



BANK AUDIT

**CENTRAL STATUTORY AUDIT
BRANCH AUDIT**



BEST REGIONAL COUNCIL SHIELD 2011 TO SIRC OF ICAI

SIRC of ICAI conveys its sincere thanks to all its Members.

Dr. M. Veerappa Moily, Hon'ble Union Minister of Corporate Affairs presenting the ICAI Best Regional Council Shield to **CA. K. Shanmukha Sundaram, then Chairman, SIRC** jointly awarded to WIRC at the Annual Function of ICAI on Feb. 11, 2012 at New Delhi in the presence of **CA. G. Ramaswamy, then President, CA. Jaydeep Narendra Shah, then Vice-President, Central Council Members of ICAI, then Office Bearers of SIRC and Regional Council Members of SIRC.**

MEMBERS AT HELM AT ICAI



CA. Jaydeep Narendra Shah
President



CA. Subodh Kumar Agrawal
Vice-President

OFFICE BEARERS OF SIRC OF ICAI FOR THE YEAR 2012 - 13

CHAIRMAN-SICASA



CA. K. Viswanath
Chairman



CA. D. Prasanna Kumar
Vice-Chairman



CA. P.V. Rajarajeswaran
Secretary



CA. P.R. Suresh
Treasurer



CA. Naresh Chandra Gelli V.



Group photograph of Chairman & other Office-Bearers of SIRC of ICAI with Central Council Members of ICAI and Regional Council Members of SIRC of ICAI.



Group photograph of Chairmen, other Office Bearers and Managing Committee Members of Branches of SIRC of ICAI with Chairman of SIRC of ICAI, other Office Bearers of SIRC of ICAI, Central Council Members of ICAI and Regional Council Members of SIRC of ICAI.

Chairman Writes

My Dear Professional Colleagues:

You don't have to be great to start, but you have to start to be great.—Joe Sabah

The beginning is the most important part of the work.—Plato

These two quotes impressed me when I was looking forward to plan the Agenda for taking forward the initiatives of SIRC and bring in new thoughts and vistas during the year 2012-13 with the support of my colleagues in the Regional Council and the best wishes of the members of our Institute. Yes. It will be my endeavour to add glory to the SIRC having been elected as the Chairman of SIRC for the year 2012-13 and I deem it a great honour and privilege bestowed on me to serve the profession which inter-alia provides me with an opportunity to closely interact with members and students, and exchange thoughts and views with them and understand the issues concerning the profession.

Let me at the outset thank my colleagues in the Regional Council for reposing confidence in me and electing me as the Chairman of SIRC. With my team of office-bearers CA. D. Prasanna Kumar, Vice-Chairman, CA. P.V. Rajarajeswaran, Secretary and CA. P.R. Suresh, Treasurer and support from Central and Regional Council Members, I am confident that the expectations of the members and students would be fulfilled to the best of our abilities. I take this opportunity to thank all the members for your good wishes and look forward to your suggestions which may be sent to me at the SIRC Office.

I join you all in congratulating our beloved **President CA. Jaydeep Narendra Shah** and **Vice-President CA. Subhodh Kumar Agrawal** on their assuming respective offices and assure on all your behalf our unstinted support in all their initiatives. I also congratulate the Central Council Members who are in the various committees of ICAI, the details of which are published elsewhere in this Newsletter.

Immediately after assuming office of Chairmanship, I had the pleasant opportunity to meet the Chairmen and other office-bearers of the Branches of SIRC and the meeting was very purposeful and oriented towards providing best services to the members and students. I request the members to participate regularly in the programmes of Branches and interact with the functionaries with your valued suggestions which would be brought to the attention of SIRC for consideration. This reminds me of yet another quote which reads as under:

“Coming together is a beginning, staying together is progress, and working together is success.”— Henry Ford

Through this column, I would be sharing some of my thoughts and the steps taken by SIRC in varied areas of professional interest. As you are aware the month of March and April is hectic for the practicing Chartered Accountants as they would be engaged in Bank Audit and so also for the members in industry who would have to finalize annual accounts of their organizations and present the financial statements to the Board. Despite the hectic schedule we should, as professionals, take it as yet another learning opportunity as it would involve keeping abreast with latest amendments, notifications, guidelines, procedures, etc., in the discharge of our professional responsibilities and functions.

I request each one of you to share your inputs based on the issues you would have come across during the course of your performing Bank Audit, Company Audit, compliance with the Companies Act and other professional areas of practice, that require attention of the Institute.

My priorities during my tenure are manifold and I would derive the strength through your support. Some of the priorities which I would like to share with you are as under:—

- Organizing periodical CPE Programmes throughout the Region
- Broad-based Information Technology initiatives and facilities to the Members and Students.
- Webcasting of Programmes and strengthening the Branches for Webcasting of their programmes. This will facilitate dissemination of programmes to the members directly at their doorsteps.
- Involving the members in industry in various activities of SIRC and developing the CPE Study Circles for Members in Industry.
- Infrastructure – Acquiring of land for ICAI at Chennai, creating new futuristic infrastructure facilities for the Chennai Office and acquiring of land at other branches where ICAI do not have its own land and looking out for new structure in the existing old structure wherever required and refurbishing the existing space.
- Environment-friendly atmosphere in the campus of ICAI at Chennai and other Branches.
- Focus on Students related activities including strengthening of Coaching Classes.
- Modernising and updating the Library facility including digitization and e-learning.

I look upon my colleagues in the Regional Council and the entire membership of SIRC for their support and co-operation in ensuring that the priorities listed are achieved. during the year.

The Central Statutory Audit of Banks Seminar has been successfully completed and this is followed by Bank Branch Audit Seminar, Meetings on Union Budget, **Valedictory Session of the Diamond Jubilee Year Celebrations** and Seminar on Revised Schedule VI during the month. The details of all the programmes are published elsewhere in the Newsletter.

I am extremely happy to inform you that our Hon'ble President **CA. Jaydeep Narendra Shah** and Hon'ble Vice-President **CA. Subhodh Kumar Agrawal** would be visiting Chennai on **23rd March 2012** and SIRC will have the pleasure of felicitating them. All the members are requested to join and be part of the felicitation function to be held in their honour.

The Union Budget proposals—2012 would unveil new and important measures in the field of direct and indirect taxation and as it is a core area of our profession and has an impact on the economy of the Nation, I would urge upon you to send your views so that the same could be considered while presenting the Post Budget Memorandum to the Council for incorporation at their end.

I am extremely happy to share with you that SIRC was adjudged as the **Best Regional Council for the year 2011** along with WIRC. I compliment my predecessor CA. K. Shanmukha Sundaram and thank all the members for achieving this recognition. I look forward to your continued support so that SIRC bags the award exclusively in the year 2012.

It is proposed to hold the **44th Regional Conference of SIRC at Bangalore on 18th and 19th August 2012**. This being one of the Mega programme of the Regional Council, I would request you to block the said dates for attending the programme and being part of the grand event. The details would be shared with you shortly.

I look forward to your views and suggestions on any matters which you feel may strengthen the profession and improve quality of services of the members and students.

With warm regards

Yours in professional service



CA. K. VISWANATH
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SIRC CALENDAR**MARCH & APRIL 2012**

Contact: Shri T.V. Srinivasan, Deputy Secretary – ICAI - Phone: 044 – 30210320 / 321 – Email: sirc@icai.in

DATE and TIME	PROGRAM DETAILS	RESOURCE PERSON	FEE (₹)	CPE CREDIT
Mar. 3, Saturday	CPE Seminar on BANK BRANCH AUDIT			6 hrs
Mar. 7, Wednesday 11.00 a.m. – 01.00 p.m.	**CPE Teleconference on BANK BRANCH AUDIT	CA. C.V. Sajan Delhi	150/-	2 hrs
Mar. 7, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on ISSUES IN CORPORATE TAX ASSESSMENTS	CA. B. Ramanakumar Chennai	150/-	2 hrs
Mar. 16, Friday 06.00 p.m.	*Panel Discussion on UNION BUDGET 2012	Details at page 07	No Delegate Fee	2 hrs
Mar. 17, Saturday 09.00 a.m. – 06.00 p.m.	***CPE Hands on “Practical Workshop” on ADVANCED EXCEL FOR CAs	Details at page 11	900/-	6 hrs
Mar. 20, Tuesday 02.30 p.m. – 04.30 p.m.	**CPE Teleconference on A CLAUSE BY CLAUSE ANALYSIS ON FINANCE BILL 2012	CA. Dr. Girish Ahuja Delhi	150/-	2 hrs
Mar. 21, Wednesday 06.00 p.m.	@Public Meeting on UNION BUDGET 2012	Details below	No Delegate Fee	-
Mar. 23, Friday 05.00 p.m.	*MEET THE PRESIDENT & VICE-PRESIDENT OF ICAI & VALEDICTORY FUNCTION OF THE DIAMOND JUBILEE CELEBRATIONS OF SIRC OF ICAI	Details at page 11	No Delegate Fee	-
Mar. 24, Saturday 09.00 a.m. – 05.30 p.m.	*CPE Seminar on REVISED SCHEDULE VI, AMENDMENTS TO COMPANIES ACT & CORPORATE GOVERNANCE	Details will be published in the SIRC Website www.sircoficai.org	750/-	6 hrs
Mar. 28, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on OVERVIEW OF LfAR & RESTRICTED ADVANCES	CA. T.R. Chandrasekaran Chennai	150/-	2 hrs
Apr. 4, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on STOCK & RECEIVABLES AUDIT OF BANKS	CA. T.M. Venkateswaran Chennai	150/-	2 hrs
Apr. 11, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on CHARITABLE TRUST / INSTITUTIONS – RECENT TRENDS IN TAXATION	CA. Dr. N. Suresh Bangalore	150/-	2 hrs
Apr. 18, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on COST ACCOUNTS RECORD RULES & COST AUDIT RULES 2011	CA. L. Venkatesan Chennai	No Delegate Fee	2 hrs
Apr. 20, 21 & 22, 2012 Fri, Sat & Sunday	REGIONAL RESIDENTIAL SEMINAR AT YERCAUD, SALEM	Details at page 10		12 hrs

* Programmes at P. Brahmaya Memorial Hall, ICAI Bhawan, SIRC Premises, Chennai – 600034.

** Programme at ICAI Bhawan, SIRC Premises, Chennai – 600034.

*** Programme at IIT Lab, 1st Floor, Annexe Building, ICAI Bhawan, SIRC Premises, Chennai – 600034.

@ Programme at Smt. Sivagami Pethatchi Auditorium, MCTM Hr. Sec. School, Mylapore, Chennai – 600004.

