



The Institute
of Chartered
Accountants of
India
(Set up by an act of
Parliament)

VOL 24 | NO. 08 | PAGES 36 | JANUARY 2021 | ₹50

The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events



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Total Circulation: 2,56,461

Check your Address: All students should check their mailing address printed on back cover. In case, there is any change or the PIN Code (Postal Index Code) is either missing or is incorrect, kindly inform immediately the concerned Regional Office, giving full particulars of your address alongwith correct PIN Code. This would enable us to ensure regular and prompt delivery of the Journal.

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Cover Image Courtesy: www.shutterstock.com
Inside image: www.shutterstock.com

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Printed and published by CA. Vandana D Nagpal, on behalf of The Institute of Chartered Accountants of India, New Delhi.

PUBLISHED at the Institute's Office at Indraprastha Marg, New Delhi and printed at Spenta Multimedia Pvt. Ltd., Plot 15,16 & 21/1, Village Chikhholi, Morivali, MIDC, Ambernath (West), Dist. Thane

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SWACHH BHARAT - A STEP TOWARDS CLEANLINESS



My Dear Students,

It is with great pleasure that I extend my heartiest wishes to you all for a healthy, prosperous and wonderful new year 2021. I am pretty hopeful that the hard lessons learnt from the pandemic during the past year will be succeeded by unfolding of innumerable opportunities, hopes, aspirations, vigour and vitality by the dawn of this New Year. Each year end marks the beginning of new aspirations, dreams and ambitions. New Year is the most appropriate time for all of us to take pledge that we will serve our society with utmost sincerity, honesty, transparency and thereby contribute to the overall development of the nation.

“Begin to be now what you will be hereafter”. William James.

I believe that those of you who have appeared in the November 2020 CA examinations must be eagerly waiting for the results. My best wishes are with you and I hope that you will be able to achieve success with flying colours. November 2020 examinations have been one of the most challenging examinations in the history of the ICAI. Organising the Chartered Accountancy examinations in physical mode at more than 1085 examination centres at global level in the midst of the pandemic and at the same time ensuring the safety of the candidates, had been a foremost challenge. The ICAI undertook adequate measures for the safety of candidates without compromising the high standards, sanctity and fairness in the conduct of the examination. I must also compliment the fighting spirit of the candidates who, undeterred by the challenges posed due to pandemic, appeared for the examinations.

Those students who opted to appear for November 2020 Cycle II examination commencing from January 21st, 2021 need to gear up and prepare. Chartered Accountancy course requires a lot of perseverance and hard work. Perseverance makes all the difference between success and failure as the future belongs to those who pursue their tasks unmindful of problems encountered.

The Chartered Accountancy examination calls for a holistic professional approach. It is my earnest desire that the students pass in their first available attempts and join the realms of the profession at an early date. However, keep in mind that successful Chartered Accountants of future will be those who see the qualification as the beginning point and not the end for their professional education and development. In the dynamic professional environment, you should continue to learn and update your skills.

Students' interest has always been the topmost priority of the Institute and for this, ICAI takes various initiatives to facilitate their learning. The updation of Study Material is a constant process. This entails meticulous quality review of the syllabus and contents by ICAI. As conveyed in my previous communication, I take pleasure to inform you that the rationalised and revised editions of the Study Materials for all the papers at all the three

levels of the Chartered Accountancy Course have been uploaded on the BoS Knowledge Portal and are also available on the CDS portal. There has been an endeavour to enrich the question banks contained in the Study Material to better assist the students in understanding and applying the concepts.

As all of you are aware that MCQ based assessment was introduced in select core papers at the Intermediate and Final levels from May 2019 examinations. From November 2020 examinations, case scenario based MCQs have also been introduced in these papers. Further, under the New Scheme of Education and Training, the assessment of all six elective papers at the Final level is open book and case study based. With a view to augment the preparation and practice of the students on the same, a new publication containing the independent MCQs, case scenario based MCQs and case-study based questions is being prepared and will be available shortly.

While theoretical knowledge provides necessary foundation, practical training helps aspiring CAs to apply the concepts learnt in theoretical education in practical scenarios on real-time basis, thus honing their analytical and application skills as well as their oral and written skills. Therefore, my advice to you to sincerely undertake your three-year mandatory practical training which is the USP of the Chartered Accountancy course. It would be appropriate to say that Practical Training is the bedrock on which ICAI's distinction as an esteemed professional institution has been strongly built. Completion of practical training is critical for ensuring achievement of professional competence expected from a chartered accountant, which ultimately enhances the credibility of the profession and protects public interest. Effective and sincere practical training would certainly lay the firm base for the ongoing development of professional competence throughout the career of a chartered accountant.

Keeping in mind the importance of practical training in developing professionally competent chartered accountants, a two-level practical training assessment was introduced in the year 2018 to assess the professional knowledge and intellectual skills acquired by an aspiring CA in the course of practical training. Forthcoming Practical Training Assessment is scheduled to be organised in this month on two consecutive weekends - 9th - 10th and 16th - 17th of January, 2021.

Before I conclude, I also express my best wishes on the 72nd Republic Day of our beloved motherland – a day to remember with gratitude, the enormous efforts and sacrifices of millions of freedom fighters whose blood and sweat gave us Independence and created our Republic. Above all, this is a day to cherish our republican values. I hope and sincerely cherish that in our country peace and prosperity prevail forever.

Wishing you all the best in all your future endeavours!!

Yours sincerely

CA. ATUL K. GUPTA
PRESIDENT, ICAI, NEW DELHI

VICE PRESIDENT'S COMMUNICATION ||



Dear Students,

The past year, with all its tribulations, has come to an end but has taught us an important lesson that we need to take all odds in our stride and should strive to come out as a winner. We pray to the Almighty for a better year ahead filled with happiness and prosperity. I, on behalf of the Institute of Chartered Accountants of India (ICAI), feel really delighted to convey my best wishes to all of you for a very prosperous and happy New Year 2021. Hope this New Year brings with it new hopes and opportunities to explore new areas of professional and personal success. Let's make a resolve and regard New Year as a fresh opportunity for the betterment and to set higher benchmarks as students of the Accountancy Profession. I also extend my warm greetings on the occasion of 72nd Republic Day of our nation. We salute our freedom fighters who sacrificed their invaluable lives to redeem our country from the bondage of foreign rule.

I am sure that the students who have appeared in November 2020 CA Examinations must be eagerly waiting for the declaration of the results. My best wishes are with you and I hope that you will be able to achieve success with flying colors. Students who have opted out from November 2020 Examinations and opted for November 2020 Cycle – II scheduled from 21st January 2021 to 7th February 2021, due to any contingency, must stay focused and give their best. I again extend my best wishes to all of you. I am sure that you would improve your performance with your persistent efforts and do exceedingly well to prove your mettle.

The Board of Studies continuously strives to provide quality inputs to enhance student learning. In this direction, BoS would be coming out with a 100-page MCQ booklet in select papers of Intermediate and Final course, wherein assessment is partially MCQ based i.e., for 30 marks. This booklet would comprise a mix of case scenario based MCQs, independent application-oriented MCQs and knowledge-based MCQs in each of the select subjects. You are expected to solve these MCQs on your own after reading the concepts and provisions discussed in the Study Material, and thereafter, compare your answers with the given answers. While attempting to solve these questions, you should proceed in a systematic manner by first reading the scenario/facts as well as the options given carefully; thereafter, identifying the relevant provision(s)/concept(s) to be applied to the facts of the case and finally, applying the same correctly to choose the correct option to the question. The process of critical thinking involved in solving MCQs will help you further hone

your application and analytical skills and acquire and develop the requisite professional competence expected at the point of qualification.

The Board of Studies conducts MCQ-based assessment of CA students after completion of first and second year of practical training. In this series, the next test is being conducted in the month of January, 2021. This test is home-based and students can appear in the test from the convenience of their homes. In order to appear in the test, students are required to meet the basic system requirements at their place so that they can take the examination in a hassle-free manner. These requirements are mentioned on the registration portal. All the students who have appeared in the Final examination in November, 2020 or are appearing in the Cycle-II Final examinations are advised to complete their practical training assessment at the earliest.

For the overall development of the CA students, virtual-cum-physical two-days International Conference for the CA students has been organized at Ahmedabad, Gujarat on 16th and 17th January, 2021. The theme for the conference is "Aptitude, Attitude, Altitude". Students from various International Bodies are invited to participate virtually in the said International Conference as it would help to learn and appreciate the impact of innovations across the borders. This platform shall offer an excellent opportunity for Chartered Accountancy students from different parts of India to share their knowledge and experiences. It is a step towards holistic education. It is my earnest desire that a large number of students join and participate in this grand event. We, at the Institute are sincerely committed to work for the betterment of students.

Stay safe, stay healthy.

Yours sincerely

CA. NIHAR N JAMBUSARIA
VICE PRESIDENT, ICAI



My Dear Students,

Wishing you all a very happy and prosperous New Year! The New Year is a beginning with new promises, new resolutions, and new aspirations. I believe we all make new resolutions, knowing that some may be achieved, and some may be left, midway but still we continue with our persistent efforts. This shows our power of positivity and zeal to do new things and determination to accomplish them. Please maintain the same zeal and zest for your CA Course as well.

Students appeared in November, 2020 examination - November 2020 examinations are over, I am sure many of you have performed satisfactorily. We hope that you succeed with flying colours.

Students appearing in November 2020 Cycle II examination commencing from 21st January, 2021 - To students who have opted out of November, 2020 examinations, our best wishes for upcoming exams in January, 2021. You should resist all distractions and give your 100%.

Students appearing in May, 2021 examination onwards - Effective planning is undoubtedly the key to success in examinations.

Your study plan may ideally be on the following lines

Step I : Make a comprehensive study time table

Making a detailed study time table well in advance would facilitate in organising your study in an effective manner. The time table should be prepared keeping in mind the number of months remaining before the examination and the effective number of hours available in a day for study. The last month should be earmarked for final revision. The effective number of hours available for study on a working day can range from, 2 to 4 hours and on weekends from 10 to 12 hours. In this manner, you can arrive at the total number of hours available for study before the examination. This would encompass the time for initial round & rounds of revision as well.

Step II: Allocate time for each subject and each topic within the subject

The next step is to apportion the time between the different subjects. It would, no doubt, involve estimation of time to be allocated for each subject and also for each topic/chapter of the subject. The scope of syllabus and the contents of the study material would help you to broadly assess the time which each subject and each topic within the subject would consume. The section-wise weightages for each subject have been webhosted at the BoS Knowledge Portal. This would also give you an idea of the number of hours to be allocated for each section.

Of course, you have to keep some percentage margin over and above the time assessed by you to take care of possible difficulty in understanding or interpreting concepts, particularly relating to accounting standards, Ind AS and tax laws. Try to organise your

time table to fit in theory and practical subjects intermittently since reading too much theory at a stretch may become monotonous.

Step III: Ideal study pattern

Ideally, when you take up any topic for study, you must first go through the relevant chapter of the study material for building a strong conceptual base. After reading each chapter in the study material, try to work out the illustrations and exercise questions given therein, and thereafter compare your answers with the answers given therein. This would help you to identify your mistakes and also learn from your mistakes. Further, this process would help in revision of the concepts and principles contained in each chapter of the study material and application of the same while solving practical problems.

Step IV: Learn, revise, revise again

The first round of study should be concluded at least 3 months before the examination; the initial round/s of revision should be done in the penultimate two months prior to the examination and the final revision in the last month before the examination. Solving the questions and problems in the Revision Test Papers and Mock Test Paper on your own would help you to self-assess the effectiveness of your study and revision.

In this manner, you would be able to complete revision of the entire syllabus. Such effective planning would help you to approach the question paper with a positive attitude and this would ultimately be reflected in your results. Do remember that implementation of your study plan is equally important – the plan should not be on paper alone. Do make sure you adhere to the timetable and avoid significant deviation, except, of course, in case of exigency. Rest assured, if you put in your best efforts, success will surely follow.

BoS Endeavours

The Board of Studies, having direct interface with the students, has always been striving to add value to all its publications for the benefit of the students at large. This year, a comprehensive exercise for quality enhancement of Study Materials has been undertaken in all subjects across the three levels, by adding more examples/illustrations/questions for conceptual understanding including pictorials, flow charts, and tables making the study material more students friendly.

These value added Study Materials relevant for May, 2021 examination and onwards, are intended to make students' learning both effective and enjoyable. Hope you all are availing the benefits of the added features while preparing for May, 2021 Examinations.

It is to be clarified that the curriculum at all levels remains the same. The new study materials, relevant from May, 2021 examination, are available on ICAI's BoS Knowledge Portal in downloadable PDF form and also available at CDS Portal. These will also be available in the form of e-books in due course of time so that students can make notes, annotations etc.

Do also take the maximum advantage of the Free Virtual Coaching Classes which are conducted by the BOS for your benefit. While Final level classes targeting May 2021 are already going on, classes for Intermediate and Foundation will commence in January/February 2021. Please visit BoS knowledge portal for detailed announcement in this regard.

Please remember the following Quote by Swami Vivekananda
"Arise, Awake, stop not till the goal is reached"

I hope the New Year brings an end to all the concerns related to the Pandemic and ushers in peace, happiness and success.

Stay safe, stay healthy.

Debashis Mitra

CA. (DR.) DEBASHIS MITRA
CHAIRMAN, BOARD OF STUDIES (ACADEMIC), ICAI

The Chartered Accountant Student | January 2021

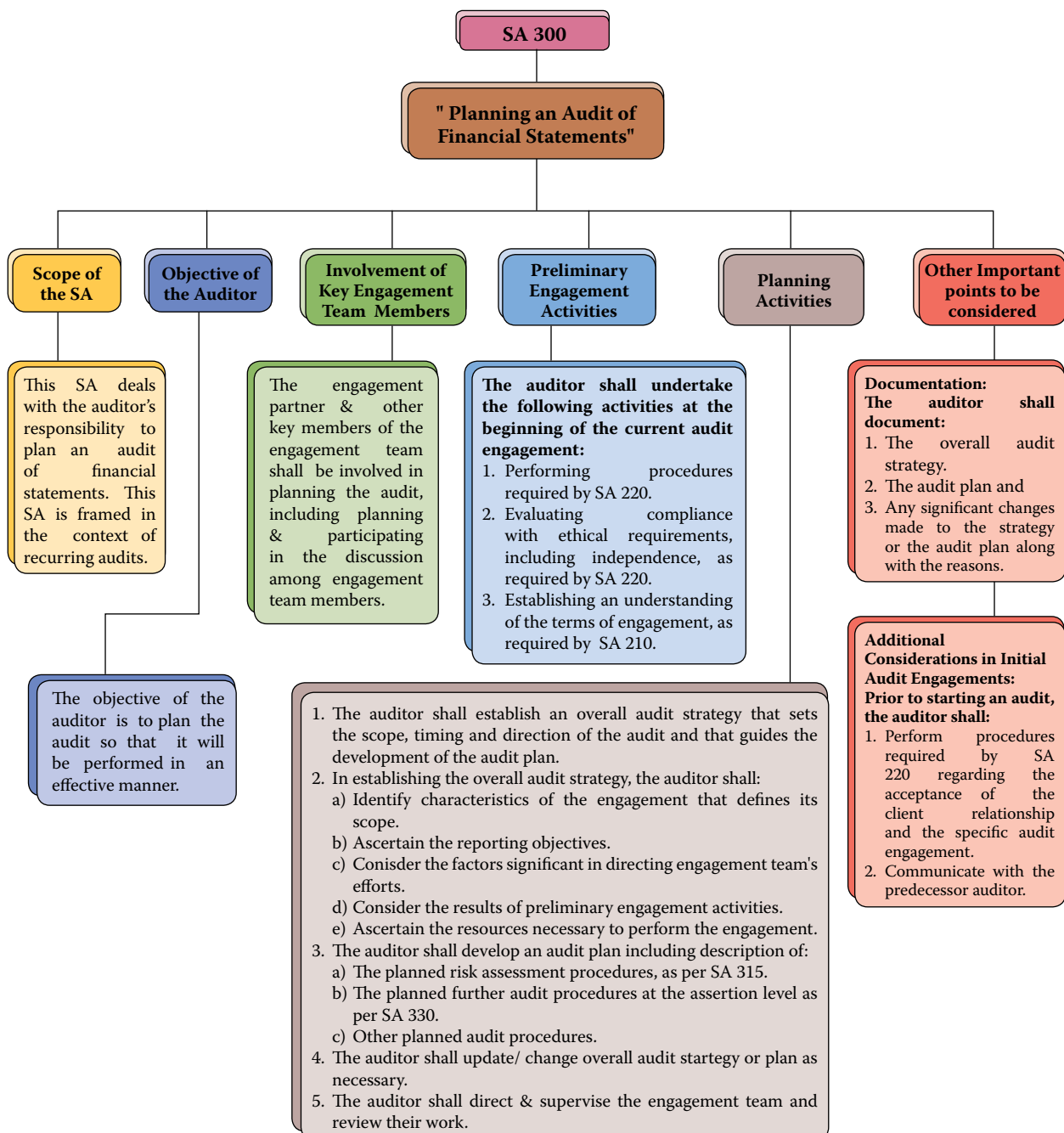
05

CA FINAL - PAPER 3 - ADVANCED AUDITING AND PROFESSIONAL ETHICS

It has always been the endeavour of Board of Studies to provide quality academic inputs to the students of Chartered Accountancy Course. Keeping in mind this objective, BoS has decided to come out with a crisp & concise Capsule of each subject to facilitate students in quick revision before examination.

