



# TUTICORIN BRANCH OF SIRC

## NEWS LETTER

The Institute of Chartered Accountants of India  
( Set up by an Act of parliament )

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MAY 2010

### Chairman Writes . . .

Dear Colleagues,

Most of the Members must have completed their Bank Audits. Now, it is time to take stock of experience in the Core Banking environment (hundred percent implementation). Bank Audits apart from honing our professional skills, talents and capabilities in several core areas, it gives us on occasion to witness from the ring side, the eagerness of Banking sector for adopting and implementing the best global international practices and Change Management Techniques, thanks to the competition in Banking Industry. The next focus of our members is the audit of corporate and non-corporate clients for the year ended 31st March 2010.

The Accounting Standard Board has been issuing New Standards and Exposure Drafts for comments from members to keep pace with the ways in which transactions are being put through by modern businesses which face global competition. The new accounting standards will result in more meaningful and transparent financial statements and there is an urgent need to update our knowledge on these new standards. Hence, I request our learned members to give their valuable suggestions for the drafts exposure. In this regard I would like a special mention about our learned member CA.ACG.Venantius who has been giving an excellent Feed Back to exposure drafts. I wish him all the best and continue his noble mission for the betterment of our professional activities.

On 07.04.2010, our illustrious past President CA.T.N.Manoharan was awarded with Padma Shri by our President of our India. This live programme was arranged at our Branch premises ICAI Bhawan Tuticorin. It was well attended at by our students and members despite hectic Bank Audits.

I am happy to say that, the audited annual accounts of our Branch were sent on 13.04.10 to ICAI New Delhi

and SIRC. In this regard, I sincerely thank my committee members and our Branch Auditor who were very much instrumental in preparation and finalization of accounts within the stipulated time.



On 14.04.10, myself and our members had an opportunity to meet our President and Vice President of ICAI and Chairman of SIRC at Madurai. It was a great occasion to interact with them about various pending of grants and further infrastructure facilities to our Branch. We are assured of our requisite need at the earliest. I express my sincere thanks to our members who accompanied me for the mission despite it was an auspicious day (Tamil New Year).

I am very much pleased to say that CA.Gopal Krishna Raju of Chennai has been nominated as Ex-Officio member to our Branch. Also, our past chairman CA.G.Xavier Fernando has been co-opted as member to the Capacity Building of CA Firms committee of SIRC of ICAI 2010-2011. On behalf of all the members, I wish them both all the best in their endeavors and their valuable contribution to our Institute and public at large.

Due to the rising temperature it is not surprising that many of our members have planned vacation with their family to pleasant destination.

I wish all of you a happy summer vacation and all the best in the profession.

Our Mantra which reads as under

*"With Care, We Share"*



Yours ever loving,  
CA.H.Raman, Chairman



# BASICS OF STOCK AND STOCK MARKET

Imagine you wanted to start a retail store with members of your family. You decide you need Rs 100,000 to get the business off the ground so you incorporate a new company. You divide the company into 1,000 pieces, or "shares" of stock. (They are called this because each piece of stock is entitled to a proportional share of the profit or loss). You price each new share of stock at Rs100. If you can sell all of the shares to your family members, you should have the Rs100,000 you need (1,000 shares x Rs100 contributed capital per share = Rs100,000 cash raised for the company).

If the store earned Rs 50,000 after taxes during its first year, each share of stock would be entitled to 1/1,000th of the profit. You'd take Rs 50,000 and divide it by 1,000, resulting in Rs50.00 earnings per share (or EPS as it is often called on Wall Street). You could call a meeting of the company's Board of Directors (these are the people the stockholders elected to watch over their interest since they couldn't run the business) and decide to use the money to pay cash dividends, repurchase stock, or expand the company by reinvesting in the retail store.

At some point, you may decide you want to sell your shares of the family retailer. If the company is large enough, you could trade on a stock exchange. That's what is happening when you buy or sell shares of a company through a stock broker. You are telling the market you are interested in acquiring or selling shares of a certain company and Wall Street matches you up with someone and takes fees and commissions for doing it. Alternatively, shares of stock could be issued to raise millions, or even billions, of dollars for expansion. When Sam Walton formed Wal-Mart Stores, Inc., the initial public offering that resulted from him selling newly created shares of stock in his company gave him enough cash to pay off most of his debt and fund Wal-Mart's nationwide expansion.

