Message from the President

Beloved Students,

It gives me immense pleasure to communicate with you immediately after launch of the new scheme of education and training which is a landmark event in the annals of ICAI. On the basis of the report of the Committee for Review of Education and Training (CRET), the Council of the ICAI recommended and the Government approved the new CA curriculum in a record time of 6 months. In a memorable function held on 21st September 2006, Secretary to the Ministry of Company Affairs Shri Anurag Goel dedicated the new curriculum to the nation and the profession. Shri Jitesh Khosla, Joint Secretary to the Ministry of Company Affairs dedicated the new course study materials to the students. The function was attended and cheered by over 1000 students at the FICCI auditorium.

Entry to Curriculum

The Common Proficiency Test (CPT) which is a simplified entry to the chartered accountancy profession paves way for the cream of younger generation to dream for chartered accountancy as a career. Students can enrol after passing 10th Standard and prepare for CPT as they pursue 11th and 12th Standard Studies. After passing 12th standard and CPT, a student can join 3½ years practical training. The pattern of the evaluation in CPT has been benchmarked to other top ranked professional entrance tests in the International academic field. The first CPT will be held on 12th November 2006 and thereafter in February, May, August and November of every year. It will be 4 hours duration test with first session between 9 a.m. to 11 a.m. and second session between 12.30 p.m. to 02.30 p.m. on a Sunday. Even those who are pursuing 1st or 2nd or 3rd year of graduation can also pass CPT and join for articleship training later at their convenience.

Learning Modules

We are taking measures to transform text book oriented theoretical education into an e-learning system in which a student can learn technical and computational subjects like accountancy, cost accounting, financial management, taxation and corporate laws through interactive modules. Already virtual classes are being successfully organized. We will ensure that each and every topic is covered through interactive lectures and interactive sessions so that students get best of guidance and learning assistance.

IT Training

We have planned to introduce 100 Hours Information Technology Training (ITT) from December 2006 and to withdraw the existing 250 hrs. compulsory computer training. Students who are pursuing old syllabus will also be permitted to undergo the 100 Hours ITT. This new training
programme has been planned to be delivered in a unique style. Apart from the existing system in which a student can undergo the training by attending the regular classes through accredited training centres, an interactive web based module will be soon introduced in which a student would undergo self – spaced training and appear in the final test through any of the accredited institutions.

**Transitional Scheme**

We have attempted to provide best possible transition options for the existing students to migrate to the new curriculum. A student pursuing PE-I course can switch over to CPT by registering with a nominal fee of Rs.100/- and get the entire study material free of cost. A student who has already applied for PE-I November’06 examination, in case he wants to transit to CPT and appear for the first examination scheduled to be held on 12.11.2006, can do so by applying for CPT on or before 09.10.2006 in which case he will be refunded the PE-I examination fee paid.

A student who has passed PE-I or foundation and presently doing PE-II can register for articles training for 3 ½ years and pursue PCE of new curriculum. If any group has been passed or paper has been exempted in PE-II, such student will get corresponding exemption in PCE. Alternatively, such student can continue PE-II, pass the same and join 3 years articleship training.

Graduates and others who had joined PE-II directly, without passing PE-I or foundation examination, can continue to pursue PE-II and pass the same to join 3 years articleship training. As and when PE-II exam is discontinued, they can appear in and pass PCE examination to join 3 years articleship training. This is the special concession given to them. Alternatively, they can switch over to CPT and after passing the same join for 3 ½ years articleship training.

In all the above transitional situations, students will have to remember that in 3 years articleship a student can write the final examination during the period of training whereas in 3 ½ years articleship, the final exam can be taken up only after completion of the training period. The choice is available as indicated above and the decision has to be made by the student.

**Nurtured in India – Groomed for the World**

Indian chartered accountants have proved their ability and are now most sought after globally. Increasing demand for the Indian chartered accountants has bestowed upon the council a broader responsibility to offer contemporary theoretical education, impart appropriate modular training, equip the students with latest knowledge about information system and to chisel a strong communication skill to groom them into most competent professionals. We expect to bring out a new generation chartered accountants equipped with modern knowledge and traditional values befitting our role of partnering in nation building. We are progressing with a conviction to bring about accounting revolution in India and aspire to develop India as a global outsourcing hub for accounting and financial services.

**Examination Aspirants**

Many of you will be appearing in the ensuing November examination. Scientist Archimedes once said, “Give me a firm place to stand and I will move the earth”. It is the confidence imbedded in this statement that makes it believable. Confidence backed by sound preparation and supplemented by adequate revision should see a student pass through the examination and qualify as a professional. You ultimately become what you want to be. Therefore, you should gear up with determination and proceed to leave no stone unturned until the goal is achieved. My dear students, if not you, who else can do it? If not now, when else can you do it? I am confident that you will make it happen in the ensuing examination. All the best for achieving success. A glorious future awaits you!

Jai Hind, Jai ICAI.

Yours affectionately,

Date : September 27, 2006

Place : New Delhi

CA. T.N.Manoharan
President, ICAI
"A company should approach all tasks with the idea that they can be accomplished in a superior fashion"

– Thomas Watson, Jr.

Background
The tasks of crafting, implementing and executing company strategies are the heart and soul of managing a business enterprise. A company’s strategy is the game plan management is using to stake out market position, conduct its operations, attract and please customers, compete successfully, and achieve organizational objectives. The basic concept behind a company’s strategy consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully and achieve organizational objectives.

What is a business model?
A company’s business model deals with revenue-cost-profit economics of its strategy – the actual and projected revenue streams generated by the company’s product offerings and competitive approaches, the associated cost structure and profit margins, and the resulting earnings stream and return on investment.

Also to extract value from an innovation, a start-up (or any firm for that matter) needs an appropriate business model. Business models convert new technology to economic value. Given the complexities of products, markets, and the environment in which the firm operates, very few individuals, if any, fully understand the organization’s tasks in their entirety. The technical experts know their domain and the business experts know theirs. The business model serves to connect these two domains as shown in the following diagram:

![Diagram showing Technical Innovation, Business Model, and Economic Value]

Is it necessary to have a business model?
The fundamental issue surrounding a company’s business model is whether a given strategy makes sense from a money-making perspective. A company’s business model is consequently more narrowly focused than the company’s business strategy. Closely related to the concept of strategy is the concept of a company’s business model, a term now widely applied to management’s plan for making money in a particular business.

A business model draws on a multitude of business subjects, including economics, entrepreneurship, finance, marketing, operations, and strategy. The business model itself is an important determinant of the profits to be made from an innovation. A mediocre innovation with a great business model may be more profitable than a great innovation with a mediocre business model.

Components of a business model
According to some research findings a business model has six major components as given below:

- **Value proposition**: a description of the customer problem, the product that addresses the problem, and the value of the product from the customer’s perspective.
- **Market segment**: the group of customers to target, recognizing that different market segments have different needs. Sometimes the potential of an innovation is unlocked only when a different market segment is targeted.
- **Value chain structure**: the firm’s position and activities in the value chain and how the firm will capture part of the value that it creates in the chain.
- **Revenue generation and margins**: how revenue is generated (sales, leasing, subscription, support, etc.), the cost structure, and target profit margins.
- **Position in value network**: identification of competitors, complementors, and any network effects that can be utilized to deliver more value to the customer.
- **Competitive strategy**: how the company will attempt to develop a sustainable competitive advantage, for example, by means of a cost, differentiation, or niche strategy.

Business Model vs. Strategy
The concept of business model contrast to that of strategy in the following three areas:

1. **Creating value vs. capturing value**: the business model focus is on value creation. While the business model also addresses how that value will be captured by the firm, strategy goes further by focusing on building a sustainable competitive advantage.
2. **Business value vs. shareholder value**: The business model is architecture for converting innovation to economic value for the business. However, the business model does not focus on delivering that business value to the shareholder. For example, financing methods are not considered by the business model but nonetheless impact shareholder value.

3. **Assumed knowledge levels**: The business model assumes a limited environmental knowledge, whereas strategy depends on a more complex analysis that requires more certainty in the knowledge of the environment.

Also, strategy relates to a company’s competitive initiatives and business approaches, while the term business model deals with whether the revenues and costs flowing from the strategy demonstrate business viability. Companies that have been in business for a while and are making acceptable profits have a proven business model – there is clear evidence that their strategy is capable of profitability and that they have a viable enterprise. Companies that are losing money or are in a start-up mode (like many new dot-com companies) have a questionable business model; their strategies have yet to produce good bottom-line results, putting their viability in doubt.

**Examples of some business models**

**Business Model for the Xerox Copier**

The Xerox Corporation’s during its early days in the copy machine business with its Model 914 copier used a very innovative and successful business model. The Model 914 used the relatively new electrophotography process, which is a dry process that avoids the use of wet chemicals. In seeking potential marketing partners, the company repeatedly was turned down by the likes of Kodak, GE, and IBM, who had concluded that there was no future in the technology as seen through the lens of the then-prevalent business model. While the technology was superior to earlier copy methods, the cost of the machine was six to seven times more expensive than alternative technologies. The model of selling the equipment below cost and making up the difference by large margins in the sale of supplies was not viable because the cost of the supplies was about the same as that of the alternatives, so there was little room to maneuver.

Xerox then decided to market the new product itself and developed a new business model to do so. The new model leased the equipment to the customer at a relatively low cost and then charged a per-copy fee for copies in excess of 2000 copies per month. At that time, the average business copier produced an average of only 15-20 copies per day. For this model to be profitable to Xerox, the use of copies would have to increase substantially.

Fortunately for Xerox, the quality and convenience of the new copy technology proved itself and companies began to make thousands of copies per day. As a result, Xerox sustained a compound annual growth rate of 41% over a 12-year period. Without this business model, Xerox might not have been successful in commercializing the innovation.

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**Success = Business Model Design AND Implementation**

*Figure 1*

Many authors who write about business models fail to distinguish between business model design and business model implementation/execution. Yet, it is crucial to realize the difference between the two because they both require very different skills. Also, a company will only be successful with a sound business model design AND a consequential implementation. There is no such thing as a successful business model per se. This sounds obvious, but in practice the distinction is not always made. Often journalists, academics and business practitioners blame the business model for the failure of a company while the main flaw might lie in failed implementation.

The Figure 1 represents a matrix that shows the distinction between sound/flawed business model design and excellent/weak business model execution. Square B is the ideal situation where a company has succeeded in designing a sound and competitive business model and has been successful in implementing it.

