools

The tools so developed are only a guide and the users will have to develop their own tools specific to each organisation. But the familiarity of the developed tools will aid professionals in sharpening them further, to suit specific entities.

The facts and circumstances vary between industries and enterprises. Therefore it is obvious that evaluation methodologies and documentation techniques have to necessarily vary. The tools developed under COSO can be used as a starting point in professional assignments and endeavors. This can then lead to the development of innovative models to properly reflect facts, conditions, risks etc., relevant and unique to each enterprise or industry. Further, the tools have to be tailored to suit small and medium enterprises, which have controls exercised differently. Also, information technology environment has a dominant role to play in shaping the tools of an enterprise today, and it would therefore be useful to borrow relevant portions from other control documents as well.

This paper proposes and attempts to take the reader through the broad framework of the COSO tools. If auditors, management or other users are motivated to frame tools either on their own or through the use of COSO tools, then this paper would have achieved its objectives and served its purpose.

Internal Control defined

The COSO report defines internal control as : A process, initiated by the board of directors, management and other personnel in an organisation, designed to provide reasonable assurance regarding the achi-evement of its objectives in the following areas—

(i) Effectiveness and efficiency of operations
(ii) Reliability of financial reporting
(iii) Compliance with applicable laws and regulations.

The tool, however, cannot be a substitute for the management, as the people involved in it have tocontinuously anticipate changes in the external and internal environment and modify the tools on an ongoing basis. Therefore, the tools developed under the COSO rules evaluate internal controls in a business entity as of a point in time as opposed to—for a period of time.

Functions enabled by use of COSO Tools

In achieving the above objectives of a business enterprise, the tool provides flexibility of using the tool in carrying out various functions both for the management and the auditors. Specifically, the tool looks at evaluations at various levels and components as detailed below :

- Evaluating different components of an enterprise either individually or all of them together.
- Evaluating category / categories of controls in an enterprise.
- Focussing on individual activities of the enterprise.

The way control is exercised in any enterprise will depend upon the organisation structure and the communicating channels employed. Hence, the generic tool can only be illustrative and may require modifications to suit the control environment of every organisation. Generally speaking, the tools have been focussed to cater to the following 6 interrelated components of a business environment :

(i) Control Environment
(ii) Risk Assessment
(iii) Control activities
(iv) Information and Communication
(v) Monitoring
vi) Overall internal control system evaluation

Control Environment

Broadly, the control environment focuses on the following seven sub-set areas:

(i) Integrity and Ethical Values
(ii) Commitment to Competence
(iii) Board of Directors or Audit Committee
(iv) Management's Philosophy and Operating Style
(v) Organisational Structure
(vi) Assignment of Authority and Responsibility
(v) Human Resource Polices and Practices.

Integrity and Ethical Values

The coverage of integrity and ethical values sets into motion the philosophical values of the enterprise together with the moral guidance of the management to its employees. It encompasses such factors that provide a foundation for other components. Generally speaking, the tool looks into the existence of the code of conduct, policies regarding acceptable business practices, conflicts of interests and / or standards of ethical and moral behavior. The whole gamut of the interaction within the organisation and with the external environment is sought to be documented through this tool. In fact, this is also an attempt to determine to what extent the above virtues are communicated to the internal and external participants of the organisation. The tool also takes into cognizance of the appropriateness of remedial action taken in response to departures from approved policies and procedures and the attitude of the management towards intervention or overriding established controls.

The tool evaluates finer aspects of integrity and ethical values, as deep as —

(i) Illegal and improper payments
(ii) Anti-competitive guidelines
(iii) Insider Trading.

A host of such issues that fall within the ambit of integrity and ethical values are evaluated and comments, if any, are noted alongside each one of those queries. Such observations / comments made, for each of the critical queries in a sub-set area, are summarised and noted down in a box.

Commitment to Competence

In this ever-changing world, organisations are exposed to Darwin's theory—'survival of the fittest'. It, therefore, becomes essential for the management and audit to determine the management's commitment to competence of knowledge and skills.

The tool speaks of the formal and informal job descriptions and the knowledge and skills needed to perform the jobs adequately. The tool is, therefore, an evidence gathering process to determine the management's perception of competence, knowledge and skill.

It is not enough if the management decides to determine the employees' skill level for each job, but must translate this into action. The tool therefore considers—

- Management's analysis of skills for each job;
- Extent of judgement and the extent of supervision that is needed for each job.
- Extent of evidence available for management's commitment to competence.

Board of Directors or Audit Committee

The oversight function of the Board of Directors or the Audit Committee has the object of constructive challenge to management's planned decision. The tool presupposes the independence of the Board or the Audit Committee from the management. Issues like knowledge and experience of directors, fre-quency and timeliness of meetings, compensation, appointment and termination of executive officers are all points of focus for the auditor in determin-ing the efficiency and effectiveness of oversight functions.

The tool looks at the processes involved in in-forming the Board of vital issues relating to the company's performance. It also documents the manner in which the Board or the Audit Committee takes them up in ensuring effective internal control. More specifically, the internal audit function uses the tool to obtain evidence on the following aspects—

- Board Committee, Meetings and Membership;
- Board's Commitment to challenge the decisions of the management;
- Knowledge and industry experience of the members;
- Minutes of the Board Committee Meetings—effective implementation of the decisions taken;
- Reporting and follow-up procedures.

Management's Philosophy and Operating Style

The Philosophy and Operating style has a pervasive effect on the day-to-day working of the organisation. The Auditor has to exhaustively build in queries to document evidence on the style of functioning of the management. The coverage includes :

- Nature of business and risks accepted
- Personnel turnover in key functions
- Management's attitude towards accounting and data processing to ensure
  (i) Safeguarding of assets
  (ii) Control over-risk
  iii) Effectiveness and efficiency of operation.
- Attitudes and actions towards financial reporting.

To be more specific, the auditor collects evidence by querying on issues like—

- Management's approach to risky ventures and the processes involved in analyzing them;
- Retention ability of key personnel;
- Procedures and polices of accounting functions and the seriousness with which the management is involved in its formulation;
- Perception of the management to inappropriate practices.

Organizational Structure

The tool contemplates an organisational structure that is neither simple nor is complex to inhibit the necessary flow of information. The structure should be such that executives should fully understand the control responsibilities and should possess experience and knowledge commensurate with their positions.

The tool, therefore, is designed to concentrate on the appropriateness and ability of the organizational structure to provide information flow for management's decision process. It discusses issues relating to—

- Key managers and their responsibilities with a proper understanding of the same
- Knowledge and experience of key managers
- Reporting relationships
- Flexibility of the organizational structure to be

subject to modifications in view of changed conditions.

The broad framework listed above will focus on issues such as

- Centralization and decentralization of duties and responsibilities;
- Reporting relationships to take into its fold the effectiveness of formal, informal, direct or matrix approach to communication among employees;
- Structural changes on account of change in technology and changes in external environment due to competition and regulatory requirements.

Assignment of Authority and Responsibility

This provides the basis for accountability and control. Since authority and responsibility are two faces of the same coin, they have to be clearly defined to set forth roles for individuals in the organisation.

This tool deals with various aspects of authority and responsibility to deal with organisational goals and objectives. Specifically, the following concepts are covered under this tool:

(i) Responsibility and delegation of authority relating to operating functions
(ii) Regulatory requirements
(iii) Responsibility for information systems and authorizations for changes
(iv) Control related standards and procedures including job descriptions
(v) Adequate work force with requisite skill levels
(vi) Appropriateness of delegated authority in relation to assigned responsibilities.

In other words, issues relating to an appropriate balance between authority needed to get any job done and the involvement of senior personnel wherever needed—are clearly visible in organizations where authority and responsibility are given a logical relation. In such organizations, employees or empowered to correct problems are implement improvements when empowerment is accompanied by competence and clear boundaries of authority. The documentation process under this tool requires eliciting response from employees in the organisation.

Human Resource—Policies and Practices

An enterprise recruits people in the process of achieving its goals. People are the most important resource in an organisation while the organisation strives towards its goals. Hence, it is all the more important to have appropriate policies and practices in recruiting and retaining competent people.

While gathering evidence on policies, practices and procedures of human resource planning, the internal auditor shall employ this tool covering the following aspects :

- Policies and procedures for hiring, training, promoting and compensating employees.
- Awareness of their responsibilities and their expectations.
- Remedial action towards departures from approved policy.
- Adherence of personnel policies to ethical and moral value of the organisation.

This tool peeps into a host of issues relating to human resources policies and practices of the organisation. The qualitative factor of the auditee client depends upon the quality of its employees. Integrity and ethical values ingrained among the employees and the level of motivation instilled in them determines the future prospects of the business. Hence specific steps taken by the management—in retaining competent personnel in the organization needs to be documented to gather evidence about the prevailing practices.

Risk Assessment

The entity Risk Environment is also important from the point of view of internal audit. The Risk Environment encompasses both the entity level risk and the activity level risk. Therefore the risk assessment process should take into consideration both external and internal factors that could impact and impair the achievement of the entity's objectives. Risk identification includes examining external factors such as technological development, competition and economic changes and internal factors such as personnel quality, nature of the entity's activities and the characteristics of information system processing. The risk analysis involves estimating the significance of risk, assessing the likelihood of the risk occurring and considering how to manage and mitigate risk. The sub-sets in the Risk Assessment Process include :

* Entity wide Objectives
* Activity level Objectives
* Risks
* Managing change.

Entity wide Objectives

In order to have an effective control, the business entity should have established objectives. They also serve the purpose of identifying the risk environment. The entity wide objectives are broad statements of its expectations and desires to achieve specific long-term results. They are supported by strategic plans and it is imperative for the internal auditor to take stock of such objectives in the process of risk assessment. The areas of focus would include :

* Broad Statements and guidance on what the entity desires to achieve and its documentation thereof.
* Communication of entity wide objectives to the employees and the Board.
* The extent to which the strategies of the organisation are aligned to entity wide objectives.
* Consistency of activities such as business plans and budgets with entity wide objectives, strategic plans and current conditions.

This is important to identify whether there is an effective allocation of resources and priorities have been established to carry on the business based on the overall objectives. Plans and budgets will form an important component of this tool and the evaluator drills deep into this subject to find out whether they are realistic and are meticulously being adhered to.

Activity level Objectives

Activity level objectives are organisational goals, which are subject to specific targets and dead lines. Every significant activity should have specific objectives and it is needless to say that they have to remain consistent with other activity level objectives. Since the activity level objectives have significant impact on the day-to-day business processes, the internal auditor has to delve into this area, at greater lengths, in order to gather useful evidence. Queries in this area will include:

* Coherence of activity-level objectives with entity wide objectives and strategic plans.
* Consistency of activity-level objectives with each other.
* Relevance of activity-level objectives to all significant business processes.
* Involvement of various levels of management in objective setting.
* Earmarking of resources in achieving activity level objectives.

The generic business model provides an insight into the list of activities for which the objectives are to be set. An illustrative list of such objectives would include :

Corebusiness Activities	SupportActivities	Processes
Inbound	Technology Devpt. Enter-prise Management	Accounts Payable
Operations	External Relations	Accounts Receivable
Outbound	Administrative Services	Funds Processing
Marketing & Sales	Information Technology	Fixed Assets Processing
Service	Risk Management	Reconciliation
Procurement	Legal Affairs	Pay roll
Human Resources	Planning	Tax compliance
	Costing	MIS Reporting

This sub tool—although is exhaustive in its coverage—requires the identification of such objectives that are essential in critical success factors for the achievement of entity wide objectives. It is important that not only managers participate in establishing activity level objectives but also support them without any "hidden agendas". In other words, the tool looks at procedures for resolving disagreements and thereby ensuring that activities are complementary and reinforcing thus making activity level objectives economical in its approach.

Risks

As already described above, the entity must identify process to understand risks—both within and outside the organisation. It is the role of the internal auditor to determine the effectiveness of the business entity's risk assessment processes and steps taken to manage anticipated risks.

As an approach to this, the internal auditor or the management will document the following aspects to come to his/its own conclusions on risk assessment processes and aspects relating to them.

Adequacy and effectiveness of identifying risks arising from external sources: Examples will include:

- Supply Sources
- Technology Changes
- Creditors' Demands
- Competitors' Actions
- Economic Conditions
- Political Conditions
- Regulation
- Natural Events
- Adequacy and effectiveness of identifying risks arising from internal sources relating to:
- Human Resources
- Financing
- Information Systems.

The process of risk identification and assessment has to be carried out with respect to each significant activity level objective. It is also important that appropriate levels of managemen are involved in analyzing the risks and business continuity plans are prepared to take care of contingencies.

Managing Change

It is not enough to identify and assess risks in business entities but it would be necessary to adapt to changes in the external environment to manage risk. The entity's activities evolve and change as the economic, industry and regulatory environments change. The internal auditors will have to identify whether mechanisms exist to identify and react to changing conditions in the external environment.

The audit function will look into the mechanisms that anticipate and identify changes as a matter of routine and also such changes that have a dramatic and pervasive effect on the activities of the business. The existence of clear segregation with respect to responsibilities in managing change within the organisation is verified and documented. Broadly, the coverage will look at potential changes in the following areas, which will have a pervasive effect on the organisation as a whole :

- Changed operating environment
- New personnel
- New or Redesigned Information Systems
- Rapid Growth
- New Technology
- New Lines, Products, Activities and Acquisitions
- Corporate Restructuring
- Foreign Operations

Each of the above sub-set areas has specific risk issues associated with it on account of changes that happen from time to time. Routine changes are addressed as part of the normal risk identification and analysis process, while risks associated with business opportunities and competition are addressed at sufficiently high levels in the organisation. Critical issues have to be raised to identify the impact of changes on the above matters and its effect on the profitability and economic viability of the business. The audit function needs to oversee the steps taken by the management, in managing change, keeping in view the long-term sustainability of the business entity.

Control Activities

Control activities are implementation procedures drawn from a wide range of policies to ensure that management's philosophy and directives are put into effect. As a result, the perceived business risks are addressed to achieve the entity's objectives. The object of scrutinizing this set of activities is to ensure that the entity has a set of policies and procedures that are sufficient in achieving the entity's objectives. The internal audit also has to verify whether the controls have been properly understood, are in place and are being applied properly. Just as risks are assessed for every relevant objective, so also every such risk should have associated control activity to take care of the identified and assessed risk.

