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विद्या ददाति विनयं विनयात् याति पात्रताम् ।
पात्रत्वाद्धनमाप्नोति धनाद्धर्मं ततः सुखम् ॥

vidyā dadāti vinayaṁ vinayād yāti pātratām |
pātratvāddhanamāpnoti dhanāddharmaṁ tataḥ sukham ||

(Knowledge gives humility, from humility, one attains character;
from character, one acquires wealth;
from wealth good deeds (righteousness) follow and then happiness.)

A famous Sanskrit Verse says that an educated person is honored everywhere. Such an honor does not come on its own but has to be earned by acquiring knowledge. Knowledge comes by learning and learning is like eating food. It does not matter how much you eat, but it is about how much one is able to digest. Similarly, knowledge is not assessed from the grades, degrees and designations, but, the passion to learn, imbibing self-discipline, keeping an open eye for happenings in and around your professional, social and economic environment.

Named as the '**Youngest Headmaster in the World**' by BBC in October 2009, at the age of 16, **Babar Ali**, has become pride of India through his 'Thirst for Knowledge'. Being a student and teacher from Murshidabad, West Bengal, he started a school 'Ananada Siksha Niketan – Home of Joyful Learning', under the Guava tree in his backyard when he was just '9-years-old', which now has 300 regular students. There are no tuition fees, thus, making it affordable for the poor in an economically deprived area and thereby helping increase literacy rate there. For his burning desire to create thirst for knowledge in his community, he won a prize from the program 'Real Heroes' of the Indian English News Channel CNN IBN for his work and was awarded the NDTV 'Indian of the Year' Award too. His story became a part of the syllabus for the CBSE 10th standard English textbook, PUC English textbook for Govt. of Karnataka, and also in a curriculum in Luxembourg, Europe. He was featured on Aamir Khan's TV show Satyamev Jayate in July 2012.

In his own words ***"I would wake up early in the morning and sit with my books under my father's supervision. After a quick breakfast, I would go to school, and all day I would wait to get back to my own students. It was like a 'nasha' (addiction)."***

The idea behind sharing this story with all of you is that if a person at such a young age and hailing from such a modest background can have such a passion for acquiring and sharing knowledge, what can stop all of us to master million knowledge bites scattered here and there. Pick up these knowledge pearls. Commit to a journey of lifelong learning. Commit to continuous growth in your life and hold your head high always. Let us strive in this direction and make ourselves, our family and above all our Nation proud of us like Baber Ali.

As at ICSI, we always strive to make our best efforts to enhance your knowledge base, therefore, we are launching this Knowledge Kit for the first time. I am confident that this one of its kind initiative will serve your hunger for knowledge and this will help many CS students to be Baber Ali of the future.

Wishing you all success in quest of your journey towards acquisition of knowledge.

CS (Dr.) Shyam Agrawal
President, ICSI

Basic Concepts of Interpretation of Statutes

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This article is interested to explain basic aspects of interpretation of statutes. It covers entire gamut of statutory interpretations. The article also set out process of interpretation and general principles of interpretation along with interpretation of some standard expressions and phrases used in statutes.

Introduction

To be a competent and effective professional (i.e. CS/CA/CMA/Law), one have to be able to read and interpret statutes, rules, regulations, etc., correctly and effectively, so that they can advise to their employer or client, who looks for advice for their problems. No company secretary can advise their clients effectively and correctly on statutes unless they have sound knowledge of the principles or rules of interpretation of statutes. This will enhance your legal acumen, your status and multiply your clientele; or else you will lag behind and can't gain true recognition to our profession.

Statute and statutory instruments

Statutes (and 'subordinate legislation' made under them in the form of rules and regulations) are the source of law in India like in any other country. Statute (also called Act, Enactment or Legislation) means a written law passed by a legislative body or an enactment made by a Legislature and expressed in a formal document.

Delegated legislation (subordinate legislation)

It is the law made under powers conferred by an Act of Parliament (an enabling statute or parent Act). The bulk of delegated legislation is governmental, consisting mainly of orders, regulations, rules, directions, etc. Every statute contains a provision conferring powers on the government or other statutory authorities to make rules, regulations, forms, etc., (such as section 469 of Companies Act, 2013 or section 642 of Companies Act, 1956). Rules, Regulations, etc., made under a statute have the same legal status and force as the statute made by Parliament. Circulars, press note, instructions, clarification, etc., have the same status only when a statute authorizes the government authorities to

issue them; otherwise they constitute only views of the government on interpretation and may be taken help of to understand meaning of a statutory provision but cannot have a bearing on interpretation by courts.

Case law (also known as Precedential Law, Decisional Law or Jurisprudence)

Law established by the judicial decisions in particular cases, instead of by legislative action or the law as established by the outcome of former cases. The body of judge made law and legal decisions that interprets prior case law, statutes and other legal authority. Case law is the source for interpretation and understanding various facets of statute law. It helps to develop an insight and enrich knowledge of law. The courts interpret law and unfold legislative intent by applying principles of statutory interpretation.

Precedent

A judgment or decision of a court used as an authority for reaching a decision in subsequent similar cases. Decisions of the Supreme Court (SC) are binding on the High Courts (HC) and all lower courts and are normally followed by the SC itself. Decisions of HCs are binding on all lower courts and on the HC itself. But decisions of inferior courts do not create any binding precedent. In law, a precedent (or 'authority') is a legal case establishing a principle or rule that a court may need to adopt when deciding subsequent cases with similar issues or facts. A binding precedent (also mandatory precedent or binding authority) is a precedent which must be followed by all lower courts. It is usually created by the decision of a higher court. A precedent that is not mandatory but that is useful or relevant is known as persuasive precedent or advisory precedent.