Square A is the situation where a company apparently has a very competitive business model, but is showing difficulties in implementing it successfully. This can be due to various factors, such as the lack of experience (e.g., for start-ups), the lack of resources, missing leadership and so on. In such a
situation the company will aim at moving from square A to square B, given they realize their implementation difficulties. Square D is the situation where the business model is flawed, but the company is showing excellent implementation skills. This situation typically appears with the rise of new disruptive technologies or insurgent start-ups that rock the boat of established industries with established and similar business models. When a company finds itself in square D the first thing they have to do is to re-design their business model before readjusting their implementation/execution skills.

Square C is reserved for companies that haven’t succeeded in coming up with a sound business model and in addition are bad at implementing their flawed business model. Their path to success also goes through business model re-design and implementation/execution readjustment.

Two Radically different Business Models: Microsoft and Redhat Linux

Microsoft’s Business Model

Microsoft is one of the world’s most successful and profitable companies, partly because of its dominant market position in operating system software for PCs-first DOS, then Windows 95 and Windows NT, and later Windows 98, Windows 2000 and Windows XP. Microsoft’s business model for its operating system products is based on the following elements:

♦ Employ a cadre of highly skilled Microsoft programmers to develop proprietary code; compensate them with premium pay and lucrative stock options. Keep the source code hidden from users.

♦ Sell the resulting operating system at relatively attractive prices to PC makers and at higher prices to retail consumers. Since most of the costs are fixed (having been incurred in developing the code), each sale generates substantial margins - the variable costs of producing and packaging the CDs provided to users amount to only a couple of dollars per copy. Provide technical support to users at no cost.

Redhat Linux’s Business Model

Redhat Linux, a start-up company formed to market the Linux operating system in competition with Microsoft’s Windows, employs a sharply different business model:

♦ Give the Linux operating system away free of charge to those who download it (but charge substantially to users who prefer to buy the CD-ROM version complete with an instruction manual). Redhat is in a position to give Linux away for free because Linux has been created and upgraded through the collaborative efforts of interested programmers from all over the world who volunteer their time and contribute bits and pieces of code to improve and polish the system. Mr. Linus Torvalds, started development of Linux in 1991 as a sideline hobby while a graduate student at the University of Helsinki and has shepherded the cobbling together of the code in the intervening years. Torvalds encouraged other programmers to download his software, use it, test it, fix bugs, modify it, add new features as they saw fit, and post their work on the Internet. As the Linux code developed, more and more programmers joined in, contributing their ideas and improvements. The thousands of programmers around the world who work on Linux in their spare time do what they do because they love it, because they are fervent believers that software should be free (as in free speech), and in some cases because they are antiMicrosoft and want to have a part in undoing what they see as a Microsoft monopoly. Their crusade for the cause of free software and competition means that Redhat, unlike Microsoft, essentially has zero product development costs.

♦ Make the source code open and available to all users, allowing them to make whatever changes they may wish to create a customized version of Linux. Linux users like the ability to modify the source code at will.

♦ Employ a cadre of technical support personnel who provide technical support to users for a fee. The Linux operating system is a bit quirky and buggy and is said to be hard to install and use in multiserver, multiprocessor applications. Corporate users of Linux thus typically require quite a bit of handholding. Make money on technical support services, not the code.

Who has the best business model?

Microsoft’s business model – sell proprietary code and give service away free – is a proven moneymaker. But let us see how Redhat makes money with a business model that gives software away free and charges users for technical support.

Conclusion

Creating the strategy and business model of an organization is nothing else than design. There is a link between the strategy and design thinking through examples and concepts of strategic design, business models, environmental scanning and business innovations. This way of thinking is a must in today’s top performing organizations. Managers have to become masters in complex conceptual thinking, anthropologists of their business environments and architects of innovative business design.
Efficient capital markets are a critical component for any developed economy. The key to developing effective capital markets as an engine of growth is to design facilitating regulatory structures. Indian capital markets today are amongst the best regulated markets providing efficient trading and settlement infrastructure, high levels of disclosure and fostering an environment for innovation. The regulatory framework has kept pace with the significant growth in the securities markets and can be benchmarked with markets in developed nations.

SEBI, the regulatory body in India, has rendered guidelines for raising funds from the domestic market via the Qualified Institutional Placements and Indian Depository Receipts (IDRs), which will render the Indian markets even more competitive and efficient and well poised for greater development. Now, the companies will be facilitated when it comes to raising resources within the country and the need for approaching the overseas markets will be eliminated. Further, even the foreign companies would now be keen to list their shares in India.

Qualified Institutional Placements (QIPs)

SEBI has introduced an additional fund raising mode for listed companies from the domestic market in the form of Qualified Institutional Placements. This initiative would encourage Indian companies to raise money in the local markets rather than overseas. It can be seen that the trend so far has been to raise money from the overseas market. Indian companies raised more than Rs. 45,000 crore from overseas issues during the year 2005 and only Rs. 26,000 crore from domestic primary issues. Further, they have raised US $ 4 billion (Rs. 18,000 crores) from overseas issues during the first quarter of the current year. However, hereafter companies, listed on bourses with trading terminals situated nationwide and which comply with the prescribed requirements of minimum public shareholding of the listing agreement, can raise funds in the domestic market by placing specified securities with Qualified Institutional Buyers (QIBs).

QIP is an attempt by SEBI to encourage companies to raise money domestically rather than going in for Foreign currency convertible bonds (FCCB)/American depository receipts (ADR)/Global depository receipts (GDR) issues. SEBI has issued guidelines for such placements on 8th May, 2006. These guidelines provide that QIPs may be made for securities, other than warrants, which are convertible into or exchangeable with equity shares and will be called specified securities. In case of related instruments convertible into equity shares, such conversion must take place within five years from the date of issue and should be fully paid-up. Pricing of these issues would be similar to the existing norms for GDR/FCCB issues.

The floor price of the specified securities will be based on GDR/FCCB issues and will be subject to adjustment when it comes to corporate actions, namely stock splits, rights issue, bonus issue etc.

Specified securities can be issued only to Qualified Institutional Buyers, as defined under sub-clause (v) of clause 2.2.2B of the SEBI (DIP) Guidelines. Qualified Institutional Buyers are those institutional investors who possess expertise and the financial muscle to evaluate and invest in the capital markets.

In terms of clause 2.2.2B (v) of DIP Guidelines, a ‘Qualified Institutional Buyer’ means:

a. Public financial institution as defined in Section 4A of the Companies Act, 1956;
b. Scheduled commercial banks;
c. Mutual funds;
d. Foreign institutional investor registered with SEBI;
e. Multilateral and bilateral development financial institutions;
f. Venture capital funds registered with SEBI;
g. Foreign Venture capital investors registered with SEBI;
h. State Industrial Development Corporations;
i. Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA);
j. Provident Funds with minimum corpus of Rs. 25 crores;
k. Pension Funds with minimum corpus of Rs. 25 crores.

These entities are not required to be registered with SEBI as QIBs. Any entities falling under the categories specified above are considered as QIBs for the purpose of participating in primary issuance process.

To make such placements more attractive to QIBs, listed companies can make domestic placements of shares and convertibles to QIBs, without any lock-in period for these shares. QIBs can sell the securities only to recognised stock exchanges for a period of one year from the date of allotment. Since only listed companies are allowed to sell shares to QIBs, this would enable them to raise funds quickly, in a matter of hours, instead
of keeping the issue open for a minimum of four days, which is the current norm. Also, there will be no quotas for retail and high networth investors.

Issuing companies should prepare a ‘placement document’ providing relevant information as specified by SEBI guidelines. This document should be published on the websites of the issuing company and major stock exchanges and it need not be filed with the SEBI.

The aggregate funds that can be raised through this route in a fiscal year cannot exceed five times the net worth of the issuer at the end of the previous financial year. Companies must maintain a gap of at least six months between each placement in case of multiple placements of specified securities, if they are using the same shareholder’s resolution.

Local merchant bankers would also benefit if more companies opt for the QIP route, as the SEBI guidelines prescribe the appointment of a SEBI registered merchant banker to manage the placement.

SEBI states that a minimum of 10 percent of the issue should be reserved for mutual funds. In case no mutual funds are interested, it would be given to any other interested QIB. SEBI has also prescribed limits on the minimum number of institutional investors with whom securities would be placed. According to the new guidelines the investors should not be connected to the promoters either directly or indirectly. For placements aggregating less than Rs. 250 crore, there should be at least two investors. There should be at least five investors for bigger placements. No single QIB can be allotted more than 50 percent of the total issue size. Investors shall not be allowed to withdraw their applications after closure of the issue.

Advantages over GDRs/FCCBs/ADRs/Preferential Allotment

For domestic companies, QIP would work out to be a cheaper option as issue costs in it are considerably lower than overseas issues. One of the advantages of overseas issues is better pricing. With the surge in domestic markets, the difference in pricing has also come down. As domestic institutional investors and mutual funds are flushed with funds, it would not be difficult for companies to raise even large amounts through the QIP route.

As per the SEBI guidelines, the listed companies would now be able to raise funds locally through QIB placements rather than raising through GDRs and FCCBs. The main advantage of this would be that over a period of time, it would reduce flight of capital from India.

This would also help in competing with the GDR/FCCB market. The move will also open up options for Indian retail investors since securities will have to be listed on domestic bourses. In case of GDRs/ADRs, shares need not ever come into the Indian market.

This move is also advantageous for not so large companies that do not have a global presence and therefore, are not able to raise funds from abroad. Thus, by placing securities with the QIBs, the offer process will be simplified, cost would be lowered and the time-to-market advantage of the GDR/ADR route would be removed.

In a follow-on issue, the primary advantage of the ADR/GDR route vis-à-vis the domestic market is the time saved. SEBI has sought to level the playing field by dispensing with certain procedural requirements currently applicable to a domestic public offering such as pre-issue filing of offer document with SEBI.

Some eyebrows have been raised regarding these new guidelines. People are questioning the new regime when already private placement was possible under Section 81 (1-A) of the Companies Act. Well, compared to the preferential allotments, the rules are less stringent to some extent in that the resolution passed under the Sub-section (1-A) of the Section 81 of the Companies Act, 1956, or any other applicable provision, will remain valid for a period of 12 months. In a preferential allotment, the resolution is valid for just 15 days. Besides, a convertible instrument can be converted into shares anytime after allotment and within a period of 60 months, whereas in a preferential allotment, the conversion has to take place within 18 months.

