Connection

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INNOVATE CREATE LEAD

Lalit Bajaj & Associates
Chartered Accountants

LALIT BAJAJ & ASSOCIATES

JUST TO REMIND YOU

- **Aug 15 - e-Payment of PF for July**
- **Aug 21 - Payment of ESI for July**
- **Aug 21 - Payment of MVAT & WCT TDS for July**
- **Aug 31 - Filing of Wealth Tax Returns**
- **Aug 21 - Filing of IT Return (without audit)**

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Communiqué

Dear Friends & Colleagues,

At the Outset "Happy Independence Day". The boldness and sincere hard work of our Hon. Prime Minister has made us all optimistic about a significant growth path for the country. We are ready to accept Natural calamity in the form of floods, log-jam of Monsoon session of Parliament, delay in implementation of Reforms in the form of GST, Land acquisition Bill, for a single reason i.e. belief in our Government.

We are part of India which is no more a slow moving economy, ready to show a double digit growth, the question which arises is are we ready to experience the growth with a **Strong Support System**, that our CA Profession has always provided to our economy. I believe with the size of the economy growing, we need to increase our size too, to meet the requirements of the young and dynamic entrepreneurs of our country and to cater to a larger arena of Corporates expanding footprints all across the globe. Today in the world of ideas, we have to be a proactive professional, ready to nurture and execute ideas. I firmly believe that, a Big basket is waiting for us, once we prove ourself efficient in term of size and geography. A format with multiple partners and multi locational presence is what will help us to specialize in all the areas whether it be International Taxation, Auditing with all its evolved concepts and requirements, Creating Value through Mergers and Acquisitions, IPOs, etc. value added services and above all to keep updated about the ever evolving newer rules and laws & to provide services to clients who are well placed to get services from international firms.

Lets start with a Forum of ideas through our connection, wherein a page will be fully dedicated to newer ideas and aspects, to make our fellow member more equipped. Lets define our Idea into Innovation with Awareness. This will be supported with a helpline of the contributor of that idea, for further clarification and association.

It is a great feeling sharing my views and am always available for the cause of the profession.

Nothing stops the man who desires to achieve.
Every obstacle is simply a course to develop his achievement muscle.
It's a strengthening of his powers of accomplishment.

Best Wishes

LBajaj

CA Lalit Bajaj

SEBI Releases FAQs on Delisting of Securities

What is meant by delisting of securities?

The term “delisting” of securities means permanent removal of securities of a listed company from a stock exchange. As a consequence of delisting, the securities of that company would no longer be traded at that stock exchange.

What is the difference between Voluntary delisting and Compulsory delisting?

Compulsory delisting refers to permanent removal of securities of a listed company from a stock exchange as a penalizing measure at the behest of the stock exchange for not making submissions/comply with various requirements set out in the Listing agreement within the time frames prescribed. In voluntary delisting, a listed company decides on its own to permanently remove its securities from a stock exchange.

What is the exit opportunity available for investors in case a company gets delisted?

SEBI (Delisting of Securities) Guidelines, 2003 provide an exit mechanism, whereby the exit price for voluntary delisting of securities is determined by the promoter of the concerned company which desires to get delisted, in accordance to book building process. The offer price has a floor price, which is average of 26 weeks average of traded price quoted on the stock exchange where the shares of the company are most frequently traded preceding 26 weeks from the date public announcement is made. There is no ceiling on the maximum price. In case of infrequently traded securities, the offer price is as per Regulation 20 (5) of SEBI (Substantial Acquisition and Takeover) Regulations. For this purpose, infrequently traded securities is determined in the manner as provided in Regulation 20 (5) of SEBI (Substantial Acquisition and Takeover) Regulations.

Does a company listed at BSE/ NSE have to provide exit offer to shareholders in case it delists from stock exchanges other than BSE and NSE?

No, the company does not have to provide exit offer to shareholders because it continues to be listed on the BSE / NSE which have nationwide reach and shareholders can exit any time they decide to so by way of selling shares in NSE/ BSE.

What would constitute demonstration of delivering the letter of offer to all the public shareholders in terms of the proviso to regulation 17(b) of Delisting Regulations in cases where atleast 25% of the public shareholders do not participate in the book building process?

In this regard, it is clarified as under:

- If the acquirer or the Merchant Banker sends the letter of offer to all the shareholders by registered post or speed post through India Post and is able to provide a detailed account regarding the status of delivery of the letters of offer (whether delivered or not) sent through India Post, the same would be considered as a deemed compliance with the proviso to regulation 17(b) of the Delisting Regulations.
- If the Acquirer and Merchant Banker are unable to deliver the letter of offer to all the shareholders by modes other than speed post or registered post of India Post, efforts should be made by them to deliver the letter of offer by speed post or registered post of India Post. In that case, a detailed account regarding the status of delivery of letter of offer (whether delivered or not) provided from India Post would also be considered as deemed compliance with the proviso to regulation 17(b) of the Delisting Regulations.

