Farewell Message from the President

Dear Students,

The past year had been very eventful for the CA profession. On the students' front, Information Technology was further harnessed for the benefit of the students. In spite of the limitations of distance education methodology, a seed was sown in form of initiating case study pedagogy of education. Cases were included in the students’ newsletter to help students in assimilating practical intricacies of theoretical concepts. However, a lot needs to be done on this front. It will be some time when this seed blooms to a full-fledged tree.

The Institute is also evolving day-by-day, brick by brick. Mentioning here all the achievements of the year will be Herculean task. A large number of publications were brought out for the students. In almost all the subjects compilations of questions and answers of Institute’s examinations are available. There is also increase in the scholarships for the benefit of the students. Students are now allowed to pursue almost any additional course of their choice. The eligibility scheme is also revamped and simplified to remove the genuine hardships of the students without losing its focus and utility. My compliments to the Board of Studies for all its efforts.

At this juncture it would not be out of place to mention the importance of honesty and integrity in the profession. These virtues are the edifice that will determine the shape of our future.

(Continued on page 3....)

Farewell Message from the Chairman, Board of Studies

Dear Students,

For the students who appear in the examinations, the period before declaration of results is marked by anxiety and apprehensions. This anxious wait is over only after the declaration of results. In the month of January results of November, 2005 examinations were declared. My heartiest congratulations to all the students who have passed the examination. The students who could not succeed must look back and find out the reasons and chalk out an approach to improve their performance in the forthcoming examination by sincerity, hard-work and concerted efforts.

After the 18th All India CA Students’ conference was organised in December, 2005, three mega all India events were organised in the month of January. 11th All India Elocution Contest and 5th All India Quiz contest were held in Chennai and 2nd National Convention for CA students was held in Pune. The events effectively highlighted the multifarious virtues possessed by our students. I compliment the students who participated in these events. As I have mentioned in my earlier messages these programmes provide unparallel platform for gaining contemporary knowledge and in improving overall personality.

In the month of February the various committees of the Institute are reconstituted. Accordingly, I will be relinquishing the Chairmanship of the Board of Studies. At this moment, let us look back and see what has been done during the year. Of course, it

(Continued on page 3....)
His Excellency Shri Balram Jakhar, Governor of state of Madhya Pradesh lighting the lamp to inaugurate the conference. Others seen in picture (from L to R): CA Jaydeep Narandra Shah, Chairman, Board of Studies, CA T N Manoharan, Vice-President, CA Manoj Fadnis, Vice-Chairman, Board of Studies, CA Vijay Bansal, Chairman, Indore Branch of CIRC of ICAI.

A scene of Inaugural session at the time of playing of National Anthem. Seen in picture (from L to R): CA Ashok Sodhani, CICASA Chairman, CA Ashok Mangal, Member, CIRC, CA Jaydeep Narandra Shah, Chairman, Board of Studies, Shri Balram Jakhar, Governor of state of Madhya Pradesh, CA T N Manoharan, Vice-President, CA Vijay Bansal, Chairman, Indore Branch of CIRC of ICAI.

CA T N Manoharan, Vice-President releasing souvenir at the inaugural session. Others seen in picture (from L to R): CA Ashok Mangal, Member, CIRC, CA Jaydeep Narandra Shah, Chairman, Board of Studies, CA Manoj Fadnis, Vice-Chairman, Board of Studies.


A scene from the Third Technical Session. Seen in picture (from L to R): Ku. Amruta Taley, Ku Palak Bhargava, CA Sunil Talati, Chairman of the Session, Council Member, Shri Jai Sahani, Shri Sudhanshu Pandey, Shri Aniket V Khapre, Shri Amit Ramnani.

Students and other delegates attending the conference.
Message from the President
(...Continued from page 1)

future. Short-cuts can only give short-lived success. For continued success one has to reflect ethical and sound behaviour. As students you should be first honest to yourself. Then you should be honest to your parents, teachers and principal. Study hard and appear in the examinations seriously.

In my interaction with the students, I have always highlighted the importance of the input provided by the Board of Studies. You should fully use the study materials, suggested answers, revision test papers and students’ newsletter. In case of studying, if you find some genuine problems or you have some suggestions, you should write to the Director of Studies. You should also attend the classes conducted by Regional Councils, Branches and Accredited institutions.

During the year the Committee for Review of Education and Training (CRET) has submitted its report suggesting major changes in the scheme of Education and Training. The Council has finalised the new Education and Training pattern. After getting the necessary clearances the new scheme would be implemented by the middle of this year. While implementing the new scheme due care would be taken to formulate transitional provisions in the interest of students.

Positioning the Institute for its continued greatness is a complex proposition that involves a lot of toiling and burning of midnight oil. I am grateful for the dedicated efforts of my fellow Council Members, officers and staff of the Institute. Having written this, it is now time for me to say farewell. I convey my best wishes to all the students and members fraternity.

Best of luck,

Yours truly,

Kamlesh S Vikamsey

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Message from the Chairman, Board of Studies
(...Continued from page 1)

would be difficult to write every detail within the limited space available. However, major achievements are as follows:

- The eligibility test scheme was revamped to reduce the load on the students so far as number of test papers are concerned. This was aimed at improving the quality of answers that students submit to the Institute. Disabled students were given additional concessions. Even the test papers are specifically designed for these students.
- Eligibility test paper scheme was also made flexible by providing option to final students to take postal tests. These students are allowed to mix Sunday tests and Postal tests.
- During the year open book system of examination was introduced in Sunday Test scheme. This was a step towards eliminating rote learning in favour of meaningful assimilation.
- Successfully implemented Online Eligibility Tests in Kolkata.
- Virtual Classes were adopted as part and parcel of pedagogy.
- Case study pedagogy of education was introduced for developing analytical skills.
- Children of military and Para-military forces who sacrificed lives in action were exempted from payment of tuition and registration fees.
- Compilation of suggested answers volumes were printed in almost all the subjects.
- The article, who passed Intermediate/Professional Education (Examination - II) and also completed two years of practical training are now permitted to undergo and complete 15 days Course on General Management and Communication Skills. This was done to address hardship faced by the students in completing the course after practical training and appearance in the final examinations.
- The suggested answers to the questions set in November, 2004 and May 2005 examinations are presently hosted on the web to ensure their smooth availability across the length and breadth of the country.
- Options of 250 hours compulsory Computer Training Programme and modular tests were restructured to simplify the scheme and reduce the duration of training from 3½ months to 3 months.
- Students interested in getting additional qualifications were allowed to pursue one course of their choice subject to negative list courses.
- Respite was given to the students of Professional Education courses, who exhausted their limit of five consecutive attempts. Such students were given five additional attempts.
- Fees was refunded to the provisionally registered students of professional courses, who submitted fees more than once adopting a policy that fees be collected for a course once only.
- Students Exchange Programmes were conducted to expose students to the professional environment, education & training system in different countries of SAFA (South Asian Federation of Accountants). Under the programme students are visiting Kathmandu under a programme jointly worked out with the Institute of Chartered Accountants of Nepal. Also students from Institutes of Chartered Accountants of Sri Lanka and Nepal visited India and interacted with our students.

For these achievements I am thankful to Vice-chairman and other members of the Board of Studies who have minutely monitored and guided the progress. I am also thankful to the Director of Studies, faculty and other staff of Board of Studies for their support. With this note I wish you best for your future endeavours.

Best of luck,

Yours truly,

Jaydeep Narendra Shah
The 2nd National Convention for C.A. Students “Commanding new heights – Futuristic Approach for C.As” was held in Pune on January 14 & 15, 2006. The mega event was organized by the Board of Studies and was hosted by the Pune Branch of WIRC of the ICAI.

The Convention commenced on 14.1.2006 with the recitation of Saraswati Vandana. CA K.J. Bansal, Chairman of Pune Branch while welcoming the delegates and other dignitaries thanked Board of Studies for providing this opportunity of hosting a National Convention in Pune, the city of Peshwas. The Convention was inaugurated by CA Jaydeep Narendra Shah, Chairman, Board of Studies by lighting the traditional lamp. In his inaugural address the Chairman, while welcoming the delegates, complimented Shri Uttam Prakash Agarwal, Council Member and the Convention Director for his sincere efforts in organizing the Convention. He also lauded the role and efforts undertaken by the Managing Committee of Pune Branch in this respect. The Chairman in his speech focused on various plans and policies undertaken by Board of Studies for the welfare and benefits of students community. He also appreciated the role and contribution of the Director of Studies, staff/officers and faculty for their efforts in organizing the Convention, in particular for bringing out a good Paper Book.

Dr. T.P. Ghosh, Director of Studies in his welcome speech highlighted the role and contribution of Board of Studies. He emphasized the need for organizing students’ conferences/conventions and the role to be played by the students. He also appreciated the role played by Pune Branch in organizing the National Convention. He told the august audience that the Institute has issued AS 22 and 28 for the purpose of bringing uniformity in financial statements and commended the students for writing papers on such a highly technical issues.

CA Uttam Prakash Agarwal thanked Chairman, Board of Studies CA Jaydeep N. Shah for selecting Pune for organizing the Students Convention. He welcomed the students for joining the convention and exhorted them by saying that, “training is an opportunity for grooming and development.” CA Agarwal highlighted the role of the ICAI in providing better student services including placement and campus interviews etc.

The inaugural session came to an end by a vote of thanks by Ms. Pooja Date, Secretary & Treasurer of Pune Branch.

1st Technical Session - Accounting & Auditing

The first Technical Session on Accounting & Auditing was chaired C.A. Chandreshkhar V. Chitale. The Chairman in his opening remarks analysed the background of Accounting Standards in India and emphasized the need for their harmonization vis-à-vis International Standards. In his unique style he kept the audience enthralled during the whole session by quoting various contemporary issues in a very humorous and interesting manner. He commended the students for writing papers on such relevant topics.

The following papers were presented in this session:

- Accounting for Taxes on Income AS-22 – Namrata D. Shah
- Accounting for Taxes on Income AS-22 – Shrikant Jadhav & Gurunath Bhide
- Accounting for Taxes on Income AS-22 – Aarti Rathi
- Impairment of Assets AS-28 – Abhishek Agarwal
- Impairment of Assets AS-28 – Hitesh Chhugani
- Impairment of Assets AS-28 – Shital S. Lahoti
- Code of Ethics – Shailesh S. Rathi
- Code of Ethics – Swapnil Gupte

Best Paper Awards

<table>
<thead>
<tr>
<th>Session</th>
<th>Best Paper</th>
<th>Second Best Paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Technical Session – Accounting &amp; Auditing</td>
<td>Accounting for Taxes on Income AS-22 – Aarti Rathi</td>
<td>Impairment of Assets AS-28 – Hitesh Chhugani</td>
</tr>
<tr>
<td>Third Technical Session – Information Technology</td>
<td>MS Excel – A tool for professionals – Anupam Juniwal &amp; Ardash Somani</td>
<td>ERP – Nikhil Naikawadi</td>
</tr>
<tr>
<td>Fourth Technical Session: General</td>
<td>Career Opportunities for CAs – Amit Joshi</td>
<td>Designing of CA’s Office – Nikhil Jain</td>
</tr>
</tbody>
</table>
The students participated in the contest and presented different topics as follows:

- Introduction to VAT - Nishant Agrawal
- Introduction to VAT - Ashwini N Raghoji
- Introduction to VAT - Ms. Neha Vijaykumar Tawari

**Special Session**

A special session on “A path of destiny” was addressed by CA S.B. Zaware.

**3rd Technical Session - Information Technology**

The 3rd Technical Session on Information Technology was conducted on the second day of the Convention. It was chaired by C.A. Prakash P. Nulkami, a senior member of profession. The Chairman in his opening remarks said that it augurs well for the Chartered Accountants to use Information Technology in their day-to-day workings and hence the Institute has geared itself to enable the members to face the challenges posed by Information Technology. In recent past the Institute has implemented a series of decisions to adapt itself according to changing circumstances in this direction.

The following papers were presented in this session:

- MS Excel - A tool for professionals - Mr. Shubhshree Pareek
- MS Excel - A tool for professionals - Anupam Junival & Adarsh Sonani
- Enterprise Resource Planning (ERP) - Yogesh Ozarkar
- ERP - Nikhil Naikwadi
- ERP - Ms. Sweta Ramesh Kalantri

**4th Technical Session: General**

The 4th Technical Session was chaired by C.A. V.I. Jain. Regarding the designing of CAs office, the Chairman of the session emphasized that it was not enough to be technically proficient but also be presentable. He emphasised on the ambience of the office. He also apprised the students with the role and contribution of ICAI in career building of students.