No CPE Study Circle Meeting on 14th March 2012 due to administrative reasons.**Public Meeting on Union Budget - 2012****Wednesday, March 21, 2012**
5:30 p.m. to 8:30 p.m.**Smt. Sivagami Pethatchi Auditorium**
MCTM Hr. Sec. School, Mylapore, Chennai – 600004**Speakers to share their views on the salient features of the Union Budget 2012**

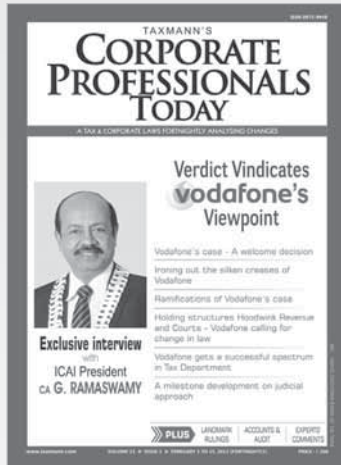
Economic Perspective	Mr. B.S. Raghavan, IAS Former Chief Secretary, Government of Tripura
Direct Taxes	CA. Dr. Girish Ahuja, New Delhi
Indirect Taxes	Eminent Resource Person

No Delegate Fee
No CPE Credit
All Are Welcome

CA. P.V. Rajarajeswaran, Secretary-SIRC of ICAI

CA. K. Viswanath, Chairman-SIRC of ICAI

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Profile

CA. Jaydeep Narendra Shah
President, ICAI (2012-2013)

CA. Jaydeep Narendra Shah is the newly elected President of the Institute of Chartered Accountants of India. A combination of intellect, prudence and professional excellence, he was elected as a Central Council Member for the third term for the period from 2010 to 2013 after completion of 1st term from 2004-2007 and 2nd term from 2007-2010. CA. Jaydeep N. Shah has become the supreme torch-bearer of Indian accountancy profession by being elected as the President of the ICAI for the year 2012-13 by the 21st Council of the Institute on February 12, 2012. He has been a fellow member of the ICAI with more than 24 years of standing. Bestowed with exceptional organizational and administrative skills, he was serving as the Vice - President of the ICAI for the year 2011-12.

CURRENT PORTFOLIO – INTERNATIONAL

- He has been appointed as the member of International Accounting Education Standards Board (IAESB) of International Federation of Accountants (IFAC) for the period January, 2012- December, 2014. IFAC has 167 members and associates from 127 countries across the world.
- He is also a Technical Advisor to CA.G. Ramaswamy, IFAC Board Member.
- He has been elected as a member of the Nominations Committee of XBRL International for the period October, 2011 – October, 2013
- He is appointed as the Chairman of the South Asian Federation of Accountants - Committee on Education, Training & CPD covering 8 professional bodies of 5 countries namely Bangladesh, India, Nepal, Pakistan and Sri Lanka.

PAST ASSIGNMENTS AT CENTRAL COUNCIL LEVEL OF ICAI

- He was Chairman Board of Studies for 4 years.
- He was Chairman of the Committee for Commerce Education & Career counseling for 1 year.
- He was Chairman of the Ethical Standards Board for 2 years.
- He was Chairman of the HR and Administration Committee for 1 year.
- He was Chairman of Financial Reporting & Review Board of ICAI.

WESTERN INDIAN REGIONAL COUNCIL (WIRC) OF ICAI AND NAGPUR BRANCH OF ICAI

- Earlier, CA. Jaydeep N. Shah was the Vice-Chairman of WIRC of the ICAI for the year 1997- 98.
- He was elected as a member of the Western India Regional Council of the ICAI for 3 consecutive terms i.e. 1995-98, 1998-2001 and 2001-2004, covering 9 years.
- He was also a member of Managing Committee of Nagpur Branch of WIRC of ICAI during 1991-95 and served as its Secretary for 1991-92, 1992-94 and Chairman for 1994-95.

ACADEMIC TRACK RECORD

- CA. Jaydeep N. Shah passed M.Com from Nagpur University standing 1st in the order of Merit.
- He was awarded P. Satyanarayanan Gold Medal and Jawaharlal Nehru Memorial Award for Standing first in the order of merit in M.Com.
- He passed B.Com from Nagpur University Standing 8th in the order of Merit.

OTHERS

- CA. Jaydeep N. Shah was a member of Board of Studies, Accounts and Statistics Board of Nagpur University for 3 years.
- He was a visiting faculty to 47th IRS batch in National Academy of Direct Taxes. ■

Panel Discussion on Union Budget - 2012

No Delegate Fee

Friday - March 16, 2012 – 06.00 p.m.

P. Brahmayya Memorial Hall, ICAI Bhawan
No.122 Mahatma Gandhi Road, Nungambakkam, Chennai– 600034

CPE Credit
2
HOURS

Direct Taxes	CA. T. Banusekar , Chennai	Indirect Taxes	Adv. K. Vaitheeswaran , Chennai
CA. P.V. Rajarajeswaran , Secretary-SIRC of ICAI		CA. K. Viswanath , Chairman-SIRC of ICAI	

Profile

CA. Subodh Kumar Agrawal

Vice-President, ICAI (2012-2013)

A combination of erudition, foresight and professional excellence, **CA. Subodh Kumar Agrawal** has become the Vice President of the Institute of Chartered Accountants of India (ICAI) for the year 2012-13. A fellow member of the ICAI with 23 years of standing, he was elected as the Vice President by the 21st Council of Institute on February 12, 2012. An altruistic hard-worker bestowed with exceptional organisational, networking, administrative and leadership skills, he has been serving as Central Council member for two terms since 2007. An illustrious and versatile accountancy professional since 1988, he is known for his passion for professional uplift.

Hailing from Kolkata, he has specialisation in the area of Internal and Statutory Audit of Private and Public Sector Entities viz. Banks and Insurance Companies. He has also been providing Consultancy Services in the fields of Accounting & Auditing, particularly matters relating to Indian and International Auditing and Accounting Standards, Corporate Laws, Corporate Governance, Restructuring of Business - Mergers, Amalgamations, Demergers, SEBI and NBFC Matters, etc.

Having passionately represented Indian accountancy profession on the international front, he has been nominated on the 'Committee on Professional Ethics and Independence' of South Asian Federation of Accountants (SAFA). Besides, he has also been an ICAI nominee on various Committees of SAFA, including Committee for Improvement in Transparency, Accountability and Governance, Committee on Professional Accountants in Business and Committee on Quality Control Review. He has also put forward Indian accountancy profession's views in the meetings of International Ethics Standards Board for Accountants of IFAC at New York and its International Standards Setters meeting at Toronto.

An outstanding facilitator of ICAI and accountancy profession as a leading partner in nation building, he has been nominated on the 'Working Group' constituted by the Competition Commission of India and on 'Committee of Experts' constituted by the Ministry of Corporate Affairs to prepare a fresh Inspection Manual. He also represents ICAI in the 'Standing Committee on Accounting Issues' constituted by Insurance Regulatory and Development Authority and in the 'Committee to review SIDBI's lending to MSME Sector.' Presently, he is also a member of the 'Task Force of Department of Public Enterprises (DPE)' to provide professional and technical support to the DPE in the process of finalisation of MOU documents. Earlier also, in 2008, he was appointed as Task force Member by Department of Public Enterprises for MoU in Mining and Metal Sector and in the year 2009, he was appointed as Task Force Member by Department of Public Enterprises for Petroleum – II. He has also commendably performed as member of Banking and Financial Services Sectional Committee - MSD 7 constituted by Bureau of Indian Standards, Regional Advisory Committee of Central Excise Commissionerate, Technical Group on Institution & Market Structure of the Committee on Financial Sector Assessment constituted by RBI, and member of SEBI Primary Market Advisory Committee. He is also an Independent Director in 'M/s Gujarat NRE Coke Ltd'. and 'Accounting and Research Foundation' (ARF) of the ICAI.

A seasoned professional with a futuristic vision, CA. Subodh Kumar Agrawal, in his illustrious inning in Council, has served the profession holding important positions in both Standing and Non Standing committees of the ICAI. As the Vice President of the ICAI, he is Vice-chariman of all the Standing Committees and also the Member ex-officio in all Non-standing Committees of ICAI and Joint Editor of The Chartered Accountant journal.

He has made noteworthy contributions in whatever capacities he served the profession, particularly as Chairman 'Committee for Members in Industry (2010-11), Audit Committee (2008-09), Public Finance Committee (2008 and 2009) and as a member of Executive committee of ICAI (2007). He has also distinctly served as Convenor the group for Satyam Report - High Powered Committee (2010-12).

During his years in ICAI Council, he has also remarkably contributed as Chairmen of Committee for Member in Industry and Ethical Standard Board and member in various Non-Standing Committees such as Accounting Standards Board, Auditing and Assurance Standards Board, Direct Taxes, Indirect Taxes, International Taxation, etc.

Before his election to the Central Council of the ICAI, CA. Agrawal has also made wide contributions in Eastern India Regional Council as he became the Secretary of the EIRC of ICAI in 2004, Vice Chairman in 2005 and then its Chairman in 2006. It was under his dynamic chairmanship that Eastern India Regional Council was honoured with 'Best Regional Council award' in the year 2006.

Known for his hard work and selfless service to the accountancy profession, CA. Subodh Kumar Agrawal is also a prolific speaker and has addressed various seminars, symposia and conferences at national, regional councils, branches and ICAI Study Circles level across the country on various issues of professional interest. He has also addressed other organisations of national and international repute on topics like Bank Audit, Corporate Governance, Micro Finance, NGO, Derivatives, Right to Information Act, CAAT, CARO, Accounting Standards, Auditing Standards and LLP, etc.

Having been a brilliant student, CA. Subodh Kumar Agrawal secured 10th rank in Final examination of Chartered Accountancy in the year 1988. He did B.Com (Hons) from Kanpur University.

His other areas of interest include sports and reading management and professional books. ■



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Statutory Branch Audit - Some Random Thoughts

Bank operations have moved a long way from traditional banking. The more the advancement, the more are its attendant problems and the reliability of data. Audit becomes more pertinent and a reliable tool for checking up the health of banks. The spread of Branches through the length and breadth of our country brings along with it the unique characteristics of the State, Region, City & Village concerned. The inthing in Banking is the CORE BANKING SYSTEMS (CBS). CBS is only accounting software and hence it cannot be thought off as if by a touch of a button the results can be brought out. This is a MYTH and should be treaded carefully. Audit under these circumstances casts the onus responsibility on auditors. The Annual Financial Inspection (AFI) of RBI is a pointer in this direction which brings out divergences in Compliance of ICRA norms vis-à-vis the stand of the management of Banks.

Audit at the operational units i.e. BRANCHES has to be done in a professional way to comply with the regulations of RBI, Circulars, norms / standards of ICAI and such other related compliance norms. The branch auditor should start audit with an open mind and should take decisions based on the records, documents, statements, etc available in the branch. He / She should be clear in analysis before deciding on any issue. The paramount guidelines are the RBI Circulars issued periodically and their compliance. It is pertinent to highlight the following circulars for the current Financial Year issued by RBI

1. BP.BC 94 / 21.04.048.2011 / 12 DATED 18.05.2011
2. Master Circular dated 01.07.2011
3. Saving Bank Interest Deregulation.
4. NRE Deposit Interest Deregulation.
5. Prudential Norms on OFF BALANCE SHEET ITEMS dated 01.08.2011
6. FORWARD Booking Reservations / Cancellation.

"The paramount guidelines are the RBI Circulars issued periodically and their compliance."