“The company does not have to provide exit offer to shareholders if it continues to be listed on BSE/NSE”

Applicability of Ind AS in India

"Ind AS to become applicable for accounting period beginning on or after April 2016"

Voluntary Adoption:

Companies may voluntary adopt Ind AS for financial statements for accounting period beginning on or after 1st April 2015 with the comparatives for the periods ending 31st March 2015 or thereafter. If any company adopts the Ind AS then it will be required to follow i.e. there is no option of rollback.

Mandatory Adoption:

a. Following companies will have to adopt Ind AS mandatorily for financial statements for accounting period beginning on or after 1st April 2016 with the comparatives for the periods ending 31st March 2016 or thereafter:

- Companies whose securities are listed or in process of listing in any stock exchange whether in India or outside India and having a net worth of Rs. 500 crores or more.
- Unlisted companies having a net worth of Rs. 500 crores or more
- Holding, subsidiary, Joint Venture, Associate of companies written in (i) or (ii)

b. Following companies will have to adopt Ind AS mandatorily for financial statements for accounting period beginning on or after 1st April 2017 with the comparatives for the periods ending 31st March 2017 or thereafter:

- Companies whose securities are listed or in process of listing in any stock exchange whether in India or outside India and having a net worth of less than Rs. 500 crores.
- Unlisted companies having a net worth of Rs. 250 crores or more.
- Holding, subsidiary, Joint Venture, Associate of companies written in (i) or (ii)

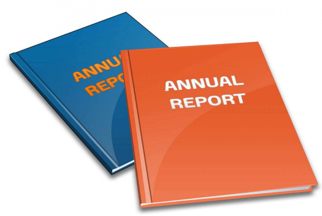
Other Important Points:

- Ind AS would apply to standalone and consolidated financial statements.
- The rules clarify that an Indian company having an overseas subsidiary, joint venture, associate or which is a subsidiary, joint venture associate is required to prepare their Consolidated Financial statements as per these rules.
- Here subsidiary company means a company in which the holding company:-

  Controls the composition of Board of Directors.

  Exercises or Controls more than one half of total share capital either own or together with its subsidiaries. Provided that such class or classes of holding companies as may be prescribed shall not have layer of subsidiaries beyond such numbers as may be prescribed.
- Here associate company means a company in which the other company has a significant influence but this company is neither subsidiary or nor joint venture of that particular company.
- Significant Influence for the point no. d means control of at least 20% of its total share capital, or of business decisions under an agreement.
- Net Worth means the aggregate value of the total share capital and all reserves creating out of the profits and securities premium account after deducting the aggregate value of losses, deferred expen diture and miscellaneous expenditure not written off but does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

Delivery of Documents in Electronic mode under Companies Act, 2013



Ministry of Corporate Affairs {MCA} vide its Circular no. 17/2011 dated 21-4-2011 and no. 18/2011 dated 29.4.2011 had given clarifications regarding sending copies of Balance Sheets and Auditors Report etc { documents} to the members of a company under section 219 of the Companies Act 1956 {erstwhile} through electronic mode.

Since the Companies Act 1956 did not have any provision in this regard reference was made to sections 2, 4, 5 & 81 of the Information Technology Act 2000 and it was clarified to this effect by the Ministry that a company would be in compliance of section 219{1} of the said Act of 1956 in case the copies of the Balance Sheets, Auditors Report etc are sent by electronic mail to its members subject to the fact that the company has obtained :-

Email address of the members for sending such documents through e-mail after giving an advance opportunity to the member to register his email address and changes therein from time to time with the company or with the concerned depository {DP}.

Company's website displays full text of these documents well in advance prior to mandatory period and issues advertisement in prominent newspapers stating that copies of aforesaid documents are available in the website and for inspection at the registered office of the company during office hours.

In cases where any member has not registered his e-mail address for receiving the documents through e-mail, the same will be sent by other modes of services as provided under section 53 of the Companies Act 1956.

In case any member insists for physical copies of above documents, the same should be sent to him physically, by post free cost.

NEW COMPANIES ACT 2013 BRINGS IN DIGITAL ERA

Subsequently the Companies Act 2013 {new Act} has been enacted and brought into force. In terms of the new Act, service of documents by a company u/s 20 {corresponding to sections 51, 52 & 53 of the Companies Act 1956} & its Rules is permitted to be made upon its members by sending to them by post or by courier, or, among others, by means of electronic mode/transmission.

From the said section 20 of the new Act it is evident that sending of documents by a company to its members by electronic mode is an option available in addition to physical mode.

Moreover under section 136 of the new Act with regard to right of member to copies of audited financial statement { corresponding to section 219 of the Companies Act 1956} and its Rules, all listed companies and certain public companies meeting specified criteria {hereinafter described as "specified companies"} shall have an option to send documents to the members:-

- by electronic mode whose shares are held in demat format & whose e-mail addresses are registered with DPs,
- by electronic mode whose shares are held in physical format & who have given written positive consent for receiving documents in electronic mode, and
- by dispatch of physical copies as per section 20 of the new Act in all other cases.

It may be stated that generally a number of provisions in the new Act supports and mandates maintenance & delivery of electronic documents /records.

