Message from the Chairman, Board of Studies

Dear Students,

In the month of July results of the Chartered Accountancy examinations are declared. My best wishes to everybody who have appeared in the last examinations and are awaiting results.

Student Activities

By the time this newsletter will reach you the 20th All India CA Students’ Conference on Working with World will be over. The initial response to the conference is very encouraging. Considering the number of the students that are registering for the programme, alternative arrangements are made by booking additional hall with live telecast of the event. However, the students who have missed attending the conference, should attend the 4th National Convention for CA Students that is being held on 6th and 7th July in Vadodara.

At present quiz and elocution contests are also being held at branch level that will be completed by July 31, 2007. These would be followed by regional level contests. Students are advised to participate in them.

Art of Speaking

Conference, conventions or elocution contests provide you with a chance to be on the podium and speak in front of a large gathering. Many good speakers candidly confess that they were really nervous when they came to the stage for the first time. You can be a good speaker if you decide to be one. Look for opportunities and participate. Following tips will help you.

♦ Do your homework properly. Study the topic intensively and try to gain as much knowledge as possible. Minutely plan the speech.
♦ Rehearse your speech several times. Ask your parents, siblings or friends to be your audience. Take their feedback and try to improve.
♦ Carry cue cards to help you in maintaining the intended sequence and cover all the points.
♦ Never try to memorize and then present a speech, i.e., do not try to cram and then speak. Speak naturally what comes to your mind. It would come out to be better.

An investment in knowledge always pays the best interest.

– Benjamin Franklin

(Continued on Page 4.....)
G L I M P S E S

Career Expo, Nagpur

CA. Jaydeep Narendra Shah, Chairman-BOS, cutting the ribbon. Others seen in picture (on left side of Chairman) CA. Samir Bakre, Vice-Chairman, Nagpur Branch, Mr. Vyas, Principal, VMV College Nagpur, CA. Abhijit Kelkar, Chairman WICASA - Nagpur Branch, Ms Sharadha Suresh, Committee Member, Nagpur Branch, (on his right) CA. Julfesh Shah, Chairman-Nagpur Branch and Ms Kavita Loya, treasurer-Nagpur Branch.

Seminar for CA students, Jaipur

CA. Vijay Garg, Vice-Chairman, BOS addressing the students at the seminar.

A view of students at the seminar.

Career Counselling Programme, Pragati Maidan, New Delhi

Chairman, BOS with collector of Nagpur, Seen in picture (L to R) CA. Samir Bakre, Vice-Chairman, Nagpur Branch, Dr. Mukherjee, Collector, Nagpur, CA. Jaydeep Narendra Shah, Chairman-BOS, CA. Julfesh Shah, Chairman-Nagpur Branch, CA. Abhijit Kelkar, Chairman WICASA - Nagpur Branch.
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Invitation to Write Articles

Members, academicians, students and others may send their original articles for inclusion in this newsletter. Typically the length of articles should be between 2000 to 4000 words. Articles written by the students are encouraged. Every year best articles that are written by students are awarded cash prize and a certificate at the annual function of the Institute.

All correspondence in this regard should be done at Board of Studies, ICAI, C-1, Sector – 1, Noida 201301. Please write your complete name, complete address and the membership/registration number in your correspondence. Also send a copy of recent passport size photograph.

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Message from the Chairman, Board of Studies

(Continued from page 1)

♦ Humour may be used to illustrate the message. It may be added to break monotony and retain interest. However, it should not be at the cost of losing the focus. Humour is not replacement of overall quality of matter and its delivery.

Doing B.Com. / M.Com. at IGNOU

As already announced, the Institute of Chartered Accountants of India and Indira Gandhi National Open University have recently reached a Understanding wherein latter will provide special B.Com. and M.Com. courses to the chartered accountancy students. IGNOU has proposed to launch the courses for next academic session for which application form and the prospectus shall be available from the first week of July, 2007. Eligible students interested in these courses may submit filled in application by the end of August, 2007. Students should keep a watch on the website for detailed announcement / prospectus.

Pursuing Ph.D.

There is good news for the Chartered Accountants who are interested to pursue doctoral programme. Jamia Hamdard University has recognized Chartered Accountancy Course as equivalent to Master’s Degree for the purpose of admission to the Ph.D. Programme of Jamia Hamdard. The Ph.D. Programme shall be conducted by Faculty of Management Studies and Information Technology of Jamia Hamdard.

100 Hours Information Technology Training

Many students are frequently asking position of 100 Hours Information Technology in the overall scheme of practical training. The 100 Hours Information Technology Training is to be undergone after completion of 3 months of articleship training. It is treated as part of the articleship training. Accordingly, a student should take prior permission of the Principal/ MIT and join the training.

Point to Ponder

Opportunity is missed by most people because it is dressed in overalls and looks like work – Thomas A. Edison. Whatever you do, do with full enthusiasm and dedication. Do not shirk away from a new job. It may open a new opportunity for you. Believe in yourself and your capabilities.

With best wishes,

Yours truly,

CA. Jaydeep Narendra Shah

Eastern India CA Students Conference, 2007

Eastern India Regional Council of the Institute of Chartered Accountants of India alongwith the Eastern India Chartered Accountants’ Students Association would be jointly organizing Eastern Region CA Students Conference on 11th August, 2007 at Calcutta University Centenary Auditorium, Calcutta University, College Street, Kolkata. There will be 3 technical sessions on Accounting, Auditing, Financial Management, Taxation – both Direct & Indirect, Corporate Laws & one Special Session on Strategies for Success in CA Course apart from Inaugural & Valedictory sessions. Papers on relevant topics would be presented. A colourful cultural programme will be held in the evening.

Delegate fee : Rs.200. Registration will be on first-come-first-served basis.

For more details : Visit EIRC website : www.eircindia.org or Noticeboard at EIRC.
Risk Management

Arijit Chakraborty

Risk Management is the process of measuring or assessing risk and developing strategies to manage it. Strategies include:

- transferring the risk to another party,
- avoiding the risk,
- reducing the negative effect of the risk, and
- Accepting some or all of the consequences of a particular risk.

Traditional risk management focuses on risks stemming from physical or legal causes (e.g. natural disasters or fires, accidents, death, and lawsuits).

Financial Risk Management focuses on risks that can be managed using traded financial instruments. In an ideal risk management case, a prioritization process is followed whereby the risks with the greatest loss and the greatest probability of occurring are handled first, and risks with lower probability of occurrence and lower loss are handled later.

Intangible risk management identifies a new type of risk - a risk that has a 100% probability of occurring but is ignored by the organization due to a lack of identification ability. For example, knowledge risk occurs when deficient knowledge is applied. Relationship risk occurs when collaboration ineffectiveness occurs.

Process-engagement risk occurs when operational ineffectiveness occurs. These risks directly reduce the productivity of knowledge workers, decrease cost effectiveness, profitability, service, quality, reputation, brand value, and earnings quality.

Steps in the risk management process

Step -1 : Establish the context

Establishing the context includes planning the remainder of the process and mapping out the scope of the exercise, the identity and objectives of stakeholders, the basis upon which risks will be evaluated and defining a framework for the process, and agenda for identification and analysis of risk involved in the process.

Step -2 : Identification

After establishing the context, the next step in the process of managing risk is to identify potential risks. Risks are about events that, when triggered, cause problems. Hence, risk identification can start with the source of problems, or with the problem itself.

- Source analysis Risk sources may be internal or external to the system that is the target of risk management.

Examples of risk sources are: stakeholders of a project, employees of a company or the weather over an airport.

- Problem analysis Risks are related to identified threats. For example: the threat of losing money, the threat of abuse of privacy information or the threat of accidents and casualties. The threats may exist with various entities, most important with shareholder, customers and legislative bodies such as the government.

When either source or problem is known, the events that a source may trigger or the events that can lead to a problem can be investigated. For example: stakeholders withdrawing during a project may endanger funding of the project; privacy information may be stolen by employees even within a closed network; lightning striking a Boeing 747 during takeoff may make all people onboard immediate casualties.

The chosen method of identifying risks may depend on culture, industry practice and compliance. The identification methods are formed by templates or the development of templates for identifying source, problem or event. Common risk identification methods are:

- Objectives-based Risk Identification Organizations and project teams have objectives. Any event that may endanger achieving an objective partly or completely is identified as risk. Objective-based risk identification is at the basis of COSO’s ERM –An Integrated Framework.

- Scenario-based Risk Identification In scenario analysis different scenarios are created. The scenarios may be the alternative ways to achieve an objective, or an analysis of the interaction of forces in, for example, a market or battle.

Any event that triggers an undesired scenario alternative is identified as risk.

Step- 3 : Risk Assessment

Once risks have been identified, they must then be assessed as to their potential severity of loss and to the probability of occurrence. These quantities can be either simple to measure, in the case of the value of a lost building, or impossible to know for sure in the case of the probability of an unlikely event occurring. Therefore, in the assessment process it is critical to make the best educated guesses possible in order to properly prioritize the implementation of the Risk Management Plan.

The fundamental difficulty in risk assessment is determining the rate of occurrence since statistical information is not available on all kinds of past incidents. Furthermore, evaluating the severity of the consequences (impact) is often quite difficult for immaterial assets. Asset valuation is another question that needs
to be addressed. Thus, best educated opinions and available statistics are the primary sources of information. Nevertheless, risk assessment should produce such information for the management of the organization that the primary risks are easy to understand and that the risk management decisions may be prioritized.

Rate of occurrence multiplied by the impact of the event equals risk

**Step-4 : Potential Risk Treatments**

Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of these four major categories: (Dorfman, 1997)

- **Tolerate**
- **Treat** (i.e Mitigation)
- **Terminate** (i.e Retention)
- **Transfer**

Ideal use of these strategies may not be possible. Some of them may involve trade-offs that are not acceptable to the organization or person making the risk management decisions.

- **Risk avoidance** - Includes not performing an activity that could carry risk.
- **Risk reduction** - Involves methods that reduce the severity of the loss.
- **Risk retention** - Involves accepting the loss when it occurs.
- **Risk transfer** - Means causing another party to accept the risk, typically by contract or by hedging.

