

Prime Word

We are in Y2K7. Yeah, welcome to 2007. A new year always brings with it new hopes and new aspirations.

Have you drawn up your new year resolutions? If you haven't, do so pronto. There is nothing like having it written in black and white. Chalk out bold, audacious goals. Aim for the sky so that you can atleast hit the half way mark.

The CA results are expected in mid Jan. That would surely bring in joy to many. If you are amongst the lucky ones to qualify, remember the CA charter is not an end in itself. It is only a passport to the big world outside. As you begin to make your career remember you have to build the right attitude, the right skills and you need to constantly upgrade your professional knowledge.

If you are amongst those who on success will be joining your Internship, remember that this Internship will be one of the best periods of your life. No other professional program gives you both academic and practical inputs. Working in an accounting firm as you learn your moorings you have the opportunity to interact with people in industry and profession. It would do you a world of good.

Keep yourself abreast with reading financial paper, non-fiction and the occasional fiction as well.

Happy 2007.

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BE CONFIDENT



Coming Up

Scope of Total Income – 4th Jan. 07
Launch of website – 4th Jan. 07
Venue: Rani Seethai Hall,
Mount Road, Near Gemini Flyover
Chennai- 600 006.
Time: 5.45 p.m.

Risks in Internet Banking

Chandrasekhar R

Net banking, any branch banking, mobile banking, Real Time Gross Settlement (RTGS) are the buzz words in present day banking. Typically, Internet banking is offering of the bank's products and services through an electronic communication backbone, viz, Internet"

Types of Banking level services through Internet:

Broadly there are three types :

i. Basic level Banking Websites: which offer only information about the Bank and its Products

ii. Simple transactional Websites: which allow customers to submit their instructions, applications for different services, queries on their account balances, etc, but do not permit any fund-based transactions on their accounts.

iii. Fully Transactional Websites: which allow the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities.

While internet banking has emerged as an extremely cost-effective delivery channel for banking services and products, it has also brought with it new risks.

Type of Risk and Explanation

1. Operational Risk: It takes the form of inaccurate processing of transactions, non enforceability of contracts, compromises in data integrity, data privacy and confidentiality, unauthorised access/ intrusion to bank's systems and transactions etc.

2. Security Risk: It arises on account of unauthorized access to a bank's critical information stores

like accounting system, risk management system, portfolio management system, etc. For example an Hacker accessing confidential customer information, planting viruses etc leading to theft of data, denial of service etc.

3. System architecture and Design weakness:

Banks face the risk of wrong choice of technology, and inadequate control processes. For example, if access to a system is based on only an IP address, any user can gain access by masquerading as a legitimate user by spoofing IP address of a genuine user.

4. Reputation Risk: This is the risk of getting significant negative public opinion, which may result in a critical loss of funding or customers. Main reasons for this may be system or product not working to the expectations of the customers, significant system deficiencies, significant security breach, inadequate information to customers etc.

5. Legal Risk: The violation of laws, rules, regulations, or prescribed practices, or when the legal rights and obligations of parties to a transaction are not well established. Given the relatively new nature of Internet banking, rights and obligations in some cases are uncertain and applicability of laws and rules is uncertain or ambiguous, thus causing legal risk.

6. Money Laundering Risk: As Internet banking transactions are conducted remotely banks may find it difficult to apply traditional method for detecting and preventing undesirable criminal activities. Application of money laundering rules may also be inappropriate for some forms of electronic payments.

7. Cross border risks: It includes legal and regulatory risks, as there may be uncertainty about legal requirements in some countries and jurisdiction ambiguities with respect to the responsibilities of different national authorities. Such considerations may expose banks to legal risks associated with non-compliance of different national laws and regulations,.

8. Strategic Risk: This risk is associated with the introduction of a new product or service. Degree of this risk depends upon how well the institution has addressed the various issues related to development of a business plan, availability of resources to support this plan, credibility of the vendor (if outsourced) and level of the technology used.