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Stare decisis

This Latin maxim literally means *to stand by things decided*. It is the doctrine that rules or principles of law on which a court rested a previous decision are authoritative in all future cases in which the facts are substantially the same. The doctrine of precedent, under which, it is necessary for a court to follow and abide by earlier judicial decisions when the same points arise again in litigation. Under the Constitution of India, there is a division of roles and powers among three constituents: Parliament, Executive (Government) and Judiciary. While Parliament makes laws, Government has the duty of implementing them and Judiciary interprets laws. As the SC held, it is not the task of the government to interpret the law; that is the task of the courts and even if the government understood the law in a particular manner, that cannot be the true and correct interpretation unless it is so held by the court.

Meaning of 'interpretation' (or 'construction')

To interpret (or to construe) means to give or provide the meaning of ; to explain, explicate, elucidate ; to understand in a particular way. Interpretation is the process of determining what something (especially the law or a legal document) means ; ascertaining the true meaning of a statute or written document, effected in accordance with a number of rules and presumptions evolved by the courts.

Object of interpretation

The primary object of the interpretation of statutes is to discover the true intention of the Legislature; and where the intention can be indubitably ascertained the courts are bound to give effect to it regardless of their opinion about its wisdom or folly. To ascertain what is intended by the words of statute. From the imperfection of the language, it is often impossible to know what that intention is, without inquiring further.

Need for interpretation

The need for interpretation arises to unfold the

meaning of a statutory provision which is not clear. As one eminent jurist has said, “Enacted laws, especially the modern Acts and Rules, are drafted by legal experts and it could be expected that the language used will leave little room for interpretation or construction. But the experience of all those, who have to bear and share the task of application of the law, has been different. It is quite often that we find courts and lawyers busy in unfolding the meaning of ambiguous words and expressions and resolving inconsistencies.”

Process of interpretation

To interpret the language of the statute and rules and regulations made under them, require a series of logical and analytical way or approach. The following process one has to follow while reading it :

- (1) Read the relevant provision carefully and try to unfold meaning of every word and the whole provision.
- (2) If any word used in the provision is defined either in the section itself or in the section at the beginning of the Act giving definitions, apply it and if it is not defined, find out its meaning from a dictionary.
- (3) Try to find out if a word used is defined in some other statute and take aid of such definition to understand its meaning in the context of the provision you are interpreting.
- (4) Do not add or deduct any word of your own or rewrite any word to suit your case.
- (5) If there are any standard phrases or expressions used in the provision, which are ordinarily used in legislative drafting (*such as Notwithstanding anything contained; Provided that; Save as otherwise provided; Without prejudice to, etc., these have been explained later in this article*), try to ascertain the effect of such phrase or expression in relation to any other provision(s) of the Act.
- (6) If there are two provisions on the same subject and they apparently conflict with one another,

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try to find out of them which one is special and which one is general.

- (7) If a word is ambiguous and can lead to two meanings, try to find out the intention or purpose of the provision from legislative background, case law, etc., in order to decide whether interpretation you are trying to place on it is consistent with such intention or purpose.
- (8) Now, by applying various rules of interpretation in the following headings, we come to a conclusion as to the correct interpretation of the provision.

General principles of statutory interpretation

The general principles for the interpretation of the statute are as follow :

- (1) Words are presumed to bear their ordinary, literal meaning, unless defined in the statute differently.
- (2) Words those are reasonably capable of only one meaning must be given that meaning whatever the result. This is called the 'Literal Rule'.
- (3) Without some contrary indication, a word or phrase is presumed to have the same meaning throughout the document.
- (4) The provisions of a document should be interpreted in a way that renders them harmonious, not contradictory.
- (5) If possible, no interpretation should be adopted that renders the provision in question—or any other provision—superfluous, unlawful, or invalid.
- (6) If possible, every word should be given effect ; no word should be read as surplusage.
- (7) Provisions of a statute should be interpreted in a way that avoids placing their constitutionality in doubt.
- (8) An Act must be construed as a whole, so that

internal inconsistencies are avoided.

- (9) When language of a statute is not clear or ambiguous, an interpretation which accords with the intention behind the provision should be preferred [*purposive interpretation*].
- (10) When an Act aims at curing a defect in the law or any misconduct, malpractice or bad thing, any ambiguity in the statutory provision is to be resolved in such a way as to favour that aim or which seeks to answer the question : what was the "mischief" that the previous law did not cover, which Parliament was seeking to remedy when it passed the law now being reviewed by the court? (*Mischief rule*)

Interpretation of some standard expressions and phrases used in statutes

Following are some standard expressions and phrases which have been used in the statutes :

That is to say = explains or clarifies the preceding word, phrase or expression.

For the purposes of this section = applies only to the particular but the whole section.

For the purposes of this sub-section / clause = applies only to the relevant sub-section or clause and not the whole section.

For the purposes of this Act = applies to the whole Act.

In this section, the expression ... means/ includes = the meaning of the expression given applies only to the relevant section.

Without prejudice to = without affecting or causing harm to, or damaging, the other provision of the Act. It seeks to protect other provision(s) of the Act which may be on the same subject.

Nothing in this section shall be taken to prejudice the operation of = seeks to avoid conflict by

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retaining the requirement under any other law.

Nothing in this section shall limit = excludes the effect of any other law.

Nothing (contained) in this section shall apply = if a sub-section of a section contains this, it excludes the applicability of the whole section.

As far as may be = as far as possible; to the extent or degree possible. The phrase implies the degree or extent that is relevant or practicable. It means the provisions need not be followed if it is impossible to follow them.

Nothing in this section shall be deemed to prevent = gives permission, power or authority.

Nothing contained in section ... shall be deemed to confer power on... = excludes the power to do anything different from what is provided by the section.

Nothing contained in ... shall affect = provides for exemption or exclusion.

Nothing contained in this section / sub-section shall be deemed to prohibit = seeks to permit the matter contained in the following part of the provision.

