My Dear Students,

At the outset, I take this opportunity to convey to all of you my sincere best wishes on this festival season. By the time this Newsletter reaches your hands we would have celebrated Id’l Fitr and Dussehra. This month, Deepavali, the festival of light is being celebrated. On this auspicious occasion I wish to quote famous saying in Sanskrit, “Thamasomaa jyotirgamaya” which means “lead me from darkness to light”. Where there is darkness, light is needed. The darkness and light symbolise ignorance and knowledge respectively. We have to dispel the darkness of ignorance by illuminating the lamp of knowledge. On this day we all should vow to get rid of the bad habits and work towards being a better citizen. We should also work towards the upliftment of society at large. The perpetual message of Deepavali is to move forward and keep the demons of ignorance away.

I also hope that you will understand the inner significance of this festival and celebrate it with full fervour and without pollution. So this Deepavali let us make a pledge to reduce environmental pollution. By doing so you will also contribute towards mega initiative of ICAI to tackle climate change. This year, as you all know, we have taken several steps to spread awareness and find solutions to better environment, both at individual and government policy level. The motto Go Green should not be confined at the Institute level but should be motto of every member and the student of the Institute.

Chartered Accountancy Examinations

Once you become chartered accountants you are expected to have high level of technical as well as analytical skills. The same have to be developed now so that you do not face problems in future. Thus the CA examinations aim to test the expertise of students and hence the question papers are of a very high standard. We are also constantly improving the examination system so that they are in tandem with the evolving needs of today’s professional.

Recently, we have considered various issues relating to Professional Competence Examination and I give below some significant developments.

♦ In the Paper 2 Auditing and Assurance Fringe Benefit Tax would be removed and CARO would be appropriately covered. This will be implemented from November, 2009 examination itself.

♦ The question paper on Paper 5 – Taxation in Professional Competence Examinations to be held in November, 2009 would be practical to test the actual understanding of different concepts.

♦ For the benefit of students we shall also be publishing Bare Acts in Paper 3 – Law Ethics and Communications.

You will find detailed announcement inside.

To strengthen knowledge of students and further build confidence for examination, test series is developed by Board of Studies and is being put on website with free downloadable option. This will also ensure availability of standard and quality test series to students developed by Board of Studies of ICAI instead of referring test series available elsewhere which may not be of such high quality or up to standard level.

(Continued on Page 4...)
Late Dr. Y.S. Rajasekhara Reddy, Chief Minister, Andhra Pradesh and CA. Uttam Prakash Agarwal, President, ICAI at 41st Regional SIRC Conference held in Hyderabad on 29th August, 2009.

CA. Uttam Prakash Agarwal, President, ICAI meeting with Shri R. Bandopadhyay, Secretary, Ministry of Corporate Affairs on 8th September, 2009.

CA. Uttam Prakash Agarwal, President, ICAI awarding certificates to newly qualified Chartered Accountants at the Convocation held in Ghaziabad on 16th August, 2009.

CA. Uttam Prakash Agarwal, President, ICAI at Diamond Jubilee All India CA Conference – 2009 at Bhubaneswar. Also seen in picture: Suru Venkateswarlu, Chairman, Bhubaneswar Branch and Dr. Arijit Pasayat, Former Chief Justice of India.

CA. Uttam Prakash Agarwal, President, ICAI addressing the gathering at the Campus Placement Programme organised by CMII in Mumbai on 1st September, 2009.

CA. Uttam Prakash Agarwal, President, ICAI inaugurating IT lab in Rajamahendravaram on 18th August, 2009.
Invitation to Contribute Articles in the Newsletter

Articles are invited from members, academicians, students and others for inclusion in the Newsletter. An article should comprise of 2000 to 4000 words. Articles written by the students are especially encouraged. Every year, the Institute selects two best articles contributed by the students in the Newsletter and Cash prize and a certificate is awarded to the winners at the Annual function of the Institute.

The articles received are reviewed by the faculty and, if found suitable, are published in the Newsletter. The authors are advised to enclose the following along with the articles:

1. A formal & signed undertaking in the form of a letter stating that the article is original in all respects and does not infringe any copyright and has not been published elsewhere or has been sent for publication.

2. A latest passport size colour photograph (with full name and registration number written on the back of the photograph).

3. A soft copy of the article with complete communication and E-mail address.

Articles received without the details/enclosures specified above will not be considered.

All correspondence in this regard should be addressed to The Board of Studies, ICAI, A-94/4, Sector-58, Noida – 201 301 with the full name, complete address and the membership/registration number if applicable.

Correspondence with regard to subscription, advertisements, contribution of articles, other written materials and non-receipt of Newsletter should be made at the above address.

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MESSAGE FROM THE PRESIDENT

(Continued from page 1)

ICAI Job Portal: Search Mantra for Accounting and Finance Professionals

“Aappo Dipo Bhava” – be your own light – Lord Buddha

We have launched a comprehensive ICAI Job Portal, dedicated to our profession. I am sure this portal will be helpful for you to explore career opportunities. It will be also beneficial for your prospective employers in having Premium Job Posting Services. This distinctive initiative of the Committee for Members in Industry is highly commendable as this job portal is aimed and specifically designed to provide world-class services on your finger tips in no time.

State-of-Art Infrastructure: Building a Better World

At the ICAI we are fully determined to provide you with the state-of-the-art infrastructure facilities so that you can have world-class academic facilities and salubrious environment which will be very conducive for you to sharpen and enhance your professional skills. Few days ago, we have inaugurated a massive state-of-the-art ICAI Bhawan in Noida (Sector-62). This new complex is spread in 2.10 lakh sq. ft. area. It has four buildings comprising Auditorium, Research, Office and Hostel blocks. It will also house ICAI’s Research and Development Centre. You will also be happy to know that in continuation with ICAI efforts to give better service to members and students and create newer networking platforms, the Council is keen to set up more Branches of ICAI. As part of this approach, we have recently set up a new branch of WIRC of ICAI at Vapi, taking the total number of ICAI branches to 119. Recently we have acquired land and performed bhoomi poojan for our branches at Kota, Bhilwara, Mathura, Kakinada, Vijayawada, and Sangrur. We have also recently inaugurated a seminar hall in Guntur and an auditorium in Indore besides opening 15 more ITT Labs including at Rajamahendravaram, Tirupati, and Ratlam. It is my utmost desire to have a world-class ICAI Bhawan at the Bandra Kurla Complex at Mumbai. All these new infrastructure projects are being undertaken by the Institute or its constituents with the support of Branch Managing Committee members and the Government which has provided us land on subsidized rates at various places for which I express my sincere gratitude.

Incredible India: Empowering the Masses

The month of October will be dedicated on the empowerment of people focusing on their Social and Economic Empowerment along with Empowerment of Women. Despite India’s swift economic ascent and its appearance on the global stage, millions of Indian citizens are still deprived of basic facilities. There is divide between rich and poor, with the rich increasingly becoming richer and the poor poorer. If we really wish to reap the benefits of globalisation, we have to explore pragmatic measures to curb this paradoxical trend of disparity.

Literacy and education are essential tools for Social and Economic empowerment. Without assuring access to quality educational institution and professional education to the masses, the real object of social and economic empowerment in unattainable. In the month of August, our Institute also took some positive measures in the form of providing school kits, educational aids and imparted IT training to the economically poor people.

Imagine the impact that you can make in the profession and the world. Your active and dynamic participation can serve as a harbinger for a better tomorrow for the country. Empowerment of women has emerged as an important issue in our society in recent times. “If you educate a man you educate an individual, but if you educate a woman you educate an entire family”. – Mahatma Gandhi. I exhort you to find some free time and educate at least one person.

Women—Taking the Lead

The ICAI has established a Women’s Steering Group with the aim of defining a better role for women CAs. This takes into account the present status of women CAs and students and to focus on their capacity building and position them as proficient, skilled and collaborative partners in all aspects of professional and allied activities. Indian women are making a mark for themselves in all fields and the profession of accountancy is not an exception to this. I am very happy that over the years, number of female CA aspirants, students and members has grown up considerably.

We have today 22,194 women CAs forming 14.83% of the total membership of the Institute. In terms of student enrolment, female applicants are 39.69% of the total. The rate of passing in case of female candidates in the CA examinations is also more when compared to the rate of passing in male candidates. In order to ensure that the women in our profession are on a level playing field, a number of programmes and initiatives are taken by the Institute to empower the women.

Today, the female Chartered Accountants are working rigorously shoulder to shoulder with their male counterparts, rendering their services towards profession and society with professional élan. To strengthen and widen the role of forum, we have designed various programmes. On this cheerful note, the 2nd Women Steering Group Conference on “WOMEN – TAKING THE LEAD” was held at the newly inaugurated ICAI Auditorium at Indore on 22nd August, 2009. The Conference emphasized on bringing women CAs into the mainstream. Our Institute is committed to empower the women CAs and bring them forward to contribute to the society.
Centres of Excellence: Expand Your Horizons with Us

Centres of Excellence with world class infrastructure facilities are expected to provide an ideal venue to hold international events, conferences, residential courses for members and students, workshops. We have come up with a world class Centre of Excellence at Hyderabad for which the foundation stone laying ceremony was held recently. This centre of excellence will be a treasury of cutting-edge knowledge facilities. It will be providing world-class training to the members and the students. It is our dream to develop it as a Centre for Research and Post-qualification courses. I do hope that that it will serve as an exhaustible resource for our times and generation next of CAs. You will be glad to know that the Institute is planning to set up 12 “Centres of Excellence” across India within next 8 years.

Chartered Accountancy Course: Less Expensive but Optimal Mileage

Chartered Accountants must meet the highest ethical standards of financial expertise, strategic thinking, business insight and leadership. The CA profession’s commitment to excellence and the public interest provides the crucial foundation for this trust. This has resulted in tremendous level of response from CA aspirants across the country. It is clearly reflected from the fact that the number of candidates appearing for CA exams is increasing every year.

It is noteworthy to mention here that Chartered Accountancy Course is one of the most respected courses in the country. Becoming a CA is not a big monetary investment rather it is a life time investment. A fresh CA’s average pay is Rs. 6 lakhs. The highest salary offered for an international posting was Rs. 23 lakhs a year.

Professional Skills Development Programme: Build Your Future with Confidence

As you know that we have recently introduced a Three Months’ Residential Programme on Professional Skills Development. The programme is inimitable in manifold context. The programme is targeted to enable the CA students and newly qualified CAs in acquiring professional acumen. The major highlight of the programme is the development of core professional skills that are prerequisites to success and mark distinctions to manoeuvre through rough waters and navigate with dexterity.

Another batch of the programme is jointly being organized with the National Institute of Financial Management (NIFM), Faridabad from September 30, 2009. I am pretty sure that you will be interested in the subsequent batches and will show interest to enroll yourself for the forthcoming batches of this programme.