Indian Depository Receipts

The first step to give foreign companies access to raise capital via the Indian stock market was taken in the year 2000 by the introduction of Section 605 A of the Companies Act, 1956. The second step was taken in 2004 when the Indian Depository Receipt rules were framed. Finally SEBI has taken the third step on April 3rd 2006, in the back drop of the Indian stock exchanges boom, by the introduction of Chapter VIA in the Disclosure and Investor Protection Guidelines, by framing the eligibility criteria as to which foreign companies will be permitted to raise capital on the Indian bourses by issuing Indian Depository Receipts against their underlying shares. This initiative is expected to help Indian investors to share a portion of wealth created by outsiders, as it is possible for Indian investors to invest in foreign companies sitting in India.

IDRs can be described as “a receipt, evidencing and underlying foreign security, issued in India by a foreign company which has entered into an agreement with the issuer and depository, custodian and depository or underwriters and depository, in accordance with the terms of prospectus or letter of offer, as may be prescribed.”

In an IDR, foreign companies issue shares to an Indian Depository, which would, in turn, issue Depository Receipts to investors in India. The Depository Receipts would be listed on stock exchanges in India and would be freely transferable. The actual shares underlying the IDRs would be held by an Overseas Custodian, which will authorise the Indian Depository to issue the IDRs.

The Overseas Custodian is required to be a foreign bank having a place of business in India and needs approval from the Finance Ministry for acting as a custodian while the Indian Depository needs to be registered with SEBI.

SEBI has barred non-resident Indians and foreign institutional investors from purchasing IDRs, unless special permission of the Reserve Bank of India is taken. However, IDRs are open for investment to Qualified Institutional Buyers. The minimum size of an IDR issue should be Rs 50 crore and the minimum application amount should be Rs 2 lakh.
Investments by Indian companies in IDR­s should not exceed the prescribed investment limits. Automatic fungibility of IDR­s is not permitted as per the guidelines.

IDRs should receive a minimum subscription of 90 per cent of the issued amount. If the subscription level falls below 90 per cent after the closure of the issue, the company should refund the entire amount within eight days. The company would have to pay an interest rate of 15 per cent per annum for any delay beyond eight days.

The issue price should be based on earnings per share pre-issue for the last three years, price by earnings ratio, and average return on net worth in the last three years, net asset value per share based on last balance sheet, among other things.

Detailed guidelines regarding the issuer’s eligibility criteria can be summarized as:

- Must have an average turnover of US$ 500 million during the previous 3 financial years.
- Must have capital and free reserves which must aggregate to at least US$100 million.
- Must be making a profit for the previous 5 years and must have declared a dividend of 10% in each such year.
- The pre issue debt-equity ratio must be not more than 2:1.
- Must be listed in its home country.
- Must not be prohibited by any regulatory body to issue securities.
- Must have a good track record with compliance with securities market regulations.
- Must comply with any additional criteria set by SEBI.

Further, the following conditions would also apply:

- In one financial year the market cap cannot exceed 15 % of the paid up capital and free reserves of the issuer.
- Redemption into underlying shares is prohibited for 1 year, beginning the issue date.
- Repatriation of proceeds is subject to Indian foreign exchange laws, prevailing at time of repatriation.
- The issue must be in rupees.
- The issuer is subject to Clause 49 of the listing agreement.

**Conclusion**

Companies have been raising large amounts of resources from overseas markets, a trend that is often being viewed as ‘export’ of the local capital market. SEBI intends to consider the removal of restrictions for prospective issuers so that more quality companies explore the possibility of raising capital internally rather than seeking options elsewhere.

Thus, the recent decision of SEBI to allow listed companies to raise funds from the domestic market through qualified institutional placement of securities will encourage corporates to consider the local market more effectively. Also, the process of evolving norms to allow foreign companies to list their shares in the Indian stock markets will make the Indian markets totally global.
Amendments made by The Taxation Laws (Amendment) Act, 2006

Object of the Article
1. This article examines amendments made by The Taxation Laws (Amendment) Act, 2006 [hereinafter referred to as “TLA, 2006"] in the provisions pertaining to direct taxes.

Tax Recovery Officer to play role of Assessing Officer
2. A Tax Recovery Officer can also exercise or perform such powers and functions which are conferred on, or assigned to, an Assessing Officer under the Income-tax Act. This amendment would be applicable on or after the date on which the TLA, 2006 receives the assent of the President (i.e., July 13, 2006).

Exemption given to North-Eastern Development Finance Corporation Limited
3. Income-tax exemption has been given to North-Eastern Development Finance Corporation Limited on the following lines –

<table>
<thead>
<tr>
<th>Assessment year</th>
<th>Quantum of exemption</th>
<th>Amount chargeable to tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2007-08</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>2008-09</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2009-10</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>2010-11 onwards</td>
<td>Nil</td>
<td>100%</td>
</tr>
</tbody>
</table>

Amendment of section 10(23C)
4. The following amendments have been made in section 10(23C) –

4.1 Time-limit of three assessment years not applicable in some cases: Notifications are issued by the Central Government under section 10(23C)(iv)/(v) as follows –

<table>
<thead>
<tr>
<th>Section</th>
<th>Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>10(23C)(iv)</td>
<td>A fund or institution established for charitable purposes</td>
</tr>
<tr>
<td>10(23C)(v)</td>
<td>A trust (including any other legal obligation) or institution established wholly for public religious purposes or wholly for public religious and charitable purposes</td>
</tr>
<tr>
<td>10(23C)(vi)</td>
<td>University or other educational institution existing solely for educational purposes and not for the purpose of profit [other than (a) a university/institution financed wholly or substantially by the Government or (b) a university/institution existing solely for educational purposes and not for the purpose of profit and whose gross annual receipts does not exceed Rs.1 crore]</td>
</tr>
<tr>
<td>10(23C)(via)</td>
<td>Hospital/other institution existing solely for philanthropic purposes and not for the purposes of profit [other than (a) a hospital/institution financed wholly or substantially by the Government or (b) a hospital/institution established for medical purposes and not for the purpose of profit and the gross annual receipt does not exceed Rs. 1 crore]</td>
</tr>
</tbody>
</table>

In the aforesaid cases, audit of books of account is required only if taxable income of these institutions before claiming exemption under section 10(23C) exceeds the exemption limit. In other words, if before claiming exemption under section 10(23C) income is equal to or less than exemption limit or if income is negative, audit of books of account is not required.

The author is a tax management consultant and faculty member of Shri Ram College of Commerce.
Take the case of a private college whose aggregate annual receipts is Rs. 25 crore and expenditure claimed as deduction as per books of account is Rs. 24.99 crore or more. In such a case, audit of books of account is not required.

4.3 Time-limit for granting approval or rejecting application: In the cases mentioned in the table given in para 4.2, order granting the approval or rejecting the application shall be passed within twelve months from the end of the month in which such application is received. This rule is applicable in respect of an application made on or after July 13, 2006 (i.e., the date on which the TLA, 2006 received the assent of the President).

Amendment of section 12A
5. Under the provisions applicable before the amendment, a trust or institution is required to get its books of account audited to claim exemption under sections 11 and 12. The audit report in Form No. 10B is required to be submitted along with the return of income. This rule is applicable only if the income of the institution exceeds the amount given below in the table, which highlights the position before and after the amendment:

<table>
<thead>
<tr>
<th>Time Limit</th>
<th>Income Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to the assessment year 2005-06 (the rule applicable before amendment)</td>
<td>The income of trust/institution without giving exemption under sections 11 and 12 exceeds Rs. 50,000 in the previous year</td>
</tr>
<tr>
<td>From the assessment year 2006-07 onwards (the rule applicable after amendment)</td>
<td>The income of trust/institution without giving exemption under sections 11 and 12 exceeds the basic exemption limit.</td>
</tr>
</tbody>
</table>

Amendment of section 35
6. The following amendments have been made under section 35 –

1. With effect from April 1, 2006, contribution to a scientific research association, university, college or other institution shall qualify for weighted deduction under section 35(1)(ii)/(iii) only if such association, university, etc., satisfies the following conditions –
   a. such association, university, etc., is for the time being approved, in accordance with the prescribed guidelines; and
   b. such association, university, etc., is specified as such, by notification in the Official Gazette, by the Central Government.

2. Weighted deduction in respect of contribution made by an assessee to the aforesaid institutions shall not be denied (from the assessment year 2006-07) merely on the ground that after the contribution made by the assessee to these institutions, the approval granted to these institutions have been withdrawn. In other words, contribution to these institutions will qualify for weighted deduction even if, after the date of making contribution, the approval granted to these institutions have been withdrawn.

3. Notifications in respect of the institutions mentioned above, issued by the Central Government shall, at any one time, have effect for a period not exceeding three assessment years. The three year time-limit will not be applicable on or after July 13, 2006 (i.e., the date on which the TLA, 2006 receives the assent of the President).

4. In the cases mentioned above, where an application is made to the Central Government for the purpose of grant of approval or continuation thereof, order granting the approval or rejecting the application shall be passed within twelve months from the end of the month in which such application is received by the Central Government. This rule is applicable in respect of an application made on or after July 13, 2006 (i.e., the date on which the TLA, 2006 receives the assent of the President).

5. Weighted deduction is available under section 35(2AA) in respect of payment to a specified National Laboratory or a University or an IIT or a specified person if the payment is made with a specific direction that it shall be used by the recipient institution for conducting scientific research under a programme approved by the prescribed authority. The aforesaid weighted deduction will not be denied (with effect from the assessment year 2006-07) merely on the ground that after the payment is made by the assessee to these institutions, the approval granted to National Laboratory/specified person has been withdrawn or approval granted to scientific research programme of National Laboratory/University/IIT/specified person has been withdrawn.

Amendment of sections 35AC and 35CCA
7. With effect from the assessment year 2006-07 onwards, deduction under sections 35AC and 35CCA shall not be denied merely on the ground that after the contribution made by the assessee to the institutions mentioned in sections 35AC and 35CCA, the approval granted to these institutions have been withdrawn. In other words, contribution to these institutions will qualify for deduction even if, after the date of making contribution, the approval granted to these institutions have been withdrawn.

Scope of section 40(a)(ia) extended to cover TDS default in respect of rent/royalty
8. With effect from April 1, 2006, the scope of section 40(a)(ia) has been extended to cover TDS default in respect of the following –

<table>
<thead>
<tr>
<th>Description</th>
<th>Disallowance Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent of land or building together with furniture and fitting (as covered by section 194-I)</td>
<td>This disallowance will be applicable from the assessment year 2006-07.</td>
</tr>
</tbody>
</table>
### Amendment of section 40A(3)

9. From the assessment year 2007-08, payment exceeding Rs.20,000 will have to be made by an account payee cheque or an account payee draft. Otherwise, 20 per cent of such payment shall be disallowed. Before this amendment, to avoid disallowance (i.e., up to the assessment year 2006-07) payment exceeding Rs.20,000 was required to be made by only a cross cheque/cross demand draft.

