



THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF INDIA

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Nagpur Branch of WIRC of ICAI

NEWSLETTER

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Inside this magazine

- Composition Scheme For Dealers Undertaking Construction
- Concurrent Audit - Whether Opportunity Or Burden
- Past Events / Announcement
- Members At Helm
- Forth Coming Events
- Service Tax : Negative Blues
- Reverse Charge For Directors
- Acquisition & Merger (A Case Study)
- Constipation-Causes & Remedies
- Quiz # 3

NAMASKAAR

अधिष्ठानम् तथा कर्ता करणं पथस्विधम् ।

विविधाश्च पथक्वेष्टा दैवं चैवात्र पंचमम् ॥

भगवत गीता

Behind every good happening there are five essentials:

1. Noble purpose 2. Dedicated Person (Karta) 3. Infrastructure/ Resources 4. Relentless Efforts and 5. Support from destiny.

Dear Professional Colleagues,

As depicted above, the Nagpur branch is trying its best to make better things happen for its members with a purpose by exploiting available infrastructure and resources.

On 1st July the branch celebrated CA foundation day with zeal and enthusiasm. The flag hoisting, inauguration of class room and blood donation marked the day with stupendous participation of members and students

I am pleased to inform you that in the month of July Nagpur branch hosted the first ever International conference for CA students and it was attended by more than 1700 students representing more than 60 cities and 5 countries. I am sure the participants will cherish the moments of this magnificent, effectively organized and meticulously planned conference for their life time.

We have also successfully organized some unique programmes during the month like Certificate Course on Concurrent Audit, Half day Seminar on HUF, Football Contest and Cardiac-Spine-Neuro check up camp etc. I appeal to all members to participate in various activities in large numbers and make all events grand success.

Relentless efforts are the only key to success. One should not depend on destiny only. Destiny, perhaps has only 20% role, rest 80% depends on the ability and desire of a person. Out of the five essentials for better happenings, mentioned by Bhagwat Gita, four come from a KARTA.

Let the KARTA Lead the Way.

With kind regards,

CA. Abhijit Kelkar





GMCS INAUGURATION



ORIENTATION PROGRAMME



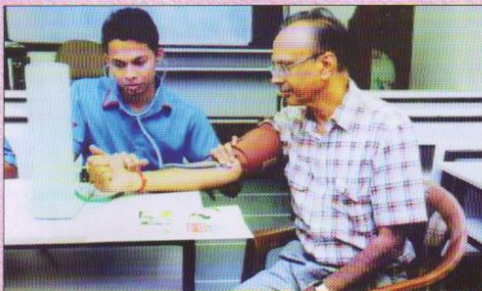
INTERACTIVE MEET



SAFA STUDENTS EXCHANGE PROGRAMME



CARDIAC-SPINE-NEURO CHECK UP CAMP



BLOOD DONATION CAMP



FOOTBALL CONTEST





INDEX

Composition Scheme For Dealers Undertaking Construction	3
Concurrent Audit - Whether Opportunity Or Burden	5
Past Events / Announcement For GMCS Course	7
Members At Helm / Forth Coming Events	8
Service Tax : Negative Blues Reverse Charge For Directors	9
Acquisition & Merger (A Case Study)	11
Constipation – Causes & Remedies / Quiz # 3	13

From the Joint Editor



Dear esteemed colleagues
Greetings,

We have seen end of wonderful first half of the calendar year and now entering second quarter of the financial year. It's taxation time now and our time is going to be taxed by busy schedules. Though, the best things in life is to be free, but sooner or later the government will find a way to tax them. Death and taxes are both certain ... but death isn't annual.

Before meeting busy schedules, thanks to the branch management for timely organizing timely health check up camp for members to ensure treatment for early warnings. I congratulate and welcome new arrivals in the profession. By wishing them success in their professional life, I would like to reveal to them that: "A successful man is one who makes more money than his wife can spend. A successful woman is one who can find such a man"

There were very good knowledge series programmes organized by the branch on schedule VI, Internal controls and interactive meets. It is our pride that the branch was amongst few in all India in organizing Certificate course on concurrent audit. Hope branch carries on good work with your valuable support in future also.

With warm regards
CA. Nitin Alshi



Dear Professional Colleagues,

It gives me immense pleasure to share with you that Nagpur Branch has once again created a history by gracefully hosting biggest student's event ICON 2012 (International Students Conference). We have set up a new benchmark by hosting the first ever such event of ICAI. All this was possible because of dedicated efforts of team Nagpur Branch and blessings of our beloved president. Hats off to team Nagpur Branch for making this special event a splendid grand success.