But unlike ordinary marketplace, the prominent persons in a stock exchange are middlemen called stock brokers. They are regulated professionals who do the buying and selling of securities on behalf of investors. More often than not, stock brokers play the role of investment advisors to their clients. If you don't understand what is stock exchange and how it works but would like to put your money where it gives you more than a regular savings account would, you'd want to go to a stock broker.

Participants in the stock market range from small individual stock investors to large hedge fund traders, who can be based anywhere. Their orders usually end up with a professional at a stock exchange, who executes the order.

Some exchanges are physical locations where transactions are carried out on a trading floor, by a method known as open outcry. This type of auction is used in stock exchanges and commodity exchanges where traders may enter "verbal" bids and offers simultaneously. The other type of stock exchange is a virtual kind, composed of a network of computers where trades are made electronically via traders.

Actual trades are based on an auction market model where a potential buyer bids a specific price for a stock and a potential seller asks a specific price for the stock. (Buying or selling at market means you will accept any ask price or bid price for the stock, respectively.) When the bid and ask prices match, a sale takes place, on a first-come-first-served basis if there are multiple bidders or askers at a given price.

The purpose of a stock exchange is to facilitate the exchange of securities between buyers and sellers, thus providing a marketplace (virtual or real). The exchanges provide real-time trading information on the listed securities, facilitating price discovery.

The stock market is one of the most important sources for companies to raise money. This allows businesses to be publicly traded, or raise additional capital for expansion

by selling shares of ownership of the company in a public market. The liquidity that an exchange provides affords investors the ability to quickly and easily sell securities. This is an attractive feature of investing in stocks, compared to other less liquid investments such as real estate.

History has shown that the price of shares and other assets is an important part of the dynamics of economic activity, and can influence or be an indicator of social mood. An economy where the stock market is on the rise is considered to be an up and coming economy. In fact, the stock market is often considered the primary indicator of a country's economic strength and development. Rising share prices, for instance, tend to be associated with increased business investment and vice versa. Share prices also affect the wealth of households and their consumption. Therefore, central banks tend to keep an eye on the control and behavior of the stock market and, in general, on the smooth operation of financial system functions.

Exchanges also act as the clearinghouse for each transaction, meaning that they collect and deliver the shares, and guarantee payment to the seller of a security. This eliminates the risk to an individual buyer or seller that the counterparty could default on the transaction.

The smooth functioning of all these activities facilitates economic growth in that lower costs and enterprise risks promote the production of goods and services as well as employment. In this way the financial system contributes to increased prosperity. An important aspect of modern financial markets, however, including the stock markets, is absolute discretion.

From experience we know that investors may 'temporarily' move financial prices away from their long term aggregate price 'trends'. (Positive or up trends are referred to as bull markets; negative or down trends are referred to as bear markets.) Over-reactions may occur-so that excessive optimism (euphoria) may drive prices unduly high or excessive pessimism may drive prices unduly low. Economists continue to debate whether financial markets are 'generally' efficient.

Sometimes the market seems to react irrationally to economic or financial news, even if that news is likely

to have no real effect on the technical value of securities itself. But this may be more apparent than real, since often such news has been anticipated, and a counter reaction may occur if the news is better (or worse) than expected. Therefore, the stock market may be swayed in either direction by press releases, rumors, euphoria and mass panic; but generally only briefly, as more experienced investors (especially the hedge funds) quickly rally to take advantage of even the slightest, momentary hysteria.

## STOCK MARKETS IN INDIA

### 1) National Stock Exchange

The National Stock Exchange of India Limited (NSE), is a Mumbai-based stock exchange. It is the largest stock exchange in India in terms of daily turnover and number of trades, for both equities and derivative trading.[1]. NSE has a market capitalization of around Rs47,01,923 crore (7 August 2009) and is expected to become the biggest stock exchange in India in terms of market capitalization by 2009 end.[2]Though a number of other exchanges exist, NSE and the Bombay Stock Exchange are the two most significant stock exchanges in India, and between them are responsible for the vast majority of share transactions. The NSE's key index is the S&P CNX Nifty, known as the Nifty, an index of fifty major stocks weighted by market capitalisation.