The following papers were presented in this session:

- Opportunities for CAs - Khushali Palrecha
- Career Opportunities for CAs - Kisan Rajpurushit
- Career Opportunities for CAs - Ms. Arpita Mishra
- Career Opportunities for CAs - Amit Joshi
- Career Opportunities for CAs - Ashwani Kumar
- Designing of CA's Office - Hiral Rasik Joshi
- Designing of CA's Office - Nikhil Jain

Along with the Valedictory Session a special session on ‘grooming yourself’ was conducted. The guest speaker C.A.T.N. Manoharan, Vice-President, ICAT exhorted the students by saying, “Believe in yourself, explore/identify the potential in you and conquer the heights you want to scale.” He gave numerous valuable tips to the students to be successful in life like creation of team spirit, avoiding and minimizing mistakes to excel.

The Vice-President also distributed prizes to the participants and to the writers of 1st and 2nd best presented papers.

**11th All India Elocution Contest**

The 11th All India Elocution Contest was held in Chennai on January 09, 2006 at Brahmayya Auditorium, SIRC in Chennai. In the tough and nail-biting contest, the contestants effectively displayed their contemporary knowledge and command over language.

C.A.T.N. Manoharan, Vice-President, ICAT was the Chief Guest. In his address he informed the students about developments in the areas of web-hosting of suggested answers and Revision Test Papers, new scheme of education and training and e-learning. He also highlighted the importance of initiative in the lives of students and told them that even longest race starts with smallest steps. He exhorted students to use Information Technology in their day-to-day workings and hence the writers of 1st and 2nd best presented papers.

**Western Region**

1. Sushil Thacker - Indian Economic Growth and Bull Run in Stock Market
2. Nidhi Agrawal - WTO and Developing Nations (Runners-up Prize Winner)
3. Jigar Shah - WTO and Developing Nations (Runners-up Prize Winner)
4. Sanket Shah - Corporate Governance: Role of Chartered Accountants (First Prize Winner)
5. Ruchita Chhatralia - Indian Economic Growth and Bull Run in Stock Market

**Southern Region**

6. Ramanuj Raghavanan - Indian Economic Growth and Bull Run in Stock Market
9. Sudhir G Goenkar - WTO and Developing Nations

**Eastern Region**

10. Abhishek Agarwal - Management of SMEs: Role of Chartered Accountants.
11. Priyanka Tandon - Indian Economic Growth and Bull Run in Stock Market
12. Sonu Agarwal - Global Convergence of Stock Market : A Healthy Trend for Proper Stock Valuation

Central Region
13. Siddharth - WTO and Developing Nations
14. Saurabh Agarwal - Corporate Governance : Role of Chartered Accountants
15. Sudhanshu Pandey - Corporate Governance : Role of Chartered Accountants

Northern Region
16. Shweta Sethi - Value Added Tax : A Distinct Move Towards Simplification of Indirect Taxation
17. Latika - WTO and Developing Nations
19. Atul Garg - Indian Economic Growth and Bull Run in Stock Market

5th All India Quiz Contest
The 5th All India Quiz Contest was held in Chennai on January 10, 2006 at Brahmayya Auditorium, SIRC in Chennai. Shri P.K. Sridharan, Chief Commissioner of Income-tax, Chennai was the Chief Guest and other dignitaries of the inaugural session were CA Jaydeep N. Shah, Chairman, Board of Studies, CA V. Murali, Central Council Member and Member, Board of Studies and Dr. T.P. Ghosh, Director of Studies.

The chief guest commented that the profession of the Chartered Accountancy has become very exciting. He stated that from maintaining accounts it has evolved to mergers, acquisitions and anything business wants. He also wondered whether quiz contest can help in creating awareness of tax in public. He advised students to be honest, industrious and have social focus.

All the five regions represented by two students each participated in the contest as follows:

Western Region (Runners-up Prize Winner)
1. Kalpan Nanavati
2. Dwaitin Dave

Southern Region (First Prize Winner)
3. B Ganesh Prabhu
4. Mithun S J Souza

Eastern Region
5. Aditya Surana
6. Amit Kumar Daga

Central Region
7. Anshul Shekhar Nayak
8. Vinit Kumar Jain

Northern Region
9. Anjani Kumar Jha
10. Piyush Kumar Shukla
**Introduction**

For computing capital gains on transfer of short term or long-term capital asset, the basic requirement is to know the “cost of acquisition”. Pre-requisites for computing the capital gains are (i) Whether the asset sold is a capital asset or personal asset, (ii) Nature of capital asset viz. whether short term or long term and (iii) classification of asset viz. whether a depreciable asset or not?

Section 2(14) defining the term “capital asset” is defined in an exclusive manner and hence any asset not falling within the exclusions given in the definition would be liable to tax upon sale, exchange, and relinquishment of the asset or extinguishment of any rights therein.

This write up deals with determination of “cost of acquisition”, which is one of the key factors for capital gains computation.

**Legal background**

Section 55 (2) says that the cost of acquisition in the case of goodwill of a business (note, not profession), or trademark or brand name associated with business, or a right to manufacture, produce or process any article or thing or right to carry on any business, tenancy rights, stage carriage permits or loom hours shall be as below:

- (a) Where it is purchased by the assessee from a previous owner - the amount of purchase price.
- (b) Where the ownership is obtained in any other manner (including self generated) - the cost of acquisition shall be nil.
- (c) Where the assessee obtained the capital asset in situations such as those mentioned in section 49(1) (i) to (iv) - the cost to the previous owner shall be the cost of acquisition.

In the case of any financial asset, which the assessee is entitled to subscribe or is allotted without any payment, the cost of acquisition shall be determined as below:

<table>
<thead>
<tr>
<th>Nature of capital asset</th>
<th>Cost of acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right shares</td>
<td>Amount paid for rights issues.</td>
</tr>
<tr>
<td>Right to subscribe to right shares</td>
<td><strong>If the right is not transferred:</strong> The amount paid for acquisition of right shares will be the cost of acquisition.</td>
</tr>
<tr>
<td>Right to subscribe to right shares</td>
<td><strong>If the right to subscribe to right shares</strong> The cost of acquisition shall be nil.</td>
</tr>
<tr>
<td>Bonus shares</td>
<td>Cost of acquisition: Nil</td>
</tr>
<tr>
<td>Purchase of right shares by paying for the “right to subscribe to the right shares”</td>
<td>Amount paid for transfer of “right to subscribe” plus the amount paid for purchase of shares shall be the cost of acquisition.</td>
</tr>
</tbody>
</table>

Where the capital asset became the property of the assessee before 01.04.1981 the cost of acquisition to the assessee shall be either the cost of acquisition of the asset or the fair market value of the asset as on 01.04.1981 - **at the option of the assessee**.

Where the capital asset became the property of the assessee by any of the modes specified in section 49(1) and the capital asset became the property of the previous owner before 01.04.1981 - the cost of the capital asset to the previous owner or the fair market value of the asset as on 01.04.1981 - **at the option of the assessee**.

Where the capital asset became the property of the assessee on distribution of the capital assets of a company on its liquidation, the fair market value of the asset on the date of distribution shall be the cost of acquisition.

Where the shares are consolidated or subdivided or converted into stock or the stock is converted into shares or upon subdivision of shares or conversion of one kind of shares into another kind - the cost of acquisition shall be the cost with reference to the shares or stocks from which such asset is derived subsequently.

Where the cost for which the previous owner acquired the property cannot be ascertained, the cost of acquisition to the previous owner means the fair market value on the date on which the capital asset became the property of the previous owner.

**Judicial precedents**

- Import licences granted to the assessee for complying with the condition prescribed by the Government. These licences will have no cost of acquisition hence there can be no capital gains upon transfer. **CIT v. Modiram Laxmandas (P) Ltd (1983) 142 ITR 702 (Bom.).** Note: Section 55(2)(a) does not cover even now the “import licence”. However, sale of import licence is taxable as business income.
- Cost of acquisition cannot be calculated on any notional basis, except in the circumstances mentioned in sections 49 and 55 of the Act. The notional basis employed for the purposes of calculating the cost of acquisition for the purposes of depreciation has no application in the context of computing capital gains. **CIT v. Trikamlal Maneklal (HUF) (1987) 168 ITR 733 (Bom).**
- Where a capital asset is obtained upon family settlement, which is analogous to a partition, the cost of acquisition shall be reckoned by identifying the cost to the previous owner. **CIT v. Shanthi Chandran (2000) 241 ITR 371 (Mad.).**
- Where a person throws self earned property into the HUF hotchpot, the subsequent sale of that asset by the HUF will be liable to capital gain computation by taking the actual cost of acquisition to the person who threw the property.

The author is a member of the Institute.
earlier into the HUF hotchpot. The cost of acquisition cannot be ‘nil’ and also it is not correct to adopt the “fair market value” on the date of such mixing into HUF hotchpot. **CIT v. N.N.Mohan & Sons (2001) 250 ITR 131 (Del.).**

- However, a contrasting decision was rendered in **Sushilaben Kantilal Shah v. CIT (1994) 208 ITR 912 (Guj) wherein it was held where the Karta throws the individual property into the family hotchpot, the market value of the shares on the date on which the property was thrown into the common hotchpot by the Karta shall be taken as the cost of acquisition.**

- Where an assessee purchases a property and on that very same date of purchase, the amount is paid towards clearing mortgage, the cost of acquisition would include the amount paid to the vendor plus the amount paid for clearing the mortgage on the property and expenditure towards stamp duty. **CIT v. K.Rajagopala Rao (2001) 252 ITR 459 (Mad.).**

- In **RM. Arunachalam v. CIT (1997) 227 ITR 222 (SC)** it was held that the estate duty paid cannot be treated as cost of acquisition of the asset nor cost of improvement.

- In **V.S.M.R. Jagadishchandran (DECD.) v. CIT (1997) 227 ITR 240 (SC)** it has been held that a self created mortgage of the vendor when paid by the vendee such amount is not to be considered as cost of acquisition nor could that be treated as expenditure incurred wholly and exclusively in connection with such transfer in the hands of the transferee. However, mortgage created by the previous owner when discharged by the successor the amount paid would be treated as cost of acquisition.

- Substitution of fair market value as cost of acquisition for the purpose of computing capital gains will not apply to depreciable assets. **Mihir Textiles Ltd v. CIT (1995) 225 ITR 327 (Guj.).** Dissenting judgment in **Goculdas Dossa & Co v. J.P.Shah, Second ITO (1994) 211 ITR 706 (Bom.).** However, it may be noted that section 55 (1) has been amended whereby the artificial or notional substitution of fair market value will not apply to assets covered by section 50 w.e.f. 01.04.1998.

- In the case of depreciable assets, the assessee has no option of substituting fair market value of the asset and only the written down value of the block would be considered for computing the capital gain. **Commonwealth Trust Ltd v. CIT (1997) 228 ITR 1 (SC).**

- Where the coparcener is allotted a property in the partition of HUF and the coparcener pays extra amount towards the differential value of the asset allotted upon partition, such extra amount will form part of the cost of acquisition. **CIT v. Narendra N.Chauhan (2003) 261 ITR 185 (Guj.).**

- In the case of depreciable assets for which a rate of depreciation is prescribed, the written down value will be compared with the sale consideration. The cost of acquisition or the written down value are not eligible for any indexation benefit. **M.Raghavan v. Asst.CIT (2004) 266 ITR 145 (Mad.).**

- Goodwill of a business is liable to capital gains tax. In the case of self generated goodwill, the cost of acquisition shall be ‘nil’. Goodwill of a business will be chargeable to tax upon transfer only from the assessment year 2002-03 onwards. **Vysali Chemotherapeutics (P) Ltd v. CIT (2004) 269 ITR 362 (Ker.).**

- Where the entire business undertaking is transferred and the transferred undertaking has depreciable assets and non-depreciable assets (such as land) the sale consideration cannot be allocated to any particular asset. The entire undertaking will become a capital asset and it will be chargeable as long term or short term based on the years of its ownership on overall basis. Refer Asst, **CIT v. Raka Food Products (2005) 277 ITR 261 (Mad.).**

**Conclusion**

Correct determination of cost of acquisition would enable the taxpayer to have the benefit of indexed cost of acquisition in the case of long-term capital assets and for taking reinvestment decisions. However, there is a thin line dividing the cost of acquisition and the expenditure incurred in connection with the transfer of capital asset.

It is worth noting that in **CIT v. T.Sreenivasa Rao (1987) 166 ITR 593 (AP)** it was held that the meaning of “cost of acquisition” is exhaustive in section 55 (2) and the courts need not introduce any other facets of meaning to the expression. Nevertheless, real life situations have opened scope for innovative interpretations and the courts have accordingly rendered many such decisions referred above.