However it is important to note particularly the section 136 / its rules herein-above regarding the company sending documents by electronic mode to those members whose shares are held in demat format & whose e-mail addresses are registered with DPs.

It may stated that in this case it may not constitute specific positive consent of the members to receive Balance Sheets and Auditors Report etc in electronic mode as envisaged herein in terms of the new Act unless the member has specifically tick marked the applicable box in the prescribed application form for opening securities account with DP. In case he has not, the default option would be his agreeing to receive the documents in physical mode.

STATUTORY RIGHT TO RECEIVE DOCUMENTS BY MEMBERS OF ALL COMPANIES U/s 136

The first issue is whether a listed company or a specified company as abovementioned should send Balance Sheets and Auditors Report etc to its members through

"Sending documents by a company to it's member by electronic mode is an option available in addition to physical mode."

electronic mode where members have their e-mails addresses registered with their DPs. In these cases members have not given specific positive consent to receive the documents in electronic mode as they have not specifically tick marked in the application form or forgot to tick mark, as discussed earlier. It is also understood that in some of the older DP accounts there are no registered e-mail addresses in which case there is no question of any positive consent by members to receive e-mail delivery. Even if it presumed that the members who have got their emails addresses registered with DP have given their consent to receive documents through electronic mode, and the process has legal sanctity, the question is whether that position is desirable and in order in the present digital environment of the country.

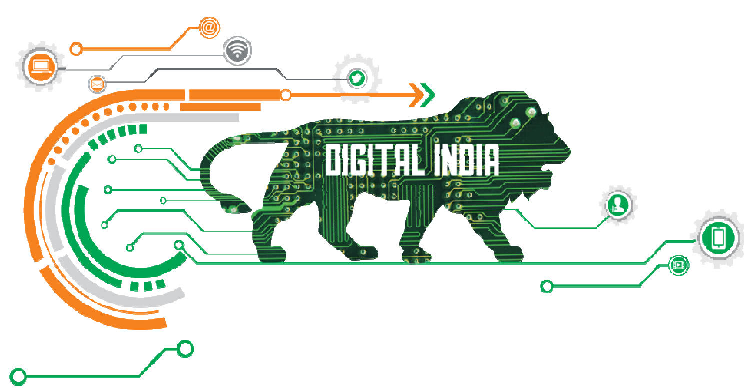
The second issue which may arise as to whether the remaining companies which would mean a company which is not a listed company or a specified company as abovementioned is permitted to send documents to its members through electronic mode without giving an advance opportunity to them to register their e-mail addresses. Alternatively whether such company should follow the provisions stipulated in the referred Circulars of MCA which cover all companies.

These issues can be understood by examining the legality of the referred Circulars issued when the erstwhile Companies Act 1956 was in force and there was no provision therein in that regard. However it may be recalled that the Circular was issued in terms of the Information Technology Act 2000 which is still in force. Hence validity of the Circulars cannot be questioned now and moreover Companies Act 2013 has elaborated upon the same. However the effect of such Circulars is more in tune with the present digital milieu of the country.

These issues can also understood by the fact that the country has inadequate penetration of internet facility, general lack of digital literacy and scarce availability of computer hardware more particularly in smaller towns / semi urban areas, it would be an important issue to review as to whether to let the companies shift to electronic mode of delivery of documents to their members without the members opting for such mode in clear terms or the law imposing it on them. It is very much possible that a large number of members still prefer physical receipt of documents.

Hence it should be an important issue to unambiguously lay down that a member of any company should always have a statutory right to receive physical delivery of documents if he so desires irrespective of whether he has an e-mail addresses or not and where he has given positive consent to receive documents in electronic mode or not. Even if he has given such consent he should be able to reverse it.

The most critical aspect of the matter is that it is valuable statutory right of the members to get Balance Sheets and Auditors Report etc of the company within the statutory period, and complexity of mode of deliveries and lack of technical ability of the members to access such documents should not come in the way to hinder that statutory right.



CBDT notifies Cost Inflation Index for FY 2015-16

In exercise of the powers conferred by clause(v) of the Explanation to section 48 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), Central Board of Direct Taxes, published in the Gazette of India, Extraordinary vide number S.O. 709(E), dated the 20th August 1998 namely : –
2. In the said notification in the Table after serial number 34 and the entries relating thereto the following serial number and entries shall be inserted, namely : –

35 . 2015-16 - 1081

Verification of e-filed Returns

The Central Board of Direct Taxes has vide Notification No. 41/2015 dated 15.04.2015 in cases of categories of 'persons' specified therein, has introduced Electronic Verification Code ('EVC') as one of the modes for validation of return of income which are filed electronically on or after 01.04.2015.

In case of returns of income pertaining to Assessment Year's 2013-2014 and 2014- 2015 filed electronically (without digital signature certificate) between 01.04.2014 to 31.03.2015, time-limit for submission of ITR-V to the CPC Bengaluru has already been extended till 31.10.2015 vide Notification No. 1/2015 dated 10.07.2015 issued by the Pr. DGIT(Systems), CBDT. In order to facilitate the process of validation of such returns, CBDT, in exercise of the powers conferred under sub-section (1) of section 119 of the Income-tax Act, 1961, hereby directs that the taxpayer can validate such returns of income within the said extended time through EVC also.