The Results of PE-II and PCE Declared

The results of the Chartered Accountants Professional Education-II and Professional Competence Examinations held in June, 2009 were declared. I convey my heartiest congratulations to all the successful candidates. On the other side, failure in this examination or any examination does not mean end of the world. Success and failure are parts of life and coping with failure amounts to success. “One who fears failure limits his activities. Failure is only the opportunity to more intelligently begin again” – Henry Ford.

The next Chartered Accountants Examinations of the Institute will be held from 5 to 19, November, 2009. So there is about one month away from final exams and that means that it’s time to start preparing yourself mentally for the exams ahead. My best wishes to all.

I extend my best wishes for all your future endeavours.

“If you wish success in life, make perseverance your bosom friend, experience your wise counsellor, caution your elder brother and hope your guardian genius.” – Joseph Addison

CA, Uttam Prakash Agarwal

ANNOUNCEMENT

Scholarships From The S. Vaidyanath Aiyar Memorial Fund

The Managing Committee of the S. Vaidyanath Aiyar Memorial Fund has decided to award scholarships to 60 articled assistants of the value of Rs. 500/- per month for a period of one year for the year 2008-09 to poor, needy and meritorious articled assistants requiring scholarship to pursue the chartered accountancy course.

The eligibility criteria for applying for scholarship will be as under:

i) Passed 10 + 2 examination with a minimum of 70 per cent marks and Passed Common Proficiency Test of ICAI in the first attempt
or
Passed B.Com. Examination of a recognized University with a minimum of 60% marks

ii) Currently undergoing articled training as per CA Regulations.

iii) Annual income of both parents from all sources be not more than Rs. 1.50 lakhs per annum.

The above criteria can be relaxed in deserving cases. Physically challenged articled assistants will be given preference.

Articled Assistants who wish to avail the scholarship should submit their applications in the prescribed form, latest by 30th November, 2009. The application form can be downloaded from www.icai.org or can be had from the Institute.

The Joint Secretary (MSS)
The Institute of Chartered Accountants of India,
“ICAI Bhawan” Post Box No. 7100 Indraprastha Marg, New Delhi-110 002
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MESSAGE
The results Professional Education (Examination-II) (PEE-II) and Professional Competence Examinations (PCE) have been declared. I congratulate all the students who have passed. My best wishes to them for the next step in the chartered accountancy course in form of Final course. Final examinations are much more demanding than PCE and PEE-II and require much more hard work. Make best use of every minute you have.

The best wishes are also to the students who were not successful this time. In PEE-II the pass percentage were abysmally low. Most of these candidates were repeating their attempt in the June, 2009 examinations. It is sincere wish that they could have passed. They are advised to study really hard to clear the ensuing examinations being held in November, 2009.

Students preparing for the examinations can take the benefit of the views of the students who performed well in the examinations. Their approach can be benchmark for your study. We have sent a questionnaire to the rank-holders of the Final examinations and their responses are being included in this issue. Some of the points that have emerged from the approaches being adopted by them are as follows:

- Be regular and undertake planned studies.
- Cover the syllabus exhaustively.
- Prepare well in advance.
- Revise all the subjects.
- Manage your time properly.
- Give priority to the study materials over other books.
- Give equal importance to theory as well as practical papers.
- Take maximum benefit from the suggested answers.
- Revision Test Papers, compilations and students' Newsletter.
- Have commitment towards your goals.

You must go through the different answers of the toppers and devise a strategy suitable for yourself.

In this issue we are also covering the summary of examiners comments for Professional Competence Examination. These are being included to share the common pitfalls made by the students while appearing in their examinations. You must learn from the past so that you do not commit same mistakes in future. Summary of the examiners comments for Professional Education (Examination–II) and final examinations will be included in the next issue.

**Articleship Training**

Another point that has emerged out of the responses given by the rank holders of final examinations held in June, 2009 is the importance of articleship training. They feel that the training not only help the students in understanding how businesses work but also helps in performing better in the examinations. Once you have done something practically in your training, it becomes easier to assimilate the theoretical topic and remember the same over a long period of time.

**Revision Test Papers**

For the forthcoming November, 2009 examinations the Revision Test Papers are dispatched. They are also hosted on the website of the Institute. Students who are not able to get a printed copy may download from the website. Especially, the students staying in small and mofussil towns can take advantage of the publication hosted on the website. However, a printed copy is always better and if possible you must acquire one copy of the same.

**Suggested Answers**

Suggested Answers for the June, 2009 examinations are also printed. They are sent to the various regions and branches. As in the case of Revision Test Papers, they are also hosted on the website.

**100 Hours IT training – Computer labs**

Considering the importance of Information Technology in the CA curriculum and to cater the needs of the large base of students, the Board of Studies has set up another 16 IT labs and expanded the facilities of 14 labs from February, 2009. Eleven more IT Labs are in the process of being established. At present there are 140 Information Technology labs with the capacity to train 1,30,000 Students annually.

**Self examination system for the students**

Two sets of mock test papers have been prepared to help the students of Professional Competence course to test their level of preparation for the examination. These test papers are being used by the branches for the benefit of the students.

**Professional Skills Development Programme on Professional Skills Development**

The eighth batch of the programme is starting from September 30, 2009. It is being conducted jointly with National Institute of Financial Management, Faridabad in their campus. We are receiving a very encouraging response to the course.

**Gyandarshan lectures**

The students viewing the ICAI lectures on Gyandarshan are finding it very useful. In the month of September, 2009 lecture series for Professional Competence Course and Common Proficiency Test have been organised. It is suggested that more students attend the lectures. It is a useful means to attend the lectures of experts irrespective of the physical distances between faculty and the students.

**Elocution Contest and Quiz Contest**

To improve knowledge on one hand and bring a sense of competition on the other hand, the Board of Studies organises various events including Elocution Contests and Quiz Contests. So far, during the year 2009-10 elocution contest has been held in 31 branches and Quiz contests has been held in 30 branches. The winners of the branch level contests participate in the regional level contests. Finally, All India Elocution Contest and All India Quiz Contest will take place for the winners of the Regional Level contests. You should keep watch for such events and participate in large numbers. They help you in your holistic development.
Over the past decade, the corporate world has been witness to a dramatic shift in the roles and the responsibilities of the Chief Financial Officer. There are various factors and circumstances that have contributed to the role being evaluated and upgraded to a higher level. I shall not delve upon the circumstances; however, I shall try and explain the growing importance of the role of the CFO in an Organization.

The roles and the responsibilities of the CFO varies depending upon the organization – there are different types of organizations in the corporate world, some of them include:

♦ a public sector organization
♦ a multinational corporation
♦ a state run organization
♦ a private sector listed organization
♦ a private sector unlisted organization

In each of these corporate, the basic principles governing their roles and the responsibilities are similar. However, there are certain unique responsibilities that get assigned in some of the corporates.

Qualities of a Chief Financial Officer

Before discussing the expectations from the CFO in detail, it must be known that there are certain core qualities that the CFO should exhibit to qualify to reach to this position. There are primarily 3 core qualities that should be inherit and imbided in the person, and these are:

Insight

The CFO is required to be firmly rooted to the ground. The role demands that he/she provides the right guidance/advice to the senior management of the company in order to ensure that the correct decisions are considered and taken for onward implementation. As a senior spokesman of the Board, the CFO is also expected provide the right directions, working on behalf of the CEO to the business heads in order to help them work towards their business objectives. The CFO is in an enviable position – he/she has access to the internal business dynamics and also to the external environment. Therefore, the role demands that the CFO balances aggression and caution and shares appropriately with the business heads.

Efficiency

In an operating role, the CFO is expected to demonstrate considerable understanding of the business across all functions. He/she is expected to devise operating parameters to evaluate the day-to-day operating indices in the business. The role is also expected to conceptualize, devise and report on the performance indices affecting the business in the company on a fairly regular basis. The role has a far reaching bearing on the company since many of the growth drivers of the company get generated and crystallized through a process of intense debate and discussion – the CFO plays a significant role in leading the discussion and act as co-ordinator to lead the team to logical decision making.

Trust

The CFO is expected to demonstrate the highest standards of integrity and trust. He should be above board and should command high respect amongst the peers and subordinates working in the organization. In a number of organizations, there is a model code of conduct that is required to be read by every employee of the organization. An ideal CFO should not only believe in the Code of conduct, but also tutor the organization to appreciate and implement in practice the high ethics.

The significance of the CFO’s role in an organization can be crystallized in the following buckets:

♦ Maximizing shareholder wealth.
♦ Partner the CEO in the running the current operations.
♦ The strategic role in building long lasting businesses.
♦ Implementing ethics and good corporate governance.
♦ Be the change agent in technological advancement and upgradation.
Maximize Shareholder Wealth

All organizations work toward one common aim “maximize wealth for the owners”. The definition of the owners might change depending upon the type of the organization.

An organization is respected and known for “the Wealth and Value” created over a period of time. Wealth and Value have different connotations. Wealth creation is associated with the ability of the organization to regularly provide return to its owners in the form of dividends, bonus shares and the right to participate in the future capital structure of the company. Value creation would include building businesses of scale over a period of time, which helps the owners to exponentially multiply their capital in the organization. The CFO is expected to therefore play a very important role in ensuring that the organization is poised towards building wealth and value to the owners. The strategic intent, business plan and deliverance of the business plan are therefore an important milestone that is driven by the CFO in the ultimate analysis towards maximizing wealth and value creation.

There is an equally important and vibrant role that the CFO performs – communicate and update the investor and shareholder community. Transparency, consistency and simplicity in reporting are an important function that the CFO has to perform regularly. It is also very important that the CFO speaks delivers the true and fair message in all the communications with the external world. Bad news, if any, should be spoken and communicated in the same way, as success stories and achievements are shared.

There is also a fairly useful role that is the CFO is expected to perform while dealing with potential external partners/ investors. In today’s world, a number of organizations raised funds through a number of innovative channels – road shows and investor presentation are therefore fairly prevalent. The CFO is pretty much a part of these actions and is expected to play a very critical role in projecting the organizations performance.

Partnering the Business and the CEO

I call this role as the “bread and butter role” of the CFO. In a traditional career path the finance professional would work his/her way through a number of different functions within finance – be it in the factory, commercial and purchase, sales supply and distribution and corporate finance. A seasoned CFO should have an all round appreciation of all the operating roles within the finance function – till he is mature enough to move in to the pivot role.

The CFO is required to provide directions and suggestions, given the vast experience and awareness that he/she has gained over a period of time. In this role, the primary objective of the CFO would be to guide in the implementation and regular review of the operating parameters of the businesses – both intra and inter. Operating indices across the business divisions are framed from time to time and it is essential that the finance organization works with the CFO’s input to consistently reassess them and apply the indices that are close to the best practices followed in the industry.