9. Credit risk: Banks may not be able to properly evaluate the credit worthiness of the customer while extending credit through remote banking procedures, which could enhance the credit risk.

10. Liquidity Risk: It is important for a bank engaged in electronic money transfer activities that it ensures that funds are adequate to cover redemption and settlement demands at any particular time. Failure to do so, besides exposing the bank to liquidity risk, may even give rise to legal action and reputational risk.

Conclusion

Though Net Banking has the above stated risks, the reality lies in taking appropriate control measures to mitigate the risks to acceptable levels. This would require a adoption of a comprehensive risk management policy which would include – identifying, assessing, managing and controlling risks. ▀



Auditing Purchases

When you audit, you need a check list. So that you look professional. So that you do not miss a trick or two. Here is the sixth of our many check lists designed by **Shivanand Pandit**.

NO.	QUERIES	YES	NO	N.A.	EXPLANATORY NOTE
1	Is Purchasing centralised ?				
2	Are the Purchase Orders based on purchase requisitions and duly authorised by responsible officials?				
3	Are purchases based on competitive quotations from two or more suppliers? Are informal discussions taking place? What is the procedure?				
4	If the lowest quotation is not accepted, is the purchase approved by a Senior Official? Is there a control over tender forms?				
5	Are purchase orders pre-numbered and strict control exercised over unused forms? Where are they generated? How many copies are prepared?				
6	Is a list of pending purchase orders compiled constantly?				
7	How are purchase requisitions sent to Head Office? What is the internal control?				
8	Are P.O.'s checked with purchase requisition before being approved and sent to the supplier?				
9	Do purchase orders contain relevant terms and conditions? Revision of terms, if any duly authorised? Payment, Delivery, special packing freight, discount, transit Insurance.				
10	Is freight paid on to pay basis or incurred by the supplier and subsequently invoiced to the Company? What is the procedure in each case?				
11	Are contracts entered into with suppliers on a yearly basis and standing orders placed for the year?				
12	Whether all invoices are stamped as evidence of being checked?				
13	Are quantities and description checked against purchase order by the Receiving Department?				
14	Are all cases of materials returned, shortages / rejections advised to the Accounts Department, for raising Debit Memos on suppliers or claim bills on carriers / insurance companies as the case may be?				
15	Are all supplier invoices routed direct to the Account Department?				
16	Does the Accounts Department match the invoices with GRNs?				
17	Does the system ensure that all invoices and credit notes received are duly processed? Are the cut off procedures adequate?				

A "NO" is unsatisfactory and calls for an explanation.

Lessons from a **WINNER**

A talk on
Goal Free Living
by Stephen Shapiro



Success and happiness are unarguably our Holy Grails, but the standards taught to find them are all wrong. We have been brainwashed into believing that the only way to achieve this elusive combination of success and happiness is through setting goals. This is simply not true. In fact, goal-setting is often the shortest route to discontentment. What is the solution?

The most passionate, creative, and sometimes wealthiest people live free from the burden of traditional goals. Instead, they have mastered the rare skill of enjoying "now" rather than delaying gratification until the future.

Goals are not inherently bad, but many individuals have an unhealthy relationship with their goals, distorting this potentially helpful tool into a surefire recipe for failure. Why?

- Goals can cause you to lose your peripheral vision. When you focus on your goals, you are cutting off potentially greater opportunities from emerging.
- Goals set you up for failure, say 74 percent of those surveyed, conceding to disappointment and dissatisfaction when they are unsuccessful in achieving their goals.

Goal-Free Living is liberating. It opens new possibilities typically hidden from sight.

We often associate goals with our career. While that is a big aspect of our lives, Goal-Free Living applies to all areas of life, from dating to business.

- **Dating.** When you are on a date, do not worry about the next date. Instead, just enjoy the other person's company...for that moment. You will come across as being more genuine and less desperate, and ironically, this increases your chances of getting that second date.