**Step-5 : Creating the plan**

Decide on the combination of methods to be used for each risk. Each risk management decision should be recorded and approved by the appropriate level of management. For example, a risk concerning the image of the organization should have top management decision behind it whereas IT management would have the authority to decide on computer virus risks.

The plan should propose applicable and effective security controls for managing the risks. For example, an observed high risk of computer viruses could be mitigated by acquiring and implementing anti virus software.

**Step-6 : Implementation & reporting**

Following all of the planned methods for mitigating the effect of the risks, Purchasing insurance policies for the risks that have been decided to be transferred to an insurer, avoid all risks that can be avoided without sacrificing the entity’s goals, reduce others, and retain the rest.

**Step-7: Review and evaluation of the plan**

Practice, experience, and actual loss results will necessitate changes in the plan and contribute information to allow possible different decisions to be made in dealing with the risks being faced.

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**Areas of risk management**

In Corporate finance, risk management is a technique for measuring, monitoring and controlling the financial or operational risk on a firm’s balance sheet. The Basel II framework breaks risks into:

- Market risk (price risk),
- Credit risk, and
- Operational risk and also specifies methods for calculating capital requirements for each of these components.

**Enterprise Risk Management (ERM)**

In ERM, a Risk is defined as a possible event or circumstance that can have negative influences on the Enterprise in question. Its impact can be on the very existence, the resources (human and capital), the products and services, or the customers of the Enterprise, as well as external impacts on Society, Markets or the Environment.

**Risk management activities as applied to project management**

- Plan should include risk management tasks, responsibilities, activities and budget.
- Assigning a risk officer - a team member other than a project manager who is responsible for foreseeing potential project problems.
- Maintaining live project risk database. Each risk should have the following attributes: opening date, title, short description, probability and importance.
Creating anonymous risk reporting channel. Each team member should have possibility to report risk that he foresees in the project.

Preparing mitigation plans for risks that are chosen to be mitigated. The purpose of the mitigation plan is to describe how this particular risk will be handled – what, when, by who and how will be done to avoid it or minimize consequences if it becomes a liability.

Summarizing planned and faced risks, effectiveness of mitigation activities and effort spend for the risk management.

**Risk Management and Business Continuity Planning (BCP)**

Risk management is simply a practice of systematically selecting cost effective approaches for minimizing the effect of threat realization to the organization. All risks can never be fully avoided or mitigated simply because of financial and practical limitations. Therefore all organizations have to accept some level of residual risks.

Whereas risk management tends to be pre-emptive, BCP was invented to deal with the consequences of realised residual risks. The necessity to have BCP in place arises because even very unlikely events will occur if given enough time. Risk management and BCP are often mistakenly seen as overlapping practices. In fact these processes are so tightly tied together that such separation seems artificial. For example, the risk management process creates important inputs for the BCP (assets, impact assessments, cost estimates etc). Risk management also proposes applicable controls for the observed risks. Therefore, risk management covers several areas that are vital for the BCP process.

**Risk Management and Internal Auditors –**

The 21st Century Internal auditors have the following vital areas of responsibility:

- Review operations, policies, and procedures
- Help ensure goals and objectives are met
- Understanding of “big picture” and diverse operations
- Make recommendations to improve economy and efficiency

The enhanced role of the Internal Auditor covers, inter alia,

**Risk management, control, & governance processes**

- Financial analysts
- Risk evaluators
- Improving operations, business performance
- Supplying analyses, suggestions, & recommendations

**Some important services rendered by Internal Auditors**

**Risk Assurance**

One of the primary roles of IA is Risk Assurance. Internal auditors identify all auditable activities and relevant risk factors, and assess their significance.

- Investigating
- Evaluating

**Internal Control assessments**

The IA assess the ‘as –is’ Internal Control system within the organization and map it against a globally accepted ‘standard’ which is basically, an Internal Controls framework- COSO being the most widely used.

- Evaluate efficiency & effectiveness of controls
- Recommend new controls where needed – or discontinuing unnecessary controls
- Use of control frameworks (COSO, CoCo, Cadbury)
- Control self-assessment (CSA)

The emerging era of Risk Management and its different implications have thrown open a vista of opportunities for Chartered Accountants throughout the globe. The ICAI, in its pioneering role has already addressed this issue and bringing out professional guidelines and literature on the subject to better-equip its Members. Chartered Accountants in their capacity as Change-Agents are consistently proving their worth as Risk Management professionals and in the process are writing whole new corporate success-stories.
Towards Greener Tomorrow – Understanding Carbon Credit

Gururaj S.

Carbon Credit

Amidst growing concern and increasing awareness on the need for pollution control, the concept of carbon credit came into existence as a result of an international agreement, popularly known as the Kyoto Protocol. Carbon credits are certificates issued to countries that reduce their emission of GHG (greenhouse gases) which causes global warming. It is estimated that 60-70% of GHG emission is through fuel combustion in industries like cement, steel, textiles and fertilizers. Some GHG gases like hydro fluorocarbons, methane and nitrous oxide are released as by-products of certain industrial processes, which adversely affect the ozone layer, leading to global warming.

The Concept of Carbon credit came into existence as a result of increasing awareness on the need for pollution control. It took the formal form after the international agreement between 141 countries, popularly known as Kyoto Protocol. Carbon Credits are certificates awarded to countries that are successful in reducing the emissions that cause global warming.

Kyoto Protocol

The Kyoto Protocol is an international treaty to reduce greenhouse gas (GHG) emissions blamed for global warming. The Protocol, in force as of 16 February 2005 following its ratification in late 2004 by Russia, provides the means to monetize the environmental benefits of reducing GHGs. Kyoto Protocol is a voluntary treaty signed by 141 countries, including the European Union, Japan and Canada for reducing GHG emission by 5.2% below 1990 levels by 2012. However, the US, which accounts for one-third of the total GHG emission, is yet to sign this treaty. The preliminary phase of the Kyoto Protocol is to start in 2007 while the second phase starts from 2008. The penalty for non-compliance in the first phase is E40 per tonne of carbon dioxide (CO₂) equivalent. In the second phase, the penalty will be hiked to E100 per tonne of CO₂. The Protocol and new European Union emissions rules have created a market in which companies and governments in developed countries – such as the Netherlands – that are close to exceeding their GHG emission quotas can sell the ensuing emissions ‘credits’. These are purchased by businesses and governments in developing countries which reduce GHG gas levels can sell the ensuing emissions ‘credits’. These are purchased by businesses and governments in developed countries – such as the Netherlands – that are close to exceeding their GHG emission quotas. Major contributors of Greenhouse Gas emissions are cement, steel, textiles, and fertilizer manufacturers. The major gases emitted by these industries are methane, nitrous oxide, hydro fluoro carbons, etc. which directly deplete the ozone layer.

For trading purposes, one credit is considered equivalent to one tonne of CO₂ emission reduced. Such a credit can be sold in the international market at a prevailing market rate. The trading can take place in open market. However there are two exchanges for carbon credit viz Chicago Climate Exchange and the European Climate Exchange. The Kyoto Protocol provides for three mechanisms that enable developed countries with quantified emission limitation and reduction commitments to acquire greenhouse gas reduction credits. These mechanisms are Joint Implementation (JI), Clean Development Mechanism (CDM) and International Emission Trading (IET). Under JI, a developed country with relatively higher costs of domestic greenhouse reduction would set up a project in another developed country, which has a relatively low cost.

Under CDM, a developed country can take up a greenhouse gas reduction project activity in a developing country where the cost of GHG reduction project activities is usually much lower. The developed country would be given credits for meeting its emission reduction targets, while the developing country would receive the capital and clean technology to implement the project. Under IET mechanism, countries can trade in the international carbon credit market. Countries with surplus credits can sell the same to countries with quantified emission limitation and reduction commitments under the Kyoto Protocol. The EBRD region – former centrally planned economies of central and Eastern Europe, Russia, the Caucasus and central Asia – is rich in possibilities for using the Protocol to reduce emissions and energy waste and costs. Such economies are highly energy inefficient: it takes twice as much energy to produce a unit of GDP in Hungary and Czech Republic as it does in Western Europe and 10 times as much in Russia and Ukraine.

Understanding Carbon Credit

Carbon credits are measured in units of certified emission reductions (CERs). Each CER is equivalent to one ton of carbon dioxide reduction. India has emerged as a world leader in reduction of greenhouse gases by adopting Clean Development Mechanisms (CDMs) in the past two years. Developed countries that have exceeded the levels can either cut down emissions, or borrow or buy carbon credits from developing countries.

Trading in Carbon Credit (CC)

The concept of carbon credit trading seeks to encourage countries to reduce their GHG emissions, as it rewards those countries which meet their targets and provides financial incentives to others to do so as quickly as possible. Surplus credits (collected by overshooting the emission reduction target) can be sold in.
the global market. One credit is equivalent to one tonne of CO₂ emission reduced. CCs are available for companies engaged in developing renewable energy projects that offset the use of fossil fuels. Developed countries have to spend nearly $300-500 for every tonne reduction in CO₂, against $10-$25 to be spent by developing countries. In countries like India, GHG emission is much below the target fixed by Kyoto Protocol and so, they are excluded from reduction of GHG emission. On the contrary, they are entitled to sell surplus credits to developed countries. It is here that trading takes place. Foreign companies who cannot fulfill the protocol norms can buy the surplus credit from companies in other countries through trading. Thus, the stage is set for Credit Emission Reduction (CER) trade to flourish. India is considered as the largest beneficiary, claiming about 31% of the total world carbon trade through the Clean Development Mechanism (CDM), which is expected to rake in at least $5-10bn over a period of time. To implement the Kyoto Protocol, the EU and other countries have set up ‘Cap and Trade’ systems.

Under these systems, companies are obliged to match their greenhouse gas emissions with equal volumes of emission allowances. The Government initially allocates a number of allowances to each company. Any company that exceeds its emissions beyond its allocated allowances will either have to either buy allowances or pay penalties. A company that emits less than expected can sell its surplus allowances to those with shortfalls. Companies or countries will buy these allowances as long as the price is lower than the cost of achieving emission reductions by themselves.