The month of July might have been a hectic working at our offices, however, although too late, last day saw a sigh of relief with extension of due date.

Our Nagpur Branch in all its endeavors has always strived to ensure that the quality of continuing professional education offered to its members by way of seminars and conferences facilitate to strike a balance between the basic concepts learned during student life and the latest developments in the various areas of relevance. Through this issue of newsletter too we have made an effort to cover the impact of latest recent developments in our day to day professional working.

At the end I extend my warm greetings for various occasions and festivals ahead in the month of August to all my professional colleagues and esteemed readers.

With warm regards
CA. Prateek Palan



COMPOSITION SCHEME FOR DEALERS UNDERTAKING CONSTRUCTION OF FLATS, DWELLINGS, BUILDINGS OR PREMISES

■ CA. AJIT A. GOKARN

A new scheme of composition was introduced by way of Notification dated 09.07.2010 for the registered dealers who undertake the construction of flats, dwelling or buildings or premises and transfer them in pursuance of an agreement along with land or interest underlying the land.

Composition amount is fixed at 1% of the aggregate amount specified in the agreement or value for the purpose of the stamp duty under Bombay Stamp Act 1958, which ever is higher.

The scheme can be opted subject to following conditions and restrictions.

Conditions

1. Agreements which are registered after 01.04.2010 shall be covered under this composition scheme.
2. The claimant dealer shall make e- payment of the amount of composition for the return period in which the agreement is registered and include such agreement value as turnover of sales in the said return.

Restrictions

1. The claimant dealer shall not be eligible to claim set off of taxes paid in respect of purchases.
2. The claimant dealer shall not procure from out side the State using declaration in form C under C.S.T. Act 1956 in the contract for which composition for tax is opted.
3. The claimant dealer shall not issue Form 409 to his subcontractor.
4. The claimant dealer shall not be entitled to change the method of composition for which composition is

opted.

5. The claimant dealer shall not issue "Tax Invoice"

The scheme of composition is for specific activity of construction of flats, dwelling or buildings or premises and transfer them in pursuance of an agreement along with land or interest underlying the land.

The notification was issued on 09.07.2010 and stated that all agreements which are registered after 1.4.2010 would get covered by the scheme. Section 42(3)(a) was also inserted in MVAT Act w.e.f. 1.4.2010 but the notification was issued on 9.7.2010. Therefore this notification is effective from 1.4.2010.

The dealers covered by the above notification would be

1. Dealers registered since BST Act was in force and got registered under MVAT Act w.e.f. 1.4.2005 a
2. Dealers registered under BST Act but did not register under MVAT Act.
3. Dealers not at all registered either under BST Act or MVAT Act
4. New dealers starting the business after 1.4.2005 and got registered under MVAT Act.
5. Dealers who have started their business after 1.4.2005 but are unregistered till date.

The notification comes in to effect for payment of tax under composition only from 1.4.2010. Therefore the liability of such dealers for the periods prior to 1.4.2010 would be governed by the provisions of MVAT Act.

Hon. Commissioner of Sales tax, Maharashtra State has issued Trade Circular bearing No.14T of 2012 dated



6.8.2012 for grant of Administrative Relief to developers.

Brief contents which are of importance are covered hereunder. However for full text along with Frequently Asked Questions the circular referred above should be referred.

The scheme is for granting relief for obtaining registration, relief for unregistered period and filing of returns for unregistered period. The scheme covers the period from 20.6.2006 to 31.3.2010

Relief for grant of Registration is only for speedy grant of registration but it considers two types of dealers as under

1. Dealers who obtain registration on or before 16.08.2012
2. Dealers who obtain registration after 16.8.2012

Compounding fees of Rs.5,000 is payable in respect of dealers who obtain registration before 16.8.2012 and also apply for administrative relief before 31.8.2012 by filing returns and pay the tax before that date.

In respect of dealers obtaining registration after 16.8.2012 then the compounding fees are Rs.5,000 plus 0.5% of the gross tax liability arising during unregistered period for each month of delay in obtaining registration. There is no relief in interest for late payment of tax with returns.

Audit report u/s 61 of the MVAT Act in form 704 for all periods up to 2011-12 should be filed on or before 30.11.2012, in which case penalty u/s 61(2) will not be levied.

CERTAIN CLARIFICATIONS GIVEN IN FAQ

Taxability arises on agreement. Tax is levied as and when the installments become due and payable or received whichever ever is earlier.

The Notification dated 9.7.2010 states that the tax is to be paid on agreement value and the said value is also to be shown in the return as turnover of sales. The clarification in this respect is required.