### Provisions regarding taxation of gift under section 56(2)

10. The following amendments have been made in section 56(2) regulating tax on money received without consideration –

#### 10.1 Existing provisions: The existing provisions given under section 56(2)(vi) will be applicable only in respect of gift received between September 1, 2004 and March 31, 2006. In other words, clause (vi) of section 56(2) will be applicable only in respect of gift received between September 1, 2004 and March 31, 2006. However, the existing provisions are not applicable in respect of gift received from the following [as per the proviso to section 56(2)(vi)] –

1. Money received from a relative.
2. Money received on the occasion of the marriage of the individual.
3. Money received by way of will/inheritance.
4. Money received in contemplation of death of the payer.

The list of exempted gifts given above has been extended [with effect from July 13, 2006 (i.e., the date on which the TLA, 2006 receives the assent of the President)]. to include the following in the exempted category –

1. Money received from a local authority.
2. Money received from any fund, foundation, university, other educational institution, hospital, medical institution, any trust or institution referred to in section 10(23C).
3. Money received from any trust or institution registered under section 12AA.

As the assent of the President is given on July 13, 2006, the extended exemption limit will be applicable from the assessment year 2007-08. But clause (v) of section 56(2) will not be applicable for the assessment year 2007-08 onwards. Consequently, the amendment will not have any practical utility.

#### 10.2 New provisions: The provisions in respect of gift received on or after April 1, 2006 are briefly given below –

- **Conditions:** The following conditions should be satisfied –
  a. the recipient is an individual or a Hindu undivided family;
  b. any sum of money is received without consideration on or after April 1, 2006;
  c. the aggregate amount of such money received by an individual/Hindu undivided family during a financial year from any person/persons exceeds Rs. 50,000;

If these conditions are satisfied the entire amount is chargeable to tax in the hands of recipient. In other words, if aggregate amount of such money received by an individual/Hindu undivided family during a financial year from any person/persons is Rs. 50,000 or less, nothing would be chargeable to tax. Conversely, if such amount is Rs. 50,000 or more, the entire amount is chargeable to tax.

- **Provisions not applicable in few cases:** While calculating the above monitory limit of Rs. 50,000, any sum of money received from the following shall not be considered –
  1. Money received from a relative.
  2. Money received on the occasion of the marriage of the individual.
  3. Money received by way of will/inheritance.
  4. Money received in contemplation of death of the payer.
  5. Money received from a local authority.
  6. Money received from any fund, foundation, university, other educational institution, hospital, medical institution, any trust or institution referred to in section 10(23C).
  7. Money received from a trust or institution registered under section 12AA.

- **Definition of income under section 2(24) not amended:** Clause (vi) has been inserted in section 56(2). However, the reference of this clause has not been included in the definition of income given under section 2(24). Most probably, the definition of income under section 2(24) will be modified to include the reference of clause (vi) of section 56(2), otherwise, operation of clause (vi) will be doubtful.
Amendment of section 80GGA

11. With effect from the assessment year 2006-07, deduction available under section 80GGA(2)(aa)/(bb) shall not be denied merely on the ground that after the contribution made by the assessee to the institutions specified therein, the approval granted to these institutions have been withdrawn. In other words, contribution to these institutions will qualify for deduction even if, after the date of making contribution, the approval granted to these institutions have been withdrawn.

Amendment of section 139

12. The following institutions will have to submit return of income from the assessment year 2006-07 –

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Return Submission Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>University/educational institution existing solely for educational purposes and not for the purpose of profit if the aggregate annual receipt does not exceed Rs. 1 crore [Sec. 139(4C)(e)]</td>
<td>Return has to be submitted if income without giving exemption under section 10 exceeds the exemption limit*</td>
</tr>
<tr>
<td>Hospital/other institution existing solely for medical purposes and not for the purpose of profit if the aggregate annual receipt does not exceed Rs. 1 crore [Sec. 139(4C)(e)]</td>
<td>Return has to be submitted if income without giving exemption under section 10 exceeds the exemption limit*</td>
</tr>
<tr>
<td>Any university/college/other institution referred to in section 35(1)(ii)/(iii) [Sec. 139 (4D)]</td>
<td>Return has to be submitted whether there is income or loss. Such return has to be submitted even if it is not required by any other provision</td>
</tr>
</tbody>
</table>

*For instance, if aggregate annual receipts of any of the institutions is Rs. 1 crore and expenditure claimed as deduction as per books of account is Rs. 99 lakh or more, return of income will not be required to be submitted.

Amendment of section 143(3)

13. A proviso has been inserted under section 143(3) with effect from assessment year 2006-07. This provision is applicable subject to the following conditions –

1. The Assessing Officer is satisfied that the activities of university/college/institution referred to in section 35(1)(ii)/(iii) are not being carried out in accordance with all or any of the conditions subject to which approval was given to such institution.

2. He may recommend to the Central Government to withdraw the approval given under section 35.

3. Before recommending to the Central Government, the Assessing Officer will have to give a reasonable opportunity of showing cause against the purpose withdrawal to the university/college, etc.

4. The Central Government may withdraw the approval and forward a copy to the concerned institution and the Assessing Officer.

Amendment of section 155

14. If foreign exchange is not remitted within six months from the end of the previous year (or within the extended time-limit as approved by RBI), then deduction under sections 10A, 10B and 10BA is not available. In such a case –

a. if the foreign currency is remitted after the expiry of time-limit of 6 months (or after the expiry of extended time-limit);

b. the Assessing Officer shall amend the order of assessment so as to allow deduction under sections 10A, 10B and 10BA;

c. the order shall be amended within a period of 4 years from the end of the previous year in which the foreign currency is remitted.

Amendment of section 194-I

15. The definition of “rent” under section 194-I has been modified. The new definition is given below –

“Rent” means any payment by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of (either separately or together) any, –

a. land; or

b. building (including factory building); or

c. land appurtenant to a building (including factory building); or

d. machinery; or

e. plant; or

f. equipment; or

g. furniture; or

h. fittings,

whether or not any or all of the above are owned by the payee.

15.1 TDS will be applicable in respect of rent of plant/equipment/furniture/fittings: After the modification of the definition of rent under section 194-I, TDS provisions will also be applicable in respect of rent (paid or payable) of machinery, plant, equipment, furniture or fittings. Other provisions of section 194-I will continue to be applicable. Consequently, tax will be deductible at source in respect of the above payments only if the aggregate amount of payment/credit to the same party during a financial year exceeds Rs. 1,20,000. The rate of TDS would be 15 per cent in the case of payment to resident individuals/HUF and 20 per cent in respect of payment to other residents. These rates will be increased by
surcharge and education cess. TDS will be applicable only at the time of payment or credit whichever comes earlier. Moreover, the new provisions will be applicable with effect from July 13, 2006 (i.e., the date on which the TLA, 2006 receives the assent of the President).

**Provisions illustrated:** The following case studies are given for better understanding –

1. Rent of machinery is credited to a company to the account of recipient on April 20, 2006. Actual payment is made on September 10, 2006. In this case, tax is deductible at the time of credit or at the time of payment whichever comes earlier. The date of giving credit comes earlier than the date of payment in this case. Tax is to be deducted under section 194-I on April 20, 2006. Since TLA, 2006 receives the assent of the President on July 13, 2006, no tax is deductible at source.

2. X Ltd. takes a machinery on rent (rent being Rs.11,000 per month payable in advance on the first day of each month). In this case, rent for the financial year 2006-07 is Rs. 1,32,000. Since this amount is more than Rs. 1,20,000, the tax deduction provisions of section 194-I, as amended by TLA 2006, will be applicable. However, tax is not deductible in respect of rent of plant and machinery under section 194-I if such rent is paid/credited before July 13, 2006. Consequently, the rent paid on April 1, 2006, May 1, 2006, June 1, 2006 and July 1, 2006 will not be subject to tax deduction at source under the new provision of section 194-I. In other words, rent payable for the remaining 8 months (starting from August 1, 2006), will be subject to tax deduction at source (even if rent from August 1, 2006 to March 31, 2007 does not exceed Rs.1,20,000).

**TDS in respect of royalty to resident [Sec. 194J]**

16. The provisions regarding TDS on technical and professional fees to resident have been modified. After the modification, TDS provisions will also be applicable in respect of royalty (paid or payable) to a resident and any sum paid or payable which is referred to in section 28(va). Other provisions of section 194J will remain the same. Consequently, tax will be deductible at source in respect of royalty to resident if the aggregate amount of payment/credit to the same party during a financial year exceeds Rs. 20,000. The rate of TDS would be 5 per cent (+SC+EC). TDS will be applicable only at the time of payment or credit whichever comes earlier. Moreover, the new provisions will be applicable from July 13, 2006 (i.e., the date on which the TLA, 2006 receives the assent of the President).

**Amendment of section 246A**

17. An order imposing penalty or enhancing penalty under section 275(1A) will be appealable to Commissioner (Appeals).

**Time-limit for passing penalty order [Sec. 275(1A)]**

18. Sub-section (1A) has been inserted in section 275. It has been inserted to supersede the ruling of Chandigarh Bench of ITAT in the case of CIT v. Jasbir Singh [2002] 124 Taxman 124.

**18.1 Ruling of Chandigarh Bench of ITAT:** The order of first appellate authority was passed on May 11, 1992, order of the penalty under section 271(1)(a) was passed on October 15, 1993. Though appeal of revenue before the Tribunal against order of Commissioner (Appeals) was pending, the Assessing Officer, without waiting for the order of the Tribunal preferred to impose penalty.

The ITAT held that in this case penalty order could be passed within 6 months from the end of the month in which order of first appellate authority was passed. Alternatively, the Assessing Officer could have waited till the receipt of the order of the Tribunal, but once this course had not been adopted, the order must have been passed within six months from the date of receipt of the order of the first appellate authority. Accordingly, the ITAT Bench decided that the order of penalty was barred by limitation.

**18.2 The position after the amendment:** The provisions of newly inserted sub-section (1A) in section 275 are given below –

1. An assessment/order is subject matter of an appeal to the Commissioner (Appeals), Appellate Tribunal, High Court, Supreme Court or revision before Commissioner.

2. An order of imposing/enhancing/reducing/dropping penalty has been passed before the authorities given above pass the appeal order/revision order.

3. After passing the appellate/revision order by the aforesaid authorities, penalty can be imposed/enhanced/reduced/dropped on the basis of the assessment as revised by giving effect to said appellate/revision order.

4. Such order cannot be passed without giving the assessee a reasonable opportunity of being heard.

5. Such order can be passed at any time but before the expiry of six months from the end of the month in which appellate order of Commissioner (Appeals)/Tribunal/High Court/ Supreme Court is received by the Commissioner/Chief Commissioner or the order of revision is passed by the Commissioner.