**Carbon Finance**

Carbon finance is the term used for carbon credits to help finance GHG reduction projects such as the recent biomass conversion at Bulgaria’s PFS paper mill. The switch from hydrocarbon to biomass will reduce the mill’s GHG emissions, generating carbon credits being purchased for the account of the Netherlands government.

There are two categories of countries involved in carbon credit trading and finance: One being Developing countries which do not have to meet any targets for GHG reductions. However they may develop such projects because they can sell the ensuing credits to countries that do have Kyoto targets. In the EBRD region these include Armenia, Azerbaijan, Georgia, Kyrgyz Republic, FYR Macedonia, Moldova, Turkmenistan and Uzbekistan. These countries are covered by the Protocol’s Clean Development Mechanism (CDM). The other, industrialized countries which include OECD countries (the richest nations of the world) and countries in transition from centrally planned to open market economies. The latter include 13 of the EBRD’s countries of operation where the industrial base and other infrastructure are highly energy inefficient: Russia, Ukraine, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. They are part of the Protocol’s Joint Implementation (JI) mechanism.

**Emergent Issues**

**Carbon Credit: RS 15,000-Crore investments likely**

The unfolding opportunity of carbon credits has caught the imagination of Indian entrepreneurs. The number of Indian projects, in the fields of biomass, cogeneration, hydropower and wind power, eligible for getting carbon credits, now stands at 225 with a potential of 225 million CERs (certified emission reductions). This is just the tip of the iceberg. If there is no uncertainty as to what will happen beyond 2012, the number could easily cross the 2,000-mark. The Kyoto Protocol required the developed nations to reduce greenhouse-gas emissions at least five percent from 1990 levels during the commitment period of 2008-2012. On 93rd Indian Science Congress it was estimated that the new opportunity could trigger flow of investments to the tune of Rs.1.5, 000 crore. Projects approved by designated CDM (Clean Development Mechanism) in the developing countries could earn carbon credits and sell them to the countries that required reducing the greenhouse gas emissions under the international agreement. It was also pointed out that India is not at all under any pressure. Going for cleaner production was good for our own interest. In that process Indian companies can benefit by selling the credits. Any projects that are set up after January 1, 2000, will be eligible for CDM recognition.

In a bid to throw light on the subject, public sector energy utilities such as NTPC, ONGC and Power Grid, The Ministry of Environment and Forests had held a national level seminar in New Delhi during January this year.

The Ministry had already started a project to sensitize and encourage States to take a lead in this regard. Initially five States — Andhra Pradesh, Rajasthan, Karnataka, Punjab and Maharashtra were given seed funding to set up their own CDM facilities and spread the word. Now it had been extended to 15 States. It is likely that the whole country will be covered up by the year-end.

**Demand for Carbon Credits will grow**

Because of projected shortfalls and higher relative carbon abatement costs, it is anticipated that OECD countries will fail to meet their Kyoto target by 2012. The higher relative emissions abatement costs in these countries mean that they will find it attractive to buy carbon credits generated elsewhere. Private companies in industrialized countries will increasingly be subject to ‘Cap and Trade’ mechanisms, such as the EU Emission Trading Scheme which started on 1st January 2005 (although this will initially cover only 50% of emissions). The EU scheme is separate from the Kyoto Protocol but the ‘Linking Directive’ of 2004 allows a European company to buy Kyoto Protocol Carbon Credits to comply with their obligations under the EU Emission Trading Scheme.
Governments will also have to buy Carbon Credits because the ‘cap and trade’ mechanisms will initially only apply to a fraction of each state’s economy and Governments are responsible under the Kyoto Protocol for meeting their country targets. OECD Governments and European companies subject to the EU Emission Trading Scheme will therefore be the main buyers of Carbon Credits.

**Low-cost Carbon Credits available in the EBRD’s countries of operations**

The reference year used by the Kyoto Protocol for targets in emission reductions is 1990. Since then, emissions have dropped sharply in countries such as Russia and Ukraine, as a result of substantial real contraction of GDP. It is expected that the 13 countries of operation with Kyoto Protocol targets will remain below their agreed maximum greenhouse emissions. These countries will therefore be likely sellers of carbon credits. High carbon and energy intensities mean high potential for low-cost emissions reductions (low relative investment cost per tonne of GHGs avoided).

**Role of the EBRD**

The main role of the Bank in the field of carbon finance is to act as financier of emission reduction projects. However, in keeping with its principle of ‘additionality’ - supporting and complementing the private sector rather than competing with it - the Bank can play a number of additional roles viz:

(i) **Carbon Funding:** The EBRD is well positioned to purchase, for the account of third parties, carbon credits from GHG emission reduction projects. The Bank’s added value in this area stems from the size and quality of emission and reduction projects. The Bank is the largest financier of private sector deals in the region, with preferred creditor status, a rigorous appraisal process, and integrity and ‘good governance’ requirements. It also has lengthy experience in energy efficiency and renewable energy projects.

The Bank also closely coordinates the project financing and carbon buying process.

EBRD’s strong relationships with host country’s Government and its ability to engage in policy dialogue to remove or alleviate obstacles to carbon trading and mitigate the ‘political’ risks inherent to the JI and CDM project cycles.

Its experience in managing funds from its shareholders for a variety of purposes (e.g. nuclear safety) has an added advantage. Banks ability to access donor funds to help develop and implement projects makes them play a key role here. In October 2003, the EBRD established its first carbon fund, the Netherlands Emissions Reductions Co-operation Fund, with the Dutch Government. The fund buys Joint Implementation Carbon Credits from its 13 countries of operations eligible for this mechanism. Its first transaction was the PFS biomass conversion. The Multilateral Carbon Credit Fund will become operational in 2006. The fund will buy carbon credits from investments under the European Union scheme as well as the Protocol’s Joint Implementation and Clean Development Mechanism. It will also aim to facilitate the direct trading of carbon credits between some of its shareholders (so-called Green Investment Schemes).

(ii) **Donor Funding:** The Bank can help Governments and companies in its region of operations overcome obstacles in emission trading by providing technical advice funded by donor governments. For example, as part of the Bank’s Early Transition Countries Initiative for its poorest countries of operation, donors have approved funding to help in development of complex CDM projects.

(iii) **Business Opportunities for the Private Sector:** EBRD’s carbon finance activities create new business opportunities for the private sector in this emerging market. The selling of carbon credits increases the feasibility of emission reduction projects, which helps to attract new private investors. By being the buyer of carbon credits in a transaction, the EBRD can provide comfort to private sector buyers that would not otherwise consider these projects. Outsourcing, to private firms who are expert in this area, the work of developing emission reduction projects covered by the Protocol. This is contemplated under the Multilateral Carbon Credit Fund.

**The Indian Perspective**

Even as India is being heralded as the next carbon credit destination of the world, with maximum growth in this front is happening in Maharashtra, Chhattisgarh and Andhra Pradesh, Gujarat is slowly emerging as the dark horse of the country on the back of rapid industrialization through its recent oil refineries and power projects.

Between the end of 2005 and December 2006, 450 clean development mechanism (CDM) projects had been submitted to the ministry of environment and forests, of which around 420 CDM projects have received government approval, which make up a total of 350 million carbon credits. Of the 420 projects, around 20 are from Gujarat. Big corporates like Reliance and Essar are already present in the state. And now, most carbon credit consultants, including a few international environment players are planning to set up shop in the country, and are eyeing the Gujarat market. Of the approved companies from Gujarat, Torrent Power has the maximum number of credits to its name with 11 million credits followed by ONGC’s Hazira refinery with approximately two million credits, Indian Farmers Fertilizer Cooperative Ltd (IFFCO) with 1.5 million credits, Essar Power with 0.5 million credits, Reliance Industries’ approval for its base in Gujarat close to 2,40,000 credits, and Apollo Tyres with 1,00,000 credits. Others include United Phosphorus, Gadhiya Solar, Tata Chemicals, Rolex Rings, Alembic and Fairdeal...
Suppliers. Going by the current rates, where carbon credits are measured in units of certified emission reductions (CERs) and each CER is equivalent to one tonne of carbon dioxide reduction, the value of one carbon credit could be anywhere between three Euros and six Euros, and with bank guarantee can go up to eight or nine Euros. The market is very big. It may be a clue to know that a recent analysis shows that India will stand to gain $5 billion from carbon credit in seven years. After Chicago Climate Exchange and the European Climate Exchange, MCX (Multi-Commodity Exchange of India) is likely to be the third exchange in the world with a license to trade in carbon credits. Two leading international players have already begun dialogue with the government to acquire permission to set up liaison offices in India. Eco-securities is the only international developer and trader of carbon credits to have a liaison office in India as on date. SRF Ltd and Shell Trading International have entered into a deal for sale and purchase of 500,000 CERs (Certified Emission Reductions) to be delivered on or before 2007. The move made a strong impact on the charts. In March 2006, India had 310 'eco-friendly' projects awaiting approval by the UN. Once cleared, these projects can fetch about Rs. 29,000 crore in the next seven years. India’s carbon credit market is growing, as many players (industries) are adopting the Clean Development Mechanism (CDM). US accounts for 30 per cent of global emissions, while India makes for three per cent. Now, India can transfer part of its allowed emissions to developed countries. For this, India must first adopt CDM and accrue carbon credits. In India so far, 242 projects have been identified for generating CERs while a total of 318 projects have received clearance by the Ministry of Forestry and Environment. The Indian carbon market has the potential to supply 30-50% of the projected global market of 700 million CERs by 2012.