**ARTICLE**
Article

Penalty for Concealment of Particulars of Income or Furnishing Inaccurate Particulars of Income

Sec. 271(1)(c) read with Sec. 271(1)(iii) provide that if the A.O. or Commissioner (Appeals) or Commissioner in the course of any proceeding under the Income Tax Act is satisfied that any person:

1. Has concealed particulars of his income or
2. Furnished inaccurate particulars of income,

—he may direct that such person shall pay by way of penalty, a sum which shall not be less than but which shall not exceed three times the amount of tax sought to be evaded by reason of the concealment of particulars of his income or the furnishing of inaccurate particulars of such income. The penalty is in addition to the tax payable by the assessee.

Therefore, the penalty is not for actual concealment of income. It is attracted whenever the assessee has concealed particulars of his income or has furnished inaccurate particulars of income. The Delhi High Court has held in CIT Vs. Atma Ram Properties (Delhi – 2003) 131 Taxman 587 that: it cannot be laid down as a principle of universal application that whenever the addition made is deleted, penalty u/s 271(1)(c) of the Act cannot be levied. The factual position in each case has to be considered on its peculiar facts.

By Sec. 40 of Finance Act 1964, the word ‘deliberately’ occurring in clause (c) of Sec. 271(1) had been omitted and new Explanation to Sec. 271(1)(c) had been inserted. With the incorporation of the said Explanation, it is for the assessee to discharge the onus as contemplated therein.

Satisfaction of the authority is the basis for initiating proceedings

In CIT Vs. Ram Commercial Enterprises Ltd. (Delhi – 2000) 246 ITR 568 and CIT Vs. Mayar India Ltd. (Delhi – 2005) 142 Taxman 230 it has been held that a bare reading of the provisions of Sec. 271 and the law laid down by the Supreme Court makes it clear that it is the assessing authority which has to form its own opinion and record its satisfaction before initiating the penalty proceedings. Merely because the penalty proceedings have been initiated, it cannot be assumed that such a satisfaction was arrived at in the absence of the same being spelt out by the order of the assessing authority.

The Apex Court has observed in Anantharaman Veerasinghania & Co. Vs. CIT (1980) 123 ITR 457 that: the burden of proof in a penalty proceeding varies from that involved in an assessment proceeding, and that in the penalty proceeding the taxing authority is bound to consider the matter afresh on the material before it.

In CIT Vs. Smt. Sashi Agarwal (Allahabad – 2005) 143 Taxman 199 it has been held that: Explanation to Sec. 271(1)(c) creates a legal fiction in certain circumstances to the effect that the assessee shall be deemed to have concealed the particulars of his income or furnished inaccurate particulars of his income in the circumstances set out in the Explanation. If the Explanation is attracted, the burden shifts on the assessee and if he establishes that the failure to return the correct income did not arise from any fraud or any gross neglect on his part, the burden would again shift to the revenue to prove that the assessee is guilty of concealment.

In K. Bhaskaran Vs. Asstt. CIT (Kerala – 2005) 142 Taxman 472, pursuant to search and seizure conducted in the assessee’s hospital, the A.O. made addition of certain amount on account of omission to account for delivery charges, operation theatre and other charges and medical attention charges and levied penalty u/s 271(1)(c). The assessee explained that in many cases, such charges were not realised. The High Court held that there was no concrete evidence to show that the assessee had in fact earned income in respect of these charges and, therefore, no penalty for concealment of income was leviable.

In CIT Vs. Suresh Chandra Mittal (2001) 251 ITR 9 the Supreme Court held that the assessee had offered additional income in revised return to buy peace of mind and avoid litigation, no penalty can be levied for concealment of income. It was held that the Department had not discharged its burden of proving concealment and had simply rested its conclusion on the act of voluntary surrender done by the assessee in good faith.

Deliberate attempt on the part of the assessee is not necessary

In CIT Vs. Gudiwada Ramachandra Rao (AP – 2004) 139 Taxman 185 the high court held that: the assessee is required under rule 12 of the Income-tax Rules to separately disclose the income of spouse/minor child to be clubbed in his hands. Where the assessee did not include the income of the wife from the firm in which he was a partner, it cannot be said that the assessee was under a bona fide belief that he was not liable to include such income. Relying on the Supreme Court judgement in CIT Vs. Smt. P.K. Kochammu Amma Peroke (1980) 125 ITR 624, the A.P. High Court held that: there need not be any deliberate attempt on the part of the assessee in refusing to comply with the requirements as prescribed in rule 12. Non-inclusion of income of wife u/s 64(1) amounted to concealment of particulars of income within the meaning of Sec. 271(1)(c) of the Act.

Disclosure by the assessee should be voluntary

In Ravi & Co. Vs. Asstt. CIT (Madras – 2005) 143 Taxman 287 the assessee filed revised return disclosing certain income pursuant to notice issued u/s 143(2). Much before the revised return was filed by the assessee, a questionnaire had been issued by the A.O. calling for certain details and the assessee filed the revised return only when it was cornered. In other words, the revised return had not been filed voluntarily in a bona fide manner, but with a view to escape from the consequences of not filing a proper return. In reply to the notice u/s 271(1)(c), the assessee did not offer any credible explanation indicating the reasons for which the amount had not been disclosed in the

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original return. The levy of concealment penalty was confirmed.
Explanation 1 to Sec. 271 (1) (c) states that if there are certain facts material to the computation of the total income of an assessee and
- the assessee fails to offer an explanation or
- offers an explanation which is found by the A.O. or the C.I.T. (Appeals) or the CIT to be false or
- the assessee offers an explanation which he is not able to substantiate,
then the amount added or disallowed shall represent the income in respect of which particulars have been concealed.

Explanation is an integral part of the section and need not be explicitly mentioned in the notice
In K.P. Madhusudhanan Vs. CIT (SC – 2001) 251 ITR 99 it has been held that the Explanation to Sec. 271 (1) (c) is an integral part of Sec. 271. When the A.O. issues a notice u/s 271, he makes the assessee aware that the entire section including Explanation will be used against him. By virtue of the notice u/s 271, the assessee is put to notice that, if he does not prove, in the circumstances stated in the Explanation, that his failure to return his correct income was not due to fraud or neglect, he shall be deemed to have concealed the particulars of his income or furnished inaccurate particulars. No express invocation of the notice u/s 271 is necessary before the provisions of the Explanation are applied. The Kerala H.C. has held in T.J. Michal, Contractor (140 TANMAN 259) that after coming into force of Explanation to Sec. 271 (1) (c), the burden is on assessee to show that there was no concealment of any particulars of any income.

Opportunity of hearing does not mean multiple opportunity
Sec. 274 provides that an order imposing penalty shall not be made unless the assessee has been heard or has been given a reasonable opportunity of being heard. Hence, natural justice has to be followed. In Madanlal Kishorilal Vs. CIT (Allahabad – 2005) 145 TAXMAN 131 it has been held that opportunity of hearing does not mean in case where a reply has already been filed by the assessee. ITO should give another opportunity and ask assessee as to whether he would submit any further reply or not.

The H.C. held that from the assessee’s reply to show cause notice, it appeared that the assessee has not claimed for any further opportunity to submit the explanation or reserved the right to give any other explanation. So far as the question of onus which lay upon the assessee in view of the Explanation to Sec. 271 (1) (c) was concerned, it was not discharged. The Explanation given by the assessee was not supported by any documentary proof. Merely giving an explanation without any further proof would not amount to discharging the onus.

Burden of proof lies on the assessee
In a search operation carried out u/s 132 (1) in business and residential premises of the assessee, several incriminating documents were seized which revealed that assessee had wrongly debited certain expenses and had not disclosed value of certain stocks. Accordingly, the A.O. reopened concluded assessment by taking recourse to Sec. 147 (a) and sought an explanation from assessee.

However, such explanation was found to be not satisfactory and penalty u/s 271 (1) (c) for furnishing inaccurate particulars of income was levied. The Madhya Pradesh High Court in D & H Secheron Electrodes Pvt. Ltd. Vs. CIT (MP – 2005) 144 TAXMAN 689 held that the seized documents were forming a prima facie opinion regarding concealment of income. It has been further held that it was not a technical breach on the part of the assessee in not disclosing his true income. All the suppression were very much within the knowledge of the assessee – it being a professional-led company managed by Chartered Accountants.

Failure to prove is a question of fact
The Allahabad High Court has held in Bhunil Prasad Vs. CIT (Allahabad – 2005) 142 TAXMAN 347 that the finding that the assessee had been unable to discharge burden under Explanation to Sec. 271 (1) (c) being a finding of fact, the High Court will not interfere with the same.

Explanation 2 to Sec. 271 (1) (c) deals with intangible additions. Where the source of any receipt, deposit, outgoing or investment in any assessment year
- is claimed by any person to be an amount which had been added in computing the income in the assessment of such person in any earlier assessment year or years but in respect of which no penalty u/s 271 (1) (c) had been levied,
- then that part of the amount so added in such earlier assessment year immediately preceding the year in which the receipt, deposit, outgoing or investment appears,
- which is sufficient to cover the amount represented by such receipt, deposit, outgoing or investment,
- shall be treated as the income of the assessee, particulars of which had been concealed for the first preceding year
- where the amount so added in the first preceding year is not sufficient to cover the amount of receipt, deposit, outgoing or investment, then that part of the amount so added in the year immediately preceding the first preceding year which is sufficient to cover the receipt, deposit, outgoing or investment not so covered shall be treated as the income of the assessee for which particulars have been concealed for the year immediately preceding the first preceding year and so on until the entire amount is covered.

Sec. 271 (1A) provides that whenever penalty is leviable on a taxpayer for concealment of income under Explanation 2, the proceedings for imposition of penalty may be initiated by the A.O. notwithstanding the fact that any proceedings under the Income-tax Act, in the course of which such penalty proceedings could have been initiated, had already been completed.

Suppose the assessing officer has added Rs. 1 lac in A.Y. 2000 – 01 towards inadequate drawings. The Apex Court held in Anantharaman Veerasinghamia & Co. vs. CIT that penalty for concealment of income cannot be levied on such amount for want of adequate material to establish that these additions represent taxpayer’s concealed income.

Now, in A.Y. 2003 – 04 the assessee has incurred Rs. 2,20,000 towards expenditure on foreign travel which has been added back u/s 69C as unexplained expenditure. The assessee contends that out of the said expenditure, Rs. 1 lac has been spent out of the amount which was earlier added back as intangible addition in A.Y. 2000 – 01. The Apex Court held in Anantharaman Veerasinghamia & Co. Vs. CIT that these intangible additions represent real income of the assessee and can be used in subsequent assessment years for explaining the
unexplained investments, unexplained cash credits and unexplained assets. However, as per Sec. 271(1A) the assessee shall be deemed to have concealed the particulars of Rs. 1 lac in A.Y. 2000 – 01 and penalty proceedings can be initiated now u/s 271(1) (c) even though the assessment proceedings have been already completed.

Explanation 3 to Sec. 271 (1) (c) provides that where any person:
- fails to furnish within the period specified in Sec. 153(1) a return of his income which he is required to furnish u/s 139 in respect of any assessment year and until the expiry of the period aforesaid,
- no notice had been issued to him u/s 142 (1) (i) or Sec. 148
- and the A.O. or the CIT (A) is satisfied that in respect of such assessment year such person has taxable income,
- then such person shall, for the purposes of Sec. 271 (1) (c), be deemed to have concealed the particulars of his income in respect of such assessment year, notwithstanding that such person furnishes a return of his income at any time after the expiry of the period aforesaid in pursuance of a notice u/s 148.

Therefore, where a person is required to file a return u/s 139(1) i.e. his income exceeds the amount not chargeable to tax and he fails to file such return within 2 years from the end of the assessment year, he is deemed to have concealed the particulars of his income and attracts penalty u/s 271 (1) (c). Such penalty is leviable even though he furnishes a return pursuant to a notice u/s 148 issued after 2 years from the end of the assessment year.

Explanation 4 to Sec. 271 (1) (c) provides that the expression ‘the amount of tax sought to be evaded’:
- in any case where the amount of income in respect of which particulars have been concealed or inaccurate particulars have been furnished has the effect of reducing the loss declared in the return or converting that loss into income, means the tax that would have been chargeable on the income in respect of which particulars have been concealed or inaccurate particulars have been furnished had such income been the total income;
- in any case to which Explanation 3 applies, means the tax on the total income assessed;
- in any other case, means the difference between the tax on the total income assessed and the tax that would have been chargeable had such total income been reduced by the amount of income in respect of which particulars have been concealed or inaccurate particulars have been furnished.