Nothing contained in section ... shall affect any provision in the articles of a company = seeks to protect the provisions in the articles of association as against the provisions in the section/s specified.

Notwithstanding anything contained in this Act (Non-obstante clause) – The Latin phrase '*non obstante*' means 'notwithstanding', which means *in spite of ; in spite of the fact that ; without being opposed or prevented by ; although ; regardless of ; irrespective of*. It seeks to give the provision an overriding effect as against any contrary provision that may be found either in the same enactment or (if the words so suggest) in some other statute; it is used to avoid the operation and effect of all contrary provisions.

Unless the articles of the company otherwise provide / provide otherwise = permits the articles

of the company to provide otherwise than what the section provides or excludes the operation of the concerned provision on the condition that the articles must contain a specific provision other than what the section provides.

Unless the articles of the company provide for a larger number = permits the articles to provide for a number larger than that provided by the section.

Subject to the provisions of section ... = on the condition of the provisions of the specified section being observed or complied with. This phrase is used when, while complying with one statutory provision, another provision relating to the subject-matter also must be complied with.

Save as otherwise provided in this Act = In legal context, save means except, but, other than; to preserve something from harm, injury, loss, etc.

This phrase seeks to keep applicability of any other provision on the same subject unaffected besides the provision in which these words are used or create an exception in respect of any provision on the same subject.

In default of and subject to any regulations in the articles of a company = In default of means in absence of ; without, and subject to means on condition that ; giving overriding effect to the provision in the articles.

In default of and subject to any agreement = in absence of any agreement and if there is any agreement, giving overriding effect to such agreement.

As the case may be = this phrase is used when in a provision two or more things are covered and the provision is applicable to both or all of them.

Secretarial Audit – Meaning & Mantra

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In this article, the author delves into secretarial audit and highlight role, functions and duties of the practising company secretary (PCS) in conducting secretarial audit. He points out that the PCS must understand that the secretarial audit is a major job and what is expected of him is a top level audit with ample focus on governance.

Compliance function vis-a-vis audit function

The fundamental difference between a person advising and assisting the management of a company in compliance jobs and the person who undertakes secretarial audit lies in the fact that the company secretary rendering compliance services will be putting himself/herself in the shoes of the client and help achieve its purpose, while an auditor will be assessing the status of governance and compliances at a very higher pedestal. While compliance function will surely involve advising the company on the steps and procedures and helping the company in preparation of notices, minutes and filing of forms and returns, an audit function does not involve such things at all.

Relationship between practising company secretary and company

When a person undertakes secretarial audit he/she must wear a different hat. The relationship between the practising company secretary who is going to do the audit and the company which is going to be audited cannot be said to be in the nature of an employer and employee or master and servant or principal and agent. The relationship is on principle to principal basis. Accordingly the engagement letter must be obtained and the appointment shall not be undertaken unless it is supported by a resolution of the Board of directors of the company duly setting out the fact that the audit is being undertaken as per statutory provisions and there shall be complete access to books, papers and records and will be strictly carried out as expected of the statute in an independent manner and that the report will be issued in the manner and format specified by law.

Role 'functions and duties' of company secretary in secretarial audit

1. While carrying out a secretarial audit, a company secretary in practice (PCS) must approach the job in a structured manner. Before hand, the PCS must prepare a neat note that shows the inputs required for the audit and the process. Such a requirement must be duly communicated to the client and if necessary discussed with the client upfront so as to carry out the audit in a methodical way and complete the audit in a time bound manner.
2. While carrying out secretarial audit, it will be usual to get attention diverted due to several events, developments that have happened in the company. Sometimes the PCS may be interested in a particular matter and might spend a lot of time on the same as the matter might not have been handled by the PCS. Such things, forms and formats, style of presentation, reports and representatives may drive the PCS into indulging in understanding and appreciating those things instead of proceeding with the Secretarial Audit as per audit plan.
3. Another important point is the “Attention Deficit” syndrome as the PCS or assistants are prone to apply insufficient attention to the job on hand either by chit chatting or by attending to calls or WhatsApp or other such things. While on audit, the PCS cannot undermine the audit process by falling into those things that will undermine the quality of the audit. Moreover, it will show the auditor in a poor light.

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4. The PCS must prepare well for the audit. Before embarking upon the audit, a lot of home work can be done so as to be aware of the status of the client, its directors, its disclosures, its holding / subsidiary / associate and sister concerns. An informed person would need very less time to strike a conversation or map the audit process. Therefore, it is essential to dig out and understand information in the public domain in detail and keep a record and track of them. This will help the PCS to learn about the goals and objectives of the client and appreciate the serious concerns that the client may be facing.

A Secretarial Audit is not a programme intended to advise the client of what should be done and in what manner. It is a programme to study what has been done and to report on the status of specified things. Therefore, attention must be on what and how things have been done. In eagerness to point out issues, a PCS should not frequently pass on observations during the course of audit then and there. The PCS should have the patience to list down the issues, date-wise or quarter-wise or topic-wise and categorise them into material or critical ones and purely technical or minor and procedural ones. For instance, if the company that is under audit is licensed to operate a particular capacity for a particular period by the Pollution Control Board and the PCS finds either the capacity has been exceeded or the consent has not been renewed, the deviation or deficiency is a major and critical one and cannot be taken lightly.

5. One of the issues that always come up in such audits is the difference in the opinion of the client and that of the auditor on the same subject. Expert opinions and case law on the same set of facts give good guidance to the PCS. Therefore, the PCS must learn interpretation techniques too. However, PCS

should not completely abstain from applying his mind on the issue. If there is a perfect legality but an unethical matter, the PCS may not be able to do anything. But if there is something which is highly ethical, but it not in accordance with law, the PCS will be in a dilemma. In such cases too, the PCS can apply the materiality or criticality factors.