In other words, control activities have a set of policies and procedures that ensure employees carryout management directives. In achieving this, the activities involve review of control system, physical controls, segregation of duties and information system controls. Information system controls include general controls and application controls. General controls are those that cater to access software and system development. On the other hand, application controls are those which prevent errors entering into the system. In fact, the system provides for detection and correction of errors on a timely basis. The audit function will query to identify whether the control activities are in place and are being applied properly. Considerations in this direction will include

- Controls described in policy manuals are actually applied and are applied the way that they're supposed to be.
- Appropriate and timely action is taken on exceptions or information that requires follow-up.
- Whether supervisory personnel review the functioning of controls on a timely basis.

Information and Communication

The entity obtains information and communicates it to management and employees depending upon its relevance. The information system identifies, captures and reports financial and operating information as a matter of control. Personnel receive the information and act according to their rolls in the internal control system. Problems—if any—are reported to the top management with the object of seeking guidance in discharging their duties. External parties also provide information or communicate with the organisation in the normal business process. All these are part of information and communication systems of a business entity.

The point of focus in this tool is both on information and communication, which are dealt with separately.

Information

The auditor will have to concentrate on the efficiency and effectiveness of the enterprise in identi-fying, capturing and processing data or information for the business. He has to raise queries to lookinto the following aspects relating to information systems:

- Existing systems in obtaining external and internal information and the manner in which it is passed on to the management or to the right people.
- Alignment of information systems based on strategic plans.
- Management's commitments of resources, human and financial, in development of necessary information system.

Communication

Communication is inherent in information processing. Effective communication involves flow of relevant information across the organisation and also with external parties. Audit shall look into the following aspects for ensuring an effective communication system in the organisation :

- Communication of duties and control responsibilities to employees effectively.

- Receptivity of management to employees' suggestions.
- Adequacy of communication across organisation (Ex: between Procurement and Production activities).
- Openness and ethical behavioural standards with external parties.
- Timely and appropriate follow-up action.

Monitoring

Management monitors the control system by reviewing the output generated by regular control activities and by conducting special evaluations. Regular control activities include comparing physical assets with recorded data and reports given by internal and external auditors. Deficiencies identified during regular control activities are reported to in-charge supervisors while those identified during evaluations are communicated to higher levels of management.

The tool looks at monitoring with a three-dimensional approach. It includes:

i) Ongoing Monitoring
ii) Separate Evaluation
iii) Reporting Deficiencies.

Ongoing Monitoring

As we generally understand, ongoing monitoring occurs in the ordinary course of business, and this is an important area for internal auditors to assess the quality of internal control system of the organisation. The areas that need to be looked into by audit with specific queries on each area includes:

- Obtaining evidence about the existence and sufficiency of internal control procedures.
- Corroboration of communications from external parties with internally generated information.
- Reconciliation and physical verification of assets and liabilities.
- Response to internal and external auditors, recommendations.
- Training programs.
- Effectiveness of internal audit activities.

Separate Evaluation

The need for separate evaluation arises only to understand whether the existing internal control system is sufficient and effective under changed conditions of risk and business environment. The areas to be covered for determining the appropriateness of separate evaluation will include :

- Scope and frequency of separate evaluations of internal control systems.
- Appropriateness of evaluation processes and its methodology.
- Appropriateness of level of documentation.

Reporting Deficiencies

Deficiencies in internal control should always be reported to the top management and, if necessary, they may have to be carried to the Board or to the Audit Committee. The auditor has to review the existence of reporting procedures as and how the deficiencies come to light from within and outside the organisation. Specifically, the audit will deal with:

- Mechanism for capturing and reporting identified internal control deficiencies.
- Reporting protocols.
- Follow-up action.

Overall Internal Control System Evaluation

When the internal audit function has completed a segment-wise review, the results will be concluded at the end of each segment by way of preliminary conclusions and actions needed to overcome deficiencies.

Based on such preliminary conclusions, overall internal control system evaluation chart will be drawn up. The evaluation chart will contain 5 internal control components described above to document the inference drawn by the internal auditor in respect of each of these components. The management's view on the segmental conclusions will form the basis for an overall conclusion by the internal auditor.

The COSO report also identifies the limitations of internal control systems in an organisation. These limitations may be the result of deficiencies in human judgement, misunderstanding of instructions, errors, override by management, employees' collusion and cost / benefit considerations. Addressing these limitations from time to time is a management function and its effectiveness will be decided based upon the manner in which the 5 components described above are functioning effectively in the process of operations, financial reporting, and compliance.

Conclusion

The use and application of COSO Tools has always been relevant from the point of view of any organized management processes. Many of the issues discussed above are being implemented in one form or the other but does not reflect itself in any standard form. Hence, the use of COSO Tools would aid the management to systematically document processes that would ultimately provide a benchmark for further improvement. The relevance of these tools becomes all the more important in the atmosphere of Corporate Governance, where the processes have to be elaborately portrayed through established written practices. The economic meltdown affecting various industries across the world also reiterates the need for an effective control through internal control mechanism, which would anticipate risk in the external environment at a very early stage. Probably, in situations like this, COSO tool would prove to be handy and useful to large business conglomerates across the globe. ❑

SPEECH BY HON'BLE DR. JUSTICE ARIJIT PASAYAT, CHAIRPERSON, COMPETITION APPELLATE TRIBUNAL & AIRPORT ECONOMIC REGULARTORY AUTHORITY, APPELLATE TRIBUNAL

ON OCCASION OF NATIONAL SEMINAR AT BHUBANESWAR ON 'REGULATORY PRACTICES — ROLE OF MANAGEMENT ACCOUNTANTS', 2010

The purpose of economic regulation according to Stigler is the protection of public at large and its central tasks are to explain who will receive the benefits or burdens of regulation and to ensure that regulation results in efficiency of resource allocation. In the securities market there are competing concerns of investor confidence, protection and market development versus business interests. Regulation seeks to find an appropriate balance between these interests. Very often the development needs are in conflict with investor protection which is the primary responsibility of a regulator. The task of a regulator is therefore by no means easy. There must be the right blend of regulation, disclosure and enforcement, and consultation between the public, industry, and regulators. Contrary to popular perception, markets, if left alone, tend to degenerate from a free market to a free for all market—and you need a fair referee who would make sure that all are playing by the same set of rules and are fair to everyone. It is regulation which provides the right framework within which an economy can thrive through competition, innovation, fairness, efficiency, and confidence. The reforms in Indian securities market and the implementation of the regulatory framework by SEBI illustrate perfectly how all these issues are played out.

Regulation—Summary

- Regulation cannot be limited to economic issues — means to ultimately achieve non-economic ends
- Intentions and outcomes are therefore defined by a combination of economic, social, political. and bureaucratic factors and cannot be attributed to one set of factors alone
- Involvement of disciplines other than economics (law, political science, sociology etc.)
- Broad definition — " the use of public authority to set and apply rules and standards" (Hood et al, 1999)

  (Economic Regulation — A Preliminary literature review and summary of research questions — Parker)
- As an effort by the state "to address social risk, market failure or equity concerns through rule based direction of individual and society" (Planning Commission consultation paper on Regulation)

- Regulation is a complex balancing act between advancing the interests of consumers, competitors and investors, while promoting a wider, 'public interest' agenda.

— minimum prices to benefit the consumer (maximize consumer surplus);

— ensure adequate profits are earned to finance the proper investment needs of the industry (earn at least a normal rate of return on capital employed);

— provide an environment conducive for new firms to enter the industry and expand competition (police anti-competitive behavior by the dominant supplier);

— preserve or improve the quality of service (ensure higher profitability is not achieved by cutting services to reduce costs);

— identify those parts of the business which are naturally monopolistic (statutory monopolies that are not necessarily justified in terms of either economies of scale or scope);

— take into consideration social and environmental issues (e.g. when removing cross-subsidization of services).

Adam Smith stated in 1776 : " ...while he intends only his own gain...he is ...led by an ***invisible hand*** to promote an end which was no part of his intention..." — that is to maximize the wealth of the nation

- The competitive market guides and controls the self seeking activities of each individual to maximize the wealth of the nation.

The Regulator : As the market activity pick-up and the volumes rise, the market will definitely need a strong and independent regulator, similar to the Securities and Exchange Board of India (SEBI) that regulates the securities markets. Unlike SEBI—which is an independent body—the Forwards Markets Commission (FMC) is under the Department of Consumer Affairs (Ministry of Consumer Affairs, Food and Public Distribution) and depends on it for funds. It is imperative that the Government should grant more powers to the FMC to ensure an orderly development of the commodity markets. The SEBI and FMC also need to work closely with each other due to the interrelationship between the two markets.

Background

The rationale for regulation as well as regulatory approaches are typically influenced by the level of competition and maturity of markets. Many countries in the COMESA region have introduced competition on a gradual basis.

In order to achieve policy objectives, regulators around the world increasingly recognize the importance of developing the necessary instruments and regulatory tools to deal with the complexities of competition issues and facilitate the development of effective competition in relevant markets. Regulators and policy makers also recognize that increasing competition in a market can change the nature of regulation and the role of regulators. The greater the level of competition, the more market forces can be relied on to achieve certain policy goals.

Regulators face a difficult dilemma in that correction of governance abuses perpetrated by a dominant shareholder would often imply a micro-management of routine business decisions which lie beyond the regulators' mandate or competence. The capital market, on the other hand, lacks the coercive power of the regulator, but it has the ability to make business judgment.

The newly unleashed forces of deregulation, disintermediation, institutionalization, globalization and tax reforms are making the minority shareholder more powerful and are forcing the companies to adopt healthier governance practices. These trends are expected to become even stronger in future. Regulators can facilitate the process by measures such as: enhancing the scope, frequency, quality and reliability of information disclosures; promoting an efficient market for corporate control; restructuring or privatizing the large public sector institutional investors; and reforming bankruptcy and related laws. In short, the key to better corporate governance in India today lies in a more efficient and vibrant capital market. Of course, things could change in future if Indian corporate structures also approach the Anglo-American pattern of near complete separation of management and ownership.

Issues of corporate governance have been hotly debated in the United States and Europe over the last decade or two. In India, these issues have come to the fore only in the last couple of years. Naturally, the debate in India has drawn heavily on the British and American literature on corporate governance. There has been a tendency to focus on the same issues and proffer the same solutions. For example, the corporate governance code proposed by the Confederation of Indian Industry (Bajaj, 1997) is modelled on the lines of the Cadbury Committee (Cadbury, 1992) in the United Kingdom.

The developments in the Indian economy are attracting global attention for several reasons, such as size of the economy, recent acceleration in growth, maintenance of stability, impressive productivity increases, demographic dividend, etc. The contours of public policy have been predominantly domestically designed to suit the country context while harmonizing with the global best practices. There are, no doubt, many challenges—specially those relating to poverty, literacy and health care—which demand high priority. We are trying to address these issues in a democratic set up through a participative process.

Broadly speaking, from the micro-economic point of view, accounting standards encompass mechanisms for providing information about the financial condition and performance and, importantly, the risk profile of firms to all potential users. It, therefore, constitutes one of the core elements of the financial infrastructure. From the macro-economic point of view, the information supplied serves a dual function. Firstly, by facilitating the identification of most productive use of economic resources, it constitutes the basis for assessment of prospective rewards and risks. Secondly, it acts as an enabling mechanism for control over the effective utilisation of resources. Taken together, this forms the basis of income allocation among various constituents and the exercise of financial discipline.

Effective market mechanisms must, therefore, be instituted to ensure efficient capital mobilisation and its prudent allocation in securing long-term economic growth with assured stability. Needless to say, the development of efficient markets needs to be supported by high-quality market participants. Intermediaries, issuers, investors, regulators and professionals play important roles in generating this growth dynamism in our financial markets. Within the context of both domestic and international challenges, the accounting profession, therefore, plays an important complementary role towards building a credible, reputable and internationally competitive economy, irrespective of the capacities in which they perform. This includes not only in your capacity as auditors, but also as advisors, consultants, directors, or even as members of the corporate sector.

In auditing financial statements, accountants have the most intricate knowledge of the financials of companies. They are able to ascertain the drivers of performance and are equipped to provide an independent and objective evaluation on the opportunities and risk profiles of firms. Thus, for instance, in the absence of accurate financial reporting, it would become difficult for banks to make informed decisions about credit allocation unless they have confidence in the information provided by financial reporting. It is the quality, reliability and objectivity of this information which stakeholders rely upon to make informed judgment and allocate resources efficiently.

Transparency is imperative to imbue confidence amongst investors in our markets. The quality of information and the integrity of the market place act as strong modes for brand differentiation. While the quality of information has immediate and far-reaching implications for a particular enterprise, it eventually permeates to the market and the economy as a whole. It is, therefore, not surprising to find that the accounting profession is being constantly challenged to meet the demands for quality infor- mation. As key providers and verifiers of information, the bottom-line is simple: the higher the quality and integrity maintained by the profession, the stronger and more resilient will our markets be.

The investing public in India is at present broader and much more discerning than earlier. A crisis behind closed doors in past decades often becomes a matter of the broadest public concern at present. The globally noticed accounting irregularities at leading corporate entities in recent years have provided graphic evidence as to how much the absence of accurate, timely and comparable financial information can impede the effective working of markets. More generally, the debilitating effects of deficiencies in financial reporting have been amply demonstrated by the spate of financial crises and scandals in recent years. Thus, the importance of integrity of auditing functions for maintaining financial stability is now well-recognised. Professions such as yours could possibly take the lead in self-policing. The mix between self-regulation and regulatory discipline need not be watertight, but, instead, be flexible to inspire high levels of professionalism and integrity so as to ensure increased transparency and greater accountability. By providing the foundation for compilation of credible financial statements, the accounting profession facilitates market discipline, engenders confidence among various stakeholders and reduces the possibility of misleading information that can disrupt stability of financial systems.

With the opening up of the Indian economy, business concerns are sourcing finance from abroad through both the debt and equity routes, as also acquiring stakes abroad. The issue of adopting best practices in accounting, tailored to country-specific requirements, has acquired added importance and priority in this context. This demand for greater transparency and more effective financial reporting has placed renewed pressures on those preparing and attesting financial reports to comply with the accepted accounting standards, and also ensure that these standards are properly applied. Since some of the software companies and a few manufacturing corporates from India are now rated globally best, RBI intends to be similarly the best. Needless to say we expect Indian accounting profession to be among the world's best, if it is not already so in any specific aspect.