Sale price is determined on the basis of amount received or receivable. This also contradicts the wording in the Notification. Further it also not clear whether the term sale price as given in the circular No 14T of 2012 should be considered only for the period 20.6.2006 to 31.3.2012 and thereafter Notification dated 9.7.2010 should be considered for period from 1.4.2012.

Regarding tax liability for period prior to 1.4.2010 it is clarified that the provisions then existing during the period 20.6.2006 to 31.3.2010 shall be applicable and the developers will have to pay considering those provisions and not 1%.

COMMENTS

Hon Commissioner in the opening Para of the circular has stated that this administrative relief is given on the basis of Bombay High Court judgment in the case of Maharashtra Chamber of Housing Industry (MCHI) vs. State of Maharashtra in respect of writ petition no.2022 of 2007. Promoters and Builders Association has filed Special Leave Petition No.17738 and 17709 of 2012 before Hon. Supreme Court of India. The petition is admitted but no stay is granted to the judgment of the Hon. Bombay High Court.

When situation is such that the matter is pending before Hon. Supreme Court of India and the petition is admitted but there is no stay to the Hon. Bombay High Court judgment, whether the members of all association would come forward to pay tax, which may not be payable if Hon Supreme Court delivers a judgment in favor of developers.

The concerned developers and builders will have to take a call before deciding for payment of tax. LET US WAIT AND WATCH.



Concurrent Audit - Whether Opportunity or Burden

■ CA. Govind Batra

Recently, it was a pleasure for me to attend the "6 days Certificate course on concurrent audit" arranged by our Nagpur Branch. There is a general conception that we as a Chartered Accountant in Practice consider the concurrent audit assignment as least priority work due to the scale of remuneration it offers commensurate to the scope & large scale of work. On the other hand Bankers also don't take concurrent audits seriously and they are not giving due importance to our reports as compared to internal audit reports prepared by their internal auditors out of their staff members. There is a big gap between the expectation of Bankers from Concurrent auditors and power given by them to auditors while performing such assignments. However, our institute at central level has taken a very good initiative by introducing a certificate course on concurrent audit with detailed analysis of the current scenario and giving cognizance about how to bridge the gap between the bankers' expectation & performance of the Chartered Accountants so that the purpose for which concurrent audit has been introduced shall be fulfilled in its real sense.

General Perception & Expectation of Bankers about Concurrent Auditors

- 1) There shall be timely rectification of mistakes (prevention is better than cure).
- 2) Auditors don't understand their business i.e. the operational features and nature of banking business.
- 3) Very junior staff members of the firm conducting the concurrent Audit assignment & they do not have much knowledge about the banking business which results in

creating a havoc of explaining every small thing to them. Even they insist that a person, not having other office assignment should be sent for conducting Concurrent Audit.

- 4) Their own internal auditors find more irregularity than the concurrent auditors. They think that how internal auditors find revenue leakage & other material irregularities from the branch where concurrent audit is in progress when the scope of internal auditors and concurrent auditor is more or less the same.

General Perception and Expectation of Concurrent Auditors about the Banker:-

- 1) Scope of work is increasing day by day but remuneration of work is not increasing in corresponding proportion.
- 2) Higher Authorities give less significance & value to the report of concurrent auditors as compared to report of their internal auditors.
- 3) Bankers want expert staff to be sent for concurrent audit but expert staff has high cost & sending them on such assignment even doesn't match the cost benefit ratio for the firms. All the above mentioned points have been discussed practically during various sessions of the course by expert faculties and Course Director. The Summary of their discussions and suggestions are given herewith, which shall be helpful for all of us to make value addition in Concurrent Audit arena.

- 1) Once you accept assignment forget the remuneration and give the quality work to the banker and fulfill the scope of assignment.



2) Give more value addition to your work and demand the fees. Bankers are realizing the same fact and are at the process to enhance the remuneration of concurrent audit.

3) Concurrent Audit is transaction based audit, hence concurrent auditor shall be proactive in detecting Fraud & errors.

4) As the concurrent audit is nowadays risk based process audit, it is the duty of auditors to evaluate all operational risk, functional risk, Market risk, Disasters risk, etc. so that he can give best opinion through his report.

5) Before commencing any concurrent audit, the auditor shall well equip himself by studying the master circular issued by the RBI on fraud.

6) While drafting the report the concurrent auditor shall be very much clear with respect to all columns filled in format, as his own reporting shall not create problem in future.

7) Even though the senior partners of the firm signing reports are not computer savvy, but must possess the basic knowledge of computer software in which bank is working.