6. Last but not the least, the PCS must understand that the Secretarial Audit is a major job. What is expected of the PCS is a top level audit with ample focus on Governance, Controls and Processes. This calls for understanding that the audit is not a mere statutory formality. For instance, while auditing a non-banking financial company, complying with KYC norms will certainly be a major area of concern. So the PCS must apply thought and prepare the audit programme on the basis of the nature of business of the company. Profitable entities have crumbled due to Governance failures. So attend to such top level topics. In order to be able to attend to such topics, the PCS must elevate his level of knowledge and expertise first.



Importance of Finance in Business Process

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This article explains the seven fundamental activities of a business entity and how the same gets reflected in the financial statement. This article would help you to visualise and implication of items of financial statements.

Importance of financial statement :

In an economy there are mainly two entities : savings entity and investment entity. Individual belongs to the saving entity. Business and Government together form the investment entity. Individual gives productive service and from the productive service individual earns income. Since individual is a risk averse entity, individual would not spend the entire income and accordingly individual would save certain amount (as depicted in Figure 1).

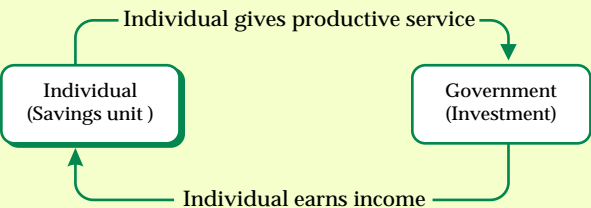


Figure 1 : Activity and income flow in an economy

Business and Government require fund for investment purpose. The fund would be provided by the individual as individual is having the surplus fund. The fund would be required by the business and government. Funds need to be transferred from the savings unit to investment unit. The formal or informal place through which the fund would be transferred is called financial market. (This is shown in the Figure 2).



Fig 2: Transfer of fund through financial market

As mentioned above, the individual would be lending the money to the investment units. In a competitive economy, investment units are competing with each other to attract the fund from the lenders. Investment units have to show case their achievement to the prospective lenders so that prospective lenders are attracted towards them. Investment units adopts several methods for generating interest within the lending community and one such method is the presentation of financial performance of the investment unit to the prospective lending community. Lending community, by observing the financial prospects, would take decision of lending to an investment unit. Here lies the importance of financial statement for raising fund. Besides, government also wants to know the income level of the investment units so that it can collect taxes and it can check whether the specific business entity is adhering to rules of land. I can say that among several reasons for importance of financial statement, the two most important reasons are as follows :

- To give a proper picture about the state of affairs of the investment unit to the prospective lending community ;
- To comply with the statutory rules of the land ;

Main objective of investment entity :

After discussing the importance of financial statement, I shall now discuss about the main objective of the investment entity. Once we are clear about the main purpose of investment entity, we shall analyse the financial statement of a specific investment entity. From this analysis, we shall be able to find out whether the investment entity is

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adhering these main objectives or not.

In modern day the buzzword is “Shareholders' wealth maximization“. Every investment entity wants to run its business/activity in such a way that would result in the maximization of its shareholders investment. This would result in the more reward of the share holders and shareholders would be inclined to give more money when it is required by the investment entity for further expansion. So it is found out that an investment unit which is maximising shareholders wealth would not find difficulties in attracting new investment when such investment opportunity comes to the investment unit.

When we mention maximization of share holders' wealth, we try to mean the market price of Company's share if the investment entity is a non government entity (comprising of private entity and government owned company but not pure government). For government, maximization of shareholders wealth is the maximization of the well being of the population of the country. Hence forth we shall concentrate our discussion with respect to business entity only.

The business should run in such a way that would result in the maximum market price of the share of the concerned company in the market among its peers. However, a question can be raised whether our aim is only to maximise shareholders wealth at the expenses of the other stake holders of the company or maximise the share holders' wealth along with the improve-ment of the other stake holders. According to my view the answer is the second one i.e. maximise the shareholders wealth along with the improvement of the stakeholders wealth.

Once we have decided the main purpose of a business entity, we shall now try to visualize activities of a business entity performed towards achieving this main objective. We shall also try to link these activities with the financial statement so that by observing the financial statement we can analyse about how close the business entity towards its main objective.

Seven basic steps a company follows to attain its main objective :

Every business entity follows seven basic steps to attain its main objective. Understanding of these seven basic steps is the starting point of being part of the overall maximization of shareholders value process. Now we shall discuss about these seven basic steps which every business entity follows to attain its main objective :

Every business entity in the economy performs these seven basic functions. This is true irrespective of industry. This helps us to understand the business process at a macro level. Once we understand this, the micro level fine tuning can be possible with the help of theoretical knowledge, practical knowledge and experience. So we shall first try to understand these seven basic steps of a business process.

Step 1 : Every business organisation, when starts its operation, requires fund. A business organisation has no fund on its own. Many times we make a mistake by considering the equity as the fund of the business entity. No it is not correct. Equity is the fund of the share holders and the business organisation has borrowed that fund. It has to give adequate return to the equity holder failing which it would not be able to receive further fund from the equity holder. So every business organisation is surviving on borrowed fund. When a business organisation (hence forth we shall call this business organisation as company) borrows, the borrower issues a financial security to lenders and the lenders would keep the financial security as long as the money is with the borrower. This is explained with the help of an example : when we lend to a bank in the form of fixed deposit, the bank, a borrower in this case, issues a fixed deposit receipt which is called financial security. The fixed deposit receipt mentions two things :

- Time of repayment commitment ;
- Amount of repayment commitment;

Depending on this nature of commitment, we see that a company can borrow either in the form of debt instrument or equity instrument. When a company is borrowing in the form of debt, it is issuing securities which are giving fixed repayment commitment. So when a company borrows in the form of a term loan, at the time of borrowing itself the Company is promising how much it would pay

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and when it would pay. Same is for borrowing with the help of debenture.