Extension of Due Date for filing of Wealth Tax Return

In terms or Explanation to sub-section (1) of section 14 of the Wealth-tax Act 1957, 'due date' of filing Return of wealth in relation to an assessee under the Wealth-tax Act shall be the same date as that applicable to an assessee under the Income-tax Act under the explanation to sub-section(1) of Section 139 unite Income-tax Act.

Central Board of Direct Taxes vide order under section 119 of the Income-tax Act F.No.225/154/2015/ETA-II dated 10.6.2015 has extended the 'due date' for filing Return of Income for assessment year 2015-16 in respect of assessees falling under clause (c) of explanation 2 to sub-section (1) of section 139 of the Income-tax Act from 31.7.2015 to 31.8.2015, In view of the same, the 'due date' for filing Retain of wealth by such assessees for assessment year 2015-16 also stands extended from 31 st July 2015 to 31 st August 2015.

This issues with the approval of Chairperson, CBDT.

Scrutiny of Service Tax Returns

"CBEC has revised the instructions on the detailed scrutiny of ST-3 Returns"

The Board vide Circular No. 113/07/2009-ST had laid down the procedure for carrying out detailed scrutiny of Service Tax Returns (ST-3) and had circulated a return scrutiny manual for Service Tax.

However, with the introduction of Point of Taxation Rules, 2011 and advent of Negative List in July, 2012, CBEC has now revised the instructions on detailed scrutiny of **ST-3 returns,** with effect from 01.08.2015 vide Circular No. 185/4/2015-ST dated 30.06.2015.

The Board Circular states, " Even after the introduction of GST, it may be appreciated that the basic principles of scrutiny of returns and reconciliation of records would remain the same." The Department wants to extend this to GST.

The following is the gist of guidelines issued for manual scrutiny for understanding and guidance.

A. Preliminary Online Scrutiny:

(i) The purpose of preliminary scrutiny of returns includes :

- ensuring the *completeness* of the information furnished in the return,
- *arithmetic* correctness of the amount computed as tax and its *timely payment*,
- *timely submission* of the return and identification of non-filers and stop-filers.

(ii) Scrutiny is done online in ACES and the returns having certain errors are marked for Review and Correction (RnC).

(iii) These have to be processed accordingly by the Range Officers.

B. Detailed Manual Scrutiny

a. Objective

The purpose of detailed manual scrutiny of returns is to ensure the correctness of the assessment made by the assessee.

b. Scope

- Checking the taxability of the service,
- The correctness of the value of taxable services (Section 67 of the Finance Act, 1994 read with the Service Tax (Determination of Value) Rules, 2006) and ,
- The effective rate of tax after taking into account the admissibility of an exemption notification (25/2012-ST), abatement (26/2012-ST), or exports (Rule 6A) , if any; ensuring the correct availment/ utilization of CENVAT Credit in terms of the CENVAT Credit Rules, 2004, etc.

c. Eligibility / Selection

The list of returns to be taken up for detailed scrutiny would be finalized by the Additional/ Joint Commissioner in-charge of Division (or in his absence by the Commissioner).

Main focus on small assessees whose total tax paid (Cash + CENVAT) during FY2014-15 is less than Rs. 50 lakhs, though on the direction of Chief Commissioner, scrutiny of ST-3 can be made of assessee whose monetary limit exceeds Rs. 50 lakhs. Each Commissionerate has to select equal number of assessees for carrying out returns scrutiny from three tax paid bands viz: Rs. 0 to Rs. 10 lakhs, Rs 10-25 lakhs and Rs 25- 50 lakhs for the FY 2014-15.

The assessees who have been selected for audit or have been audited recently (in the past three years) should not be taken up for detailed scrutiny. In no event should an assessee be subjected to both audit and detailed manual scrutiny.

Time limit

Scrutiny process should be completed in a period not exceeding 3 months.

Findings

In order to ensure transparency of the scrutiny process, it is important to document the findings flowing from the scrutiny effort. For this purpose, an Observation Sheet should be prepared. The scrutiny officer must record his findings under each of the subject of the checklist namely, reconciliation, taxability, classification, valuation and CENVAT credit. Under each of these heads, the officer should record any action that needs to be taken by the Range. The findings should clearly outline the process of scrutiny that led to the outcome.

No Change in RBI Policy Rates

By Dr. Raghuram G. Rajan, Governor

Monetary and Liquidity Measures

On the basis of an assessment of the current and evolving macroeconomic situation, it has been decided to:

keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.25 per cent;

keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liability (NDTL);

continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and

continue with daily variable rate repos and reverse repos to smooth liquidity.