BRANCH Auditor on receipt of his appointment letter from any bank has to ensure that

- a) He is not a Concurrent / Stock Auditor / Revenue Auditor / Auditor on any special assignment of that bank or its Associate Bank
- b) He is not holding any loans in that Bank and is not disqualified under Sec 226 (3) of the Companies Act
- c) He has adequate staff members to carry out simultaneous audit of all the branches allotted to him so that he can complete them within the time deadlines given
- d) He informs the change in constitution, if any, after 01.01.2011 in the firm to the ICAI, C&AG, RBI and the bank concerned
- e) He prepares himself well based on the closing circulars of the bank concerned and RBI latest circulars (available in RBI site) so that as a Firm decisions on NPA classifications and reporting are Consistent, Uniform

and unambiguous in all the branches audited by them.

- f) If large branches are allotted then it is worthwhile to start even before 31.03.2012 with prior per minion / information to the zonal / Regional office concerned and the branch so that any sticky issues can be studied in detail and necessary decisions taken.

During audit of the branch it is to be ensured that all the required and necessary statements / documents / information are made available then and there. Any delay / shoddy preparation are likely to affect the audit adversely.

The branch auditors in most of the banks have to do Statutory Audit, LFAR Audit and TAX AUDIT. All the three should be done simultaneously to bring in an harmonious result. A clear distinction in decision making as to where the matter should be reported is required for clarity. We have come across cases where an MOC (Memorandum of Change) is required to be given, but a mere mention about it in LFAR without the actual MOC being prepared. This will not bring in the correct position during finalization as LFAR consolidation is always taken up later on only. This clarity in thoughts is possible if and only if all the available audit reports of the branch starting from 01.04.2011 done by various competent authorities are analyzed and compliances of these are followed up. Pending compliances of RBI (AFI) Is also to be studied.

Credit classification statements are not generally prepared from CBS. So our audit of those statements that are prepared based as on standalone / allied software needs to be compared with the original data in CBS. This should be done at all costs because the veracity / authenticity of figures can then only be ascertained for our certification. This is an area which is bound to create certain anomalies, differences in various fields / parameters that determine the classification. To the extent possible, on the spot corrections should be insisted upon so that a meaningful decision is taken and stands substantiated. In major borrowal accounts a trend analysis

comparing earlier statements should be done to avoid any mistakes that might have crept in due to manual intervention.

The following items require a very close look and analysis

- Contingent Liabilities.
- SYSTEM SUSPENSE A/c if any.
- Frauds.
- Non balancing for too long period.
- Loss assets and the legal positions.
- Restructured accounts.
- Special scheme loans of GOVERNMENT.
- Seasonal Loans granted.
- Huge temporary advances given.
- Huge credits after 01.03.2012 in any loan a/c, etc.

This is only an illustrative list. The auditor has to take a call based on the situation present in the branch and accordingly fine tune his audit programme.

Statutory Compliances in terms of TDS, Service tax wherever applicable, subventions, subsidy claims, etc are to be checked thoroughly Non Remittance of TDS in time and Non submission of Quarterly TDS Returns are a common problem in most of the branches. This is more due to ignorance. Hence this should be highlighted wherever it is found out and corrective measures should be initiated then and there.

CDR proposals and restructured advance accounts should be seen in depth and the explanations should be obtained immediately wherever needed before taking a final position on the status of the account. Stressed assets should be identified promptly and such accounts is they are transferred to a stressed asset / Asset recovery branch then the due process involved should be verified to avoid such accounts being in transit.

Capital Adequacy Returns (BASEL II) are generally prepared by a centralized unit. So care should be exercised in confirming the risk weightages assigned. The internal/ inner segments bifurcation should be checked in full to maintain consistency in reporting.

Bank audit is an ocean and we can keep going on and on. The aforesaid are only random thoughts. ■

CPE HOURS REQUIREMENT

Extension of last date for compliance of for Members holding COP

The Council of the Institute has decided to extend the last date for complying with the CPE hours requirement for the calendar year 2011 for the members holding COP by three months, i.e., upto 31st March, 2012.

REGIONAL RESIDENTIAL SEMINAR AT YERCAUD

Organised by SIRC of ICAI and Hosted by Salem Branch of SIRC

Friday, Saturday and Sunday
April 20, 21 & 22, 2012

CPE Credit
12
HOURS

Hotel Sheveroys

Yercaud Hills, Salem Dt., Tamil Nadu

Delegate Fee	Fees payable by DD/Cheque in favour of "Salem Branch of SIRC of ICAI" payable at Salem may be sent to the Chairman, Salem Branch of SIRC of ICAI, No. 65, ICAI Street, Ramakrishna Road, Salem-636007. Phone: 0427-2318813, Fax: 2318813, Email: salem@icai.org
Residential	Members (Twin Sharing Basis) ₹ 6000/- Accompanying Spouse ₹ 5000/-
Non-Residential	Members ₹ 3000/-

Complete details will be announced shortly.
Please block your dates and make it convenient to attend.

* Subject to approval

CA. P.V. Rajarajeswaran Secretary, SIRC	CA.S. Murali Ex-Officio Member, Salem Branch and Co-ordinator	CA. R. Gunasekaran Chairman, Salem Branch	CA. K. Viswanath Chairman, SIRC
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ICAI AWARDS FOR THE YEAR 2011

Awards to Regional Councils

Category	Recipient(s)
Best Regional Council Shield jointly to	Western India Regional Council and Southern India Regional Council
Best Regional Council Highly Commended Performance Certificate	Central India Regional Council

Awards to Branches of Regional Councils

Category of Award	Category of Branch	Recipient(s)
Best Branch of Regional Councils Shield jointly to	Large Size	Ernakulam Branch of SIRC Baroda Branch of WIRC and Nagpur Branch of WIRC
	Medium Size	Aurangabad Branch of WIRC and Salem Branch of SIRC
	Small Size	Bhilai Branch of CIRC and Tuticorin Branch of SIRC
Best Branch of Regional Councils Highly commended Performance Certificate	Large Size	Indore Branch of CIRC Ludhiana Branch of NIRC and Surat Branch of WIRC
	Medium Size	Trichur Branch SIRC Bhopal Branch of CIRC and Bhubanewar Branch of EIRC
	Small Size	Erode Branch of SIRC and Siliguri Branch of EIRC

Award to Regional Students' Association

Category	Recipient(s)
Best Students' Association Shield	Western India Chartered Accountants Students' Association (WICASA)

Award to Branches of Regional Students' Association

Category of Award	Regional Students' Association	Recipient(s)
Best Branch of Students' Association Shield	WICASA	Baroda
	SICASA	Ernakulam
	EICASA	Guwahati
	CICASA	Bhilai

SIRC AWARDS FOR THE YEAR 2011

Category of Branches	Category of Awards	Awards to Branches of SIRC of ICAI	Awards to Branches of SICASA
Membership above 750	Best Branch Award	Hyderabad	Bangalore
	Highly Commended Performance Award	Bangalore	-
Membership between 301 and 750	Best Branch Award	Trichur	Trichur
	Highly Commended Performance Award	Mangalore	-
Membership upto 300	Best Branch Award	Erode	Hubli & Tuticorin
	Highly Commended Performance Award	Hubli	-

*The Chairman and the Members of
The Southern India Regional Council of
The Institute of Chartered Accountants of India*

cordially invite you

TO MEET

CA. JAYDEEP NARENDRA SHAH, President - ICAI

and

CA. SUBODH KUMAR AGRAWAL, Vice-President - ICAI

and for

**VALEDICTORY FUNCTION OF
DIAMOND JUBILEE CELEBRATIONS OF SIRC OF ICAI**

on Friday the March 23, 2012 at 5:30 p.m.

at P. BRAHMAYYA MEMORIAL HALL

“ICAI Bhawan”, 122 Mahatma Gandhi Road, Nungambakkam, Chennai - 600 034

ALL ARE WELCOME

CA. P.V. Rajarajeswaran
Secretary, SIRC of ICAI

High Tea : 5.00 p.m.

CA. K. Viswanath
Chairman, SIRC of ICAI

**HANDS ON “PRACTICAL WORKSHOP” ON
ADVANCED EXCEL FOR CHARTERED ACCOUNTANTS**

(Financial Analysis, Modelling & Case Studies)

CPE Credit
6
HOURS

Organised jointly by Information Technology Committee of SIRC of ICAI & Committee on Banking, Insurance & Pension of SIRC of ICAI

Saturday, March 17, 2012
09.00 a.m. to 06.00 p.m.

IIT Lab, First Floor, Annexe Building, ICAI Bhawan
No.122 Mahatma Gandhi Road, Nungambakkam, Chennai – 600034

Course Contents:

- ◆ Absolute & Relative Referencing
- ◆ Filters & Data Sorting
- ◆ Pivot Tables
- ◆ LOOKUP Functions
- ◆ Logical, Date/Time & Text Functions
- ◆ Advanced Filter

Resource Person: **CA. Gopal Krishna Raju, Chennai - CA. P. Selvamoorthy, Chennai**

- ◆ Goal Seek
- ◆ Advanced Sorting Data
- ◆ Advance Validations
- ◆ Scenarios
- ◆ Nesting Functions
- ◆ Linking Workbooks
- ◆ Using Auditing Tools
- ◆ Sharing and Protecting Workbooks
- ◆ Exporting and Importing Data
- ◆ Macros
- ◆ Case Studies on Taxation, Financial Management
- ◆ Solver

DELEGATE FEE: ₹ 900/-

Seats limited to 50 only on first-come-first-serve basis. Kindly send email to sirc@icai.in for early registrations. Since seats are limited, SPOT registrations are NOT encouraged.

Delegate fee by way of Cash / Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034. Phone: 044-30210320; Email: sirc@icai.in

CA. P.V. Rajarajeswaran
Secretary, SIRC

CA. C.S. Srinivas
Chairman, Information Technology
Committee of SIRC

CA. Gopal Krishna Raju
Chairman, Committee on Banking,
Insurance & Pension of SIRC

CA. K. Viswanath
Chairman, SIRC



CA. P.R. Suresh
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Audit of Restructured Advances

Audit of restructured advances is an interesting area, consequent to the global turmoil witnessed during 2008/09, the Reserve bank of India had issued guidelines for special regulatory treatment of restructured advances, and many advances which have been rescheduled then, warrant a closer look by the branch auditors to determine the proper asset classification, income recognition and provisioning.

In this article, an attempt has been made by the author, to familiarise the readers, with the norms related to the restructuring of accounts, income recognition thereon, treatment of restructured advances, additional provisions for diminution in value (NPV) of such accounts and special regulatory treatment, illustrated through few examples.

What is a Restructured Account?

A restructured account is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount/ the amount of instalments / rate of interest (due to reasons other than competitive reasons). However, extension in repayment tenor of a floating rate loan on reset of interest rate, so as to keep the EMI unchanged provided it is applied to a class of accounts uniformly will not render the account to be classified as 'Restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as 'restructured accounts'.

What are Repeated Restructured Accounts?

When a bank restructures an account a second (or more) time(s), the account will be considered as a 'repeatedly restructured account'. However, if the second restructuring takes place after the period up to which the concessions were extended under the terms of the first restructuring, that account shall not be reckoned as a 'repeatedly restructured account'.

General Principles and Prudential Norms for Restructured Advances

Eligibility criteria for restructuring of advances

Any account under 'standard', 'sub-standard' and 'doubtful' categories may be rescheduled / restructured / renegotiated by the bank. However such exercise can only be prospective and cannot be with retrospective effect.