**Summary**

However, in spite of the global interest in India for the CERs market, there is still some way to go before it catches up with the market leaders in the field. While China leads the pack with a market share of 60 percent in the carbon credit trading, India lags behind with around 15 percent market share. Compounding to its woes is its high rejection rates from United Nations Framework Convention on Climate Change (UNFCCC)’s Kyoto protocol. In spite of being preferred by most companies in the UK, Germany, Japan and Denmark, the reason India is still not counted among the top three carbon credit nations is because of its project rejection rate, which is as high as 50 percent. Just because our government approves projects does not mean that validators or the CDM executive board will do so. The projects do not get approval mostly due to the consultants hired by Indian companies who if not well versed with the Kyoto protocol will not be able to comply with the strict UNFCCC norms. However, buying credits that are intangible in nature, is no substitute to domestic action to reduce emissions.
The Indian Economy

In recent days the Hon’ble Finance Minister proposed a balanced, growth-oriented economic budget that has been ranked as one of the best ever in the history of our country. As India stands at the footsteps of becoming an economic superpower the Indian economy has grown in leaps and bounds, substantially exceeding the expectations of everyone across the globe. India’s G.D.P is at 9.2% which is the fastest growing in the world. To add to this, the service sector contributes 56% share, manufacturing sector contributes 26% and only 18% comes from agriculture.

Apart from the other industries in the service sector, which help its growth, the telecom industry plays an important role. More and more Private players (both domestic and foreign) are bullish about the prospects of the Industry in the future. That is the main reason behind the acquisition of major stake in “Hutch” by “Vodafone”, which is one of the world’s largest telecom company. This is one more addition to the testimony how attractive the Indian economy and especially Indian Telecom Industry has become!!

The Rationale Behind This Deal

The major rationales which led “Vodafone” to buy major stake in “Hutch” are:

♦ The Government of India has opened the doors for foreign investor companies by permitting them to hold upto 74% stake in any telecom venture in India.
♦ Current mobile penetration in India is at 13% that is likely to exceed 50% (i.e 500 million subscribers) by 2012 while Hutch-Essar is having subscriber base of 24 million.
♦ The monthly mobile subscriber addition in India is over 6 million, which is more than China’s in September 2006.

In addition to the above, there are some other reasons behind this deal, which are as follows:

The Facts About Vodafone

“Vodafone” the name itself is very familiar as it is a multi-national giant. Vodafone is the largest telecom operator globally in terms of revenues in the year 2006 with revenues of around $ 58 billion. The group earned EBITDA of over $23 billion during last year and has a market capitalization of close to $160 billion. The company is operating in 27 countries- either directly as an operator or as an investor in other telecom companies. It has a total customer base of 200 million (excluding Hutch-Essar) approximately. Over and above this the company employs nearly 60,000 people worldwide. Thus, the acquisition is a strategic move for Vodafone as it gives the company a strong presence in the fast growing market of India.

About the Deal

Vodafone emerged as the highest bidder for Hutchison–Essar in the bidding process. The telecom major has agreed to acquire the stake held by Hong-Kong based “Hutchison Telecom International” (HTIL) and its associates in Hutch-Essar. The deal was finalized by HTIL Board and an agreement had been signed, bringing the deal close to completion after nearly three months since HTIL announced its decision to exit Hutch-Essar. Although there were other bidders also namely R-ADAG Flagship, Reliance Communications (the largest Indian CDMA mobile operator) along with London based NRI business group The Hindujas, in partnership with Qatar Telecom and Essar group. But they could not bid as high as Vodafone did. Vodafone will buy-out HTIL and its associates, who hold a combined 67% stake in Hutch-Essar for a cash amount of $11.1 billion thus giving the company controlling powers. It would also assume Hutch-Essar’s net debt of $ 2 billion taking the enterprise value to $ 18.8 billion. Vodafone will be paying a steep control premium as it expects the acquisition to be earnings accretive after five years. Hutchison Essar’s has a subscriber base of 24 million and considering that the monthly mobile subscriber addition in India over 6 million, it provides immense growth opportunities for the company since the addition in subscriber rate is also greater than in China. This growth rate is likely to stay that way for the next few years. The comparative data are shown below:

The nation wide mobile penetration in India is currently at 13%, which is likely to exceed 50% in future.
A R T I C L E

Why Vodafone Agreed to Pay Premium?

Vodafone’s willingness to pay the control premium stems from some key advantages that it perceives from the deal such as this acquisition meets the Vodafone ROIC (return on invested capital) that is expected to exceed local adjusted cost of capital within 3 to 5 years and the IRR is expected to be 14%.

Voting Rights Acquired

British Telecom giant Vodafone will have a voting right for only 51.91% equity stake although it is paying for 67% stake. Vodafone will only have an 'economic interest' in the remaining 15.07% equity stake. The voting right on this stake is with Analjit Singh, Asim Ghosh and IDFC. The Essar Group of Ruias will continue to hold 33.02% as the Essar Group holds 22.09% through a Mauritius based Investment Company, which was counted as foreign holding in the company and another 10.93% through a domestic subsidiary company. The holding in Mauritius based company is also the reason for Vodafone not to increase its stake to more than 51.91% since as per the current FDI regulations for telecom companies, they can have only 74% foreign ownership, hence Vodafone would have to find local investors for the remaining 26%.

Key elements of the deal those are likely to play its strengths

Infrastructure Sharing with Bharti

Concurrent with the Hutchison Essar deal, Vodafone has entered into a MOU for infrastructure sharing with Bharti Airtel which will include sharing towers, shelter, civil works and back-haul transmission. Vodafone expects savings in capital expenditure (CAPEX) and operating expenditure (OPEX) for Hutch Essar to the tune of $1 billion over the next five years; the opex savings are likely to improve the EBITDA margin by 1.5%.

Future Expansions

Vodafone can plug Hutch Essar into its global procurement chain, especially in the area of ultra-low-cost handsets. Hence the telecom regulator is likely to announce the policy for 3G (Third generation mobile telephony) in India. Vodafone’s 3G experiences in Europe is expected to help Hutch-Essar get a competitive advantage in the 3G market place.

Four Cornered Contest

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<tr>
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<th>Bharti Airtel</th>
<th>Reliance Comm</th>
<th>BSNL</th>
<th>Hutch Essar</th>
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<td>Customers (million)*</td>
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*As at end December 2006 mobile customers only.

** The customer number excludes 1.1 million customers of BPL Mumbai, as the acquisition is still pending.

(Considering that Hutchison Essar was the only asset available for acquisition, the price tag and valuation attached to this deal are stiff, with a sizeable control premium.)

Taking three commonly employed yardsticks to compare the Vodafone-Hutch Essar deal with its key mobile peers, Bharti & Reliance Communications reveals the following:

Enterprise Value (EV)/Subscriber

It is a popular metric for valuation in high growth markets as it reflects the potential for cash flows. It explains how much one subscriber contributes in the company’s enterprise value. On an enterprise value (Market Capitalization plus debt) per subscriber basis, the Hutch-Essar deal is at a 15-20% premium to its peers (Bharti & Reliance). For instance, based on Hutch-Essar’s implied Enterprise value of Rs. 85000 Crore, applied on a mobile subscriber base of 23.3 million as of December 31, 2006 the EV/Subscriber works out to Rs. 36,300 vis-à-vis Rs. 31,800 for Bharti’s mobile segment.

EV/EBITDA

This metric reflects the operational cash flows that can be reinvested for growth. From an EV/EBITDA (earnings before interest, depreciation, tax & amortization) standpoint too, the deal works out to a premium of 25-35% to Bharti and Reliance. Compared to the EV/EBITDA of Bharti’s mobile business, at 21 times, Hutch-Essar’s works out to 28 times.

EV/Revenues

Based on this ratio too, the Hutch-Essar deal works out to a 20-30% premium over its peers.
The merger and amalgamation of companies has increased in number over the past two decades. The major factor leading to the merger and amalgamation of companies is the combination of production capacity and increasing market share besides the following reasons for mergers:

- Synergistic operating economies
- Diversification
- Taxation
- Growth

But the recent phenomenon witnessed is one of buy-outs. These are of two types, one is management buy-outs and secondly management buy-ins. The recent buy out of Corus by the Tata group is the hottest buy out and after the combination, Corus-Tata has become 5th largest producer in the world and the 2nd in Europe of the Steel. But to make the most of the deal Tata has to manage several issues related to raw material supplies, steel prices and interest costs on the $ 8-billion debt that is being raised to fund the deal and also the sensitive issue of possible job cuts in Corus.

For this deal the Tata has paid the 608 pence per share, even after pointing out by several brokerage houses that the deal implies a high enterprises value/earning before interest, taxes, depreciation and amortisation (EV/EBITDA) multiple of 9 for Corus versus 4.6 for Tata Steel.

The Tata has paid such high value per share because of the long term synergies in manufacturing, expanded market base, opening India to Corus or leveraging research and development for Tata Steel’s green-field projects. It is hoped that this will save cost also, and together in combined way they can go for more acquisition effectively in future as it is eying more buyouts in finished steel and iron ore.

Buy-outs will typically be financed by a mixture of senior secured debt and a range of equity and quasi-equity instruments. For large buy-outs, especially when actions and buoyant conditions mean that prices well in excess of the security value of assets have to be paid, subordinated (mezzanine debt) may be used.

For Buyout of the Corus, the Tata group incorporated special purpose vehicle Tata Steel, U.K. (SPV). The equity contribution in Tata Steel U.K. would be from the group holding company Tata sons in figure $ 4.1 billion. The balance payment of $ 8 billion to Corus will be raised by junk bonds and senior term loans from banks like ABN Amro, Deutsche Bank etc. These loans will be serviced out of Corus’s profit. So, the Tata Steel has not to worry for this.

Of the $ 4.1 billion equity component, analysts say that $ 2.3 billion-2.4 billion could be tapped from Tata Steel’s cash reserves. This leaves another $ 1.7 billion-1.8 billion that is yet to be managed. The possible options available with the Tata groups are the following.

Even after the equity’s contribution, Tata Group could further contribute because the Tata Sons has the 78.3% holding in TCS (worth Rs. 99500 Crore) which is generating approximately Rs. 3200 Crore in cash profit each year.

Secondly Tata Steel, U.K. (SPV) could borrow $ 1.7–1.8 billion. But as per the analysts this could dilute EPS by the end of the financial year. And in further Tata Steel may need to raise more debt for its green field and brown field projects in India.

The lastly as per the analysis, the available option is a preferential issue to Tata Sons to curb the gap of $ 1.7 – 1.8 billion. But this would make adverse effect on the EPS even more.

So, this funding puzzle is before the group to which the group has to work out the solution.