Before concluding, let me say a few words on the role of auditors in economic reforms. While the reform process had largely emphasised the need for improving the balance sheets, it is very critical that these measures really get reflected in the financial statements and present a true and fair view of the financial position of all entities. The reform process would be evidently incomplete if the balance sheet integrity is not ensured. ❏

MINISTRY OF CORPORATE AFFAIRS
GOVERNMENT OF INDIA

DEAR CORPORATES,

TO AVOID LAST MINUTE RUSH AND SYSTEM CONGESTION IN MCA21 DUE TO HEAVY FILLING IN LAST 10 DAYS OF THE MONTHS OF OCTOBER AND NOVEMBER 2010, IT IS REQUESTED THAT FILING OF ANNUAL RETURN AND BALANCE SHEET MAY BE DONE IN THE FOLLOWING ORDER :

	Preferable Dates for filing		
Company Names Starting with	**September 2010**	**October 2010**	**November 2010**
Alphabets A to D	All days during the month	1st Oct to 05 Oct 2010	1st Nov. to 05 Nov. 2010
Alphabets E to K	- do -	6th Oct to 10th Oct 2010	6th Nov to 10th Nov 2010
Alphabets L to Q	- do -	11th Oct to 15th Oct 2010	11th Nov to 15th Nov 2010
Alphabets R & S	- do -	16th Oct to 20th Oct 2010	16th Nov to 20th Nov 2010
Alphabets T to Z	- do -	21st Oct to 25th Oct 2010	21st Nov to 25th Nov 2010
Remaining/ Left out companies	- do -	26th Oct to 31st Oct 2010	26th Nov to 30th Nov 2010

YOU ARE REQUESTED TO PLAN YOUR ANNUAL GENERAL MEETING AND FILING ACCORDINGLY.

Appendix No. 7

CHAPTER BYE-LAWS FRAMED BY THE COUNCIL UNDER REGULATION 146

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute of Cost and Works Accountants of India is pleased to make the following amendments to the Chapter Bye-laws :

1. Short Title—These Bye-laws may be called "The Cost Accountants' Chapters (Amendment) Bye Laws, 2010 ".

2. Definitions—In these Bye-laws unless there is anything repugnant in the subject or context—

(a) 'Council' or 'Central Council' means the 'Council of the Institute of Cost and Works Accountants of India'.

(b) 'Chapter' means the 'Chapter of Cost Accountants' constituted under Regulations 146 of the Cost and Works Accountants Regulations, 1959.

(c) 'Regional Council' means the Regional Council constituted under the Cost and Works Accountants Act, 1959, having territorial jurisdiction over the Chapter.

(d) 'Student' means a Registered Student of the Institute studying for the examinations conducted or undergoing training under the Cost and Works Accountants Regulations, 1959, and not admitted as a Member of the Institute.

Explanation :

(e) For the purpose of these Bye-laws, a student shall also include a "Grad. CWA" 'Managing Committee' means the governing body of the Chapter constituted in accordance with Bye-law 2(b) of these Bye-laws.

(f) The definition of words and phrases given in the Cost and Works Accountants Act and Regulations, 1959 shall apply to these By-laws also.

3. Extent and commencement — These Bye-Laws shall come into force from July 21, 2010 and shall apply to all Chapters of Cost Accountants constituted under these Bye-laws.

4. Removal of difficulty— If any difficulty arises in giving effect to any of the provisions of these Bye-laws, the Council may make such provisions or give such directions as appear to be necessary for the removal of the difficulty.

5. Objects and functions — The functions of the Chapters shall include -

(i) The Chapter shall advice and assist the Central Council through the Regional Council in carrying out the provisions of the CWA Act, 1959 and Regulations framed there under;

(2) In particular the functions of the Chapters shall include—

(i) Organizing classes, refresher courses, lectures, meetings, debates, seminars, workshops, training, visits and excursions, study circles, research groups and other means of attainments towards meeting the needs of students and Members of the Institute of Cost and Works Accountants of India.

(ii) Provide facilities for interacting among the members and students of the chapter by regular meetings, arrangement of lectures, talks and for the acquisition and dissemination of useful information in connection with progressive developments in technology, trade, commerce and industry generally and with reference to Cost and Management Accountancy in particular.

(iii) Establishing and maintaining libraries and reading rooms for the benefit of its members and students.

(iv) Developing social contacts and a spirit of fellow feeling among its members and students and those of other Chapters as well as other bodies interested in Cost and Management Accountancy and other allied disciplines.

(v) Promoting social, cultural and intellectual development of the students and Members of the Institute and providing opportunities for exchange of ideas amongst them and for the acquisition and dissemination of useful information connected with the profession.

(vi) Making representations to the Regional Council concerned and through the Regional Council to the Central Council on matters concerning the standard and status of the profession.

(vii) Advising the Council / the Regional Council concerned on all matters referred to it by the Council or Regional Council, as the case may be, and offering such other suggestion as may be required.

(viii) Maintain a Register of Members and Students of the chapter and carrying out all other incidental, supplementary and consequential matters and such other functions as may be entrusted from time to time by the Council or by the Regional Council concerned for the attainment of the above objectives.

(ix) Arrange and / or assist the Regional Council and Central Council for the Practical Training of the Registered Students of the Chapter.

(x) Maintain a data base for the qualified Cost Accountants for securing suitable employment.

(xi) Maintain contacts with the various departments of the Governments and other bodies within the State in which the Chapter is operating with a view to enlisting their support in the furtherance of the interest of the members and students of the Institute.

6. Constitution of Chapter —

(1) A Chapter may be constituted by the Council on the recommendation of a Regional Council operating in its area and the Chapter so constituted shall be governed by these Bye-laws.

(2) No Chapter shall be constituted -

(a) within the municipal or corporation limits of a city where a Regional Council of the Institute is having its headquarters: or

(b) within a radius of 20 km of any Chapter constituted under these Bye-laws and the chapters can establish extension centers with the concurrence of the Council to meet the needs of the students and members of the locality, and

(c) unless there are at least **50** Members in the Chapter of whom at least 25 should be Members of the Institute and at least 25 should be students, provided, however, that the Council may specify different minima for the number of Members and students of the Institute for different Chapters.

Provided however minimum number of members of a proposed Chapter shall not include members under clause 9(2)

(3) Notwithstanding anything contained hereinbefore under sub-clauses (1) and (2), the Council may recog- nize formation of Chapter, under Regulation 146 of the Cost and Works Accountants Regulations, 1959 based on merit on case to case basis by relaxing the conditions laid down hereinbefore as necessary *and in the opinion of the Council such constitution would be conducive to the fulfillment of the objects of the Institute.*

7. Name and Address of the Chapter—

The Chapter shall be known by such name and shall operate from the address as shall be specified in the notification in the Journal of the Institute at the time of constitution of a Chapter by the Council and the same shall not be changed without the prior approval of the Council.

8. Financial Year—

The financial year of the Chapter shall be the period commencing from the first day of April of any year and ending on thirty-first day of March of the succeeding year.

9. Membership -

(1) Membership of the Chapter shall be open to every Member, Grad. CWA and student of the Institute of Cost and Works Accountants of India whose residential or occupational address fall within the area of the Chapter: provided that such Member or student of the Institute is not a member of another Chapter

Provided however that name of such members whose name has been removed from the register of members of the Institute shall not be allowed to continue the membership or be admitted as a member of the Chapter.

(2) Membership of the Chapter shall also be open to persons belonging to other business and profession, industrialists, educationists, representatives of trade, commerce, research and business organizations interested in the profession of Cost and Management Accountancy, its promotional activities and its utility for business community, production and trading operations and such persons shall have residential or occupational address within the area of the Chapter.

(3) Register of Members :

(a) The Chapter shall maintain in the prescribed manner a Register of the members of the Chapter

(b) The Register shall include the following particulars about every member of the Chapter, namely:

(i) Membership number / Student Registration Number for such members of the Chapter admitted to membership under clause 9(1)

(ii) his / her full name, date of birth, domicile, residential and professional address

(iii) the date on which his / her name is entered in the Register

(iv) his / her qualifications

(v) Any other particulars which may be prescribed

Provided further that every member at the time of admission as a member to the Chapter shall give a declaration that he / she is not a member of any other Chapter.

Provided further that no member can be granted the status of a Life Member of any Chapter

(4) Register of Students

The Chapter shall maintain a Register of Grad CWA / Students which shall contain all the particulars indicated under sub-clauses (i) to (v) of Clause 3(b) above as applicable.

10. Fees—

Every person admitted to the membership of a Chapter shall pay an admission fee as may be specified by the Managing Committee of the Chapter which shall not be less than Rs. 100/- and more than Rs. 500/-. Every member of the Chapter shall also pay an annual fee as may be specified by the Managing Committee of the Chapter which shall not in any case be more than more than Rs. 500/-. The annual fee shall become due and payable at the time of admission and thereafter on 1st day of April every year. A member failing to pay his / her annual fee for a year on or before 30th September of that year shall be deemed to have vacated his / her membership.

11. Managing Committee—

(a) There shall be a Managing Committee for the management of the affairs of the Chapter and for discharging the functions assigned to it under these Byelaws.

(b) The Managing Committee shall consist of not less than 5 and not more than 10 members of the Chapter elected from Members and students of the Institute as hereinafter provided.

(c) The Managing Committee shall be elected every year at the Annual General Meeting of the Chapter.

(d) The number of students to be elected to the Managing Committee shall at no time exceed one-fifth of the total membership of the Managing Committee provided that at least one student shall be elected to the Committee.

(e) Students and Members of the Institute to be elected to the Managing Committee shall be elected by the students and Members of the Institute respectively, provided they are members of the Chapter.

(f) There shall also be included in this Committee one Member of the Regional Council, not being a Member of the Central Council, operating in the area so long as, one such Member is locally available and is willing to act and who shall be nominated annually for the purpose by the Regional Council concerned. The Central Council also nominate one Member from the Central Council, elected from the Regional Council concerned, as the ex-officio Member of the Managing Committee.

(g) A member of Chapter under clause 9(2) shall not be eligible to be a member of the Managing Committee.

(h) The members of the Managing Committee shall hold office for a period of one year from the conclusion of the Annual General Meeting of the Chapter which shall in no case extend beyond 31st May each year.

12. Office-Bearers—

(1) Every Managing Committee of a Chapter at its first meeting to be held on the same day and immediately after the Annual General Meeting shall elect from among the elected members a Chairman, a Vice-Chairman, a Secretary and a Treasurer thereof, and so often as any of these offices becomes vacant, the Managing Committee of the Chapter shall elect another person from among its members to hold that office.

Provided that the Chairman, the Vice-Chairman, the Secretary and the Treasurer shall be Members of the Institute;

Provided further that a Member of the Central or Regional Council shall not be elected to any of these offices.

Provided further that retiring office-bearers shall be eligible for re-election to any of the offices if they continue to be a member of the Managing Committee subject to the condition that no office bearer shall be elected to any of the offices for more than 3 consecutive years.

(2) In the absence of the Chairman, the Vice-Chairman shall act in his place. The Chairman may at any time resign his office by writing under his hand and signature addressed to the Vice-Chairman and the Vice-Chairman or Secretary or Treasurer may like-wise do so addressed to the Chairman. If the office of the Chairman, Vice-Chairman, Secretary or the Treasurer becomes vacant, the remaining members of the Managing Committee shall elect within one month thereafter another person(s) from amongst its members to hold that office.

(3) Functions and Duties of Office Bearers :

(i) <u>Chief Executive Authority</u>: The Chairman of the Chapter shall be the Chief Executive Authority of the Chapter

(ii) <u>Function of Secretary</u> The secretary of the Chapter shall be responsible for the performance of general duties of the Chapter under the guidance of the Chairman or in his absence, the Vice Chairman.

(iii) <u>Function of Treasurer</u>: The Treasurer shall cause proper accounts to be maintained and prepare Annual Accounts as per Accounting Policies as approved and communicated by the Council from time to time under the guidance of the Managing Committee.

13. **Vacancies—**

(1) Any member of the Managing Committee may at any time resign his membership by writing under his hand and under his signature addressed to the Chairman and the seat of such member shall become vacant when such resignation is accepted by the Management Committee.

Provided however the Chairman shall communicate the decision of the Management Committee of either accepting or rejecting the resignation of the member in writing under his hand and under his signature within 15 days from the date of receipt of such letter of resignation by the member of the Managing Committee and the seat of such member shall become vacant when such resignation is accepted and communicated.

(2) A member of the Managing Committee shall be deemed to have vacated his seat if he is declared by the Managing Committee to have been absent without sufficient cause for three consecutive meetings of the Committee or if his name for any cause has been removed from the membership Register of the Chapter or if the member is for any reason disqualified to be a member under Clause 9 or Clause 10 of these Bye-laws.

(3) Any casual vacancy in the Managing Committee shall be filled by co-option by the Committee from amongst the members of the Chapter or by nomination by the Regional Council, according as thevacancy is caused by the resignation or the vacation of the seat by a member elected or nominated. The person co-opted shall continue as a member of the Managing Committee until the next Annual General Meeting.

Provided however that no such casual vacancy shall be required to be filled in if the vacancy is caused before 30 days of the next Annual General Meeting of the Chapter.

14. **Term of Office—**

The Chairman, Vice-Chairman, Secretary and Treasurer shall hold office until the next Annual General Meeting. The retiring office-bearers shall be eligible for re-election subject to Clause 12 of these Bye-Laws.

15. **Sub-Committees—**

(1) The Managing Committee may constitute from amongst its members such sub-committees as it deems necessary for carrying out its activities and for effectively discharging the functions of the Chapter.

(2) A sub-committee so constituted may co-opt with the approval of the Managing Committee any of the members of the Chapter, provided that at no time the total number of co-opted members shall exceed one-third of the elected members of the sub-committee.

(3) The sub-committees shall exercise such functions and subject to such conditions in the exercise thereof as may be decided by the Managing Committee.

16. **Functions of the Managing Committee—**

(1) The Managing Committee shall prepare a budget and a programme of activities for the incoming year and shall send copies thereof to the Regional Council concerned and Central Council for obtaining such guidance as they may consider necessary to give in regard to the activities of the Chapter.

(2) The Managing Committee shall advise and assist the concerned Regional Council in carrying out provisions of the Act, in particular, the Chapters may :

(i) Provide facilities for intercourse among members of the Chapter by regular meetings, arrangement of talks and lectures and for the acquisition and dissemination of useful information in connection with the profession of accountancy

(ii) Advise the Regional Council on all matters referred to them by the concerned Regional Council and offer such help as may be required.

(iii) Make representations to the Regional Council concerned in connection with matters of professional and business interest in the area where the Chapter is operating and offer for suggestions for raising standard and status of the profession;

(iv) Maintain Register of Members belonging to the Chapter and the Register of Students, both oral and postal, in the area of operation of the Chapter.