While a restructuring proposal is under consideration, the usual asset classification norms would continue to apply. The process of re- classification of an asset should not stop merely because restructuring proposal is under consideration. The asset classification status as on the date of approval of the restructured package by the competent authority would be relevant to decide the asset classification status of the account after restructuring / rescheduling / renegotiation.

In case there is undue delay in sanctioning a restructuring package and in the meantime the asset classification status of the account undergoes deterioration, the asset classification will continue to be the downgraded one.

Normally, restructuring cannot take place unless alteration / changes in the original loan agreement are made with the formal consent / application of the debtor. However, the process of restructuring can be initiated by the bank in deserving cases subject to customer agreeing to the terms and conditions.

No account will be taken up for restructuring by the banks unless the financial viability is established and there is a reasonable certainty of repayment from the borrower, as per the terms of restructuring package. The viability should be determined by the banks based on the acceptable viability benchmarks determined by them, which may be applied on a case-by-case basis, depending on merits of each case. Illustratively, the parameters may include the Return on Capital Employed, Debt Service Coverage Ratio, Gap between the Internal Rate of Return and Cost of Funds and the amount of provision required in lieu of the diminution in the

fair value of the restructured advance. The accounts not considered viable should not be restructured and banks should accelerate the recovery measures in respect of such accounts. **Any restructuring done without looking into cash flows of the borrower and assessing the viability of the projects / activity financed by banks would be treated as an attempt at ever greening a weak credit facility** and would invite supervisory concerns / action.

Borrowers indulging in frauds and malfeasance will be ineligible for restructuring, banks may review the reasons for classification of the borrowers as wilful defaulters specially in old cases where the manner of classification of a borrower as a wilful defaulter was not transparent and satisfy itself that the borrower is in a position to rectify the wilful default.

BIFR cases are not eligible for restructuring without their express approval. CDR Core Group in the case of advances restructured under CDR Mechanism / the lead bank in the case of SME Debt Restructuring Mechanism and the individual banks in other cases, may consider the proposals for restructuring in such cases, after ensuring that all the formalities in seeking the approval from BIFR are completed before implementing the package.

Asset classification norms for Restructured advances

Restructuring of advances could take place in the following stages:

- before commencement of commercial production / operation;
- after commencement of commercial production / operation but before the asset has been classified as 'sub-standard';
- after commencement of commercial production / operation and the asset has been classified as 'sub-standard' or 'doubtful'.

Borrowers accounts classified as 'standard assets' should be immediately re-classified as 'sub-standard assets' upon restructuring, except those covered under the Special Regulatory treatment or covered by the Infrastructure projects.

The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule.

All restructured accounts which have been classified as non-performing assets upon restructuring, would be eligible for up-gradation to the 'standard' category after observation of 'satisfactory performance' during one year from the date when the first payment of interest or instalment of principal falls due under the terms of restructuring package

In case, however, satisfactory performance after the specified period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.

Any additional finance may be treated as 'standard asset', up to a period of one year after the first interest / principal payment, whichever is earlier, falls due under the approved restructuring package. However, in the case of accounts where the pre-restructuring facilities were classified as 'sub-standard' and 'doubtful', interest income on the additional finance should be recognised only on cash basis. If the restructured asset does not qualify for up-gradation at the end of the above specified one year period, the additional finance shall be placed in the same asset classification category as the restructured debt.

In case a restructured asset, which is a standard asset on restructuring, is subjected to restructuring on a subsequent occasion, it should be classified as substandard. If the restructured asset is a sub-standard or a doubtful asset and is subjected to restructuring, on a subsequent occasion, its asset classification will be reckoned from the date when it became NPA on the first occasion. However, such advances restructured on second or more occasion may be allowed to be upgraded to standard category after one year from the date of first payment of interest or repayment of principal whichever falls due earlier in terms of the current restructuring package subject to satisfactory performance.

Income recognition norms for Restructured advances

Interest income in respect of restructured accounts classified as 'standard assets' will be recognized on accrual basis and that in respect of the accounts classified as 'non-performing assets' will be recognized on cash basis.

Provisioning norms for Restructured advances

Normal provisions

Banks will hold provision against the restructured advances as per the existing provisioning norms. Additionally, they have to make.

Provision for diminution in the fair value of restructured advances

Reduction in the rate of interest and / or re-schedulement of the repayment of principal amount, as part of the restructuring, will result in diminution in the fair value of the advance. Such diminution in value is an economic loss for the bank and will have impact on the bank's market value of equity. It is, therefore, necessary for banks to measure such diminution in the fair value of the advance and make provisions for it by debit to Profit & Loss Account. In an account distinct from that for normal provisions.

For this purpose, the erosion in the fair value of the advance should be computed as the difference between the fair value of the loan (FVL) before and after restructuring. FVL before restructuring will be computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the bank's BPLR as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. FVL after restructuring will be computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the bank's BPLR as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

The above formula moderates the swing in the diminution of present value of loans with the interest rate cycle and will have to follow consistently by banks in future. Further, it is reiterated that the provisions required as above arise due to the action of the banks resulting in change in contractual terms of the loan upon restructuring which are in the nature of financial concessions. These provisions are distinct from the provisions which are linked to the asset classification of the account classified as NPA and reflect the impairment due to deterioration in the credit quality of the loan. Thus, the two types of the provisions are not substitute for each other.

Special Regulatory Treatment for Asset Classification

The Special Regulatory treatment is an exception to the general rule of Asset

WE WISH YOU WELL MRS. M.S. LALITHA



Retired on Superannuation on Feb. 29, 2012

Mrs. M.S. Lalitha, Librarian (Gr. Deputy Secretary), ICAI retired on Superannuation after 32 years of meritorious service on February 29, 2012. She joined the Institute as Librarian (Gr. Assistant) and rose to the present Grade by her sincerity and hard work.

May the Almighty give her health, wealth, prosperity, peaceful and long retired life.

Classification. It was implemented during 2008-09 due to the unprecedented economic down turn globally and considering the extra-ordinary situation prevailing the RBI gave the stimulus package to bank borrowers by significantly reducing the CRR, Repo and Reverse Repo rates and further brought in a sort of an amnesty scheme for restructuring of borrowers accounts nomenclature as Special Regulatory Treatment, this is applicable only for restructuring done for application made by borrowers on or before 31st March 2009 and approved by the banks on or before 30th June 2009.

The special regulatory treatment for asset classification, in modification to the provisions in this regard stipulated in earlier paragraphs, will be available to the borrowers engaged in important business activities, subject to compliance with certain conditions as enumerated below. Such Special Regulatory treatment is not extended to the following categories of advances:

- i. Consumer and personal advances;
- ii. Advances classified as Capital market exposures;
- iii. Advances classified as commercial real estate exposures

The asset classification of these three categories accounts as well as that of other accounts which do not comply with the conditions enumerated, are governed by the normal prudential norms.

Elements of special regulatory framework

The special regulatory treatment has the following two components:

- (i) Incentive for quick implementation of the restructuring package.
- (ii) Retention of the asset classification of the restructured account in the pre-restructuring asset classification category

Based on the above norms, few situations are illustrated as follows:

Issue	Norms / Probable audit perspective
Ever Greening / Restructured Accounts:	
<ul style="list-style-type: none"> • Ever Green P Ltd., engaged in horticulture, obtained a Term Loan of Rs.100 lacs on 1.6.2010, repayable in 50 Monthly Instalments of Rs.2,00,000/- with a moratorium of 15 months. However due to delay in commissioning of the project by 18 months, the loan was rescheduled with the following terms: • Repayment to commence from 1.12.2011 • Though the Company has been functioning, the capacity utilization was less than 50% and the cash flow position of Ever green P Ltd., was not comfortable and hence sought the rescheduling of the Term Loan Repayments from 1.12.2011 vide their letter dated 30.08.2011, which has been sanctioned by the bank on 3.2.2012. 	<ul style="list-style-type: none"> • Any restructuring done without looking into cash flows of the borrower and assessing the viability of the projects / activity financed by banks would be treated as an attempt at ever greening a weak credit facility. • As per RBI norms the status of the account as on the date on which the account is rescheduled by the bank determines the Asset Classification. • In the present instance, the borrower has made an application before the due date for repayment on 30.8.2011, when the account is a standard asset, stating that the commencement of commercial operation has begun whereas it is less than 50% of estimated capacity utilisation. • The bank / branch has rescheduled the loan on 3.2.2012. • The status of the account on 1.12.2011, the date from which the repayment is rescheduled is a standard asset. • The question is, what is the date for determination for Asset Classification. • As the bank has restructured the account on 3.2.2012 and since the commencement has commenced and the account is not covered either under Infrastructure facility being restructured or is governed by the norms of Special regulatory treatment the account should be classified as NPA.
Norms for restructuring of Infrastructure projects:	
<ul style="list-style-type: none"> • Prosper & Co Ltd, who had an ambitious project linking National Highways to the tune of 100 kilometers had availed of Rs.500 Crores as term loan from a bank, however due to delay in acquiring the land due to litigation by the farmers, the State Government was unable to acquire them and provide the same, there was expected to be a delay of 2 years in commencement of commercial operation of the project. • Hence the Loan has been rescheduled by the bank. • In the same case, as part of the reschedulement proposal no further documents, information or financials including cash flow projections have been furnished by the borrower, whereas the restructuring has been done on a summary basis. 	<ul style="list-style-type: none"> • As the re-schedulement of the loan has arisen on account of extraneous factors viz., litigation, it is eligible for restructuring under the exception to the general rule, and will continue to be classified as a standard asset. • However, care should be taken, if the factors are not external but only internal for the delay in commencement, then in such cases the maximum period for which the CCOD can be extended will be only one year from the original date. • However, since the financials including the cash flow of the borrower has been furnished and an active assessment of the viability of the project not having been done, it will warrant supervisory concern of RBI. • The branch auditor may have to call upon further details to satisfy himself about the financial viability before arriving at his opinion of the asset classification. • The repayment period of the restructured advance including the moratorium, if any, should not exceed 15 years in the case of infrastructure advances and 10 years in the case of other advances
Recognition of Funded Interest and Conversion to Equity:	
<ul style="list-style-type: none"> • Mars Ltd whose term loan was restructured as per the CDR mechanism converted Rs.10 Crores of Funded Interest into a Zero Coupon Bonds, the borrowers operating account was classified as NPA. The branch is authorised to hold investments such as the ZCB at the branch and accounted for in the books of the branch. However the Zero Coupon Bond is classified as Performing at the branch. 	<ul style="list-style-type: none"> • FITL / debt or Equity instrument created by conversion of unpaid interest will be classified in the same asset classification category in which the restructured advance has been classified. Further movement in the asset classification of FITL / debt or Equity instruments would also be determined based on the subsequent asset classification of the restructured advances. • In line with the norms the Zero Coupon Bonds should be classified as Non performing and appropriate provision needs to be made.
Restructuring of accounts wherein fraud or misfeasance found :	
<ul style="list-style-type: none"> • Bouncers Ltd has manipulated their stocks and receivables and diverted the working capital limits of Rs.50 crores enjoyed by them with V Bank. • This fraud was unearthed and reported by the concurrent auditors as part of their inspection of units. • The liquidity position having deteriorated the company approached V bank for restructuring the advance and classify it as a standard asset. 	<ul style="list-style-type: none"> • Borrowers who play fraud on the bank or misfeasance are ineligible for their accounts being restructured. • In view of this, the account should not have been restructured by the bank, unless the circumstances warrant that the action of classifying it as a fraud, is arbitrary or ill conceived. • In the present case since the fraud of the borrower is established by external means, such account should be fully provided for and no restructuring should be permitted by the bank.