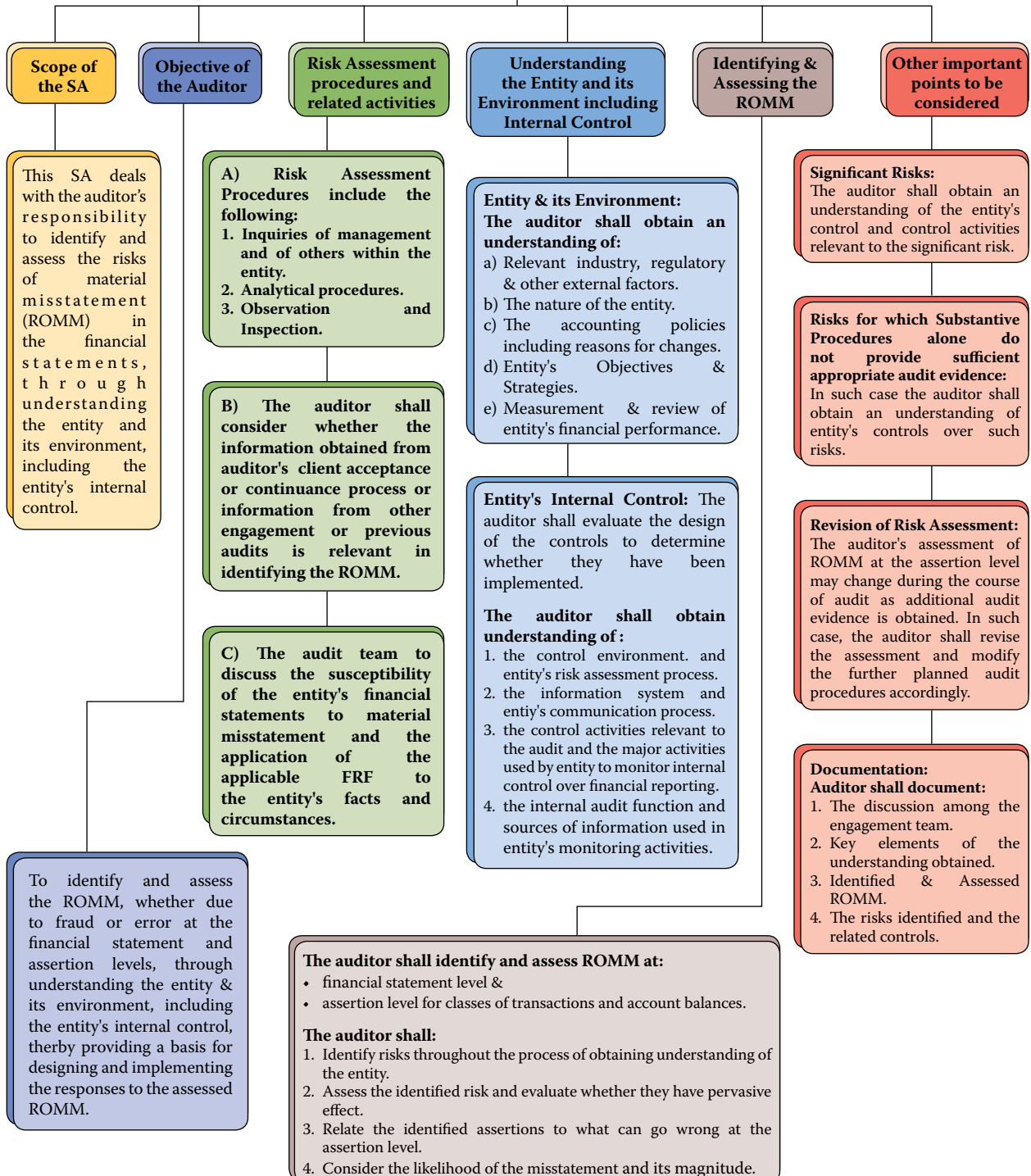
This series of capsules is on Paper 3: Advanced Auditing & Professional Ethics of Final Course. In this capsule we are covering Engagement and Quality Control Standards i.e. SA 300, 500 and 600 series (refer March 2019 edition for SA 540 and SA 600). It may be mentioned that this capsule is a tool for quick revision of some significant areas of Auditing subject, but this should not be taken as a substitute for the detailed study of the subject. Students are advised to refer to the relevant Study Material, Auditing Pronouncements and RTP for comprehensive study & revision.

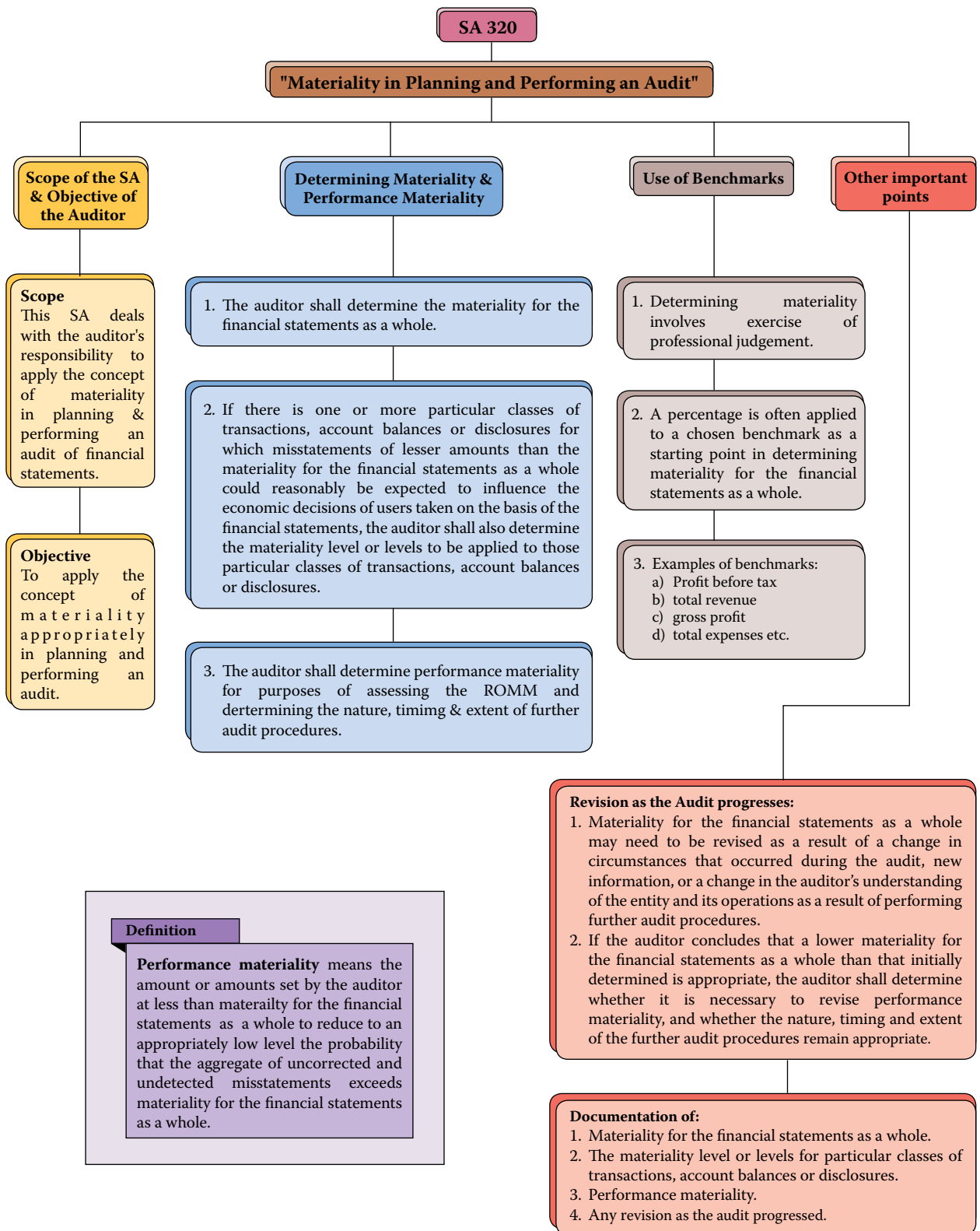
SA 300 - 499: Risk Assessment and Response to Assessed Risks



SA 315

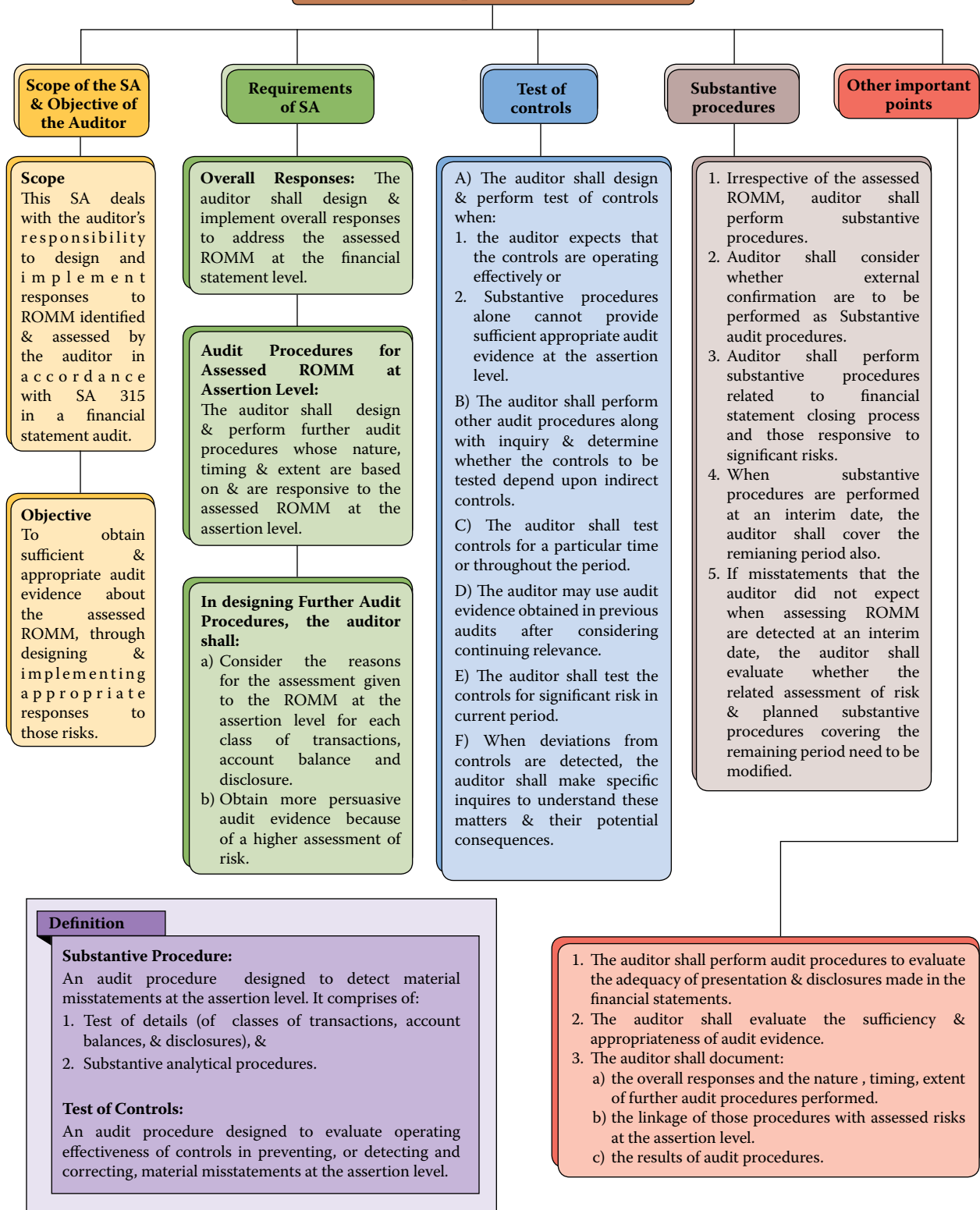
"Identifying and Assessing the Risk of Material Misstatement through understanding the Entity and its Environment"