(v) Propagate among the members the advisability and necessity of observing the rules of professional etiquette and the provisions of the Act and Regulations;

(vi) Collect news from the members of the profession for publication in the Journal of the Institute and forward the same to the Regional Council concerned.

(vii) Arrange for coaching of students subject to the approval of Directorate of Studies for organizing classes and to strictly adhere to the norms of coaching as directed by the Directorate of Studies from time to time.

(viii) Run study-circles and refresher course camps for the benefit of the Registered Students and members of the Chapter.

(ix) Carry out such other functions as may be entrusted from time to time by the Central Council and / or the Regional Council concerned.

(3) The Managing Committee or any Member of the Chapter shall at no time make any direct or indirect

communication with the Central Govt. or any of the State Govt. or any Statutory Authority, unless the same is specifically authorized by the Central Council in writing.

17. Meetings of Managing Committee—

The Managing Committee shall meet at least once in every three months. A copy of the minutes of each meeting shall be forwarded to the Regional Council operating in the area within 15 days from the date of the meeting.

18. General Meeting—

(1) The Managing Committee shall convene every year an Annual General Meeting to be held not later than 31st May each year to transact the following business:

(i) To consider and receive the report of the Managing Committee

(ii) To consider and adopt annual accounts of the Chapter on or before 31st May positively which shall include audited Income & Expenditure and Balance Sheet drawn according to the approved Accounting Policy prescribed by the Central Council from time to time.

(iii) To appoint an auditor and fix his remuneration

(iv) To elect a Managing Committee

(v) To transact any other business as may be brought before the meeting with the permission of theChair.

(2) The Managing Committee may also summon an Extraordinary General Meeting as often as it may think necessary.

(3) An Extraordinary General Meeting shall be called by the Chairman of the Managing Committee within four weeks of the receipt of a request in writing stating the purpose of the meeting, signed by not less than 8 members or one-fifth of the total membership of the Chapter having voting rights whichever is higher.

19. Eligibility to vote—

Every member of the Chapter who is a Member and who is otherwise not disqualified to continue as a member under Clause 9 or Clause 10 of these Bye-laws or student of the Institute and who has paid his annual fees to the Chapter before the date of a General Meeting shall be eligible to vote in the General Meeting. A member of the Chapter not being a Member or student of the Institute shall have no voting right.

20. Notice of meetings—

(1) In the case of a General Meeting at least fourteen days' notice of the meeting specifying the date, place and hour of the meeting and in case of special business, the general nature of such business shall be given. Copies of notice of all General Meetings shall be sent to the Regional Council concerned at the same time as they are sent to the members of the Chapter

(2) In the case of a meeting of Managing Committee or of any sub-committee, at least seven days' notice specifying the date, place and hour of such meeting shall be given to the members.

21. Quorum—

The quorum shall, in the case of a General Meeting, be eight members, and in the case of a meeting of Managing Committee or sub-committee, one-third of the total membership of the Managing Committee or the sub committee, as the case may be. If the quorum is not present within half an hour of the time fixed for meeting, the meeting shall stand adjourned to such date, time and place as may be fixed by the Chairman of the General Meeting, managing Committee or sub-committee, as the case may be.

Provided however in case a Chapter is constituted by relaxing the minimum requirement of members by the Central Council under Clause 6 of these Bye-laws, the Central Council may allow a lower quorum in writing on an application made in this respect by the Chairman of the Managing Committee.

22. Notice of Proposals

Every member of the Chapter shall be entitled to table any proposal(s) or resolution(s) for the consideration of the General Meeting or Annual General Meeting:

Provided that such proposal(s) or resolution(s) shall be sent so as to reach the Secretary of the Managing Committee at least seven days before the date of the meeting. Any such proposal(s) received after the specified time will be treated as proposals for the next following meeting unless admitted by the Chairman of the earlier meeting:

Provided however that, nominations to the Managing Committee may be sent so as to reach the Secretary at least five days before the Annual General Meeting. The nominations received shall be *circulated* amongst the members present at the Annual General Meeting.

23. Chairman of General Meeting—

The Chairman of the Managing Committee shall be the Chairman of the General Meeting and in the absence of the Chairman, the Vice-Chairman. In the absence of both, the members may elect any one of the members present, having voting right as Chairman of the meeting.

24. **Decisions to be by majority**—

At all meetings, in the event of a difference of opinion, the vote of the majority shall prevail and in case of equality of votes, the Chairman of the meeting shall have a casting vote in addition to his original vote.

25. **Finance and Accounts**—

(1) There shall be established a fund under the management and control of the Managing Committee into which shall be paid all monies received by the Managing Committee by way of membership fees, grants, donations, subscriptions and other incomes of the Chapter and out of which shall be met all expenses and liabilities properly incurred by the Managing Committee;

Provided that funds of the Chapter shall be applied only as per the approved budget and any fund required to be spent outside the Budget shall be spent only with the approval of the Chairman.

Provided that no funds of the Chapter shall be applied, either directly or indirectly for payment to the members of the Managing Committee of the Chapter except for reimbursing them for any expenses incurred by them in connection with the business of the Chapter.

(2) The Managing Committee shall be responsible for the fund of the Chapter.

The surplus funds of the Chapter shall be invested in the prescribed securities only.

(3) The banking account shall be maintained in the name of the Chapter and operated by any two members of the Managing Committee one of who shall be the Treasurer who may be authorized by the Committee in this behalf.

26. **Accounts and Audit**—

(1) The Managing Committee shall cause to be prepared an Income and Expenditure account and a Balance Sheet as at 31st March every year in accordance with the Accounting Policy and form prescribed by the Central Council.

(2) The accounts of the Chapter shall be audited every year by the auditor who shall be a cost accountant in practice appointed for the purpose. The auditor should not be a member of the Managing Committee.

(3) The auditor shall submit his report along with audited Income and Expenditure Account and Balance Sheet as at 31st March every year as per format prescribed by the Statute / Central Council.

(4) Copies of the audited accounts, auditors' report and the report of the Managing Committee of the Chapter shall be sent to the members of the Chapter at least fourteen days before the date of the Annual General Meeting and shall be placed for adoption before the Annual General Meeting.

(5) Members of the Managing Committee shall be jointly and severally responsible to forward copies of the audited accounts, auditor's report and the report of the Managing Committee of the Chapter to the Central Council and to the Regional Council concerned latest by 16th May every year in compliance of the provisions of Regulation 93 and Regulation 97(B) of the Regulations.

27. **Quarterly Report of Chapter**—

The Managing Committee shall forward to the Central Council as well as to the Regional Council concerned a quarterly report about its functioning and activities within ten days of the end of each quarter.

28. **Restriction on making representations etc.**—

The Managing Committee or any member of the Chapter shall at no time make any direct or indirect communication with the Central Government or any of the State Governments or any statutory authority unless the same is specifically authorized by the Central Council in writing.

29. **Directions of the Council**—

A. Chapter shall at all times function subject to the control, supervision and direction of the Central Council including such directions that may be exercised through the Regional Council concerned and shall be governed by such directions as may from time to time be issued.

30. **Dissolution of Chapter**—

If, in the opinion of the Central Council, any Chapter and its Managing Committee has persistently made default in giving effect to the directions of the Central Council, the Central Council may, after giving opportunity to the Managing Committee to state its case, by order, dissolve the Chapter or take action against the members of the Managing Committee as per clause (2) of Part III of the First Schedule of the Act.

(As approved vide item No. 262.8 of 262nd meeting of the Central Council of the Institute of Cost and Works Accountants of India, held on July 21, 2010.) ❑

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Date of Advancement: 24th April 2010

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Shri Debnath Roy, MCOM, MBA, AICWA
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Flat No. 205, 2nd Floor, Akarshana Enclave, Papaiah Reddy Lane, 45 3rd Cross, New Thippasandra,
Bangalore 560075

M/25059
Shri Bhawesh Kumar Gupta
MCOM, LLB, FICWA
NSIC Ltd., 510/744, Badkhal Lake Extn., Main Road,
Faridabad 121001

Admission to Associateship

Date of Admission : 15th May 2010

M/29115
Mrs. Stuti Rakesh Shah
MCOM, AICWA
101, Maruti Centre, Drive In Road, Gurukul, Memnagar,
Ahmedabad 380052

M/29116
Shri A. P. Agasthian
MCOM, AICWA
8/17, 1St Floor, Kalaingar Street, Rani Anna Nagar Arumbakkam,
Chennai 600106

M/29117
Ms Rama Narayanan
BCOM, AICWA
A-2 Triveni, Sector - 5, Opp - P.K.C. Hospital Vashi,
NAVI MUMBAI 400703

M/29118
Shri C. Alagappan
BCOM, AICWA
91/1, Royappa Garden, Coxtown Dodoigunta
Bangalore 560005

M/29119
Shri Prashant Ramchandra Sawant, MCOM, AICHA
7, Tiwari Niwas , Nardas Nagar, T.P. Road,
Mumbai 400078

M/29120
Shri Sanjeev Jain
BCOM(HONS), AICWA
209, J-Ext., Gali # 6, Opp., Samaj Sadan Dharmshala Laxmi Nagar, Delhi,
Delhi 110092

M/29121
Shri Mukesh Kumar Jain
BCOM, AICWA
Flat No. 107, 18-35-3, Shree Sambhav Towers
Opp. Super Bazaar
Visakhapatnam 530002

M/29122
Miss Aaikanshi Bansal
BCOM(HONS), AICWA
4214, Opp. Deputy Gang, Pahari Dhiraj, Delhi 110006

M/29123
Shri Srinivasarajagopalan Balajee
BCOM, AICWA
Old No. 24, New No. 2, Mathala Narayanan Street, Mylapore, Chennai 600004

M/29124
Shri S. Jagadeeswara Rao
BCOM, AICWA
Plot No. 73, Sudha Nagar Colony, Old Safilguda,
PO - R K Puram,
Secunderabad 500056

M/29125
Ms Sunita Rath
BA(HONS), AICWA
C/o. Godabarish Rath, Kesav Nagar, Singibandha Sahi, Lanjipalli Berhampur, Dist - Ganjam
Berhampur 760008

M/29126
Shri Sathya Narayana Reddy J, BCOM, AICWA
#14, Room - 9, 2nd Floor 8th Cross, 4th Block Dodda Bommasandra
Bangalore 560097

M/29127
Shri R. Dhavamani
BCOM, AICWA
6/18, 'E' Block, Rekha Appartments, Duraiswamy Nagar, Pallapatty,
Salem 636009

M/29128
Shri Ranjeet Kumar Sahu
BCOM, AICWA
C/o. Rajendra Prasad Sahu, Chandrama Street,
Near Big Bazar, Berhampur, Dist - Ganjam
Berhampur 760009

M/29129
Ms D. Anusha
BCOM, AICWA
D/o. D. Bangarayya, Housing Board, Opp: Prusty Colony, Berhampur, Dist - Ganjam, Berhampur 760002

M/29130
Shri Pijush Kumar Saha
BCOM(HONS), AICWA
99/16, Banerjee Para Road Kolkata 700041

M/29131
Shri M. Rajendraprasath
BBA, ACS, AICWA
39, 1st Main, 1st Cross, Viveknagar 2nd Stage, Bangalore 560047

M/29132
Shri Ram Swamy
MCOM, AICWA
7 Ballards Farm Road, South Croydon, Surrey—CROOXT Surrey

M/29133
Ms. Aruna Nandigama
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Shri Kalyan Kumar Kanumuri, BCOM, AICWA
Plot No. 613/3, Aditya Enclave, Road No. 33, Jubilee Hills
Hyderabad 500033

M/29135
Shri Debasish Goswami
BCOM(HONS), AICWA
303, Divyashray Complex, Opp. Kalyan Party Plot, Vasna Road, Vadadora
Vadodara 390015

M/29136
Shri Mohammad Saif Sayeedi, BCOM(HONS), AICWA
Accountant, Telecommunication Consultants India Ltd., TCIL Bhavan, Greater Kailash - 1, Opp - Savitri Cinema, New Delhi 110048

M/29137
Shri Ashawani Kumar Dwivedi, BCOM, AICWA
12/72, Thakur Nagar East, Salempur 274509

M/29138
Shri Daniel Suresh John Fernandes, BCOM, AICWA
P.O. Box 669, Nass The Group, Kingdom of Bahrain Manama

M/29139
Shri Ashok Kumar
BCOM, AICWA
D - 28, Lajpat Nagar-I, New Delhi 110024

M/29140
Shri R. Ramesh Krishnan
BCOM, AICWA
No. 109, 2nd Floor, 2nd Block, 8th Main, Sir M.V. Nagar, Bangalore 560016

M/29141
Shri Shankha Saha
BCOM, AICWA
24A/5, Harshabardhan Road, A-Zone Post Office, Durgapur 713204

M/29142
Shri Samrat Ashok Mutagikar, MCOM, AICWA
Mutagikar & Co. C/o. Shri Prabhakar G. Vedpathak 1001, A Ward, Near Alora Apartment, Mohit Park, Radhanagari Road
Kolhapur 416012

M/29143
Shri Radha Ranjan Dash
BCOM, AICWA
C/O. K.P. Sinha, Road No. - 23, S.K. Nagar, Near Little Garden School, Patna 800001

M/29144
Ms Swati Agarwal
MCOM, AICWA
House No. 852, Shekhupura Colony, Aliganj, Lucknow 226022

M/29145
Shri Atish Kumar Agrawal
BCOM(HONS), AICWA
62, Ratan Sarkar Garden Street, Kolkata 700007

M/29146
Ms Saptarshi Chandra
BCOM, AICWA
8, Sri Gopal Mullick Lane, Kolkata 700012

M/29147
Shri Panamoottil Gangadharan Pramode Chandran
BCOM, LLB, LLM, MBA, AICWA
TC-25/3155 (1), MRRA - A3, Malloor Road, Vanchiyoor - Post, Trivandrum 695035

M/29148
Ms Doddala Rekha
MCOM, AICWA
Flat No. T-2, Sheela Residency, Gazetted Officers Colony, Maddilapalem, Visakhapatnam 535023

M/29149
Ms Meghna Dangi
BCOM, ACA, AICWA
503, Sanghvi Tower, Adajan, Surat 395003

M/29150
Shri Ajay Gupta
BCOM, AICWA
C - 42, Laxmi Narayan Puri, Suraj Pole Gate, Jaipur 302003

M/29151
Shri Nilanjan Ghosh
MCOM, AICWA
AF/15, Kalyanpur, Satellite Township, Asansol 713302

M/29152
Ms Deepasha Gupta
BCOM(HONS), AICWA
H. No. 97-98, Extension 3, Behind Police Quarters Nangloi, Delhi 110041

M/29153
Shri Arindam Ganguli
MCOM, AICWA
31, Balaram Dey Street, PO — Jorasanko Girish Park North, Kolkata 700006

M/29154
Ms R. Jaishree
BCOM, MBA, AICWA
"Chatushkon", Block - I, Flat - 6, 17A, Golf Club Road, Kolkata 700033

M/29155
Shri Shailesh Kumar Jha
BSC, MBA, AICWA
Flat No. 104, H. No. 6-3-1096/B, G B Apartment, Raj Bhavan Road, Somajiguda
Hyderabad 500082

M/29156
Shri Prakash Ramachandra Kulkarni, MCOM, AICWA
B - 9, Seaview Co-op. Hsg. Society, Baina, Vasco-Da-Gama, Goa 403802

M/29157
Ms Hemalatha Krishnadayanandan, BSC, AICWA
44, Scott St. Toongabbie, N S W - 2146, N.S.W.