6. Provisions of section 274(2) shall be applicable.

7. The aforesaid provisions are applicable with effect from July 13, 2006 (i.e., the date on which the TLA, 2006 receives the assent of the President).

**Rounding off of amount payable/refundable [Sec. 288B]**

19. Any amount payable or refundable under the Income-tax Act shall be rounded off to the nearest multiple of 10 rupees. This is applicable in respect of any amount payable or refundable on or after July 13, 2006 (i.e., the date on which the TLA, 2006 receives the assent of the President).
New Delhi, the 13th September, 2006

NO. 1-CA(7)/92/2006: Whereas certain draft amendments further to amend the Chartered Accountants Regulations, 1988, were published by the Council of the Institute of Chartered Accountants of India, as required by sub-section (3) of section 30 of the Chartered Accountants Act, 1949 (38 of 1949) at pages 1 to 30 of the Gazette of India (Extraordinary), Part III Section 4, dated the 17th June, 2006 under the notification of the Institute of Chartered Accountants of India No. 1-CA(7)/92/2006 dated 17th June, 2006;

And whereas objections and suggestions were invited before the expiry of a period of forty five days from the date on which the copies of the said Gazette were made available to the public;

And whereas the said Gazette was made available to the public on 19th June, 2006;

And whereas the objections and suggestions received from the public on the said draft amendments have been considered by the Council of the Institute of Chartered Accountants of India and approved by the Central Government;

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 30 of the said Act, the Council, with the approval of the Central Government, hereby, makes the following amendments in the Chartered Accountants Regulations, 1988, namely:-

1. (1) These regulations may be called the Chartered Accountants (Amendment) Regulations, 2006.
   (2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Chartered Accountants Regulations, 1988, -
   (i) for the words “articled clerk” and “audit clerk”, wherever they occur, the words “articled assistant” and “audit assistant” shall respectively be substituted.
   (ii) for regulation 4, the following regulation shall be substituted, namely:-
   “4. Qualification of members.-
   Subject to the provisions of sections 4 and 8 of the Act, a person shall be entitled to have his name entered in the Register if he,-
   (a) has completed the practical training as provided in these regulations and passed the final examination as specified in Schedule ‘B’; or
   (b) has completed the practical training as provided in these regulations, completed such course(s) and passed the final examination as per the syllabus as may be specified by the Council; or
   (c) possesses qualifications recognised by the Council as equivalent to the practical training and examinations referred to in clause (a) or (b) above.”;
   (iii) regulations 21, 24 and 25 shall be omitted;
   (iv) in regulation 25A, -
   (a) in sub-regulation (1), the following proviso shall be inserted namely: -
   “Provided that no registration for the Professional Education (Course-I) shall be made after the commencement of registration of Common Proficiency Test under regulation 25C”;
   (b) for sub-regulation (2), the following shall be substituted, namely:-
   “(2) Notwithstanding anything contained in sub-regulation (1), a candidate who has appeared in the final Senior Secondary Examination or an examination recognized by the Central Government as equivalent thereto may be provisionally registered for the Professional Education (Course-I) by the Board of Studies of the Institute:
   Provided that the provisional registration of such candidate shall be confirmed only after satisfactory proof of having passed the examination referred to in this sub-regulation, has been furnished by him to the Board of Studies of the Institute within a period of six months from the date of provisional registration:
   Provided further that if such candidate fails to produce such proof within the aforesaid period of six months his provisional registration shall be cancelled and the registration fee or the tuition fee paid by him shall not be refunded and for the purpose of these regulations no credit shall be given for the theoretical education undergone and eligibility tests passed.”;
   (v) in regulation 25B, -
   (a) for sub-regulation (1), the following shall be substituted, namely:-
   “(1) No candidate shall be admitted to the Professional Education (Examination-I) unless he produces a certificate to the effect that he is registered with the Board of Studies of the Institute and has complied with the requirements of the theoretical education scheme, as may be specified by the Council from time to time:
   Provided that a graduate within the meaning of clause (ix)(b) of regulation 2 shall be exempted from passing the Professional Education (Examination-I), if such person is a –
   (i) commerce graduate having passed the graduation examination with accountancy, auditing and mercantile law or commercial law as full examination papers, securing in
(ii) non-commerce graduate having passed the graduation examination with mathematics as one of the subjects securing in the aggregate a minimum of 60% of the total marks in the examination; or

(iii) commerce graduate having passed the graduation examination without accountancy, auditing and mercantile law or commercial law as full examination papers and non-commerce graduate having passed the graduation examination with subjects other than mathematics as one of the subjects securing in the aggregate a minimum of 55% of the total marks in the examination:

Provided further that a candidate who has passed the final examination conducted by the Institute of Cost and Works Accountants of India or by the Institute of Company Secretaries of India, set up under the Cost and Works Accountants Act, 1959 (23 of 1959) or the Company Secretaries Act, 1980 (56 of 1980) respectively shall also be exempted from passing the Professional Education (Examination –I).

Explanation – For the purpose of this regulation –

(i) “full examination paper” means a paper carrying not less than 50 marks;

(ii) for the purpose of calculating the percentage of marks, the marks secured in subjects in which a person is required by the regulations of the university or the examining body concerned to obtain only pass marks and for which no special credit is given for higher marks, shall be ignored;

(iii) in the case of non-commerce graduates with mathematics as one of the subjects, if the marks allotted to the subject of mathematics, involving one or more papers in the syllabus for the concerned course are less than 10 per cent of the total marks in the examination shall be deemed to be graduate with subject other than mathematics as one of the subjects, and shall be covered under regulation 25B(1)(iii); and

(iv) any fraction of half or more shall be rounded up to the next whole number.”;

(b) after sub-regulation (4), the following shall be inserted, namely:-

“(5) Notwithstanding anything contained in these regulations, the Council may at any time after the commencement of registration for the Common Proficiency Test discontinue holding Professional Education (Examination-I) under these regulations and require the candidates to pass Common Proficiency Test as per the syllabus as may be specified by the Council from time to time.”;

(vi) after regulation 25B, the following regulations shall be inserted, namely:-

“25C. Registration for Common Proficiency Test.-

(1) No candidate shall be registered for Common Proficiency Test unless he has passed the Class 10 examination conducted by an examining body constituted by law in India or an examination recognized by the Central Government as equivalent thereto:

Provided that a candidate who was earlier registered for Foundation Course/Professional Education (Course-I) under these regulations shall be entitled for registration to Common Proficiency Test subject to such conditions as may be specified by the Council.

(2) A candidate shall pay such fees, as may be fixed by the Council, which shall in any case not exceed rupees fifteen thousand, along with his application in the Form approved by the Council, for registration to the Common Proficiency Test.

25D. Admission to Common Proficiency Test, Fee and Syllabus.-

(1) No candidate shall be admitted to Common Proficiency Test unless he is registered with the Board of Studies of the Institute and has appeared in the Senior Secondary Examination (10+2 examination) conducted by an examining body constituted by law in India or an examination recognised by the Central Government as equivalent thereto and has complied with such requirements as may be specified by the Council from time to time.

(2) A candidate for the Common Proficiency Test shall pay such fees, as may be fixed by the Council, which shall in any case not exceed rupees ten thousand.

(3) A candidate for the Common Proficiency Test shall be examined in the syllabus as may be specified by the Council from time to time.”;

(vii) regulations 26, 27 and 28 shall be omitted;

(viii) in regulation 28A, -

(a) for sub-regulation (2), the following shall be substituted, namely:-

“(2) Notwithstanding anything contained in sub-regulation (1), a candidate falling in any of the following categories shall also be provisionally registered for the Professional Education (Course-II) by the Board of Studies of the Institute:-

(i) a candidate who has appeared in the Professional Education (Examination-I) under these regulations; or the final examination of the Institute of Cost and Works Accountants of India or the Institute of Company Secretaries of India;

(ii) a candidate who has passed the second year graduation examination giving a declaration to the effect that being eligible to appear in the final year graduation examination within six months from the date of provisional registration intends to appear in the said final year graduation examination within the aforesaid period of six months.”;

(b) after sub-regulation (4), the following shall be inserted, namely:-

“(5) Notwithstanding anything contained in these regulations, the Council may at any time after the introduction of Professional Competence Course, discontinue registration for the Professional Education (Course – II).”;

(ix) in regulation 28B, -

(a) for sub-regulation (1), the following shall be substituted, namely:-
“(1) No candidate shall be admitted to the Professional Education (Examination-II) unless he produces a certificate to the effect that he is registered with the Board of Studies of the Institute and has complied with the requirements of the theoretical education scheme as may be specified by the Council from time to time.”;

(b) after sub-regulation (5), the following shall be inserted, namely:-

“(6) Notwithstanding anything contained in these regulations, the Council may at any time after the introduction of Professional Competence Course discontinue holding Professional Education (Examination-II) under these regulations and require the candidates to pass the Professional Competence Examination as per the syllabus as may be specified by the Council from time to time.”;

(x) after regulation 28B, the following regulation shall be inserted, namely:-

“28C. Admission to Professional Competence Examination.-

(1) No candidate shall be admitted to Professional Competence Examination unless -

(a) he has passed Common Proficiency Test held under these regulations and Senior Secondary Examination (10+2 examination) conducted by an examining body constituted by law in India or an examination recognized by the Central Government as equivalent thereto; and

(b) he has worked for not less than fifteen months as an articled assistant or as an audit assistant or partly as an articled assistant and partly as an audit assistant, three months prior to the first day of the month in which examination is held; and

(c) he has completed a course on Information Technology Training for such period and in such manner and within such time as may be specified by the Council from time to time:

Provided that a candidate who has passed Foundation Examination/Professional Education (Examination-I) and successfully completed the Computer Training programme or Information Technology Training under these regulations shall be admitted to the said examination subject to compliance of clause(b) above.

Provided further that a candidate who was exempted from passing the Professional Education (Examination-I) under proviso to sub-regulation (1) of regulation 25B and is registered as a candidate for the Professional Education (Course-II) shall be admitted, after discontinuance of the Professional Education (Examination-II), to the said examination, subject to his being otherwise eligible to appear in the Professional Education (Examination-II).

(2) A candidate for the Professional Competence Examination shall pay such fees, as may be fixed by the Council, which shall not exceed rupees ten thousand in any case.