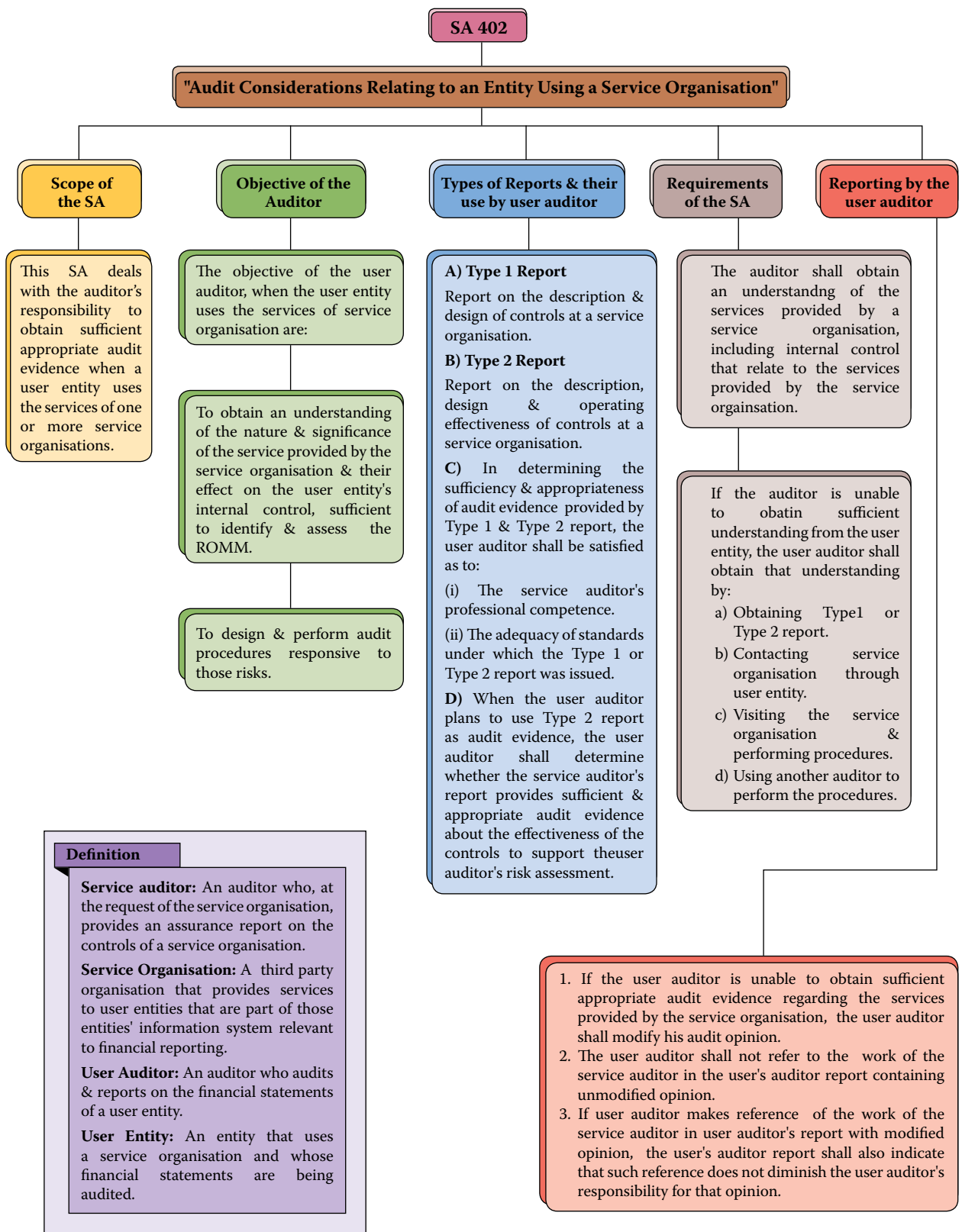




SA 330

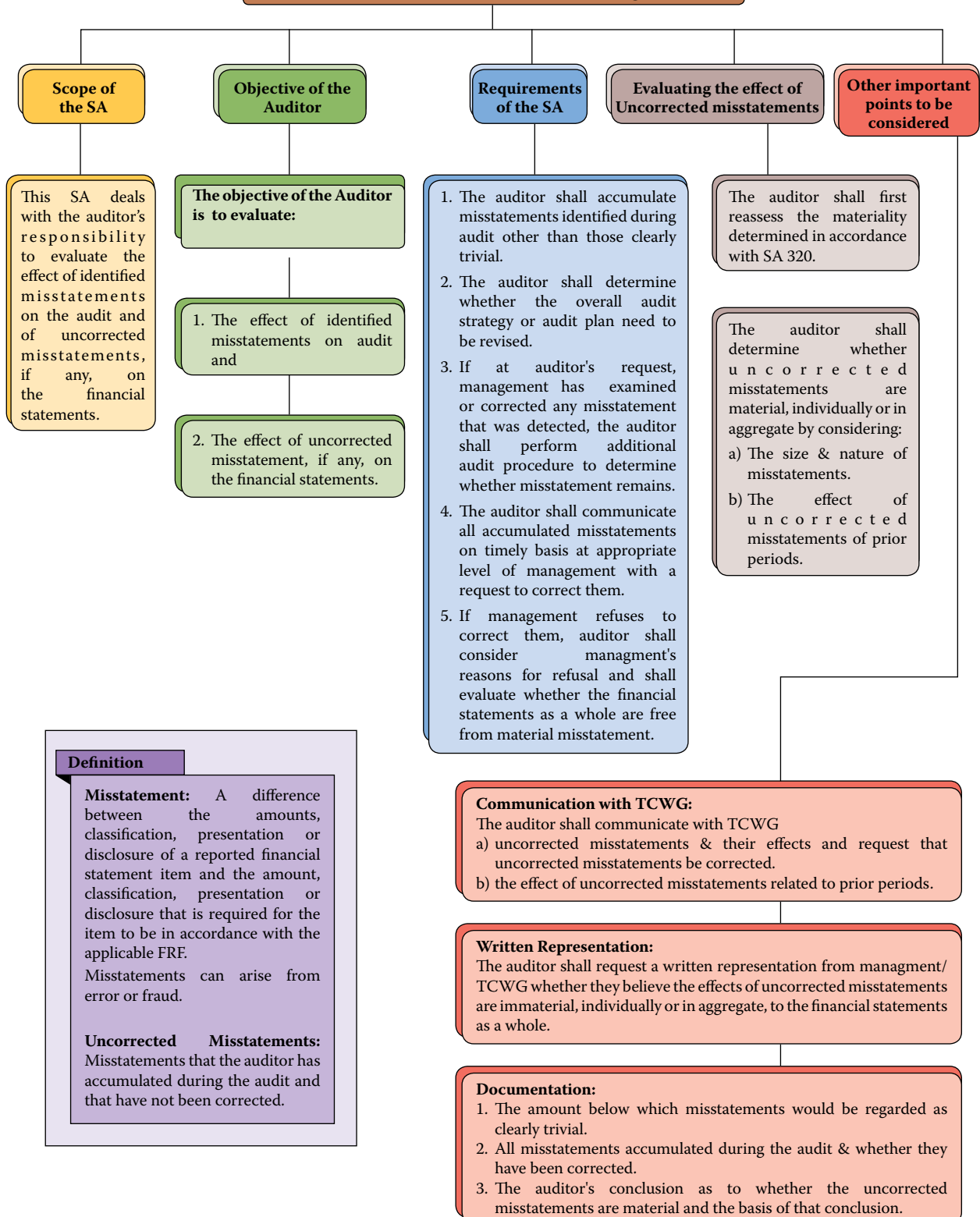
"The Auditor's Responses to Assessed Risks"



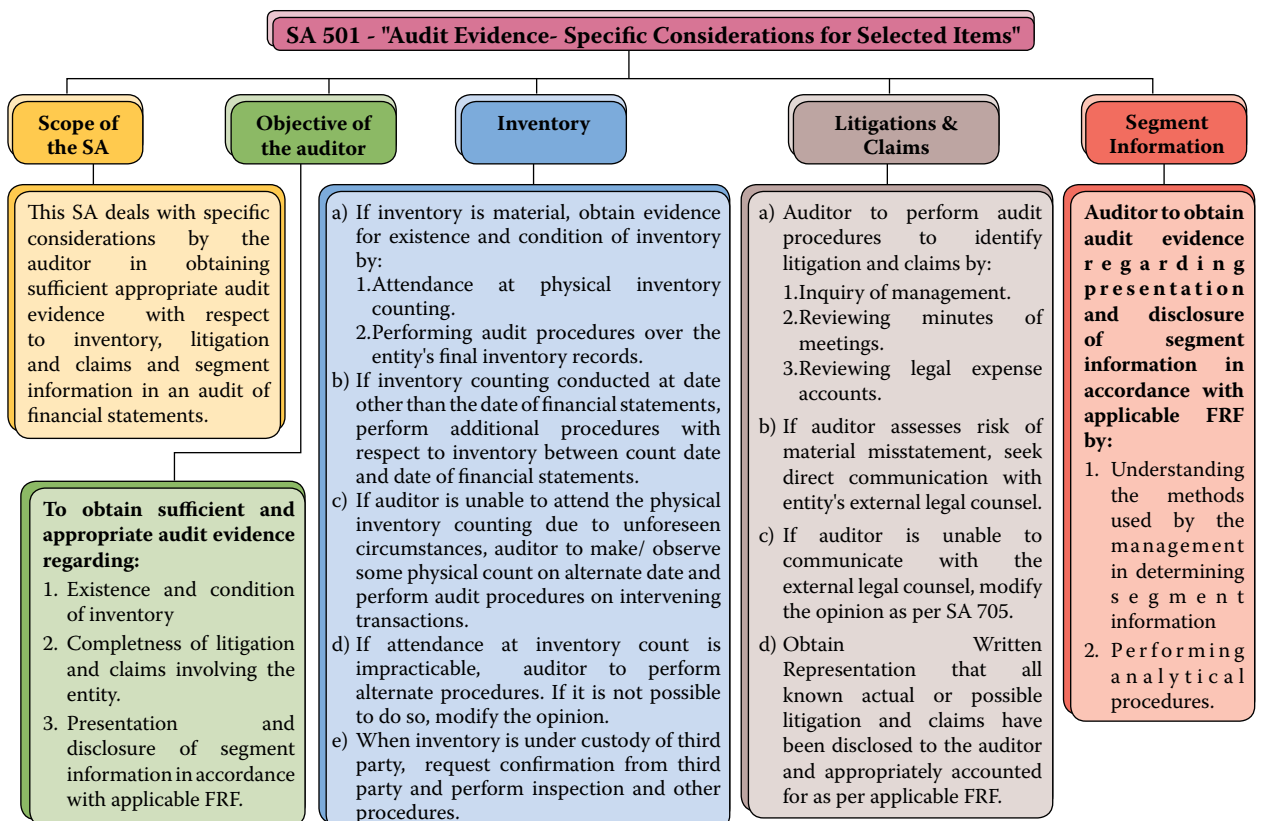
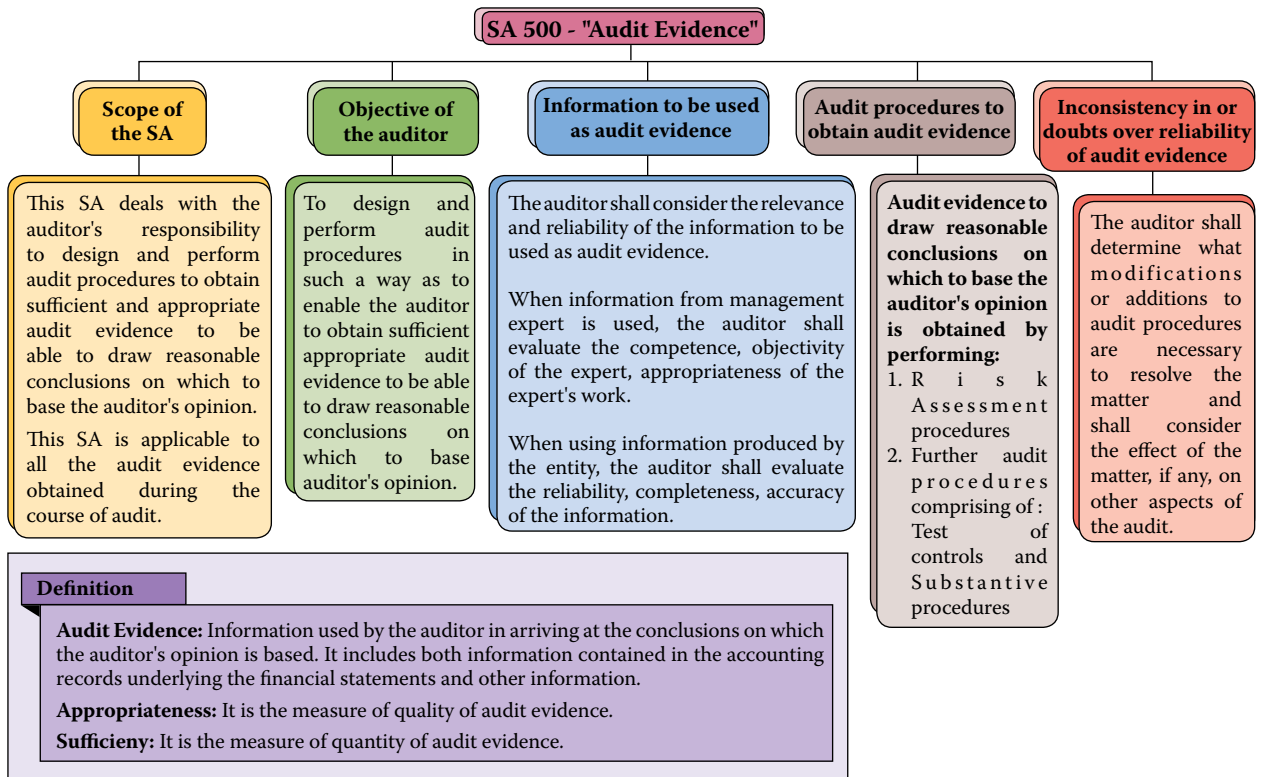


SA 450

"Evaluation of Misstatements Identified during the Audit"



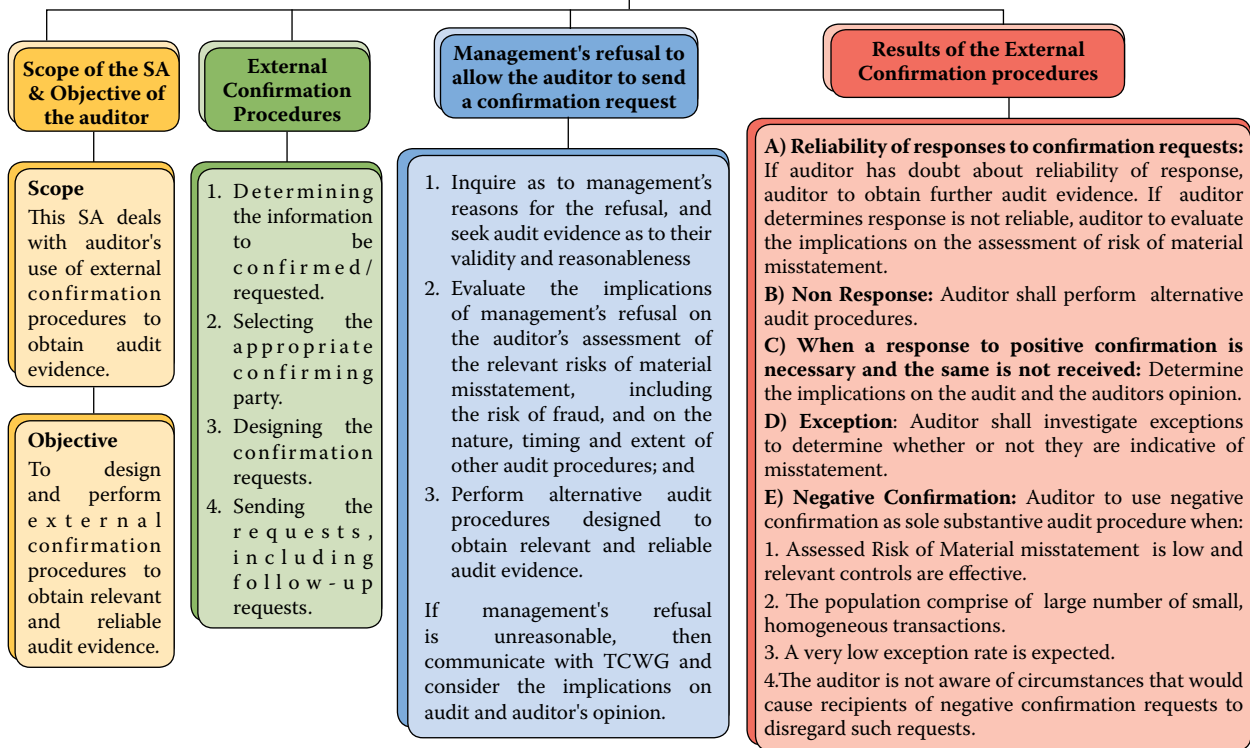
SA 500 - 599: Audit Evidence



ADVANCED AUDITING AND PROFESSIONAL ETHICS

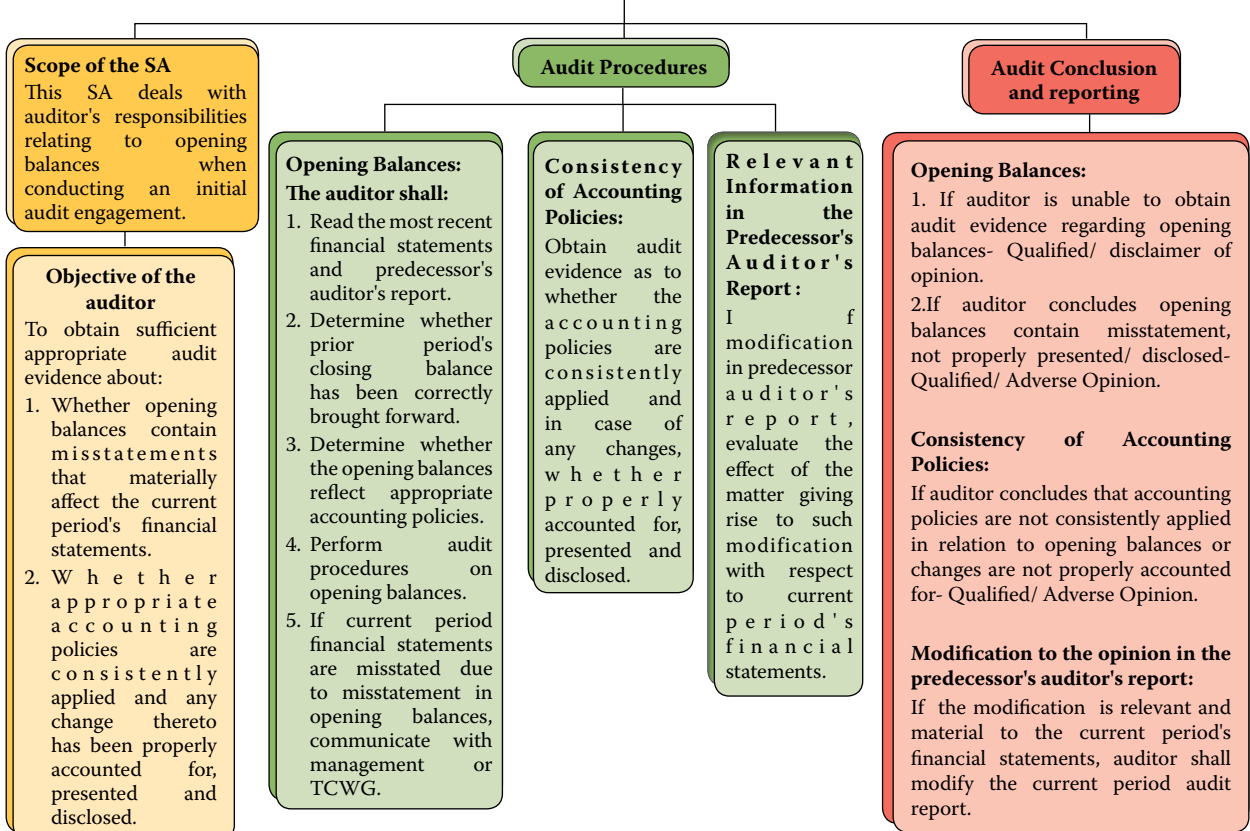
SA 505 - "External Confirmations"