However when a company is borrowing by issuing of equity securities, the Company is not committing any thing at the time of borrowing. Many times absence of fixed commitment associated with equity securities is misconstrued as cost of equity is free. However, this is incorrect. So the Company must operate in such a way that it maximizes the share value of the Company and the equity holder is benefited.

If a company borrows in the form of equity it has got the flexibility of repayment but in the case of borrowing in the form of loan, it does not have the flexibility of repayment. From the lenders point of view, lending in the form of equity is more risky and accordingly the required return (the return expected by the lender from borrower) should be higher. That is why on stand alone basis, we have to think that equity is costlier than debt.

Once the company borrows in the form of either equity or debt the amount would come in the cash and bank account. Let us take an example i.e. a Company borrows Rs 10 crores in the form of equity and Rs 5 crores in the form debt and this is represented in the following way :

(Rs in crores)

Liability		Asset	
Equity	10	Cash and Bank	15
Loan	5		
Total	15	Total	15

Table 1

So when there is a financial activity (here it is borrowing), it has been converted into financial statement by passing two entries. In this case one entry is coming in the liability side and the second entry is coming in the asset side.

Here, a balance in cash and bank account means that the company has borrowed this amount and for this borrowing the company has already made commitment. To meet the commitment, the Company has to use this cash and bank balance for investment in productive and income earning asset.

Step 2: The second step of business activity is to invest in fixed asset. When we mention, investment in fixed asset we mean purchase of fixed asset. For purchase of fixed asset, outflow of fund takes place. So when the Company purchases fixed asset, the money would go from cash and bank account and in place of cash and bank account the fixed asset would appear in the balance sheet. So after the purchase the balance sheet would look like :

(Rs in crores)

Liability		Asset	
Equity	10	Fixed Asset	15
Loan	5		
Total	15	Total	15

Table 2

Step 3 : After the fixed asset is purchased, the same asset should be utilised to generate cash so that the borrowing of Rs 15 crores can be paid off. The Company would have to produce goods, sell goods, realise cash and from this cash the Company would pay off the borrowing as happened in the first stage. But before it sales, the Company has to produce and for production the company has to incur expenses. Since the expenses means outflow of fund and at the end of 2nd stage the company has no fund as evident from the above balance sheet. Now the Company can meet the expenses by deferring the payment and in such case it is borrowing from its suppliers or service provider. Now after incurring the expenses, the company has incurred some amount which is of realizable value and this amount would be treated as an asset. This is presented by the following statement if we assume that the Company has purchased raw material of Rs 5 crores and the same is purchased on credit :

Expenses		Income	
Purchase of Raw Material	5	Increase in stock (raw material)	5
Total	5	Total	5

Table 3

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Liability		Asset	
Equity	10	Fixed Asset	15
Loan	5	Raw Material	5
Creditor	5		
Total	20	Total	20

Table 4

If the Company cannot defer the payment then the Company has to arrange the cash first and this is only possible if the Company borrows further. When Company borrows for this purpose, it is called the working capital finance. First the company borrows and then the cash and bank balance would go up along with the increase in working capital borrowing. This is shown below :

Liability		Asset	
Equity	10	Fixed Asset	15
Loan	5	Raw Material	5
Creditor	5	Cash and Bank	5
Bank Borrowing for Working Capital	5		
Total	25	Total	25

Table 5

Now from this cash and bank balance, the Company would pay the amount to its supplier. So by this amount the cash and bank balance would come down and subsequently the creditor balance would also come down. This is represented by the following :

Expenses		Income	
Purchase of Raw Material	5	Increase in stock (raw material)	5
Total	5	Total	5

Table 6

Liability		Asset	
Equity	10	Fixed Asset	15
Loan	5	Raw Material	5
Bank Borrowing for working capital	5		
Total	20	Total	20

Table 7

Step 4 : The fourth stage of a business is selling of goods. When a Company sells, it can sell either in cash or in credit. If it is selling in cash, first the amount would be reduced from the increase in stock from the income side and also from the asset side. This gives the effect that the goods are taken out of the store. Now for giving the effect of sales, there would be an entry on the income side as sales and the second entry for this activity would be in the asset side in terms of cash and bank head. So first the effect of removing the goods from the store is given by the following :

Expenses		Income	
Purchase of Raw Material	5	Increase in stock (raw material)	5
		Decrease in stock	- 5
Total	5	Total	0

Table 8

Liability		Asset	
Equity	10	Fixed Asset	15
Loan	5	Raw Material	5
Bank Borrowing for working capital	5	Decrease in Raw material	- 5
Total	20	Total	15

Table 9

Now the effect of sales is given assuming that

Expenses		Income	
Purchase of Raw Material	5	Increase in stock (raw material)	5
Profit transferred to Balance Sheet	1	Decrease in stock	- 5
		Sales	6
Total	6	Total	6

Table 10

Liability		Asset	
Equity	10	Fixed Asset	15
Profit transferred	1	Raw Material	5
Loan	5	Decrease in Raw material	- 5
Bank Borrowing for working capital	5	Cash and Bank	6
Total	21	Total	21

Table 11

Importance of Finance in Business Process

Liability		Asset	
Equity	10	Fixed Asset	15
Profit transferred	1	Raw Material	5
Loan	5	Decrease in Raw material	- 5
Bank Borrowing for working capital	5	Receivable	6
Total	21	Total	21

Table 12

Now see the difference between cash sales and credit sales. In both cases the profit would be same as the table 10 would be applicable for both the cases.

In both cases the company has incurred expenses of Rs 5 crores and it has paid the expenses to the supplier by taking the loan of Rs 5 crores from the bank. If the company delays its repayment it would have to pay more interest. Payment can only be made when the company has cash and bank in its balance sheet. This is possible only in the table 11 when the company is selling on cash. Now if the company sales on credit as shown in Table 12, it would not be able to pay the amount as it does not have cash and bank balance. So in case of credit sales the Company would delay the repayment and it has to pay more interest.