(3) A candidate for Professional Competence Examination shall be examined in the syllabus as may be specified by the Council from time to time.”;

(xii) in regulation 29A–
(xiii) for regulation 31, the following regulation shall be substituted, namely:-

“31. Syllabus for the Final Examination.-
A candidate for the final examination shall be examined.-
(i) as per the syllabus specified by the Council after introduction of Professional Education (Course – II); or
(ii) as per the syllabus specified by the Council from time to time after introduction of Professional Competence Examination.

(xiv) after regulation 36, the following regulation shall be inserted, namely:-

“36. Requirement for Passing the Common Proficiency Test.-
A candidate for the Common Proficiency Test shall ordinarily be declared to have passed the test if he obtains a minimum of 50 per cent marks, subject to the principle of negative marking, in a manner as may be specified by the Council from time to time.”;

(xv) regulation 37 shall be omitted.

(xvi) after regulation 37A, the following regulation shall be inserted, namely:-

“37B. Requirements for Passing the Professional Competence Examination.-
(1) A candidate may appear in both the groups simultaneously or in one group in one examination and in the remaining group at any subsequent examination and shall ordinarily be declared to have passed the Professional Competence Examination if he passes in both the groups.
(2) A candidate shall ordinarily be declared to have passed in both the groups simultaneously, if he -
(a) secures at one sitting a minimum of 40 per cent marks in each paper of the groups and minimum of 50 per cent marks in the aggregate of all the papers of each of the groups; or
(b) secures at one sitting a minimum of 40 per cent marks in each paper of both the groups and a minimum of 50 per cent marks in the aggregate of all the papers of both the groups taken together.
(3) A candidate shall be declared to have passed in a group if he secures at one sitting a minimum of 40 per cent marks in each paper of the group and a minimum of 50 per cent marks in the aggregate of all the papers of that group.
(4) A candidate who has passed in any one but not in both the groups either of the Professional Education (Examination-II) under the syllabus as specified by the Council under sub-regulation (5) of regulation 28B effective from October 2001, the Examination for which commenced from November, 2002 or of the Intermediate Examination as per syllabus under paragraph 2A of Schedule ‘B’ to the Chartered Accountants Regulations, 1988 shall be eligible for exemption in that particular group and shall be required to appear and pass in the remaining group in order to pass the Professional Competence Examination.
(5) The Council may frame guidelines to continue to award exemption in a paper(s) to a candidate, granted earlier under the syllabus as specified under sub-regulation (5) of regulation 28B for the unexpired chance or chances of the exemption in the corresponding paper or paper(s) for the paper or papers in which he had secured exemption if the corresponding paper(s) exists in the new syllabus as may be specified by the Council. On appearing in the examination of the corresponding paper(s) for the papers in which he had failed, he shall be declared to have passed the examination if he secures at one sitting a minimum of 40 percent marks in the corresponding paper(s) for the paper(s) in which he had failed earlier and a minimum of 50 per cent marks in the aggregate of all the papers of the group including the marks of the paper(s) in which he had earlier been granted exemption by the Council.
(6) Notwithstanding anything contained in sub-regulations (1) to (5), a candidate who fails in one or more papers comprised in a group but secures a minimum of 60 per cent of the marks in any paper or papers of that group shall be eligible to appear at any one or more of the immediately next three following examinations in the paper or papers in which he secured less than 60 per cent marks. He shall be declared to have passed in that group if he secures at one sitting a minimum of 40 per cent marks in each of such papers and a minimum of 50 per cent of the total marks of all the papers of that group including the paper or papers in which he had secured a minimum of 60 per cent marks in the earlier examination referred to above. He shall not be eligible for any further exemption in the remaining paper(s) of that group until he has exhausted the exemption already granted to him in that group.”;

(xvii) regulation 38 shall be omitted.

(xviii) in regulation 38A, in the heading, after the words “specified by the Council”, occurring in the brackets, the following shall be inserted, namely:-

“under regulation 31(i)”;

(xix) after regulation 38A, the following regulation shall be inserted, namely:-

“38 B. Requirements for Passing the Final Examination.-
[Applicable to candidates appearing in Final Examination under the syllabus as may be specified by the Council under regulation 31(ii)]
(1) A candidate may appear in both the groups simultaneously or in one group in one examination and in the remaining group at any subsequent examination and shall ordinarily be declared to have passed the Final Examination if he passes in both the groups.
(2) A candidate shall ordinarily be declared to have passed in both the groups simultaneously, if he –
(i) secures at one sitting a minimum of 40 per cent marks in each paper of each of the groups and minimum of 50 per cent marks in the aggregate of all the papers of each of the groups; or
(ii) secures at one sitting a minimum of 40 per cent marks in each paper of both the groups and a minimum of 50 per cent marks in the aggregate of all the papers of both the groups taken together.

(3) A candidate shall be declared to have passed in a group if he secures at one sitting a minimum of 40 per cent marks in each paper of the group and a minimum of 50 per cent marks in the aggregate of all the papers of that group.

(4) A candidate who has passed in any one but not in both the groups of the Final Examination either under the syllabus as specified by the Council under clause (i) of regulation 31 effective from October, 2001, the examination, for which commenced from November, 2002 or of the Final Examination as per syllabus under paragraph 3 or 3A of Schedule 'B' to the Chartered Accountants Regulations, 1988 or paragraph 3 of Schedule 'BB' to the Chartered Accountants Regulations, 1964 (two groups scheme after January 1, 1985) enforced at the relevant time shall be eligible for exemption in that particular group and shall be required to appear and pass in the remaining group in order to pass the Final Examination.

(5) The Council may frame guidelines to continue to award exemption in a paper(s) to a candidate, granted earlier under the syllabus as specified under clause (i) of regulation 31 for the unexpired chance or chances of the exemption in the corresponding paper or papers for the paper or papers in which he had secured exemption if the corresponding paper exists in the new syllabus as may be specified by the Council. On appearing in the examination of the corresponding paper(s) for the paper(s) in which he had failed, he shall be declared to have passed the examination if he secures at one sitting a minimum of 40 percent marks in the corresponding paper(s) for the paper(s) in which he had failed earlier and a minimum of 50 per cent marks in the aggregate of all the papers of the group including the marks of the paper(s) in which he had earlier been granted exemption by the Council.

(6) Notwithstanding anything contained in sub-regulations (1) to (5) above, a candidate who fails in one or more papers comprised in a group but secures a minimum of 60 per cent of the marks in any paper or papers of that group shall be eligible to appear at any one or more of the immediately next three following examinations in the paper or papers in which he secured less than 60 per cent marks. He shall be declared to have passed in that group if he secures at one sitting a minimum of 40 per cent marks in each of such papers and a minimum of 50 per cent of the total marks of all the papers of that group including the paper or papers in which he had secured a minimum of 60 per cent marks in the earlier examination referred to above. He shall not be eligible for any further exemption in the remaining papers of that group until he had exhausted the exemption already granted to him in that group.;

(xx) in regulation 39, -

(a) in sub-regulation (4), for clause (i), the following shall be substituted, namely:-

“(i) Information as to whether a candidate’s answers in any particular paper or papers of any examination have been examined and marked shall be supplied to the candidate on his submitting within a month of the declaration of the result of the said examination, an application, accompanied by a fee as may be fixed by the Council which shall not exceed rupees five hundred in any case.”;

(b) for proviso to sub-regulation (5), the following proviso, shall be substituted, namely:-

“Provided that if a request for a duplicate statement of marks secured by a candidate at any examination is received after the expiry of two months from the date of the declaration of the result of the examination, the statement shall be furnished on payment of a fee as may be fixed by the Council which shall not exceed rupees one hundred in any case.”;

(xxi) for regulation 40, the following regulation shall be substituted, namely:-

“40. Examination Certificates.-

A candidate passing Professional Competence Examination and Final Examination shall be granted a certificate to that effect in the form approved by the Council.”;

(xxxi) for regulation 45, the following regulation shall be substituted, namely:-

“45. Admission to Articleship.-

(1) A member engaging articled assistants shall before accepting a person as an articled assistant satisfy himself that-

(a) his professional practice (either in his individual name, or in a trade name or as a partner of the firm), is suitable for the purpose of training articled assistants; and

(b) such a person –

(i) has passed the Professional Education (Examination-II) under these regulations; and

(ii) has successfully completed computer training programme or Information Technology Training as may be specified from time to time by the Council in the manner so specified.

(2) Notwithstanding anything contained in sub-regulation (1), a candidate who has passed Common Proficiency Test held under these regulations and also 10+2 examination conducted by an examining body constituted by a law in India or an examination recognized by the Central Government as equivalent thereto; or has passed the Foundation Examination/Professional Education (Examination-I) under these regulations shall be eligible for admission to articleship:

Provided that a candidate who was registered as an articled assistant before the commencement of the Common Proficiency Test shall be eligible to continue and complete the remaining period of practical training as per the deed of articles already executed under these regulations irrespective of any break in the continuity of training:

Provided further that a candidate who has passed Professional Education (Examination-II) under these regulations at the time
of commencement of the Common Proficiency Test may join three year articleship up to such time as may be specified by the Council.";
Provided also that a candidate who was exempted from passing the Professional Education (Examination-I) under proviso to sub-regulation (1) of regulation 25B and is registered as a candidate for the Professional Education (Course-II) shall be eligible to join three year articleship up to such time as may be specified by the Council, subject to his appearing and passing Professional Education (Examination-II), till such time it is held or thereafter, Professional Competence Examination held under these regulations and completing the specified course on computer training programme or Information Technology Training.

(ii) has served partly as an articled assistant and partly as an

Provided also that a candidate who was exempted from passing
the Professional Education (Course-II) shall be eligible to join
three year articleship, up to such time as may be specified by the
Council, subject to his appearing and passing Professional
Education (Examination-II), till such time it is held or thereafter,
Professional Competence Examination held under these
regulations and completing the specified course on computer
training programme or Information Technology Training.

(4) Every articled assistant shall undergo theoretical education
as imparted by the Institute. He shall apply in the form approved
by the Council; pay such registration fee as an articled assistant
and such tuition fee as may be fixed by the Council, which shall
not exceed rupees twenty five thousand in any case taken together.
The tuition fee may either be paid in lumpsum or in such
installments and at such intervals, as may be specified by the
Council.

(4) (a) The maximum period of secondment shall be one year which
shall be four months and the aggregate period served on
such member provided the minimum period of secondment
may be served with a single eligible member.

Provided that the articled assistant has intimated to his principal
his intention to take such industrial training at least three months
before the date on which such training is to commence.

(4) (b) The Council may permit secondment with more than one
members.

Provided that a candidate who was registered as an articled
assistant before the commencement of the Common
Proficiency Test shall be eligible to continue and complete
the remaining period of practical training as per the deed of
articles executed under these regulations irrespective of any
break in the continuity of training.