Explanation 5 to Sec. 271 (1) (c) provides that where in the course of a search under section 132, the assessee is found to be the owner of any money, bullion, jewellery or other valuable article or thing and he makes a submission u/s 132(4) that such assets have been acquired out of his income which has not been disclosed so far in his return of income and also specifies in the statement the manner in which such income has been derived and pays the tax, together with interest, if any, in respect of such income, no penalty u/s 271 (1) (c) shall be levied.

In Gobilal Kanhaiyalal (HUF) Vs. Asstt. CIT (Raj - 2005) 143 Taxman 42 a search was carried out at residential and business premises of the assessee. During the course of search, the assessee surrendered certain income u/s 132(4). The A.O. taxed surrendered income and also imposed penalty u/s 271 (1) (c).

In the instant case, search was continued till 1.8.1987 and on 1.8.1987 in the statement, the assessee had disclosed particulars of concealed income and surrendered it for tax and tax had been paid alongwith interest. Therefore, penalty cannot be levied u/s 271 (1) (c).

Explanation 7 to Sec. 271 (1) (c) provides that where an assessee has entered into an international transaction defined u/s 92B, any amount added or disallowed in computing the total income of the assessee u/s 92C(4) shall be deemed to represent the income in respect of which particulars have been concealed or inaccurate particulars have been furnished unless the assessee proves that the price charged or paid in such transaction has been in good faith and with due diligence.

Where assessment order is cancelled, penalty cannot stand

In K.C. Builders vs. Asstt. CIT (SC – 2004) 135 Taxman 461 it has been held that where an order of assessment or reassessment on the basis of which penalty has been levied on the assessee has itself been finally set aside or cancelled by Tribunal or otherwise, penalty cannot stand by itself and the same is liable to be cancelled. Levy of penalty u/s 271 (1) (c) and prosecution u/s 276C are simultaneous and, therefore, once penalty is cancelled on the ground that there is no concealment, quashing of prosecution u/s 276C is automatic.

Penalty should be levied within reasonable time

In CIT vs. Padampat Singhania (HUF) (2005) 145 Taxman 85 the Allahabad High Court held that imposition of penalty after more than 20 years is not justified.
Accounting for Taxes on Income (As 22)

Aarti Rathi

Introduction
Taxes on income is one of the significant items in the statement of profit and loss of an enterprise. This item of expense is generally determined according to the provision of tax laws.

Many items of expenses are recognised in the statement of profit and loss on the basis of direct association between costs incurred and earnings generated thereby, commonly referred to as the matching concept.

The appropriate accounting method is to account for the tax liability in the same year in which expenses are accounted for in books notwithstanding the fact that some items may be considered for tax in different years.

Example: There could be situations where depreciation is charged in the books over its useful life but for which the entire deduction is claimed in the first year as per tax laws.

In other words, the income is charged to tax in year other than the year in which it is recorded in the books of accounts due to varied tax provisions.

Thus higher book profits and less tax in the current year cannot completely justify about the profitability of the company, if the tax burden changes in the future.

Thus for the purpose of making a provision for tax an income in the same year of its accrual irrespective of its actual due, is the main punch line of this Accounting Standard.

Applicability
AS 22 is applicable in respect of accounting periods commencing on or after 1st April 2001. However, AS 22 has been made applicable for different class of entities in three different stages as follows:

(i) For the following entities, AS 22 is mandatory in nature for all accounting periods commencing on or after 1st April 2001:
   i. Enterprises whose equity or debt securities are listed on a recognised stock exchange in India;
   ii. Enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India as evidenced by the board of directors’ resolution in this regard;
   iii. All the enterprises of a group, where the parent enterprise presents consolidated financial statements and the Accounting Standard is mandatory in nature in respect of any of the enterprises of that group in terms of (i) and (ii) above.

(ii) In respect of companies not covered by (a) above, it is mandatory for all the accounting periods commencing on or after 1st April 2002.

(iii) In respect of all other enterprises, it is mandatory for all the accounting periods commencing on or after 1st April 2006.

Important Definitions

Accounting income (loss): The net profit or loss for a period, as reported in the statement of profit and loss, before deducting income tax expense or adding income tax saving (PBT).

Taxable income (tax loss): The amount of income (loss) for a period, determined in accordance with the tax laws based upon which income tax payable or recoverable is determined.

Permanent Difference
These are the differences between taxable income and accounting income for a period that originate in one period and do not reverse subsequently.

Eg. (i) Expenses charged in the profit and loss account but disallowed as per tax law, for example penalty paid for infringement of law.

(ii) Donations charged in the profit and loss account but disallowed as per section 80G of the income tax act.

Permanent differences do not result into any deferred tax asset or deferred tax liability.

Timing Difference
So now the only concern which remains in Timing differences is about:
1. how they evolve?
2. how to recognise them?
3. what is a deferred tax asset and does it not violate the concept of prudence?

It is the difference between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent period.

For example, Suppose Star Limited has purchased machinery for scientific purpose related to business for Rs. 1 lakh on which it decides to charge depreciation on ‘SLM basis’ for a period of 5 years.

Thus, every year the depreciation charged for next 5 years would be Rs. 20,000.

On the other hand, the income-tax provisions provide deduction on the entire Rs. 1,00,000 in the year of its purchase.

Differences between Accounting income and taxable income

Permanent Difference

| Differences which originate in one period and do not reverse subsequently. |

Timing Difference

| Differences which originate in one period and are capable of reversal in one or more subsequent periods. |
Thus, while computing taxable income, the entire Rs. 1,00,000 would be deducted in the first year.

This would result into a difference between the accounting income & Taxable income & thus on the tax liability as follows:

Suppose the profits for the year are Rs. 2,00,000.

| Item or amounts considered in "different periods" for books and tax purposes |
|-----------------|------------------|
| E.g. 43B item (bonus) | E.g. depreciation (SIM/WDV) |

Timing differences being difference in either items or amount

Virtual certainty

Virtual certainty refers to the extent of certainty, which for all practical purposes can be considered certain. Virtual certainty cannot be based merely on forecasts of performance such as business plans. (Accounting Standard Interpretation 9)

Unabsorbed depreciation and carry forward of losses

Since unabsorbed depreciation can be carried forward without any time limit, deferred tax asset can be recognised. But AS-22 requires that there should be Virtual Certainty supported by convincing evidence about future taxable income against the deferred tax asset.

There is a 8 year limit for carry forward of business loss in the Indian Tax laws, and hence the deferred tax asset should be planned to be recognised within this time limit.

Reassessment of unrecognised deferred tax asset

AS-22 allows to reassess at every balance sheet date any previously unrecognised deferred tax asset, and recognition thereof if it becomes reasonably certain that such deferred tax asset will be realised.

Review of deferred tax asset

If it is evident at the balance sheet date that any portion of the deferred tax asset is not recoverable because of uncertainty of future income, the deferred tax asset should be written down to that extent.

Tax rate to be used in measuring deferred tax asset or liability

1. Deferred tax asset or liability should be determined using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

2. When different tax rates applies to different levels of taxable income, deferred tax assets and liabilities are measured using average rates.

3. The deferred tax assets and liabilities should not be discounted to their present value.

Criteria for setting off deferred tax asset against deferred tax liability

1. Enterprise should have a legally enforceable right to set off current tax items that stand recognised in the balance sheet.

2. The DTA & DTL should relate to taxes on income levied by the same governing tax laws. (E.g. an excise duty liability cannot be set off against an income tax asset).

Disclosure

1. Deferred tax assets and liabilities should be distinguished from
Deferred tax balances are to be disclosed separately on the face of Balance Sheets. In case of companies, deferred tax assets are shown after the head ‘Investments’. Deferred tax liabilities are shown after the head ‘unsecured loans’. (Accounting Standard Interpretation 7)

2. The break-up of deferred tax assets and deferred tax liabilities into major components of the respective balances should be disclosed in the notes to accounts.

3. The nature of the evidence supporting the recognition of deferred tax assets should be disclosed, if an enterprise has unabsorbed depreciation or carry forward of losses under tax laws.

Transitional Provisions
On the first occasion that the taxes on income are accounted for in accordance with AS 22, the enterprise should recognize, in the financial statements, the impact of such deferred tax assets or liabilities with retrospective effect by adjusting the opening reserve keeping in view the concept of prudence.

Important Accounting Standard Interpretations (ASIs) Relating to AS 22
Deferred tax in respect of timing differences which reverse after the tax holiday period should be recognized in the year in which the timing differences originate.

2. ASI 4: Losses under the head capital gains.
It can be carried forward & set off in future years only against that head for not more than 8 years. Short-term capital losses can be set off only against short-term capital gains.


The tax rate for DTA is the rate at which the DTA should be reversed in the subsequent years.

AS-22: Bird’s Eye View

**Accounting for Taxes on Income**

**Accounting Income**

- Differences in items considered
- Differences in amounts considered

**Taxable Income—taxes as per tax laws**

- Timing Differences capable of reversal in one or more later periods
- Permanent Differences (Do not reverse in later periods—ignore)

**Classify**

- Results in Deferred Tax (B)
- Results in Current Tax (A)

(A) + (B) = Tax Expense

- Either a deferred tax asset—tax in subsequent years lower-DTA (Credit P & L)
- Or a deferred tax liability—tax in subsequent years higher-DTL (Debit P & L)

1. For unabsorbed depreciation and tax losses recognition based on virtual certainty and convincing evidence about future taxable income.

2. Others recognition based on reasonable certainty.
Accounting Standards – A Bird’s Eye View

Seema Gupta

1. Introduction

"Financial reporting is not an end itself but it is intended to provide information that is useful in making business and economic decisions – for making reasoned choices among alternative uses of scarce resources in the context of business and economic activities."

Accounting as a ‘language of business’ communicates the financial results of an enterprise to various stakeholders by means of financial statements. If the financial accounting process is not properly regulated, there is possibility of financial statements being misleading, tendingious and providing a distorted picture of the business, rather than the true state of affairs. If every business entity could follow its own notion about the accounting terms like assets, liabilities, revenue, expenses, income etc. there will be complete chaos. To have uniformity and consistency in preparation and presentation of financial statements, accounting operates within a framework of ‘Generally Accepted Accounting Principles’ (GAAPs); follows a conceptual framework and adheres to the ‘Accounting Standards’ (ASs) issued by the regulatory authority for standardization of accounting policies to be adopted under specific circumstances. The term GAAP is used to describe rules developed for preparation of financial statements and are variously called concepts, conventions, axioms, postulates, principles etc. Accounting Standards are the policy documents issued by the regulatory accounting body, relating to various aspects of measurement, treatment and disclosure of accounting transactions and events with a view to harmonize and standardize accounting policies.

2. Rationale of Accounting Standards

Accounting Standards (ASs) are written policy documents issued by expert accounting body or by government or other regulatory body covering the aspects of recognition, measurement, presentation and disclosure of accounting transactions in the financial statements. The ostensible purpose of the standard setting bodies is to promote the dissemination of timely and useful financial information to investors and certain other parties having an interest in the company’s economic performance. The Accounting Standards reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, thereby ensuring comparability of financial statements of different enterprises. The Accounting Standards deal with the issues of (i) recognition of events and transactions in the financial statements, (ii) measurement of these transactions and events, (iii) presentation of these transactions and events in the financial statements in a manner that is meaningful and understandable to the reader, and (iv) the disclosure requirements which should be there to enable the public at large and the stakeholders and the potential investors in particular, to get an insight into what these financial statements are trying to reflect and thereby facilitating them to take prudent and informed business decisions.

Accounting Standards standardize diverse accounting policies with a view to eliminate, to the maximum possible extent, (i) the non-comparability of financial statements and thereby improving the reliability of financial statements, and (ii) to provide a set of standard accounting policies, valuation norms and disclosure requirements.

3. Evolution of Accounting Standards

Formal standard setting has a longer history in the United States than in any other country. As early as in 1932-34, the American Institute of Accountants (now known as American Institute of Certified Public Accountants), collaborated with the New York Stock Exchange in the formulation of five ‘rules or principles’ of accounting to narrow down the variations in accounting policies, recommend disclosures for significant items, and suggest improvement in disclosures required by accounting standards keeping in view the company law and other regulatory requirements. In 1959, the American Institute of Certified Public Accountants (AICPA) established the Accounting Principles Board (APB) with the objective of carrying on research so as to provide a solid conceptual base for its opinions. APB was replaced by Financial Accounting Standards Board (FASB) in 1973. Accounting Standards Committee (ASC) was set up in United Kingdom to lay down “standards” which could produce greater uniformity in financial accounting practices.