Step 5 : The fifth step of a business is to realise sales. When one realises sales, the profit and loss would be same like Table 10 as nothing new is happening in the profit and sales. It is only collecting earlier sales. So the receivable amount would be reduced and cash and bank balance would go up. The same is shown below :

Liability		Asset	
Equity	10	Fixed Asset	15
Profit transferred	1	Raw Material	5
Loan	5	Decrease in Raw material	- 5
Bank Borrowing for working capital	5	Receivable	6 - 6
		Cash and Bank	6
Total	21	Total	21

Table 13

Step 6 : After collection of receivable i.e. from Rs 6 crores the company would pay the borrowing made in the first phase. Now if the borrowing cost is about Rs 0.10 lacs, this amount of interest would be first entered in the expenses of P&L and then the same amount would be reduced from the cash and bank balance. This is shown in the following :

Expenses		Income	
Purchase of Raw Material	5	Increase in stock (raw material)	5
Interest	0.10	Decrease in stock	- 5
Profit	0.90	Sales	6
Total	6	Total	6

Table 14

Liability		Asset	
Equity	10	Fixed Asset	15
Profit transferred	0.90	Raw Material	5
Loan	5	Decrease in Raw material	- 5
Bank Borrowing for working capital	5	Receivable	6 - 6
		Cash and Bank	6-0.10=5.90
Total	20.90	Total	20.90

Table 15

Step 7 : After this the Company would pay Rs 5 crores to the bank borrowing for working capital and the remaining amount to loan. So after this the balance sheet would look like the following :

Liability		Asset	
Equity	10	Fixed Asset	15
Profit transferred	0.90	Raw Material	5
Loan	5-0.90	Decrease in Raw material	- 5
Bank Borrowing for working capital	5 - 5	Receivable	6 - 6
		Cash and Bank	6-0.10=5.90- 5.90
Total	15	Total	15

Table 16

This seven steps every business entity follows. The time taken for reaching from step 1 to step 7 determines the maximization of the stake holders' wealth. The lower the time of reaching from stage 1 to stage 7, the better the Company is managed and this would increase the value of all stake holders.



Advance Excel Learning Series - Volume 1

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One of the most commonly used Excel functions in data analysis is VLOOKUP. Every young professional who will be working with Excel must know the logics behind when and how to use it. Before we learn how to use Excel VLOOKUP function, we must learn when to use it.

Train No.	Train Name	Train Source Stn	Train Destination Stn	Source Dep. Tim.	Dest. Arr. Tim.
2057	LTT TEN PREMIUM	LOKMANYATILAK T	TIRUNELVELI	13:20	22:00
2059	PUNE ERS PREMIUM	PUNE JN	ERNAKULAM JN	18:45	20:05
2065	LTT ERS PREMIUM	LOKMANYATILAK T	ERNAKULAM JN	12:50	14:00
2663	ADI HBJ PREMIUM	AHMEDABAD JN	HABIBGANJ	17:30	5:00
2664	HBJ ADI PREMIUM	HABIBGANJ	AHMEDABAD JN	22:20	9:15
2701	SC CSTM PREMIUM	SECUNDERABAD JN	MUMBAI CST	23:05	12:15
2779	VSG SBC LINK EXP	VASCO DA GAMA	BANGALORE CY JN	15:10	7:00
2881	PUNE BBS PREMIUM	PUNE JN	BHUBANESWAR	11:15	17:35
4410	NZM KVCL PREMIUM	H NIZAMUDDIN	KOCHUVELI	21:35	20:30
4430	NZM MAO PREMIUM	H NIZAMUDDIN	MADGAON	21:35	6:00
6228	MYSORE EXP	TALGUPPA	MYSORE JN	20:15	7:00
6948	UBL VSG LINK EXP	HUBL JN	VASCO DA GAMA	23:00	6:30
7301	TALGUPPA EXP	MYSORE JN	TALGUPPA	22:30	7:15
9009	MADGAON PREMIUM	BANDRA TERMINUS	MADGAON	23:40	12:55

When does train no. 6948 departs?

Task: When does train no. 6948 departs as per the schedule chart above?

Your approach: You will scan the first column top to bottom. When you find the same train no., you stop there. Then you scan that row rightwards. Once you reach to the fifth column, you see the answer 23:00.

Observation: Please note that train nos. 6948 is in the first column and it does not repeat. The train nos. are not sorted either. The approach with which you found the departure time is very similar to that of Excel's VLOOKUP function.

Definition: Excel VLOOKUP function helps "pull" a value from a table with the help of a matching ID or unique identifier. The unique identifier is sometimes also referred as the primary key.

Start learning: Let's learn how a VLOOKUP function is applied. In the example given below, we need to find asset description of the three IDs in Table 2. Table 1 has the details of ID wise asset description.

	A	B	C	D	E	F	G	H
1								
2	S. No.	ID	Asset description					
3	01	7082	Computer Chair					
4	02	7948	ED Chair					
5	03	7949	Wooden Rack					
6	04	7951	Computer Table					
7								

ID	Asset description
7951	
7948	
7082	

You can already see that the ID 7951 refers to "Computer Table". This is a simple example and the answer was derived manually. However, using Excel VLOOKUP function, you can easily find asset descriptions of 1000s of such IDs in less than a minute. This function is very helpful when you have a large amount of dataset.