Provided further that a candidate who has passed Professional
Education (Examination-II) under these regulations at the time
of commencement of the Common Proficiency Test may join three
year articleship up to such time as may be specified by the Council.

(5) Where an articled assistant is seconded to a member in industry,
the total period spent in industry by the articled assistant,
including the period of industrial training under these regulations,
shall not exceed one year.

(5) In regulation 51, for sub-regulation (1), the following shall be
substituted, namely:

“(1) An articled assistant who has passed the Professional
Competence Examination or Professional Education (Examination-
II) or Intermediate examination under these regulations may, at
his discretion, serve as an industrial trainee for the period specified
in sub-regulation (2) in any of the financial, commercial, industrial
undertakings with minimum fixed assets or minimum total
turnover or minimum paid-up share capital as may be specified
by the Council or such other institution or organisation as may
be approved by the Council from time to time:

Provided that the articled assistant has intimated to his principal
his intention to take such industrial training at least three months
before the date on which such training is to commence.

(5) In regulation 51A, the following regulation shall be substituted,
namely:

“51A. Course on General Management and Communication Skills
and period thereof.-

Before applying for membership of the Institute, an articled
assistant shall complete a course on General Management and
Communication Skills or any other course for such period as
may be specified by the Council which shall not be less than
seven days and not more than 30 days and in such manner and
within such time as may be specified by the Council from time to
time.”;

(5) In regulation 54, for sub-regulations (4), (5), (6), (7) and (8),
the following shall be substituted, namely:

“(4) (a) The maximum period of secondment shall be one year which
may be served with a single eligible member.

(b) The Council may permit secondment with more than one
such member provided the minimum period of secondment
shall be four months and the aggregate period served on
secondment with such members shall not exceed one year.

(5) Where an articled assistant is seconded to a member in industry,
the total period spent in industry by the articled assistant,
including the period of industrial training under these regulations,
shall not exceed one year.

(5) In regulation 54, for sub-regulations (4), (5), (6), (7) and (8),
the following shall be substituted, namely:

“(4) (a) The maximum period of secondment shall be one year which
may be served with a single eligible member.

(b) The Council may permit secondment with more than one
such member provided the minimum period of secondment
shall be four months and the aggregate period served on
secondment with such members shall not exceed one year.

(5) Where an articled assistant is seconded to a member in industry,
the total period spent in industry by the articled assistant,
including the period of industrial training under these regulations,
shall not exceed one year.

(5) In regulation 54, for sub-regulations (4), (5), (6), (7) and (8),
the following shall be substituted, namely:

“(4) (a) The maximum period of secondment shall be one year which
may be served with a single eligible member.

(b) The Council may permit secondment with more than one
such member provided the minimum period of secondment
shall be four months and the aggregate period served on
secondment with such members shall not exceed one year.

(5) Where an articled assistant is seconded to a member in industry,
the total period spent in industry by the articled assistant,
including the period of industrial training under these regulations,
shall not exceed one year.
(6) During the period of secondment, the member with whom the articled assistant is seconded shall pay the stipend as provided under these regulations.

(7) The member with whom the articled assistant is seconded shall be responsible for imparting training during secondment. He shall maintain records of practical training undergone by the articled assistant during secondment and forward the same to the principal on completion of period of secondment. The principal shall include required particulars in the report to the Council under regulation 64.

(8) A statement in the form approved by the Council shall be sent to the Secretary for records within thirty days from the date of commencement of training on secondment.”;

(9) (xxx) in regulation 59, for sub-regulation (1), the following shall be substituted, namely:-

“(1) An articled assistant shall earn leave at the rate of one-sixth of the period for which he has actually served excluding from such period, the period for which he has been on leave subject to a maximum of 180 days.”;

(30) for regulation 60, the following regulation, shall be substituted, namely:-

“60. Working hours of an articled assistant.- Subject to such direction as may be issued by the Council, the working hours of an articled assistant shall be 40 hours per week to be regulated by the Principal from time to time.”;

(30) in regulation 69, namely:-

“(1) An audit assistant who has passed the Professional Competence Examination or Professional Education (Examination-II) or the Intermediate Examination under these regulations may, at his discretion, serve as an industrial trainee for the period specified in sub-regulation (2) in any of the financial, commercial, industrial undertakings with minimum fixed assets or minimum total turnover or minimum paid-up share capital as may be specified by the Council or such other institution or organization as may be approved by the Council from time to time:

Provided that the audit assistant has intimated to his employer his intention to take such industrial training at least three months before the date on which such training is to commence.”;

(30) for regulation 71, for clause (i), the following shall be substituted, namely:-

“(1) An audit assistant who has passed the Professional Competence Examination or Professional Education (Examination-II) or the Intermediate Examination under these regulations may, at his discretion, serve as an industrial trainee for the period specified in sub-regulation (2) in any of the financial, commercial, industrial undertakings with minimum fixed assets or minimum total turnover or minimum paid-up share capital as may be specified by the Council or such other institution or organization as may be approved by the Council from time to time:

Provided that the audit assistant has intimated to his employer his intention to take such industrial training at least three months before the date on which such training is to commence.”;

(30) for regulation 72A, the following regulation shall be substituted, namely:-

“72A. Course on General Management and Communication Skills and period thereof.

Before applying for membership of the Institute, an audit assistant shall successfully complete a course on General Management and Communication Skills or any other course for such period as may be specified by the Council which shall not be less than seven days and not more than 30 days and in such manner and within such time as may be specified by the Council from time to time.”;

(30) after regulation 72A, the following regulation shall be inserted, namely:-

“72B. Training Course on Information Technology.

A candidate shall undergo a course on Information Technology Training in such manner and within such a time and for such period as may be specified by the Council which shall not be less than one hundred hours and not more than five hundred hours.”;

(30) in regulation 74, for sub-regulation (1), the following shall be substituted, namely:-

“(1) An audit assistant may be allowed such leave of absence as he earns in accordance with his terms of employment but such leave shall not exceed one-sixth of the period, for which he has served excluding from such period, the period for which he has been on leave subject to maximum of 240 days.”;

File No. 1-CA(7)/92/2006

Sd/-

(Dr. Ashok Haldia)

Secretary
Transition Scheme for Professional Education (Course-I) Students

An existing student of Professional Education (Course-I) has two options:

1. To continue with the Professional Education (Course-I) till the last Professional Education (Examination-I) is held in November 2007; or

2. To switch over to Common Proficiency Test (CPT) at any time till the last Professional Education (Examination-I) is held in November 2007.

All students of Professional Education (Course-I) can switch over to CPT. They have to apply in the prescribed form to the appropriate office of the Institute remitting Rs.100 towards conversion fee. The Board of Studies will provide them study materials of CPT free of cost. All such students are entitled to appear in the first CPT examination to be held in November, 2006 in case they register on or before October 9, 2006. There will be a facility for online application and remittance of fees as well.

Students who have already submitted Examination Forms for appearing in Professional Education (Examination-I) to be held in November 2006 on payment of the prescribed examination fee but interested in joining CPT, they are facilitated to switch over. If such students do not want to appear Professional Education (Examination-I) to be held in November 2006, switch over to CPT and apply for CPT Examination to be held in November 2006, it has been decided that the examination fee paid on account of Professional Education (Examination-I) be refunded.

It is further clarified that it is not possible to continue with Professional Education (Course – I) and to register for Common Proficiency Test. Nor it is allowed to appear in the Professional Education (Examination – I) as well as CPT concurrently. A student has to pursue either Professional Education (Course – I) or Common Proficiency Test.

Transition Scheme for Professional Education (Course-II) Students who have passed Professional Education (Examination – I) or Foundation Examination

Students of the Professional Education (Course-II) would fall under the following broad categories:

Category (a)

- Students who have passed one of the groups of Professional Education (Examination-II);
- Students who have appeared in Professional Education (Examination-II), but not passed any of the Groups; and
- Students who have registered for Professional Education (Course-II) and eligible to appear in Professional Education (Examination-II) but not yet appeared.

Category (b)

- Students who are registered, provisionally or otherwise, for Professional Education (Course-II), but ineligible to appear in Professional Education (Examination-II).

Transition scheme for the students falling under Category (a) above is as under:

Students of Professional Education (Course-II) who have passed PE-I/Foundation Examination

Category A:

- Students who have passed one of the groups of Professional Education (Examination-II);
- Students who have appeared in Professional Education (Examination-II), but not passed any of the Groups; and
- Students who have registered for Professional Education (Course-II) and eligible to appear in Professional Education (Examination-II) but not yet appeared.

Category B

- Register for Professional Competence Course (PCC), Articled / Audit training and 100 Hours Information Technology Training;
- Join articles thereafter for 3 ½ years / equivalent period of audit training (56 months);
- Complete 100 Hours Information Technology Training;
- Appear in Professional Competence Examination (PCE) in May 2008 or thereafter on completion of minimum 18 months of practical training; or
- Continue with Professional Education (Course-II) / Examination till the last Professional Education (Examination-II) to be held in May 2009.
(i) Register concurrently for Professional Competence Course (PCC), Articled / Audit training and 100 Hours Information Technology Training.

Complete 100 hours Information Technology Training;

Appear in Professional Competence Examination (PCE) in May 2008 or thereafter, without the requirement of completion of minimum 18 months of practical training; or

(ii) Continue with Professional Education (Examination-II) till the last Professional Education (Examination - II) to be held in May 2008.

Transition scheme for the students falling under Category (b) above is as under: -

(i) Register concurrently for Professional Competence Course (PCC), Articled / Audit training and 100 Hours Information Technology Training;

Complete 100 hours Information Technology Training;

Appear in Professional Competence Examination (PCE) in May 2008 or thereafter, after completion of minimum 18 months of articled training or equivalent period of audit training; or

Note: 6 months of articleship training is equivalent to 8 months of audit training. Any fractional period of audit training is not counted.

So a student who walls under Category (a) and who is undergoing audit training has to complete 24 months of training for appearing in PCE.

(ii) Continue with Professional Education (Course-II)/ Examination till the last Professional Education (Examination-II) to be held in May 2008.

In addition, students who have passed Professional Education (Examination -II) either at the time of commencement of the proposed Scheme or later, but not joined articleship due to various reasons, are proposed to be allowed to join articles up to May 2009. They can join 3 years articleship under old scheme.

Transition Scheme for Professional Education (Course-II) Students other than those who have passed Professional Education (Examination –I) or Foundation Examination

♦ Continue with Professional Education (Examination-II) till the last Professional Education (Examination-II) to be held in May 2008. On discontinuation of PE-II examination, they are eligible to appear in Professional Competence Examination (PCE). On passing PCE they would be admitted to 3 years articleship; or

♦ Switch over to Common Proficiency Test.