M/29158
Shri Ritesh Brijlal Kanojiya
BE(MECH), AICWA
Qtr. No. D-108/2, C S T P S Colony, Urjanagar, Chandrapura 442404

M/29159
Shri Umesh Narasimha Kini
BCOM, AICWA
Income Tax Consultants, Shanti Niketan, Banavasi Road, Sirsi 581401

M/29160
Shri K. Murugesan
AICWA
SF - 5, Crystal Court, 26, Mahalakshmi Street, Srinivasapuram, Guduvancheri, Chennai 603202

M/29161
Shri Anoop Mannadathil
BCOM, AICWA
Mannadathil House, Choondal -Po, Thrissur - Dist.
Thrissur 680502

M/29162
Shri John D. Nevin
MCOM, AICWA
Manager-Finance & Administration, Streetsource Investment Services Pvt. Ltd., IJCCI Building,
21, K.B.Dasan Road, Teynampet, Chennai 600018

M/29163
Shri P. Suresh
BSC, MFT, AICWA
B - 8, Gokul Apartments, 16/10, Norton 3rd Street, Mandaveli,
Chennai 600028

M/29164
Shri Patel Saurabh Shambhuprasad, MCOM, AICWA
05, Aarohi Tenaments, Rangsagar Society Road, Near Government Tubewell Bopali, Ahmedabad 380058

M/29165
Shri Rakesh Kumar Prasad
BCOM(HONS), AICWA
Flat No. B-8/117, Kendriya Vihar, VIP Road,
Kolkata 700052

M/29166
Shri Sandeep Pareek
BCOM, AICWA
B 36, Yadav Nagar, Behind Nine Shops, Pani Petch, Jhotwara Road,
Jaipur 302016

M/29167
Shri Ramakrishnan Ramamurthy, BCOM, AICWA
Flat No. 505/506, "Celabrations", City of Joy, J.S.D. Road, Mulund (West),
Mumbai 400080

M/29168
Shri Anil Kumar Rajput
MCOM, LLB, AICWA
Plot No. 39, Ram Vihar Marg, Shivpuri, Kanpur 208025

M/29169
Shri J. Arun Mani Raj
BSC, AICWA
No. 18, Arumuganadar Street, Keelapavoor, Tirunelveli Dist,
Tirunelveli 627806

M/29170
Shri Vura Venkata Pandu Rangarao
MCOM, AICWA
S/o. V.V. Rajendra Prasad Rao, D. No. 10/72-2, Eluru Road, Gudivada 521301

M/29171
Shri B. Srinivasan,
BCOM, AICWA
Flat No. 203, Mahaveer Creek, 24th Main, 5th Phase, J. P. Nagar, Bangalore 560078

M/29172
Shri S.A. Sundarajan, BCOM, AICWA
Flat - G3, Door - 8B, 1st Cross Street, 2nd Avenue, Ashok Nagar, Chennai.

M/29173
Shri Dharmendra Kumar Swain, MCOM, AICWA
Qr.No: L-328, H.A.L. Township, Sunabeda - 2,
Koraput 763002

M/29174
Ms Lakshmi Shankaranarayanan, BCOM, AICWA
B + 1, Parsn Palm Ligend, Phase - II, Ondipudur,
Coimbatore 641016

M/29175
Shri Jomon Kochukonathu Saju, BCOM, AICWA
J.J. Bhavan, PO - Kokkadu, Kottarakkara, Kamukinkodu, Kollam 691538

M/29176
Shri Venkatesan Swaminathan, BCOM(HONS), AICWA
Flat - 602, Building No. 10, Shanti Park Aptts., 9th Block, Jayanagar, Bangalore 560069

M/29177
Shri Radhaballabh Sodhani
BCOM, AICWA
C2/103, Harmony Residency, Boisar, Tal : Palghar, Dist - Thane, Thane 401501

M/29178
Shri Shankaranarayana T.S.
AICWA
No. 28, 11th Cross, Nanjappa Layout, Vidyaranyapura,
Bangalore 560097

M/29179
Shri Vidhyut Bhupendrabhai Trivedi, MCOM, AICWA
F-11, Shanti Complex,
Opp. Vejalpur Busstop, Vejalpur, Ahmedabad.

M/29180
Shri Ambikesh Nath Tripathi, MCOM, AICWA
F-20 B, Laxminagar, Behind The Heera Sweets,
New Delhi 110092

M/29181
Shri Vasudev Vasandani
MCOM, AICWA
5/474, Viram Khand, Gomti Nagar, Lucknow 226010

M/29182
Shri Gopu Veerabrahman
MCOM, AICWA
Plot No. 20 to 23,
Flat No. 406, Laxmi Enclave, Behind Venkat Sai Homes, Nizampet,
Hyderabad 500072

M/29183
Shri Venkata Sudheer Babu Gonugunta, BCOM, AICWA
1/155, Nawabpet, Narasimhasetty Street,
Nellore 524002

M/29184
Miss Ridhi Arya
BCOM(HONS), AICWA
G - 512, C/o. Sangita Arya, Lower P.P. Compound, Near Guru Nanak School,
Ranchi 834001

M/29185
Shri Tilak Raj Abrol
MCOM, MBA, LLB, AICWA
A/C - 169 D, Shalimar Bagh,
New Delhi 110088

M/29186
Shri Malay Biswas
BCOM, AICWA
H/O. Dhubra Chakraborty
74A, Rail Park, Sodepur,
Kolkata 700110

M/29187
Shri Surajit Chanda
MCOM, AICWA
2/26, Sanghati Colony,
PO - Regent Estate,
Kolkata 700092

M/29188
Shri Suman Chakraborty
MCOM, AICWA
22/1 Iswar Mill Lane,
Kolkata 700006

M/29189
Shri Sandeep Chouhan
MCOM, MPHIL, AICWA
Vill - Hatoj, Post - Hatoj Ram Dev Ji Ke Mandir Ke Pass, Kalwar Road, Jhotwara,
Jaipur 303706

M/29190
Shri Anirban Das
BCOM(HONS), AICWA
31, The Crescent, Burnpur,
Burdwan 713325

M/29191
Shri Prafulla Ambadas Deulkar
BCOM, LLB, FCS, AICWA
Flat No. 12, Abhishek Coop. Hsg. Soc. Ltd., Plot No. RH-182, Sambhajinagar, Chinchwad, Pune 411019

M/29192
Shri Kashi Nath Ghosh
BCOM(HONS), AICWA
55, Nayapally, Belghoria,
Kolkata 700056

M/29193
Shri Manish Kumar Jaiswal
MCOM, AICWA
House No. C/133/37, Humayunpur (North),
Gorakhpur 273015

M/29194
Shri Hemant Joshi
BCOM, AICWA
403, Sahyog Appartment, Near Sahaj Super Stores, Anand Mahal Road, Adajan,
Surat 395009

M/29195
Shri Ramanathan Krishnamurthy, MCOM, AICWA
Old No. M-45/E, New No. 77/E, Eastern Avenue, Korattur, Chennai 600080

M/29196
Shri Avinash Kumar
BCOM, AICWA
35/D/2, Umesh Mukherjee Road, Belgharia,
Kolkata 700056

M/29197
Shri Subhajeet Kar
BSC, MBA, AICWA
Flat No. - G, Mita Apartments, 71/2, Parnasree Pally, Behala, Kolkata 700060

M/29198
Miss Harneet Kaur
BCOM, MBE, AICWA
House No. 2234, Sector - 15 C, Chandigarh
Chandigarh 160015

M/29199
Shri Muhammed Shafeeque A., MCOM, AICWA
Arakkal House, Near Thangala Palli, P. O. Mattul South, Kannur,
Kannur 670302

M/29200
Shri Yedukondalu Mareedu
MCOM, MBA, AICWA
Peddavutapalli Post, Unguturu - MD, Krishna Dist, Pedavutapalli 521286

M/29201
Shri Debashis Nanda
BSC(HONS), AICWA
At/Po. Khunta,
Dist - Mayurbhanj,
Khunta 757019

M/29202
Shri Aditya Nanawati
BCOM, AICWA
C/o. Bharat Singh Nanawati, 7-E-6, R.C. Vyas Colony,
Bhilwara 311001

M/29203
Shri Pratim Palit
MCOM, AICWA
49/18, Netaji Subhas Road, Behala, Kolkata 700034

M/29204
Shri Bibek Kumar Prajapati
BCOM, AICWA
At/Po. Sagara,
Dist - Sambalpur,
Sambalpur 768224

M/29205
Shri Sunil Kumar Panda
BCOM(HONS), AICWA
A-157, Kendriya Vihar, Sector - 56,
Gurgaon 122011

M/29206
Shri Pashchim Girish Pathak
BCOM, ACA, AICWA
G 6/14, Jan Kalyan, Bangur Nagar, Goregaon - West
Mumbai 400090

M/29207
Shri Anupam Roy
BCOM(HONS), AICWA
FC - 64, Narayantala West, Deshabandhu Nagar,
Kolkata 700059

M/29208
Shri Virendra Kumar Saini
BCOM, AICWA
C/o. Jitendra Kumar Saini, Flat No. 8, Plot No. 116, GMC Nivara Society, Purna Nagar, Chinchwad,
Pune 400019

M/29209
Shri Dinesh Kumar Singh
BCOM, AICWA
Flat No. 004, Bldg. No. 11, Swapanpoorti Phase - 2, Sector - 26, Pradhikaran, Nigdi, Pune 411044

M/29210
Shri Dushyant Sharma
BCOM, AICWA
19-A, Sewak Park, Opp: Metro Pillar 771, Uttam Nagar, New Delhi 110059

M/29211
Shri Moni Kanchan Sinha
BSC, AICWA
57, Bavavee Coke Plant, Near Durga Mandir,
PO - Kusunda,
Dhanbad 828116

M/29212
Shri T.V. Subramani
BCOM, AICWA
No. D-33, Sree Nivas Towers, Pondy - Villupuram High Road,
Puducherry 605010

M/29213
Shri Sunil Dattu Waghmare
BCOM, AICWA
C/16, Sejal Park, Keshavnagar, Near Municipal School, Chinchwad Gaon, Pimpri, Chinchwad
Pune 411033

M/29214
Shri Zulfiquar Ali Sanwari
BBM, AICWA
2/3 Basti Ram Ji Ki Bari, Bohrawadi, Behind Ashwini Bazar, Udaipur 313001

M/29215
Shri Zacharia Kuriakose
BCOM, MBA, AICWA
24, Mahavir Smruti, Ghatlodia,
Ahmedabad 380061

M/29216
Shri Bishnu Prasad Behera
BCOM(HONS), AICWA
Flat No. 305, Basundhara Apartments, Near Urmi Hotel, Rasulgarh,
Bhubaneswar 751010

M/29217
Shri K. L. Dasarathy
MA, AICWA
Old No. 7, New No. 11, GRN Srimathy Apartments, III Floor, Gandhi Street,
T. Nagar, Chennai 600017

M/29218
Shri V. Hariharan, BBA, MCOM, MBA, AICWA
No. 3, Villiwalkam - Redhills Road, Near Kadappa Road, Lakshmipuram,
Chennai 600099

M/29219
Shri Himanshu Jindal
BCOM, AICWA
House No. 5011/5, Gali No. 4, Block - 21, Near Durga Mandir, Newshimlapuri,
Ludhiana 141003

M/29220
Shri Kunal Kapoor
BCOM, AICWA
New GH-6, Flat No. 10, CSP Pocket, White Apartments, Paschim Vihar,
New Delhi 110087

M/29221
Shri Vishal Kumar
BCOM, AICWA
Main Bajar Street No. 1, Near Rajindra Studio, Malout Mandi, Dist - Muktsar
Malout 152107

M/29222
Shri Sohag Mukherjee
BCOM(HONS), AICWA
10/B, Fakir Halder Lane, Kalighat, Kolkata 700026

M/29223
Shri Sandipa Kumar Padhi
BCOM, AICWA
C/o. B. D. Singh, 2nd Mile, Sevoke Road,
Siliguri 734001

M/29224
Ms Rajitha R,
MCOM, AICWA
Renjini, TC 9/978, Sasthamangalam, Trivandrum 695010

M/29225
Shri Priyabrata Saha
BCOM(HONS), AICWA
DC-7A, Shastri Bagan, Manasha Apartment, 1st Floor, Flat - 1B, Baguiati,
Kolkata 700059

M/29226
Ms Alibika Saha
MCOM, AICWA
5/4 Jugipara Road, PO - Dum Dum, Kolkata 700028

M/29227
Shri Virendra Kumar Singh, BSC(HONS), MBA(FIN), AICWA
Qrt No. 15, Street No. 11, Sector - IX/B, Bokaro Steel City, Bokaro Steel City
827009

M/29228
Shri Siya Ram Yadav,
BCOM, AICWA
O N G C - M R P L., Finance Department,
PO - Kuthethoor, Via - Katipalla, Mangalore 575030

M/29229
Shri Subhasish Biswal
BCOM, AICWA
C A (India) Technologies Pvt. Ltd., 115, I T Park Area, Nanakramguda, Gachi Bowli,
Hyderabad 500019

M/29230
Miss Aastha Diwan
MCOM, AICWA
House No. 3021 Sector - 45D,
Chandigarh 160047

M/29231
Shri Vivek Gupta
BCOM, AICWA
H. No. 1320/3 Kamboj Street, Ragho Majra,
Patiala 147001

M/29232
Ms Lavika Jain, AICWA
115, Star Apartments, Sector - 9, Rohini,
Delhi 11085

M/29233
Shri Sanjeev Kumar
BCOM, AICWA
Vill - Kardial, PO - Pharian, Teh : Jawali, Dist - Kangra,
Pharian 176023

M/29234
Shri Vijay Kumar
MCOM, AICWA
H. No. 398/12, Waraich Colony, Back Side of Bus Stand, Samana, Dist - Patiala,
Patiala 147101

M/29235
Shri Kodati Madhava Rao
MCOM, AICWA
Teachers Colony, Phase - I, Waddepally, Hanamkonda
Hanamkonda 506004

M/29236
Shri Kengua Ramesh, BCOM, AICWA
2-10-917/3, Bank Colony, Waddepally, Hanamkonda, Dist - Warangal
Warangal 506004

M/29237
Ms Preeti Gupta,
BCOM, AICWA
House No. 2764, Sector - 22C,
Chandigarh 160022

M/29238
Shri Barot Mehul Narayan Bhai, BCOM, AICWA
A - 19, Sunder Baug Co-op. Hsg. Society, S. V. Road, Dahisar (E),
Mumbai 400068

M/29239
Ms Kinnarry Vasudev Thakkar, MCOM, PHD, AICWA
Flat No. 24, Building No. I - 17, Mahavir Nagar, Dahanukarwadi, Kandivli (W), Mumbai 400067

M/29240
Shri Sandeep Goel
BCOM(HONS), AICWA
EA - 208 Maya Enclave,
New Delhi 110064

M/29241
Shri V. Murali
BCOM, FCA, AICWA
Rain Tree, Flat No. 1A, Block - E, 21, Venus Colony, Second Cross Street, Alwarpet,
Chennai 600018

Admission to Associateship on the Basis of Mou with IMA, USA

Date of Admission : 7th June 2010

C/29242
Mrs. Sindhu S. Nair
BCOM, CMA(USA), AICWA
P.O. Box 21262,
Sharjah, U.A.E.