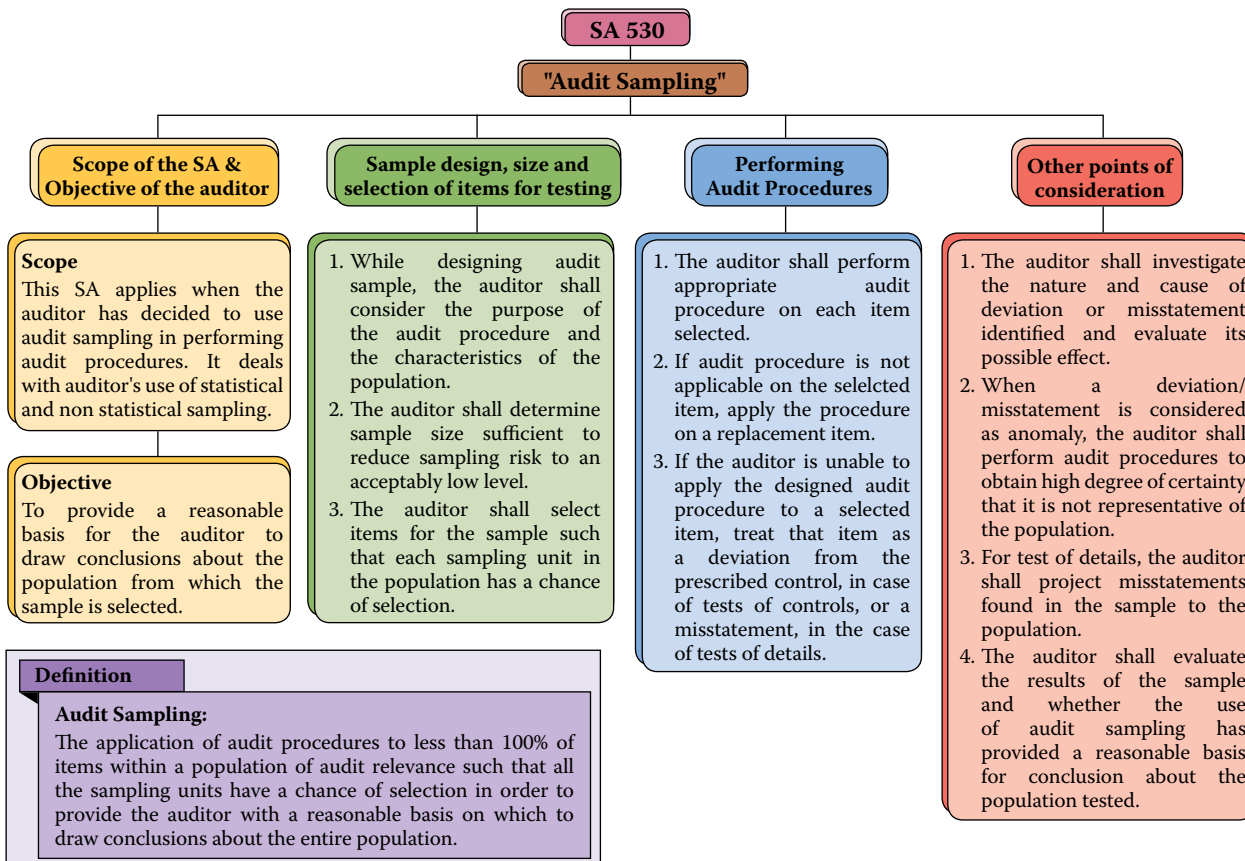
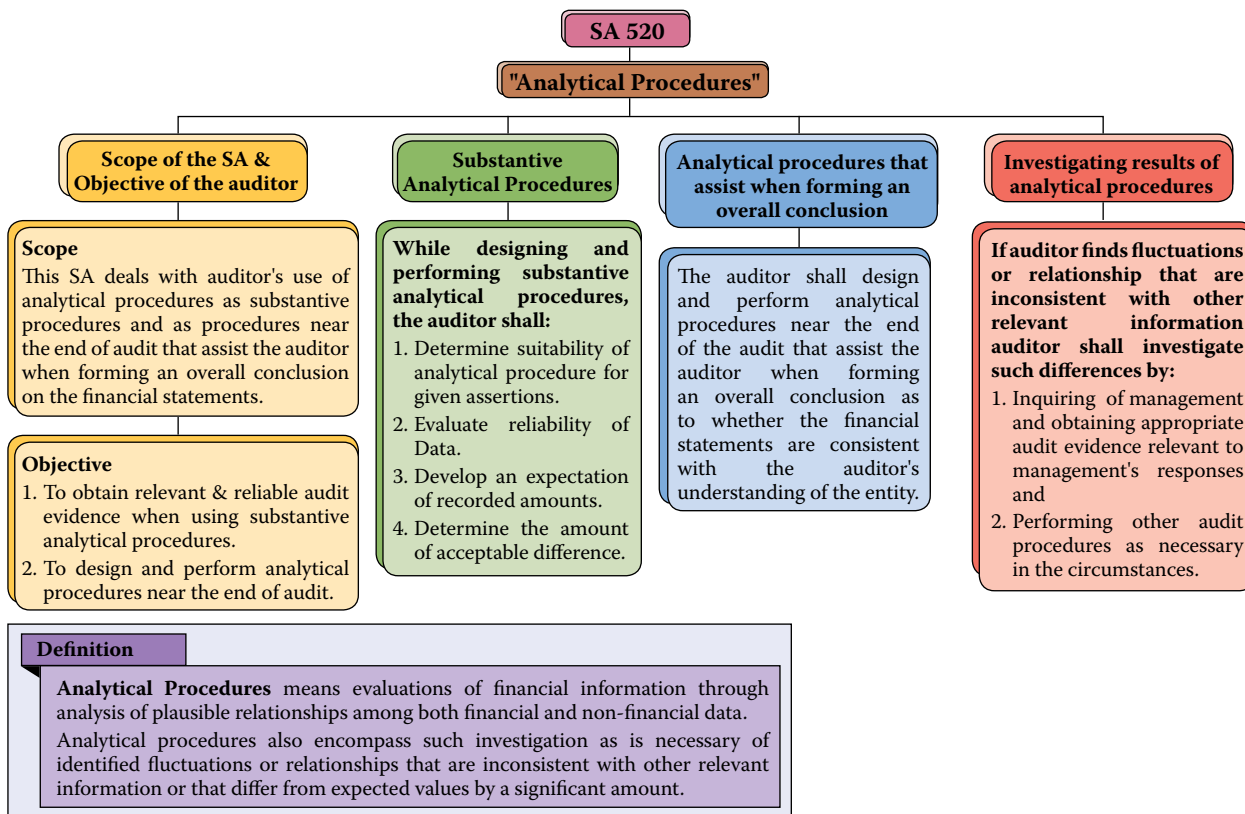
Refer page 17 for definition



SA 510 - "Initial Audit Engagements- Opening Balances"

Refer page 18 for definition





SA 550

"Related Parties"

Scope of the SA

This SA deals with the auditor's responsibilities regarding related party relationships and transactions. It expands on how SA 315, SA 330, SA 240 are to be applied in relation to related party relationships and transactions.

Objectives of the auditor

A. To obtain an understanding of the related party transactions to:

1. recognize fraud risk factors arising from such transactions.
2. conclude whether financial statements, in so far as they are affected by such transactions
 - a) achieve a true and fair presentation.
 - b) are not misleading.

B. To obtain audit evidence as to whether the related party transactions are properly identified, accounted for, and disclosed in the financial statements.

Requirements of the SA

1. Risk Assessment procedures and related activities.
2. Understanding the Entity's related party relationships and transactions.
3. Maintaining alertness for related party information when reviewing records or documents.
4. Sharing related party information with the Engagement team.
5. Identification and assessment of the risk of material misstatement associated with related party transactions and relationships.
6. Responses to the Risks of Material Misstatement associated with related party relationships and transactions.

Identification of previously unidentified or undisclosed related party transactions.

1. Auditor shall determine whether the underlying circumstances confirm the existence of such transactions.
2. Communicate within the team.
3. Request management to identify all transactions with newly identified related parties.
4. Perform more substantive procedures.
5. Reconsider risks with respect to other related parties.
6. If non disclosure by the management appears intentional, evaluate the implications for the audit.

Identified significant related party transactions outside the entity's normal course of business

The auditor shall obtain Written Representation that:

- a) all the related parties and related party transactions have been disclosed to the auditor and
- b) all such transactions have been properly accounted for and disclosed.

Communication with TCWG

The auditor shall communicate with TCWG significant matters arising during the audit in connection with the entity's related parties.

Documentation:

The auditor shall include in audit documentation names of the related parties and the nature of the related party transactions.

Other important points

1. Inspect the underlying contracts and evaluate:

- a) the business rationale of the transactions.
- b) whether the terms of transactions are consistent with management's explanations.
- c) whether such transactions have been properly accounted for.

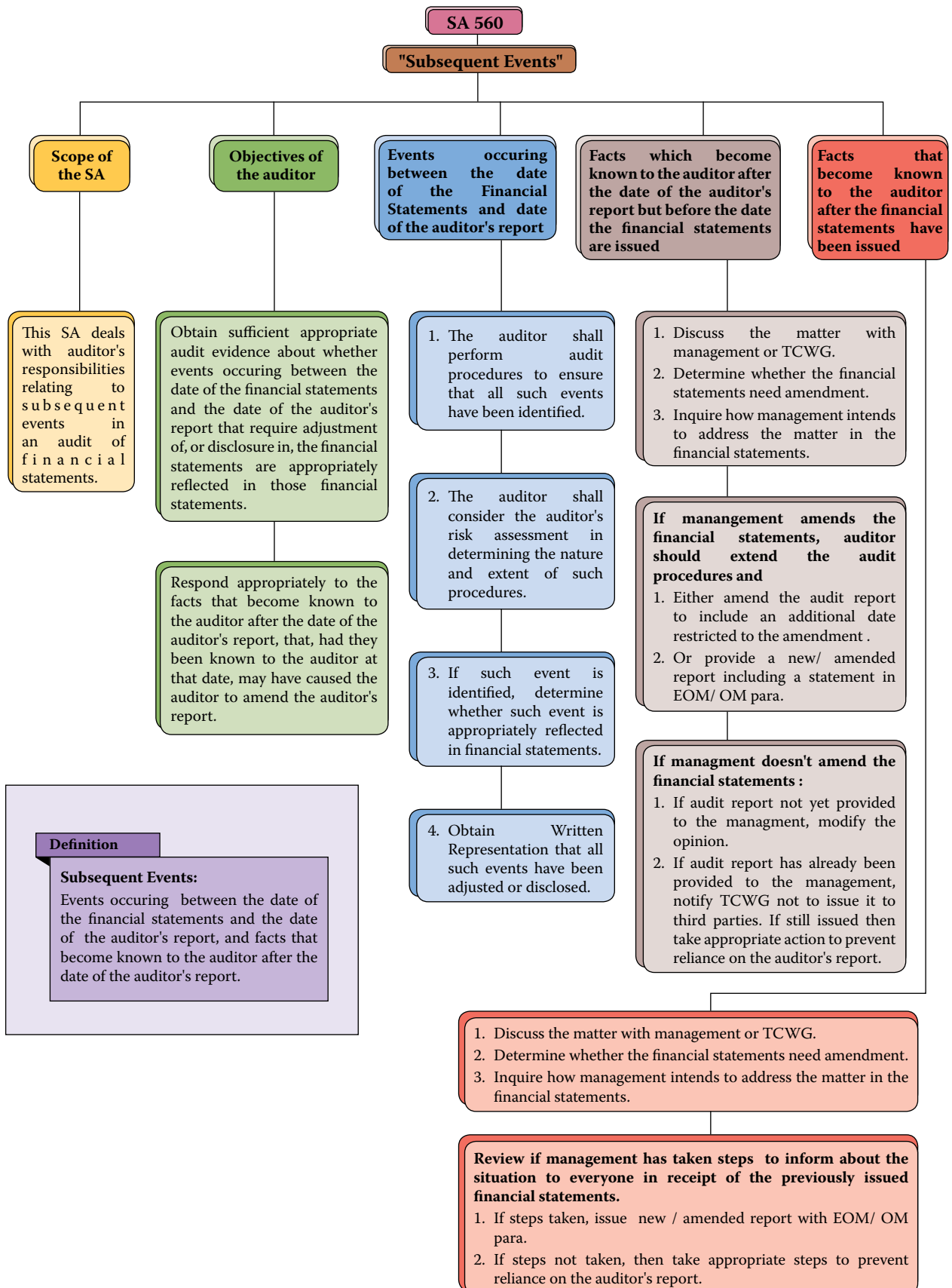
2. Obtain audit evidence that the transactions have been appropriately authorised and approved.

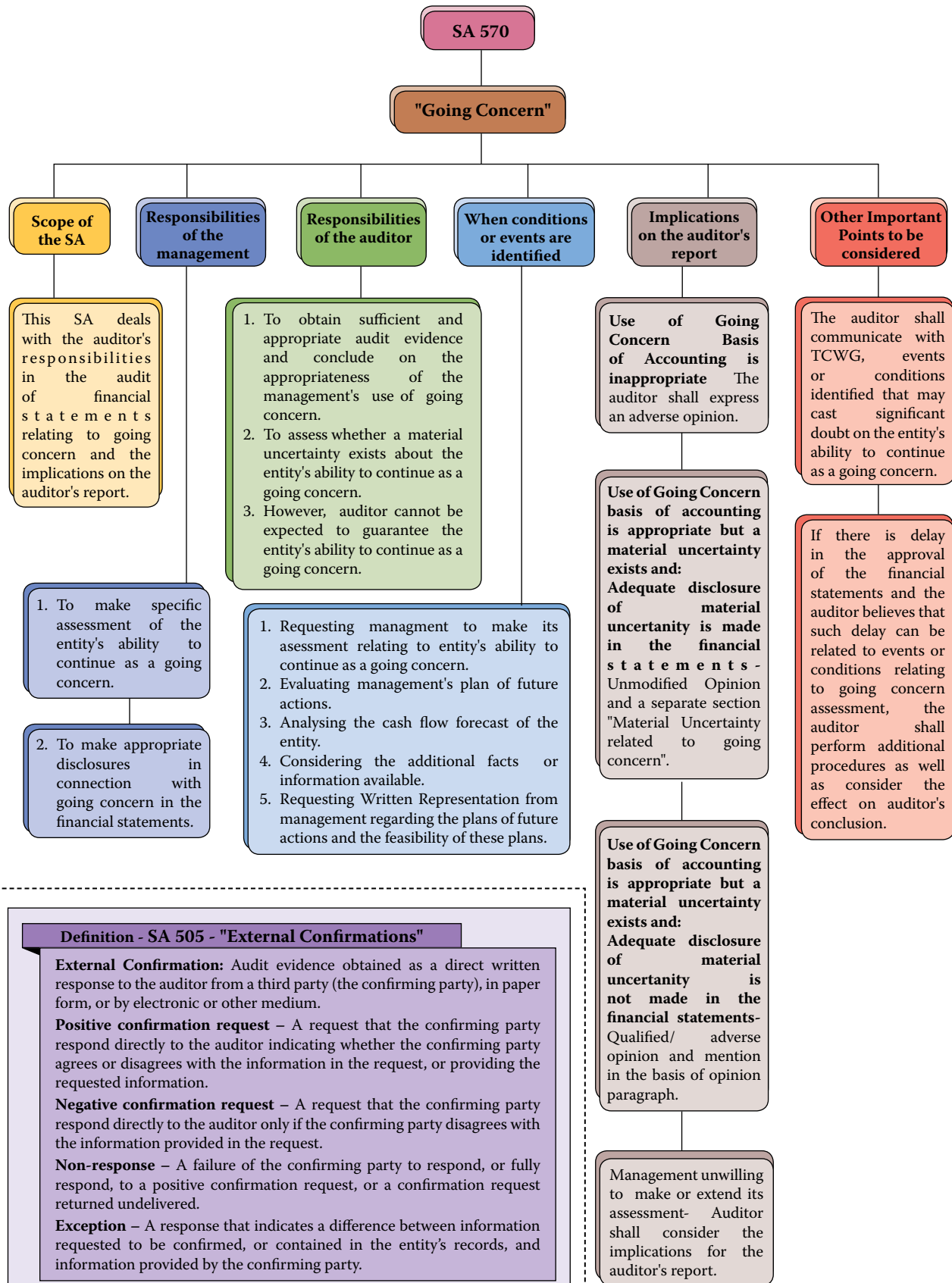
Definition

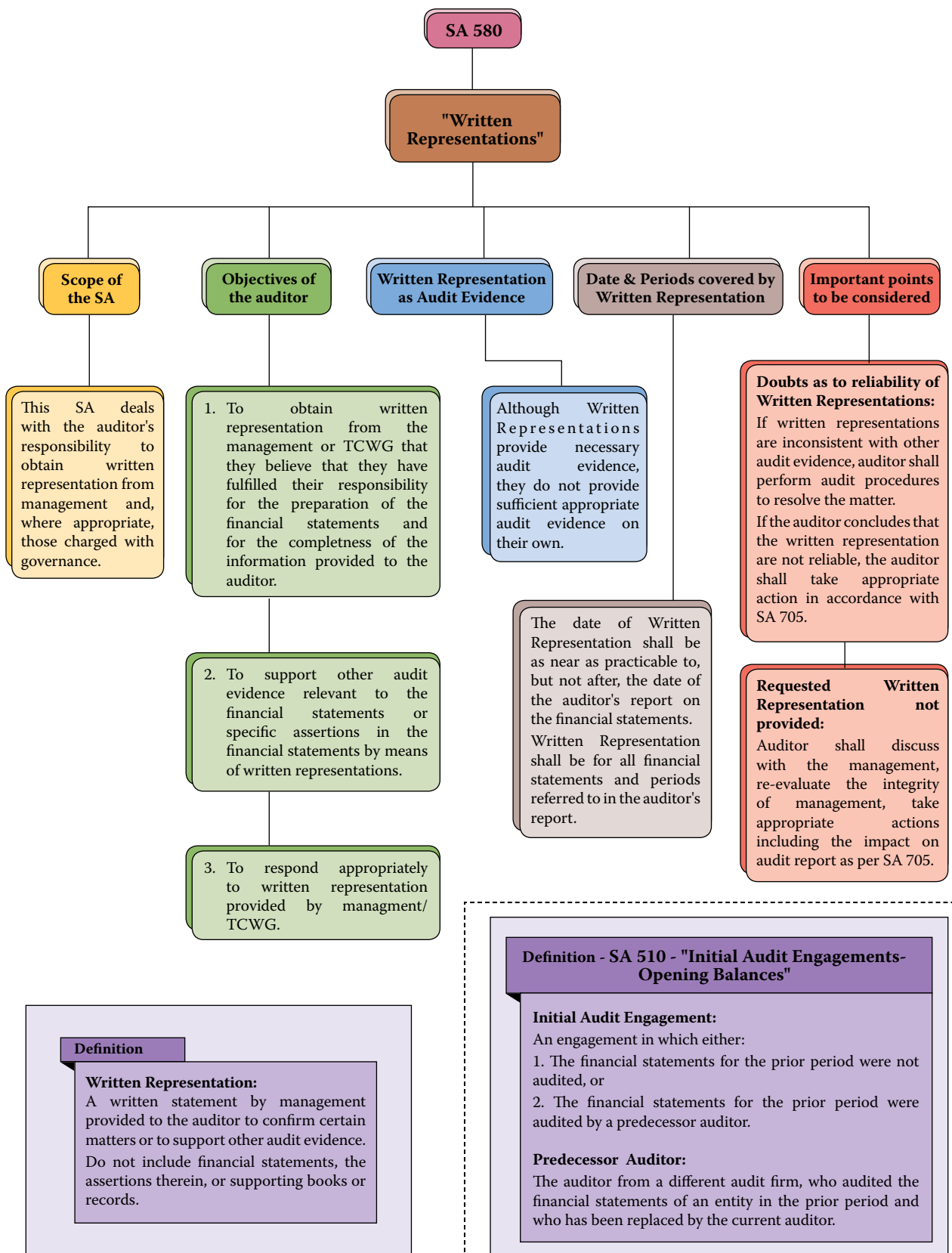
Related party- A party that is either:

- i) a related party as defined in applicable FRF.
- ii) where applicable FRF establishes minimal or no related party requirements:
 - a) A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity,
 - b) Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or
 - c) Another entity that is under common control with the reporting entity through having:
 - common controlling ownership,
 - owners who are close family members, or
 - common key management.