- **Vacationing.** When on a vacation, instead of planning every minute of every day, try venturing out into an area not in your guidebook. You may discover some hidden gems. You will feel less hurried and more relaxed. Isn't that what a vacation is all about?

- **Meetings.** When you attend a business conference, stop focusing on what you will get out of it and how you will use it. Rather, concentrate on just being there and soaking in as much as possible. Incredible opportunities show up when you are unburdened and blinded by myopic goals.

How does one embark on a more goal-free life? During my travels around the world and after hundreds of interviews I discovered eight secrets for living goal-free.

1. Use a compass, not a map-have a sense of direction (not a specific destination), and then "meander with purpose."
2. Trust that you are never lost. Every seemingly wrong turn is an opportunity to learn and experience new things.
3. Remember that opportunity knocks often but sometimes softly, while blindly pursuing our goals, we often miss unexpected and wonderful possibilities.

4. Want what you have, measure your life by your own yardstick and appreciate who you are, what you do, and what you have...now.

5. Seek out adventure-treat your life like a one-time-only journey, and revel in new and different experiences.

6. Become a people magnet-constantly attract, build, and nurture relationships with new people so that you always have the support and camaraderie of others.

7. Embrace your limits-transform your inadequacies and boundaries into unique qualities that you can use to your advantage.

8. Remain detached – focus on the present, act with a commitment to the future, and avoid worrying about how things will turn out.

For each of these secrets, there are a number of tips for implementing the concept. Here are a few you can try today.

- Set "themes," not "resolutions" – rather than set a resolution (i.e., a goal), choose one word to describe your next year. Choose something that is bold and inspires you. Instead of losing 10 pounds, you could choose "health." "Relationships" – in the broadest sense – may work better for you than "finding a boyfriend." Any word will do: "grace," "adventure," "serenity," "play."

- Use "could do" lists rather than "to do" lists – "to do" lists tend to be draining as they are the things you feel you must do. "Could do" lists contain those things that you want to do that inspire you. They keep possibility in front of you. Keep your list of "could do" items large and your list of "to do" items small.

In order to achieve a goal, you must work hard to overcome these barriers and roadblocks. Conversely, the origin of the word "aspiration" is the same as the Latin word for "spirit" and "inspire," which means "to breathe into" or "panting with desire." Barriers or inspiration. Which would you prefer? **D**

Shapiro wrote the immensely popular "101 Great Ways to Improve your life"

Become all that you are
capable of becoming.



HOW Internet Changed our Life

Things to Do Today

To speak with Dad and Mom (settled in USA) at 10.00 a.m. IST	Done
To pay Electricity, Telephone bill and credit card bill	Done
To gather more info on movie releasing this New Year 2007 Eve.	Done
To Book Air tickets for mother's travel during Pongal	Done
To register for CA Classes	Done

Sitting at your home and carrying out such activities simultaneously was made possible by usage of Internet. It has made our life simple and meaningful. The Modern day Internet connects us with people we might otherwise never meet and may be leaving us lonelier than ever. Nearly all Internet users go online to conduct some of their ordinary day-to-day activities, from mundane tasks to social arrangements to personal recreation.

The Internet is a computer network made up of thousands of networks worldwide. No one knows exactly how many computers are connected to the Internet. It is certain, however, that these number are in the millions and are growing.

An Internet user has access to a wide variety of services: electronic mail, file transfer, vast information resources, interest group membership, interactive collaboration, multimedia displays, real-time broadcasting, breaking news, shopping opportunities, and much more.

The usefulness of IT in modern times cannot be underestimated. It pervades all strata of society. Commerce over the Internet is a reality nowadays with the fruition of e-commerce.

For the academic community, there's easy accessibility to recent developments in his/her field as most journals and research papers are

available on the Internet, and can be easily downloaded, well sometimes at a small price.



IT has introduced the concept of paperless offices. With less usage of papers, it implies reduced felling of trees for making newsprint. Thus IT will help lessen destruction to forests, and thus protect our environment.