C/29243
Mr. Satyanarayan Gupta
BCOM(HONS), CMA(USA), AICWA
Chief Accountant & Financial System Expert, Accounts & Banking Operation Dept., Central Bank of Oman,
P.O. Box 1161,
PC 112, Ruwi, Muscat,
Sultanate of Oman

C/29244
Mr. Spencer Nester D'Mello BCOM, ACCA, CMA(USA), CFM, AICWA
Asst. Manager-Planning & Budgeting, Retailcorp World LLC, IBN Batuta Mall, China Court, Jebel Ali - 262005,
Dubai, U.A.E.

C/29245
Mr. Riaz Puthiya Nalakam
BSC, MBA, CMA(USA), AICWA
Finance Department, Ajman University of Science & Technology,
Ajman, U.A.E.

OBITUARY

We regret to announce the sad demise of Shri L. N. Gupta on 14th June 2010. He was Founder Member & Chairman of Jaipur Chapter during 1990-91. He was also Director of Coaching at the Jaipur Chapter for more than 10 years. A practising Cost Accountant, Shri Gupta made significant contribution to the profession in general & the Jaipur Chapter in particular. He has been a source of inspiration to the Students, Members and the Institute and has always been an active Member of the Chapter.

May his soul rest in eternal peace and give strength to his family to bear the great loss.

CEP Notice

The **Continuing Education Programme Directorate is Organising Following Programmes.** For Further Details and on-line registration **visit our website** http://mdp.icwai.org/ OR www.icwai.org (click the link Management Development Programmes).

Contact Person

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Additional Director (PD&P)
CEP Directorate,
ICWAI Bhawan, 3rd Floor
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New Delhi-110 003
Tel – 011-2464 3273 (D), 24622156/157/158

Name of the Programme	Duration	Venue	Fee (Rs.)
Mergers & Acquisitions	15-17 Sept. 2010	Hyderabad	15,000/- 30,000/- (Residential Basis)
Corporate Tax-Planning, Compiance & Management	05-08 Oct, 2010	Goa	30,000/- (Residential Basis)
Contract Management	10-12 Nov, 2010	New Delhi	15,000/-
International Programme on Emerging Trends in Financial Management	22 Nov-2 Dec, 2010	Singapore, Kuala Lumpur, Bangkok	2,25,000/-(Residential Basis)
Advance Tax, TDS and Tax Planning	21-24 Dec, 2010	Shirdi	30,000/- (Residential Basis)
Internal Auditing for Effective Management Control	21-24 Dec, 2010	Shirdi	30,000/- (Residential Basis)
Recent Trends in Financial Management including IFRS Convergence	03-09 Jan, 2011	Dubai & Muscat	1,50,000/-(Residential Basis)
Management of Taxation — Service Tax, VAT, Excise & Customs, TDS and proposed GST	18-21 Jan, 2011	Mahabaleswar	30,000/- (Residential Basis)
Finance for Jr. Finance and Accounts Officers and non Executives (F & A)	18-21 Jan, 2011	Mahabaleswar	30,000/- (Residential Basis)
Financial Risk Management	09-11 Feb, 2011	New Delhi	15,000/-
Valuation Management	16-18 Feb, 2011	New Delhi	15,000/-

ATTENTION MEMBERS!

UGC recognizes ICWA Qualification for Appointment as Teaching Faculty in Universities and Colleges in the Area of Management/Business Administration.

"UGC Regulations on Minimum Qualifications for Appointment of Teachers and Other Academic Staff in Universities and Colleges and Measures for the Maintenance of Standards in Higher Education, 2010, prescribes the minimum qualification for appointment of teaching faculty in universities and colleges in the area of Management and Business Administration.

The qualifications prescribed for appointment of Assistant Professor, Associate Professor, and Professor in the above area and Principal/Director/Head of Institution include FIRST CLASS GRADUATE and professionally qualified Cost and Works Accountant among other qualifications and subject to other requirements including NET/SLET/SET as the minimum eligibility condition for recruitment and appointment.

The relevant extract of the Notification is hosted on the website of the Institute at : http://www.icwai.org/icwai/docs/UGC-gist.pdf.
Full text of the Notification may be viewed from UGC website : http://www.ugc.ac.in/policy/revised_finalugcregulationfinal10.pdf

CONGRATULATIONS
ICWAI SECOND ESSAY COMPETITION

The Institute has pleasure in announcing results of essay competition on **"Cost and Management Accountants in Changed Scenario"** (for members) and **"Corporate Social Responsibility — Expectations from Cost and Management Accountants"** (for students)

The Jury for evaluation of essays comprised of :

CMA – Dr. P. C. Basu, and

CMA – Dr. Sreehari Chawa.

The award winners are :

Students Category

First prize : Guruprasad D
Second prize : Srinath P
Third prize : Iyer Sujatha Shankar

General Category

First prize : K. K. Rathi & Dilip Chowdhury

Secone prize : (Joint Winners) Garima Agarwal & Sekhar Ranjan Guha

Third prize : Suresh Ambalal Shah

The Institute thanks all the participants for taking part in the Competition.

Awards will be commemorated at a function. Date, time and venue of the function and other details will be intimated to the winners individually.

ANNOUNCEMENT

We at ICWAI are committed to encourage sustainable development policies for the future. One such issue very dear to the Institute's heart is environmental preservation. Towards this end we propose to come out with a special edition of the Research Bulletin on 'Climate Change and Protection'. We request the active participation of all readers through sharing of news, views and opinions on the abovementioned topic. The articles may cover a wide canvas touching upon issues of the economic, social and physical impact of climate change; variants of urban pollution and rural environmental damage; and steps for controlling the damage with special emphasis on improvement of quality of human life, rehabilitation measures and costs of preservation. Write-ups containing case studies and live examples will be preferred. All interested can send their write-ups to Research & Journal Dept., ICWAI, 12 Sudder Street, Kolkata-700016 or email to research@icwai.org.

ANNOUNCEMENT

The Management Accountant — November, 2010 will be a special issue on

'COST AND MANAGEMENT ACCOUNTANTS IN PHARMACEUTICAL SECTOR'

Articles, views and opinions on the topic are solicited from readers to make it a special issue to read and preserve. Those interested may send in their write-ups by e-mail to research @icwai.org, followed by hard copy to the Research & Journal Department, 12 Sudder Street, Kolkata-700016 to reach by 15th October, 2010.

Regions & Chapters

EASTERN REGION

EIRC Activities :

MDP on "ECB" and Risk Audit etc.

On 1st June 2010 EIRC organized a members' programme on "External Commercial Borrowings" and "Inspection, Audit and Risk Audit in Banks". Shri Manas Kr. Thakur, Chairman, welcomed the members in the programme. Dr. Sanjiban Bandyo-padhyaya, CCM, introduced the keynote on the topics. Shri Debasish Mitra, Secretary, Navi-Mumbai Chapter of ICWAI, spoke on "External Commercial Borrowings" and Shri P. K. Sengupta, Ex-General Manager, Punjab & Sindh Bank, spoke on "Inspection, Audit and Risk Audit in Banks". The sessions were interactive and lively. Shri Pallab Bhattacharya, Treasurer, offered formal vote of thanks. Shri Saswata Dasgupta, RCM, was also present in the programme.

Programme on CLSS and EES '10 jointly with IICCI

EIRC of ICWAI and Indo-ltalian Chamber of Commerce & Industry jointly organized an Interactive Session on "Company Law Settlement Scheme, 2010" and "Easy Exit Scheme, 2010" on 30th June 2010 at the premises of EIRC of ICWAI. Shri D. Bandyopadhyay, Registrar of Companies, West Bengal was the Chief Guest and Principal Speaker. Shri Manas Kr. Thakur, Chairman, EIRC of ICWAI, delivered the welcome address. Shri Ashok Aikat, Vice-Cairman of Indo-ltalian Chamber of Commerce & Industry spoke about the necessity and utility of the schemes. Shri S. S. Sonthalia, Former Chairman, EIRC of ICWAI nicely elaborated the scheme.

Programme with MCC

EIRC of ICWAI and Merchants Chamber of Commerce jointly organized Interactive Session on "Company Law Settlement Scheme, 1010" and "Easy Exit Scheme, 2010". Shri Manas Kr. Thakur, Chairman, EIRC of ICWAI, Shri U. C. Nahata, Regional Director, MCA, Govt. of India, Shri Sudesh Sonthalia, and Shri Manoj Banthia, Chairman, MCC, were the speakers. More than 100 participants from ICWAI and MCC participated in the programme.

Programme on Investors Awareness

To observe the Investors' Awareness Week, EIRC, jointly with its HQ, ICWAI, organized a seminar on Investors Awareness on 16th July 2010 at J. N.Bose Auditorium, Kolkata. Shri Manas Kr. Thakur, Chairman, EIRC, Dr. Sanjiban Bandyopadhyaya, Central Council Member, ICWAI, Shri U. C. Nahata, Regional Director, MCA, Govt. of India, and Shri D. Bandyopadhyay, Registrar of Companies, West Bengal, and Shri C. S. Ashok Pareek, former Chairman, ICSI-EIRC, were the speakers. More than 300 participants were present in the programme.

Programmes on CLSS & EES

EIRC of ICWAI organized two programmes on "Company Law Settlement Scheme, 2010" and "Easy Exit Scheme, 2010" on 28th July and 30th July, jointly with Indian Chamber of Commerce and Bharat Chamber of Commerce, respectively.

On 28th July the programme was held at ICCS auditorium where Shri Manas Kr. Thakur, Chairman, EIRC, Shri D. Bandyopadhyay, ROC, West Bengal and Mrs. Mamta Binani, Chairperson, ICSI-EIRC, were the speakers. Shri M. Chowdhry, Director of ICC, delivered the welcome address and introduced the speakers with the participants. Shri Pallab Bhattacharya, Treasurer, EIRC, was also present. The programme was interactive and a lively one.

On 30 July, the programme was held at Hotel Hindustan International. Shri Pavan Poddar, President of Bharat Chamber of Commerce, wel-comed the guests and participants. Shri Manas Kr. Thakur, Chairman, EIRC, delivered the keynote address. Shri S. M. Surana, Chairman, Taxation & Company Affairs Standing Committee, BCC, spoke on the topics and Shri D. Bandyopadhyay, Registrar of Companies, West Bengal, elaborately presented the entire matter before the participants. Shri Pallab Bhattacharya, Treasurer, EIRC, offered a vote of thanks.

Cuttack Bhubaneswar Chapter

National Seminar :

Chapter organized **3-day National Seminar** during **25-27th June 2010** for its members and students on the theme **"Regulatory Practices—Role of Management Accountants"** at Hotel The Crown, Bhubaneswar. Hon'ble Justice Dr. Arijit Pasayat, Chairman, CAT, inaugurated the seminar as Chief Guest by lighting the sacred lamp. In the inaugural session Mr. P. N. Parashar, Member, CCI, Mr. G. N. Ventkataraman, President, ICWAI, Mr. S. C. Mohanty, CCM, ICWAI also graced the occasion as Guest of Honour and addressed the gathering. Mr. S. Mohapatra, Chairman of the Chapter, gave the welcome address, Mr. S.C. Mohanty, CCM, ICWAI gave the keynote address and Mr. M. R. Lenka, Secretary of the Chapter, extended vote of thanks on the inaugural session on 25.06.10.

Thre were all together three inaugral sessions, eight technical sessions, and one valedictory session in the said National Seminar.

Group Discussion Group 1 (Inter).

As per the Institute guideline under revised syllabus, 2008, Cuttack Bhubaneswar Chapter has organized the Group Discussion for its Inter (Group I) students of the session (April 2010 to September 2010). Preliminary GD was conducted on 04.07.2010. Shri Abani Kumar Panigrahi, Ex-Director—HR, NALCO Ltd.—conducted the programme. CMA Suresh Chandra Mohanty, CCM, ICWAI, was the Chief Guest of the occasion. CMA M. R. Lenka Treasurer cum Secretary, coordinated the programme. The best three students were awarded with cash prizes and others were awarded with consolation prizes.

Celebration of "India Investors Week" July 12-17.

This Chapter has organized an "Investors Awareness Programme". CMA Debraj Biswal, CEO, Bhubaneswar Stock Exchange Ltd. was the Chief Guest on the occasion. Ms. Nirupama Kanungo, Branch Manager, Stock Holding Corporation of India Ltd., Bhubaneswar, was the other Speaker on the occasion. CMA Suresh Chandra Mohanty, CCM, ICWAI, and CMA S.Mohapatra.