There is another critical role that the CFO has to take charge of – the pricing decisions. In a number of organizations pricing decisions are stable over a given period of time – these decisions are agreed at the time of framing the annual operating plan. However, situations may arise at various points in time between products and geographies to review the prevailing pricing structures. Any revision in the pricing decision is normally a defined process that is followed by the business, with the initiation at the corporate level and implementation at the operating level. The CFO weighs a number of parameters around the business before recommending and approving a pricing decision.

A great number of organizations across the world are very concerned about the “demand and supply” play of the product or the services offered to the customers. An accurate forecasting tool is important. The finance system under the guidance of the CFO plays an important role in assessing the demand and supply parameters. It is critical for the finance team to take a balanced view of the supply requirement in line with the demand forecasted by the sales organization. Managing working capital optimally therefore is an important function for the CFO and his team.

Last but not the least, all organizations realize the need to produce and provide products to the ultimate consumer at competitive prices at the right place and the right time. It is therefore critical for the finance team to be able to provide the sales team with the right pricing, promotion and discounting tool in order to ensure that sales is maximized. In a number of organizations, finance plays a leading role in supporting the sales team, at the time of negotiating with channel partners while agreeing on volumes and market shares.

Finally, as someone said “a good plan is like a roadmap, it shows the final destination and usually the best way to get there”.

The Strategic Role in building long lasting businesses

The role of the CFO is by far measured by his/her contribution in this role. There are a number of areas that the corporate strategy team works on an ongoing basis. These areas could be for immediate implementation or could be work in process for a decision and implementation over a longer period of time. Some of the key strategic functions include decisions around new acquisitions, mergers and de-mergers, structuring and tax planning, innovative fund raising exercises, growth planning tools and business development. Each of the areas mentioned above is a wholesome function in itself and devours a fair amount of time and effort.
The strategic function is carved from the Vision document of the organization and is normally a long-term goal. The intent of this role is to ensure that the corporate strategy is well interlinked with the Vision statement and is being consistently reviewed with its progress. The strategic role determines his success and elevation and his/her future growth and career.

Ethics and Corporate Governance

In the earlier sections, I had briefly written about the important of “Trust”. Trust encompasses a wider definition to include ethical business practice, corporate governance and high standard of an individual’s integrity.

The role of a Finance Controller, working with the CFO, is therefore extremely critical in framing the code of conduct with the right list of “dos and don’ts.” Awareness and recall to this list is important and every employee needs to follow the code of conduct. Organizations across the world are known for their Employees who exhibit high standard of integrity, trust and calibre – these characters are shaped in the employees through the ethics manual that they accept and abide to.

Ethical business practices are also shaped and imbibed in the managers dealing with the external environment. It is essential that managers abide and adhere to clean business practices and are not swayed by short-term gains and temporary benefits. Many of these ethical practices are actually enshrined in the organization’s manifesto and code of conduct manual. The market place clearly distinguishes a clean organization from the other – ethical practices go a long way in building strong brands, reputation, goodwill, recall, image and stability.

Transparency and clarity in reporting and compliances to regulatory requirements is keystone to good corporate governance. Many organizations have over a period of time implemented a number of measures in order to provide maximum transparency to its stakeholders and external parties affected by their working.

Corporate Social Responsibility is a very important area and a number of organizations are proactively involved in providing services to the society. As the saying goes “the more you give to the society, the more you get back from it”. Organizations have a stable CSR programme towards their immediate community and the society at large. As a valuable member of the corporate public relations group, the CFO is expected to work with the team in devising plans and implementing the CSR initiatives of the organization.

The final word in the role is very clear “reputation matters more than size” and there is a “price for being upright” – organizations in the long run survive if they ensure that they do not compromise on these ideologies.

Change Agents – Drive technological improvements

Information Technology is an important business enabling tool. Technology has to be used in the right way to add value to the business. It is therefore very essential that the CFO works closely with the IT Team in constantly evaluating the technological needs of the organization. Technology is fast changing and every organization needs to ensure that they have the right kind of technology to help them produce/provide the product/service to the consumer in the shortest and fastest possible time. Every such technological change that fosters this objective will have to be implemented real fast and successfully – patchy and incomplete implementation would be a liability to the organization and should be avoided at all costs. Technology should be aligned to the business and appropriately customized to ensure that business derives the maximum benefit.

It is also equally critical that the organization has a permanent technology research and development team to reassess the existing systems and scout around for improvements and refinements. What next and best in technology? and how to get there are important questions that needs to be consistently questioned and answered found, if business have to survive and grow and prosper.

As someone said “if you do not drive your business well, the business will drive you out.”

Leader

As the saying goes “the leader is as good as the team that he is leading”. In corporates across the strata, the CFO assumes a significant role towards people management and leadership. It is therefore important for the CFO to work towards building the right team. The right team should get defined as “the optimal mix of efficient and effective people resources, with the right qualification, experience, aptitude and passion for the role”. In a fairly large number of organizations, the CFOs are also expected to balance and employ local talent in the organization. The Diversity policy in a number of organizations has ensured women are given equal opportunity role. As a part of the larger corporate social responsibility, organizations have involved in ensuring that these policies are indeed implemented successfully.

Training and Development of the talent working in the finance organization is the next conceivable action that the CFO has to perform. Talent in any organized industry is scare and it is therefore important that in-house talent is nurtured through time bound training programmes. Training could be both in-house and external. Individual development and career progression depends also on the broader outlook and maturity that comes in an individual through training workshops. The CFOs are therefore expected to ensure that their team members are mandatorily asked to step aside from their daily rigour and spend at least on an average 8-10 days in a year on training – both on the job and off the job.

One of the important attributes that a CFO needs to consistently exhibit is to celebrate the success and significant moments in the lives of their team members. A promotion in
the organization or indeed a significant personal event in the lives of the team member should evoke spontaneous celebration. In a number of organizations such celebrations are restricted to the human resources function to remind or carry out – worthwhile for the CFO to proactively ensure that such events are implemented in the finance organization.

Passion towards the organization vision and working towards the immediate mission is something that the CFO should imbibed in the team. In a number of organizations, the finance team is pretty much relegated to the support service role and indeed not considered or expected to demonstrate passion towards the organization vision or their immediate mission. As a senior member of the management team, the CFO is ingrained and expected to demonstrate the organization vision and mission and it is equally important that the CFO inculcates similar feeling towards the team as well.

Finally, true success of the CFO in largely measured in terms of his/her ability to build long lasting teams – teams that will inspire confidence and trust to the other functions in the organization and which portrays the positive side of the organization to the external environment.

Finally, I leave with this borrowed quote “a good objective of leadership is to help those who do poorly to do well and to help those who do well to do better”.

**Compliance Officer**

Over the last few years, the world has witnessed a number of corporate scandals and frauds. The regulatory authorities have over a period of time come up with a number of control mechanisms to ensure that such frauds and scandals are not repeated. The compliances that are expected from organizations have increased substantially. Rightly so, the regulatory authorities expect these compliances to be in place and in order.

An Indian company, listed in the stock exchanges has to be well versed with a number of regulatory and legal compliances. The role of the compliance officer assumes a very significant role, given that the corporate is answerable to the vast corpus of shareholders who have invested in the company. Transparency and timely reporting to the regulatory watch dog is perhaps a given compliance need for the listed companies. A number of new regulatory requirements were introduced in India as well, given the scandals that rocked the world with the Enron. In India too, there have been instances of frauds, over the last few years that has lead to the regulatory watch dogs reviewing the parameters of reporting and compliance.

**In Conclusion**

There is a wide basket of roles that the CFO covers in his function – the above description might illustrate and explain some of the key roles. There might be other important areas that have gone uncovered here. There is no hiding of the fact the CFO occupies a very strategic position in any organization and is possibly next to the CEO/MD. He/she is the next known face that the board / stakeholders of the organization are familiar.

In a demanding and ever changing corporate world, it is essential and critical for the CFO to display maturity, trust, awareness and resilience in all times – both good times and not so good times.

I sign off with this last quote “if it is to be, it is up to me.”

**Disclaimer:** The thoughts expressed in this article are of the author. They have no bearing or influence on the Institute, the organizations that he worked or is working for.

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**THE CHARTERED ACCOUNTANT STUDENT**

**Invitation for empanelment as resource person**

It has been decided to replace the existing students’ newsletter with a students’ journal. The Journal will contain useful articles, case studies, columns from subject experts, write-up, examination tips and other useful write-ups and features for the students.

For the purpose we are preparing a Panel of Experts and Resource persons for different subjects for reviewing articles received and writing in the Students’ Journal. The panellists will be required from time to time to write for the students in different subjects.

The following categories of persons, with consistently good academic record, a strong aptitude for academic and research work, good written communication ability and with minimum of 10 years experience, which should include teaching experience as well as some exposure to writing of books or reasonable number of articles, may apply:

(a) Persons with professional qualifications such as Chartered Accountants / Cost Accountants / Company Secretaries.

(b) Faculty in colleges / universities teaching at post-graduate level.

(c) Retired Lecturers and Professors who continue to be academically active.

Such panels are proposed to be prepared for the areas of accounting, auditing, costing, management accounting and financial analysis, direct and indirect taxation laws, corporate and other laws, mathematics and statistics, information technology and communications.

Application giving particulars regarding educational qualifications, your academic area(s) of interest, work experience, academic work handled, list of papers and articles published, full address, telephone office and residence, fax number, Mobile Number, E-mail Id etc. may be sent to:

**Director, Board of Studies**

**The Chartered Accountant Student**

The Institute of Chartered Accountants of India, ICAI Bhawan, A-94, Sector-58, Noida 201 301 (UP)
Change is an integral part of life and is also a necessity to survive in this competitive world today. We all are aware, that many changes are expected in the near future in the areas of accountancy, tax and law like switch over to IFRS, GST, new Direct Taxes Code and new Companies Act. One can very well imagine the plight of a professional, more particularly a chartered accountant, who is required to be updated in respect of all the new laws.

The Ministry of Finance released the Direct Taxes Code Bill, 2009 on 12th August, 2009. The code has been drafted in a transparent, lucid and simplified manner and is easy for a common man to comprehend. This Code is based on entirely new concepts and therefore, it may not be possible to make a meaningful one-to-one comparison with the existing Income-tax Act, 1961.