Consequently, the reverse repo rate under the LAF will remain unchanged at 6.25 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 8.25 per cent

Assessment

Since our last statement, global economic activity has recovered modestly in Q2 of calendar 2015. The US economy rebounded on stronger consumption growth and steadily improving labour market conditions, though recent wage data suggest continuing slack. The Euro area has grown at a moderate pace through the first half of 2015, supported by consumer spending, easing financing conditions and a modest downturn in still-high unemployment. In Japan, growth slowed in Q2 after an upside surprise in Q1. Domestic consumption is still weak, but manufacturing activity picked up in July and strengthening exports and corporate profitability could stimulate capital spending in H2. In the emerging market economies (EMEs), activity decelerated through H1 due to headwinds from weak external demand, tightening external financing conditions, deteriorating structural bottlenecks and spill overs from unsettled conditions in financial markets. Despite aggressive policy stimuli, the Chinese economy is slowing on macroeconomic rebalancing, sizable stock market corrections, a cooling property market and excess capacity in several manufacturing industries. Manufacturing activity weakened further in July, clouding near-term expectations. Recessionary conditions persist in both Russia and Brazil, with downside risks from commodity prices and geopolitical developments casting a shadow on the outlook, including for other EMEs.

In recent months, financial markets have experienced high turbulence due to the Greek crisis, the Chinese stock market slump and shifts between risk-on and risk-off sentiments based on changes in beliefs about when the Federal Reserve will start raising rates. Bond market sell-offs originating in Germany lifted bond yields across the world, including in EMEs, and tightened financing conditions. Equity markets were buoyed by the search for yields which stretched asset valuations until end-June, when sharp stock market corrections in China pulled down share prices globally. Currency markets were dominated by the rising US dollar, which impacted foreign currency borrowing exposures, increased exchange rate volatility and also produced sizable capital outflows from EMEs. Investors have reduced exposures to EMEs as an asset class, but a generalised flight to safety is yet to be seen. Investors have also shunned commodities affected by the Chinese slowdown, including bullion.

In India, the economic recovery is still work in progress. After strong rainfall in June, July has been below par, but on net, the monsoon is near normal. Higher reservoir levels also auger well for the prospects of kharif output, particularly for areas that are dependent on irrigation. Consequently, kharif sowing has expanded significantly relative to a year ago, especially in respect of oilseeds, pulses, rice and coarse cereals. These developments, supported by contingency plans for vulnerable districts, provide cushion against adverse weather shocks. If prospects of a good harvest strengthen, currently weak rural demand will improve to provide an important boost to activity. Shrinking exports in some industries, in part a result of weak global demand and global overcapacity in those industries and in part a result of the significant depreciation of currencies of some major trading partners against the rupee, also contributed to weak aggregate demand. The Reserve Bank's survey-based indicators point to flat capacity utilisation and new orders, with corporate sales growth declining – although lower inflation explains some of the compression in top lines. Although overall business confidence is positive, the level of optimism was a shade lower in April-June than in the preceding quarter. Investment, as measured by new projects, is still weak, primarily because of still-low capac-

"The Policy Repo Rate under the Liquidity Adjustment Facility (LAF) was kept unchanged at 7.25%"

"Liquidity conditions have been very easy in June and July"

ity utilization. In the critically important power sector, where final demand is strong, the recent step-up in generation in response to the commendable easing of bottlenecks in coal supply is being partly negated by structural problems relating to clogging of transmission grids and the dire financial state of electricity distribution companies (DISCOMs).

5. However, there are signs that consumption demand, especially in urban areas, is picking up. Car sales for July were strong. Nominal bank credit growth is lower than previous years, but adjusted for lower inflation as well as for lower borrowing by oil marketing companies and increased borrowing from commercial paper markets, credit availability seems to be adequate for most sectors.

The services sector continues to emit mixed signals. The pick-up in heavy commercial vehicle sales and rising port and domestic air freight in Q1 suggest strengthening transportation activity (for Indian data, Q refers to fiscal year quarters). Purchasing managers' indices were in contraction zone in June, mainly due to lower new and existing business conditions. Survey-based expectations of the outlook for the services sector point to positive sentiment in Q2 on the back of an expected increase in turnover and profit margin.

Headline consumer price index (CPI) inflation rose for the second successive month in June 2015 to a nine-month high on the back of a broad based increase in upside pressures, belying consensus expectations. The sharp month-on-month increase in food and non-food items overwhelmed the sizable 'base effect' in that month. Food inflation rose 60 basis points over the preceding month, driven by a spike in prices of vegetables, protein items – especially pulses, meat and milk – and spices.

Furthermore, excluding food and fuel, inflation rose in respect of all sub-groups other than housing. The momentum of price increases remained high for education. Inflation pressures increased for personal care and effects and household goods and services sub-groups. Inflation in CPI excluding food, fuel, petrol and diesel has been rising steadily since April and exceeded headline inflation through Q1. Near-term inflation expectations of households returned to double digits after two quarters, although those of professional forecasters remained anchored. Rural wage growth was moderate but there are indications of incipient pressures from corporate staff costs.