Modular Programme for Final Students

This Chapter organized a modular training programme for its final students on 21.07.10 on Personality Development, Communication Skill and Soft Skill. Shri Abani Kumar Panigrahi,Ex-Director—HR, NALCO Ltd., deliberated on communication skills and soft skills to the students in order to excel in their professional life. CMA N. Sahoo, Hon' Director (Oral Coaching), coordinated the programme. Around 75 students participated in the said occasion.

Ranchi Chapter

Seminar on "GST"

EIRC of ICWAI and Ranchi Chapter organized a seminar on ''GST'' in collaboration with FJCCI (Federation of Jharkhand Chamber of Commerce and industries) at Chamber Bhawan, Ranchi. Keynote speaker was Sri M. A. Chari, Cost Accoutant, and Chief Guest was Sri Suresh Seraphin, Add. Commissioner, Central Excise, Ranchi. Sri Manas —Chairman—EIRC, Sri A. D. Wadhwa—Vice Chairman—EIRC, Sri Pallabh Bhattacharya, Treasurer—EIRC, Sri A. K. Sao, Chairman—Ranchi chapter and Sri Ranjit Agarwal—Secretary—Ranchi chapter were also present.

South Orissa Chapter

''Investor Awarness Programme'' was conducted by the South Orissa Chapter of ICWA of India, Berhampur, on 15.07.2010.

Shri R. K. Sharma, IPS, M.Com, CA, CS, DIG of Police, Southern Range, Berhamur, was the Chief Guest and Shri Anil Mukar Patro, M. D., Silk City Securities Pvt. Ltd., Berhampur, Shri Anil Kumar Pattnaik, Branch Head, Met Life Insurance Company Ltd. Berhampur, Shri Anil Kumar Pattnaik, Branch Head, Met Life Insurance Company Ltd., Berhampur, Shri E. Ajay Kumar, the Branch Manager, Corporation Bank, Berhampur, Shri Upendra Kumar Dash, FICWA, Branch Manager, the Peerless Gneral Finance Investment Co. Ltd., Berhampur, were the Guests of Honour and the main speakers.

Shri Anil Kumar Patro the M.D., Silk City Securities Pvt. Ltd., spoke elaborately on share and debentures, Mutual Funds of different companies.

Shri R. K. Sharma, IPS, DIG of Police, the chief Guest who is also CA & CS rankholder, spoke spontaneously about securities, the secondary markets, dealings with the brokers and sub brokers and generally what kind of offences are coming to light by some non-banking finance companies etc. Shri E. Ajay Kumar, Branch Manager, Corporation Bank, spoke on how safe the deposits are with Banks while comparing with other pockets of investments. Shri Upendra Kumar Dash, FICWA, Branch Manager, of the Peerless General Finance & Investment Co. Ltd., Berhampur, discussed about intermediaries in the financial market, insurance companies, mutual funds, SEBI. The Secretary of the Chapter, Shri Ch. Vankata Ramana, talked about private investments and Govt. Investments, Collective Investment Schemes, the role of SEBI.

NOTHERN REGION

Hon'ble Union Minister for Parliamentary Affairs and Water Resources, Sh. Pawan Kumar Bansal, inaugurated the seminar on 'Direct Tax Code and International Financial Reporting Standards — a professional perspective' organized by Chandigarh-Pkl. Chapter of ICWAI. Mr. Gulshan Kumar, Chairman of the Chandiagrh-Pkl Chapter, welcomed the Chief Guest Sh. D. S. Grewal-PATRON, Sh. Anil Sharma—Secretary, and other members of the Chapter committee were also present. While addressing the audience Mr. Bansal talked about the need of friendly tax laws. Mr. G. V. Venkatraman, President—ICWA was the Guest of Honour at the seminar. During his interaction with the members of the profession, Mr. Venkataraman informed about the future of the Management Accountants world over and new treaties signed by the ICWAI at international level. He also discussed about the govt. perception about the profession of Management Accountants. Mr. Girish Ahuja, a renowned author and faculty on Direct Taxes, delivered a lecture on Direct Tax Code (DTC) to be implemented w.e.f. 1st April 2011. Mr Balwinder Singh, CCM—ICWAI, was speaker of International Financial Reporting Standards (IFRS) and spoke on the issues of absence of IFRS in India. He said govt. is planning to implement IFRS in phase manner as immediate implementation may cause trouble to the industry. At the seminar Mr. Rakesh Bhalla, Vice- Chairman of NIRC of ICWAI, was also present and interacted with the members and students of the chapter.

Jaipur Chapter

International Career Fair 2010

ICWAI Jaipur Chapter participated in the International Career Fair organized by Rajasthan Patrika at Ambedkar Circle, Jaipur, from 8th May to 16th May 2010. In this Fair more than 350 students visited the stall of the ICWAI Jaipur Chapter. Director of Coaching and staff members of Jaipur Chapter ex-plained the procedure of joining ICWAI Course, eligibility criteria, Coaching activities, employment opportunities and new avenues available to the visiting students. Many senior members, executive members and students of Jaipur Chapter also visited the stall.

Inauguration of Oral Coaching Classes

The July - December 2010 Session of Oral Coaching Classes for Foundation, Intermediate, Final and new course of CAT was inaugurated by Dr. Mahesh Joshi, Member of Parliament (Jaipur), on 31st July 2010. Shri D. K. Gupta, Chairman of the Chapter welcomed the Chief Guest. Dr. Mahesh Joshi advised the students to concentrate on studies, be disciplined & work hard. Guest of Honour Dr. Ashok Kumar Jain informed that ICWAI is getting proper representation in GST, Direct Tax Code and Investor Awareness Programme. He also informed that the matter regarding name change of our Institute from ICWAI to ICMAI is pending with the Parliament. Hence, he requested the Chief Guest Dr. Mahesh Joshi, Member of Parliament (Jaipur), to take up the matter in the Parliament suitably. Shri P. D. Agrawal, Director of Coaching, while mentioning the Coaching activities, informed that in this Session—because of increase in the strength of students—classes are running in three Sections for Foundation as well as Intermediate Group I, having batch of 60 students in each Section. The programme was conducted by Shri Sanjay Jain, Secretary of the Chapter. Shri S.L. Swami, Executive Member of the Chapter, presented the vote of thanks. A large number of students, faculties & members were present on this occasion.

SOUTHERN REGION

Hyderabad Chapter

Evening Talk on "World Economy, Indian Capital Markets & Global Warming" on 05.06.2010 by Dr. P.V.S Jaganmohan Rao

On the eve of World Environment Day an evening talk was organized at Chapter premises on 05.06.2010 by Dr. P.V.S. Jagan Mohan Rao, Past Chairman, SIRC of ICWAI, and Past President, ICSI. Sri B. L. Kumar, Secretary, welcomed the guests and Sri M. Kameswara Rao, Managing Committee Member, introduced the subject matter and Sri K. K. Rao, Managing Committee Member, introduced the Speaker to the Members. Speaker Dr. P. V. S. Jagan Mohan Rao in his address explained the need of protection of the environment.

Mangalore Chapter

Investors Awarness Programme was organised by Managalore Chapter.

Dr. V. K. Vijay Kumar, Investment Strategist, Geojit BNP Paribas Financial Services Ltd., Trissur, Kerala, was the Chief Guest and Guest Speaker for the occasion. The Chairman of the Chapter, Sri Ullas Kumar Melinamogaru, and Secretary Sri B. Harishchandra, were present on the occasion.

Dr. V. K. Vijay Kumar, in his introductory speech, thanked the Chairman of ICWAI for conducting such programme. He appreciated efforts of ICWAI for arranging such Investors Awareness Programme. He said that the Government of India in general and Finance Ministry in particular is giving importance to the development of capital market. In India literacy rate is increasing but financial literacy has not increased to that extent. Government of India, Ministry of Corporate Affairs and Finance Ministry, should educate people with regard to ***Do's*** and ***Don'ts*** in invest-ment to the Investors.

Trivandrum Chapter

Report on a talk on Intellectual Property Rights* by Dr. V. L. Mony.

As a part of the Professional Development Activity of the Trivandrum Chapter of Cost Accountants, TCCA arranged a talk by Dr. V. L. Mony, M.Com, LLM, MBL, PhD, Deputy Director (IPR), National Law University, Jodhpur, on **'Intellectual Property Rights'**, on 28th June 2010 at the Chapter Premises. The meeting was chaired by CMA H. Padmanabhari, Chairman, TCCA. CMA S. Hariharasubramanian, Member,delivered the welcome speech. CMA B.V. Subra-maniam, Secretary, introduced the Faculty to the audience.

Dr. Mony covered all aspects of the topic extensively viz. copyrights, digital rights, remixing of copy, trade-marks, internet protection, performers rights, design act, dispute settlement etc. citing examples from national and international scenario. The speech was followed by an interactive session. The speaker clarified the doubts and queries of participants. The talk was very informative and beneficial to the practising CMAs and aspiring students. CMA Sivadasan A., Vice-Chairman, proposed the vote of thanks. The speaker was honoured by CMA Joseph Louis.

WESTERN REGION

Pune Chapter

Haf Day Seminar

MCCIA, jointly with Ministry of Coporate Affairs — ROC Pune, Pune Chapter of Cost Accountants of ICWAI and Pune Branch of WIRC of ICAI, organized on 10th July 2010, at Pune, a half day programme on ''Esay Exit and Settlement Schme—2010''.

The schme is introduced by Ministry of Corporate Affairs, under ''Company Law Settlement Scheme, 2010'' allowing defaulting private and public companies to comply with the Companies Act, Rules and Regulations with Lesser Penal Action, Grant-ing of Immunity,Withdrawal of Prosecution(s), etc, in order to bring down the number of defaul-ting compa-nies and promote Legal Compliance Aptitude.

CMA, CA—Shri D. G. Kurundwadkar presented the paper and explained the scheme in detail. Registrar of Companies — Pune, Shri. V. P. Katkar, satisfied the queries and doubts of the participants. CMA Pramod Dube, Chairman, Pune Chapter of Cost Accountants, and Representives of MCCIA expressed their views on the subject.

Inauguration of Modular Training Programme

CMA Amit Apte Vice Chairman WIRC, inaugurated Modular Training Programme for 15 days for Final year Students on 25th July 2010 at Pune for both Oral and Postal Students. He explained the significance of Modu-lar Training Programme to the students. The first ses-sion was conducted by CMA Milind Date, Secretary, PCCA. CMA D V Patwardhan introduced CMA Apte & CMA Milind Date and felicitated them by offering bou-quets.

Surat—South Gujarat Chapter

Inauguration of Oral Learning July-Dec 2010 Session

Oral Learning Centre at Surat—South Sujacat Chapter of Cost Accountant—for session July-Dec 2010 was inagurated by Shri Rajnikant Marfatiya, Chairman, Sarvajanik Education Society, Surat. CMA Kenish Mehta, Secretary of the Chapter Conducted the session and informed the students about ICWAI and prospects. On this occasion CMA Dr. Heena S. Oza, Chairperson, welcomed the students to ICWAI family and laid emphasis on hard work in studies. CMA Shri Manubhai Desai, Chairman, WIRC, showered his worthy bless-ings on students. Above 300 students came to their new family of ICWAI Surat SG Chapter.

The formal Vote of Thanks was proposed by Mr. Jay Choksi, Grad. Member of the Chapter. ❏

EASTERN REGION

CUTTACK-BHUBANESWAR CHAPTER

The Managing Committee unanimously selected the office bearers for the year 2010-11 :

Srikanta Kr. Sahoo	Chairman
Akhaya Kr. Swain	Vice-Chairman
Manas Ranjan Lenka	Secretary

RANCHI CHAPTER

The following Committee was elected for 2010-11 :

A. K. Sao	Chairman
S. K. Singh	Vice-Chairman
Ranjit Agarwal	Secretary
Ridhi Arya	Treasurer

SOUTH ORISSA CHAPTER

The New Managing Committee has been made for the financial year 2010-11 :

Narasingha Ch. Kar	Chairman
P Pradeep Kr. Patro	Vice-Chairman
Cheruvu Venkata Ramana	Secretary
Ashwini Kr. Patro	Treasurer

WESTERN REGION

The Western India Regional Council of the ICWA of India elected the following members as office bearers of WIRC-ICWAI, for the year 2010-11 :

Amit A. Apte	Chairman
Dinesh K. Birla	Vice-Chairman
P.V. Wandrekar	Hon. Secretary & Treasurer

JABALPUR CHAPTER

Jabalpur chapter of ICWAI elected new office bearers of the Cahpter for the year 2010-11 :

Anil Gupta	Chairman
Madhu Agarwal	Vice-Chairperson
Manoj Ravtani	Secretary
Tapan Badkul	Treasurer

NORTHERN REGION

The following office bearers have been unanimously elected for the year 2010-11 :

Rakesh Bhalla	Chairman
Rajeev Mehrotra	Vice-Chairman
B. L. Jain	Secretary & Tressurer

JAIPUR CHAPTER

The new committee members have been elected following office bearers for the year 2010-11 :

D. K. Gupta	Chairman
R. K. Bhandari	Vice-Chairman
Sanjay Kumar Jain	Secretary
Vinod Chittora	Treasurer

JALANDHAR CHAPTER

The following office bearers have been elected for the year 2010-11 :

Pooja Sharma	Chairman
Ms. Veenu	Vice-Chairman
Dr. Sonia Chawla	Secretary
Harinder Kaur	Jt. Secretary
Ms. Kushma	Treasurer

UDAIPUR CHAPTER

The following members have been elected as office bearers for the year 2010-11 :

B. S. Gupta	Chairman
R. K. Chandalia	Vice-Chairman
Y. L. Jain	Secretary

SOUTHERN REGION

The Southern Indian Regional Council of the Institute of Cost and Works Accountants of India elected following office bearers for the year 2010-11 :

Dr. I. Ashok	Chairman
B. R. Prabhakar	Vice-Chairman
G.V.S. Subrahmanyam	Secretary
P. Raju Iyer	Treasurer

BANGALORE CHAPTER

The following office bearers have been elected to the Managing Committee of the Institute of Cost and Works Accountants of India, Bangalore Chatper, for the year 2010-11 :

Anegundi Y. H.	Chairman
Shri Dattareya	Vice-Chairman
Geetha S.	Secretary
Lakshmi Kantha V.S.	Treasurer

HYDERABAD CHAPTER

The following members have been elected as office bearers for the year 2010-11 :