The main purpose of replacing the four decade old Income-tax Act, 1961 with this new Direct taxes Code is to improve the efficiency and equity of the tax system by eliminating distortions in the tax structure, improving modern level of taxation and expanding the tax base. As per the discussion paper issued by the Ministry of Finance in the context of Direct Taxes Code, the strategy for broadening the tax base essentially comprises of three elements:

- Minimisation of exemptions- which would result in higher tax- GDP ratio, improve equity, reduce compliance costs, lower administration burdens and discourage burden.
- Removal of ambiguity in law which facilitates tax avoidance.
- Checking of erosion of tax base through tax evasion

The salient features of the new code are as follows:

- The Code is a move towards the rationalization of the tax rate structure.
- The tax base has been broadened, and more number of assessees would be brought under the tax net.
- This Code is a single code for all direct taxes including wealth tax.
- As the code is drafted in a simple and a lucid manner, it is expected to reduce the scope for litigation.
- Tax would levied on the basis of the ability of the person to pay which depends on his income and consumption.
- For the purpose of better understanding and to reduce complexity, related sections have been grouped under the respective Chapters. For example, exemptions relating to salary would now fall under the head “Income from Employment” itself.
- To avoid confusion, the concept of previous year and assessment year is proposed to be done away with.
- Under the new Direct Taxes Code, income from all sources are proposed to be classified under the following heads:
  - Income from special sources - Income from special sources are the items listed in the First schedule like income from winnings from lotteries, etc.
  - Income from ordinary sources - Income from ordinary sources include the income other than income from special sources and be classified as:
    - Income from employment
    - Income from house property
    - Income from business
    - Capital gains
    - Income from residuary sources.
- Personal Taxation liability would reduce significantly on account of increase in the slab ranges.
- Saving/investment limit is proposed to be increased to Rs. 3,00,000/-. Further, the code proposes to introduce the EET method of taxation of savings i.e. the savings and accumulated interest would be taxable at the time of withdrawal.
- A company would be treated as resident, if, at any time during the financial year, it is controlled fully or partly in India.

The author is Asst.Secretary, ICAI.
Contents:

1. Paper 2 – Auditing and Assurance
   - 1. Important definitions in the Income-tax Act, 1961 [Section 2].
   - 2. Basis of charge; Rates of taxes applicable for different types of assessee [Sections 4, 111A, 112 & 115BB].
   - 3. Concepts of previous year and assessment year [Sections 2, 3, 5 to 9].
   - 4. Residential status and scope of total income; Income deemed to be received/deemed to accrue or arise in India [Sections 6 to 9].
   - 5. Incomes which do not form part of total income [Sections 10 to 13A, 14A, 115BBC].
   - 6. Heads of income and the provisions governing computation of income under different heads [Sections 14 to 59, Sections 89, 111A, 112, 115BB, 145].
   - 7. Income of other persons included in assessee’s total income [Sections 60 to 63].
   - 8. Aggregation of income; Set-off or carry forward and Set-off losses [Sections 70 to 80].
   - 9. Deductions from gross total income [Sections 80A to 80U].
   - 10. Computation of total income and tax payable; Rebates and relief’s (Comprehensively covers all sections mentioned above).
   - 11. Provisions concerning advance tax and tax deducted at source [Sections 190 to 219, 234B & 234C].
   - 12. Provisions for filing of return of income [Sections 139 to 140, 234A].

2. Paper 5 – Taxation
   - The question paper would be of practical nature. Students may note that the coverage of sections for the PCE syllabus is as follows:

   PART – I: INCOME–TAX (75 MARKS)

   Contents:
   1. Important definitions in the Income-tax Act, 1961 [Section 2].
   2. Basis of charge; Rates of taxes applicable for different types of assessee [Sections 4, 111A, 112 & 115BB].
   3. Concepts of previous year and assessment year [Sections 2, 3, 68 to 69D, 172 to 176].
   4. Residential status and scope of total income; Income deemed to be received/deemed to accrue or arise in India [Sections 5 to 9].
   5. Incomes which do not form part of total income [Sections 10 to 13A, 14A, 115BBC].
   6. Heads of income and the provisions governing computation of income under different heads [Sections 14 to 59, Sections 89, 111A, 112, 115BB, 145].
   7. Income of other persons included in assessee’s total income [Sections 60 to 63].
   8. Aggregation of income; Set-off or carry forward and Set-off losses [Sections 70 to 80].
   9. Deductions from gross total income [Sections 80A to 80U].
   10. Computation of total income and tax payable; Rebates and relief’s (Comprehensively covers all sections mentioned above).
   11. Provisions concerning advance tax and tax deducted at source [Sections 190 to 219, 234B & 234C].
   12. Provisions for filing of return of income [Sections 139 to 140, 234A].

   PART – II: SERVICE TAX AND VAT (25 MARKS)

   Contents:
   1. Service tax – Concepts and general principles [Section 64].
   2. Charge of service tax and taxable services [Sections 65 and 66].
   3. Valuation of taxable service [Section 67].
   4. Payment of service tax and filing of returns [Sections 68, 70, 71, 73A, 73B and 75].
   5. VAT – Concepts and general principles.

   Note: If new legislations are enacted in place of the existing legislations the syllabus will accordingly include the corresponding provisions of such new legislations in the place of the existing legislations with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State VAT Law.

   3. Further students should clearly note that working notes should form part of the answers.

The Chartered Accountant

Important Announcement

Students appearing for the Professional Competence Examination (PCE) for November, 2009 are advised to carefully note the following important decisions taken in relation to the syllabus and pattern of questions to be set in the examinations.

1. Paper 2 – Auditing and Assurance
   - Students may note that a detailed announcement regarding applicable Standards on Auditing and the publications of the ICAI relevant for the examination has already been published in the September, 2009 issue of the Newsletter. They may further note above).
   - Students are suggested to go through the text of the Direct Taxes Code Bill, 2009 for information purposes only. This is not currently relevant for examination purposes.

2. Paper 5 – Taxation
   - The question paper would be of practical nature. Students may note that working notes should form part of the answers.

   Note: Students are not currently relevant for examination purposes only. This information is not currently relevant for examination purposes.
First proviso to section 35F of the Central Excise Act, 1944

1. Can a writ petition be filed against the order of waiver of pre-deposit (under section 35F of the Central Excise Act, 1944) or refusal thereof?

Cisco Systems India Pvt. Limited vs. UOI 2009 (234) E.L.T. 618 (Del.)

The High Court held that power to waive pre-deposit to avoid hardship to party against whom demand is raised is discretionary. As long as discretion is not exercised in an arbitrary and whimsical fashion, a writ court would not interfere with order of waiver of pre-deposit or refusal thereof. Mere fact that issues that arise for consideration of appellate authority were arguable is not in itself sufficient for a complete waiver of pre-deposit. Writ court would be slow in interfering with discretionary order, especially so where appellant has not pleaded any financial hardship as such before appellate authority. The Delhi High Court ruled that recovery of taxes cannot be stayed under Article 226 of the Constitution except under exceptional circumstances.

Note: First proviso to section 35F of the Central Excise Act, 1944 reads as follows:–

Where in any particular case, the Commissioner (Appeals) or the Appellate Tribunal is of opinion that the deposit of duty demanded/penalty levied would cause undue hardship to such person, the Commissioner (Appeals) or, as the case may be, the Appellate Tribunal, may dispense with such deposit subject to such conditions as he or it may deem fit to impose so as to safeguard the interests of revenue.

Section 11 of Central Excise Act, 1944

2. Whether Government dues have a priority of claim over the dues of secured creditors?

Tata Metaliks Limited vs. UOI 2009 (234) E.L.T. 596 (Bom.)

The Bombay High Court has reaffirmed that Government dues do not have priority of claim over that of secured creditors. However, if the Legislature makes those dues as having priority of claims, the State dues will rank higher in priority than dues of a secured creditor.

Settlement Commission

3. Is Settlement Commission entitled to reject the rectification of mistake application, filed on the basis of a Supreme Court judgment, the issue debatable?

CIT vs. Settlement Commission 2009 (234) E.L.T. 584 (Ker.)

The Kerala High Court held that when an application for rectification is filed before Settlement Commission, within the permitted time limit, based on a subsequent decision of the Apex Court, directly on the point, normally, it has to be entertained. However, in this case, the Settlement Commission had rejected the application on the ground that the issue raised was a debatable issue.

The Court observed that when there was a decision of the Apex Court on a particular issue, no inferior court or Tribunal could say that the issue was a debatable issue for the reason that a bench of two judges of the Apex Court had doubted the correctness of the decision of the Constitution Bench. The inferior courts and Tribunals are bound to follow the decision of the Constitution Bench. So, the rejection of application was unjustified.

Section 121 of the Customs Act, 1962

4. Whether custom authorities are authorized to auction the confiscated goods during the period of pendency of appeal?

Shabir Ahmed Abdul Rehman vs. UOI 2009 (235) ELT 402 (Bom.)

Revenue confiscated the gold carried by the petitioner from Muscat. The petitioner informed the custom authorities that he was filing an appeal against the order of confiscation. Revenue informed the petitioner that the confiscated goods had been handed over to the warehouse of the Custom House for disposal and consequently, auctioned the confiscated goods.

The High Court held that handing over the confiscated gold immediately after serving the order of confiscation itself was improper. In any event, after receiving letter from the petitioner, the custom authorities ought to have stopped the auction sale of the confiscated gold. The action of the custom authorities in selling the gold during the pendency of the appeal was not justified.

Rule 15 of CENVAT Credit Rules, 2004

5. Whether inputs can be confiscated on the ground of non-account of inputs in register maintained in computer?

Green Alloys Pvt. Ltd. vs. UOI 2009 (235) ELT 405 (P & H)

The High Court held that the procedure for seizure had to be reasonable and fair and there had to be some basis for continuing to detain the goods. In the instant case, it could not be held that there was a clear case for confiscation only on the ground that the seized goods had been found to be entered in the stock register but not in the Excel sheet in the computer.

There was nothing to show that in respect of such goods, there had been wrongful availment of CENVAT credit. Revenue sought to draw the presumption of wrongful availment of CENVAT credit on the ground that there was little value addition to the finished product over and above the value of the raw material. However, it was a debatable issue. Therefore, the High Court held that there was not a strong prima facie case for confiscation of goods which would justify continued detention of goods or demand of security for the value of goods.

6. Can the judgments of the courts be construed as statutes?

CCE vs. Srikumar Agencies 2008 (232) ELT 577 (SC)

The Apex Court held that Courts should not place reliance on decisions without discussing as to how the factual situation fits in with the fact situation of the decision on which reliance is placed. Observations of Courts are neither to be read as Euclid’s theorems nor as provisions of the statute and that too taken out of their context. These observations must be read in the context in which they appear to have been stated. Judgments of Courts are not to be construed as statutes. To interpret words, phrases and
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For Accounting
and Finance Professionals

ICAI JOB PORTAL
www.jobs4CAs.icai.org

The Institute of Chartered Accountants of India, during its six decades of existence, has achieved recognition as a premier accounting body not only in the country but also globally, for its contribution in the fields of education, professional development, maintenance of high accounting, auditing and ethical standards.
The Committee for Members in Industry is, inter-alia, the one stop destination for providing the placement services to the members of the Institute. The Committee organizes Campus Placement Programmes to provide placement assistance to the Members twice a year. Taking one more step further, CMII has taken an commendable step further to launch this Job Portal so as to augment the venture of getting the Chartered Accountants placed in apex industries.