There are four pieces of information (parameters) that you will need in order to write the Excel VLOOKUP function:

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	A	B	C	D	E	F	G	H
1			1 -----> 2					
2	S. No.	ID	Asset description					
3	01	7082	Computer Chair					
4	02	7948	ED Chair					
5	03	7949	Wooden Rack					
6	04	7951	Computer Table					
7								
8								
9								

ID	Asset description
7951	=VLOOKUP(F4,\$B\$2:\$C\$6,2,0)
7948	
7082	

VLOOKUP(lookup_value, table_array, col_index_num, [range_lookup])

- lookup_value:** Refer marker "A" in the picture above. First, parameter *lookup_value* is the unique value or ID Code whose Asset Description is to be found. E.g. 7951. Some refer such ID code as a primary key.
- table_array:** Refer marker "B" in the picture above. It is the table whose first column must contain the *lookup_value* or primary key. One of the columns of the table_array will contain details of Asset Description.
- col_index_num:** Refer marker "B" in the picture above. The *table_array* chosen above has two columns. The second column contains Asset Description. Hence, *col_index_num* is two.
- range_lookup:** 0 or FALSE indicates an exact match. It means if your primary key in the example above is 7951, then provide asset description only and only if the same key is found in the first column of *table_array* selected. Else #N/A! error will be given. We will discuss the situation when to use TRUE or 1 in next Advanced Excel Learning Series.

ID	Asset description
7951	=vl
7948	VLOOKUP

ID	Asset description
7951	=VLOOKUP(
7948	VLOOKUP(lookup_value, table_arr

Step 1: Refer VLOOKUP example picture given above. Type an = (equal sign) and begin typing "VL" to start an Excel VLOOKUP function. Excel displays a dynamic drop-down list of valid functions starting with the letters VL. Choose the desired function from such list and press TAB key. This will autocomplete the Excel VLOOKUP function =VLOOKUP

VLOOKUP(lookup_value, table_array, col_index_num, [range_lookup])

	A	B	C	D	E	F	G	H	I
1									
2	S. No.	ID	Asset description						
3	01	7082	Computer Chair						
4	02	7948	ED Chair						
5	03	7949	Wooden Rack						
6	04	7951	Computer Table						
7									

ID	Asset description
7951	=VLOOKUP(F4
7948	VLOOKUP(lookup_value, table_array, col_index_num, [range_lookup])
7082	

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Step 2:

Refer VLOOKUP example picture given above. Choose the cell F4. It contains the ID code 7951.

S. No.	ID	Asset description
01	7082	Computer Chair
02	7948	ED Chair
03	7949	Wooden Rack
04	7951	Computer Table

ID	Asset description
7951	=VLOOKUP(F4,B2:C6,2,0)
7948	=VLOOKUP(lookup_value, table_array, col_index_num, [range_lookup])
7082	

Step 3:

Refer VLOOKUP example picture given above. Choose the table range where ID codes are given along with the asset description in subsequent columns. The first column of the *table_array* MUST contain the *lookup_value* or the primary key.

S. No.	ID	Asset description
01	7082	Computer Chair
02	7948	ED Chair
03	7949	Wooden Rack
04	7951	Computer Table

ID	Asset description
7951	=VLOOKUP(F4,B2:C6,2,0)
7948	=VLOOKUP(lookup_value, table_array, col_index_num, [range_lookup])
7082	

Step 4:

Refer VLOOKUP example picture given above. As soon as *table_array* is chosen, press function key F4 to lock the range selection with four \$ signs. This ensures that as the function is copied and pasted below, the range remains B2:C6 for all. Not doing so may give errors instead of correct answers. Watch the VLOOKUP example picture below. The initial range B2:C6 has changed to B4:C8 as the function was copied and pasted down.

ID	Asset description
7951	Computer Table
7948	ED Chair
7082	#N/A

S. No.	ID	Asset description
01	7082	Computer Chair
02	7948	ED Chair
03	7949	Wooden Rack
04	7951	Computer Table

ID	Asset description
7951	=VLOOKUP(F4,B2:C6,2,0)
7948	=VLOOKUP(lookup_value, table_array, col_index_num, [range_lookup])
7082	

A reason for the error (#N/A): As the Excel VLOOKUP function is copied and pasted below, the *table_array* changes from B2:C6 to B4:C8. This means that the ID code 7082 is being looked up in the revised range. The revised range does not contain the ID code 7082.

S. No.	ID	Asset description
01	7082	Computer Chair
02	7948	ED Chair
03	7949	Wooden Rack
04	7951	Computer Table

ID	Asset description
7951	=VLOOKUP(F4,B2:C6,2,0)
7948	=VLOOKUP(lookup_value, table_array, col_index_num, [range_lookup])
7082	

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Step 5: Refer VLOOKUP example picture given above. Now we need to specify the correct column sequence number from the table array. Column number 2 refers to the second column of the chosen *table_array*. *Col_index_num* can be 2, 3, 4 ... n. It cannot be a negative number or a fraction. E.g. using -1 will not give Serial No.04.

The screenshot shows an Excel spreadsheet with two tables. The first table (Table 1) has columns S. No., ID, and Asset description. The second table (Table 2) has columns ID and Asset description. A formula bar shows the formula `=VLOOKUP(F4,B2:C6,2,0)`. A red arrow points to the formula bar, and a red box highlights the formula. A legend indicates that TRUE (1) refers to Approximate match and FALSE (0) refers to Exact match.

S. No.	ID	Asset description
01	7082	Computer Chair
02	7948	ED Chair
03	7949	Wooden Rack
04	7951	Computer Table

ID	Asset description
7951	Computer Table
7948	ED Chair
7082	Computer Chair

=VLOOKUP(F4,\$B\$2:\$C\$6,2,0)

Step 6: True (1) and False (0) refers to approximate and exact match, respectively. In the VLOOKUP example picture given above, we want an exact match. E.g. ID 7951 should give the answer "Computer Table". If the ID 7951 were not present in Table 1, then #N/A will be the answer. It will not look for any close match such as ID 7950 or 7952. Next Step: Simply drag the cell down using Autofill handle bar. This will help give answers for all the three ID codes.