While trying to make an attempt to understand the treatment for restructured advances has been made the users are requested to go through the Reserve Bank of India master circular in this regard.

Note: The norms part of the article is based on and is a reproduction of the RBI Master Circular. ■

Latest Modifications in NPA Classification, provision requirements and disclosures required in the balance sheet (as per guidelines issued by RBI)

Contributed by:
CA. K. Surya Prakash, Bangalore
ksuryaprakash123@gmail.com

Latest Modifications (From 1.7.2010 to 31.03.2011) (There is no change in NPA norms)

1. Banks have to make 70% NPA as provision by 31/03/2011 irrespective of the IRAC classification. Some banks have been given extension by RBI up to 30/09/2011 (excluding standard assets provision)
2. Risk weights for capital adequacy is 150% on Housing loan above 20 Lakhs and standard asset provision is enhanced to 2% in case of Housing loan under "Teaser" rates.
3. 100% provision is required for assets under D3 and below.
4. Commercial Real Estate advances where repayment is mainly from Rent Receipts risk weight to be taken as 150%, in other cases like Nursing home, Hospital, colleges etc., where payment is received from the main source of vocation then the risk weights is only 100%.
5. Promoters sacrifice and additional funds to the extent of 15% of bank sacrifice should be brought up front. This is modified to bring in 50% of 15% upfront and balance after 1 year of implementation of Restructure scheme, RBI 3/10/2010.
6. Date of Restructure should be from the approved date but not retrospective (Clarification by RBI)
7. Forward contracts booked and pending on Balance sheet date are to be provided on the basis of Marked to Market.
8. These are new disclosure requirements of investments.
 - a) Investment moved from AFS to HTM if more than 10% are to be disclosed and any deterioration taken place as on balance sheet date under mark to market system.
 - b) Modification in 'ZERO COUPON BONDS' investment (circular as on 18/02/2011)
9. Enhanced gratuity and additional burden of retirement benefits after fresh option extended can be provided under AS 15 in 5 years starting from 31/03/11.
10. Subvention of interest on housing extended for one more year for H L sanctioned after 1/9/09 amount 10 lakhs and below.

11. Loans given to NBFCs for their lending against gold are not eligible for priority classification.
12. Provision on restructured loans on the basis of NPV should not reckon for provision for standard assets.
13. All letter of comforts issued to overseas banks for obtaining BUYERS CREDIT should be recorded in the books as contingent liability under BG (financial) and to be taken for calculating CAR as per BASEL 2.
14. Valuation of collateral securities once in three years is a must in case of NPAs above 5 crores.
15. Primary security like stock and book debts after one year of NPA has to be recognized as negligible. Otherwise it has to be proved by the management to the satisfaction of auditors regarding the value of primary security.
16. Banks have to reverse FROMBORROWERS ACCOUNTS unrealized interest to profit and loss account relating to current year and make provision for the interest relating to earlier years in case of all NPA accounts.
17. Roll over of short term loan is considered as restructuring of advance. (STL)

Modifications from 1.04.2011

NPA Provisions
RBI Circular No

BP/BC 94/21.04.048.2011/12 Dated 18/05/11

18. Sub Standard NORMAL 15%, where security is less than 10% at the beginning, provision is 25%.
19. Doubtful 1 unsecured 100%, secured portion 25%, D2 40%, D3 100%, LOSS 100%.
20. STANDARD ASSETS RESTRICTURED PROVISION 2%, NPA ASSETS UP GRADED TO STANDARD assets FROM THE DATE OF UP GRADATION TO ONE YEAR AT 2%.
21. NPA Provision Coverage Ratio 70% to be achieved by 30/09/11 by all banks.
22. Housing loans limit for priority sector has been increased to Rs.25 lakhs from 1/4/11.
23. MICRO FINANCE INSTITUTIONS lending can be treated as priority sector if such lending to their units is only to the eligible persons and not exceeding Rs.50000/- per borrower. Bank to insist on CA Certificate every year.

Master Circular 01.07.2011.

24. Provision Coverage Ratio (PCR) 70% on NPAs as on 30/09/10 to be achieved by 30/09/11. Any additional provision held on this count to be kept in a separate account called COUNTER CYCLICAL PROVISIONING BUFFER AND CAN BE USED IN DOWN TURN WITH PRIOR APPROVAL OF RBI.
25. Restructuring should not be carried in cases of Unviable, Fraud, Willful defaulters, and repeated restructuring should not be done.
26. **Additional finance given upon restructuring of NPA accounts, interest to be recognized only on recovery though these accounts are classified as slandered assets.**

Modifications From 1.7.2011.

27. Any OVER DUE receivables on DERIVATIVES over 90 days would be treated as NPAs and related funded liabilities would also to be classified as NPAs. (PRUDENTIAL NORMS ON OFF BALANCE SHEET ITEMS CIRCULAR DATED 01/08/11)
28. Service tax has to be paid on commercial property rent, on foreign exchange buying and selling COMMISSIONS. T D S to be deducted at higher rate where P A N NO not recorded.
29. **NPA statements are to be generated directly from CBS (core) from 30/09/11. New NPAs, up graded NPAs have to be cross checked.**
30. Standard Restructured Accounts requires provision @2% as per MASTER CIRCULAR 1/07/2011 FOR FURTHER PERIOD OF TWO YEARS AFTER UP GRADATION.

Changes From 1.10.2011

31. SB interest rate deregularised banks can pay interest as per their A L M Management.
32. Interest on NRE Deposits deregulated by RBI from 16/12/11. Int. on SB NRE and NRO also deregulated from 16/12/11.
33. Forward booking restrictions re introduced from 16/12/11 FB cancellations not permitted any profit arising out of cancellations is not to be credited to constituents' accounts.

Updates on Direct Taxes

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Principle of Mutuality

In **CIT v. Secunderabad Club Picket (2012) 340 ITR 121 (AP)** where the assessee, a social and recreational club, kept its surplus funds in fixed deposits in a bank which was a corporate member of the assessee-club and earned interest thereon, the Andhra Pradesh High Court observed that when a person deposits money in a bank, the relationship is that of a creditor and a debtor, that the bank neither treated the assessee-club differently from its other depositors nor offered a higher rate of interest, that by depositing funds with its corporate member bank, the assessee-club helped increase the business of the bank, that the corporate member bank was shown a favour and was not being provided a facility and that the social relationship and activities of the assessee-club had nothing to do with the fixed deposits with the corporate member bank and held that the principle of mutuality came to an end the moment the assessee-club deposited the surplus funds with the sole intention of earning interest and consequently, the interest earned by the assessee-club was taxable.

Not Income

Where the assessee, an asset management company, claimed and received a lesser amount of investment advisory fees than the maximum prescribed under regulation 52 of the Securities & Exchange Board of India (Mutual Funds) Regulations, 1996 due to business exigencies, the Assessing Officer could not make additions on notional basis of the difference between the fees computed at the maximum rate specified in the said regulation and that actually charged by the assessee opined the Bombay High Court in **CIT v. Templeton Asset Management (India) P. Ltd. (2012) 340 ITR 279 (Bom)**.

Business Expenditure

The Delhi High Court has in **CIT v. Desiccant Rotors International (P) Ltd. (2011) 245 CTR (Del) 572**, where the facts were that the assessee paid compensation of Rs. 3,12,57,152 to Semco Inc., USA towards settlement of dispute for alleged infringement of patent, the settlement was arrived at to avoid expenses and uncertainty of further litigation, there was no finding by any court that the assessee had violated the patent right of Semco Inc., the Indian Patents Act, 1970 did not prescribe any penalty or fine for infringement of a patent and there was no element of penalty even in the United States of America, expressed the view that the payment made under the settlement was compensatory in nature, that it was motivated purely by commercial purpose, that it was allowable under section 37(1) and that it was not hit by the Explanation thereto.

Depreciation

Licence issued for retail sale of liquor in bar hotel under rule 13 of the Foreign Liquor Rules prescribed under the Kerala Abkari Act which is transferable with the prior sanction of the Excise Commissioner and renewable every year is a business right given to the party to carry on liquor trade squarely falling under section 32(1)(ii) and is, therefore, entitled to depreciation held the Kerala High Court in **S. Ambica v. DCIT (2011) 245 CTR (Ker) 103**.

Capital Gains

The Punjab & Haryana High Court has in **CIT v. Ms. Jagriti Aggarwal (2011) 339 ITR 610 (P & H)** where the facts were that the assessee sold her house on 13.1.2006 for Rs. 45,00,000, purchased a house jointly with her father-in-law on 2.2.2007 for Rs. 95,00,000 and claimed exemption in respect of the capital gain under section 54 which the Assessing Officer did not allow on the ground that the assessee neither deposited the amount in the capital gains account scheme nor purchased the house before the due date for filing the return of income, taken the view that the due date for furnishing the return of income under section 139(1) mentioned in section 54 was subject to the extended period provided under section 139(4) and that the assessee was entitled to exemption of capital gain under section 54 as she had utilised the capital gain for purchase of a house before the due date for furnishing the return of income under section 139(4).

Method Of Accounting

In **CIT v. Haryana Financial Corporation (2012) 340 ITR 288 (P & H)** where the facts were that the assessee, an undertaking of the Government of Haryana, was engaged in the business of financing, merchant banking, leasing, etc., it followed the cash system of accounting, it received interim payments from the defaulting borrowers which were shown under 'Current Liabilities' in its balance sheet, it had been regularly following the system of bifurcating amounts received from the defaulting borrowers between interest and principal at the time of final settlement and the Assessing Officer treated the entire amount of interim payments received by the assessee from the defaulting borrowers during the relevant previous year aggregating to Rs. 2,06,23,267 against settlement pending as having been received on account of interest, the Punjab & Haryana High Court opined that it was difficult to bifurcate the interim payments made by the defaulting borrowers between principal and interest till the final settlement of the accounts was made with them, that the assessee had been regularly following the system adopted by it and that the interim payments received by the assessee pending settlement could not be treated as interest.

Reassessment

Where the successor-Assessing Officer, in the reasons recorded for reopening the assessment made under section 143(3), merely expressed a different opinion on an issue in respect of which the Assessing Officer who completed the assessment originally had already applied his mind and come to a conclusion and there was nothing therein to show as to what income had escaped assessment for which the successor-Assessing Officer received information subsequently from an external source, the notice under section 148 issued on a change of opinion by the successor-Assessing Officer was invalid ruled the Gujarat High Court in **H.K. Buildcon Ltd. v. ITO (2011) 339 ITR 535 (Guj)**.

Tax Deduction At Source

The Bombay High Court has in **CIT v. Kotak Securities Ltd. (2012) 340 ITR 333 (Bom)** held that transaction charges paid by the assessee-company engaged in the business of share broking to the Bombay Stock Exchange for rendering managerial services constitutes fees for technical services under section 194J read with Explanation 2 to section 9(1)(vii) and, therefore, the assessee was obliged to deduct tax at source thereon.