We are extremely happy to announce the Launch of New ICAI Job Portal which will supplement the existing placement assistance provided by the Committee for Members in Industry to the Newly qualified Chartered Accountants, Experienced Members as well as Accounting Technicians, by providing a converging platform for the potential employers as well as the Members of the Institute.

Welcome to the ICAI Job Portal

This ICAI Job Portal is aimed and specifically designed so as to provide world-class services free of cost to our Members in this transition period and turbulent economic scenario. This Job Portal is unique in the sense that it will serve as one stop destination to Chartered Accountants as they don’t need to visit other Job sites for Job Search.

The ICAI Job Portal has been primarily launched for Experienced Chartered Accountants and Accounting Technicians. The said Job Portal has been designed on the lines of the premium Job Sites.

The Prominent Features of this portal are as follows:

For Employers:
- Hot Vacancy-Premium Job Posting Services
- Advanced Search Tools
- Reach through Job Alerts
- Resume Database Access Subscription
- Unlimited writing for Job Advertisement
- Extremely fast display of Job Advertisement
- Facility to monitor the activities such as a 'MIS' on the number of logins, duration of logins, candidates contacted etc done through the Account.

For Candidates
- Update Alert for CV
- Job Messenger and SMS Facility
- Email Alerts
- Resume Building Services
- Job Search Facility on the Basis of Functional Area, Industry, Experience, Locations, Expected Salary, Job Type, Freshness etc
- Covering Letter Option
- Hot Employer/Preferred Employer marking facility

We sincerely hope that this Job Portal will be extremely helpful to the members and will certainly prove to be a landmark in the long run.

ICAI Job Portal-World Class Job Portal for recruiting World Class Finance and Accounting Professionals.
provisions of a statute, it may become necessary for judges to embark into lengthy discussions but the discussion is meant to explain and not to define. Judges interpret statutes, they do not interpret judgments. They interpret words of statutes; their words are not to be interpreted as statutes.

Circumstantial flexibility, one additional or different fact may make a world of difference between conclusions in two cases. Disposal of cases by blindly placing reliance on a decision is not proper.

The Court further held that as in the instant case, the factual position had not been analysed in detail, disposal of appeals by the CEGAT ought to have examined the cases individually and the articles involved. By clubbing all the cases together and without analyzing the special features of each case disposing of the appeals in the manner done was not proper. Tribunal, by mere reference to decisions, was not the proper way to deal with the appeals.

Section 35B of Central Excise Act, 1944

7. Is Department not required to state any reason while filing an application for condonation of delay in filing the appeal to CESTAT?

<table>
<thead>
<tr>
<th>Period of Delay</th>
<th>Condition(s) to be complied with by the student for condonation of delay in filing of Form 112.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1 year</td>
<td>Condone the breach of Regulation 65 and enroll, after three months, from the date of the meeting at which a decision is taken for condonation.</td>
</tr>
<tr>
<td>More than 1 year</td>
<td>Condone the breach of Regulation 65 and enroll, after six months, from the date of the meeting at which a decision is taken for condonation.</td>
</tr>
</tbody>
</table>

The Chartered Accountant

CCEx., Chennai vs. CEGAT 2009 (236) E.L.T. 21 (Mad.)
The Department filed the appeal to the Tribunal after 100 days after the expiry of the period prescribed for filing an appeal. However, the delay had not been explained by sufficient reasons.

Learned counsel for the petitioner submitted that in the case of Revenue, the Court had always been lenient in condoning the delay. So, there could not be any exception to the procedure followed by this Court as well as the Supreme Court in respect of the fiscal matters. The High Court observed that the power to condone the delay in filing the appeal had been vested with the Tribunal only on being satisfied with the reasonable cause shown for the delay. Since the Department had not substantiated any reason for causing the delay, it could not expect the Tribunal to condone the delay in a routine manner. Even before the High Court the petitioner had not stated the reason. If minimum pain or effort had been taken by the authorities some reason would have been stated for the delay. However, in the absence of any sufficient cause, the Tribunal could not by itself invent reason and granted the relief as sought for by the petitioner.
"Information Systems create a spectrum of illusions; you believe in what you see.”

While financial audit is to measure business objectives in monetary terms and also reported in monetary terms; Information Systems (IS) audit involves the job of performing audit on the contemporary enterprise information systems by collecting and evaluating evidence to determine if the system can safeguard assets, maintain data integrity, achieve business or organisational goals effectively and effective use of resources. The process is concerned with obtaining assurance on information integrity, confidentiality and availability within the organisation.

The need for IS Auditing? : The need arises for the following reasons:

- Auditing around the IS system: The traditional auditing methods used on an IS system was unsatisfactory.
- Control systems: The reliance on systems used to prevent, detect or correct unauthorized events were becoming questionable.
- Return on Investment: Enterprises were facing huge losses due to computer abuse like hacking, viruses, unauthorized physical access and exploitation of privileges.
- Savings on Capital: The advances in technology have resulted in cost effective information technology (IT) investment.

Consequently an IS auditor needs guidance and a different yardstick to measure the 3Es’ (Economy, Efficiency and Effectiveness) of an information system. Independence of the audit report and opinion free of any bias or influence is a critical component to acquire business assurance. The objective is to determine on how to achieve implementation of the IS auditing standards, use professional judgment in its application and be prepared to justify any departure.

He needs guidance on how -

- IS should be assessed to plan their audits effectively?
- To focus their effort on high-risk areas and
- To assess the severity of any errors or weaknesses found.

The specialized nature of Information Systems auditing requires standards, professional skills and credibility to perform such audits. A framework on IS Auditing provides multiple levels of guidance consisting –

Standards: Define professional obligatory requirements for IS auditing and reporting.

Guidelines: A guidance in applying IS Auditing Standards to achieve implementation using professional judgment in their application and to justify any departure.

Procedures: Provides methodologies with process examples to be followed in an auditing engagement to comply with the standards.

A number of international organisations such as AICPA (American Institute of Certified Public Accountants), IIA (Institute of Internal Auditors), ISCA (Information Systems Audit and Control Association) and GAO (U.S Government Accountability Office) have addressed these professional requirements in clear context and language by constituting standards for implementation. Our institute (ICAI) has also issued auditing standards (Auditing and Assurance Standards – AAS) and guidelines in January 2009 “Technical Guide on IS Audit”, under the efforts of the Committee on Information Technology on these lines. The institute is also on the process of issuing new “Standard on Auditing” (SA) mapping the international standards as a member of the International Federation of Accountants (IFAC).

The Objective of an IS audit is to:

- Audit of IS general controls is to evaluate internal control which covers all information systems of an organization.
- Audit of application controls is to evaluate a control related to data input, processing, protection, and obtaining in the specific applications.
- Audit of IS development controls is to evaluate management and control of IS development from the beginning of its conception until its legitimating, covering IS change management.
- Objective of IS performance audit is to evaluate issues related to IS in terms of efficiency, economy, and effectiveness.

General Controls—Physical Access, Environmental influences on IS Assets.

Application Controls – Enterprise Information Systems Maintenance (Input, Process and output)

Development Controls- Information System Development Life Cycle Controls.

The division of functions while performing an IS Audit is:

1. **IT/IS Specialist**
   - Consultations of Specialists of IT Department
   - Consultations of External IS/IT Specialists

2. **IS Auditor**
   - Helps to transfer data from the IS audited entity to a computerized audit tool.
   - Evaluates general controls of information system.
   - To perform audits of application software for financial and performance auditing.
   - Participate in evaluating of IS from the point of view of economy, effectiveness and efficiency.
   - Prepare IS methods and provide training for control implementations.

The Contributor is Sr. Executive Officer (Faculty), ICAI. E-mail: sangeetha.jaganathan@icai.in
Secondary IT processes are:
- PO7 Manage IT human resources
- PO8 Manage quality
- A16 Manage changes
- DS3 Manage performance and capacity
- DS10 Manage problems
- DS11 Manage data

The information criteria most relevant to application system reviews are:
- **Primary:** Availability, reliability, integrity and confidentiality.
- **Secondary:** Compliance, effectiveness and efficiency.

**Planning Considerations:**
- To understand the size, complexity of systems and dependence on IS by the organisation.
- Alignment of business process with the enterprise's mission.
- To identify the application-level risks, its level of influence and audit evidence required.

The objectives and scope of an application systems review should include:
- The objectives and scope of the review the IS auditors performing the review and a statement regarding the independence of the IS auditors from the project.
- When the review will commence the time frame of the review is set with reporting arrangements and closing meeting arrangements.

**Performance of Audit Work:**

**Documenting the Flow of Transaction:** The IS auditor is to focus on data input, processing, storage and output that are of significance to the audit objective. He prepares a high-level data-flow diagram or narrative and/or utilise system documentation if provided. Consideration should also be given to documenting application interfaces with other systems. The IS auditor may confirm the documentation by performing procedures such as a walk-through test.

**Identifying and Testing the Application System Controls:** Specific controls to mitigate the application risks may be identified and sufficient audit evidence obtained by procedure such as inquiry and observation, Review of documentation and the use of computer-assisted audit techniques (CAATs) may be considered.

**Reporting: Weaknesses**

Weaknesses identified in the application review either due to an absence of controls or to non-compliance should be brought to the attention of the business process owner and to the IS management responsible for the support of the application. Advice on immediate corrective action can be suggested. The IS auditor should include appropriate recommendations to strengthen controls in the report.

**References:**
1. Information Technology Control and Audit by Sandra Senft, Frederick Gallegos.
2. Information System Control and Audit by Ron Weber.
3. www.isca.org
GIRIRAJ AJMERA,
Bhilwara, 1st Rank holder, CA Final, June 2009.

Q. Being first rank holder in the final examinations, how do you visualize your success.
Ans. I feel extremely blissful being first rank holder in the final exams. It is one of my life dreams came true which was just thought of, was fulfilled and still a long path is to be covered. As I came to know regarding my 1st rank in final exams through Mr. Uttam Prakash Agarwal (President, ICAI) at the time of declaration of results I was surprised and enthused. I visualize my success just like a blessing of my parents, elders in my family, & tutors. On the day of result, I felt being in the heaven and was blessed by god.

Q. How did you prepare for the examinations? What were the various components of your plan?
Ans. I am 30th rank holder in C.A. intermediate exams. Accordingly, I planned my vision of first rank in final exams. I was very regular in my final studies. I started studying for final exams before 12 months along with routine office hours during articleship. I used to study in the morning hours. My studies were scheduled and planned. I avoided selected studies and did not defer difficult chapters. I believe in discussion-based studies for final exams. It was very helpful to remember for long time. I neither refer more books nor collect more coaching note, I always preferred institute’s study materials, suggested question-answer for last 10 years and monthly Newsletter published by institute. I also used to study newspaper and watch news channel to update with any changes. I believe in study of own prepared notes, which is equal to 10 times oral study of any subject. The key element of success was regular study and hard work as there is no substitute to hard work. At last, I will not forget to say the motivation and inspiration from my parents to accomplish this position.