Transition Scheme for Final Students

The proposed transition scheme for the Final Course students, who have passed Professional Education (Examination-II), and are under articleship training, is as under:

♦ On completion of 2 years of training, such students are eligible to appear in the Final Examination, so long as the same is held under the existing syllabus i.e., upto November 2009.

♦ In the event of a candidate not being eligible to appear till the last Final Examination to be held in November 2009 under the existing syllabus, will be required to appear in the Final Examination under the new syllabus, but only during the last six months of articleship training (articles period being 3 years only).

Transition Scheme for the students who passed Professional Education (Examination-I) or Foundation Examination but not taken admission to Professional Education (Course-II)

A student falling under this category will be admitted only in Professional Competence Course (PCC).

A Professional Education (Course-II) student who has been granted an exemption under Regulation 37A(7) in one or more papers shall continue to enjoy the said exemption in the corresponding paper(s) under PCC as given below in the Table1:

<table>
<thead>
<tr>
<th>Table 1: Subject-wise Exemption for PE-II Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing</strong></td>
</tr>
<tr>
<td>Professional Education (Course-II)</td>
</tr>
<tr>
<td>Group I</td>
</tr>
<tr>
<td>Paper 1: Accounting (100 Marks)</td>
</tr>
<tr>
<td>Paper 2: Auditing Marks)</td>
</tr>
<tr>
<td>Paper 3: Business and Corporate Laws</td>
</tr>
<tr>
<td>Section A: Business Law (60 marks)</td>
</tr>
<tr>
<td>Section B: Corporate Laws (40 marks)</td>
</tr>
<tr>
<td>Group II</td>
</tr>
<tr>
<td>Section A: Cost Accounting (60 marks)</td>
</tr>
<tr>
<td>Section B: Financial Management (40 marks)</td>
</tr>
<tr>
<td>Paper 5: Income-tax and Central Sales Tax</td>
</tr>
<tr>
<td>Section A: Income Tax (75 marks)</td>
</tr>
<tr>
<td>Section B: Central Sales Tax (25 marks)</td>
</tr>
<tr>
<td>Paper 6: Information Technology</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

A student of Professional Education (Course-II) who has passed in any one but not in both the groups of the Professional (Education-II) is granted exemption from passing the same group.
in PCE, i.e., if a student has passed Group I of Professional Education (Course-II) he is granted exemption from appearing in Group I of PCE, or if a student has passed Group II of Professional Education (Examination-II) he is granted exemption from appearing in Group II of PCE.

A Final student who has been granted an exemption under Regulation 38A(7) in one or more papers under the existing Final Examination shall continue to enjoy the said exemption until its expiry in the corresponding paper(s) under New Final Course for the purpose of passing New Final Examination as given below in Table 2.

Table 2: Subject-wise Exemption for Final Examination

<table>
<thead>
<tr>
<th>Final Course</th>
<th>Final New Course*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>Group I</td>
</tr>
<tr>
<td>Paper 2: Advanced Accounting and Financial Analysis</td>
<td>Strategic Financial Management (100 Marks)</td>
</tr>
<tr>
<td>Paper 3: Advanced Auditing</td>
<td>Advanced Auditing and Professional Ethics (100 Marks)</td>
</tr>
<tr>
<td>Paper 4: Corporate Laws and Secretarial Practice</td>
<td>Corporate and Allied Laws</td>
</tr>
<tr>
<td></td>
<td>Section A: Company Law (50 Marks)</td>
</tr>
<tr>
<td></td>
<td>Section B: Allied Laws (30 Marks)</td>
</tr>
</tbody>
</table>

* Nomenclature of various papers is subject to the approval of the Council.

A student of Final course under the old syllabus who has passed in any one but not in both the groups of the Final Examination under old syllabus is granted exemption from passing the same group in Final course under new syllabus, i.e., if a student has passed Group I of Final course under old syllabus he is granted exemption from appearing in Group I of Final Examination under new syllabus, or if a student has passed Group II of Final Examination under old syllabus he is granted exemption from appearing in Group II of Final Examination under new syllabus.

Implementation Schedule for the New Scheme of Education and Training

<table>
<thead>
<tr>
<th>Event</th>
<th>Date/Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commencement of New Scheme</td>
<td>September 13, 2006 at 12.31 p.m.</td>
</tr>
<tr>
<td>Registration commences for CPT</td>
<td>September 13, 2006 at 12.31 p.m.</td>
</tr>
<tr>
<td>Last Date for Registration of Professional Education (Course-I)</td>
<td>September 13, 2006 at 12.30 p.m.</td>
</tr>
<tr>
<td>Last Professional Education (Examination–I)</td>
<td>November, 2007</td>
</tr>
<tr>
<td>Last Date for Registration for the first CPT examination</td>
<td>October 9, 2006 at 16.00 Hours</td>
</tr>
<tr>
<td>Last Date for Depositing Examination Application</td>
<td>October 9, 2006 at 17.30 Hours</td>
</tr>
<tr>
<td>Form for November, 2006 CPT</td>
<td></td>
</tr>
<tr>
<td>First CPT Examination</td>
<td>November 12, 2006</td>
</tr>
<tr>
<td>Declaration of Result of First CPT Examination</td>
<td>Within one month</td>
</tr>
<tr>
<td>Last Date for Registration for Professional Education (Course–II)</td>
<td>September 13, 2006 at 12.30 p.m.</td>
</tr>
<tr>
<td>Registration commences for Articles under New Scheme</td>
<td>September 13, 2006 at 12.31 p.m.</td>
</tr>
</tbody>
</table>

[Applicable to students who are studying Professional Education (Course-II) after passing Professional Education (Examination-I) / Foundation Examination]

Last Professional Education (Examination–II) | May, 2008

First Professional Competence Examination for students joining Professional Competence Course after passing Professional Education (Examination–I) /Foundation Examination | May, 2008

First Professional Competence Examination for students joining Professional Competence Course after passing CPT | November, 2008

Last Final Examination (Old) | November, 2009

First Final Examination (New) | November, 2008

First batch of students under CPT eligible for Final Examination | November, 2010
TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA

Notification

The Chartered Accountant Student

No. 13-CA (EXAM)/CPT/N/2006: In pursuance of Regulation 22 of
the Chartered Accountants Regulations, 1988, the Council of the
Institute of Chartered Accountants of India is pleased to notify that
the first Common Proficiency Test will be held on Sunday, the 12th
November 2006 from 9.00 AM to 2.30 PM (IST) in two sessions as
given below, at the following centres provided that sufficient number
of candidates offer themselves to appear from each centre.

Common Proficiency Test:
[As per provisions of Regulation 25 D (3) of the Chartered Accountants
Regulations, 1988 and the syllabus as published in the pages 291-
293 of the journal the Chartered Accountant August 2006 issue.]

<table>
<thead>
<tr>
<th>First Session (i.e. Morning Session)</th>
<th>9.00 AM to 11.00 AM (IST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section - A Fundamentals of Accounting</td>
<td>Section - B Mercantile Law</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Second Session (i.e. Afternoon Session)</th>
<th>12.30 PM to 2.30 PM (IST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section - C General Economics</td>
<td>Section - D Quantitative Aptitude</td>
</tr>
</tbody>
</table>

Examination Centres:
(I) Centres in India:

1. Agra 30. Durg
2. Ahmedabad 31. Ernakulam
3. Ahmednagar 32. Erode
4. Ajmer 33. Faridabad
5. Akola 34. Ghaziabad
6. Alappuzha 35. Goa
7. Allahabad 36. Guntur
8. Alwar 37. Gurgaon
9. Ambala 38. Guwahati
10. Amravati 39. Gwalior
11. Amritsar 40. Hisar
12. Anund 41. Hubli
13. Asansol 42. Hyderabad
14. Aurangabad 43. Indore
15. Bangalore 44. Jabalpur
16. Bareilly 45. Jaipur
17. Bathinda 46. Jalandhar
18. Belgam 47. Jalgaon
20. Bhopal 49. Jammughat
22. Bikaner 51. Jodhpur
23. Chandigarh 52. Kanpur
24. Chennai 53. Karnal
25. Coimbatore 54. Kollam
26. Cuttack 55. Kolhapur
27. Dehradun 56. Kolkata
28. Delhi/New Delhi 57. Kota
29. Dhanbad 58. Kottayam

(II) Overseas Centres:

1. Dubai (UAE) 2. Kathmandu (Nepal)

Examination timings at Kathmandu centre will be 9.15 a.m. to 11.15 a.m. (Morning Session) and 12.45 p.m. to 2.45 p.m. (Afternoon Session) Nepal Local Time equivalent to 9.00 a.m. to 11.00 a.m. and 12.30 p.m. to 2.30 p.m. respectively (Indian Standard Time).

Examination Timing at Dubai centre will be 7.30 a.m. to 9.30 a.m. (Morning Session) and 11.00 a.m. to 1.00 p.m. (Afternoon Session) Dubai Local Time equivalent to 9.00 a.m. to 11.00 a.m. and 12.30 p.m. to 2.30 p.m. respectively (Indian Standard Time).

The Council reserves the right to withdraw any centre at any stage
without assigning any reason.

Applications for admission to Common Proficiency Test are required to be made on the relevant prescribed form as contained in the Information Brochure, which may be obtained from the 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 18th September 2006. It

14th September 2006
may be noted that there is no provision for acceptance of application forms after 9th October 2006 with late fee.

Common Proficiency Test application forms duly filled in may be sent so as to reach the Joint Secretary (Examinations) at New Delhi not later than 9th October 2006. Applications received after 9th October 2006 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 upto 9th October 2006. Candidates residing in these cities are advised to take advantage of this facility.

Candidates opting for Dubai Centre are required to remit US$ 110 (US$ 100 towards examination fee and US$ 10 towards cost of application form) or its equivalent relevant foreign currency at the time of purchase of Common Proficiency Test Information brochure.

Candidates opting for Kathmandu centre are required to remit Indian Rs.600/- (INR 500 towards examination fees and INR 100 towards cost of application form) or its equivalent relevant foreign currency at the time of purchase of Common Proficiency Test Information brochure.

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.

(G. SOMASEKHAR)

JOINT SECRETARY (EXAMS.)
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| 1 Common Proficiency Test – A Simplified Entry to the Chartered Accountancy Course | 100     | 40    | 100     | 40    |
| 2 Professional Competence Course – First Stage of Theoretical Education of the Chartered Accountancy Course inclusive of conversion form – With Form Nos. 102 and 103 | 100     | 40    | 100     | 40    |
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