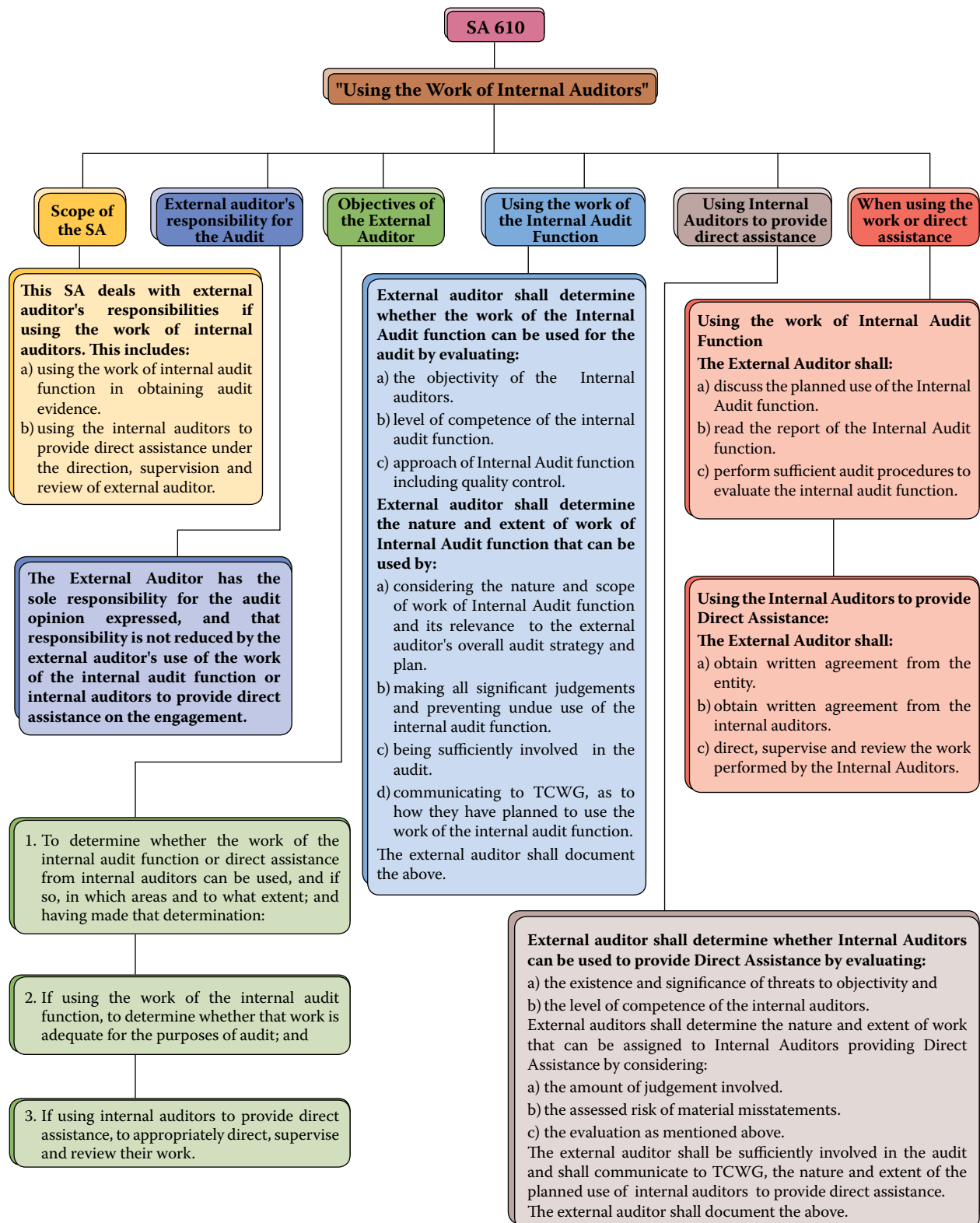
ADVANCED AUDITING AND PROFESSIONAL ETHICS ||

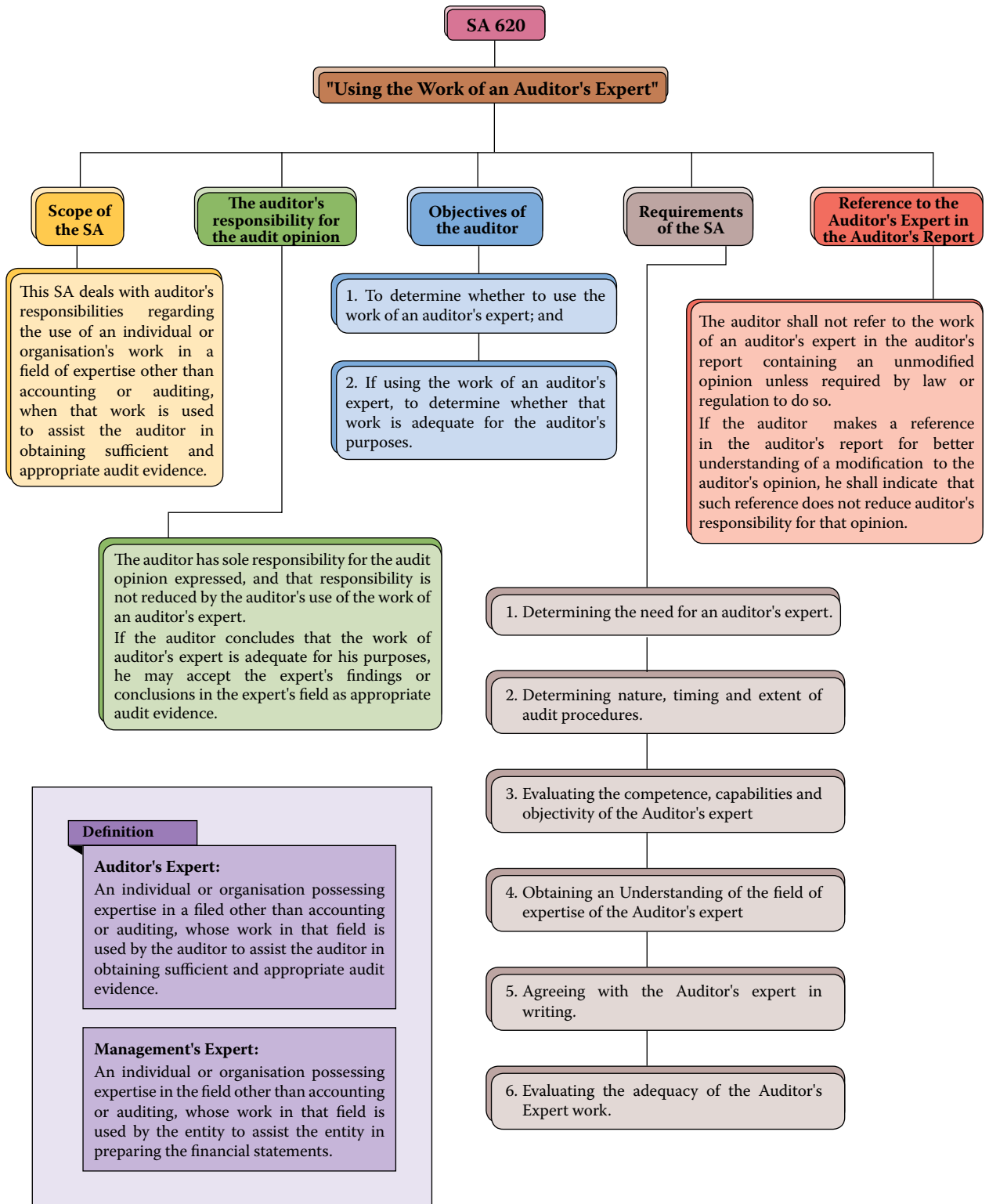






SA 600 - 699: Using Work of Others



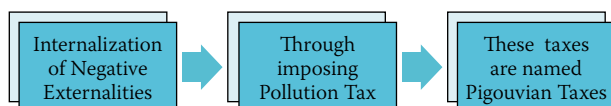
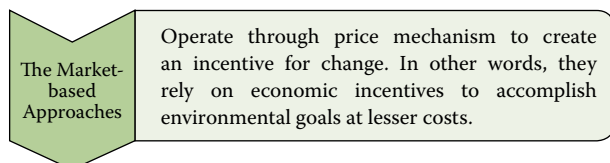
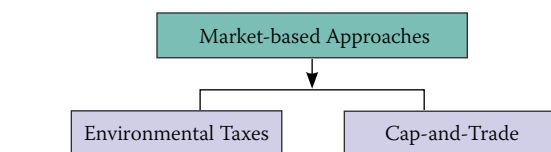
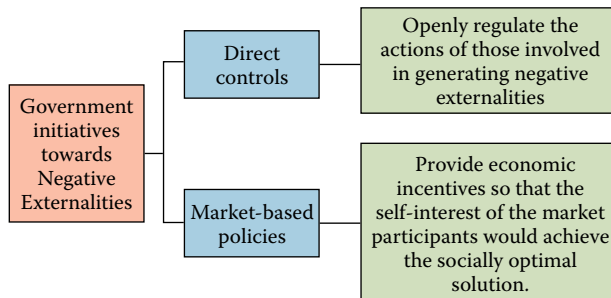
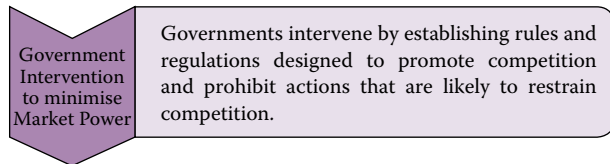
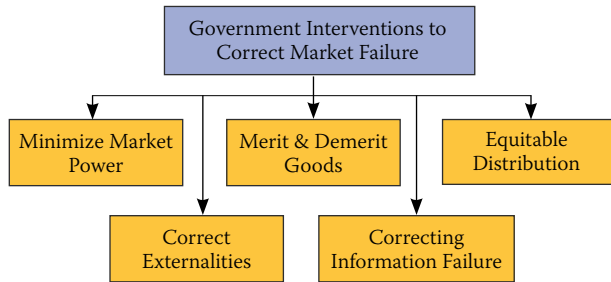


"A diamond is a chunk of coal that did well under pressure."

- Unknown

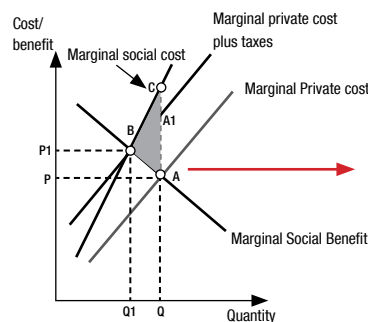
CA INTERMEDIATE - PAPER 8B - ECONOMICS FOR FINANCE

At the Intermediate level, students are expected to not only acquire professional knowledge but also to attain the ability to apply such knowledge in problem solving. In this capsule, an attempt has been made to capture the significance and importance of the subject of Economics for Finance with the intention to assist students in revision of concepts discussed in the study material. In this issue, the topics - Government intervention to correct Market Failure, Fiscal policy and Money Market are included.



Pigouvian Tax

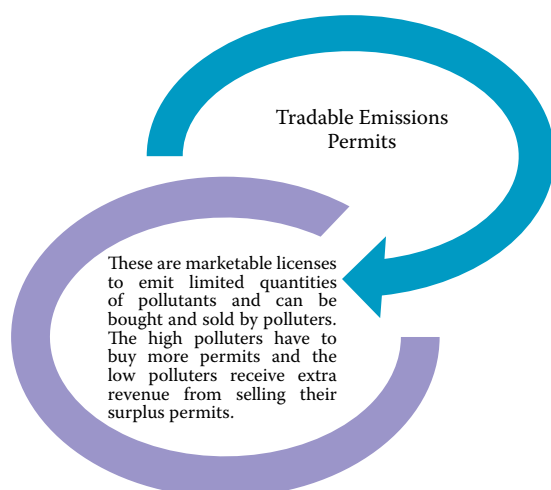
- These taxes by 'making the polluter pay', seek to internalize external costs into the price of a product or activity.
- The tax is placed on the externality itself (the amount of pollution emissions) rather than on output (say, amount of steel). For each unit of pollution, the polluter must choose either to pay the tax or to reduce pollution through any means at its disposal.
- Tax increases the private cost of production or consumption and would decrease the quantity demanded and therefore the output of the good which creates negative externality.



Market Outcomes of Pollution Tax

Problems in administering an Efficient Pollution Tax

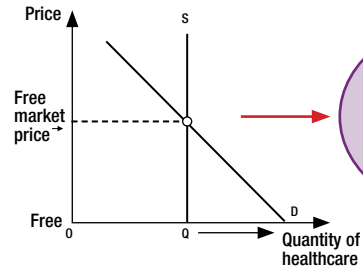
Pollution taxes are difficult to determine and administer due to difficulty to discover the right level of taxation, problems associated with inelastic nature of demand for the good and the problem of possible capital flight.



ECONOMICS FOR FINANCE ||

Advantages claimed for tradable permits are-

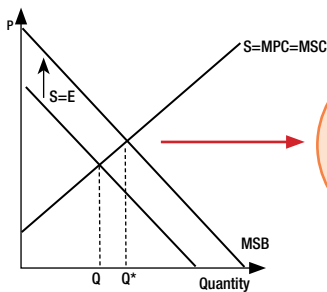
The system allows flexibility and reward efficiency.	It is administratively cheap and simple to implement and ensures that pollution is minimised in the most cost-effective way.	It also provides strong incentives for innovation.	Consumers may benefit if the extra profits made by low pollution firms are passed on to them in the form of lower prices.
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Consumption of Merit Goods at Zero Price

Subsidy

Subsidy is market-based policy and involves the government paying part of the cost to the firms in order to promote the production of goods having positive externalities.

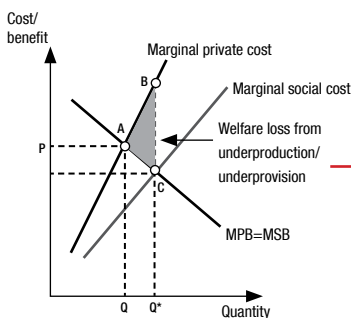


Effect of Subsidy on Output

A Pigouvian subsidy equal to the benefit of externality ($S=E$) is granted by government to the producer. The output level post subsidy is Q^* which equates marginal social benefit with marginal social cost. This is socially optimum level of output.

Government Intervention in case of Merit Goods

- Merit goods are goods which are deemed to be socially desirable and therefore the government deems that its consumption should be encouraged. Substantial positive externalities are involved in the consumption of merit goods.
- Merit goods such as education, health care etc are socially desirable and have substantial positive externalities. They are rival, excludable, limited in supply, rejectable by those unwilling to pay, and involve positive marginal cost for supplying to extra users.
- Left to the market, merit goods are likely to be under-produced and underconsumed so that social welfare will not be maximized.