Liquidity conditions have been very easy in June and July. A seasonal reduction in demand for currency and increased spending by Government coupled with structural factors such as low credit deployment relative to the volume of deposit mobilisation contributed to surplus conditions in the money markets. This resulted in a significantly lower average daily net liquidity injection under the fixed rate repos under LAF, and variable rate term repo/reverse repo and MSF at 477 billion in June, down from 1031 billion in May. In July there was net absorption of ₹120 billion through these facilities. In response to the reduction in the policy repo rate in June the weighted average call rate eased from 7.47 per cent in May to 7.11 per cent in June. The Reserve Bank also conducted open market sales worth ₹83 billion in the second week of July, essentially in response to lack of demand for longer duration reverse repos. The call money rate remained below the repo rate through July, reflecting comfortable liquidity conditions.

Headwinds from weak global demand conditions restrained merchandise exports. The contraction in exports in Q1 of 2015-16, both volume and value, was the steepest since Q2 of 2009-10. The sharp fall in international commodity prices – especially crude oil – compressed import payments, helping to narrow the trade deficit. Domestic production shortages and lower international prices were, however, evident in higher imports of electronic goods, pulses, iron ore and fertilisers. Net surpluses on account of trade in services were sustained in Q1 and have, along with the lower trade deficit, helped reduce the current account deficit (CAD). Despite slowing portfolio flows, other forms of foreign capital flows such as foreign direct investment and non-resident deposits were sustained. With the shrinking external financing requirement, reserves were built up to an all-time high at the end of June, providing a buffer against adverse global shocks.

Policy Stance and Rationale

The bi-monthly policy statements of April and June indicated that the accommodative stance of monetary policy will be maintained going forward, but monetary policy actions will be conditioned by (a) fuller transmission by banks of the Reserve Bank's front-loaded rate reductions into their lending rates; (b) developments in food prices and their management, especially the effects of the monsoon, while looking through both seasonal as well as base effects; (c) a continuation and even acceleration of policy efforts to unclog the supply side so as to make available key inputs such as power and land, as also repurposing of public spending from poorly targeted subsidies towards public investment and reducing the pipeline of stalled investment; and (d) signs of normalisation of the US monetary policy. In the June statement, it was pointed out that a targeted infusion of bank capital is also warranted so that adequate credit flows to the productive sectors as investment picks up.

Since the first rate cut in January, the median base lending rates of banks has fallen by around 30 basis points, a fraction of the 75 basis points in rate cut so far. As loan demand picks up in Q3 of 2015-16, banks will see more gains from cutting rates to secure new lending, and more transmission will take place. The welcome announcement by Government of infusion of bank capital into public sector banks will help loan growth and hence transmission, as will currently easy liquidity conditions.

13. During 2015-16 so far, inflation conditions have evolved around the path projected in April and June bi-monthly policy statements, though they surprised somewhat on the upside in June. Large base effects, which the Reserve Bank will look through, are expected to pull down headline inflation in July and August. From September, favorable base effects wane.

Turning to the balance of inflation risks, most worrisome is the sustained hardening of inflation excluding food and fuel. Moreover, the full effects of the service tax increase, which took effect from June, will feed through over the rest of the year. Some food prices, particularly of protein-rich items, pulses and oilseeds have risen sharply in recent months. They will have to be carefully monitored as they tend to be sticky and impart an upward bias to inflation and inflation expectations. This assumes significance in view of households' inflation expectations rising again. Several factors, however, could have a significant mitigating influence. These include the sharp fall in crude prices since June and the likelihood of this softness persisting in view of the global supply glut and expanding production by Iran; the welcome increase in planting of pulses and oilseeds and prospects of rainfall in August and September according to some forecasters; the effects of the Government's current pro-active supply management to contain shocks to food prices, especially of vegetables, alongside its decision to keep increases in minimum support prices moderate.

Relative to the projections of the second bi-monthly statement, inflation projections in this bi-monthly statement are elevated by the higher than expected June observation but reduced by prospects of softer crude prices and a near-normal monsoon thus far. This implies that inflation projections for January-March 2016 are lower by about 0.2 per cent, with risks broadly balanced around the target of 6.0 per cent for January 2016

Taking into account all this, and given that policy action was front-loaded in June, it is prudent to keep the policy rate unchanged at the current juncture while maintaining the accommodative stance of monetary policy. Short term real risk free rates are nevertheless supportive of borrowing by interest rate sensitive consumer segments such as housing and automobiles. Significant uncertainty will be resolved in the coming months, including the likely persistence of recent inflationary pressures, the full monsoon outturn, as well as possible Federal Reserve actions. As the Reserve Bank awaits greater transmission of its front-loaded past actions, it will monitor developments for emerging room for more accommodation.

The outlook for growth is improving gradually. Favourable real income effects could accrue from weaker commodity prices, in particular crude oil, and a possible step-up in agricultural activity if monsoon conditions continue to improve. On the other hand, global growth projections for 2015 have generally been revised downwards and, therefore, the export contraction could become a prolonged drag on growth going forward. Notwithstanding some improvement in the state of stalled projects, supply constraints continue to be binding and new investment demand emanating from the private sector and the central Government remains subdued. On an assessment of the evolving balance of risks, the projected output growth for 2015-16 has been retained at 7.6 per cent.

"The outlook for growth is gradually increasing" ~ Raghuram Rajan

The fourth bi-monthly monetary policy statement will be announced on September 29, 2015.