Prior to 1970s, very few academicians paid much attention to the standard setting process in accounting. However, it became clear that standard setting was a fascinating process that had intertwined with the economic self-interests of the affected parties. Currently, standard setting boards or committees are active in number of countries including the United States, United Kingdom, Australia, Canada, India etc. In the same direction, the International Accounting Standards Committee (now known as IASB), the London based group responsible for developing International Accounting Standards, was set up in June 1973. The IASC comprises the professional accountancy bodies of over 75 countries (including the Institute of Chartered Accountants of India).

4. Position of Accounting Standards in India

4.1 Accounting Standard Setting Procedure

The Institute of Chartered Accountants of India (ICAI), being a premier accounting body in the country, took upon itself the leadership role by constituting the Accounting Standards Board (ASB) in 1977. The ICAI has taken significant initiatives in the setting and issuing procedure of Accounting Standards to ensure that the standard-setting process is fully consultative and transparent. The ASB considers the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRSs) while framing Indian Accounting Standards (ASs) and try to integrate them, in the light of the applicable laws, customs, usages and business environment in the country. The composition of ASB includes, representatives of industries (namely, ASSOCHAM, CII, FICCI), regulators, academicians, government departments etc. Although ASB is a body constituted by the Council of the ICAI, it (ASB) is independent in the formulation of accounting standards and Council of the ICAI is not empowered to make any modifications in the draft accounting standards formulated by ASB without consulting with the ASB.

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February, 2006
The standard-setting procedure of ASB can be briefly outlined as follows:

- Identification of broad areas by ASB for formulation of AS.
- Constitution of study groups by ASB to consider specific projects and to prepare preliminary drafts of the proposed accounting standards. The draft normally includes objective and scope of the standard, definitions of the terms used in the standard, recognition and measurement principles wherever applicable and presentation and disclosure requirements.
- Consideration of the preliminary draft prepared by the study group of ASB and revision, if any, of the draft on the basis of deliberations.
- Circulation of draft of accounting standard (after revision by ASB) to the Council members of the ICAI and specified outside bodies such as Department of Company Affairs (DCA), Securities and Exchange Board of India (SEBI), Comptroller and Auditor General of India (C&AG), Central Board of Direct Taxes (CBDT), Standing Conference of Public Enterprises (SCOPE), etc. for comments.
- Meeting with the representatives of the specified outside bodies to ascertain their views on the draft of the proposed accounting standard.
- Finalisation of the exposure draft of the proposed accounting standard and its issuance inviting public comments.
- Consideration of comments received on the exposure draft and finalisation of the draft accounting standard by the ASB for submission to the Council of the ICAI for its consideration and approval for issuance.
- Consideration of the final draft of the proposed standard and by the Council of the ICAI, and if found necessary, modification of the draft in consultation with the ASB is done.

The Accounting Standard on the relevant subject is then issued by the ICAI.

### 4.2 How many AS?

The ICAI has, so far, issued 29 Accounting Standards on various subjects. However, AS 8 on "Accounting for Research and Development" has been withdrawn consequent to the issuance of AS 26 on 'Intangible Assets'. Thus effectively, there are 28 Accounting Standards at present. Besides, the ICAI has also issued 30 Accounting Standards Interpretations (ASIs) and various Announcements, and Guidance Notes to bring an overall qualitative improvement in the financial reporting by ensuring consistency and transparency as also providing authoritative interpretations on issues arising from accounting standards to the corporate world.

### 4.3 Compliance with Accounting Standards

Accounting Standards issued by the ICAI have legal recognition through recent amendment in the Companies Act, 1956, whereby every company is required to comply with the Accounting Standards and the statutory auditors of every company are required to report whether the Accounting Standards have been complied with or not. As per section 211(3C) of the Companies Act, all the Accounting Standards as recommended by the Institute are at present applicable to all the companies until the National Advisory Committee proposed to be appointed under section 210A advises otherwise.

The Securities and Exchange Board of India (SEBI) has added a new clause in the listing agreement to provide that listing companies shall mandatorily comply with all the Accounting Standards issued by ICAI from time to time.

The Income Tax Act vide section 145 specifies that assessee should comply with such accounting standards as may be notified by the government. So far only two accounting standards NAS 1 and NAS 2 which are based on AS 1 and AS 5 have been notified to be followed by assesses following mercantile system of accounting.

Also, the Insurance Regulatory and Development Authority (IRDA) requires insurance companies to follow the Accounting Standards issued by the ICAI.

The Council of the Institute of Chartered Accountants of India has made various accounting standards mandatory in respect of certain non-corporate entities also such as partnership firms, sole-proprietor concerns/individuals, societies registered under the Societies Registration Act, trusts, associations of persons, and Hindu undivided families, where financial statements of such entities are statutorily required to be audited, for example, under Section 44AB of the Income-tax, 1961. The Council has cast a duty on its members to examine compliance with the Accounting Standards in the financial statements covered by their audit and in the event of any deviations therefrom, to make adequate disclosures in their audit reports so that the users of the financial statements may be aware of such deviations.

### 5 Global Scenario

International analysts and investors would like to compare financial statements based on similar accounting standards, and this has led to the growing support for an internationally accepted set of accounting standards for cross-border filings. The task of facilitating the movement towards increased comparability and harmonisation world-wide was taken by International Accounting Standards Committee (IASC) [presently known as International Accounting Standards Board (IASB)], an independent, private sector body that was formed in 1973 by the professional accounting bodies in the US and eight other industrialized countries.

Between 1973 and 2001, the International Accounting Standards Committee (IASC) released International Accounting Standards. Between 1997 and 1999, the IASC restructured their organisation, which resulted in formation of International Accounting Standards Board (IASB). These changes came into effect on 1st April, 2001. Subsequently, IASB made a statement about current and future standards: IASB publishes its Standards in a series of pronouncements called International Financial Reporting Standards (IFRS). It has also adopted the body of Standards issued by the Board of the International Accounting Standards committee. Those pronouncements continue to be designated “International Accounting Standards” (IAS). The IASB approved IASB Resolution on IASC Standards at their meeting in April, 2001, which confirmed the status of all IASC Standards and SIC Interpretations in effect as of 1 April, 2001.

The Council of European Union has adopted an ‘IAS Regulation’ requiring all listed companies (including banks and insurance companies) to prepare their consolidated accounts in accordance with IAS from 2005 onwards. This will help eliminate barriers to cross-border trading in securities by ensuring that company accounts throughout the European Union are more reliable and transparent. Member countries may defer application of IAS until 2007 for those companies that are listed both in the European Union (EU) and elsewhere and that currently use US GAAPs or other GAAPs e.g. Indian GAAPs as their primary basis of accounting as well as for companies that have only publicly traded debt securities.
6 Harmonization of Accounting Standards

The idea of global harmonization of accounting standards stems from lack of comparability of financial statements across the country. In particular, a company having presence in different countries has to prepare financial reports as per generally accepted accounting principles of the country of operation and then it is required to reconcile all such reports for the purpose of consolidation as per generally accepted accounting principles (GAAPs) of the country to which the parent belongs. This increases the cost of preparing the financial report and also performance measurement across the geographical region becomes difficult because of non-comparable accounting rules. As global diversification of portfolio has become an important issue of fund management, with more and more countries accept capital account convertibility or restricted fund flow on capital account, a uniform GAAP throughout the world would have helped to increase understandability of financial statements. This would also help in cross border raising of funds through increasing international trade and relations in the form of joint ventures, cross border investments, cross border financing and raising of money, cross border listing, opening of branches and subsidiaries abroad by Indian companies and the other way round by foreign companies. The expanding globalisation of business and investment is driving increase interest and as well as pressure, to enhance the quality of financial reporting throughout the world so that effective evaluation between companies can be made.

There are clear strategic benefits to use one language for financial reporting. A single global set of standards removes the expense of producing two or more sets of accounts for different markets and makes cross border comparisons of financial data valid and usable. This, in turn would permit companies to compete more effectively for funds in the world’s capital markets. Today the accounting world feels that IAS should be that common language, as it is the only set of standards that has been prepared through wide international consultation. If the convergence of accounting standards across countries to IAS / IFRS becomes a reality in the near future, we have a scenario of achieving the global set of standards. From 2005, all listed companies (listed on an European Union regulated Stock Exchange) across the European Union will have to prepare their consolidated financial statements based upon International Financial Reporting Standards. They will no longer be able to produce accounts based upon local GAAP. The fact is that many countries outside European Union are already moving to IAS. In addition to the European Union Member states, over 70 countries currently permit or require the use of IFRS by some or all of their domestic listed companies or have announced plans to do so.

By 2005, the number of listed companies in full compliance with IAS have grown exponentially. And when many of the largest multi-nationals in the Asia Pacific and all of Europe’s big multi-nationals are complying with IAS, ignoring these standards simply would not be an option – analysts, investors, stakeholders and companies everywhere will need to understand them.

Harmonization of accounting standards seems to be without alternative in fact, it seems to be inevitable. A multi-pronged approach which harmonizes other connected areas would help increase the general credibility levels of financial statements of Indian companies. The cost of conversion and reconciliation of such financial statements to statements useful in foreign countries will also reduce.

(This academic update is relevant for the students of Professional Education (Course - I))
Emerging Profile of Poverty in South Asia

Prem J. Bhutani

Background

SAARC consists of seven South Asian countries, namely Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. SAARC region comprises 23% of the world’s population, 3.4% of total land area and 2 per cent of the world’s Gross National Product. The SAARC member countries differ in size, population and income but they are similar in certain aspects like heritage, culture, colonial past and eco-system. They also share a common problem-poverty. Table 1 gives a general overview of the SAARC countries. The table shows that India is the biggest economy of the region as it accounts for 75% of the region’s population and GNP. The Maldives is the smallest member hardly accounting for about 0.02% of region’s population and GNP. The Maldives has the highest per capita income (US $ 2300) and Nepal has the lowest (US $ 240). In terms of the purchasing power parity, the per capita GNP ranges from US $ 3730 in Sri Lanka to US $ 1420 in Nepal. These countries also vary in terms of human development. The Maldives and Sri Lanka score high in terms of human development and Pakistan and Nepal have low levels of human developments. While population growth declined considerably in most of the countries, Bhutan, Nepal and Pakistan still experience a high population growth of about 2% per annum.

On the whole, South Asia has emerged as one of the most dynamic regions in the world. It has experienced sustained growth rate of about 5% over the last 25 years. It has even maintained relatively high growth, when other developing region except East Asia experienced declaration or stagnation in the growth process. (See table 2)

Poverty Profile

South Asia remains as the region with the largest number of people living in poverty. More than 400 million people live below poverty line. Though it accounts for about 22% of the global population, it is home to about 40% of the world’s poor. In terms of absolute numbers, it is more than the poor people put together in Sub-Saharan Africa, the Arab states, Latin America and the Caribbean.

Poverty has been analysed using two concepts; (i) Income/consumption concept and (ii) Human poverty concepts. Poverty analysis based on income/consumption concept is further divided into US $1 purchasing power parity (PPP) per person per day and the national poverty lines. The analysis of poverty based on human poverty concept includes three indicators: life expectancy at birth as an indicator of health, the literacy/education level as an indicator of knowledge and income/consumption level as an indicator of income.

If we consider PPP indicator, the incidence of poverty in South Asia has declined substantially from 41.3% in 1990 to 31.3% in 2000 i.e. by 10 percentage points. The national poverty line data also indicates that majority of the SAARC countries have made substantial progress in poverty reduction. About 38% of the population of South Asia was below poverty line in early 1990s which reduced to about 29% in recent years.

If we consider human development index, the data indicates that there has been a substantial gain in human development and poverty reduction in this region during the last two decades. Life expectancy has increased from 49 years to 63 years, adult literacy rate has increased from 36% to 55% and there has been a substantial increase in the net enrolment ratio in primary school from 73% to 82% over the last two decades. Income distribution in the SAARC countries is highly skewed with the top 10% of population getting 27-30% of the income and the bottom 10% of the population getting only 3-4%.

Country-wise Poverty Profile

Table 3 shows country level progress based on one dollar per day poverty line. The data show that India, Nepal, Pakistan and Sri Lanka have reduced poverty significantly in the 1990s. The rate of reduction in Bangladesh was rather modest. Time series data for Bhutan and Maldives are missing.

If we consider country-specific poverty line criterion, data although not comparable, they show that most of the countries of South Asia have been able to reduce incidences of poverty.