However, the interest cost of 8% will be serviced through Corus’s cash flow. But after factoring in a tax break of 30% on the interest paid (as interest on funds raised for acquisition are allowable expenses in the U.K.). The net interest out flow may be low.

Corus is presently enjoying relatively low net debt – equity ratio of 0.25 times so; it can raise more debt, except the change in the steel prices in the different direction.

Although there are many issues to be solved in future before the Corus and Tata, no doubt this buyout will increase the Tata Steel’s capacity at a large level, giving it wider customer base and enhanced product portfolio.

By way of exporting the cheaper inputs from India that may be processed in U.K. significant cost saving could be achieved. There are also the usual set of integration challenges that come with such large buyout.
Gathering information about the client may not seem very essential, but it is something inevitable because:

- The financial information may be misstated and the auditor is faced with a risk to that extent.
- Risk that the going concern assumption may no longer be appropriate and to matters that we can use in developing audit insights.
- Other matters of audit concern maybe exposed which could be difficult in the audit of financial results.

**What is to be done in assessing risk??**

Assessing risk is a systematic process for assessing professional judgements regarding probable adverse conditions and/or events. This approach incorporates client’s needs and expectations and provides the basis for the delivery of cost-effective solutions and value-added services.

The key steps in a risk assessment could include:

- Obtaining an overall understanding of the client’s business to assist in identifying risks.
- Interviewing key client management to gather additional information regarding risk.
- Defining the audit universe of all auditable areas of the client’s company.
- Developing a risk control model (risk matrix) to assist in identifying areas of exposure.
- Completing the risk matrix for each item in the audit universe. This risk matrix is used to assign a risk level to the factors associated with the auditable activities listed in the audit universe.

A business risk framework organizes, prioritizes, and provides a common language for considering risk. It also provides a structure for making risk assessment on an ongoing process, instead of an ad hoc activity. In developing a framework, it is helpful to think about the following kinds of risks:

**Strategic Risks (Risks that relate to doing the wrong things)**
- Environment Risks
- Organization Risks

**Operating Risks (Risks that relate to doing the right things in the wrong way)**
- Workforce
- Suppliers

**Physical Plan**
- Protection
- Products & Services
- Customers
- Regulatory Compliance

Financial Risks (Risks that relate to losing financial resources or incurring unacceptable liabilities)
- Capital/Financing
- Investing
- Regulatory Compliance

Information Risks (Risks that relate to inaccurate or non-relevant information, unreliable systems, and inaccurate or misleading reports)
- Information Systems
- Strategic Information
- Operating Information
- Financial Information

Although no framework can be all-inclusive, the risk topics listed above can serve as a starting point for developing a risk framework tailored to your specific client.

**What is a risk assessment?**

**Answer:** A risk assessment is performed to focus the annual internal audit plan on the areas of most business risk to the client. The key steps in a risk assessment include:

- Obtaining an overall understanding of the client’s business.
- Interviewing key client management to understand current business strategies, objectives, challenges and concerns.
- Defining the audit universe of all auditable segments.
- Developing a risk model to assess the risk within each of the auditable segments.
- Scoring (completing) the risk model, with the assistance of client management, where feasible.
- Prioritizing the audit universe based on the results of the risk model scores.
- Recommending a risk-based Internal Audit Plan.

**What is risk?**

**Answer:** Risk = Exposure – Control

Broadly defined, business risk is the threat that an event or action will occur or fail to occur, adversely affecting an
organization’s ability to achieve its business objectives and execute its strategies. Given today’s pace of change, risk assessment cannot be an occasional exercise performed only when looking at strategic options. Business objectives and risk management must continuously evolve in response to new opportunities and risks in both the enterprise and its environment. Management and boards of directors are typically very adept at monitoring and measuring progress toward achieving objectives. But what is also strategically important – but often overlooked – is the need to continually assess business risks, because they change frequently without a commensurate change in internal controls.

Business Objectives + Risk – Control = Exposure

Who should perform the risk assessment and how should the client interviews be conducted?

**Answer** A seasoned practitioner with business experience, usually a manager or above, should lead the risk assessment. The practitioner should possess strong communication skills and be comfortable interacting with client senior management. A knowledge of the business and/or industry is preferred. It is advantageous for at least two individuals to conduct each interview. This affords the interviewers the ability to assist each other in posing questions, and helps ensure that a more complete understanding is reached. One of the practitioners can also act as the notetaker to ensure all pertinent information is captured.

Why is management’s attitude towards internal control important?

**Answer**: Management’s attitude towards internal control sets the tone for the organization and influences the control consciousness of its people. A control environment endorsed by management is the foundation for all other components of internal control: providing discipline and structure. Management’s commitment to control is considered during the risk assessment process. This is factored into the risk model, which is the tool used to assess the level of risk in the company and in turn used to develop the internal audit plan.

It is essential to understand the clients business in order to assess the level of risk

A risk-based approach is utilized to ensure that high-risk activities are covered in the internal audit plan. In order to ascertain the degree of risk associated with the internal audit engagement, it is necessary to obtain knowledge about the client’s business. Each client will need a tailored internal audit plan based on the company’s unique business characteristics and the company’s level of risk assumption.

Some specific areas to gain an understanding of business are:

**Business Objectives**

To begin the business risk assessment process, the client’s business objectives must be understood. This enables the auditor to understand what is important to the client and areas to be focused on during the risk assessment process.

**Control Environment**

The control environment sets the tone of an organization and involves the overall attitude, awareness, values and actions of the directors and management concerning the importance of internal control in the entity. It is the foundation for all other components of internal control, providing discipline and structure determining how many controls will be applied within the organization and how often they will be monitored.

**Management Control**

Strong management control usually leads to effective internal control and reliable information systems. Control activities are the policies and procedures that ensure management directives are carried out. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, review of operating performance, security of assets and segregation of duties.

**Industry**

There are inherent risks of the industry or business in which the client is engaged. This may be determined via discussions with management, solicitation of input from other firm personnel with special expertise in the particular industry, or researching the industry. Common questions that should be addressed are:

♦ Is it a regulated or deregulated business?
♦ What industry trends are taking place (e.g., consolidations)?
♦ What are competitors doing?
♦ What business factors drive the industry?
♦ Is the industry in which the organization operates a high profile, or highly scrutinized industry?

**Regulatory Environment**

A general understanding of the client’s legal and regulatory framework and the extent to which the client is complying with that framework should be gained. This may have a significant effect on the key operations of this business. Discussions with senior management and in particular the General Counsel may be helpful in assessing the regulatory environment of the entity. Regulations may be issued by: Securities and Exchange Commission (SEC), Federal Depository Insurance Corporation (FDIC), Federal Reserve Board (FRB), Office of the Comptroller of the Currency (OCC), Occupational Safety and Health Administration (OSHA), FDA, etc.
Economic Issues

The economic health of the company and/or the industry may impact decisions surrounding the internal control environment of the entity. The auditor identifies issues specific to the client, such as cyclical effects on the business or major developments that may have recently occurred that also have effect on the business or industry.

The risk factors used to evaluate risk need to be tailored to your client’s business and industry. Examples of some generic risk factors may include:

♦ Systems – Nature of reliance on the system. The risk associated with computer processing systems (i.e., the loss of data through poor security access controls, lack of adequate disaster recovery plan, etc.).

♦ Human Resources - Lack of experience and skill of personnel within the management and operational activities.

♦ Complexity of Business Process - Errors and/or incomplete processing of transactions due to the complex nature of the client’s processes or business. Transaction value related balance sheet and income statement accounts. Larger dollar amounts flowing through a system would increase the level of risk.

♦ Control Processes - Internal control strength (whether the system provides for all significant accounting, administrative and regulatory compliance controls).

♦ Asset Management (Exposure to Loss) - Loss, damage or unauthorized access to company assets. The degree to which assets can be readily converted to cash increases the possibility of loss or misappropriation.

♦ Regulatory Environment - Regulatory non-compliance (intentional or otherwise). This includes both internal (e.g. as staff work conditions) as well as external (e.g. product liability) factors.

♦ Business Environment - Continually changing conditions, competition, industry consolidation and vendor concerns.

♦ Customer Impact – Failing to meet customer’s expectations. Customer dissatisfaction and reputational risk to the company.

Update risk assessment

At the conclusion of each audit, the auditor should re-evaluate the risk assessment model/score for the audit. This process will ensure that the proper attention is paid to the evaluation of risk on an on-going basis. The effectiveness of the internal audit process is dependent on a continuous risk assessment. The results of each audit and direct feedback from management are the most effective means to measure and monitor progress toward achieving our objectives to serve the client.

As the annual internal audit plan is executed, the actual audit work performed may reveal that controls are not as effective as originally anticipated or that exposures are greater than or not as serious as originally assessed. To remain effective over the longer term, the internal audit plan must remain flexible. Internal Audit must incorporate a mechanism to respond and adjust to change. The risk rankings assigned to the audit universe should be re-evaluated as circumstances dictate.

Historically, the focus for managing risk was on financial matters such as uncollectible receivables, obsolete inventories & equipment, and liabilities arising from fraudulent acts. More recently, the focus has shifted to cover all threats or actions that could prevent an enterprise from achieving its objectives.

Conclusion

There are a number of ways to gather information about the client. One area to review is the data gathered during the phase of Develop Risk Model and Universe. In addition, a review should be performed of any prior year workpapers and financial reports related to the client. Inquiries should also be made of others within the firm who have been involved in any aspect of the client, such as through tax, audit or consulting engagements.
The scope of total income of an assessee is determined on the basis of residential status. According to the residential status, the assessee can either be:

- Resident in India;
- Non-resident in India.

Individual and HUF, if resident in India, will be either:

- Resident and Ordinarily resident in India;
- Resident but not Ordinarily resident in India.

Scope of Total Income (Section 5)

- **In case of Resident in India (resident and ordinarily resident in case of individual or HUF)**
  
  As per section 5(1), the total income of any previous year of a person who is a resident includes all income from whatever source derived which:
  - is received or is deemed to be received in India in such year by or on behalf of such person; or
  - accrues or arises or is deemed to accrue or arise to him in India during such year, or
  - accrues or arises to him outside India during such year.