Q. Do you think you could have done still better in the examinations? Tell us what more could have been done to improve your performance.
Ans. I did at my level best, but life is all about a learning process so still there is always a room for improvement. I would like to state that equal importance shall be given to each of the subject and chapter to become a gold medallist.

Q. What are your views on the articleship training? What way the training has helped you in your learning and examinations?
Ans. Articleship is the most important part of our profession where we start learning and working. It helped me in learning practical work i.e. if you have done something practically it becomes a lot easier to understand the topic and remember the same over a long period.

Q. Please tell us about the contribution of study materials, Students’ Newsletter, suggested answers and revision test papers in your success.
Ans. The study material and suggested answers provided by the Institute are excellent. Students’ Newsletter kept us up to date with latest amendments. At the last moment, Revision Test Paper provided the best guidance before one month of exams.

Q. How have your family members and friends contributed to your success?
Ans. My grandparents, parents and other family members are my motivation and inspiration behind this success. My parents and other family members helped me in continuous and rigorous study. My friends were always with me with full support and suggestions.

Q. Why did you choose CA as a career? Having passed the examinations what prospects you see for yourself?
Ans. CA is a noble and reputed profession, which provides exciting career opportunities with unlimited scope. CA is one of the best professions in country, which provides various opportunities to do your best for country and society. I would like to work as an honest and responsible professional and look forward to be an accountable professional contributing towards nation building.

Q. What challenges are being faced by chartered accountants today? How do you intend to overcome them?
Ans. One of the challenges which nowadays faced by the Chartered Accountants is updating himself in the current fast changing environment, as the whole structure of rules and regulations is changing. These challenges can become the opportunity, because opportunity lies between the difficulties. One more challenge being faced by fresh chartered accountants is communication skills development. Although, ICAI has started GMCS classes to overcome this but still there is a scope for more session like GMCS.

Q. Do you think that the present students of chartered accountancy lack in general management and
communication skills? What should they do to improve these skills?

Ans. Yes, therefore sincere efforts have to be made in this direction. The best suggestion that I could give is to make the three months residential program on professional skills development compulsory for all the students.

Q. And finally, what advice you would like to give to the other chartered accountancy students?

Ans. I would suggest all of my friends to work hard and have faith in god. Do scheduled studies with proper time management. Positive attitude will increase the output of your hard work. Prioritizing the task and motivating yourself will give you success.

AKRAM JAMAL,
Kolkata, 2nd Rank holder, CA Final, June 2009.

Q. Being second rank holder in the final examinations, how do you visualize your success.

Ans. It is a great feeling. A dream comes true for me. Hard work, commitment and dedication always bear fruit. Hard work and complete determination towards your goal is my key to success.

Q. How did you prepare for the examinations? What were the various components of your plan?

Ans. I gave equal importance to theory as well as practical papers. Obviously practical papers were my strength. I did my practical papers well in advance to have a grip over the subject and devoted substantial part of later time towards theory papers especially Direct Tax and Indirect Tax. However, strategy to prepare should be person specific.

Q. Do you regret not being first in the examinations? Do you think you could have done something more to be first.

Ans. Of course, I regret. Well everyone wants to be the first and I am no exception. But at the same time I am satisfied with my achievement. Missing first position is just a matter of luck. Maybe a little more prayers.

Q. Why did you choose CA as a career? Having passed the examinations what prospects you see for yourself?

Ans. I find that CAs are performing well in all field and there is a demand for them everywhere. This ease has poked me to take up the CA career. I am yet to complete my last 6 months training. After that, I would take the career that interests me since there are so many opportunities.

Q. What challenges are being faced by chartered accountants today? How do you intend to overcome them?

Ans. I think keeping yourself updated is one of the challenges faced by CA today. I intent to be associated with ICAI seminars, publications and other technical updates that would always keep me updated.

Q. Do you think that the present students of chartered accountancy lack in general management and communication skills? What should they do to improve these skills?

Ans. Not at all. ICAI do provides GMCS course for the students. The only area where a student may lack is the presentational aspects. Maybe ICAI could come up with some workshop and projects within its curriculum.

Q. What advice you would like to give to the other chartered accountancy students?

Ans. Focus on conceptual clarity. A few months of hard work, commitment and dedication is all what CA examination demands. Luck does play a role and it only comes into play after the hard work. Just give your best performance and a bright future awaits ahead.

The interview with the Joint Third Rank Holders to be continued in the November issue.
The list of publications relevant for PCC, IPCC, Final (Old) and Final (New) November 2009 were published in the September issue of the Chartered Accountant Students’ Newsletter. List of publications relevant for Professional Education Examination – II for November 2009 are as follows.

### Paper 1: Accounting

**Accounting Standards 1 to 29.**

Accounting Standards and Guidance Notes related to the topics given in the study material are more relevant. They are not expected to know in detail the advanced standards like Consolidated Financial Statements (AS 21), Accounting for Investments in Associates in Consolidated Financial Statements (AS 23), Discontinuing Operations (AS 24), Financial Reporting of Interests in Joint Ventures (AS 27), Impairment of Assets (AS 28) and Provisions, Contingent Liabilities and Contingent Assets (AS 29).

For the topic of Accounts of Insurance Companies, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor’s Report of Insurance Companies) Regulations, 2002 will be applicable.

### Paper 2: Auditing

The following list contains the details of the Standards on Auditing (SAs). For the purposes of November, 2009 examinations the students are advised to refer to the Standards on Auditing (SA). The details of the Standards on Auditing (SAs) with full text are being hosted for the guidance of the students.

1. **Statements and Standards**
   - Standards on Auditing as given below:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Standards on Auditing and Number</th>
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<tbody>
<tr>
<td>1.</td>
<td>Basic Principles Governing an Audit (SA 200)*</td>
</tr>
<tr>
<td>2.</td>
<td>Objectives and Scope of the Audit of Financial Statements (SA 200A)*</td>
</tr>
<tr>
<td>3.</td>
<td>Terms of Audit Engagement (SA 210)</td>
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<tr>
<td>4.</td>
<td>Quality Control for Audit Work (SA 220)</td>
</tr>
<tr>
<td>5.</td>
<td>Audit Documentation (230) (Revised)</td>
</tr>
<tr>
<td>6.</td>
<td>The Auditor’s Responsibility to Consider Fraud and Error in an Audit of Financial Statements (SA 240) (Revised)</td>
</tr>
<tr>
<td>7.</td>
<td>Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) (Revised)</td>
</tr>
<tr>
<td>8.</td>
<td>Communication of Audit Matters with Those Charged with Governance (SA 260) (Revised)</td>
</tr>
<tr>
<td>9.</td>
<td>Responsibility of Joint Auditors (SA 299)</td>
</tr>
<tr>
<td>10.</td>
<td>Planning an Audit of Financial Statements (300)</td>
</tr>
<tr>
<td>11.</td>
<td>Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) (Newly issued) **</td>
</tr>
<tr>
<td>12.</td>
<td>Audit Materiality (SA 320)</td>
</tr>
<tr>
<td>13.</td>
<td>The Auditor’s Responses to Assessed Risks (SA 330) (Newly issued) **</td>
</tr>
<tr>
<td>14.</td>
<td>Audit Considerations Relating to Entities Using Service Organizations (SA 402)</td>
</tr>
<tr>
<td>15.</td>
<td>Audit Evidence (SA 500)</td>
</tr>
<tr>
<td>16.</td>
<td>External Confirmations (SA 505)</td>
</tr>
<tr>
<td>17.</td>
<td>Initial Engagements – Opening Balances (SA 510) (Revised)</td>
</tr>
<tr>
<td>18.</td>
<td>Analytical Procedures (SA 520)</td>
</tr>
</tbody>
</table>

19. Audit Sampling (SA 530) (Revised) 
20. Auditing of Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures (SA 540) (Revised) 
21. Related Parties (SA 550) (Revised) 
22. Subsequent Events (SA 560) (Revised) 
23. Going Concern (SA 570) (Revised) 
24. Written Representations (SA 580) (Revised) 
25. Using the Work of Another Auditor (SA 600) 
26. Relying Upon the Work of an Internal Auditor (SA 610) 
27. Using the Work of an Expert (SA 620) 
29. Comparatives (SA 710)

**Note:** Presently, SA 200, “Basic Principles Governing an Audit” and SA 200A, “Objective and Scope of an Audit of Financial Statements” correspond to International Standard on Auditing (ISA) 200 (Revised and Redrafted). Both the SAs are currently being revised in the light of the ISA 200 (Revised and Redrafted). Post revision, the principles covered by SA 200 (erstwhile AAS 1) and SA 200A (erstwhile AAS 2) will be merged into one Standard, i.e. SA 200.)


C. Statement on Reporting under Section 227(1A) of the Companies Act, 1956

### Guidance Notes/Study Guide/Monograph

#### Guidance Notes on Auditing Aspects:

2. Guidance Note on Audit of Inventories.
5. Guidance Note on Audit of Miscellaneous Expenditure.
7. Guidance Note on Audit of Liabilities.
8. Guidance Note on Audit of Revenue.

**Paper 3: Income tax and Central Sales Tax**

1. The July 2008 edition of the study material (including additional booklet) for Paper 5: Income-tax and Central Sales Tax containing the amendments made by the Finance Act, 2007 as well as the significant amendments made by notifications/circulars/other legislations up to 30-4-07.
2. “Professional Education (Course II) - Supplementary Study Paper – 2008” - Income-tax and Central Sales Tax. This contains the amendments made by the Finance Act, 2008 (relevant for A.Y.2009-10) and important notifications and circulars issued between 1-5-07 and 30-4-08.
3. RTP for November 2009 examination, which contains the important amendments made by notifications/circulars issued between 1-5-2008 and 30-4-2009.
SUMMARY OF EXAMINERS’ COMMENTS ON THE PERFORMANCE OF CANDIDATES

PAPER – 1 : ADVANCED ACCOUNTING

General comments
Average performance by the candidates was observed in the paper. As contemplated by the examiners, spelling mistakes and poor usage of grammar was the common problem among the candidates. Also, most of the answers lacked proper presentation, good expression, clarity and precision. It is observed that the candidates generally neglect basic accounting concepts. They should lay stress on theoretical aspects of each and every topic. Many candidates failed to support their calculations with proper working notes. Candidates are suggested to strictly follow the instructions given in the question paper. Short length questions with reasoning, intrinsically test the candidates’ understanding of the topics covered under the study material. Therefore, candidates are advised to work hard on such questions. It is also suggested that the candidates should go through the study material thoroughly.

