Big cities to soon get demat stamp paper

[TUESDAY, DECEMBER 30, 2003] NEW DELHI: The government has decided to kick off a scheme for dematerialisation of stamp paper to cover all high-value transactions in a dozen big cities, to start off with.

The plan envisages the involvement of the National Securities Depository (NSDL) in the scheme, along with state governments which will ensure that stamp duty payments be done through a network of banks. A unique identity number will then be generated for each transaction and the area sub-registrar will check and confirm the transaction online.

NSDL has worked out a model for this and the pilot scheme is expected to kick off in three to four months in select cities and areas where there is electronic connectivity between bank branches and the area sub-registrar’s office. The planned introduction of the Real Time Gross Settlement (RTGS) across the country by July ’04, featuring instant crediting of inter-bank accounts instantaneously, irrespective of the location, will further facilitate the planned scheme for dematerialisation of stamp papers.

The scheme will be extended to other cities and towns subsequently. The government reckons it could take about five years to cover the entire country. Several states are keen to implement this scheme with the aid of the finance ministry. At a meeting between all state revenue secretaries and the Union finance ministry on December 22, states pitched in for this new system.

Simultaneously, the finance ministry is planning to make an enabling provision in the Indian Stamp Act, 1899, to widen the definition of mode of payment of stamp duty. Section 10 of the legislation broadly states, “that all duties with which any instruments are chargeable shall be paid and such payment shall be on instruments by means of stamps.”

Although Maharashtra and Karnataka have amended their respective stamp acts on their own to include modes of payment other than stamps, the finance ministry wants to do this as a matter of abundant precaution and ensure that there is a uniform provision across all states. Over the next few months, the government will introduce new security features on stamp papers, which will continue to be used until they are phased out.

New Companies Act likely in 2004

[TUESDAY, DECEMBER 30, 2003] NEW DELHI: India, Inc. can look forward to a new Companies Act after a new government assumes office following an early summer elections next year.

The Department of Company Affairs is scripting a comprehensive overhaul of the Companies Act, 1956 to ensure that the legislation is more industry friendly. On the cards is a compressed version of the Act with a lot fewer sections than the existing law laying out the broad policy framework for regulating the operations and management of corporate entities registered in the nation.

The redrafting – directed by Finance Minister Jaswant Singh after the Union Cabinet asked the DCA to withdraw the controversial Companies (Amendment) Bill, 2003 from Rajya Sabha – would also arm the government with more flexibility to modify the regulations without necessarily moving Parliament.

A substantial portion of the existing Act could be enforced through rules notified under the Act rather than through main sections of the legislation. Modification to the rules can be made by the DCA in consultation with the law ministry under its delegated powers whenever the situation warrants a change.

FASB Issues Accounting Standard to Improve Disclosures about Pension and Other Postretirement Benefit Plans

December 23, 2003—The Financial Accounting Standards Board (FASB) has issued FASB Statement No. 132 (revised 2003), Employers’ Disclosures about Pensions and Other Postretirement Benefits, that improves financial statement disclosures for defined benefit plans. The project was initiated by the FASB earlier this year in response to concerns raised by investors and other users of financial statements about the need for greater transparency of pension information. The change replaces existing FASB disclosure requirements for pensions.

In an effort to provide the public with better and more complete information, the standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. "These disclosures will provide investors
Governmental Accounting Standards 
Board Issues Statement on Asset Impairment and Insurance Recoveries

November 18, 2003—The Governmental Accounting Standards Board (GASB) has published Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, that requires governments to report the effects of capital asset impairment in their financial statements when it occurs. The guidance also enhances comparability of financial statements by requiring all governments to account for insurance recoveries in the same manner.

In reflecting on the impact of Statement 42, GASB Project Manager, Roberta E. Reese, stated "Because capital assets are long-lived, they are exposed to various risks, including the risk of diminished service utility that is caused by unexpected events or circumstances. This Statement will ensure that government financial statements report this loss of service utility when it occurs, rather than over the remaining useful life of the capital asset."

The Statement requires governments to evaluate major events affecting capital assets to determine whether they are impaired. Those events include physical damage, changes in legal or environmental factors, technological changes or obsolescence, changes in manner or duration of use and construction stoppage.

Impairment will be measured using methods that are designed to isolate the cost of the capital asset’s service capacity that has been rendered unusable by impairment.

The guidance includes several disclosure requirements that will assist users of financial statements in understanding the nature and impact of impairment of capital assets. Disclosures are required for impairment losses that are not evident from the face of the financial statements, for impaired capital assets that are idle and for insurance recoveries that are not evident from the face of the financial statements. During the research and development of this Statement, the GASB benefited from collaboration with the Public Sector Committee of the International Federation of Accountants as they also pursued development of standards for impairment of assets. Statement 42 is effective for fiscal years beginning after December 15, 2004.

(source:www.gasb.org)

ICA EW WIDENS DEBATE ON BUSINESS REPORTING

With the statutory operating and financial review on its way, the Institute of Chartered Accountants in England & Wales has published New Reporting Models for Business, a report to widen debate on business reporting and encourage involvement from the business community.

The report, published as part of the Institute’s ‘information for better markets’ campaign, examines issues such as transparency and commercial confidentiality; reporting on intangibles; and reporting for multiple stakeholders. It identifies the fundamental issues that underline disagreements on whether, and how, business reporting should be reformed.

The Institute is a major participant in efforts to improve the existing reporting model and to develop new reporting models. David Illingworth, President of the ICAEW, commented:

"Despite increasing international concern that current business reporting is inadequate, there is little agreement on how it should be reformed. Often these concerns centre on broader business rather than abstruse technical accounting problems."

"My Institute is particularly interested in facilitating international moves to improve statements such as the operating and financial review. We are keen to receive views from everyone with an interest in financial reporting to ensure we have reporting models the business community believes in."

"This new report is a novel and distinctive approach to take this debate forward." The Institute is inviting comment on the issues covered in the report by 31 March 2004.

(Source:www.icaew.co.uk)