8) Work delegation to junior staff shall be properly controlled, as the auditor shall always be cautious about the personal accountability. Proper care shall be taken for continuous training of staff engaged in concurrent audit assignments. There shall be regular rotation of staff in different bank, which will result in finding out different facts and work will also not be looking as monotonous in nature.

"TRUST BUT VERIFY, DELEGATE BUT CONTROL"

9) Working papers gathered during audit process shall be properly documented as per auditing standards.

10) Advise your staff members to confirm every

exceptional term reporting in audit report shall be given by them in writing, as it will bring commitments among themselves.

11) Concurrent auditors must be good watcher, observer and listener. Before saying anything, proper care shall be taken, as you say in public, it becomes commitment.

The abovementioned points are very summarized version of the course and the coverage of course was so wide and practical in nature, which covers almost each and every aspect of concurrent audit whether it relates to operational audit, risk analysis, system audit etc. But the most important was the final day of the course in which Course Director Mr. Arijit Chokroborty himself presented and explained the BASEL-II AND BASEL-III norms under which every banker has to comply within a time bound schedule. However, the Nationalized bankers are not sure to fulfill the norms given under BASEL-III and this is also the main thrust of opportunity lying with the **Chartered Accountants** and the Institute at central level is taking due care to materialize such opportunities for members. In days to come, when the opportunity pertaining to statutory audit of bank branches seems to be ending, the Institute and bankers have decided to focus more on concurrent audit scope. There is two way communications going on between bankers and Institute at Central level to fill the gap between scope of work and quantum of fees so that purpose for which such audit has been initiated shall be fulfilled. The gist of the course in a nut shell can be understood as "WHEN Work is accepted, it becomes the Responsibility, and If responsibility full filled in correct manner, it will never become the burden"



Past Events

01/07/2012	CA. Day Celebration
01/07/2012	Inauguration of Shah Baheti Chandak Class Room (Renovated)
01/07/2012	Blood Donation Camp
01/07/2012	Career Counseling Meet on "How to Pursue CA Course"
02/07/2012	IPCC Orientation Programme 44th Batch
04/07/2012	CPE Teleconferencing Programme on "Implications of amendments to Sections 40A (2), 10AA & 80IA in Finance Act, 2012".
07/07/2012	34th Annual General Meeting
13/07/2012	Interactive Meet CAs-Partner in Nation Building
13/07/2012	International Conference for CA Students
14/07/2012	SAFA Students Exchange Programme of SAFA Delegates
16/07/2012	Interactive Meet on Structuring & Succession Planning
16/07/2012	IPCC Orientation Programme 45th Batch
20/07/2012	CPE Teleconferencing Programme on "Non-Corporates : Application of Standards on Accounting and Auditing".
21/07/2012	Certificate Course on Concurrent Audit of Bank
21/07/2012	Half day Seminar on Hindu Undivided Family(HUF)
21/07/2012	Fellowship Meet - CAFÉ Kit Distribution Programme
22/07/2012	Football Contest Chairman XI Vs Secretary XI
23/07/2012	General Management & Communication Course (GMCS) 34th Batch.
28/07/2012	Study Circle Meet on " Managing Good practice"
29/07/2012	Cardiac-Spine-Neuro Check Up Camp
30/07/2012	CPE Teleconference on "Professional Opportunities for Members & Important Tax Audit Issues

Announcement for GMCS-I Course

■ Vijay Kapur

The General Management & Communication Skills (GMCS) Course, presently being organized for 15 days for the CA students shall be organized twice during the period of articulated training as under :

(IGMCS-I (15 days)- during 1st year of articulated training (ii) GMCS-II (15 days) - after completion of 18 months of training but before completion of articulated training In view of the above, students, who have registered for Articled Training on or after 1st May, 2012 are required to undergo GMCS-I Course during the 1st year of articulated training.

The eligible students are required to register for GMCS-I Course at the respective Regional Council and Branch, since it is a regulatory requirement and part of the articulated training.