Table 4 shows that poverty incidence declined steadily, from 56% in

Table 1: General Overview of the SAARC countries

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Population in 2003</th>
<th>% of World</th>
<th>Surface Area '000 km²</th>
<th>% of World</th>
<th>Gross National Income $</th>
<th>% of World</th>
<th>Per Capita GNP $</th>
<th>% of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>138.1</td>
<td>2.20</td>
<td>144.0</td>
<td>0.11</td>
<td>55.0</td>
<td>0.16</td>
<td>400</td>
<td>1.870</td>
</tr>
<tr>
<td>Bhutan</td>
<td>0.87</td>
<td>0.01</td>
<td>46.5</td>
<td>0.03</td>
<td>0.57</td>
<td>0.001</td>
<td>600</td>
<td>-</td>
</tr>
<tr>
<td>India</td>
<td>1064.4</td>
<td>17.00</td>
<td>3287.0</td>
<td>2.46</td>
<td>568.0</td>
<td>1.65</td>
<td>530.0</td>
<td>2880.0</td>
</tr>
<tr>
<td>Maldives</td>
<td>0.29</td>
<td>0.004</td>
<td>0.3</td>
<td>0.0002</td>
<td>0.67</td>
<td>0.002</td>
<td>2300.0</td>
<td>-</td>
</tr>
<tr>
<td>Nepal</td>
<td>24.7</td>
<td>0.40</td>
<td>147.0</td>
<td>0.11</td>
<td>6.0</td>
<td>0.02</td>
<td>240.0</td>
<td>1420.0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>148.4</td>
<td>2.36</td>
<td>796.0</td>
<td>0.59</td>
<td>69.0</td>
<td>0.20</td>
<td>470.0</td>
<td>2060.0</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>19.2</td>
<td>0.31</td>
<td>66.0</td>
<td>0.05</td>
<td>18.0</td>
<td>0.05</td>
<td>930.0</td>
<td>3730.0</td>
</tr>
<tr>
<td>South Asia</td>
<td>1424.7</td>
<td>22.7</td>
<td>4486.8</td>
<td>3.4</td>
<td>726.0</td>
<td>2.1</td>
<td>510.0</td>
<td>2660.0</td>
</tr>
<tr>
<td>World</td>
<td>6272</td>
<td>100</td>
<td>133883</td>
<td>100</td>
<td>34491</td>
<td>100</td>
<td>5500</td>
<td>8180</td>
</tr>
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</table>

Table 2: Trends in GDP Growth Rates

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>1.8</td>
<td>4.8</td>
<td>4.8</td>
<td>5.3</td>
<td>5.5</td>
<td>5.9</td>
</tr>
<tr>
<td>Bhutan</td>
<td>-</td>
<td>7.6</td>
<td>6.3</td>
<td>7.1</td>
<td>7.8</td>
<td>7.9</td>
</tr>
<tr>
<td>India</td>
<td>3.1</td>
<td>5.8</td>
<td>5.5</td>
<td>5.8</td>
<td>7.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Maldives</td>
<td>-</td>
<td>6.0</td>
<td>3.4</td>
<td>4.3</td>
<td>3.0</td>
<td>-</td>
</tr>
<tr>
<td>Nepal</td>
<td>2.1</td>
<td>4.8</td>
<td>5.1</td>
<td>4.6</td>
<td>4.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>4.7</td>
<td>6.3</td>
<td>4.0</td>
<td>2.2</td>
<td>5.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>4.4</td>
<td>4.2</td>
<td>5.2</td>
<td>-1.5</td>
<td>5.1</td>
<td>5.8</td>
</tr>
<tr>
<td>South Asia</td>
<td>3.1</td>
<td>5.7</td>
<td>5.2</td>
<td>4.7</td>
<td>6.9</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Table 4 shows that poverty incidence declined steadily, from 56% in...
1970 to 26% in 2000 in India, from 46.5% in 1970 to 33% in 2000 in Pakistan, from 37% in 1970 to 23% in 2000 in Sri Lanka, from 71% in 1970 to 40% in 2000 in Bangladesh. In Nepal, poverty incidence was around 36% in 1980s which increased to 40% in 90s but due to increased inflows of remittances it fell to 38% in 2000. It has also been noticed that both the absolute number of the poor as well as the poverty incidences are higher in rural areas compared to the urban areas in almost all SAARC countries. About 80% of the poor live in rural areas in SAARC countries.

Another thing worth highlighting is the growing inequality in the developing world. If we use Gini index, which measures the extent to which the distribution of income within a country or region deviates from a perfectly equal distribution, we find that all the SAARC countries despite have high inequalities in terms of income and consumption; the levels have not crossed the “danger level” of 40% in term of Gini index. (Table 5)

In recent years, there has been a dramatic shift in the way the development process is viewed. The emphasis has shifted from merely accomplishing economic development to one of human development. Table 6 shows how the various SAARC countries have fared in terms of this index.

It has been observed that South Asian countries have made significant progress in the area of human development. The impressive achievements in this area can be summarized in following terms:

- Transition from a high mortality – high fertility to low mortality – low fertility;
- Impressive decline in infant and child mortality;
- Reduction in malnutrition;
- Better preventive and primary health care and environmental health;
- Impressive progress in reducing adult literacy;
- Increased enrolment in case of primary education; and
- Closing the gender gap in both primary enrolment and adult literacy.

However, South Asia is lagging behind the East Asia and Latin America in terms of human development. Also, the gender disparities are quite large in this region compared to other developing regions of the world. However, it is pertinent to mention that almost all the countries of the region have been making conscious efforts to reduce the incidence of poverty through public investments in education, health services and other infrastructural facilities.
countries could achieve the target, others may fall short. Only smaller countries of SAARC, namely Bhutan, Maldives and Sri Lanka will be nearer to reaching the target of universal primary education.

The third MDG is to promote gender equality. The target is to achieve equality in primary and secondary education preferably by 2005 and to all levels of education by 2015. There has been steady reduction in gender disparities in primary, secondary and tertiary education in some SAARC countries namely, Bangladesh, Maldives, Nepal and Sri Lanka with present ratio of girls to boys being 105, 100.8, 83.4, 106 respectively increasing from 76, 98.4, 56.6 and 100 in 1990. The progress is very low in India and Pakistan.

Gender inequalities are also reflected in wage-differences and employment distribution. Women are paid 59% of what men are paid in Pakistan and 71% of what men are paid in Bangladesh. On an average, the share of women employed in the non-agricultural sector remains modest, not exceeding 20% in most cases. Sri Lankan women fare better for most social indicator.

The fourth MDG is to reduce child mortality. For SAARC as a whole, the average under-five mortality rate has come down from 130 deaths per 1000 live births to 95 in 2002. Bangladesh has halved its child mortality rate and Bhutan and Nepal also have steep decline. India’s present child mortality rate is still high at around 95 deaths per 1000 live birth. This ratio was 123 in 1990.

The fifth goal is to improve maternal health. No reliable data exist to assess the achievement towards this goal. But it is sure that incidence of maternal mortality is quite high in all SAARC countries and none of the countries would be able to achieve targets by 2015 in this regard.

The sixth MDG is to combat HIV/AIDS, malaria and other diseases. HIV/AIDS has been spreading rapidly in South Asia since the 1990s. Around 5 million people are infected with HIV virus in South Asia. Over 90% of them are in India. Other countries have low incidence. Malaria and tuberculosis are also severe problems in some of the SAARC countries. The target of turning back these diseases by 2015 is a daunting one, but it can be achieved with strong political commitment and full mobilization of society.

The seventh goal is to ensure environmental sustainability. Countries like Nepal, Pakistan and Sri Lanka have been losing their forest cover; on the other hand, countries like Bangladesh, Bhutan and India have been making determined efforts to maintain their forest coverage. The land under forest has reduced from 32.7%, 3.6%, and 35.4% to 27.3%, 3.2% and 30% respectively in Nepal, Pakistan and Sri Lanka. India has maintained its level of 1990’s to 21.5%.

The seventh goal also includes improved energy efficiency and access to safe drinking water. Overall, South Asian seems to be on track to meet the targets of improved energy efficiency and access to safe drinking water.

The eighth goal is to develop global partnership for development. Global partnerships can help in improving the lives of people in South Asia. SAARC countries are increasingly making efforts in this direction and they have been successful to some extent.

**Conclusion**

Although South Asia has experienced sustained growth rate of above 5% over the last 25 years, the benefits of growth have not percolated down fully. South Asian countries need to manage their macro economic policies in a way that would further pro poor pattern growth by directing resources to the sectors, in which poor work such as agriculture, areas in which poor live such as rural areas, areas which use factors of production which they possess such as unskilled labour and outputs which they consume and sell such as food. These countries also need to strengthen their social, physical and financial infrastructure by increasing their development expenditure and also by mobilizing the resources from the private sector. Besides, these countries also need to shed their narrow mindedness and need to enhance intra-regional cooperation and trade. Together, they can become a significant economic entity with a tremendous bargaining power and economic strength which others may find difficult to reckon with.

**Table 6: Trends in Human Development Index**

<table>
<thead>
<tr>
<th>Country</th>
<th>Human Development Index</th>
<th>Annual Growth (%) in HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>0.35 0.41 0.48 0.51</td>
<td>1.5 1.5</td>
</tr>
<tr>
<td>Bhutan</td>
<td>- - 0.49 0.54 - -</td>
<td>- -</td>
</tr>
<tr>
<td>India</td>
<td>0.43 0.51 0.58 0.60</td>
<td>1.6 1.2</td>
</tr>
<tr>
<td>Maldives</td>
<td>- - 0.66 0.75 - -</td>
<td>- -</td>
</tr>
<tr>
<td>Nepal</td>
<td>0.37 0.44 0.50 0.50</td>
<td>1.7 1.3</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.45 0.49 0.54 0.50</td>
<td>0.9 1.0</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.65 0.71 0.76 0.74</td>
<td>0.9 0.7</td>
</tr>
</tbody>
</table>

**Academic Update**

This academic update is relevant for the students of Professional Education (Course - I).
Crisis Communication - Turnaround of Cadbury Brand in India after the Worm Infestation Controversy

Aruna Bhosle

Early 2003: In India, Cadbury has the largest market share anywhere in the world and has been the fastest growing FMCG company in the last three years with a compound annual growth rate of 12.5 per cent and around 6,50,000 retailers across the country. Cadbury India’s four factories in India churn out close to 8,000 tonnes of chocolate and the company sells a million bars every day. In spite of the new categories being explored by Cadbury, its star brand remains Cadbury Dairy Milk which continues to corner almost 30% of the chocolate market. It is followed by brands such as 5-Star, Perk and Gems. In the country’s FMCG sector plagued by slow, low single digit top line and bottom line growth, Cadbury is a sweet exception. Cadbury’s Indian operations are not just the largest in Asia but also the cheapest. As part of a global realignment of its supply chain management, the company is giving finishing touches to a plan of becoming a major sourcing hub for British chocolate and beverage giant Cadbury Schweppes that might see Cadbury India emerge as a major supplier of chocolates to the Asia-Pacific region and the Middle East.

October 2003: Bharat Puri, Managing Director of Cadbury India will never forget the batch of Dairy Milk chocolates numbered 28F311 manufactured at the company’s plant in Thane, near Mumbai. This worm-infested batch triggered a crisis for the company that had always prided itself on its squeaky clean image. The largest impact on sales has been in Maharashtra, and specifically in Mumbai, which is where the whole controversy arose as worms were found in Cadbury Dairy Milk chocolates in allegedly eight outlets across the state. Initially the company blamed retailers for not storing the products properly. While retailers cannot be absolved from using improper storage methods, part of Cadbury’s problems was its lack of efforts to educate retailers and ensure adequate hygienic storage conditions at retail outlets. The timing of the controversy couldn’t have been worse. Festival season sales (Cadbury sells almost 1,000 tonnes of chocolates during Diwali) plummeted 30 per cent. Damage control wasn’t easy. Even the parent company, seen globally as a flag bearer of corporate governance, expressed concern about the problem. Besides all the negative publicity, the worms also gave a major setback to its plans of becoming a major sourcing hub for British chocolates and beverages giant Cadbury Schweppes. Something somewhere had gone wrong.

Crisis Communication

A crisis is any situation that threatens the integrity or reputation of a company, usually brought on by adverse or negative media attention. These situations could be - faulty goods/services, legal dispute, theft, accident, fire, flood or manmade disaster etc. that could be attributed to the company. It could also be a situation where in the eyes of the media or general public, the company did not react to one of these situations in the appropriate manner. Crises are rare events, but their impact is so great that perceptive organizations formulate extensive plans to counter their effects. US research has shown that 53% of all businesses hit by a crisis will not survive if they don’t have an adequate communication plan in place. Communicating the right message at the right time is critical to managing a business crisis. The first and foremost goal is protecting the integrity and reputation of the Company. If handled properly, the damage can be minimized. Because crises may develop without warning, every company needs a well prepared plan of emergency action.