- **In case of Resident in India but not ordinarily resident in India (In case of individual or HUF)**
  
  As per section 5(1) and its proviso, the total income of any previous year of a person who is a resident but not ordinarily resident in India includes all income from whatever source derived which:
  - is received or is deemed to be received in India in such year by or on behalf of such person; or
  - accrues or arises or is deemed to accrue or arise to him in India during such year, or
  - accrues or arises to him outside India during such year which is derived from a business controlled from or a profession set up in India.

- **In the case of Non-Resident**
  
  As per section 5(2), the total income of any previous year of a person who is a non-resident includes all income from whatever source derived which:
  - is received or is deemed to be received in India in such year by or on behalf of such person; or
  - accrues or arises or is deemed to accrue or arise to him in India during such year.

Explanation 1 - Income accruing or arising outside India shall not be deemed to be received in India within the meaning of this section by reason only of the fact that it is taken into account in a balance sheet prepared in India.

Explanation 2 - The income which has been included in the total income of a person on the basis that it has accrued or arisen or is deemed to have accrued or arisen to him shall not again be so included on the basis that it is received or deemed to be received by him in India.

Residential Status of an Individual

- **Section 6(1)** – An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:
  - he is in India in that year for a period or periods amounting in all to 182 days or more;
  - he is in India for 60 days or more in that year and has been in India for 365 days or more during 4 previous years preceding the relevant previous years.

Exceptions:-

1. In case of an Individual, who is citizen of India and who leaves India in any previous year as a member of the crew of an Indian ship or for the purposes of employment outside India, the period of 60 days shall be substituted by 182 days.
2. In case of an Individual, who is citizen of India or a person of Indian origin who, being outside, comes on a visit to India in any previous year, the period of 60 days shall be substituted by 182 days.

- **Resident and Ordinarily Resident (In case of an individual)**
  
  An individual shall be resident and ordinarily resident if he satisfies both the following conditions laid down under section 6(6):
  - He should have been resident in India for at least 2 out of 10 previous years immediately preceding the relevant previous year and
  - He should have been in India for a period of 730 days or more, during 7 previous years immediately preceding the relevant previous year.

- **Resident but Not Ordinarily Resident (In case of an individual)**
  
  An individual shall be resident but not ordinarily resident if he satisfies any one the following two conditions laid down under section 6(6)(a):

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The author is a member of ICAI. (M.No. 92555).
He should have been a non-resident in India in 9 out of 10 previous years immediately preceding the relevant previous year, or

He should have been in India for a period of 729 days or less, in 7 previous years immediately preceding the relevant previous year.

Non-Resident (In case of an Individual)
An individual is said to be non-resident if he does not satisfy either of the conditions as laid down in section 6(1)

Residential Status of Hindu Undivided Family (HUF)
Section 6(2)

Resident in India
A HUF is said to be resident in India in any previous year in every case except where during that year the control and management of its affairs is situated wholly outside India.

Resident and Ordinarily Resident in India
A HUF is said to be resident and ordinarily resident in India if the Karta of the HUF is a resident and ordinarily resident in India.

Resident but Not-Ordinarily Resident in India
A HUF is said to be resident but not ordinarily resident in India if the Karta of the HUF is a resident but not-ordinarily resident in India.

Non-Resident
A HUF is said to be non-resident in India if during the previous year, the control and management of its affairs is situated wholly outside India.

Residential Status of Firm, AOP, BOI and of other persons (except companies) [Section 6(2) & 6(4)]

Resident in India
A Firm, AOP, BOI etc. is said to be resident in India in any previous year in every case except where during that year the control and management of its affairs is situated wholly outside India.

Non-Resident
A Firm, AOP, BOI is said to be non-resident during the previous year if the control and management of its affairs is situated wholly outside India.

Residential Status of a Company

Resident
Section 6(3)- A company is said to be a resident in India in any previous year if:

– it is an Indian Company; or

– during that year, the control and management of its affairs is situated wholly in India.

Non-Resident
A company will be a non-resident in any previous year if:

– it is not an Indian Company; and

– the control and management of its affairs is situated wholly or partially outside India.
Preamble

Value Added Tax (VAT) is a system of indirect taxation which is currently employed by nearly 136 countries across the world. In India, VAT, being a current tax reform, captures the existing states sales tax system. Sales tax is a conventional system wherein different tax rates prevail in different States.

Definition of Value Added Tax (VAT)

Under VAT, whenever a person pays tax on the purchase of inputs in the course of manufacture or trading, he is entitled to credit of such tax paid on inputs at the time of taxes levied on the sales made by him in the course of business. Whereas, in Sales Tax system, the credit of taxes paid on inputs is not allowed. Hence, the taxes on inputs get added to the cost of the product every time any value is added and sold by subsequent manufacturer or trader.

Methods

Three methods are conventionally suggested for following the VAT system. Firstly,

(a) Subtraction Method

The tax rate is applied to the difference between the values of output and the cost of input

(b) Addition Method

The tax rate is applied on the value added. The value added is computed by adding all the payments that is payable to the factors of production [viz., wages & salaries, interest payments, overheads, etc (except bought-in materials & services)].

(c) Tax credit method

This entails set-off of the tax paid on inputs from tax collected on sales.

In India, the last method is adopted, wherein tax paid on inputs is eligible for set off against tax payable on sales.

Features

The key features of the VAT are, one is set-off of input tax and the other is multi-point levy. In real terms on account of set-off of input tax, a dealer pays taxes only on the value addition at end of each chain of transaction. This feature has the capacity of reducing product prices which is not there in the erstwhile sales tax system. The other feature is of the multi-point taxation i.e. at every sale transaction, VAT is levied. In a nutshell, tax under VAT is levied only on value addition but multi-pointedly.

Demonstration

For instance, a product is liable to sales tax @ 10% and passes through chain of three traders for final consumption, the sales tax is levied initially @ 10% by the manufacturer and resale tax @ 1% by those three traders. Had all these same facts being considered under VAT, the product will be levied tax @10% at end of each sale transaction by all dealers (four including manufacturer) on the value, added by the respective person. Thus, a question arises that, under VAT, whether taxing every time @ 10% on value addition will lead to reduction in prices. This is explained with the following example:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Price of a Raw-material</td>
<td>Rs.100/-</td>
</tr>
<tr>
<td>Value Addition (Overheads, Profit, etc.)</td>
<td>25%</td>
</tr>
<tr>
<td>Sales Tax Rate</td>
<td>5%</td>
</tr>
<tr>
<td>Re-Sale Tax Rate</td>
<td>1%</td>
</tr>
<tr>
<td>VAT Rate</td>
<td>5%</td>
</tr>
<tr>
<td>Number of Cycles in a Chain</td>
<td>6</td>
</tr>
</tbody>
</table>

Formulae

Ultimate Cost of product under Sales Tax:

\[ Initial \; Price \times [(1+VA \%) \times (1+ST \%)] \times [(1+VA \%) \times (1+RST \%)]^{n-1} \]

Ultimate Cost of product under VAT:

\[ Initial \; Price \times (1+VA \%)^n \times (1+VAT \%) \]

where,

- Initial Price - Raw-Material or Inputs Costs
- VA% - Profit Margin%
- ST% - Sales Tax Rate
- RST - Re-Sale Tax Rate
- VAT% - Value Addition Tax Rate
- n - Number of Cycles

Evaluation

By applying the example particulars in the above formulae, the ultimate cost of the product under two systems will follow as:

Under Sales Tax - \[ 100 \times (1+25\%) \times (1+5\%) \times [(1+25\%) (1+1\%)]^{6-1} \] equals Rs. 420.97

Under VAT - \[ [100 \times (1+25\%)]^6 \times (1+5\%)] \] equals Rs. 400.54

There can be witnessed a difference in costs for Rs. 20.43 for the same product under two different tax structures. The above example can be evaluated under two different taxation systems more elaborately in the following table:

The author is a student of ICAI. (Registration No. SRO 0007061).
As per sales tax theory, the sale price after each cycle includes price of raw-material, value addition and sales tax. As per VAT theory, the sale price after each cycle includes raw-material price and value addition. VAT paid at the last cycle only is considered as VAT paid to previous dealer doesn’t form part of cost as the same can be claimed for set-off against taxes on sales.

Assumptions

♦ Only one manufacturing process is assumed which initially attracts sales tax followed by five trade cycles to reach ultimate consumer.
♦ Subsequent traders do not process the product (Value Addition merely Administrative Overheads, Profit Margin).
♦ Both the manufacturer and traders takes similar value addition rate.
♦ Initial Sales Tax Rate of 5% is inclusive of Additional Sales Tax and Surcharge.
♦ Manufacturer is assumed to make his raw-material on his own and no input tax paid.

Appraisal

In this example the initial tax of Rs. 6.25 by compounding @ 25% (VA) and 1% (Re-sal e Tax) turns in to Rs. 20.05 at end of last cycle. Under VAT, a consumer has to pay Rs. 19.07 (5% on Rs. 381.47). When both these tax amounts are compared with, it gives only a meager difference of Re. 0.97. The question of where does the difference in tax raised, lies on the facts that, the initial price and value addition gets compounded at every cycle @ 1% of resale tax which is not so in VAT. This absence of cascading effect alone has reduced the product price to the tune of Rs. 19.46. At the end of the first cycle, there is no difference in product price, but at the end of upcoming subsequent cycles, the difference raises to Rs. 1.64 at 2nd cycle, Rs. 4.12 at 3rd cycle and so on. The difference is expected to increase proportionately with the increase in cycles.

But hardly more than five trading cycle is quite uncommon in practice to happen. The above example has got its own restrictions and assumptions. For sake of convenience, the value addition rate has been assumed same for both the manufacturer and trader, which is likely to be uncommon. Moreover, only one manufacturing cycle is taken for consideration but a product is expected generally to pass through more than one manufacturer.

Hence it can be appraised that VAT is the multi-point taxation which levy tax at every time value is added to a product whether by manufacturer or trader. This is in contrast to the sales tax system, where tax is levied initially for one time and on the initial product price only. There is no levy of tax at subsequent point of sale transactions (except nominal Re-sale tax rate of 1%) on the sale price. From the above example, it can be appraised that, the price under VAT system is less than the price under sales tax system at every end of cycle for the given tax rate (5%) and value addition rate (25%).

