



TUTICORIN BRANCH OF SIRC

NEWS LETTER

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

NOVEMBER 2010

Private Circulation only

Chairman Writes . . .

Dear Colleagues,

"GREETINGS FROM ICAI SALAI (ROAD)"

This October 2010 we had a chance to celebrate and wish many of our friends and well wishers Happy Festivities, the Durga Pooja and Navatri etc.,

We are very much proud to inform you that the Sankaraperi Panchayat Union has accorded approval and sanction for naming the Street as 'ICAI SALAI (Road)' wherein our office ICAI Bhawan is situated on 21.10.2010. We sincerely express our profound thanks and gratitude to the President and the Councillors of the Sankaraperi Panchayat Union. It is a yet another Himalayan Achievement in the History of our Tuticorin Branch. We thank our Members who had been taking a lot of pains and hardship in making it a reality. We have been receiving congratulatory message from well-wishers and we thank them for their encouraging and motivating words from the depth of their heart.

By the time this issue is in your hands I am sure that you would have celebrated Diwali in the true spirit of the festival. It is also referred to as the Festival of Lights where the lights or lamps signify victory of good over the evil within every human being.

I am sure Diwali the festival of lights was a good respite amidst a hectic work schedule. I wish you good luck and prosperity in the New Diwali Year.

We are pleased to inform you that, on 06.10.2010 our Tuticorin Branch has been awarded with "Commendation Trophy and a Certificate" by the Sub-Collector of Tuticorin District in the presence of the Dignitaries of the Tuticorin Government Medical College Hospital in Recognition of Donating Blood by our Members, Students & Staff of our Branch which was organized by the Tuticorin Government Medical College Hospital and Tamilnadu State AIDS Control Society. On this happy occasion, we thank each and every donor for their noble and kind hearted gesture.

We are happy to inform that, the Audited Half Yearly Accounts of our Branch for the period from 01.04.2010

to 30.09.2010 were mailed / sent on 07.10.10 to ICAI New Delhi and SIRC Chennai. Our Branch is the first out of 34 Branches in the SIRC

Region to submit accounts for the Half year ending 30th September 2010 as commended by our SIRC Chairman in his letter dt.13.10.2010 addressed to our Branch. In this regard, we sincerely thank our committee Members, our Branch Auditor and our dedicated Branch Staff who were very much instrumental in preparation and finalization of accounts well before the stipulated time.

On 9th October 2010 afternoon, the Branch organised Students Study Circle Meeting Led by Mr.S.Bharath, Final Student on "AUDITOR'S REPORT ON FINANCIAL STATEMENTS (AAS 28 / SA 700)". It was so informative and educative.

We are happy to inform you that on 16.10.2010, Srinivasan, Athiparasakthi, and Machodo Nagar Welfare Society organized one Social Function at Athiparasakthi Nagar, which is in the immediate vicinity of our Branch Premises. Our CA.B.Francis Amal George, CA.J.Ignatius Maria Arul Roy, myself, CA Students and Staff of our Branch attended the same and distributed sweets and prizes to the School Students and Public. It was quite enjoyable and memorable one.

On 20th October 2010 Morning, our Learned Member CA.B.Francis Amal George and myself conducted Career Counseling programme at St.Mary's College Tuticorin. Nearly 200 Students participated and were benefited from the programme. CA.A.C.G.Venatius, CA.K.Xavier Raj, CA.S.R.Sivakumar and CA.G.Manoj Rodrigo attended the same.



On 21.10.2010 one Educational Exhibition Day was organized by Little Flower R.C.High School Tuticorin. Our past Chairmen CA.B.Francis Amal George, CA.G.Xavier Fernando and my-self attended the same. The fair was very much educative, informative and useful and the student's knowledge and wisdom fervour seemed abundant in every exhibition stall. We were moved by the talents inbuilt in the young students and wish them good luck in their future endeavor.

On this happy occasion Note Books were distributed to the Students. Further one Career Counseling was conducted by CA.B.Francis Amal George, CA.G.Xavier Fernando and myself in the school campus. Nearly 250 students were benefited. We express our sincere thanks to the Head Mistress, Teachers and Staff of the School for inviting us to the Fair for carrying out Service Activities and conducting Career Counseling Programme to the Students.