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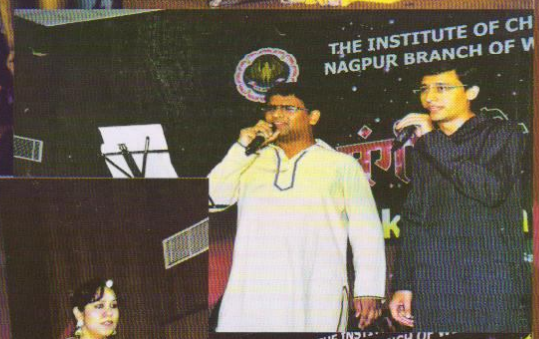
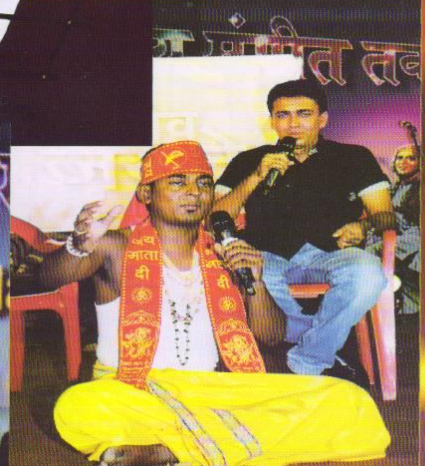
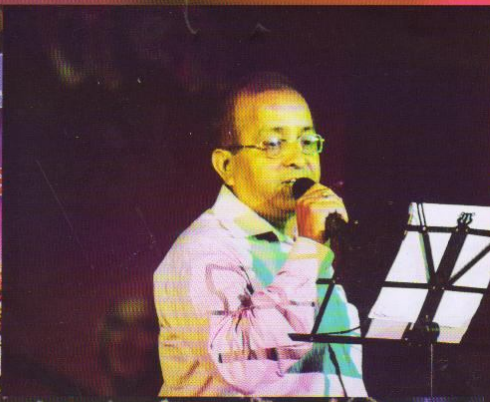
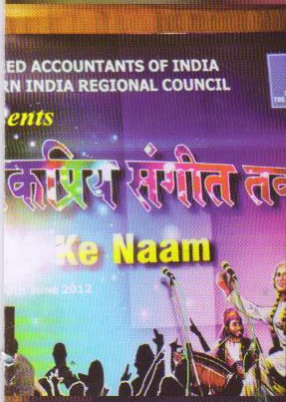
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The Institute of Chartered Accountants of India

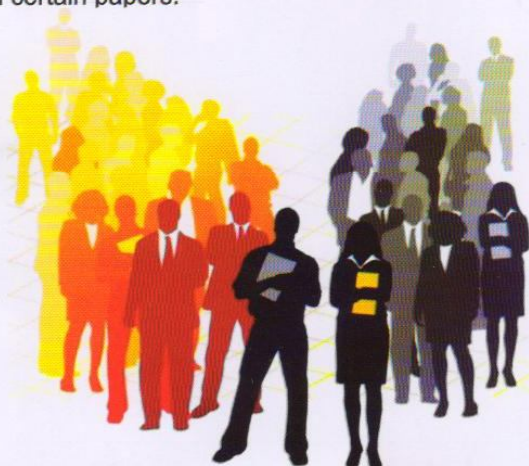
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ICAI, New Delhi

Joint Education Programmes with Various Indian Universities

The Institute of Chartered Accountants of India has entered into Memorandum of Understanding (MoU) with the following Indian Universities to provide an opportunity to all those students who have registered for the Chartered Accountancy course and Members of the Institute to pursue Graduate Degree / Post Graduate Degree viz. B.Com, M.Com, BBA and MBA wherein they would be given exemptions from certain papers.



IGNOU, New Delhi
Course: BCom (A&F), MCom (F&T)



Netaji Subhas Open University, Kolkata
Course: BCom



Bharathiar University, Coimbatore
Course: BCom, BBA, MCom, MBA



University of Madras, Chennai
Course: BCom, BBA, MCom, MBA

! For further details and to download the Application form visit the Official Website of the Respective University or follow the "students" icon on the Homepage of ICAI website www.icaai.org
! Duly filled in application form along with the enclosures can be sent to the respective

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MEMBERS AT HELM



CA. Mukund Choudhary

Appointed as Director Finance
MOIL.



CA. Rajesh Goyal

Appointed as Vice-President (F & A)
Indorama



CA. Anil Parakh

Elected as Vice-President
of Vidarbha Industries Association.



CA. Sitaraman Iyer

Elected as President of
South India Association, Nagpur.



CA. Anilruddha Mahurkar

Nominated as Zone Chairperson
of Zone I, Region II of District 323-H1
of Lions Clubs International.



CA. Anil Nevatia

Elected as President of Lions
Club of Nagpur South.



CA. Manish Dubey

Secretary Rotary Club of
Nagpur Orange City.