E-mail or electronic mail is the most important feature on the Internet. Through this service you can exchange messages with your near and dear ones as well as with people around the world. It's fast, easy, inexpensive and saves paper.

IT has opened up the job-market. IT development has opened up new avenues for budding and established writers, painters, filmmakers, and other creative artistes. There's a plethora of web-sites which encourages the promotion of such craftsmen by popularizing or selling their works, thus providing a fillip to them.

Thus, it's apparent that IT and more specifically the development of computers have brought about a change in our lives in a manner hitherto undreamt of. Since the benefits of this technology will be reaped by all including the common man, IT is certainly going to be a major contributing force which can improve the lives of the masses.

– Deepak Kumar Jain

CORPORATE



Cast: Kay Kay Menon, Bipasa Basu

Direction: Madhur Bhandakar

Money and Power is the fuel for today's man – he wakes up every morning with the zeal to acquire more of these which, he considers, as the "passport" to a luxurious life. From time immemorial we have witnessed fights for power and money which has destroyed many young and creative minds. With the passage of time this clash over power and money has become more complex and has taken a very ugly shape. It is this ugly face of civilization which director Madhur Bhandakar captures in his film "Corporate".

Corporate brings to the forth the feud between business tycoons to acquire more power and money. It shows the dirty game which sophisticated people play to get the green tender flowing in. The movie has in the lead Bipasha Basu and Kay Kay Menon and spins around Bipasha Basu who has the dream of making a mark out in the corporate world. It shows the battle she wages between the emotionless demands of the corporate world and the humane side full of emotions for the lady in her. She ends up dancing to the tunes of the dictatorial bosses just to stand at nothing and realize that she had been a puppet in the hands of people for whom nothing counted as much as money did.

Corporate is a film relevant in today's world and it shows clearly that the glossy and starry picture, which a common man has about the tall buildings, has more thorns to throw away than rose petals.

– Pavitra S

BUSINESS QUIZ

1. He had the vision to establish India's first discovery led global Pharma company. Now it is India's second largest Pharma Company with revenue of over Rs.1947 Crore. Was awarded Padma Shri Award in 2001.
2. Dream education for a girl – Bishon Cotton Girls School and Mount Carmel College at Bangalore! With a Masters in Melbourne, she became India's woman Brew Master. Her company, Biocon was started with a capital of Rs.10,000/- in a car garage! Now she is India's richest woman.
3. Which is the oldest Stock Exchange in Asia?
4. E-Biz: Which website giant was first founded under the name cadabra.com in 1994 by Jeff Bezos?
5. It was first published as a collection of condensed articles of other prominent articles in various other magazines at that time. It was first sold for 25 Cents per copy in 1922, after being founded by DeWitt Wallace and his wife, Lila. Today this is the world famous magazine.
6. Expand NASDAQ
7. What does the television channel CNBC stand for?
8. Kaizen is a business approach relating to productivity, developed by Frederick Winslow Taylor and Frank Gilbreth. What does Kaizen mean?
9. Which Stock exchange has the catch phrase "The world puts its stock in us"?
10. "News you can use" is the slogan of which television channel?
11. Which Bank uses the punchline, "hum hain na" for its advertisements?
12. Which electronics giant has, "everyone's invited" as their catch phrase?
13. "More smiles per hour"
14. And finally, "intelligence everywhere"

-Karthik Narayan

Getting Gray?

One day a little girl was sitting and watching her mother do the dishes at the kitchen sink. She suddenly noticed that her mother had several strands of white hair sticking out in contrast on her brunette head.

She looked at her mother and inquisitively asked, "Why are some of your hairs white, Mom?"

Her mother replied, "Well, every time that you do something wrong and make me cry or unhappy, one of my hairs turns white."

The little girl thought about this revelation for a while and then said, "Momma, how come ALL of grandma's hairs are white?"