Conclusion

The merits of VAT system outdo merits of erstwhile states sales tax system and even the demerits of VAT system are argued as defeatable. In brevity, Value Added Tax system is a good replacement of erstwhile sales tax system.

---

<table>
<thead>
<tr>
<th>Cycle No.</th>
<th>Product Price under</th>
<th>Value Addition under (25%)</th>
<th>Sales Tax</th>
<th>Resale Tax</th>
<th>Sale Price under</th>
<th>VAT</th>
<th>Cost of Product under</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S. Tax</td>
<td>VAT</td>
<td>S. Tax</td>
<td>VAT</td>
<td>5%</td>
<td>S. Tax</td>
<td>VAT</td>
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<td>25.00</td>
<td>25.00</td>
<td>6.25</td>
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<td>125.00</td>
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<td>31.25</td>
<td>1.64</td>
<td>165.70</td>
<td>156.25</td>
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<tr>
<td>3</td>
<td>165.70</td>
<td>156.25</td>
<td>41.43</td>
<td>39.06</td>
<td>2.07</td>
<td>209.20</td>
<td>195.31</td>
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<tr>
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<td>195.31</td>
<td>52.30</td>
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<td>5</td>
<td>264.12</td>
<td>244.14</td>
<td>66.03</td>
<td>61.04</td>
<td>3.30</td>
<td>333.45</td>
<td>305.18</td>
</tr>
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<td>6</td>
<td>333.45</td>
<td>305.18</td>
<td>83.36</td>
<td>76.29</td>
<td>4.17</td>
<td>420.97</td>
<td>381.47</td>
</tr>
</tbody>
</table>

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Revised Registration and Tuition Fees for Common Proficiency Test

Bos/Revis-tution-fees-/227/29/07

June 18, 2007

With effect from July 1, 2007, the Registration and Tuition Fees for Common Proficiency Test students will be as follows:

1. Fees for
   1. Indian Students residing in India and other SAARC countries and Bhutan: and
   2. Students belonging to other SAARC countries and Bhutan (in Rs.) 3,500

2. Students other than stated in Column 1, i.e.,
   1. the students of foreign countries other than SAARC countries and Bhutan: and
   2. Indian students residing abroad other than SAARC countries and Bhutan

US$200
**ANNOUNCEMENT**

**Distribution CPT Study materials through Branches**

**May 21, 2007**

To facilitate distribution of study materials to newly registered CPT students in expedited manner, it has been decided that students may procure prospectus for CPT, submit filled-in-application form and collect study materials from the following Branches of the Institute:

<table>
<thead>
<tr>
<th>SL.No.</th>
<th>City</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ahmednagar</td>
<td>Ahmednagar Branch of WIRC of the ICAI, 2nd Floor, Muttra Chambers (Old Vasant Talkies) Market Yard Road, Ahmednagar 414001</td>
</tr>
<tr>
<td>2</td>
<td>Bangalore</td>
<td>Bangalore Branch of SIRC of the ICAI, ICAI Bhawan No.16/0, Millers Tank Bed Area, Bangalore-560 052</td>
</tr>
<tr>
<td>3</td>
<td>Ernakulam</td>
<td>Ernakulam Branch of SIRC of the Institute of Chartered Accountants of India, 57/3146, Dewan’s Road, Ernakulam, Kochi - 682 016</td>
</tr>
<tr>
<td>3</td>
<td>Ghaziabad</td>
<td>Ghaziabad Branch of CIRC of the ICAI, Yamunotri Complex, 2nd Floor, A-12, Ambedkar Road, Ghaziabad 201001</td>
</tr>
<tr>
<td>4</td>
<td>Gorakhpur</td>
<td>Gorakhpur Branch of CIRC of the Institute of Chartered Accountants of India, 205, Sunanda Towers, 2nd floor, Bank Road, Gorakhpur – 273 001</td>
</tr>
<tr>
<td>5</td>
<td>Gwalior</td>
<td>Gwalior Branch of CIRC of the ICAI, F-104, Global Apartment, Opp. Income-Tax Office, City Centre, Gwalior 474001</td>
</tr>
<tr>
<td>6</td>
<td>Hyderabad</td>
<td>Hyderabad Branch of SIRC of the Institute of Chartered Accountants of India, 11-5-398/C, Red Hills, Hyderabad – 500 004</td>
</tr>
<tr>
<td>7</td>
<td>Jaipur</td>
<td>The Chairman, Jaipur Branch of CIRC of the Institute of Chartered Accountants of India, D-1, Institutional Area, Jhalana Doongri, Jaipur - 302004</td>
</tr>
<tr>
<td>8</td>
<td>Kota</td>
<td>Kota Branch of CIRC of the ICAI, Op. Maha Laxmi Apartment, 1st Floor, 13, Behind Gumanpura Police Station, Jhalawar Road, Kota 324007</td>
</tr>
<tr>
<td>9</td>
<td>Nagpur</td>
<td>Nagpur Branch of WIRC of the ICAI, ICAI Bhawan, 20/1, Dhandoli, Nagpur-440 012</td>
</tr>
<tr>
<td>10</td>
<td>Ranchi</td>
<td>Ranchi Branch of CIRC of the Institute of Chartered Accountants of India, Vyapar Bhawan, 3rd Floor, Lajji Hirji Road, Ranchi-834 001</td>
</tr>
<tr>
<td>11</td>
<td>Saharanpur</td>
<td>Saharanpur Branch of CIRC of the ICAI, 4/313, Boomanji Road, Above Central Bank of India, Near Pul Jogiyan, Saharanpur 247001</td>
</tr>
<tr>
<td>12</td>
<td>Tiruchirapalli</td>
<td>Tiruchirapalli Branch of the ICAI, G-1, Green House Apartments, 28, Mc Donald’s Road, Cantonment, Tiruchirapalli-620 001</td>
</tr>
<tr>
<td>13</td>
<td>Tirunelveli</td>
<td>Tirunelveli Branch of SIRC of the Institute of Chartered Accountants of India, 65, 2nd floor, Kallasapuram, North Street, Tirunelveli - 627 001</td>
</tr>
<tr>
<td>14</td>
<td>Yamunanagar</td>
<td>Yamunanagar Branch of NIRC of the ICAI, SCO-1, 1st Floor, Madhu Colony, Near Madhu Banquet Hall, Yamunanagar-135 001</td>
</tr>
</tbody>
</table>

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**Branch and Regional Head-quarter level Elocution and Quiz Contests**

**May 15, 2007**

The Board of Studies has commenced Branch and Regional Head-quarter level Elocution and Quiz Contests for the academic session 2007-08. The Branch level contest will be completed by July 31, 2007 and the winners will be eligible to participate in the Regional level contest which will be announced later on. Students are advised to re-visit this announcement from time to time for updated schedule of programmes to be organised by the Branches and Regional-Head-Quarters.

**Programme**

<table>
<thead>
<tr>
<th>City/Town</th>
<th>Hosted by</th>
<th>Elocution Contest</th>
<th>Quiz Contest</th>
<th>Contact person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dehradun</td>
<td>Dehradun Branch of CIRC of ICAI</td>
<td>July 28, 2007 at 3.00 PM</td>
<td>July 1, 2007 at 10.30 AM</td>
<td>Shri Lokesh Mehta Branch Administrator Ph: 0135-2714232</td>
</tr>
<tr>
<td>Guwahati</td>
<td>Guwahati Branch of EIRC of ICAI</td>
<td>July 1, 2007 at 10.30 AM</td>
<td>July 1, 2007 at 10.30 AM</td>
<td>CA. Naveen Garg Students Committee, 09864035670</td>
</tr>
<tr>
<td>Jabalpur</td>
<td>Jabalpur Branch of CIRC of ICAI</td>
<td>July 14, 2007 at 4.00 PM</td>
<td>July 14, 2007 at 4.00 PM</td>
<td>CA. Neeraj Agrawal Ph: 9425150971</td>
</tr>
<tr>
<td>Palghat</td>
<td>Palghat Branch of SIRC of ICAI</td>
<td>July 27, 2007 at 10 AM</td>
<td>July 7, 2007 at 2 PM</td>
<td>CA. R. Rajendran, Chairman 09447728346</td>
</tr>
</tbody>
</table>
The Council reserves the right to withdraw any centre at any stage without assigning any reason.

Applications for admission to Common Proficiency Test is required to be made on the relevant prescribed form as contained in the Information Brochure, which may be obtained from the Sr. Joint Secretary (Examinations), The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi – 110 002 on payment of Rs. 400/- (Rs. 300/- towards examination fees and Rs. 100/- towards cost of application form and Information brochure) per application form. Since the cost of Information brochure containing Common Proficiency Test application form includes the examination fee, no separate fee is required to be remitted at the time of submitting the filled in application form. The Information brochure containing Common Proficiency Test application form will also be available in the Regional and Branch Offices of the Institute and can be obtained therefrom on cash payment on or from 5th June 2007.

Common Proficiency Test application forms duly filled in may be sent so as to reach the Sr. Joint Secretary (Examinations) at New Delhi not later than 26th June 2007. Applications received after 26th June 2007 shall not be entertained under any circumstances. Applications duly filled in will be received by hand delivery at the offices of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Ahmedabad, Bangalore, Hyderabad, Jaipur and Pune up to 26th June 2007. Candidates residing in these cities are advised to take advantage of this facility. It may be noted that there is no provision for acceptance of application forms after 26th June 2007 with late fee.

Question Paper Booklet Language:
Common Proficiency Test will be an objective type multiple choice based examination. Candidates will be allowed to opt for Hindi medium Question Paper Booklet for answering the questions. Detailed information will be found given in the Information brochure.

Common Proficiency Test (CPT) is open only to those students who are already registered with the Institute of Chartered Accountants of India for the said course on or before 1st June 2007 and fulfill the requisite eligibility conditions.