- A special task force should be ready at hand, updated across day to day activities, which will immediately get into action once the crisis hits. One individual should be designated as the primary spokesperson to represent the Company, make official statements and answer media questions throughout the crisis. A back-up to the designated spokesperson should also be identified. In addition individuals who will serve as technical experts or advisors should be designated. The spokesperson’s should be skilled in handling and establishing credibility with the media and stakeholders.

- Exhaustive lists of possible crises in various areas should be prepared.

- Practice implementing the crisis plan by going through a mock crisis once a year.

During the crisis

Deal with rumors swiftly. Communicate early and often. Respond to reporters questions immediately. Don’t wait for people to get information from outside sources. It is always best when a mistake has been made, to admit it up front, and begin doing whatever is possible to re-establish credibility and confidence with internal and external audiences.

The golden rule - “Tell it all, tell it fast and tell the truth.” Responding quickly and with confidence is the only way to demonstrate any organization’s ability to face, and overcome a business crisis. Talk to the stakeholders, to communicate and win back the trust they may have lost in the face of a crisis. Try to view the crisis from the eye of the public. Use a variety of methods to communicate to accommodate people’s different communication styles. Use simple language that is appropriate to the audience, than a speech loaded with jargon and acronyms. This dialogue could be in the form of an one-to-one interaction it could be a direct approach through the media or through effective advertising.

It is not enough to have fixed the problem. It is important to restore credibility. The organisation has to let the stakeholders know that the promises made are kept. Enlist the assistance of opinion leaders/ brand ambassadors who tend to sway group opinion through the strength of their credibility.
CASE STUDY

Cadbury, India’s Strategy

It was important for Cadbury to be seen as a responsible and proactive company to win back the trust of consumers. Cadbury did not go into denial mode. It accepted that there was a problem, which may not have been of its own making, and made a commitment to the consumer that “it would plug all possible safety loopholes.” Cadbury went into overdrive to tell consumers that improper storage of what is essentially a perishable commodity might lead to worm infestation. It initiated Project Vishwas, a three-step programme involving wholesalers and retailers in which the company partners with the traders on a war-footing to build awareness about storage requirements for Cadbury products. Bharat Puri, MD, went to media offices around the country meeting reporters, answering mostly hostile queries and patiently explaining the company’s stand on the issue. “We are changing the configuration of packaging for our Dairy Milk brand and the Rs five pack will be wrapped in an aluminium foil and enclosed in a poly flow pack which is sealed on all sides, the large Dairy Milk packs, which would come in poly-coated aluminum foil, would be heat sealed and then wrapped in the branded outer package.” Describing the packaging initiative as first ever in India, Puri said the company would spend about Rs 12-15 crore on machinery for the new packaging. A new Rs four crore packaging machine was installed at the Induri and Thane plant for the new completely sealed packaging. The new packaging would raise the costs by 12-15 per cent but despite its margin being under pressure, Cadbury was not planning any price revision as of now. The products in upgraded packaging hit retail stores in early 2004.

In Maharashtra where damage was maximum, the company involved a team of quality-control managers along with 300 salespeople to carry out checks of over 50,000 retail outlets retailing Cadbury products. The company also carried out quality checks at its facilities as well as its C & F warehouses and distributor warehouses and found products free of infestation. To offset the negative impact of the controversy and to re-establish the dominance of Dairy Milk in its category, Cadbury also signed up Bollywood icon Amitabh Bachchan as brand ambassador. With the help of its advertising agency O&M, it created a campaign which aimed for both rational and emotional appeal. One of the ads showed Bachchan visiting a Cadbury plant, inspecting the systems and processes and finally consuming a bar of chocolate to be convinced that there’s nothing wrong with the brand. The other ad featured Bachchan and his granddaughter to emphasise that the product was absolutely safe for children. The storage condition in the supply chain at redistribution depots and retailers is monitored closely and the company has also set up two Consumer Service Cells to handle any consumer complaints and respond faster.

A year later: Cadbury makes a sweet comeback. The Maharashtra Food and Drug Administration gave a clean chit to the company’s two plants in the state. Sales are back to the pre-controversy levels. Consumer confidence in the product is back and there has been a steady progression in sales. The company expects to close the year with a high double digit sales growth.

July 2005: Cadbury has also been adventurous in unleashing a brand new category within chocolates early this year by launching Cadbury Bytes and introducing the concept of sweet snacking.

References:
2. www.worldoffoodindianews.com

(This Case Study is relevant for the students of Professional Education (Course - I))
No. 13-CA (EXAM)/M/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 Professional Education - I, Professional Education - II and Final examinations will be held on the dates given below at the following centres provided that sufficient number of candidates offer themselves to appear from each centre.

Similarly Post Qualification Courses in Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) examinations will also be held on the dates given below at the following centres (centres in India only) in terms of provisions as contained in Schedule “C”, “D”, “E”, “G” and “H” of the Chartered Accountants Regulations, 1988 respectively, provided that sufficient number of candidates offer themselves to appear from each centre.

Professional Education - I Examination
[As per syllabus contained in the scheme notified by the Council under Regulation 25-B (4) of the Chartered Accountants Regulations, 1988.]

2nd, 3rd, 4th and 5th May, 2006
(Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

Professional Education - II Examination
[As per syllabus contained in the scheme notified by the Council under Regulation 28-B (5) of the Chartered Accountants Regulations, 1988.]

Group-I : 2nd, 3rd and 4th May, 2006
Group-II : 5th, 6th and 8th May, 2006
(Afternoon Session – 12.30 p.m. to 3.30 p.m.) (IST)

Final Examination
[As per syllabus contained in the scheme notified by the Council under Regulation 31 (2) of the Chartered Accountants Regulations, 1988.]

Group -I : 2nd, 3rd, 4th and 5th May, 2006
Group -II : 6th, 8th, 9th and 10th May, 2006
(Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

Management Accountancy Course (MAC Part-I), Corporate Management Course
(CMC Part-I), Tax Management Course (TMC Part-I) Examinations
[As per provision contained in “Schedule C”, “D” and “E” of Chartered Accountants Regulations, 1988]

Group-I : 6th and 8th May, 2006
Group-II : 9th and 10th May, 2006
(Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

Insurance and Risk Management (IRM) Course Examination
[As per provisions contained in “Schedule G” of Chartered Accountants Regulations, 1988]

Modules I to IV : 6th, 8th, 9th and 10th May, 2006
(Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

International Trade Laws and World Trade Organisation
(ITT & WTO) Course Examination
[As per provisions contained in “Schedule H” of Chartered Accountants Regulations, 1988]

Group A : 2nd, 3rd and 4th May, 2006
Group B : 5th, 6th and 8th May, 2006
(Afternoon Session – 12.30 p.m. to 3.30 p.m.) (IST)

Examination Centres
(I) Centres In India
1. AGRA 2. AHMEDABAD 3. AJMER
4. AKOLA 5. ALAPPUZHA 6. ALLAHABAD
7. ALWAR 8. AMBALA 9. ARRAVATI
10. AMRITSAR 11. ANANSOL 12. AURANGABAD
13. BANGALORE 14. BAREILLY 15. BATHINDA
16. BELGAUM 17. BHILWARA 18. BHOPAL
19. BHUBANESWAR 20. BIKANER 21. CHANDIGARH
22. CHENNAI 23. COIMBATORE 24. CUTTACK
25. DEHRADUN 26. DELHI/NEW DELHI
27. DNHABAD 28. DURG 29. ERNAKULAM
30. FARRABAD 31. GHAZIABAD 32. GOA
33. GUNTUR 34. GURGAON 35. GUWAHATI
36. GWALIOR 37. HISSAR 38. HUBLI
39. HYDERABAD 40. INDORE 41. JABALPUR
42. JAIPUR 43. JALANDHAR 44. JALGAON
45. JAMMU 46. JAMNAGAR 47. JAMSHEDPUR
48. JODHPUR 49. KANPUR 50. KOLHAPUR
51. KOLKATA 52. KOTA 53. KOTTAYAM
54. KOZHIKODE 55. LUCKNOW 56. LUDHIANA
57. MADURA 58. MANGALORE 59. MATHURA
60. MEERUT 61. MORADABAD 62. MUMBAI
63. MUZAFFARNAGAR 64. MYSORE
65. NAGPUR 66. NASHIK 67. NOIDA
68. PANIPAT 69. PATNA
70. PIMPRI-CHINCHWAD 71. PUNE
72. RAIPUR 73. RAJKOT 74. RANCHI
75. ROHTAK 76. SALEM 77. SHIMLA
78. SILIGURI 79. SOLAPUR 80. SURAT
81. THAN 82. HIRUVANANTHAPURAM
83. THRISSUR 84. TIRUCHIRAPALLI
85. UDAIPUR 86. UDUPI 87. UJJAIN
88. VADODARA 89. VARANASI 90. VELLORE
91. VIJAYAWADA 92. VISAKHAPATNAM
93. YAMUNANAGAR

(ii) Overseas Centres
(Only For Professional Education – I, Professional Education-II and Final Examinations)
1. DUBAI (UAE) 2. KATHMANDU (NEPAL)
Payment of fees for the examinations should be made by Demand Draft only. The Demand Drafts may be of any Nationalised Bank and should be drawn in favour of the Secretary, The Institute of Chartered Accountants of India, payable at New Delhi only.

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

Applications for admission to these examinations are required to be made on the relevant prescribed forms, copies of which may be obtained from the Joint Secretary (Examinations), The Institute of Chartered Accountants of India, Indraprastha Marg, New Delhi - 110 002 on payment of Rs.60 per application form in respect of Professional Education – I, Professional Education –II and Final Examinations. The cost of Examination application forms for Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) examinations is Rs. 25 per application form. The forms are also available in the Regional and Branch Offices of the Institute and can be obtained therefrom on cash payment on or from 2nd February 2006.

Applications together with the prescribed fee by Demand Draft of any Nationalised Bank may be sent so as to reach the Joint Secretary (Examinations) at New Delhi not later than 23rd February 2006. However, applications will also be received direct by Delhi Office after 23rd February 2006 and up to 2nd March 2006 with late fee of Rs. 200. Applications received after 2nd March 2006 shall not be entertained under any circumstances. Applications for the students’ examinations only duly filled in will also be received by hand delivery at the office of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Delhi, Ahmedabad, Bangalore, Hyderabad, Jaipur and Pune up to 23rd February 2006. Candidates residing in these cities are advised to take advantage of this facility. However, application forms duly completed for the Post Qualification Course examinations viz: Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) examinations and International Trade Laws and World Trade Organisation (ITL&WTO) examinations will be received only at the New Delhi office of the Institute.

For the current examination also, the students of PE I examination will have the option of online filling up of examination forms on www.icai.nic.in

The fees payable for the various examinations are as under:

<table>
<thead>
<tr>
<th>Examination</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Education - I Examination</td>
<td>Rs. 1000</td>
</tr>
<tr>
<td>Professional Education - II Examination</td>
<td>Rs. 1250</td>
</tr>
<tr>
<td>For Both the Groups</td>
<td>Rs. 750</td>
</tr>
<tr>
<td>For one of the Groups</td>
<td></td>
</tr>
<tr>
<td>Final Examination</td>
<td>Rs. 1750</td>
</tr>
<tr>
<td>For Both the Groups</td>
<td>Rs. 1000</td>
</tr>
<tr>
<td>For one of the Groups</td>
<td></td>
</tr>
<tr>
<td>Management Accountancy Course (MAC Part-I)</td>
<td>Rs. 400</td>
</tr>
<tr>
<td>Corporate Management Course (CMC Part-I)</td>
<td>Rs. 200</td>
</tr>
<tr>
<td>Tax Management Course (TMC Part-I) Examinations</td>
<td></td>
</tr>
<tr>
<td>For Both the Groups</td>
<td>Rs. 1000</td>
</tr>
<tr>
<td>For one of the Groups</td>
<td></td>
</tr>
<tr>
<td>Insurance &amp; Risk Management (IRM) Examination</td>
<td></td>
</tr>
</tbody>
</table>

Candidates of Professional Education – I, Professional Education – II and Final examinations opting for Dubai Centre are required to remit US$ 200, US$ 250 and US$ 300 respectively or its equivalent Indian Currency irrespective of whether the candidates appear in a group or in both the groups.

Candidates of Professional Education – I, Professional Education – II and Final Examinations opting for Kathmandu centre are required to remit Indian Rs.1500, Rs.1750 and Rs.2250 respectively or its equivalent relevant foreign currency irrespective of whether the candidates appear in a group or in both the groups.