The first screenshot shows the result of the VLOOKUP function for ID 7951, which is "Computer Table". The second screenshot shows the result of the VLOOKUP function for ID 7948, which is "ED Chair".

ID	Asset description
7951	Computer Table
7948	ED Chair
7082	Computer Chair

Extra Caution: The cell F6 has been changed to ID code 7947. This ID code is not given in Table 1. Yet, it gives the answer "Computer Chair". This is because the function is looking for an approximate match. If nothing is mentioned in the fourth parameter i.e. *range_lookup*, then it takes the value as TRUE (1) or an approximate match. This clearly is an incorrect answer.

The screenshot shows the result of the VLOOKUP function for ID 7947, which is "Computer Chair". This is an incorrect result because the function is looking for an approximate match.

S. No.	ID	Asset description
01	7082	Computer Chair
02	7948	ED Chair
03	7949	Wooden Rack
04	7951	Computer Table

ID	Asset description
7951	Computer Table
7948	ED Chair
7947	Computer Chair

Conclusion: Excel's VLOOKUP function is easy to grasp once the logic is clear. Moreover, it can be made more powerful with the help of other functions such as MATCH and IFERROR. We will discuss them in the next learning series.

Uniform Civil Code and is it the Right Time

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In this article, the author gives a bird's eye view of Uniform Civil Code. Addressing question 'what should be common civil code', he states that all laws related to marriage, divorce, succession, adoption, maintenance, guardianship, inheritance, domestic violence should be repealed and just like Code of Civil Procedure, it must be a single code.

Background

In the last few days there is lot of debate going on with regard to Common Civil Code. Some say it is because the right wing BJP has come to power and which wants the Muslims to be deprived of their own personal laws. There are issue related to gender also, as it will give equality to Muslim women and bring them at par with men. But in reality it is related directly to the Constitution and the desire that there cannot be more than one law in India and that all are equal.

Codification of personal law

Post-Independence codification of personal law started, but evolved around Hindus and several Acts were passed for marriage, divorce, guardianship and succession. System of Sati was stopped by a separate Act, Child marriage became illegal by another Act. This was applicable to Hindu, Jain, Sikh and Buddhist Only. Christians, Parsis and Muslims continued to be governed by their own personal laws. Today, as law exists, polygamy and polyandry is a crime, if done by a person of a particular religion, and if the same act is done by another person of another religion, it is not a crime but is his right. Thus, whether an act is an offence, which could lead to imprisonment, or is an act on which you can claim it to be your fundamental right, depends upon your religion. If a person is a Parsi he will have the privilege of having divorce case being heard directly by Bombay High Court whereas a Hindu has to first approach the Family Court. There is different Civil Code for people of Goa being the GOA Civil Code, also known as Goa Family Law, which overrides the National laws and governs the citizens of Goa

only. If a Muslim is having his marriage registered in Goa, then he cannot practice polygamy but outside Goa he can. Goan Hindu men have the right to bigamy under specific circumstances mentioned in Codes of Usages and Customs of Gentile Hindus of Goa (if the wife fails to deliver a child by the age of 25, or if she fails to deliver a male child by the age of 30). At times on changes his faith and religion not because of belief, but because of needs and desires. A person intending to marry another woman can convert into Islam and just remarry easily. All this is not related to religion and belief but related to self-interest and intent of an individual.

The question then arises : Is the practice of religion above humanity? Is there difference in a Muslim woman and a Hindu woman or a Goan and a non-Goan, a Christian and a Parsi? Well definitely not and not even there in the Constitution. Article 44 of the Constitution infact supports Common Civil Code. In today's world Internet has changed our lives. India or rather the entire world is one market. But when it comes to law there is difference. We have 100 laws related to family from marriage to child custody and from senior citizens rights to inheritance.

Common Civil Code

It is not that the talks of Common Civil Code is something new. From Shahbano case to Lily Thomas case to recent comments by Supreme Court of India, there has been talks of the same, but our political class feels that it is their right to keep the Nation divided. The political class, whenever confronted with an issue, without considering

existing laws, just passes another Act. They are not concerned if there is any overlapping and there is non-implementation and have left it to the judiciary to look into all these issues. The fear is that even today all earlier Acts may continue, a new batch of Acts for marriage, inheritance, maintenance, divorce, etc., may be passed. The States will thereafter pass different-different rules and over next 10 years it will be just on paper, without being implemented. Some States like Goa may even ensure that their Civil Code continues and, thus, it will be repeat of history.

What exactly should be Common Civil Code?

What is being shown as of now is just that the Common Civil Code means right of a Muslim lady against triple talak. But is that alone Common Civil Code? To my mind it is not. It should be a single enactment, which must govern all the rights of every member of the family, against the other members, which must be equal irrespective of caste and religion. It must be a modern era law and should rather not even use the word religion. There must no mention of names of religion like Hindu, Muslim or Sikh, but must have the preamble related to Constitution and human rights. It must cover all aspects from marriage to divorce, from succession and inheritance and wills, to duties of family towards children and parents, rights of the child within the family. This should also ensure that all laws related to marriage, divorce, succession, adoption, maintenance, guardianship, inheritance, domestic violence, etc., must be repealed and just like Code of Civil Procedure it must be a single Code, with inbuilt rules and no State amendments at all. In modern era where we leave our residence for employment from Kolkata to Chennai and where for education we travel from Simla to Mumbai, where we see marriage of North Indian to South Indian there must be one law. The law applicable to all from Jammu and Kashmir to

Kanyakumari, to all religion from Hindu to even Jews and Parsis. There is no need of even defining anything related to inter-religion marriages and birth, death and marriage registration must be simple, same on rather easily done on internet. That religion word must be deleted completely and human values must overrule everything. We hope some day it will be a reality and not just another bunch of legislations.

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