(G. Somasekhar)
Sr. Joint Secretary (Exams.)
Common Proficiency Test (Examination)

List of Candidates Declared Successful with 60% and above Marks in the order of Merit List upto 10th Rank

<table>
<thead>
<tr>
<th>Roll</th>
<th>Reg. No.</th>
<th>Name and Place</th>
<th>Rank</th>
<th>Marks</th>
<th>%age</th>
</tr>
</thead>
<tbody>
<tr>
<td>27101</td>
<td>SRO0214999</td>
<td>Aravapalli S Sireesha, Guntur</td>
<td>1</td>
<td>192</td>
<td>96.00</td>
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<tr>
<td>18792</td>
<td>WRO0274043</td>
<td>Bhavana Dinkar Patil, Nashik</td>
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<td>186</td>
<td>93.00</td>
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<tr>
<td>50174</td>
<td>NRO0163765</td>
<td>Kamal Bhatia, Rohtak</td>
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<tr>
<td>48208</td>
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<td>Mudit Jhunjhunwala, Kolkata</td>
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<td>92.50</td>
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<tr>
<td>25263</td>
<td>SRO0230769</td>
<td>N Raagav, Chennai</td>
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<td>92.00</td>
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<tr>
<td>43657</td>
<td>NRO0195418</td>
<td>Gaurav Goel, Chandigarh</td>
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<tr>
<td>23244</td>
<td>SRO0228537</td>
<td>Susheen M Bohra, Bangalore</td>
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<td>Rashi Goswami, Mathura</td>
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<td>89.00</td>
</tr>
<tr>
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<td>NRO0178166</td>
<td>Dilshad Ansari, Delhi</td>
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<td>50394</td>
<td>FRO0000756</td>
<td>Parul Kedia, Kathmandu, Nepal</td>
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</tr>
</tbody>
</table>

Merit List - May 2007

Common Proficiency Test (Examination)

No. 13-CA (EXAM)/M/2007: - In continuation of the Institute’s Notification No. 13-CA (Exam)/M/2007 dated 16th January 2007, it is notified that for general information that due to unavoidable circumstances, the Examinations in Paper 4 – Corporate Laws & Secretarial Practice of Group I of the Chartered Accountants Final Examination and Paper 4 – Business Communication and Organisation & Management of the Chartered Accountants Professional Education – I Examination held on 8th May 2007 at Ranchi Examination Centre stands cancelled.

A Special Examination in the aforesaid papers i.e. Paper 4 – Corporate Laws & Secretarial Practice of Group I of the Chartered Accountants Final Examination and Paper 4 – Business Communication and Organisation & Management of the Chartered Accountants Professional Education – I Examination will now be held on Wednesday, the 4th July 2007 from 9.00 a.m. to 12.00 noon (Morning Session). The said Special Examination will be held for all the candidates who were earlier admitted to the Final and PE-I Examinations held on 8th May 2007 from Ranchi Examination Centre irrespective of whether they were present or absent in the said paper(s) held on 8th May 2007.

The venue of the said examination will be the same as that in which the May 2007 Examinations were held. Separate admit cards to the respective candidates will be issued for the said Special Examination to be held on 4th July 2007.

TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA

Notification 1st June 2007
The next Common Proficiency Test (CPT) of the Institute will be held on 5th August 2007 at the following centres:

1) Centres in India:

2) Overseas Centres:
   - Abu Dhabi, Dubai and Kathmandu.

Applications for admission to Common Proficiency Test is required to be made on the relevant prescribed form as contained in the Information Brochure, which may be obtained from the Senior Joint Secretary (Examinations), The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi – 110 002 on payment of Rs. 400/- (Rs.300/- towards examination fees and Rs. 100/- towards cost of application form and Information brochure) per application form. Since the cost of Information Brochure containing Common Proficiency Test application form includes the examination fee no separate fee is required to be remitted at the time of submitting the filled in application form. The Information brochure containing Common Proficiency Test application form is also available in the Regional and Branch Offices of the Institute and can be obtained therefrom on cash payment on or from 5th June 2007.

Applications duly filled in will be received by hand delivery at the offices of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Ahmedabad, Bangalore, Hyderabad, Jaipur and Pune upto 26th June 2007. Candidates residing in these cities are advised to take advantage of this facility.

It may be noted that there is no provision for acceptance of application forms after 26th June 2007 with late fee.

Common Proficiency Test (CPT) is open only to those students who are already registered with the Institute of Chartered Accountants of India for the said course on or before 1st June 2007 and fulfill the requisite eligibility conditions.

Candidates will be allowed to opt for Hindi question paper booklets for the said CPT. Further details will be available in the Information Brochure containing the application form.

IMPORTANT ANNOUNCEMENT

1st June 2007

It is notified for general information that due to unavoidable circumstances, the Examinations in Paper 4 – Corporate Laws & Secretarial Practice of Group I of the Chartered Accountants Final Examination and Paper 4 – Business Communication and Organisation & Management of the Chartered Accountants Professional Education – I Examination held on 8th May 2007 at Ranchi Examination Centre stands cancelled.

A Special Examination in the aforesaid papers i.e. Paper 4 – Corporate Laws & Secretarial Practice of Group I of the Chartered Accountants Final Examination and Paper 4 – Business Communication and Organisation & Management of the Chartered Accountants Professional Education – I Examination will now be held on Wednesday, the 4th July 2007 from 9.00 a.m. to 12.00 noon (Morning Session).

The said Special Examination will be held for all the candidates who were earlier admitted to the Final and PE-I Examinations held on 8th May 2007 from Ranchi Examination Centre irrespective of whether they were present or absent in the said paper(s) held on 8th May 2007.

The venue of the said examination will be the same as that in which the May 2007 Examinations were held. Separate admit cards to the respective candidates are being issued for the said Special Examination to be held on 4th July 2007. Please log on to the Institute’s website www.icai.org for Special Examination Notification and Announcement hosted in this regard.
ANNOUNCEMENT

BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

4TH NATIONAL CONVENTION FOR CA STUDENTS

THEME: CREATING GLOBAL VISION
ACHIEVING GLOBAL STANDARDS

FRIDAY, JULY 6, & SATURDAY, JULY 7, 2007
VENUE: C C MEHTA AUDITORIUM, MSU CAMPUS, VADODARA – 390005

Hosted by:
BARODA BRANCH OF WIRC OF THE ICAI
&
BARODA BRANCH OF WICASA

Day One

Registration: 09.00 – 10.00 hrs.
Inaugural Session: 10.00 – 11.00 hrs.
Tea Break: 11.00 – 11.20 hrs.
Technical Session I: 11.20 – 13.30 hrs.
Trends in Financial Reporting Standards
Topics:
1. Global Convergence of Financial Reporting
2. AS 15 (Revised) Employee Benefits
3. Corporate Disclosure Practices: Case Studies on Disclosures of Significant Accounting Policies and Notes on Accounts
Special Session I: 14.30 – 15.30 hrs
Winning Strategies
Technical Session II: 15.30 – 17.35 hrs.
Fiscal Laws and Corporate Governance
Topics:
1. Fringe Benefit Tax (FBT): Issues and Challenges
2. Recent Changes in Service Tax
4. Corporate Governance: Global Scenario and Indian Perspective
Cultural Programme: 19.00 – 21.30 hrs.

Day Two

Audit and Assurance
Topics:
1. Risk Based Audit
2. CARO
3. Qualification in Audit Report : Case Analysis
4. Audit in Computerized Environment : Case Analysis
Special Session II: 11.30 – 12.30 hrs.
Audit Documentation
Special Session III: 12.30 – 13.30 hrs.
Meet the CFO: Role of Chartered Accountants in Contemporary Corporate Environment
Technical Session IV: 14.30 – 16.00 hrs.
Strategic Financial Management
Topics:
1. Business Valuation
2. Issues in Financial Risk Management
3. Portfolio Management Strategies
Valedictory Session: 16.00 – 17.15 hrs.
New Scheme of Education and Training
1. Valedictory Address
2. Best Paper Award for paper submitted in each technical session
3. Feedback from participants

Registration fee: Rs.500 per student (Outstation students are advised to contact the conveners for accommodation on extra payment basis)
Cheques / DD to be drawn in favour of – The Institute of Chartered Accountants of India, Baroda Branch of WIRC of the ICAI, payable at Baroda.

All correspondence relating to registration may be addressed to:
Convener, 4th National Convention for CA Students, Baroda Branch of WIRC of the ICAI, 2B, Ramkrishna Chambers, Productivity Road, Baroda-390007, Phone: 0265 2351151, E-mail: baroda@icai.org; artshs@icenet.co.in website: www.icai.org

Contact Persons:
CA. Ashok Thakkar, Mobile 09825048551
CA. Rahul Parikh, Mobile 09825329995
Check your Address:
All students should check their mailing address printed here. In case, there is any change or the PIN Code (Postal Index Code) is either missing or incorrect, kindly inform immediately the concerned Regional Office giving full particulars of your address along with correct PIN Code. This would enable us to ensure smooth and prompt delivery of the Newsletter.

GLIMPSES

CA. Harinderjit Singh, Central Council Member delivering a lecture at WICASA Nagpur Branch. Others seen in picture (L to R) Mr Anthony, CA. Julfesh Shah, Chairman-Nagpur Branch, CA. Abhijit Keikar, Chairman WICASA - Nagpur Branch, CA. Jaydeep Narendra Shah, Chairman-BOS, CA. Makarand Joshi, Member – WIRC

CA. Amerjit Chopra, Central Council Member speaking at WICASA Nagpur Branch. Others seen in picture (L to R), CA. Jaydeep Narendra Shah, Chairman-BOS, CA. Julfesh Shah, Chairman-Nagpur Branch, CA. Abhijit Keikar, Chairman WICASA - Nagpur Branch, CA. Makarand Joshi, Member – WIRC

Ms Shruti Kothari (Student) giving a address at Career Expo 2007, Nagpur with two students. Others seen in picture (L to R) CA. Julfesh Shah, Chairman-Nagpur Branch, CA. Jaydeep Narendra Shah, Chairman-BOS, CA. Abhijit Keikar, Chairman WICASA - Nagpur Branch

Editor : CA. Jaydeep Narendra Shah
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