The Monk Who sold his Ferrari

A fable about fulfilling your dreams and reaching your destiny.

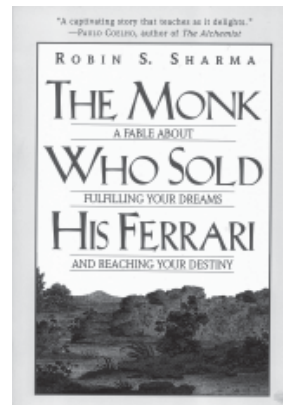
With the series of books, the author narrates the experiences of his friend Mr. Julian Mantle a lawyer forced to confront the spiritual crises of his life. A person at the peak of his professional success collapses. As the title implies he sells his Ferrari and provokes the interest on the spiritual side of life where he learns about the sages of Himalayas.

The author compares the life style of the west with the ancient Indian by comparing his life before and after his visit to Himalayas.

The wide spread 13 chapters clearly depict the life of the sages including habitats and relationships.

To conclude the book captures the wise quote "I am an artist at living... My work of art is my life", with a moral of any thing done with a spiritual touch and having a purpose of life is a perfect combination to succeed in personal and professional endeavor.

- Kishore K



Answers of B'QUIZ

1. Dr. Anji Reddy of Dr.Reddy's Laboratories
2. Kiran Mazumdar Shaw of Biocon
3. Bombay Stock Exchange or BSE
4. Amazon.com
5. Reader's Digest magazine
6. National Association of Securities Dealers Automated Quotations
7. Consumer News and Business Channel
8. Continuous Improvement
9. NYSE or the New York Stock Exchange
10. NDTV profit
11. ICICI Bank
12. Samsung (Digital)
13. TVS Victor
14. Motorola

Get into AAS

Why Auditing and Assurance Standards (AAS)?

Audit should be conducted in accordance with Generally Accepted Auditing Practices. To ensure audit has been conducted in accordance with the Generally Accepted Auditing Principles, the Auditing and Assurance Standard Board (AASB) establishes Standards. These Standards are called Auditing and Assurance Standards (AAS) previously named as Standard Auditing Practices (SAP).

What is Auditing and Assurance Standard (AAS)?

Auditing and Assurance Standards are benchmarks by which quality of audit performance can be measured and achievement of objects can be documented. They help to determine what are the professional qualities needed for conducting audit effectively and how audit should be conducted.

Auditing and Assurance Standard Board (AASB):

The Board has been established by Institute of Chartered Accountants of India. AASB determines the specific area in which the AAS need to be introduced. It gives due consideration to International Standard on Auditing (ISA) which is constituted by International Federation of Accountants (IFAC) and introduce standards to comply with Indian practices.

Due Process:

The Procedure adopted by AASB in formulating Auditing and Assurance Standard is as under:

1. AASB determine the broad areas in which AAS need to be formulated and it is assisted by Study Group.
2. The study group prepares exposure draft of the proposed standard.
3. The exposure draft published for comments by members of ICAI.
4. The Council considers the comments and modify, if necessary by consulting with AASB

5. The AASB finalise the standards.

Applicability:

AAS are applicable to all entity whether it is profit oriented or not. Non-applicability, if any, will be mentioned in the standard itself.

Duty of Auditor:

Audit should be conducted in accordance with AAS. Audit Report has to mention that audit has been conducted in accordance with Generally Accepted Auditing Standard. Material departure from the standard should be disclosed. Otherwise auditors will be liable under clause (9) of part I of Second Schedule to the Chartered Accountants Act, 1949.

List of AAS as on date:

AAS can be classified on the following Basis.