Interest Under Section 244A

Where the assessee did not claim deduction of provision for bad debts in the return of income filed for the assessment year 1998-99 but made such claim before the completion of assessment on 10.1.2001 which the Assessing Officer rejected on the ground of failure to establish the claim, the Commissioner (Appeals) allowed the claim and remanded the matter to the Assessing Officer and the Assessing Officer upon passing the revised order based on the appellate order granted refund to the assessee, the Assessing Officer has not established that the assessee caused any delay in issuing the refund order, that the belated claim of deduction made by the assessee would not justify denial of interest and that the assessee was entitled to interest under section 244A(1)(a) from 1.4.1999 (1.4.1998 ?) till the date of refund held the Kerala High Court in **CIT v. South Indian Bank Ltd. (2012) 340 ITR 574 (Ker)**.

Penalty

In **CIT v. Praveen B. Gada (HUF) (2011) 244 CTR (MP) 463** where the assessee claimed loss of Rs. 15,40,818 as a business loss, the Assessing Officer treated it as a capital loss and the Commissioner (Appeals) and the Tribunal upheld the action of the Assessing Officer, the Madhya Pradesh High Court held that in the absence of any independent finding by the Assessing Officer that the assessee either concealed its income or furnished inaccurate particulars, section 271(1)(c) was not attracted. ■

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Bangalore
badrinath@sduca.com &
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Updates on Indirect Taxes

Service Tax:

Taxability in respect of International Private Leased Circuits (IPLC): The CEBC has clarified that the telecommunications services are taxable only when provided by a telegraph authority, a person who has been granted a license, under the Indian Telegraph Act, 1985. In case of IPLC services, the foreign telecom service providers are not granted license by the Indian Telegraph Act, 1985 and accordingly do not constitute a telegraph authority under an Indian law. Therefore, IPLC would remain outside the purview of service tax under the category of telecommunication services. Accordingly, the earlier clarification (Circular dated 15.07.2011) is stand corrected. Hitherto, it was clarified that the activity of receiving IPCL service from abroad is chargeable to service tax under "Business Support Service" at the hands of recipients on reverse charge mechanism as the recipient of services is located in India on reverse charge basis. (*Letter-F.No.137/21/20-ST, Dated December 19, 2011*)

Service tax on distributors / sub-distributors of films & exhibitors of movie: The CEBC has clarified as follows:

Type of Arrangement	Exhibition of movie	Service Tax Implication
Principal – to – Principal Basis	Movie exhibited by the theatre owner or by the exhibitor on account of the theatre owner where the the copyrights are temporarily transferred	Service Tax under "Copyright Services" to be provided by distributor or sub-distributor or area distributor or producer etc, as the case may be.
	Movie exhibited by the theatre owner on behalf of distributor or sub-distributor or area distributor or producer etc., where no copyrights are transferred temporarily	Service Tax under Business Support Service / Renting of Immovable Property Service, as the case may be, to be provided by theatre owner or exhibitor.
Arrangement under unincorporated partnership / joint / collaboration basis	Service provided by each of the persons i.e. the 'new entity' / theater owner or exhibitor / distributor or sub-distributor or area distributor or producer etc, as the case may be, is liable to Service Tax under applicable category	

It is further clarified that the nature of transaction would determines the leviability of service tax and that each case must be looked into on its merits and decision be taken on case to case basis.

Hitherto, the CEBC had clarified that any arrangement between the theatre owner and the distributor on a revenue sharing basis under a principal-to-principal contract would not tantamount to providing of services by one person to another. Accordingly such arrangements are not liable to service tax. (*Circular-148/17/2011 – Service Tax, Dated December 13, 2011*)

Service Tax refund on services used for export of goods: The Central Government has introduced two new simplified schemes for refund of service tax paid on services used in export goods. With the introduction of these schemes, the exporter has an option either to opt for electronic refund through ICES system at the scheduled rates or claim refund on the basis of documents. The refund of service tax under the said schemes would be subject to the following:

- No CENVAT credit of service tax paid is claimed on services used for export of the goods
- The exemption for a Unit or Developer of a Special Economic Zone shall not be applicable

The electronic refund through ICES system is on the same lines of drawback on export of goods. The conditions and procedure for claiming electronic refund are as follows:

- The bank account details and central excise registration / service tax code should be registered with the Customs ICES.
- The claim of option of electronic refund should be declared in the electronic shipping bill or bill of export.
- The chapter / sub-heading number as applicable to the export goods should be declared in the shipping bill or bill of export.
- Minimum Refund should be Rs. 50 for an electronic shipping bill.
- The refund of service tax paid on the specified services is claimed as a percentage of the declared FOB value of the said goods at rates specified in the Schedule.

Eligible refund will be calculated electronically by the ICES system and will be credited directly to the bank account of the exporter. Exporters can track the status of their refund claim through ICEGATE Document Tracking and Touch Screen Enquiry system.

The claiming of refund based on the documents is similar to that of Notification No.17/2009-ST. The conditions and procedure for claiming of refund of service tax based on documents are as follows:

- The service tax has been actually paid on the specified service used for export of goods.
- The registered manufacturer-exporter shall file a claim for refund of service tax paid on the specified service with the Central Excise having jurisdiction over the factory of the manufacturer in Form A-1. The exporter who is not so registered with the central excise should obtain the service tax code and shall file the claim for refund of service tax with the Central Excise in Form A-1;
- The claim for refund shall be filed within one year from the date of export of goods. The date of export shall be the date on which the proper officer of Customs makes an order permitting clearance and loading of the said goods for exportation.
- Exporters shall be required to declare chapter / subheading number as 9801 in the electronic Shipping Bill
- Service tax refund should not be less than Rs. 500
- The claim of refund shall be certified by the person authorized by the Exporter / Board of Directors of the Company or by a Chartered Accountant, as prescribed.

The above refunds are granted subject to the condition that the sale proceeds in respect of exports are received within the time allowed by the RBI. However, in the event, the same is not received as allowed by RBI, the service tax refund already claimed would be recoverable as service tax erroneously refunded. This notification is effective from January 3, 2012. (*Notification No. 52/2011-ST, Dated December 30, 2011 and Circular No.149/18/2011-ST, Dated December 16, 2011*)

Submission of documents for registration: The CEBC has prescribed documents for obtaining registration under Rule 4(1) of Service Tax Rules, 1994. The prescribed documents are as follows:

- (a) Copy of Permanent Account Number (PAN)

- (b) Proof of Residence
- (c) Constitution of the Applicant
- (d) Power of Attorney in respect of authorized person(s)

It is provided that the above documents shall be submitted within 15 days from the date of e-filing of the registration application. It is also clarified that the registration should be granted within seven days from date of filing of application which is complete in all respects. (F. No. 137/120/2011 ORDER NO. 2 /2011 – Service Tax dated 13th December 2011)

Central Excise:

Export of goods to Nepal eligible for export benefits: The Central Government has amended the Notifications relating to export of excisable goods to Nepal. Accordingly, the same would be treated as exports and would be reckoned on par with export of goods to other countries except Bhutan. Consequently, the following benefits of export of excisable goods would be applicable to export of goods to Nepal:

- Export of goods without payment of duty under **Notification No 42/2001-CE (NT)**;
- Rebate duty on export of goods under **Notification No.19/2004-CE (NT)**;
- Procurement of excisable goods without payment of duty for use in manufacture or processing of export goods under **Notification No. 43/2011-CE (NT)** and
- Removal of excisable goods (i.e. intermediate goods) without payment of duty for use in the manufacture or processing of all article by a manufacturer, who is holder of Advance License / Duty Exemption Entitlement Certificate under **Notification No. 44/2001-CE**.

Hitherto, the above benefits were not available for export of goods to Nepal. Alternatively, a rebate was granted under Notification No. 20/2004-CE (NT). (**Notification No. 24, 25, 26, 27, 28, 29/2011-CE (NT) dated December 05, 2011**)

Customs:

Certification in respect of refund of 4% Special Additional Duty (SAD) paid under Notification No.102/2007: The Circular No.18/2010-Cus dated 08.07.2010 requires the importer to obtain a certificate stating that additional duty of customs paid on import of goods under Section 3(5) of the Customs Tariff Act at 4% has not been passed on by the importers to any other person. This certificate is required to be obtained only from the statutory auditors of the importer. As a facilitation measure, the Board has amended the above Circular to include Cost Accountants / Chartered Accountants (other than Statutory auditors of the importer) to issue a certificate for the above purpose. (**Circular No 01/ 2012-Customs F.No.401/46/2008-Cus.III, Dated. January 05, 2012**)

Extension of time for claim of refund of 4% SAD (for using re-credited 4% SAD amount in DEPB): The facility of manual filing of Bill of Entry for utilizing the amount of re-credited 4% SAD refunds for payment of duty in case of re-credited DEPB / Reward Scheme scrips is extended upto 31.03.2012. Hitherto the facility of re-credit was provided only upto 15.09.2011. The Circular also states that no further extension shall be given. (**Circular No.02/2012-Cus F.No.401/46/2008-Cus. III(Pt.), Dated. January 16, 2012**)

Foreign Trade Policy:

Deemed Export benefits when imported capital goods are directly supplied to Project Authority as such: Deemed exports

benefits are provided only when the goods are manufactured and sold in India in terms of paragraph of 8.2 of the Foreign Trade Policy. In this regard, it is clarified that the supply of imported capital goods, as such, like boilers, turbines, generators (BTGs) in the case of non-mega power projects to project authorities do not amount to deemed exports and the deemed export benefits will not be admissible. [**Policy Circular No. 50/2009-2014 (RE2010), December 28, 2011**]

INVITATION FOR CONTRIBUTION OF ARTICLES

SIRC of ICAI invites Articles from Members for publication in the SIRC Newsletter. SIRC would be releasing Theme Based monthly Newsletter. The theme finalized for the April 2012 issue is as follows:

"Union Budget and Finance Bill".

Members may send the soft copy of their article, profile and passport size colour photograph to SIRC by email to sirc@icai.in and sircnewsltr@icai.in for consideration by the Editorial Board.

NEW BRANCHES OF SIRC OF ICAI (Addresses and Contacts)

Sivakasi Branch of SIRC of ICAI

207 B, Police Station Road
Behind Ayyappan Temple
Sivakasi – 626 123
Phone : 04562 - 222396
Email : sbsircicai@gmail.com

Kannur Branch of SIRC of ICAI

Brigade Centre, Fort Road
Kannur – 670 001
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Email : kannuricai@sify.com

STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS ABOUT THE NEWSPAPER (SIRC NEWSLETTER) FORM IV (SEE RULE)

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Name and address of the individual who own the newspaper and partners or shareholders holding more than one per cent of the total capital	: Southern India Regional Council of The Institute of Chartered Accountants of India, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 34 (There is no share capital)

I, **Y.S. Rawat**, hereby declare that the particulars given are true to my knowledge and belief.

Date: 1st March 2012

sd/- **Y.S. Rawat**, Joint Secretary

Classified Advertisement...

Wanted for a medium sized firm having offices at Chennai/Hyderabad and Bangalore young CA's who are interested in practice. The selected candidates will be given a good growth path leading to partnership over a period of time. We are also open to mergers of proprietorship and small partnership firms with our firm. Please respond with your CV and thoughts to msacasæeth.net

DISCLAIMER

The SIRC/ICAI does not accept any responsibility for the views expressed in different contributions / advertisements published in this Newsletter.