From 21.10.2010 to 23.10.2010 (3 days) our Branch conducted "Hands on Training" on Microsoft Word, Excel, Tally ERP 9 and Practical Text to our Members. It was well received and a grand success

On 23rd October, 2010, we received the Approval and Sanction letter for naming the Street as "ICAI Salai" (Road) from the President of the Sankarperi Panchayat Union and the meeting was attended by CA.B.Francis Amal George, CA.A.C.G.Venantius, CA.G.Viswanathan, myself and two local People.

On 29.10.2010, our Branch conducted Practical Workshop on Direct & Indirect Taxes Procedures & Documentation and it was a treasure trove of knowledge and the response from the participants was tremendous. It was inaugurated by Shri.S.Natarajan, F.A., & C.A.O., Tuticorin Port Trust, Tuticorin, delivered a motivating address and appreciated the efforts taken by our Branch in conducting the programme. He made a well researched and insightfull talk about the Tax Laws. The Speakers to the Workshop were men of Wisdom and Experience and the wealth and depth of their knowledge was extraordinary and out standing. They deftly and succinctly highlighted the issues concerning procedures and documentation with regard to Direct & Indirect Taxes. One Soft Skill Programme on "One Minute Manager" was handled by CA.B.Francis Amal George which tickled the funny bone of the delegates. To sum up, the workshop provided an opportunity to the delegates to enrich their knowledge and skills by mixing profession with pleasure and fellowship. The Workshop was attended by 108 delegates mostly from Industries. We express our profound and sincere thanks to the Industries, Service Sector Undertakings, Banks

and others for deputing the learned delegates to the Workshop. It was a yet another milestone in our Branch activities. We express our sincere thanks to M/s.DCW Ltd., Sahupuram, Tuticorin Dt, for their hospitality by way of extending the sumptuous food.

On 30th October 2010 afternoon, the Branch organised Students Study Circle Meeting Led by Mrs.R.Mageswari, Final Student on "How does Dividend Drive Market Price?". It was so informative and educative.

On 31.10.2010, Sunday, one local "Sakalakala Valli Music Academy" organized one Key Board Competition in our Town to the School Students of the Public. It was a Social function and an invitation was extended to our Branch and our Members CA.B.Francis Amal George, CA.J.Ignatius Maria Arul Roy, CA.G.Xavier Fernando and myself attended the same. The Students rendered soul stirring songs with tuneful Carnatic Music. Prizes and Snacks were distributed to the Students and Public who gathered in large numbers. It was quite enjoyable and memorable one. We thank the Organisers for inviting us as guests and sponsors to the function.

Direct Taxes Committee of ICAI intends to submit valuable suggestions for widening the tax base, increasing the tax revenue, checking the tax avoidance and rationalization of the provisions of Direct Tax Laws for the Pre-Budget Memorandum 2011, to the Government.

Members are requested to forward their suggestions to our Branch preferably by 15th November, 2010 so as to proceed further.

For many of our CA Students the forthcoming exam is of crucial importance and I wish each and every one of them the very best.

Our Mantra which reads as under **"More Services More Satisfaction and Services with Love."**

Yours ever loving,

CA.H.Raman.



CA Career Counselling Programme on 20.10.2010 at St.Mary's College, Tuticorin

INSPECTION UNDER COMPANIES ACT

Section 209A of the Companies Act 1956 contains provisions in respect of inspection of books of accounts and other books and papers of every company. This section provides exhaustive powers to the Registrar of Officer authorized by the Central Government or SEBI, as the case may be, to conduct inspection in order to ascertain that all transactions have been validly entered into and recorded in appropriate books and that applicable laws, rules and procedures have been complied by the company. The cardinal objectives of such inspections are:

- 1) To detect concealment of income by falsification of accounts.
- 2) To secure knowledge about the mismanagement of the business of a company and transactions entered into with the intent to defraud creditors, shareholders or otherwise for fraudulent or unlawful purposes.
- 3) To ascertain whether the statutory auditors have discharged their functions and duties in certifying the true and fair view of a company's accounts and their proper maintenance.
- 4) To enable the Government to take effective remedial measures to protect the company against liquidation and thus to save the industry or trade and prevent distress to the employees of company
- 5) To enable the Government to ascertain the quantum of profits accrued but not adequately accounted for
- 6) To detect misapplication of funds leading a company to a state of perpetual financial crisis.
- 7) To keep a watch on the performance of the company.
- 8) To detect misuse of fiduciary responsibilities by the company's management for personal aggrandizement.

Inspection is intended to be routine and not an ad hoc or special affair.