Transformation from Accounting to Management in Indian Scenario

In past about a decade, if one gives a close look at the business environment, professional experience with clients and employer expectations, one could derive that the period has witnessed a theory of **'Big change'.** The drivers at macro level are altering the business environment radically and as a result transforming the accounting profession. Adoption of managerial outlook by the professional accountants is a major part of this transformation. This not only calls for rebuilding the synergies in a professional accountant but also rethinking on a relationship between the regulators and the individual accountants. Sustainability is the key to success of any organization. The Sustainable wealth creation has started to be considered as a sole performance measurement tool in the business world. The finance function of an organization is transforming in terms of sustainable business development and value added management focus.

ACCOUNTANTS AS VALUE ADDED PROFESSIONALS

The Chartered Accountants should be better named as added value professionals. In the changing scenario, they have to adapt to this changed name. Gone are the days when the number of Chartered Accountants employed in business would rise. There are several factors which clearly give an indication of a reverse trend, such as:

- Pressure to reduce overhead costs-effecting the number of reporting lines in all functions including finance
- Outsourcing of certain types of finance work to accounting firms or competitors outside the profession
- Competition for jobs from other parts of profession
- Growing demand for professionals having experience and business skills
- Technology

This should be taken up as a challenge for accounting professionals. To claim their place as senior managers, they should start making major contribution to corporate strategy and be highly efficient in supervisory and monitoring roles. There is an international concern over the growing role of professional accountants in future and the need for future leadership based accountant advisors with not only the financial background but also those who could sense the nerve of market. One can't say that the departments like marketing, human resources and production engineering are outside the scope of functioning of the finance professionals.

SPECIALISED PRIORITY AREAS

There are three crucial strands to their role. First, there is strategy and mergers and acquisition work. The second area crucial is management information systems. And the third most important strand to their role is that of running finance and administration. The issue of specialization in the profession would become all the more important in the changing scenario. Specialization which limits the leakage from the profession and maintain diversity, vibrancy and expertise within it is important. It extends the profession's outreach into the community at large. Accountants have to keep themselves abreast with diversity of management practices. The problem is in the identification of such practices which are more acceptable in business environment. According to a research study, strategic planning, budgeting and balanced score card are most high rated techniques in terms of future benefit to manufacturing and non-manufacturing sectors. So there is a need to build skills based on the kind of future services that a professional accountant is expected to give to their clients. In a modern day business most of the top finance officials spend their time on the following activities:

- Routine and Regular operation duties
- Working on special projects
- Working on strategic

issues

- Working on compliance activities
- Staff management/ administration

The above list of activities reveals the story of business expectations from their top finance professional. The attributes like communication and presentation to senior management/ board, general management skills, knowledge sharing skills, cost management, strategic skills are in a high priority list whereas the taxation, understanding and interpreting financial markets, IT system occupy the second best place.

Communication is the key to the role of an accountant. The training and development of a career will have to change and that will mean a different type of person coming into the profession. The modern employers are looking for people who are happy not to work in the back room but happy to work on the front foot, but still in a disciplined way. Change of emphasis turns the old style accounting world upside down.

KEY DRIVERS AND THEIR IMPACT

While analyzing the impact of new realities on accounting profession, let us identify broad characteristics of change which prompted the profession, its reformation:

Globalization:

There is a rapid move towards globalization of economies and business markets. This has resulted in India, a de-regulatory action from government, disinvestment in public sector units, liberalization towards inviting more foreign direct investment and the government's seriousness in agreeing to the terms of WTO. The pressure is increasing as well, towards harmonization in regulations relating to profession services and permit free flow of accounting and auditing services across borders.

The immediate impact of globalization is the need for accountants to broaden and sharpen their knowledge base. In the light of broader management role expected from professional accountants, simply broadening the traditional areas of accounting knowledge to fit international arena is not sufficient. There is a need to develop the skills in the areas of strategic planning, general management and should become familiar with the culture of an organization, and its human resource practices.

Information Technology (IT) Revolution:

Innovations in IT and usage of electronic mode of communication are becoming popular. Whether it is a small or medium enterprise or a large multinational, each individual's life has been affected. If deregulation unleashed the globalization, it is the IT which has accelerated it exponentially.

The world is moving towards border-less and paper-less business. The information is being exchanged quickly and economically using online services. Business transactions are greatly facilitated through the use of digital technologies. The Asia Pacific region, in particular is experiencing enormous growth in all forms of online services and both business and government are now making extensive use of Internet. It is not the business to consumer but business to business e-commerce, which poses greater opportunities and challenges.

IT development affects the professional accountant in two ways. The accountant is a user of technology, so as new tools are developed, they change the way in which his or her job is done. Secondly the accountant is expected to provide advice and direction on using new technology. The use of electronic tools and information technology in performing more and more accounting and auditing tasks requires that the accountant have a high level of knowledge of IT applications. This knowledge base is not only needed for the completion of traditional accounting tasks, but must be applied in every aspect of the business if the accountant is to truly be a full partner in managing the organization.