Question 1. Financial Statements of Not-for-Profit Organizations: Overall performance of the candidates in this question was above average. Many candidates erred in the treatment of refund of entrance fee and its capitalization. At many places calculations done by candidates was not supported by proper working notes. Only few candidates were able to calculate profit from operations.

Question 2. (a) Accounts from Incomplete Records: Satisfactory performance of the candidates has been noticed in this question. However, few candidates were not able to derive the correct figures of sales and purchases and some were not able to bifurcate expenses into cash expenses and expenses routed through bank. Also, many candidates failed to calculate the cash lost by fire.

(b) Cash flow Statements: Overall performance was good and most of the candidates secured full marks in this part of the question.

Question 3. (a) Profits (Loss) Prior to Incorporation: Some candidates wrongly calculated the sales and salary ratio and hence, further calculations went wrong. But still, satisfactory performance has been observed by the examiners in this question.

(b) Investment Accounting: This was a simple question but poorly performed by the candidates. In this question, lack of conceptual clarity was observed by the examiners. In general, candidates were not able to calculate correctly the purchase price and sale price of the investments. They erred in treatment of brokerage and stamp duty expenses incurred at the time of purchase and sale. Also, the value of closing investments was not correctly calculated by many candidates.

Question 4. (a) Financial Statements of Electricity Companies: Average performance has been noticed in this question. Some candidates gave journal entries instead of ledger accounts. Cost of plant to be capitalized and replacement cost were also not correctly calculated by few candidates, therefore, wrongly prepared plant and revenue account.

(b) Liquidation of Companies: This question was attempted by almost all the candidates. Some were able to prepare the accounts up to the stage of payment to preference shareholders but further failed to correctly work out the final call to be made from the partly paid shareholders of Rs. 60 each and final payment to be made to other shareholders.

Question 5. Short answer questions: The performance of the candidates was satisfactory. Few candidates attempted all the 10 parts although only 8 parts were required to be answered and this should be avoided. In parts (v) and (vii) candidates seem to have poor knowledge of the topics.

Question 6. Questions based on Accounting Standards and Theory of the Subject: Performance of the candidates was not good in this question. In 6(a), few students were not able to calculate value of abnormal stock and treatment of CENVAT credit. Some candidates made mistake in calculation of normal and abnormal loss while some showed inventory and abnormal loss in units instead of value, in their answers. In 6(e), many candidates erred in treatment of adjustments (ii) and (v).

PAPER – 2 : AUDITING AND ASSURANCE

General Comments
Many of the candidates have failed to understand the questions carefully and hence, the answers were not in tune with the questions. Answers to the practical problems in many cases were neither concise nor logical.

While answering question No. 7 and 8, it was observed that some students were confused. Instead of answering two questions out of three options they answered only one option in each question. The answers given by some of the examinees showed lack of knowledge and understanding of the subject especially Accounting Standards, AAS (Standards on Auditing) and Companies Act, 1956.

Some of the candidates did not mention the question numbers. Moreover, in many cases answers of sub-questions were not in proper sequences but were scattered throughout the paper.

Specific Comments
Question 1. Performance of the students was satisfactory but some of the students were not able to present it by giving reasons. Instead, they had just marked their answers as True or False. Some of the students answered all the 12 questions instead of choosing any 10 questions was expected. A few students have given very lengthy answers unnecessarily in this part. Few students were confused. Instead of answering two questions out of three options they answered only one option in each question. The answers given by some of the examinees showed lack of knowledge and understanding of the subject especially Accounting Standards, AAS (Standards on Auditing) and Companies Act, 1956.

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that too as a last option. Some students gave vague and irrelevant answers.

**Question 4. (a)** Majority of the students were confused and could not give the appropriate answer to this question. Though most of the students attempted this part, they failed to mention that the scope of audit of a company cannot be restricted by management.

(b) Average performance of the examinees could be witnessed. Most of them wrote only on manipulation of accounts by inflating or suppressing sales. A few could only mention the other possible ways of manipulation of accounts. A few students explained audit process rather than discussing the possible ways of manipulation of accounts.

**Question 5. (a)** Satisfactory performance of the students could be witnessed in this part of the question. Many students could not explain the internal control for the receipt of tuition fee correctly.

(b) Average performance of the students could be seen. However, many of the students could not understand the requirements of CARO, 2003. A few candidates discussed the reporting on verification of fixed assets, and maintenance of fixed assets, and maintenance of fixed assets register, rather than the use of short-term funds for long-term investments.

**Question 6. (a)** In general many examinees failed to understand the subsequent events as per AAS 19 (SA 560). Many students did not understand this question, resulting in poor performance.

(b) Many of the students wrongly considered civil engineer as an expert for valuation of machinery and failed to mention that mechanical engineer is the expert for valuation of machinery.

**Question 7. (a)** Majority of the examinees attempted this part well.

(b) Satisfactory performance was found in this part of the question. Some students failed to give brief answers.

(c) By and large the performance of the candidates was good.

**Alternative**

Some students answered fairly well, while others failed to mention the disclosure requirements as per Schedule VI to the Companies Act, 1956. Most of the students discussed the verification of payment of dividends rather than that of proposed dividend.

**Question 8. (a)** Satisfactory performance could be witnessed. However, a few students wrongly explained how physical verification of inventory is to be carried out instead of stating that auditor ensures that the instructions given for inventory taking is followed.

(b) Few students could attempt this part of the question. Majority of the students failed to mention the importance of letter of weakness.

(c) Most of the candidates have performed this part fairly well.

**Alternative**

Though the answers given by the students were satisfactory, only a few students could highlight the cases where the joint auditors are jointly and severally responsible.

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**PAPER – 3 : LAW, ETHICS AND COMMUNICATION**

**General Comments**

The performance of the examinees, in general, was average. The following improvements are required:

1. Examinees to provide case-laws and specific provisions in their answers.
2. Examinees to hone their English language skills such that their answers have clarity and precision.
3. Examinees to make use of the various Bare Acts.
4. Examinees must be able to identify which questions require analytical answers and which ones require descriptive answers.
5. Examinees to focus on certain legislations such as the Negotiable Instruments Act, 1881, and the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952.
6. In the Communications part, it is desirable that examinees must have a cohesive understanding of legal terminologies and formats correlated to the legal deeds and documents. The examinees are also advised to sharpen their writing skills in order to redress problems related to drafting of circulars, notices, deeds, bonds etc.

**Specific Comments**

**Question 1.** The performance of the examinees was average, as many had not grasped the concept of constructive delivery. In Part (b) and Part (c) the right answers were provided but reasoning was not given by many examinees.

**Question 2.** Examinees’ performance in Part (a) was average, as many examinees did not know the grounds upon which a member may be excluded from exercising his voting rights in the meeting of shareholders. The performance in Part (b) (based on objective type questions in Company Law) was satisfactory though a few examinees did not provide the reasoning despite giving the right answers.

**Question 3.** The performance of the examinees was found to be highly satisfactory.

**Question 4.** Performance of the examinees was found to be satisfactory. But some examinees seemed to be not having an adequate understanding of ‘not negotiable’ crossing.

**Question 5.** In general, the performance of the examinees was satisfactory.

**Question 6.** Performance of the examinees was satisfactory, though some examinees appeared to have misunderstood/mistaken ‘protection’ of PF amount, for ‘transfer’ of PF account from one establishment to another.

**Question 7.** This question was generally answered well. The few, who could not answer satisfactorily, appeared to be not having a clear understanding of the distinction between ‘material’ and ‘immaterial’ alterations to a negotiable instrument.

**Question 8.** Examinees’ performance was satisfactory. Nevertheless, many examinees had not made specific reference to the concept of ‘lifting the corporate veil’ in their answers.

**Question 9.** Performance of the examinees was not satisfactory.

**Question 10.** Though answers given by the examinees were mostly correct, the answers sometimes did not make direct reference to the relevant provisions of the Companies Act, 1956. References to procedural aspects were also found wanting.

**Question 11.** This was not a popular question and the performance of the examinees was average. Some candidates
had erroneously focused on the RBI notification than on the issue of modification of charges.

**Question 12.** Performance of the examinees was satisfactory.

**Question 13.** In both the parts of the question i.e. (a) and (b), performance of the examinees was satisfactory.

**Question 14.** Performance was highly satisfactory.

**Question 15.** Generally, examinees came up with a highly satisfactory performance.

**Question 16.** Performance of the examinees was not very satisfactory. The answers were too general and were lacking in specificity.

**Question 17.** (a) This section of the questions was attempted by most of the students and their performance was quite satisfactory. The language of the question was lucid.

(b) The students did not do justice in drafting the circular for employees insisting on punctuality. Most of the students were ignorant about the correct official correspondence format and practices. The students are advised to practice the drafting of official notices and letters.

**Question 18.** Overall performance of the students was middling. Majority of the students were not able to discern the differences between Listening and Active Listening. The notion of the active listening was not perceptible.

**Question 19.** Partnership Dissolution Deed was not appropriately drafted by most of the students. Instead of drafting Partnership Dissolution Deed, the students dealt with the contents of the Partnership Deed.

**Question 20.** Performance of the students was average. The students lacked professional approach in attempting such a practical question. They could not get the essence of the question and mistakenly elaborated the Bonus Share Certificate rather than Indemnity Bond.

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**PAPER 4: COST ACCOUNTING AND FINANCIAL MANAGEMENT**

**General Comments**

The overall performance of the candidates was average. Performance revealed lack of in-depth knowledge and rigorous study. The candidates need to understand the subjects conceptually and also fine tune their presentation skills. Candidates are advised to practice the practical problems more extensively and pay attention towards properly presenting their answers supported by adequate working notes. It is also advised that the candidates read the question paper thoroughly before attempting it and attempt different parts of the same question consecutively rather than in a random manner.

**Specific Comments**

**Question 1.** (i) This practical question related to ‘Labour Costing’ was attempted by majority of the candidates. Most of the candidates have applied their knowledge to solve this question correctly.

(ii) This theory question was related to ‘Basic Concepts’ of Cost Accounting. Many of the examinees explained ‘Product Cost and Period Cost’ well.

(iii) This practical question related to ‘Operating Costing’ was attempted by the majority of the candidates. Maximum of the students were able to compute ‘Absolute Tonnes Kms. and Commercial Tonnes Kms.’ correctly.

(iv) This practical question was related to ‘Standard Costing’. An understanding of ‘Material variance’ is required to solve this problem. Many of the examinees were able to calculate the actual quantity of material used.

(v) This theory question part related to ‘Budgets and Budgetary Control’ was answered well by majority of the students.

(vi) This Practical question related to ‘Segregation of Semi-variable costs into Fixed and Variable Costs’ was correctly answered by many of the students.

**Question 2. Part A:** This part of the numerical question is related to ‘Budgets and Budgetary Control’ was attempted successfully by majority of the candidates.

**Part-B:** While solving this part of numerical, students were not able to calculate ‘Direct Material Cost, Price, Usage’ variance correctly. Many of them failed to understand the problem correctly.