STRATEGY ON INSPECTION:

Inspection under section 209A is neither audit of books of accounts nor investigation into the affairs of the company. It can be only the appraisal of the overall activities of the company except in complaint cases. Such appraisal cannot be done merely by inspecting the records on 'as is where is' basis but certain amount of verification and cross verification of the records is necessary as in done in the process of auditing. The following points may be considered for inspection.

★ It is always better for an inspecting Officer to go through the documents filled by the company with the Registrar. In case certain documents are not filed / taken on records, efforts should be made to get the records made up-to-date.

★ An inspecting officer may find it useful to acquaint himself with the basic information about the industry concerned. In particular, attention may be drawn to the special type of accounting records maintained by the industry, production process involved, etc....

★ The following broad general approaches may lead to finding out the acts of mismanagement, including channels of syphoning of funds.

❖ Ask for and go through monthly trial balance and profit

and loss accounts prepared by the company. This will give an idea about the volume of activity and monthly profitability, with which the company's activity for the whole year can be assessed. Significant variations, if any, in the estimates and the entries in the books may come to the notice of inspector.

❖ Ask for and go through unit / product wise and division wise monthly profit and loss accounts. This would give an idea about the division / Unit making profits and contributing for recoveries of fixed costs and others which are not contributing. This kind of comparison will be absolutely necessary for multi-unit / multi-product companies.

❖ The existing Management Information Systems, at least in the areas of accounts and finance, should be reviewed. Cash flow analysis can show details of sources and application of funds. Analyse revenue and capital expenditure. Month wise analysis of capital expenditure may also reveal useful information. In this process, wrong or misclassification of capital and revenue expenditure may be found out (with a view to understating or overstating of profits).

❖ Revenue items of sales and purchases must be checked bearing in the mind the overall activity of the company. Month wise analysis of purchases and sales will show quantum of variance. The reasons therefore should be looked into. At the end of the year, to ensure that there is no inflation or deflation of sales or purchases, basic documents should be checked as on the "cut-off" date. This exercise would reveal attempt, if any, of deflation or inflation of purchases / sales. The turnover figure can be cross checked with sales tax return, excise duty records, returns submitted to banks for borrowings, etc.....

❖ In a manufacturing company, the consumption figures should be examined. A brief industry-wise analysis of input - output ratios should be made and particularly, the company's performance should be valued in this background. This evaluation may lead to other concomitant areas like under-production, production not being shown on records, excess scrap, etc.....

❖ At the time of inspection, it would be difficult to decide as to what should be inspected as regards the revenue and expenditure of the company. For this purpose the expenditure of the company should be classified into 8 to 10 broad heads. Percentage of the sales expenditure to sales and also to the total expenditure should be determined. This would reveal whether any type of expenditure has increased in real terms when compared with other expenditure and to the income of the company.

❖ In respect of a manufacturing company, another area to be looked into is capacity utilization. The percentage of capacity utilized for different products for the last three years should be worked out. Any under utilization of capacity means non recovery of fixed overheads to certain extent, resulting in losses. If, in spite of full utilization of capacity, there are losses, then it may be presumed that either the machined needs modernization or there is mismanagement.

As regards of diversion of funds by companies, the main modes of diversion may be: (i) through their distributors or selling agents by paying huge commission; (ii) giving loans to sister concerns without stipulations regarding repayment and company writes off as bad debts; (iii) huge advances to parties for purchases without any actual purchase (intentional or non intentional); (iv) payment of huge donations to Trusts coming under their groups etc., In this process both "diversion of funds" and "diversion of profits" can be brought to notice.

Working Capital Analysis: The current ratio should be worked out for past three years to see the trend. On the basis of ratio, the current assets should be analysed to see if their structure is hyperbole. The inventory Position should be analysed to see the "age" of the inventory. Any mismanagement of "receivables" and "inventory" can lead a company to financial crisis. Heavy and constant working capital deficits, in spite of good sales and profits, means sundry debtors are not realized in time. Thus analysis of working capital will help in identification of causes for the sickness of the company concerned.

Stock Verification and Valuation: Manipulation of quantity and value of inventory can change the entire complexion, since it would affect both profit and loss and balance sheet. In an inspection, it is not possible to physically verify stock. However, costly items of inventory can be test checked. Stock declarations made to banks for obtaining cash credits, consumption figures of previous years comes handy to help in this situation. As regards valuation, the application of the maxim "cost or market prices whichever is lower" should be checked.