FORTH COMING EVENTS

03/08/2012	National Workshop on Financial Reporting Practices
04/08/2012	Campus Orientation Programme
04/08/2012	Study Circle Meet on Understanding Internal Controls & Evaluation Methodology
06/08/2012	CPE Teleconference on XBRL & Fair value based Accounting Emerging Trend in Financial Reporting
07/08/2012	Felicitation of Newly qualified CAs
11/08/2012	Half day Seminar on Critical Issue of Tax Audit
13/08/2012	Lecture Meet on Fast Track Scheme for Builder & Contractor
14/08/2012	Interactive Meet on Security Environment in Indian Sub Continent and Indian Military Strategy
15/08/2012	Independence Day Celebration
26/08/2012	Volley Ball Tournament
27/08/2012	ISA Course
28/08/2012	ISA Meet
30/08/2012	Regional Conference at Mumbai



Service Tax : Negative Blues Reverse charge for directors & security services – FAQs.

■ CA. Amit Agrawal

Vide notifications 45 & 46/2012 ST Dated 07.08.2012, services provided by non employee directors to the Companies and security agencies have also been subjected to the levy of service tax. In this connection, the following questions are often raised.

1. Does service tax applicable for all directors of a Company?

Whole time directors and Managing Directors of the companies are considered as employees of the company in which they are directors. The definition of service itself excludes services provided by the employees to employers. Hence, there is no service tax in respect of such employee directors. Service tax will apply only in case of non employee directors.

2. Does reverse charge applicable for all service recipients?

In respect of services provided by directors, obviously, the service recipient should be a company established under the Companies Act, like Private Limited Company, Public Limited Company, Government Company. In case of security agency services, the service recipient should be a business entity registered as a body corporate. Only in such cases reverse charge will apply.

3. If the service recipient is a partnership firm, whether reverse charge will apply for security services received by it?

No. Partnership firm is not a body corporate. Similar would be the case in case of other reverse charge liabilities, viz., manpower supply, works contract service and renting of vehicle services. But in case of support services provided by Government, Advocates,

reverse charge will apply if the service recipient is "business entity" and they need not be body corporates.

4. What about the liability for the period 1st July 2012 to 7th August 2012?

It may be noted that the services of Directors to the companies and security agency services are normally continuously provided for more than a period of 3 months. Hence, they would be "continuous supply of service" as defined in Point of Taxation Rules, 2011. As per first proviso under Rule 4 of the said Rules, the point of taxation in case of continuous supply of services has been defined as "in case of continuous supply of service where the provision of the whole or part of the service is determined periodically on the completion of an event in terms of a contract, which requires the receiver of service to make any payment to service provider, the date of completion of each such event as specified in the contract shall be deemed to be the date of completion of provision of service". For example, if the security agency has already raised their invoice for the services provided by them during July 2012, before 7th August 2012, the service recipient's liability to make the payment is recognized on the date of invoice and hence the point of taxation shall be the date of such invoice. Hence, if invoice has been raised by the security agency before 7th August 2012, reverse charge will not apply, even if the payment is made by the service recipient after 7th August 2012. But, if the invoice for the services provided from 1st August to 31st August 2012 is raised on 31st August 2012, the date of invoice, i.e. 31st August 2012 would be the point of taxation and hence the



service recipient would be liable to make the payment of his portion of service tax liability under reverse charge, though part of the service has been provided before 7th August 2012. In other words, there is no need to split up the liability into pre / post 7th August 2012. Similar would be the case in respect of services provided by the Directors to the Companies. If the liability to make the payment to the Director is recognized after 7th August 2012, reverse charge will apply and if such liability is recognized by the company before 7th August 2012, reverse charge will not apply. If the services provided by the directors and security agencies does not qualify as continuous supply of service, then the point of taxation shall first be determined for the services provided. If the point of taxation is on or after 7th August 2012, reverse charge will apply and if the point of taxation is before 7th August 2012, reverse charge will not apply.

5. Whether the Directors have to obtain registration and pay service tax for the month of July 2012? Yes.

But, till 1st July 2012, the services provided by them was not a taxable service. Hence, if the value of other taxable services rendered by them, if any, during the financial year 2011-12 is less than Rs. 10 lakhs, they can claim exemption upto Rs. 10 lakhs, during 2012-13 if the value of services provided by them to the companies and other taxable services, if any provided by them, is upto less than Rs. 10 lakhs. This exemption is contained in notification 33/2012 ST Dated 20.06.2012 and subject to the conditions prescribed therein.

6. What is the portion of service tax payable under reverse charge?

In case of directors, the entire service tax liability has to be paid by the company. In case of security agencies, 75 % of the service tax liability (9%) shall be paid by the service recipient and 25 % of the service tax liability (3%) shall be paid

by the security agencies.