G. Narayan Rao	Chairman
A. S. Nageswar Rao	Vice-Chairman
B. L. Kumar	Secretary
Yoganarasimhan, A.	Treasurer

KOTTAYAM CHAPTER

The following office bearers have been unanimously elected for the year 2010-11 :

Benoy Varghese	Chairman
R. Sreelakumar	Vice-Chairman
R. Muraleedharan Pillai	Secretary
Jiji Varghese	Treasurer

TRIVANDRUM CHAPTER

The following members were selected as office bearers for the year 2010-11 :

H. Padmanabhan	Chairman
A. Sivadasan	Vice-Chairman
B.V. Subramaniam	Secretary

NELLORE CHAPTER

The following members were selected as office bearers for the year 2010-11 :

Y. Srinivasa Rao	Chairman
Ch. Venkata Naga Lakshimi	Secretary
R. Sudhakar	Treasurer

THE INSTITUTE OF
COST AND WORKS ACCOUNTANTS OF INDIA

NOTIFICATION

Kolkata
the 12th July, 2010

11- CWR (425-431)72010 : In pursuance of sub-Regulation (3) of Regulation 11 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that the Certificates of Practice granted to :

1. Shri K. Muralidharan, BSC, AICWA, A5, Dhruva Nivas, 23 South Mada Street, Srinagar Colony, Saidapet, Chennai 600015, (Membership No.2803) is cancelled from 1st April 2010 at his own request.
2. Ms. Chaitanya Tummala, BCOM, AICWA, F2, Bhanodaya Apts, Street No. 8, Vidyanagar, Hyderabad 500044, (Membership No. 16998) is cancelled from 1st May 2010 at his own request.
3. Shri Mahaveer Chand Kothari, MCOM, AICWA, 3061, Gokulam Park Road, 4th Cross, V.V. Mohalla, Mysore 570002, (Membership No. 24866) is cancelled from 26th April, 2010 at his own request.
4. Shri R K. Sundaram, BCOM, FICWA, G-6, Evershine Apartments, 135, N.H.C.S. Layout, Basaweswara Nagar, Bangalore 560 079, (Membership No. 9027) is cancelled from 20th May 2010.
5. Shri Prakash Chandra Mahakull, BCOM(HONS), AICWA, C/o Shri Chhater Sal, Top floor, 135, Aliganj, Kotla Mubarak Pur, New Delhi 110003, (Membership No. 25337) is cancelled from 17th May 2010.
6. Shri Ajay Kumar Singh, BCOM, LLB, FICWA, 7 Grant Lane, 2nd Floor, Room No. 215, Kolkata - 700012, (Membership No. 19039) is cancelled from 9th March 2010.
7. Shri Shyamal Kumar Guha, BSC, FICWA, 364/8, N.S.C. Bose Road, Naktala, Kolkata 700 047, (Membership No. 6629) is cancelled from 01.04.2010.

16-CWR (8763-8778)72010 : In pursuance of Regulation 16 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by sub-section (1) (a) of Section 20 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost and Works Accountants of India has removed from the Register of Members, the names of :

1. Dr. V. Shanmugavel, BE, MSC,(ENGG), PH.D, FICWA, 63, Ranganathan Street, T. Nagar, Chennai 600 011, (Membership No. 9964) with effect from March 19, 2010.
2. Shri S. Ramaswamy, BCOM, ACA, AICWA, 77, 1 Main Road, Poompuhar Nagar, Chennai 600 099, (Membership No. 13446) with effect from January 8, 2010.
3. Shri C. V. Venkateswaran, BA, AICWA, 11-D, Devapuram, Ganapathy, Coimbatore 641006, (Membership No. 2330) with effect from January 29, 2010.
4. Shri K Gangadharan Nair, BCOM, FICWA, Srisailam, 1/33. A. R. Nair Colony, Kunnathurmedu, Palakkad, Kerala 678 013, (Membership No. 3200) with effect from May 07, 2009.
5. Shri Suresh Jha, BCOM(HONS), FICWA, “Srijan Shila”, Vidyapati Nagar, Kanke Road, Ranchi 834 008, (Membership Number 1219) with effect from May 5, 2010.
6. Shri Jagmit Singh, BA, FICWA, C/o. Golden Bakery, S.C.O. 372, Sector-37-D, Chandigarh 160 059, (Membership No. 10563) with effect from June 11, 2009.
7. Shri E. S. Ranganathan, MA(ECON), AICWA, 33, Chetty Street, Pondicherry 605 001 (Membership No. 1559) with effect from May 29, 2010.

8. Shri Prasanta Kr. Bhadra, MCOM, LLB, AICWA, IDC Of Orissa Ltd., IDCOL House, Ashok Nagar, Bhubaneswar Pin 751 009, (Membership No. 11886), with effect from April 10, 2003.
9. Shri Achintya Kumar Basu, BCOM, FASM, MIMA, FICWA, "Uday Bhavan", 4/106, Uday Shankar Sarani, Tollygunge, Kolkata 700 033, (Membership No. 1958) with effect from April 26, 2010. •
10. Shri G. M. Malleshappa, BCOM, AICWA, # 32, IInd floor, Srikanteshwara Gampiex, H.M.T. Main Road, Gokul, Bangalore 560 054, (Membership No.14346) with effect from October 22, 2003.
11. Shri Nirmalendu Chatterjee, BA, FICWA, B-2/345, Street - 23, Kalyani - 741 235, (Membership No. 499) with effect from the year 2000.
12. Shri R. M. Renganatha Sharma, BCOM, AICWA, D-83, Pocket B, SFS Flats, Mayur Vihar, Phase II, Delhi - 110 091, (Membership No. 2016) with effect from August 2009.
13. Shri Paritosh Chatterjee, BMECH, FICWA, Qr. No. CD-749, Sector 2, Jharkhand, Ranchi 834 004, (Membership No. 11586) with effect from April 14, 2010.
14. Shri B. K. Patnaik, MCOM, AICWA, Orissa Hydro Power Corp. Ltd., At/PO Bariniput (Jeypore) Bariniput 764006, (Membership No. 11044) with effect from 2005.
15. Shri S. Sundara Rajan, MA, ACMA, AICWA, 27 (Old 12) Sri Ram Colony, Abhirampuram, Chennai-600018, (Membership No. 405) with effect from March 3, 2009.
16. Shri Rameshwar Singh Sharma, BCOM, FICWA, 2435/3, Old no. 314/2, Delhi Road, Near Ajit Cinema, Gurgaon 122 001, (Membership No. 1617) with effect from 2005.

16-CWR (8779-8781)72010 : In pursuance of Regulation 16 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by sub-section (1) (b) of Section 20 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost and Works Accountants of India has removed from the Register of Members, the names of :

1. Shri V. A. Mahajan, MCOM, AICWA, B-l 1, Prajakta Apt., Kasive Nagar, Near Vithal Mandir, Pune 411 052, (Membership No. 2360) with effect from 2003 at his own request.
2. Shri N. K. Raveendran, BSC, AICWA, Apt. No. 301, "Reach for the Sky" 184, 9th Cross, Indranagar 1st Stage, Bangalore 560 038, (Membership No. 6504) with effect from 1st April 2010 at his own request.
3. Shri Rabindra Prasad Srivastava, BCOM, FICWA, 17-H/236, Vasundhara, Ghaziabad 201012, (Membership No.3783) with effect from 31st March 2010 at his own request.

BENEVOLENT FUND FOR THE MEMBERS OF THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

An Appeal

Benevolent Fund for the members of the Institute of Cost and Works Accountants of India was created with the noble purpose of extending grants and financial assistance of prescribed amount to the members and beneficiaries of the Fund for medical treatment, financial distress and death.

In the recent past, although the grants and financial assistance could be extended to the eligible members and beneficiaries of the Fund in time, it would have been possible to provide enhanced benefits if the membership of Fund had been larger. We, therefore, appeal to those members of ICWAI who have not yet become members to apply for life membership of the Fund immediately. For details and application form, please visit the website : www.icwai.org.

FOR ATTENTION OF MEMBERS
PAYMENT OF MEMBERSHIP FEES

Members of the Institute who are having outstanding membership dues have been communicated individually to pay their dues. In addition, their due position is also uploaded on Institute's website www.icwai.org under the option **Members->Member Details->Search Details & Check Dues**. All members having outstanding dues are requested to pay the same immediately.

The Annual Membership Fee for 2010-2011 for Associate and Fellow Members of the Institute shall become due and payable on 1st April, 2010 at the following rates:

Associate Annual Membership Fee : Rs.500/- (Rs.125/- for members entitled to pay at reduced rate)
Fellow Annual Membership Fee : Rs.1000/- (Rs.250/- for members entitled to pay at reduced rate)

All members are requested to pay their respective membership fees along with arrears, if any, immediately and **not later than 30th September, 2010**, the last date of payment as per Regulations 7(6) & 7(7) of the Cost and Works Accountants Regulations, 1959. Moreover, the Elections to the Council and Regional Councils are scheduled to take place in 2011.

The fees may be paid by Cash / Demand Draft / Pay Order / Cheque at the Headquarters / Regional Councils / Chapters of the Institute. The Demand Draft / Pay Order / Cheque should be drawn in favour of "The ICWA of India" and payable at Kolkata. In case of outstation cheque not payable at Kolkata, Rs.50/- is to be added towards Bank Charges. Fees may also be paid online through the Institute's Internet Payment Gateway on the link: http://www.icwai.org/icwai/membership_payment. In case of payment made at the Regional Councils / Chapters of the Institute, the position will be updated upon receipt of the remittance at the Headquarters.

NOTE : MEMBERS SHOULD ENSURE TO INDICATE THEIR NAME AND MEMBERSHIP NO. ON THE REVERSE OF DEMAND DRAFT / PAY DRAFT / CHEQUE TO BE DRAWN IN FAVOUR OF "THE ICWA OF INDIA" PAYABLE AT KOLKATA IN CASE PAYMENT IS TENDERED BY DEMAND DRAFT / PAY ORDER / CHEQUE. IT SHOULD ALSO BE ENSURED NOT TO ENCLOSE ANY OTHER INTIMATION etc. ALONG WITH THE REMITTANCE OF MEMBERSHIP FEE.

FOR ATTENTION OF MEMBERS
PROCEDURE FOR CHANGE OF ADDRESS & OTHER PARTICULARS

Members are requested to check their status from the option **Members -> Member Details -> Search Details & Check Dues** from the website www.icwai.org and inform the Institute with respect to the following :

1. In case of any change in the **professional address and other particulars**, the same is to be intimated through a signed hard copy preferably in the format **(Format "A" – Please see Annexure I)** given below to :	Additional Director-cum-Joint Secretary Membership Department The Institute of Cost and Works Accountants of India 12, Sudder Street Kolkata – 700 016. The signed intimation may also be sent by fax to no. 033-22521723. Otherwise, a scanned file of the signed intimation may be sent to e-mail address: membership.kb@icwai.org
2. If the **journal mailing address** is desired to be changed as per the professional address, the intimation in **(Format "A" – Please see Annexure I)** is also to be made to :	Additional Director-cum-Joint Secretary Membership Department The Institute of Cost and Works Accountants of India 12, Sudder Street Kolkata – 700 016.
3. In case of any change in the **journal mailing address only**, the same is to be intimated through a signed hard copy or by e-mail preferably in the format **(Format "B" – Please see Annexure I)** given below to :	The signed intimation may also be sent by fax to no. 033-22521723. Otherwise, a scanned file of the signed intimation may be sent to e-mail address: membership.kb@icwai.org Deputy Director (Research & Journal) The Institute of Cost and Works Accountants of India 12, Sudder Street Kolkata – 700 016. e-mail: research@icwai.org / rnj.arpan@icwai.org

ANNEXURE I

Format "A"

IN BLOCK LETTERS	CHANGE OF ADDRESS & OTHER PARTICULARS IN THE LIST OF MEMBERS			
	NAME IN FULL :			
	MEMBERSHIP NO. :			
	QUALIFICATION :			
	ADDRESS :			
	CITY :			
	STATE :			
	PIN CODE :			
	PHONE NO. (OFFICE) :			
	PHONE NO. (RESIDENCE) :			
	PHONE NO. (MOBILE) :			
	E-MAIL :			
	SIGNATURE OF MEMBER :		DATE:	

NOTE : PLEASE INDICATE N.A., IF ANY OF THE COLUMNS IS NOT APPLICABLE.

Format "B"

IN BLOCK LETTERS	CHANGE OF ADDRESS IN THE JOURNAL MAILING LIST			
	NAME IN FULL :			
	MEMBERSHIP NO. :			
	QUALIFICATION :			
	ADDRESS :			
	CITY :			
	STATE :			
	PIN CODE :			
	SIGNATURE OF MEMBER :		DATE:	

NOTE : PLEASE INDICATE **N.A.**, IF ANY OF THE COLUMNS IS NOT APPLICABLE.

For Attention of Practising Members
Procedure for Change of ProfessionAl Address & other Particulars

Practising members are requested to check their status from the option **Members -> Practising Cost Accountants -> Search Details** from the website www.icwai.org and inform the Institute with respect to their professional address and other particulars as reflected in the List of Members Holding Certificate of Practice.

In case of any change in the professional address and other particulars, the same is to be intimated by furnishing a duly filled in and signed Professional Development Information Form given below to:

Additional Director-cum-Joint Secretary
Membership Department
The Institute of Cost and Works Accountants of India
12, Sudder Street
Kolkata – 700 016.

The signed intimation may also be sent by fax to no. 033-22521723.

Otherwise, a scanned file of the duly filled in and signed Professional Development Information Form may be sent by attachment to e-mail address : membership.kb@icwai.org.

PROFESSIONAL DEVELOPMENT INFORMATION FORM

For ICWAI Members in Practice

Date………………..

Please return this Form duly filled in and signed to :

Additional Director-cum-Joint Secretary
Membership Department
The Institute of Cost and Works Accountants of India
12, Sudder Street
Kolkata – 700 016.

for inclusion in the "List of Members Holding Certificate of Practice."

IN BLOCK LETTERS

Name ………………………………………………………………………………….......
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Qualification ………………………………………………………………………………….......

Professional ………………………………………………………………………………….......

Address ………………………………………………………………………………….......
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Telephone
Number(s) Office : ………………………………………………………………………….......
Residence: ....……………………………………………………………………......
Mobile : ………………………………………………………………………….......

Fax Number ………………………………………………………………………………….......

E-mail Address ………………………………………………………………………………….......

(Signature of Member)

Membership No………..…..