Investments: As regards the purchase and sale of investments, it should be seen that the timing of such purchase and sale are appropriate so as to benefit the company. How the company managed funds or what the company did with the sale proceeds should also be looked into. Some companies may have the practice of advancing huge amounts to certain share brokers to enable them to buy and sell shares to incur huge losses. At other times, the same broker buys the company's share

at high price just on the eve of annual general meeting to boost the image of the company. Such questionable practice should be brought out in the report.

Fixed Assets: The fixed assets schedule should be gone through to see if there is any substantial change by way of purchase or sale of fixed assets. This will also be reflected in the capital reserve account. Here the 'timing' of sale and purchase should be looked into besides looking into the fact as to what the company did with the sale proceeds.

Analysis of Subsidiary Ledgers: An analysis of subsidiary ledgers for sundry debtors and sundry creditors will reveal the extent of company's funds blocked with others. Advances given for purchase of materials should be analysed to see (i) if the parties are suppliers prima facie; (ii) whether any interest is charged on the outstanding balance etc. This is also helpful to find out compliance or otherwise of section 372A and 295 of the Companies Act, 1956.

Loans Utilisation: The borrowings of a company are from commercial banks, financial institutions, fixed deposits etc., In respect of these borrowings, besides statutory compliance check under this act, it should be seen that whether the loans are utilized for the purpose for which they are obtained; whether the borrowings from the public financial institutions are utilized to give loans to group companies or to invest in group company shares.

Importance should also be given to contingent liabilities since the liabilities might have been actually liabilities, events occurring after balance sheet date and statutory auditor's report to see if the auditor have applied "materiality concept" while making audit report and internal audit reports. Sometimes, income tax assessment orders also give clue about the irregularities.

New Projects: In respect of new projects or ventures commenced by a company, the "Pay Back Period" and the "Internal Rate of Return" as prepared by the company can be reviewed to see if projections in this regard would materialize. Similarly, the technique of the inter firm comparison can also be applied to assess the comparative performance of the company.

The above steps may not only help expeditious completion for inspection, but also ensure that any important area is not omitted during the course of inspection.

Mr.S.Bharath

Final Student-SRO 0137654

ICAI SALAI (ROAD) AT TUTICORIN

Congratulations to Tuticorin Branch of SIRC of ICAI

மீ. அ. குறுமுத்து

சென்னை மன்றத் தலைவர்
சென்னை மன்றச் செயலாளர்
சென்னை மன்ற (ஆ) முன்னிலைப் பேரவை

அலுவலகம் :
முத்துமங்கலம் காலனி 3வது பிளாக்,
தமிழ்நாடு - 602 002.
தொலைபேசி : 0461-2346130
கேட்பை : 84432-05442

Sankaraperi Panchayat Union has passed a Resolution No.437 (Subject 8) recognising the Street where the office of Tuticorin Branch of SIRC of ICAI is situated in Aathiparasakthi Nagar as "ICAI Salai (Road)".

SIRC of ICAI extends its hearty felicitation to all the Managing Committee Members of the Tuticorin Branch and also to the Members of the Tuticorin Branch for this initiative. The services of the Chairman of the Tuticorin Branch CA. H. Raman is placed on record for this remarkable achievement.

செ. 21.11.2010.....
தீர்மானம் (437)
பொளினி : 8
சீக்கிரமுத்து மீ. அ. குறுமுத்து
சக்தி மகலி ICAI அலுவலகம்
அமைந்துள்ள சாலைகளை ICAI சாலை
அமைவு பெற அரசு அங்கீகரிக்கப்பட்ட
தீர்மானிக்கப்பட்டது.
M. A.
தலைவர்
சென்னை மன்றச் செயலாளர்



Practical Workshop on Direct & Indirect Taxes - Procedures & Documentation and Soft Skill Programme on 29.10.2010



CA Career Counselling Programme at Little Flower R.C.High School Students, Tuticorin on 21.10.2010



Social Activity - Distribution of Note books to the Little Flower R.C.High School Students, Tuticorin on 21.10.2010



Receiving Approval & Sanction Letter for naming the Street as "ICAI Salai Road" from the President of the Sankaraperi Panchayat Union, Tuticorin on 23.10.2010



Receiving Blood Donation Trophy and Certificate on 06.10.2010 from Sub Collector, Tuticorin

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