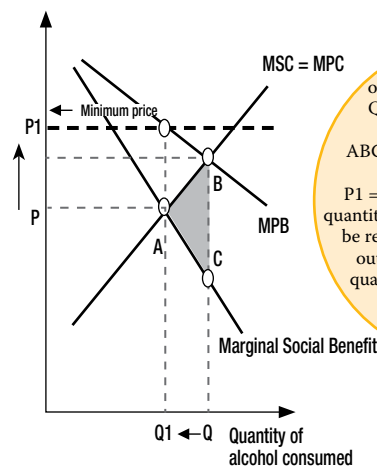


Market Outcome for Merit Goods

Q^* = Optimal output at which marginal social (MSC) cost is equal to marginal social benefit (MSB).

Government intervention in case of Demerit Goods

- Demerit goods are goods which impose significant negative externalities on the society as a whole and are believed to be socially undesirable.
- The production and consumption of demerit goods are likely to be more than optimal under free markets. The government should therefore intervene in the marketplace to discourage their production and consumption.



Outcomes of Minimum Price for a Demerit Good

B = produces an output of a demerit good Q at which MSB is much less than MPB. ABC = Shaded area represents loss of social welfare. P_1 = demand contracts and the quantity of alcohol consumed would be reduced to Q_1 . At Q_1 level of output, $MSB = MSC$ and the quantity of alcohol consumed is optimal from the society's point of view.

Government Intervention in case of Public Goods

- Direct provision of a public good by government can help overcome free-rider problem which leads to market failure.
- In the case of pure public goods where entry fees cannot be charged, direct provision by governments through the use of general government tax revenues is the only option. Excludable public goods can be provided by government and the same can be financed through entry fees.

Price Intervention

- Price controls may take the form of either a price floor (a minimum price buyers are required to pay) or a price ceiling (a maximum price sellers are allowed to charge for a good or service).
- Fixing of minimum wages and rent controls are examples of such market intervention.
- When prices of certain essential commodities rise excessively, government may resort to controls in the form of price ceilings (also called maximum price) for making a resource or commodity available to all at reasonable prices.
- With the objective of ensuring stability in prices and distribution, governments often intervene in grain markets through building and maintenance of buffer stocks. It involves purchases from the market during good harvest and releasing stocks during periods when production is below average.

Government intervention for correcting Information Failure

Government makes it mandatory to have accurate labeling and content disclosures by producers. For example: SEBI requires that accurate information be provided to prospective buyers of new stocks.	Public dissemination of information to improve knowledge and subsidizing of initiatives in that direction.	Regulation of advertising and setting of advertising standards to make advertising more responsible, informative and less persuasive.
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Government Intervention for Equitable Distribution

- One of the most important activities of the government is to redistribute incomes so that there is equity and fairness in the society. Equity can be brought about by redistribution of endowments with which the economic agents enter the market.
- Government also intervenes to combat black economy and market distortions associated with a parallel black economy. Government intervention in a market that reduces efficiency while increasing equity is often justified because equity is greatly appreciated by society.

Fiscal Policy

- Fiscal policy involves the use of government spending, taxation and borrowing to influence both the pattern of economic activity and level of growth of aggregate demand, output and employment.
- It includes any design on the part of the government to change the price level, composition or timing of government expenditure or to alter the burden, structure or frequency of tax payment.

Objective of Fiscal Policy

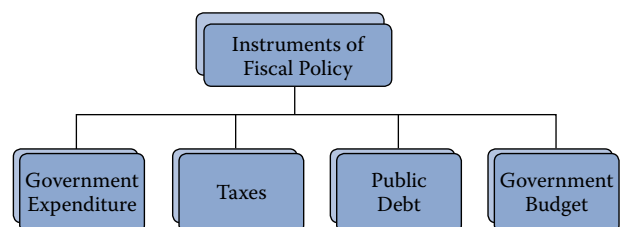
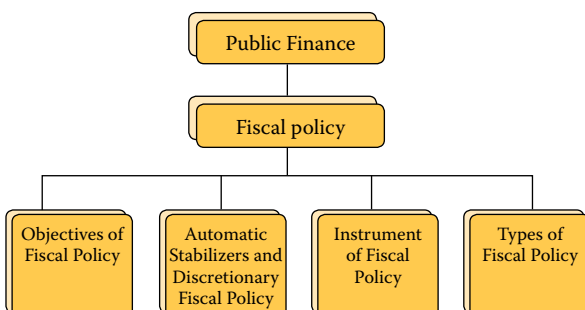
- Achievement and maintenance of full employment.
- Maintenance of price stability.
- Acceleration of the rate of economic development, and
- Equitable distribution of income and wealth.

Non-discretionary Fiscal policy or Automatic Stabilizers

- Non-discretionary fiscal policy or automatic stabilizers are part of the structure of the economy and are 'built-in' fiscal mechanisms that operate automatically to reduce the expansions and contractions of the business cycle.
- Any government programme that automatically tends to reduce fluctuations in GDP is called an automatic stabilizer.
- Automatic stabilizers have a tendency for increasing GDP when it is falling and reducing GDP when it is rising.
- In automatic or non discretionary fiscal policy, the tax policy and expenditure pattern are so framed that taxes and government expenditure automatically change with the change in national income. It involves built-in-tax or expenditure mechanism that automatically increases aggregate demand when recession is there and reduces aggregate demand when there is inflation in the economy.
- Personal income taxes, corporate income taxes and transfer payments (unemployment compensation, welfare benefits) are prominent automatic stabilizers.

Discretionary Fiscal Policy

Discretionary fiscal policy refers to deliberate policy actions on the part of the government to change the levels of expenditure and taxes to influence the level of national output, employment and prices.



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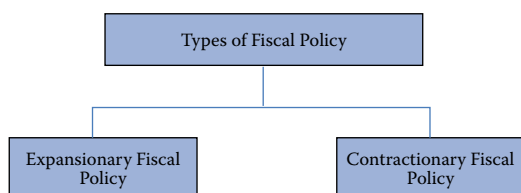
Pump pricing

Pump priming involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment.

It is a temporary fiscal stimulus in order to set off the multiplier process.

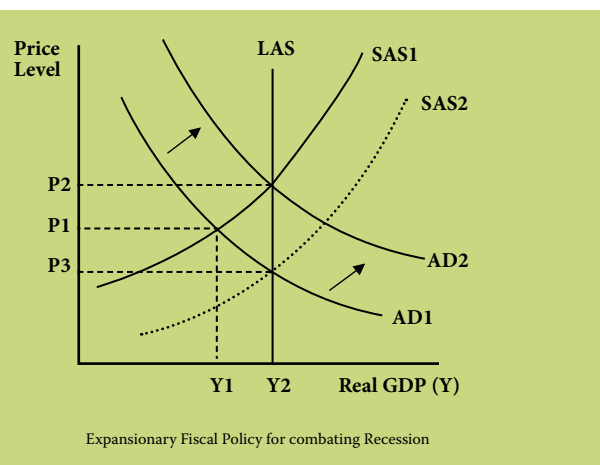
Compensatory spending is said to be resorted to when the government spending is carried out with the obvious intention to compensate the deficiency in private investment.

Compensatory Spending



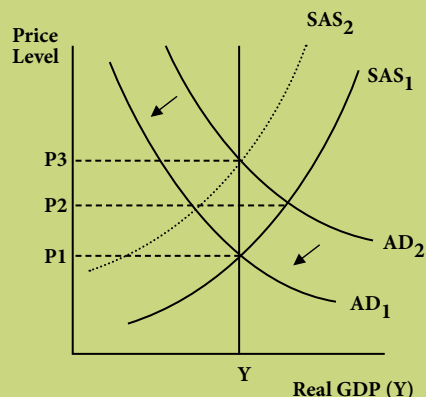
Expansionary Fiscal Policy

It is designed to stimulate the economy during the contractionary phase of a business cycle and is accomplished by increasing aggregate expenditures and aggregate demand through an increase in all types of government spending and / or a decrease in taxes.



Contractionary Fiscal Policy

It is designed to restrain the levels of economic activity of the economy during an inflationary phase by decreasing the aggregate expenditures and aggregate demand through a decrease in all types of government spending and/ or an increase in taxes.



Recessionary Gap

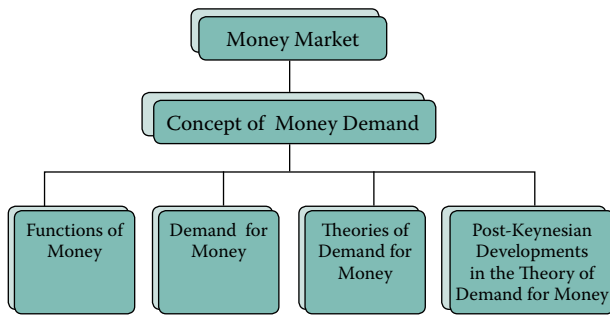
A recessionary gap, also known as a contractionary gap, is said to exist if the existing levels of aggregate production is less than what would be produced with full employment of resources.

Limitations of Fiscal Policy

Fiscal policy suffers from limitations such as limitations in respect of choice of appropriate policy, recognition lag, decision lag, implementation lag, impact lag, inappropriate timing, difficulties of forecasting due to uncertainties, possible conflicts between different objectives, possibility of generating disincentives, practical difficulty to reduce government expenditures and the possibility of certain fiscal measures replacing private spending or crowding out private spending.

Crowding Out

- Crowding out effect is the negative effect fiscal policy may generate when money from the private sector is 'crowded out' to the public sector. In other words, when spending by government in an economy replaces private spending, the latter is said to be crowded out.
- For example, if government provides free computers to students, the demand from students for computers may not be forthcoming. When government increases its spending by borrowing from the loanable funds from market, the demand for loans increases and this pushes the interest rates up. Private investments are sensitive to interest rates and therefore some private investment spending is discouraged.



Money

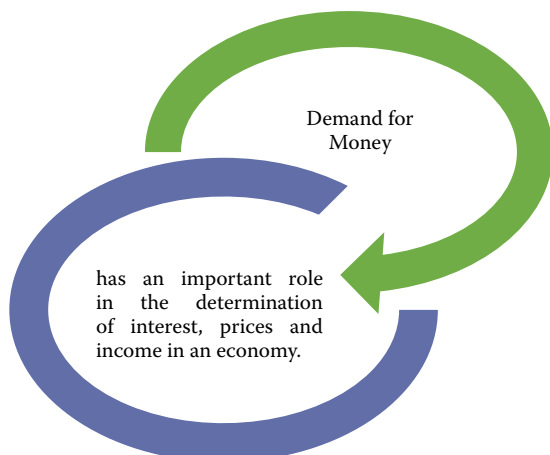
- Money refers to assets which are commonly used and accepted as a means of payment or as a medium of exchange or of transferring purchasing power.
- Money is totally liquid and has generalized purchasing power and is generally acceptable in settlement of all transactions and in discharge of other kinds of business obligations including future payments.

Functions of Money

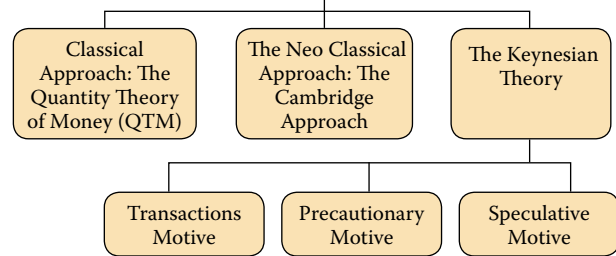
- acts as a medium of exchange to facilitate easy exchanges of goods and services,
- provides a 'common measure of value' or 'common denominator of value',
- serves as a unit or standard of deferred payments and facilitates storing of value both as a temporary abode of purchasing power and a permanent store of value.

Characteristics of Money

- generally acceptable
- durable or long-lasting
- effortlessly recognizable
- difficult to counterfeit i.e. not easily reproducible by people
- relatively scarce, but has elasticity of supply
- portable or easily transported
- possess uniformity; and
- divisible into smaller parts in usable quantities or fractions without losing value.



Theories of Demand for Money



Classical Approach: The Quantity Theory of Money (QTM)

- First propounded by Irving Fisher of Yale University in his book 'The Purchasing Power of Money' published in 1911 and later by the neo-classical economists.
- Both versions of the QTM demonstrate that there is strong relationship between money and price level and the quantity of money is the main determinant of the price level or the value of money.

Fisher's version, also termed as 'equation of exchange' or 'transaction approach' is formally stated as follows

$$MV = PT$$

Where,

- M = the total amount of money in circulation (on an average) in an economy
- V = transactions velocity of circulation i.e. the average number of times across all transactions a unit of money (say Rupee) is spent in purchasing goods and services
- P = average price level ($P = MV/T$)
- T = the total number of transactions.

Fishers Extended Version

- Equation of Exchange to include demand (bank deposits (M')) and Velocity in the total supply of Money : $MV + M'V' = PT$

The Neo -Classical Approach: Cambridge Version

The Cambridge version holds that money increases utility in the following two ways:

- enabling the possibility of split-up of sale and purchase to two different points of time rather than being simultaneous, and
- being a hedge against uncertainty.

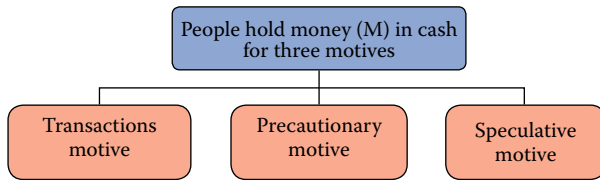
The Cambridge Equation is

$$M_d = k PY$$

Where

- M_d = is the demand for money
- Y = real national income
- P = average price level of currently produced goods and services
- PY = nominal income
- k = proportion of nominal income (PY) that people want to hold as cash balances

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Transaction Motive

- The transactions motive for holding cash relates to 'the need for cash for current transactions for personal and business exchange.
- $L_t = kY$, Where, L_t is the transactions demand for money, k is the ratio of earnings which is kept for transactions purposes and Y is the earnings.
- The aggregate transaction demand for money is a function of national income.

Precautionary Motive

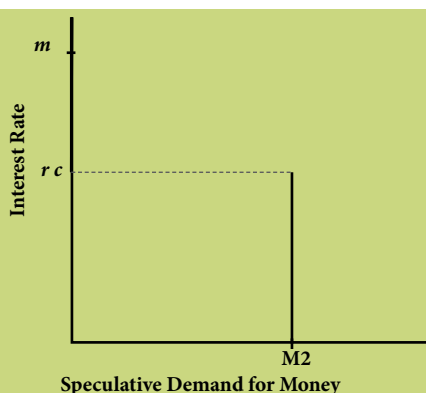
- Precautionary motive is to meet unforeseen and unpredictable contingencies involving money payments and depends on the size of the income, prevailing economic as well as political conditions and personal characteristics of the individual such as optimism/ pessimism, farsightedness etc.

Speculative Motive

- The speculative motive reflects people's desire to hold cash in order to be equipped to exploit any attractive investment opportunity requiring cash expenditure.
- The speculative demand for money and interest are inversely related.

Individual's Speculative demand for Money

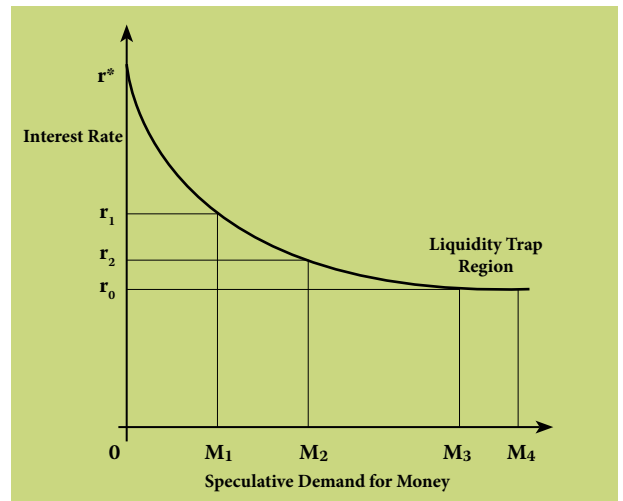
When the current rate of interest r_n is higher than the critical rate of interest r_c , the entire wealth is held by the individual wealth-holder in the form of government bonds. If the rate of interest falls below the critical rate of interest r_c , the individual will hold his entire wealth in the form of speculative cash balances.



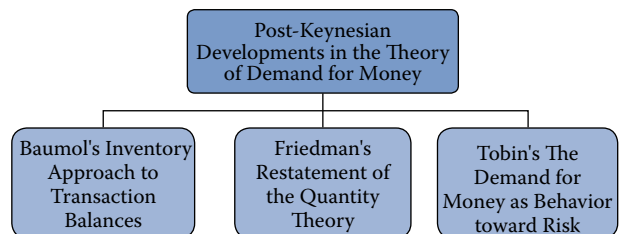
Individual's Speculative Demand for Money

Aggregate Speculative Demand for Money

According to Keynes, higher the rate of interest, lower the speculative demand for money, and lower the rate of interest, the higher the speculative demand for money.