### 2) Bombay Stock Exchange

The Bombay Stock Exchange Limited (formerly, The Stock Exchange, Mumbai; popularly called Bombay Stock Exchange, or BSE) is the oldest stock exchange in Asia and has the greatest number of listed companies in the world, with 4700 listed as of August 2007.[1] It is located at Dalal Street, Mumbai, India. On 31 December 2007, the equity market capitalization of the companies listed on the BSE was US\$ 1.79 trillion, making it the largest stock exchange in South Asia and the 12th largest in the world.[2] With over 4700 Indian companies listed & over 7700 scrips on the stock exchange,[3] it has a significant trading volume. The BSE SENSEX(SENsitive indEX), also called the "BSE 30", is a widely used market index in India and Asia. Though many other exchanges exist, BSE and the National Stock Exchange of India account for most of the trading in shares in India.

By  
S.Bharath  
Final Student

# The Story of a Donkey

Jesus Valan Arasu S.  
Final Student



One day a farmer's donkey fell into a well. The animal cried piteously for hours as the farmer tried to figure out what to do. Finally, he decided the animal was old, and the well needed to be covered

up anyway; it just wasn't worth it to retrieve the donkey.

He invited all his neighbours to come over and help him. They all grabbed a shovel and began to shovel dirt into the well. At first, the donkey realized what was happening and cried horribly. Then, to everyone's amazement he quieted down.

A few shovel loads later, the farmer finally looked down the well. He was astonished at what he saw. With each shovel of dirt that hit his back, the donkey was doing something amazing. As the farmer's neighbours continued to shovel dirt on top of the animal, he would shake it off and take a step up. Pretty soon, everyone was amazed as the donkey stepped up over the edge of the well and happily trotted off!

## Moral:

Life is going to shovel dirt on you, all kinds of dirt. The trick to getting out of the well is to shake it off and take a step up. Each of our troubles is a steppingstone. We can get out of the deepest wells just by not stopping, never giving up! Shake it off and take a step up.

## Remember the five simple rules to be happy:

1. Free your heart from hatred - Forgive
2. Free your mind from worries - Most never happen
3. Live simply and appreciate what you have
4. Give more
5. Expect less

(source: internet)

# NUMBER SPECIALS

$$1 \times 8 + 1 = 9$$

$$12 \times 8 + 2 = 98$$

$$123 \times 8 + 3 = 987$$

$$1234 \times 8 + 4 = 9876$$

$$12345 \times 8 + 5 = 98765$$

$$123456 \times 8 + 6 = 987654$$

$$1234567 \times 8 + 7 = 9876543$$

$$12345678 \times 8 + 8 = 98765432$$

$$123456789 \times 8 + 9 = 987654321$$

$$1 \times 9 - 0 = 9$$

$$12 \times 9 - 10 = 98$$

$$123 \times 9 - 120 = 987$$

$$1234 \times 9 - 1230 = 9876$$

$$12345 \times 9 - 12340 = 98765$$

$$123456 \times 9 - 123450 = 987654$$

$$1234567 \times 9 - 1234560 = 9876543$$

$$12345678 \times 9 - 12345670 = 98765432$$

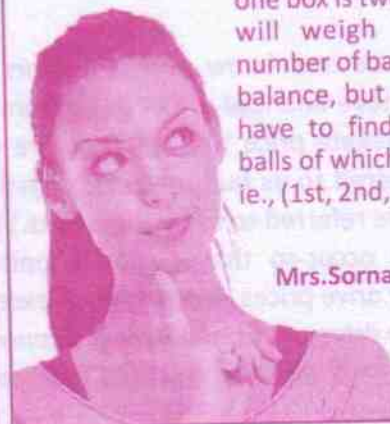
$$123456789 \times 9 - 123456780 = 987654321$$

## Find out the Odd one:

There are ten boxes containing 10 balls of one gram each. The balls in only one box is two grams each. I will weigh for you any number of balls in a physical balance, but only once. You have to find out and tell, balls of which box is heavier i.e., (1st, 2nd, 3rd ..... 10th)

BY

Mrs.Sorna Latha Raman



Answer :

next month

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