Option to Answer Papers in Hindi

Candidates of Professional Education – I, Professional Education – II and Final Examinations will be allowed to opt for Hindi medium for answering papers. Detailed information will be found printed in the Information sheets attached to the relevant application form. However the medium of Examinations will be English only in respect of Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) examinations.

(G. SOMASEKHAR)
Joint Secretary (Exams.)
**Announcements**

1. **Sunday Test Scheme - For Final and Professional Education (Course – II) Students**

Considering the difficulties faced by the Final Course Students in appearing Sunday Tests to fulfill the requirements of Eligibility Test Paper Scheme because of their outstation audit assignments during articled/audit training, the Board of Studies decided to make Sunday Test Scheme optional. Accordingly, Final course students may either appear in requisite number of Sunday Tests or submit requisite number of Postal Test Papers. The students are also allowed to fulfill the criteria of the Eligibility Test Paper Scheme partly under Postal Test Paper Scheme and partly under Sunday Test Paper Scheme. Students are advised to collect the Postal Test Paper booklet from the respective Regional Offices i.e. Mumbai, Chennai, Kolkata, Kanpur and New Delhi. This scheme has been given immediate effect.

The Board of Studies also decided that Sunday Test Paper Scheme for Professional Education (Course – II) students will continue to remain mandatory in the selected cities only. Accordingly, Sunday Tests will be conducted in Mumbai, Chennai, Kolkata, Delhi, Kanpur, Ahmedabad, Bangalore, Hyderabad, Jaipur and Pune. Students belonging to other cities may join Postal Test Paper Scheme. Alternatively, they may complete Sunday Tests for the purpose of eligibility for May, 2006 Examination through existing Sunday Test Centres. This Scheme has been given immediate effect.

The list of Sunday Test Centers is given in the box.

Sunday Test Centres in other cities/Towns will be made non-operative w.e.f. 1st January, 2006. There will also be no Sunday Tests at Divine Public School, Sector –9, Faridabad. All students of the Faridabad city are required to join Postal Test Paper Scheme.

2. **Eligibility Tests at Accredited Institutes**

Students should note that from January 1, 2006 accredited institutes will not be allowed to conduct tests for the purpose of awarding eligibility certificates to PE-I, PE-II and Final students. Henceforth, all students have to necessarily go through Sunday/postal test scheme. Thus, the students of the Professional Education (Course-I) have to appear in postal test papers. Students of Professional Education (Course – II) may appear in Sunday/Postal tests as per the existing scheme. Students of the final course may exercise their discretion as given in the first announcement.

3. **Refund of fees to PE-I and PE-II students who paid full fees more than once on account of provisional registration**

The Executive Committee at its 43rd Meeting held on May 11 & 12, 2005 decided to accept the recommendation of the Board of Studies that the fees collected from those students who were provisionally registered to the PE (Course-II) more than once and paid full fees at the relevant time be refunded the fees after deducting an amount of Rs.400/- towards cost of study material and administrative charges and Rs.250/- towards the re-registration charge paid.

Accordingly, a list of all such students was prepared by various Decentralised Offices of the Institute and fees paid more than once have been refunded to such group of students in accordance with the decision of the Executive Committee. In case any student belonging to the above mentioned category is not identified, they may approach the appropriate DCO Head for refund of fees.

4. **250 Hours Compulsory Computer Training Programme**

The next online Examination for 250 Hours Compulsory Computer Training Programme will be conducted on 12th February, 2006 at 10.00 AM. All those students who fulfill following requirements are eligible to appear for this examination:

1. Completed minimum three months computer training,
2. Cleared all module tests

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**List of Sunday Test Centres of PE–II Course and Final Course**

**WESTERN REGION**

1. S.I.E.S. College of Arts, Science & Commerce, SION (West), Mumbai - 400022
2. Vivek College of Commerce, Vivek College Road, Goregaon (W), Mumbai - 400 062
3. Karnaveer Bhaurao Patil College (Modern College) vashi, Juhunagar, Sector 15A, Navi Mumbai - 400703
4. Mulund College of Commerce, Sarojini Naidu Road, Mulund (West), MUMBAI - 400 080
5. Vidya Varnhini’s A.V.College of Arts, Vasai Road, (W), Thane - 401 202
6. Pragati College of Arts & Commerce, D.N.C Road, Dattanagar, Dombivali (W)
7. H.L. College of Commerce, N. Commerce Six Road, Navrangpura, Ahmedabad – 380 009
8. Sir Parashurambhau College, Pune - 411 030

**EASTERN REGION**

1. Khudiram Bose Cent. College, 71/2A, Bidhan Sarani, Kolkata - 700006

**CENTRAL REGION**

1. Central India Regional Council of the Institute of Chartered Accountants of India, ICAI Bhawan, 16/77 B, Civil Lines, Kanpur - 208 001
2. Jaipur Branch of CIRC of the Institute of Chartered Accountants of India, ICAI Bhawan, D-1, Institutional Area, Jhalana Doongri, JAIPUR - 302004,

**NORTHERN REGION**

2. Arvachin Bharti Bhawan , Sr. Secondary School, Vivek Vihar, Delhi

**SOUTHERN REGION**

1. Southern India Regional Council of the Institute of Chartered Accountants of India, ICAI Bhawan, 122, Mahatma Gandhi Road, Chennai - 600 034
2. Bangalore Branch of SIRC of the Institute of Chartered Accountants of India, ICAI Bhawan, No. 16/0, Millers Tank Road Area, BANGALORE - 560 052
3. Hyderabad Branch of SIRC of the Institute of Chartered Accountants of India, ICAI Bhawan,11-5-398/C, Red Hills, HYDERABAD - 500 004
3. Submitted the project
4. Attained 90% attendance

It is observed that even those students who do not fulfil the conditions stated above are appearing for the online examination. It is reiterated that only those students who fulfill all the four aforesaid criteria are eligible to appear for the online exam. Ineligible students will not be issued CCT completion certificates even if they are allowed to appear for the online examination by their concerned training institute. Students are advised to contact their concerned accredited training institutes for further details. In case you face any difficulty regarding conduct of online examination at your training centre, please contact the concerned Regional Office. Alternatively, you can contact Mrs. Indu Arora at NOIDA office at e-mail address indu@icai.org.

5. Scholarship Schemes (w.e.f. 1st April, 2006)

<table>
<thead>
<tr>
<th>Name of Scholarship</th>
<th>Number</th>
<th>Amount (Rs.)</th>
<th>Duration (Months)</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Merit</td>
<td>4</td>
<td>500</td>
<td>18</td>
<td>S. No. 1-4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Merit List PE-I Examination, November 2005</td>
<td></td>
</tr>
<tr>
<td>2. Merit-cum-Need based</td>
<td>5</td>
<td>500</td>
<td>18</td>
<td>Merit List PE-I Examination</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Merit List PE-II Examination, November 2005</td>
<td></td>
</tr>
<tr>
<td>3. Need-based</td>
<td>15</td>
<td>300</td>
<td>12</td>
<td>Students of PE-I Course</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>300</td>
<td>18</td>
<td>Students of PE-II Course</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>300</td>
<td>30</td>
<td>Students of Final Course</td>
</tr>
</tbody>
</table>

Notes
1. The income of parents/guardians should not exceed Rs.1,50,000 p.a. in case Merit-cum-Need scholarships and Rs.1,00,000 p.a. in case of Need-based.
2. Students who belong to SC/ST/OBC category will be paid an additional amount of Rs.25/- p.m.
3. Two scholarships are reserved for physically handicapped students in Need-based category.
4. Applicants for the grant of Need-based scholarships should be registered students of PE-I/PE-II. Students of Final Course will be paid scholarship for 30 months/ balance period of articleship.

Scholarship Schemes is liable to be discontinued if the recipient does not clear PE-I Exam and Both Groups of PE-II/Final Course conducted by the Institute in the first two available chances. (Non-appearance at the Examination will be considered as non-clearance of the Examination).

The scholarships will be released in April, 2006. The duly completed application should be submitted in the prescribed form and it should reach to Director of Studies, The Institute of Chartered Accountants of India, Post Box No. 36, C-1, Sector-1, NOIDA-201 301, latest by 31st March, 2006. The application forms can be had from the Institute’s offices at New Delhi, NOIDA and Regional Offices by sending a request alongwith a self-addressed envelope affixed with a postal stamp of Rs.5. Alternatively application form can be downloaded from the web site of the Institute namely www.icai.org.

In addition, there are scholarships available under different endowment schemes, which will be separately notified.

Student’s Corner

General Management and Communication Skills
Aditya Mullick

GMCS is the course, some said it’s a great bore,
Total waste of time, go and snooze—just don’t snore.
Fifteen days of hardship, you do at your own cost,
Otherwise, the membership you desire will get forever lost.

I enrolled myself thinking to have sacrificed my time of leisure,
But to my surprise what I got, memorable moments as life long treasure.
There were about fifty others, who thought the same as me,
But everyone’s view changed, as days passed and we opened free.

The classes stood interesting, with mock interviews and group discussion
Corporate writing, public speaking and many more worth to mention.
Self-esteem classes, interactive games along with various aptitude tests
Power Dressing and Dinning Etiquette to help us to groom at our best.

The days became so good and refreshing, wished that it never ends.
As classmates we came close, but closer we are now as we are friends.

The faculty were outstanding, provided us the stepping stone
In the world of rivalry where one has to fight and survive on his own.

Today I boast to have undergone the invaluable course GMCS
Grown as a student, professional and a better human, above the rest.
A share of experience; Life is full of venturing new things and unexpected thrills
To have a taste, join the course on General Management and Communication Skills.
Examinations

The next Professional Education - I, Professional Education - II and Final Examinations of the Institute will be held from 2nd May 2006 at the following centres:


2) Overseas Centres: Dubai (UAE) and Kathmandu (Nepal) [Only For PE-I, PE-II And Final Examinations].

Applications for admission to Professional Education - I, Professional Education - II and Final Examinations are required to be made in the prescribed forms. The application forms are priced at Rs. 60 per application form and will be available for sale from 2nd February 2006. The candidates requiring forms by post may please send their request to the Joint Secretary (Examinations), The Institute of Chartered Accountants of India, Indraprastha Marg, New Delhi - 110002, along with a remittance of Rs. 60 per application form by Demand Draft/ Indian Postal Order, drawn in favour of the "Secretary, The Institute of Chartered Accountants of India" payable at New Delhi giving clearly the address where the application form is required together with postal stamps worth Rs. 15.

Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I) and Insurance and Risk Management (IRM) will be held from 6th May, 2006 and International Trade Laws and World Trade Organisation (ITL&WTO) Examination will be held at the centres mentioned above (except Kathmandu and Dubai) from 2nd May 2006.

For application forms for these examinations, please write to the Joint Secretary (Examinations), ICAI, New Delhi - 110002 along with a postal order/demand draft for Rs. 25/- drawn in favour of the Secretary, ICAI, New Delhi or obtain the same against the cash payment from Regional and Branch offices of the Institute from 2nd February 2006. The Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management Course (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) Examinations are open only to Members of the Institute.

The name of examination i.e. Professional Education - I, Professional Education - II, Final, Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) examinations for which the form is required should specifically be mentioned in the requisition letter. The student examination forms will be sent by ordinary post. No responsibility is taken for non/late delivery of forms by post. The forms will also be available against cash payment for personal collection at the offices of the Institute at New Delhi and its Regional and Branch Offices from 2nd February 2006. Details of the examination schedule will be found printed in the relevant application forms. For the current examination also, the students of PE-I examination will have the option of online filling up of examination forms on www.icai.nic.in

The Examinations will be held in two sessions - morning session from 8.00 A.M. to 11.00 A.M. (IST) in respect of Professional Education - I, Final, Management Accountancy Course (MAC Part-I), and Insurance and Risk Management (IRM) Examinations and afternoon session from 12.30 P.M. to 3.30 P.M. (IST) in respect of Professional Education - II and International Trade Laws and World Trade Organisation (ITL&WTO) Examinations. Details of Examination timing/session, dates of examinations, venue and sequence of papers pertaining to each examination will be found printed on the Admit Card. There will be no change in the examination schedule in the event of any day of the examination being declared a Public Holiday by the Central Government or any State Government.

The last dates for receipt of application forms are 23rd February 2006 (without late fee) and 2nd March 2006 (with late fee of Rs. 200).

Professional Education - I Examination is open only to those students who are already registered with the Institute of Chartered Accountants of India and fulfill the requisite eligibility conditions. Candidates of the Professional Education - I, Professional Education - II and Final Examinations will be allowed to opt for Hindi medium for answering questions. Further details will be available in the information sheets attached to relevant application forms.

The Institute does not accept any responsibility for the views expressed in the contributions or advertisements published in the newsletter.