1. Dealing with Auditors and their Responsibilities:

- Basic Principles Governing an Audit (AAS-1)
- Objective and Scope of the Audit of Financial Statements (AAS-2)
- The Auditor's Responsibility to consider Fraud and Error in an Audit of Financial Statements (AAS-4)
- Representation by Management (AAS-11)
- Responsibility of Joint Auditors (AAS-12)
- Comparatives (AAS-25)
- Terms of Audit Engagement (AAS-26)
- Communications of Audit matters with those charged with Governance (AAS-27)

2. Procedural Standards to form Opinion:

- Documentation (AAS-3)
- Audit Evidence (AAS-5)
- Risk Assessment and Internal Control (AAS-6)
- Audit Planning (AAS-8)
- Audit Materiality (AAS-13)
- Analytical Procedures (AAS-14)
- Audit Sampling (AAS-15)

- Going Concern (AAS-16)
- Audit of Accounting Estimates (AAS-18)
- Subsequent Events (AAS-19)
- Knowledge of the Business (AAS-20)
- Consideration of Laws and Regulations in an Audit of Financial Statements (AAS-21)
- Initial Engagements – Opening Balances (AAS-22)
- Related Parties (AAS-23)
- The Auditor's Report on Financial Statements (AAS-28)
- Auditing in a Computer Information System Environment (AAS-29)
- External Confirmation (AAS-30)


3. Procedure to be followed when depending on other's work:

- Relying upon the Work of an Internal Auditor (AAS-7)
- Using the work of an Expert (AAS-9)
- Using the work of Another Auditor (Revised) (AAS-10)
- Quality Control for Audit Work (AAS-17)
- Audit considerations relating to Entities using service organizations (AAS-24)

4. Procedure followed on non-statutory Engagements:

- Engagement to compile Financial Information (AAS-31)
- Engagement to Perform Agreed upon Procedures Regarding Financial Information (AAS-32)
- Engagements to review Financial Statements (AAS-33)
- Audit Evidence – Additional Considerations for Specific Items (AAS-34)

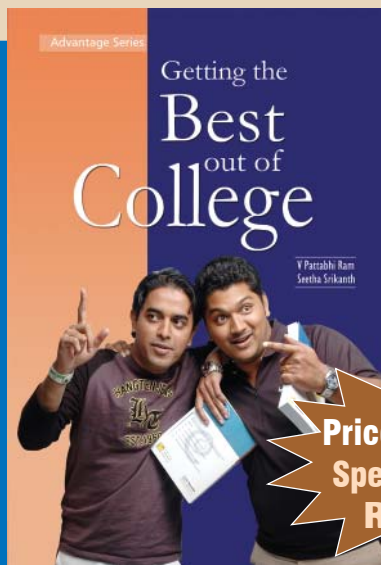
– Pushpalatha K

 invites contributors. Cartoonists welcome. Send in cross-words. Inspiring stories from real life. Humour from the world of accounting. Win recognition. And receive honorarium.

First Lessons

Walks you through the subject at the leading edge. Should be your ONE-SOURCE for self study.

Advantage CA	– V Pattabhi Ram & Seetha Srikanth
Accounting Standards (PE-II)	– MP Vijay Kumar
Business & Corporate Laws	– MP Vijay Kumar
A Study on Income Tax and CST	– R Bupathy
Information Technology	– G K Raju
Advanced Accounting	– MP Vijay Kumar
Accounting Standards (Final)	– MP Vijay Kumar
MAFA	– V Pattabhi Ram & S D Bala
Auditing and Assurance Standards (PE-II & Final)	– R G Rajan
Corporate Laws and Secretarial Practice	– S Srikanth
MICS	– R Chandrasekhar
Who are India's Top Auditors	– V Pattabhi Ram & Pavan N Rao



Getting the Best out of College

The years that you spend in college can be great fun. It's a period that is not worth missing. If you can accumulate knowledge, pick the right skills and develop the right attitude, the world can become your oyster. This book draws the road map for getting the best out of college. Here are the milestones:

- Thinking big
- Massaging your memory
- Good classroom habits
- Managing time
- Enhancing study skills
- Hostel life
- Taking exams
- Co-curricular activities
- The Road Ahead
- and a lot more

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**PRIME
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SERIES**

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