7. Whether the security agencies can pay 3 % service tax in all cases?

No. Reverse charge will apply only if the service recipient is a business entity registered as a body corporate. In case of the services of security agencies are provided to other than business entities or to business entities who are not registered as body corporates, the entire service tax has to be paid by the security agency and no reverse charge will apply.

8. Whether the service tax thus paid under reverse charge can be availed as cenvat credit?

Entitlement to cenvat credit of service tax is to be decided with reference to the definition of input service under the Cenvat Credit Rules, 2004. Normally, the services of Directors and security agencies would be an eligible input service for a manufacturer and a service provider. Further, security service is specifically covered in the definition of input service. Hence, cenvat credit would normally be entitled subject to other conditions under the Cenvat Credit Rules, 2004.

9. What is the document based on which cenvat credit can be taken?

In case of service tax paid directly by the service recipient under reverse charge, the challan evidencing payment of service tax by the service recipient would be the relevant document to avail cenvat credit. In respect of the portion of service tax paid by the security agency, the invoice issued by the security would be the relevant document.

10. Whether the directors have to issue an invoice?

As per the provisions of the Service Tax Rules, 1994 every service provider must raise an invoice within 30 days of completion of the service.



ACQUISITION & MERGER (A Case Study)

■ CA .Hemant Dasture

I feel very fortunate to have a experience of witnessing and working in a process of acquisition of a company . My one of the client company GE was acquired by KB and after 4 years again GE was acquired by DV from KB. In both the cases it was 100% transfer of equity. Same company was acquired by two big companies in a span of 4 years. It was wonderful experience as well as exposure which was very different from routine practice. I would like to elaborate on acquisition process that I have observed.

Prior to first acquisition, GE was closely held company having turnover of 300 mln and networth of 80 mln. GE , a profit making and dividend paying company having unique technology of designing and executing infrastructural EPC projects. In case of GE, there was remote possibility of next generation (of erstwhile management) to come into business. That's why they decided to part with equity. In a due course two, three big players in the same field approached for acquisition and ultimately management of GE shaked hand with KB,(a big corporate group having many listed companies) on a agreed price for 100 % equity transfer. I witnessed and took active part in all the meetings/discussions which were held prior to deal. For me, valuation of business , facing a finance due diligence, price negotiations etc were an unique and exciting experiences.

After KB coming into picture , new management gradually did some cosmetic changes in GE to give a handsome corporate face to it., like they helped in scale up revenue, enhanced bank limits, inducted some employees and set up a proper departments (finance, HR, legal etc) and gradually took GE to reach at 700 mln sales in a span of three years. In these three years with more projects in hand and with new face, GE came into limelight . After three years, as a strategic business decision KB had decided to transfer stake of GE to another corporate group. And again whole process of

acquisition started . New corporate group DV came forward with their offer . This time it was very tough situation because both the buyer and seller were big players and big amount was negotiated for 100% equity transfer. It took almost 4 months to complete the acquisition process. Lot of meetings, discussions , presentations were held with lot of experts in finance and legal and ultimately GE was again acquired by new management of DV.

In these two acquisition process I got very good professional exposure. I got a chance to deal with lot of professional experts at national level. I have observed lot of practical aspects which I would like to share with fellow members. It may help them while consulting or executing acquisition/merger deals.

Before getting into acquisition, management of the company (seller) should plan at least for four years before. Following aspects of planning will help to enhance the image of company as well as USP of company.

- 1.Company must register increasing growth every year in terms of order booking, sales, net profit and net worth.
2. Company must pay dividend to its shareholders every year.
3. It is always good to pay proper statutory dues/ taxes in time.
4. Always be prompt on statutory compliances. Such as Direct/indirect taxes, PF, ESIC, PCB etc
5. Try to establish good relations and confidence with key employees of the company so that at the time of transfer these key employees should cooperate in a positive way.
6. Always better to increase salaries of employees prior to acquisition so that they can also be benefited by acquisition.
7. Develop and document technological expert in the domain of business to increase valuation of the company.
8. Potential of growth in tangible terms must be reflected in financial analysis as well as technical analysis.



9. Develop proper organizational structure with departmental heads alongwith responsibility and accountability

10. Consolidate share capital given outside and get it transfer in favour of decision makers.

11. Finish and conclude any legal disputes/court cases against company. Compromise and settle outstanding claims of liabilities.

12. Last but not the least, keeping proper records and documentation will help at all level.

Important aspects to deal with in a process of Acquisition from seller side :

1. Form a core team for this process which may include Key management persons , technical Head, key employees of the company, Finance Head or Consultants and legal expert.

2. Core team members must have complete faith on each other. More important ,all the time, till acquisition process gets completed team should maintain fidelity and secrecy. Leak of information at any point of time may cause very adverse effect on the deal.