MEMBERS OF THE STANDING AND NON-STANDING COMMITTEES OF ICAI FOR THE YEAR 2012-13 FROM SOUTHERN REGION

CA. M. Devaraja Reddy

Continuing Professional Education Committee	Chairman
Committee for Members in Entrepreneurship & Public Services	Vice-Chairman
Accounting Standards Board	Member
Board of Studies	Member
Committee for Capacity Building of CA Firms & Small and Medium Practitioners	Member
Committee for Members in Industry	Member
Direct Taxes Committee	Member
Disciplinary Committee (Under Section 21B)	Member
Editorial Board	Member
Ind AS (IFRS) Implementation Committee	Member
International Affairs Committee	Member
Public Interest Advisory Committee	Member
Vision & Perspective Planning Committee	Member

CA. Madhukar N. Hiregange

Indirect Taxes Committee	Chairman
Board of Studies	Vice-Chairman
Audit Committee	Member
Committee for Capacity Building of CA Firms & Small and Medium Practitioners	Member
Committee For Co-Operatives and NPO Sectors	Member
Committee on Accounting Standards for Local Bodies	Member
Committee on Economic, Commercial Laws & WTO	Member
Committee on Information Technology	Member
Committee on Public Finance & Government Accounting	Member
Continuing Professional Education Committee	Member
Ethical Standards Board	Member
Professional Development Committee	Member
Research Committee	Member

CA. V. Murali

Committee for Co-operatives and NPO Sectors	Vice-Chairman
Ethical Standards Board	Vice-Chairman
Accounting Standards Board	Member
Auditing & Assurance Standards Board	Member
Board of Studies	Member
Committee for Members in Industry	Member
Committee on Banking, Insurance & Pension	Member
Committee on Financial Markets & Investors' Protection	Member
Committee on International Taxation	Member
Continuing Professional Education Committee	Member
Direct Taxes Committee	Member
Disciplinary Committee (Under Section 21D)	Member
Editorial Board	Member

CA. K. Raghu

Ethical Standards Board	Chairman
Financial Reporting Review Board	Vice-Chairman
Committee for Members in Entrepreneurship & Public Services	Member
Committee for Members in Industry	Member
Committee on Information Technology	Member
Committee on Management Accounting	Member
Co-ordination Committee with Sister Institutes	Member
Editorial Board	Member
Ind AS (IFRS) Implementation Committee	Member
International Affairs Committee	Member
Professional Development Committee	Member
Research Committee	Member
Vision & Perspective Planning Committee	Member

CA. Rajendra Kumar P.

Internal Audit Standards Board	Vice-Chairman
Auditing & Assurance Standards Board	Member
Committee for Members in Industry	Member
Committee on Accounting Standards for Local Bodies	Member
Committee on Information Technology	Member
Committee on Management Accounting	Member
Continuing Professional Education Committee	Member
Editorial Board	Member
Ethical Standards Board	Member
Examination Committee	Member
Finance Committee	Member
Indirect Taxes Committee	Member
Professional Development Committee	Member

CA. G. Ramaswamy

Auditing & Assurance Standards Board	Member
Board of Discipline (Under Section 21A)	Member
Committee on Accounting Standards for Local Bodies	Member
Committee on International Taxation	Member
Committee on Management Accounting	Member
Continuing Professional Education Committee	Member
Corporate Laws & Corporate Governance Committee	Member
Disciplinary Committee - Satyam Bench (Under Section 21B)	Member
Disciplinary Committee (Under Section 21B)	Member
Internal Audit Standards Board	Member
International Affairs Committee	Member
Public Interest Advisory Committee	Member
Vision & Perspective Planning Committee	Member

CA. S. Santhanakrishnan

Corporate Laws & Corporate Governance Committee	Chairman
Accounting Standards Board	Vice-Chairman
Auditing & Assurance Standards Board	Member
Board of Studies	Member
Committee for Capacity Building of CA Firms & Small and Medium Practitioners	Member
Committee on Banking, Insurance & Pension	Member
Committee on Information Technology	Member
Ind AS (IFRS) Implementation Committee	Member
Internal Audit Standards Board	Member
International Affairs Committee	Member
Public Interest Advisory Committee	Member
Research Committee	Member
Vision & Perspective Planning Committee	Member

CA. J. Venkateswarlu

Committee on Banking, Insurance & Pension	Chairman
Expert Advisory Committee	Vice-Chairman
Accounting Standards Board	Member
Auditing & Assurance Standards Board	Member
Board of Studies	Member
Committee on Accounting Standards for Local Bodies	Member
Committee on Management Accounting	Member
Committee on Public Finance & Government Accounting	Member
Direct Taxes Committee	Member
Disciplinary Committee - Satyam Bench (Under Section 21B)	Member
Indirect Taxes Committee	Member
Internal Audit Standards Board	Member
Public Interest Advisory Committee	Member

For Attention of Members & Students

Restoration of Membership & Certificate of Practice

The names members who have not paid their Membership fee and/or Certificate of Practice fee for the year 2011-12 on or before 30.09.2011 were removed w.e.f. 01.10.2011 in the Register of Members. The notifications in regard to removal of membership and cancellation of Certificate of Practice w.e.f. 01.10.2011 are under issue.

Regulations provide for retrospective restoration of Membership and Certificate of Practice provided the application in the prescribed Form 9/101 (available on the website www.icaai.org) complete in all respects, together with restoration fees of Rs.1,200/- is received by the Institute on or before 31.03.2012. Members falling within the jurisdiction of Southern Region should send their application to The Institute of Chartered Accountants of India, ICAI Bhawan, No.122 M. G. Road, Nungambakkam, Chennai – 600034.

General Amnesty for Retrospective Restoration of Names from Register of Members and Certificate of Practice

The complete details of the Scheme as been hosted in the ICAI website www.icaai.org.

For any clarification or more details, please contact the concerned Decentralised Office of the Institute or the Head Office over phone No. 011-30110426 / 30110535 or e-mail to mss@icaai.in

The above Amnesty shall be in force till 31st March 2012 and that from 5:30 pm of 31st March 2012 the same will be withdrawn automatically.

COACHING CLASSES AT SIRC OF ICAI

Two months Coaching Classes for
Common Proficiency Test (CPT) for June 2012 Examinations

Commences on **April 4, 2012**

Fee: ₹ 3,000/-

Batch	Monday to Friday	Saturdays & Sundays
Morning Batch	06.30 a.m. to 02.00 p.m.	Between 07.00 a.m. and 08.00 p.m. (for both batches)
Evening Batch	02.00 p.m. to 08.00 p.m.	

Three months intensified Coaching classes for
PCC/IPCC and FINAL course for November 2012 Examinations
Commences on **May 28, 2012**

Fees:	PCC/IPCC	₹ 4,000/- (for both groups) ₹ 2,000/- (for one group)
	FINAL	₹ 5,000/- (for both groups) ₹ 2,500/- (for one group)

Timings

06.30 a.m. to 09.30 a.m. & 05.30 p.m. to 08.30 p.m.
(On Sundays: Between 07.00 a.m. & 05.00 p.m.)

- Fee remittance by Syndicate Bank, Nungambakkam branch, Chennai-34. Bank challan available at SIRC Office.
- Outstation students should remit fee by DD favouring "SIRC of ICAI" payable at Chennai. Fee and details (name, address, contact no. and Students Registration No., Course and Group) to be sent to SIRC of ICAI, 122 MG Road, Chennai-34.
- For latest announcements and information visit www.sircoficaai.org – Ph: 044-3021 0322 / 3989 3989 – Fax: 044 – 3021 0355
Email: sircclasses@icaai.in; sirc@icaai.in

THE MONTH THAT WAS (FEBRUARY 2012)

3 rd & 4 th	Two Day National Workshop on Risk Based Internal Audit at Hyderabad
4 th	Jagruti – a New Awakening (The Women CA's Conference)
7 th	India Corporate and Investor Meet
10 th	Sub-Regional & Diamond Jubilee Conference of SIRC of ICAI at Pondicherry
17 th	CPE Workshop on International Finance
19 th	CPE Hands on Practical Workshop on "Advanced Excel for Chartered Accountants"
25 th	CPE Seminar on Central Statutory Audit of Banks
1 st , 7 th , 8 th , 15 th , 22 nd , 29 th	CPE Study Circle Meetings

SIRC acknowledges the contribution and support extended by Central Council Members of ICAI, Regional Council Members of SIRC, Resource Persons, Co-ordinators and the delegates/participants for making all the programmes a resounding success.

OBITUARY

M.No	Name	Status	Place	Date of Death
002890	MR. NARAYANASWAMY T S	FCA	BANGALORE	15/01/2012
005149	MR. SANJEEVA RAO R	FCA	THIRUVANANTHAPURAM	19/09/2011
016616	MR. CHANDRASEKARAN B	FCA	CHENNAI	31/01/2012
202589	MR. VENKATESH NAGARAJ	FCA	BANGALORE	23/09/2010
204935	MR. VINOD KUMAR H	FCA	BANGALORE	16/11/2011

May the Almighty Architect of the Universe rest their souls in peace.

CPT EXAMINATION NOTIFICATION

In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India has notified the date, sessions, timings, subjects and centres for the Common Proficiency Test (Paper – Pencil Mode) vide No. 13-CA (EXAM)/CPT/June/2012 dated 9th February 2012. The Notification has been hosted in the ICAI Website under Students and sub link Examination. It can be viewed directly under the link <http://220.227.161.86/25824cptjne2012.pdf>

SICASA Announcement

SICASA is organizing CRASH Courses for the students of IPCC and Final at Chennai shortly. Members are requested to inform their articulated students about this CRASH COURSE and advice them to register their details by sending the email to sicasa@icaai.in and register in facebook on <http://www.facebook.com/sicasa.sircoficaai> page for regular updates.

ICAI AWARDS TO BRANCHES OF SIRC AND SICASA FOR THE YEAR 2011

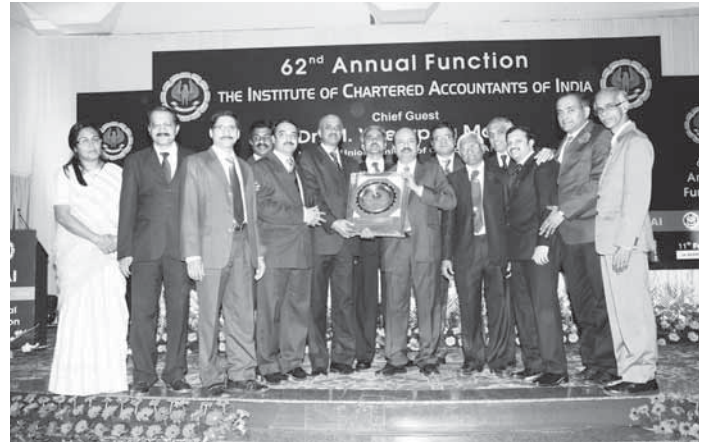
Presented by **CA. G. Ramaswamy**, then President-ICAI at the Annual Function of ICAI on February 11, 2012 at New Delhi in the presence of the then **CA. Jaydeep Narendra Shah**, then Vice-President-ICAI, Central Council Members of ICAI, then Office Bearers of SIRC and Regional Council Members of SIRC.