Aggregate Speculative Demand for Money



Inventory Approach to Transaction Balances

- Baumol (1952) and Tobin (1956) developed a deterministic theory of transaction demand for 'real cash balance', known as Inventory Theoretic Approach, in which money is essentially viewed as an inventory held for transaction purposes.
- People hold an optimum combination of bonds and cash balance, i.e., an amount that minimizes the opportunity cost.
- The optimal average money holding is: a positive function of income Y , a positive function of the price level P , a positive function of transactions costs c , and a negative function of the nominal interest rate i .

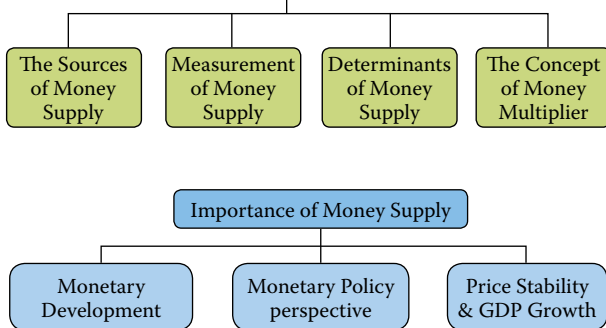
Friedman's Restatement of the Quantity Theory

Milton Friedman (1956) extending Keynes' speculative money demand within the framework of asset price theory holds that demand for money is affected by the same factors as demand for any other asset, namely, permanent income and relative returns on assets.	The nominal demand for money is positively related to the price level, P ; rises if bonds and stock returns, r_b and r_e , respectively decline and vice versa; is influenced by inflation; and is a function of total wealth
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The Demand for Money as Behavior toward Risk

- ♦ The Demand for Money as Behavior toward 'aversion to risk' propounded by Tobin states that money is a safe asset but an investor will be willing to exercise a trade-off and sacrifice to some extent the higher return from bonds for a reduction in risk
- ♦ According to Tobin, rational behaviour induces individuals to hold an optimally structured wealth portfolio which is comprised of both bonds and money and the demand for money as a store of wealth depends negatively on the interest rate.

The Concept of Money Supply



Sources of Money Supply

- The central banks of all countries are empowered to issue currency and therefore, the central bank is the primary source of money supply in all countries. In effect, high powered money is the source of all other forms of money.
- The second major source of money supply is the banking system of the country.

Measurement of Money Supply

- The measures of money supply vary from country to country, from time to time and from purpose to purpose.
- Measurement of money supply is essential as it enables a framework to evaluate whether the stock of money in the economy is consistent with the standards for price stability, to understand the nature of deviations from this standard and to study the causes of money growth.
- In India RBI has been publishing data on four alternative measures of money supply denoted by M_1 , M_2 , M_3 , M_4 besides the reserve money.

Monetary Aggregates are

- M_1 = Currency and coins with the people + demand deposits of banks (Current and Saving accounts) + other deposits of the RBI
- $M_2 = M_1$ + savings deposits with post office savings banks
- $M_3 = M_1$ + net time deposits of banks
- $M_4 = M_3$ + total deposits with the Post Office Savings Organization (excluding National Savings Certificates)

New Monetary Aggregates

- Reserve Money = Currency in circulation + Bankers' deposits with the RBI + Other deposits with the RBI Or
- Reserve Money = Net RBI credit to the Government + RBI credit to the Commercial sector + RBI's Claims on banks + RBI's net Foreign assets + Government's Currency liabilities to the public – RBI's net non-monetary Liabilities
- NM_1 = Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI.
- $NM_2 = NM_1$ + Short-term time deposits of residents (including and up to contractual maturity of one year).
- $NM_3 = NM_2$ + Long-term time deposits of residents + Call/ Term funding from financial institutions

Liquidity Aggregates

- $L1 = NM3$ + All deposits with the post office savings banks (excluding National Savings Certificates).
- $L2 = L1$ + Term deposits with term lending institutions and refinancing institutions (FIs) + Term borrowing by FIs + Certificates of deposit issued by FI's.
- $L3 = L2$ + Public deposits of non-banking financial companies

Determinants of Money Supply

The first view, money supply is determined exogenously by the central bank.

The second view holds that the money supply is determined endogenously by changes in the economic activities which affect people's desire to hold currency relative to deposits, rate of interest, etc.

Money Multiplier Approach to Supply of Money

The money multiplier approach to money supply propounded by Milton Friedman and Anna Schwartz, (1963) considers three factors as immediate determinants of money supply

- the stock of high-powered money (H)
- the ratio of deposit to reserve, $e = \{ER/D\}$ and
- the ratio of deposit to currency, $c = \{C/D\}$

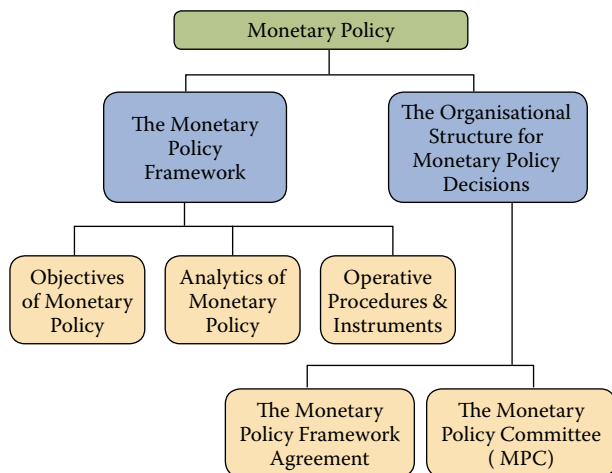
Effect of Government Expenditure on Money supply

When the Reserve Bank lends to the governments under WMA /OD it results in the generation of excess reserves (i.e., excess balances of commercial banks with the Reserve Bank).

The Credit Multiplier

The Credit Multiplier also referred to as the deposit multiplier or the deposit expansion multiplier, describes the amount of additional money created by commercial bank through the process of lending the available money it has in excess of the central bank's reserve requirements.

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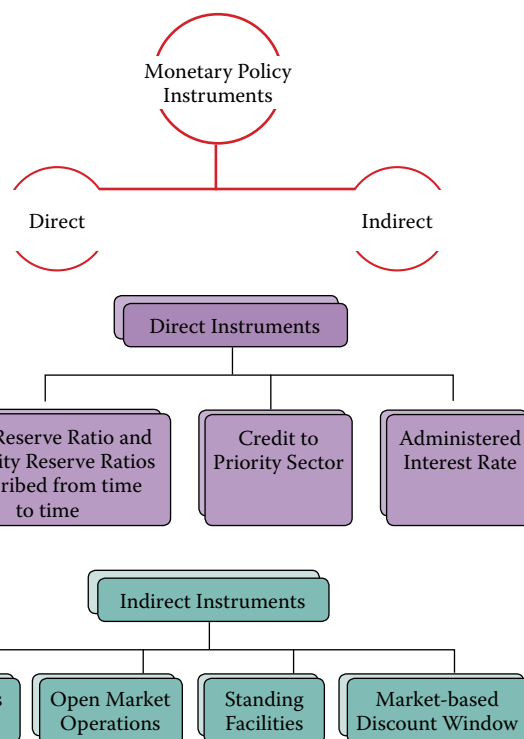
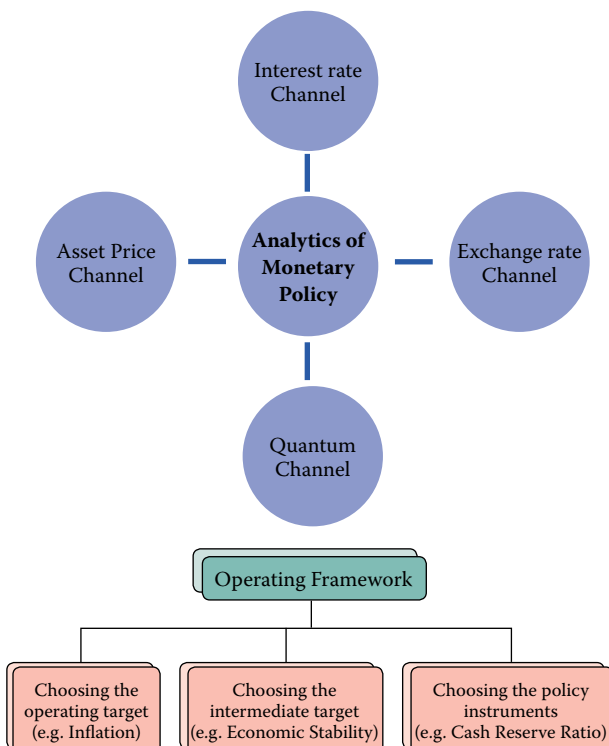


Monetary Policy

Monetary policy refers to the use of monetary policy instruments which are at the disposal of the central bank to regulate the availability, cost and use of money and credit to promote economic growth, price stability, optimum levels of output and employment, balance of payments equilibrium, stable currency or any other goal of government's economic policy.

Objectives of Monetary Policy

- ◆ Price Stability
- ◆ Economic Growth
- ◆ Ensuring an adequate flow of credit
- ◆ Creation of an efficient market for government securities



Cash Reserve Ratio

The Cash Reserve Ratio (CRR) refers to the fraction of the total net demand and time liabilities (NDTL) of a scheduled commercial bank in India which it should maintain as cash deposit with the Reserve Bank irrespective of its size or financial position.

Higher the CRR with the RBI

Lower will be liquidity in the system and vice versa

Statutory Liquidity Ratio

- The Statutory Liquidity Ratio (SLR) is what the scheduled commercial banks in India are required to maintain as a stipulated percentage of their total Demand and Time Liabilities (DTL) / Net DTL (NDTL) in Cash, Gold or approved investments in securities.
- The SLR is also a powerful tool for controlling liquidity in the domestic market by means of manipulating bank credit. Changes in the SLR chiefly influence the availability of resources in the banking system for lending.

The Liquidity Adjustment (LAF)

The Liquidity Adjustment Facility (LAF) is a facility extended by the Reserve Bank of India to the scheduled commercial banks (excluding RRBs) and primary dealers to avail of liquidity in case of requirement (or park excess funds with the RBI in case of excess liquidity) on an overnight basis against the collateral of government securities including state government securities.

Repo Rate

Repo or repurchase option is a collateralised lending because banks borrow money from Reserve bank of India to fulfill their short term monetary requirements by selling securities to RBI with an explicit agreement to repurchase the same at predetermined date and at a fixed rate. The rate charged by RBI for this transaction is called the 'repo rate'.

Reverse Repo Rate

Reverse Repo is defined as an instrument for lending funds by purchasing securities with an agreement to resell the securities on a mutually agreed future date at an agreed price which includes interest for the funds lent.

Marginal Standing Facility(MSF)

The Marginal Standing Facility (MSF) refers to the facility under which scheduled commercial banks can borrow additional amount of overnight money from the central bank over and above what is available to them through the LAF window by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit.

Monetary Policy Committee

- The Monetary Policy Committee (MPC) consisting of six members shall determine the policy rate to achieve the inflation target through debate and majority vote by a panel of experts.
- The Monetary Policy Framework Agreement is an agreement reached between the Government of India and the Reserve Bank of India (RBI) on the maximum tolerable inflation rate as 4 per cent Consumer Price Index (CPI) inflation with a deviation of 2 percent.
- Choice of a monetary policy action is rather complicated in view of the surrounding uncertainties and the need for exercising complex judgment to balance growth and inflation concerns. Additional complexities arise in the case of an emerging market like India.

Market Stabilisation Scheme

Under the Market Stabilisation Scheme (MSS) the Government of India borrows from the RBI (such borrowing being additional to its normal borrowing requirements) and issues treasury-bills/ dated securities.

"If you don't like the road you're walking, start paving another one."

- Dolly Parton

CROSSWORD SOLUTION – DECEMBER 2020

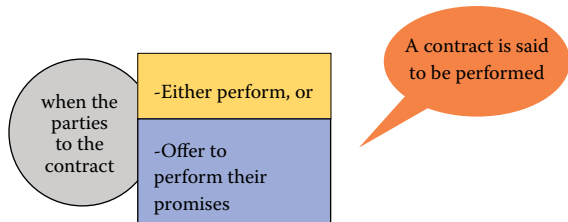
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This Capsule deals with the significant concepts covered under units 4, 5 & 6 of Chapter 1 of the Study material of Foundation Paper 2 - Section A -Business Laws. It is in continuation to units 1, 2, & 3 of the chapter 1 published earlier in July 2020 and August 2020 edition of the Student Journal. This capsule itemize significant concepts related to "Performance and Breach of Contract", and "Special Contracts discussing Contingent and Quasi Contract under the Indian Contract Act, 1872. In order to have understanding of the related concepts, this capsule will help to revise and retain the important facet of the legal provisions.

CONCEPTS RELATED TO PERFORMANCE AND BREACH OF CONTRACT AND SPECIAL CONTRACT UNDER THE INDIAN CONTRACT ACT, 1872

I. Performance of Contract

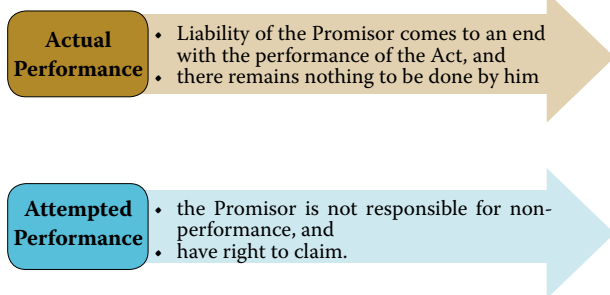
(1) Meaning of Performance



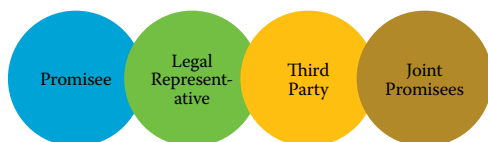
(2) Types of performance of the Contract

Actual performance	Attempted Performance
Where a Promisor, made an offer of performance, to Promisee, and the offer has been accepted by the Promisee	Where a Promisor, made an offer, to the Promisee, and the offer has not been accepted by the Promisee

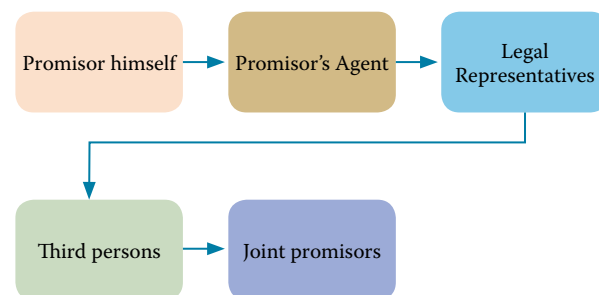
(3) Effects of the performance of the contract



(4) Who may demand performance of contract



(5) Who may perform the contract



(6) Liability of joint promisor

General rule-If two or more persons have made a joint promise, all of them must jointly fulfill the promise.	
After death of any one of them-	After the death of the last survivor-
his legal representative jointly with the survivor/survivors	the legal representatives of all the original co-promisors

(7) Rules as to time and place for performance of the promise

Case where	Rule as to performance
Time not specified	Within the reasonable time
Time specified but promise is to be performed without promisee's application	During the usual business hours on that particular day
Time specified but promise is to be performed on promisee's application	The promisee must apply for performance at a proper place and within usual business hours
Place not specified	The promisor must apply to the promisee to appoint a reasonable place for the performance and to perform the promise at such place.
Manner for performance	The promise must be performed in the manner and at the time prescribed by the promisee.

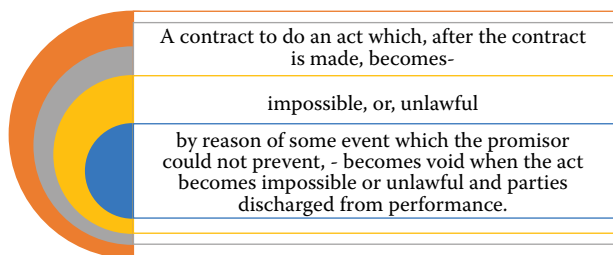
(8) Is time an essence of Contract?

Cases, where-	When time is essence of contract
Parties have Expressly agreed	Time is considered to be essence of Contract
Non-performance at the specified time results in an injury to the Party	Time is considered to be essence of Contract
Nature and necessity requires the performance of the Contract within the specified time	Time is considered to be essence of Contract

(9) Consequences of Non-performance within the specified time

Cases where time is essence of the contract	Cases where time is not essence of a contract
- Contract becomes Voidable at the option of the Promisee - If performance beyond the specified time is accepted by the Promisee- The Promisee cannot claim compensation for any loss caused by non-performance at the agreed time, unless at the time of acceptance, he has given a notice to the Promisor of his intention to claim compensation.	- Contract does not become voidable at the option of the Promisee - The Promisee is entitled to claim compensation for any loss occasioned to him by non-performance of the promise at the agreed time.

(10) Impossibility of performance



(11) Impossibility existing at the time of contract or Initial Impossibility

Case	Effects
If the impossibility is known to the parties	Such an agreement is void-ab-initio
If unknown to the parties	Such an agreement is void on the ground of mutual mistake
If known to the promisor only	Such promisor must compensate for any loss which such promisee sustains through the non performance of the promise.