Opportunities exist for accounting firms to form joint ventures with high-tech firms in developing internal controls. New assurance services and new means of fraud detection are required to address new sources of business exposure, while internal audit have a greater role in conducting **"due diligence"** tasks. The focus of internal audit becomes advance consultation on risk and control, rather than being limited to after-the-fact testing of controls.

IT capabilities create the possibility that the economic value of the independent financial statement audit and that of traditional accounting services will decline. There is a focus on the customer as well as the share-holder and one have to try and meet the tests and requirements of both, if you overdo the servicing of the customers' needs, you end up running a charity and if you overdo the shareholder side, you upset your customers. Thus the traditional responsibilities are being transferred to the IT function, as computer systems take over more and more. Transaction processing is vanishing from the finance function but the control aspects become more important.

Work and demographic shifts

The changes like everyday amalgamations/ mergers of two big corporate houses, and as a parallel development, a creation of more and more small enterprises

is another factor of transformation. Small enterprises are created due to the increasing tendency of big enterprises to get their work through outsourcing mode. Among the small enterprises, are created numerous business service providers. These business advisors are those who in prior times would have been employees expecting to stay with the same employer for long period.

If a study is undertaken to find out the number of professional accountants who are fully equipped to function as managerial advisors together with doing traditional functions, the result may be quite disappointing. There is a need to change the image of an accountant to that of a consultant having legal, accounting and managerial capabilities. The progress will come from linking old skills to new skills and old roles to new roles. Further it is also important that new skills are practiced and that requires new opportunities.

In small businesses, the independent accountants are seen to be the close associates of management and may perform all the functions ranging from project guidance, compliance of regulations, implementing internal control systems, and making all strategic decisions. They can make their presence felt depending upon their abilities to perform all these functions. Similarly in big businesses, the familiarity with IT systems, inter-personal skills, effective communication skills, are the attributes through which a professional accountant can take an edge over other professionals working there. The opportunities do not come, these are to be created.

It is important to participate in public forums and participate in research activities. The young professionals have to demonstrate and participate in discussions and seminars. The attending of an AGM and raising useful issues are also important. The professional accountants in India have excellent analytical skills and they have got certain limitations as well. They must expand their mind and should become articulate. They should develop their business skills and should not confine themselves to certain areas. Here lies the role of an institution that should focus on overall personality development and thereby creating a new image of a **Chartered Accountant.**

The young accountants have to act as business advisors to small and medium enterprises and show their expertise in areas like Financial Planning, tax management, cost control, investment planning, compliance of regulations and making strategic decisions like change of product mix, introduction of new product, diversification, etc. The changed professional accountant and his role as business manager will rebuild the public confidence in the profession of chartered accountancy. The recent corporate failures have shaken the public confidence in financial reporting system and more particularly the profession of accountancy. The move towards transformation and therefore undertaking managerial responsibilities may be considered as alternate course of action to restore confidence of public in a professional.

Hence it can be concluded that there is rapid transformation from accounting to management in India.

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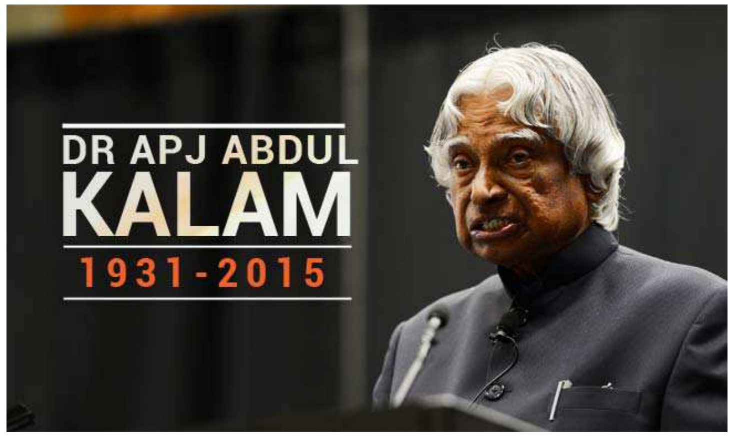

Innovate Create Lead

Exposure draft of the Accounting Standard for Local Bodies (ASLB) - 2

The Committee on Accounting Standards for Local Bodies (CASLB) was constituted as a separate Committee in March, 2005, with the main objective of formulating Accounting Standards for Local Bodies (ASLBs). So far, the Committee has issued eleven ASLBs and ASLB 24, *'Presentation of Budget Information in Financial Statements'* is likely to be issued shortly. Moving forward in this direction, the Committee has finalised the Exposure Draft of ASLB 2, *'Cash Flow Statements'*.

The objective of ASLB 2 is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing and financing activities. The cash flow statement also identifies the sources of cash inflows, cash outflows, and the cash balance as at the reporting date. Information about the cash flows of an entity is useful in providing users of financial statements with information for both accountability and decision-making purposes.

Comments on the above Exposure Draft is invited which can be submitted using one of the following methods, so as to be received not later than September 10, 2015.

Click on **http://www.icai.org/comments/caslb/** to submit comment online