ERNAKULAM BRANCH



Best Branch of Regional Council Award (Shield) - Large Size Category

ERNAKULAM SICASA



Best Branch of Students' Association Award (Shield) in Southern Region

SALEM BRANCH



Best Branch of Regional Council Award (Shield) - Medium Size Category

TRICHUR BRANCH



Highly Commended Performance Certificate - Medium Size Category

TUTICORIN BRANCH



Best Branch of Regional Council Award (Shield) - Small Size Category

ERODE BRANCH



Highly Commended Performance Certificate - Small Size Category

ALLEPPEY BRANCH

Official Branch visit of CA. K. Shanmukha Sundaram, then Chairman-SIRC (seated 4th from right) with CA. Biju Narayanan, Chairman-Alleppey Branch (seated 3rd from right), CA. V.X. Jose, Member-SIRC & Ex-officio Member-Alleppey Branch (4th from left), other Office Bearers, Managing Committee Members, Senior Members and Members of Alleppey Branch.

KUMBAKONAM BRANCH

CA. K. Shanmukha Sundaram, then Chairman-SIRC (2nd from left) being presented with a Memento by CA. C. Rajagopal, Pattukottai during his official visit to the Kumbakonam Branch on February 20, 2012 flanked by (L-R): CA. M. Thamizhiah, then Chairman and CA. R. Sattanathan, then Vice-Chairman of the Branch.

QUILON BRANCH

CA. K. Shanmukha Sundaram, then Chairman-SIRC delivering the Inaugural address at the Seminar on the occasion of Silver Jubilee Celebrations of the Quilon Branch on February 18, 2012 at Kollam. (L-R): CA. P.R. Suresh, Member-SIRC, CA. V.X. Jose, Member-SIRC & Ex-Officio Member, CA. Zachariah K. Samuel, then Chairman of Quilon Branch, CA. Jose Pottokaran, Past Central Council Member-ICAI, CA. P. Alphones and CA. M. Rajeevan, Past Chairmen of Quilon Branch.

GMCS COURSE AT CHENNAI

Chief Guest Mr. K.K. Raman, Vice-President & Zonal Head, M/s. DLF Ltd., Chennai (2nd from right) releasing the booklet on "Get Ready to Face Interview" prepared by the GMCS Students at the Valedictory Session of the GMCS Batch on February 13, 2012 at Chennai. (L-R): CA. P.R. Aruloli, then Member, GMCS Co-ordination Committee-SIRC, CA. V. Murali, then Chairman, Board of Studies-ICAI and CA. R. Kannan, Corporate Trainer.

KOTTAYAM BRANCH

Official Branch visit of CA. K. Shanmukha Sundaram, then Chairman-SIRC (4th from left) to Kottayam Branch on February 16, 2012. (L-R): CA. R. Harikrishnan, Member, CA. Josy Thomas, Secretary, CA. Cherry P. Kurian, Immediate Past Chairman, CA. Antony Francis, Chairman of the Branch, CA. V.X Jose, Member-SIRC, CA. P. Sudhakar, Treasurer and CA. Thankachan Zacharias, Vice Chairman of the Br.

MYSORE BRANCH

Official Branch visit of CA. K. Shanmukha Sundaram, then Chairman-SIRC (4th from left) to Mysore Branch on February 19, 2012. (L-R): CA. C.S. Sathyanarayana, Treasurer, CA. K.S. Sadashiva, Vice Chairman, CA. T.V. Subramanian, Chairman, CA. T.N. Subramanya, Imm. Past Chairman, CA. P.W. Francis, Secretary of Mysore Branch and CA. S.R. Tejasvi, Chairman, Mysore Branch of SICASA.

TRIVANDRUM BRANCH

CA. K. Shanmukha Sundaram, then Chairman-SIRC addressing the Members on his Official visit to the Branch on February 18, 2012. (L-R): CA. Alex Kuriakose, Chairman, Trivandrum Branch and CA. V.X. Jose, Member-SIRC.

SUPERANNUATION OF MRS. M.S. LALITHA, LIBRARIAN

Group photograph with CA. V. Murali, Central Council Member-ICAI, CA. P.R. Aruloli, Regional Council Member-SIRC, retired staff and staff of ICAI, Chennai taken on the occasion of farewell function organised for **Mrs. M.S. Lalitha, Librarian** on February 29, 2012 at Chennai on her retirement on superannuation.

NEWLY ELECTED SIRC CHAIRMAN ASSUMING OFFICE



CA. K. Viswanath assuming the Office of Chairman of SIRC of ICAI on Feb. 23, 2012 at Chennai from immediate Past Chairman CA. K. Shanmukha Sundaram flanked (L-R) by CA. Rajendra Kumar P, Central Council Member of ICAI and senior members.

SIRC BRANCH CHAIRMEN MEETING



CA. K. Viswanath, Chairman-SIRC addressing the Chairmen and other Office Bearers of Branches of SIRC of ICAI on February 24, 2012 at Chennai. (L-R): CA. P.V. Rajarajeswaran, Secretary-SIRC, CA. D. Prasanna Kumar, Vice Chairman-SIRC, CA. P.R. Suresh, Treasurer-SIRC and CA. Naresh Chandra Gelli V, Chairman-SICASA.

CPE SEMINAR ON CENTRAL STATUTORY AUDIT OF BANKS
February 25, 2012 - Chennai



Dignitaries at the Inaugural Session (L-R): CA. Gopal Krishna Raju, CA. P.R. Aruloli, Members-SIRC, CA. P.V. Rajarajeswaran, Secretary-SIRC, CA. V. Murali, Central Council Member-ICAI, CA. K. Viswanath, Chairman-SIRC, CA. R. Vijayaragavan, CA. M. Naganathan, Seminar Co-ordinators and CA. D. Prasanna Kumar, Vice Chairman-SIRC.

Resource Persons



Mr. Amaresh Ranjan
Dy. Manager, RBI



Mr. Madhu Kannan
MD & CEO, BSE Ltd.



Mr. P.N. Viswanathan
DGM, CCFO, SBI



CA. R. Vittal Raj
Chennai



Panel Discussion. Panelists (L-R): CA. M. Naganathan, Chennai, CA. C.R. Sundararajan, Chennai, CA. K.R. Ratnam, Chennai, CA. S. Pattabiraman, Chennai and CA. P.S. Narasimhan, Chennai.



CA. R. Sivakumar, Chennai, Workshop Co-ordinator inaugurating. (L-R): CA. K. Viswanath, then Vice-Chairman-SIRC, CA. K. Shanmukha Sundaram, then Chairman-SIRC and CA. V. Pattabhi Ram, Chennai (Resource Person).

CPE WORKSHOP ON INTERNATIONAL FINANCE
February 17, 2012 - Chennai

Resource Persons



CA. V. Pattabhi Ram
Chennai



CA. V. Annapoorna
Chennai



CA. R. Sivakumar
Chennai



CA. T. Banusekar
Chennai

RESOURCE PERSONS AT THE CPE STUDY CIRCLE MEETINGS & HANDS ON PRACTICAL WORKSHOP IN ADVANCED EXCEL
February 2012 at SIRC Chennai

Feb. 1, 2012



CA. G. Anantha Krishnan
Hyderabad

Feb. 8, 2012



CA. P. Venkatesan
Chennai

Feb. 15, 2012



CA. A. Viswanathan
Chennai

Feb. 19, 2012



CA. Gopal Krishna Raju
Chennai

Feb. 22, 2012



CA. K. Sivarajan
Chennai

Feb. 29, 2012



CA. Sanjay D. Madanlal
Bangalore

MEETING ON "UNDERSTANDING INTELLIGENCE & CRIMINAL INVESTIGATION"
organised by SIRC & IT Dept., Chennai on Feb. 15, 2012



Mr. Krishna Murty, IRS
Director of Income Tax
(Intelligence & Criminal Investigation)
South Zone, Chennai

INDIA CORPORATE AND INVESTOR MEET - 2012

Organised by Ministry of Corporate Affairs and ICAI - February 7, 2012 - Chennai



Dignitaries at the Inaugural Session (L-R): CA. L. Ganesh, Chairman, Rane Group, Hon'ble Dr. M. Veerappa Moily, Union Minister of Corporate Affairs, His Excellency Dr. K. Rosaiah, Governor of Tamil Nadu, CA. V. Murali, CCM, ICAI & Co-Convenor, CA. G. Ramaswamy, then President-ICAI, Mr. Naveed Masood, Secretary, MCA and CA. S. Santhana Krishnan, Chairman, Corporate Laws & Corporate Governance Committee-ICAI & Convenor.



Hon'ble Dr. M. Veerappa Moily, Union Minister of Corporate Affairs addressing the participants. (L-R): CA. G. Ramaswamy, then President-ICAI, Mr. Naveed Masood, Secretary, MCA and CA. S. Santhana Krishnan, Chairman, Corporate Laws & Corporate Governance Committee-ICAI & Convenor.

INAUGURATION OF KANNUR BRANCH OF SIRC (New Branch of SIRC of ICAI in Southern Region) February 6, 2012 - Kannur



CA. G. Ramaswamy, then President-ICAI inaugurating in the presence of CA. K. Shanmukha Sundaram, then Chairman-SIRC of ICAI, CA. Babu Abraham, Past Chairman-SIRC, CA. V.X. Jose, Member-SIRC and Members of Kannur.

SUB REGIONAL CONFERENCE AT PONDICHERRY Organised by SIRC of ICAI – Host: Pondicherry Branch February 10, 2012 - Puducherry



CA. K. Shanmukha Sundaram, then Chairman-SIRC delivering Inaugural Address. (L-R): CA. E. Phalguna Kumar, then Treasurer-SIRC, CA. T. Palaniappan, then Chairman-Pondicherry Branch, CA. P.R. Aruloli, Member-SIRC & Ex-Officio Member-Pondicherry Br. and CA. Vijaykumar N. Modi, then Treasurer-Pondicherry Br.



CA. M. Devaraja Reddy, Central Council Member-ICAI & Ex-Officio Member-Hyd. Br. inaugurating. (L-R): CA. China Masthana Thalakyala, CA. C. Venkatram, then Members-Hyd. Br., CA. Naresh Chandra Gelli V., then Chairman-Internal Audit Committee of SIRC & Ex-Officio Member-Hyd. Br., CA. G.V.V. Satyanarayana, Member-SIRC, CA. Tirupathiah Yarra, then Secretary-Hyd.Br., CA. Venkateswara Rao Adusumilli, then Chairman, Hyderabad Branch, CA. Gelli Dayakar, then Vice-Chairman, Hyd. Br.

TWO DAY NATIONAL WORKSHOP ON RISK BASED INTERNAL AUDIT February 3 & 4, 2012 - Hyderabad

Resource Persons



CA. R.S. Adukia
Mumbai



CA. Arvind Vemuganti
Hyderabad



CA. B. Ganesh
Hyderabad



CA. C.S. Subrahmanyam
Hyderabad



CA. K. Paul Jayakar
Chennai



Mr. Brijesh K. Karnani
Hyderabad



Mr. Hari Prasad Shetty
Mumbai



Mr. P.R. Loganathan
Chennai