**Question 3.** (a) This numerical problem from ‘Non-Integrated Accounts’ requires a sound understanding of ‘Reconciliation’. Majority of the Examinees failed to prepare ‘Memorandum Reconciliation Account’ correctly.

(b) This theory question part was attempted by majority of the students, but many of them answered the sub parts of this question sketchily.

**Question 4. (i)** This theory question is related to ‘Materials’ was well answered by the students.

(ii) This theory question part related to ‘Overhead’ was wrongly answered by maximum number of candidates. They were not able to explain the accounting treatment of idle capacity cost in cost accounting.

(iii) The answer given by majority of the candidates to this question related to contract costing was satisfactory.

(iv) This practical question related to P/V ratio of Marginal costing was very well answered by the majority number of students.

**Question 5.** (i) Short note on Functions of Treasury Department was answered correctly by most of the candidates.

(ii) Concept of American Depository Receipts was answered well by majority of the candidates.

(iii) The part on Computation of Debt Service Coverage Ratio was well written by most of the candidates. However, majority of the candidates did not mention its significance.

(iv) A large percentage of the candidates discussed conflict in profit versus wealth maximization objective well. However, a few of them only explained the two objectives in brief.

(v) Very few candidates discussed the concept of Debt-Equity or EBIT-EPS indifference point while determining the capital structure of a company on correct lines.

(vi) Majority of the candidates did not discuss the benefits to the originator of Debt Securitisation.

**Question 6.** Majority of the candidates failed to prepare the schedule of changes in working capital on correct lines. A large number of them did not indicate the difference as an increase or decrease in each item. The candidates have not presented their answers supported by proper working notes in preparation of funds flow statement.

**Question 7.** (a) A large percentage of the candidates did not arrive at the correct figure of weighted average cost of capital as they wrongly computed the cost of debt and cost of
Most of the candidates calculate the long term capital gain but indexation was not done. Many candidates are unaware of the provisions of section 10(38) that long-term capital gain on listed shares is subject to security transaction tax.

5. Majority of the candidates have taken the refund of income tax under the head income from other sources. They forget that only interest portion is shown under other sources.

6. Most of the students mistook safety salary as salary of proprietor.

Question 3. (a) Many of the candidates who knew the concept, failed to calculate education cess and special higher education cess as applicable. Consequently, the relief under section 89 was computed incorrectly.

(b) Most of the candidates have considered that there would be a printing mistake in question paper as far as the purchase price of the residential property is concerned. They gave alternative answers assuming that the purchase price of the property is Rs. 5 lakhs (purchase price printed Rs. 50 lakhs whereas the sale consideration is only Rs. 35 lakhs).

Question 4. (a) (i) Most of the candidates disallowed the deduction under section 80D in respect of premium paid for father because he was not dependent on assessee. Some of the students were not aware of the provisions of section 80D, they confused with section 80C.

(ii) Most of the candidates have failed to understand the concept of “Reverse Mortgage” especially capital gains treatment.

(b) Majority of the candidates were not aware of the provisions as far as setting off Short Term Capital Loss incurred on sale of shares for which STT is paid and wrongly set off the same with the long term Capital Gains. Few of the candidates have treated salary from partnership firm under the head “Salary” instead of income from business. Many candidates were not aware of the provision of section 71 and they set off the loss from capital gain from the income from other sources.

Question 5. (a) Most of the candidates have explained the cases when income of a previous year will be assessed in the previous year itself. They did not explain the previous year from undisclosed sources of income.

(b) Mostly candidates were not aware of the provisions of section 2(26B).

(c) Most of the candidates have explained that advancement of any other object of general public utility is included in charitable purpose and does not explain the other provisions of section 2(15) of the Act.

(e) Most of the candidates were mentioned the correct percentage of amount payable but none of them could mention the words ‘as reduced by the amount earlier paid’ in IIIrd, IIIrd & IVth instalments.

Question 6. (a) Most of the candidates attempted the question correctly.

(b) Majority of the candidates failed to mention the amount of late fees required to be paid along with delayed return.

(e) Most of the students answered this question satisfactorily.

Question 7. (a) A large number of candidates calculated the input VAT correctly. However, they included the VAT while computing the invoice price thereby leading to wrong
(b) Few candidates charged the service tax on accrual basis. Some students included whole amount of bill raised against the customer in the value of taxable services instead of including payment on only the receipt basis.

(d) Most of the candidates explained the concept well but failed to give an example.

(c) Majority of the answers were vague and not to the point.

(d) Only a few students were able to give all the points in this question correctly. Majority of the students only explained the calculation part of VAT under this method.

**SECTION – A : INFORMATION TECHNOLOGY**

**General Comments**
The overall performance of the candidates was average. Examiners were of the view that in–depth subject knowledge and concentrated study required to attempt the questions correctly, were missing in the answers given by the examinees. Examinees have been advised to study the prescribed study material in depth thoroughly and need to understand each and every question logically. They should provide to the point answers and also need to fine-tune their writing skills and presentation.

**Specific Comments**
**Question 1.** This theory question consisted of two Parts (a) and (b) with 5 sub-parts in each part. Examinees attempted in this question satisfactorily except for specific parts 1(a)(i) on VPDN, 1(a)(iii) DDL compiler, 1(a)(iv) Shareware and 1(b)(ii) Real time Data Warehouse, 1(b)(ii) MMX, 1(b)(iii) Online Backup and 1(b)(iv) Index Field. Candidates failed to explain these terms appropriately.

**Question 2.** This question was a choice based question which consisted of three parts – Part (a) based on “Expert System”, part (b) based on “Computer Networks” and Part (c) based on “Data Centre”, out of which there was an internal choice between Parts (a) and (b).

Most of the examinees attempted the Q. 2(a) part satisfactorily, but the answers to Parts (b) and (c) were general and ambiguous. The answers were mainly given using common sense and the candidates exhibited poor conceptual clarity on the topics – “The scope of computer networks in business” and “Challenges faced in managing a data centre”.

**Question 3.** This question consisted of three Parts – Part (a) based on “Client Server Architecture”, Part (b) based on “Database Architecture and its Views” and Part (c) based on “Documentations and its types”, out of which there was an internal choice between Parts (b) and (c).

Most of the examinees have answered Part (a) correctly but very few have managed to attempt Parts (b) and (c) adequately. In Part (b), the examinees were confused and lacked concrete understanding of the terms “architecture” and “views”, whereas in Part (c), the word “documentation” was misunderstood by many of the students.

**Question 4.** This question based on “Flowcharts” required students to formulate the problem after analyzing the flow chart. Most of the examinees understood the flow chart well and scored maximum in this question.

**Question 5.** This question consisted of two Parts (a) and (b) - Part (a) based on “EFT Systems” and Part (b) based on “OSI Model of Communication”.

Most of the candidates attempted Part (a) suitably but large number of examinees were unable to explain OSI Model and its layers.

**SECTION – B : STRATEGIC MANAGEMENT**

**General Comments**
In Strategic Management the performance of candidates, in general, was not satisfactory. Their answers do not reveal that they made proper study required for preparation. In several cases, candidates were not having knowledge of the concepts asked in the question paper. Accordingly, they were not able to attempt the required number of questions. Problems were also found in language, expression and presentation. Particularly a large number of candidates attempting in English language were unable to construct even simple sentences. To perform better in the examinations students have no alternative but to study hard and get conceptual clarity. They should also devote more time and do a lot of writing practice.

**Specific Comments**
**Question 6.** The answers that were written by some of the candidates were very poor. They were not able to support their answers about the correctness or incorrectness of the statements with proper reasoning.

**Question 7.** The answers were not satisfactory. They were either too brief or were vague. Some problems were found in the understanding of the concept of marketing mix. A majority of the candidates faced difficulty in differentiating between forward and backward integration.

**Question 8.** The basic concept of BCG matrix was known to several candidates. However, many examinees were not able to explain its utility in strategic management.

**Question 9.** From the answers it was felt that a large number of the candidates have either not studied the concept of Business Process Re-engineering or they were not able to comprehend it. Many examinees have written irrelevant answers based on their own guesswork. The answers, in general, were very poor. Neither Business Process Re-engineering nor its steps were properly written in majority of the cases.

**Question 10.** Candidates had reasonable knowledge of stability and expansion strategy. However, divestment was unfamiliar to several candidates. Candidates also faced difficulty in articulating the facts given in the case and link them with the theoretical concepts in their answers. Some candidates had unnecessarily repeated the sentences given in the case.
CA. Uttam Prakash Agarwal, President, ICAI addressing the students at the Campus Placement Programme organised by CMI at Mumbai on 1st September, 2009.

CA. Uttam Prakash Agarwal, President, ICAI laying the foundation stone of Kakinada Branch of SIRC of ICAI. Also seen in picture CA. Devi Kumar, Secretary of the building committee.

CA. Uttam Prakash Agarwal, President, ICAI with other dignitaries at the Inauguration of Haridwar Chapter on 26th August, 2009.

CA. Uttam Prakash Agarwal, President, ICAI awarding certificates to newly qualified chartered accountants at the Convocation held in Bangalore on 2nd August, 2009.

TOPPERS OF CHARTERED ACCOUNTANTS EXAMINATIONS

### Final Examination, June, 2009

- **Giriraj Ajmera** - First Rank
- **Akram Jamal** - Second Rank
- **Vikesh Mundhra** - Third Rank
- **Ruchika Katyal** - Third Rank
- **Monika Talreja** - Fourth Rank

### Professional Competence Examination, June, 2009

- **Rahul Madival** - First Rank
- **Kunal Surajya** - Second Rank
- **Mohit Rajat** - Third Rank
- **Mayank Agarwal** - Fourth Rank
- **Maitreyee Rajaput** - Fifth Rank

### Common Proficiency Test (Paper-Pencil Mode), June, 2009

- **Praseed Pandey** - First Rank
- **Divyesh Vijay** - Second Rank
- **Sahil Aggarwal** - Third Rank
- **Sumil Sethi** - Third Rank

### Professional Education Examination-II, June, 2009

- **Vivek Gupta** - First Rank
- **Pravin Pawar** - Second Rank

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CA. Uttam Prakash Agarwal, President, ICAI meeting with Shri. R. Bandyopadhyay, Secretary, Ministry of Corporate Affairs on 8th September, 2009.

Shri D. S. Bains, IAS, Principal Secretary, Local Bodies, Punjab and CA. Uttam Prakash Agarwal, President, ICAI at the Foundation Stone Laying Ceremony at Sangrur Branch on 25th August, 2009.

CA. Uttam Prakash Agarwal, President, ICAI addressing the gathering at the Campus Placement Programme organised by CMII at New Delhi on 31st August, 2009.

CA. Uttam Prakash Agarwal, President, ICAI inaugurating the Seminar hall at Guntur Branch on 17th August, 2009.

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