3. Compute your own valuation of business applying proper methods of valuation and arrive at a reasonable selling price of the company.

4. Execute a proper MOU before start of acquisition process and define scope of information to be part with in technical , financial and legal due diligence.

5. Do not involve too much employees and external consultants into due diligence process.

6. Always provide information in positive manner and do not try to hide any details asked for.

7. Give proper reasoning and justification from management side for negative observations raised in due diligence report. Always try to support your justification with documentary evidence.

Important aspects to deal with in a process of Acquisition from buyer side :

1. Point no 1 to 5 as above.

2. Gather vital information about the business of the company to be acquired .

3. Understand the business process, product information and manufacturing process.

4. Verify the potential growth of the company 5 years down the line.

5. Try to find out any hidden liabilities on account of taxes, claims etc.

6. Interact with key employees of the company and ensure them growth prospects with new management.

7. Take out information about the company from external sources and verify the with records given by the management . Try to read "between the lines"

8. Draft a very exhaustive Share Purchases Agreement which will cover all the legal and financial aspects.

9. Seek proper explanation for adverse remarks raised in due diligence and give adequate effect of it while doing valuation of the company.

10. Do not share any future plans and strategy or change of management. Implement all these things gradually after acquisition of the company.

Whatever I have explained above is not exhaustive. Things may vary case to case. There are so many things to share but because of space constraint it is not possible to write. But this is a broad guideline one can adopt in case of acquisition or merger. There are lot of other instances where management wants to offload its equity partly or fully. Companies which are growing, having some technological expert and with good performing team can fetch reasonably good amount of valuation.



Constipation – Causes & Remedies

■ Dr. Bhupendra K. Jamaiwar

Unsatisfactory defecation distinguished by difficult stool passage like straining, incomplete evacuation, lumpy/hard stools, prolonged time to defecate. Common problem.

How to prevent- Maintain adequate hydration and regular non strenuous exercise. Encourage to defecate when colonic activity is highest (e.g. upon walking, after meals). Gradually increase dietary fibre via fruits, vegetables & whole grains. Fibre and fluid intake increase stool caliber & decrease straining & constipation. Junk foods to be avoided. Prolonged sitting in toilet, Reading when using toilet to be avoided.

Alarm Symptoms- These are some symptoms with constipation which are alarming and needs Specialists opinion. Rectal bleeding-May have piles, fissure or

Malignancy (cancer). Weight loss, Anemia Acute onset of constipation in elderly can be the symptoms of underlying malignancy. Fever-Can be present in Inflammatory conditions like colitis, Abscess. Abdominal mass-Malignancy needs to be ruled out. Family history of colon cancer /inflammatory bowel disease.-Chances of colo-rectal cancers are more in these. Treatment of fecal impaction- Enema or short term Laxative Bulk producing laxative Glycerol suppository can soften stools. Complications-Chronic constipation leads to following complications like, Hemorrhoids- Usually presents with bleeding, Itching around anus, something coming out from rectum, sometimes with pain during defecation. Anal fissure - Painful defecation, Hard stool, with bleeding. Perianal abscess-swelling around anus with pain & fever.

QUIZ # 3

■ CA. Jaee Jog

1. Which English cricketer is the author of the book 'The Breaks are off-My Autobiography'?

- 1) Kevin Pietersen
- 2) Graeme Swann
- 3) Alastair Cook
- 4) Ian Bell

2. Who made history by winning the inaugural Formula One Indian Grand Prix at the Buddh International Circuit in Greater Noida in October 2011?

- 1) Sebastian Vettel
- 2) Jenson Button
- 3) Fernando Alonso
- 4) Mark Webber

3. Who was re-appointed the Commonwealth Secretary-General for four more years in October 2011?

- 1) Don McKinnon
- 2) Arnold Smith
- 3) Kamallesh Sharma
- 4) Shridath Ramphal

4. Who received "The Hindu Literary Prize for Best Fiction 2011" for his/her debut novel "The Sly Company of People Who Care" in October 2011?

- 1) N.S. Madhavan
- 2) Rahul Bhattacharya
- 3) Amitav Ghosh
- 4) Anuradha Roy

5. Who is the author of the book 'The TCS Story...and Beyond'?

- 1) Ratan Tata
- 2) N. Chandrasekaran
- 3) S. Ramadorai
- 4) N.R. Narayana Murthy

Surprise gift for lucky winner

Send your reply at Nagpur Branch Office latest by 9th September 2012 upto 5 pm. One lucky winner will be chosen by draw of lots amongst members submitting correct entries.