(12) Supervening impossibility

Case	Effects
Where an act becomes impossible after the contract is made	The contract becomes void when the act becomes impossible.
Where an act becomes unlawful by reason of some event beyond the control of promisor	The contract becomes void when the act becomes unlawful.
Where the promisor alone knows about the impossibility	Promisor must compensate the promisee for any loss which might have suffered on account of non-performance of the promise.
Where an agreement is discovered to be void or where a contract becomes void	Any person who has received any benefit under such agreement or contract is bound to restore it or to make compensation to the person from whom he received it.

(13) Discharge of a contract

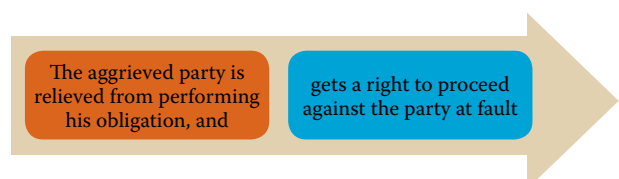
- Discharge by performance
- Discharge by mutual agreement
- Discharge by impossibility of performance
- Discharge by lapse of time
- Discharge by operation of law
- Discharge by breach of contract

II. Breach of contract

(1) When breach of contract take place?

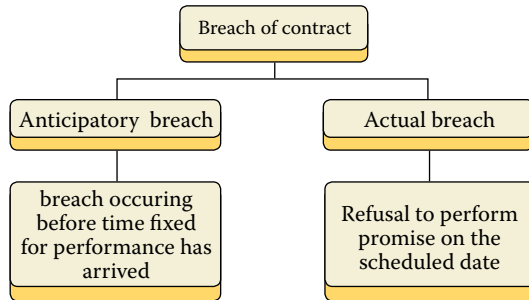
Breach of contract occurs, if any party-			
refuses, or	Fails to perform his part of the contract, or	By his act	makes it impossible to perform his obligation

(2) Effects of the Breach of Contract

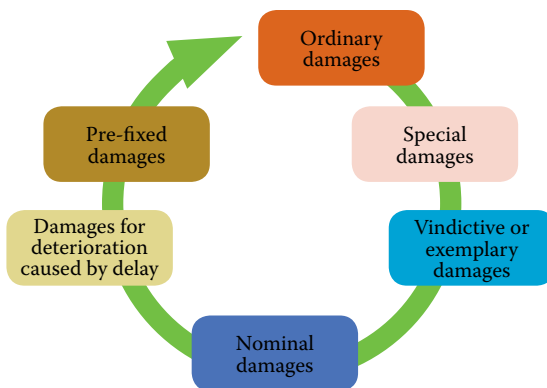


BUSINESS LAWS ||

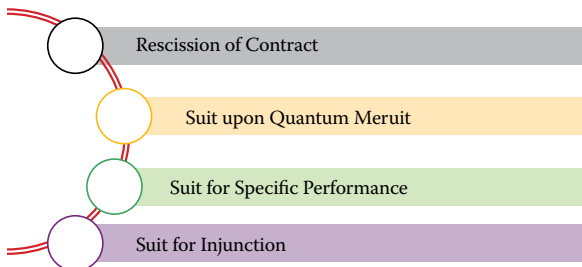
(3) Types of breach of contract



(4) Liability for Damages



(5) Remedies Available

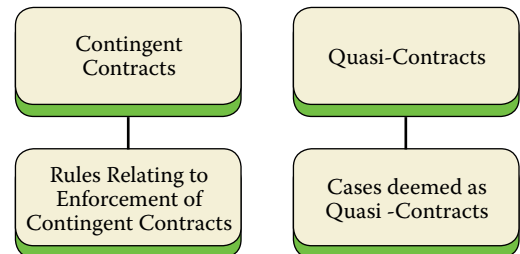


Relevant case laws

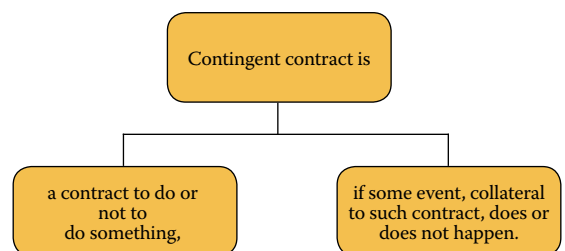
Case laws	Facts	Decision
Hadley Vs. Baxendale	The crankshaft of P's flour mill had broken. He gives it to D, a common carrier who promised to deliver it to the foundry in 2 days where the new shaft was to be made. The mill stopped working, D delayed the delivery of the crankshaft so the mill remained idle for another 5 days. P received the repaired crankshaft 7 days later than he would have otherwise received. Consequently, P sued D for damages not only for the delay in the delivering of the broken part but also for loss of profits suffered by the mill for not having been worked.	The court held that P was entitled only to ordinary damages and D was not liable for the loss of profits because the only information given by P to D was that the article to be carried was the broken shaft of a mill and it was not made known to them that the delay would result in loss of profits.

Case laws	Facts	Decision
Gibbons Vs. West Minister Bank	A business man whose credit has suffered will get exemplary damages even if he has sustained no pecuniary loss.	In the case, it was held that a non-trader cannot get heavy damages in the like circumstances, unless the damages are alleged and proved as special damages.

III. Special types of Contract

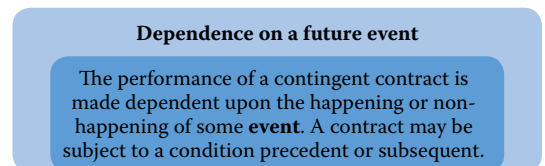


(1) Contingent Contract

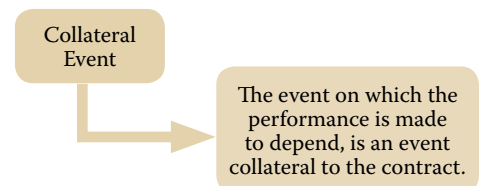


(2) Essentials of a Contingent Contract

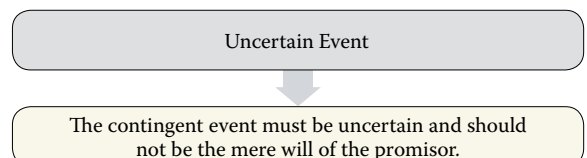
(a) Dependence on future event



(b) 'Event' referred is collateral to the contract



(c) The event must be uncertain



(3) Rules regarding Contingent contracts

Rule 1
Enforcement of contracts contingent on an event 'happening'

Rule 2
Enforcement of contracts contingent on an event 'not-happening'

Rule 3
Contract contingent upon the future conduct of a living person

Rule 4
Contract contingent upon the happening of an uncertain specified event within a fixed time

Rule 5
Contracts contingent upon the non-happening of an uncertain specified event within a fixed time

Rule 6
Agreement contingent on impossible event.

(a) Rule 1 regarding contingent contracts

Enforcement of contracts contingent on an event 'happening'

Where a contingent contract is made to do or not to do anything if an uncertain future event happens,

- it cannot be enforced by law unless and until that event has happened.
- If the event becomes impossible, such contracts become void.

(b) Rule 2 regarding contingent contracts

Enforcement of contracts contingent on an event 'not-happening'

- Where a contingent contract is made to do or not to do anything
- if an uncertain future event does not happen
- it can be enforced only when the happening of that event becomes impossible and not before.

(c) Rule 3 regarding contingent contracts

Contract contingent upon the future conduct of a living person

- Where, the future event on which a contract is contingent is the way in which a person will act at an unspecified time.
- In such a case, the event shall be considered to have become impossible when such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies.

(d) Rule 4 regarding contingent contracts

Contract contingent upon the happening of an uncertain specified event within a fixed time;

- Such type of contracts become void if before the expiry of fixed time-
 - Such event does not happen, or
 - Such events becomes impossible.

(e) Rule 5 regarding contingent contracts

Contract contingent upon the non-happening of an uncertain specified event within a fixed time;

- Such contract can be enforced by law if before the expiry of fixed time-
 - Such event does not happen ,or
 - It become certain that such event will not happen.

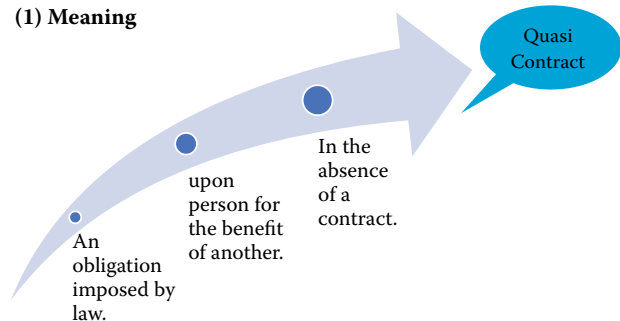
(f) Rule 6 regarding contingent contracts

Agreement contingent on impossible event.

- A contingent agreement to do or not to do anything, if an impossible event happens, is void.
- The impossibility of the event may be or may not be known to the parties to the agreement at the time when they entered into it.

IV. Quasi-Contract

(1) Meaning



(2) Features of a Quasi- Contract

Imposed by Law

Obligation is a duty and not the promise of a party

The right is always a right to money

Right is available against specific person

Suit for breach may be filed same as of a complete contract

BUSINESS LAWS ||

(3) Difference between quasi contracts and Contingent contract

Basis of distinction	Quasi- Contract	Contingent Contract
Essential for the valid contract	The essentials for the formation of a valid contract are absent	Present
Obligation	Imposed by law	Created by the consent of the parties

(4) Types of quasi-contracts

- Claim for necessities supplied to persons incapable of contracting
- Right to recover money paid for another person
- Obligation of a person enjoying benefits of non-gratuitous act
- Responsibility of a finder of goods
- Liability for money paid or thing delivered by mistake or under coercion

(a) Type i of quasi-contracts

Claim for necessities supplied to persons incapable of contracting-

- If necessities are supplied to a person who is incapable of contracting, e.g. minor or a person of unsound mind-
- the supplier is entitled to claim their price from the property of such a person.

(b) Type ii of quasi-contracts

Right to recover money paid for another person

- A person who has paid a sum of money which another is obliged to pay-
- Such person is entitled to be reimbursed by that other person.

Provided, the payment has been made by him to protect his own interest

(c) Type iii of quasi-contracts

Obligation of a person enjoying benefits of non-gratuitous act

- Such an obligation/right to recover arises "where a person lawfully does anything for another person, or delivers anything to him not intending to do so gratuitously and such other person enjoys the benefit thereof,
- the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered.

(d) Type iv of quasi-contracts

Responsibility of a finder of goods

- A person who finds goods belonging to another, and takes them into his custody
- there such person is subject to the same responsibility as a bailee

(e) Type v of quasi-contracts

Liability for money paid or thing delivered by mistake or under coercion

- A person to whom money has been paid, or anything delivered by mistake, or
- under coercion
- must repay or return it.

(5) Remedy on breach of quasi-contract

When the obligation created by the quasi-contract is not discharged-

- there the injured party is entitled to receive the compensation same as defaulted party had contracted to discharge as it had broken his contract.

Relevant case laws

Case laws	Facts	Decision
ShyamLal vs. State of U.P	'S' a government servant was compulsorily retired by the government. He filed a writ petition and obtained an injunction against the order. He was reinstated and was paid salary but was given no work and in the mean time government went on appeal.	The appeal was decided in favour of the government and 'S' was directed to return the salary paid to him during the period of reinstatement
Hollins vs. Howler L. R. & H. L.,	H' picked up a diamond on the floor of 'F's shop and handed over the same to 'F' to keep till the owner was found. In spite of the best efforts, the true owner could not be traced. After the lapse of some weeks, 'H' tendered to 'F' the lawful expenses incurred by him and requested to return the diamond to him. 'F' refused to do so.	Held that 'F' must return the diamond to 'H' as he was entitled to retain the goods found against everybody except the true owner.
Trikamdas vs. Bombay Municipal Corporation	T' was traveling without ticket in a tram car and on checking he was asked to pay ₹5/- as penalty to compound transaction. T filed a suit against the corporation for recovery on the ground that it was extorted from him.	The suit was decreed in his favour.

FINANCE UPDATES

SEBI proposes to relax rules for re-classification of promoter as public shareholder

Securities Exchange Board of India (SEBI) proposed to change the minimum threshold for voting rights for re-classification of a promoter as a public shareholder and suggested all promoter entities disclose shareholding even in case of 'nil' holding.
<https://www.moneycontrol.com/news/business/markets/sebi-proposes-to-relax-rules-for-re-classification-of-promoter-as-public-shareholder-6148751.html>

RTGS money transfer facility to be operational 24x7

In a bid to give a push to digital payments, the Reserve Bank of India (RBI) allowed the transfer of funds through Real-Time Gross Settlement (RTGS) round-the-clock from December 14, 2020.
<https://www.livemint.com/money/personal-finance/rtgs-money-transfer-facility-to-be-operational-24x7-from-today-11607845503499.html>

NSE launches first agri-commodity futures

National Stock Exchange of India Ltd (NSE) has launched its first agricultural commodity futures contract on crude degummed soybean oil (CDSO Futures) on December 1, 2020.
<https://economictimes.indiatimes.com/markets/stocks/news/nse-launches-first-agri-commodity-futures/articleshow/79529036.cms>

SEBI considering revamp of IPO rules on equity dilution: Sources

The capital markets regulator may cut down the requirement of 10 percent equity dilution for IPOs that have more than Rs 4,000 crores of post-issue equity capital.
<https://www.moneycontrol.com/news/business/ipo/sebi-considering-revamp-of-ipo-rules-on-equity-dilution-sources-6094151.html>

SEBI introduces flexi cap category in mutual funds

SEBI has given a green signal to the introduction of a flexi cap category in mutual funds. Schemes in this category are required to invest at least 65% of their corpus in equity. Unlike the new multi cap funds, there is no restriction in terms of allocation to any market cap.
<https://m.economictimes.com/mf/mf-news/sebi-introduces-flexi-cap-category-in-mutual-funds/articleshow/79084269.cms>

SEBI lays down guidelines for due-diligence on debt securities

The SEBI laid down fresh set of norms for increasing diligence on debt securities. It prescribed enhanced disclosures in the trustee deed which would make it easier for debenture trustees to conduct due-diligence on encumbrances of underlying assets.
<https://www.livemint.com/news/india/sebi-lays-down-guidelines-for-due-diligence-on-debt-securities-11604471006209.html>

India allows WhatsApp Pay to go live on UPI

After facing regulatory hurdles and courtroom battles for months, WhatsApp has received the approval in India to go live with a payment feature on its messaging platform using the Unified Payments Interface.
<https://economictimes.indiatimes.com/tech/technology/whatsapp-pay-gets-green-light-to-go-live-on-upi/articleshow/79066734.cms>

SEBI forms new department to check promoter frauds

Market regulator SEBI has set up a specialised department to tackle cases of diversion of funds, bank loans and resources by company promoters. The move comes after a spate of cases involving Cox and Kings, DHFL and the now infamous liquor baron Vijay Mallya. The new department will be known as the Corporation Finance Investigation Department (CFID).
<https://www.thehindubusinessline.com/markets/stock-markets/sebi-forms-new-department-to-check-promoter-frauds/article33321760.ece>

Rising loan collections bring relief but risks still linger in securitization

India's loan securitization market is slowly buzzing with activity, encouraged by the broad-based improvement in loan collections by lenders but risk still persists. Most banks and even some non-banking financial companies (NBFCs) have reported a marked improvement in repayments after the economy steadily unlocked from June. Delinquency rates, especially those of home and auto loans, have dipped.
<https://www.livemint.com/market/mark-to-market/in-securitisation-rising-loan-collections-bring-relief-but-risks-linger-11607685972412.html>

Banks turn to AI to curtail loan frauds

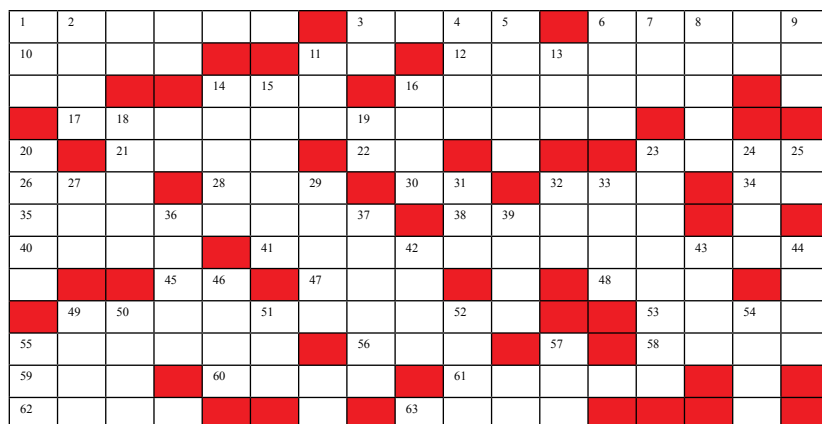
Banks such as state-run Punjab National Bank (PNB) are looking to deploy an artificial intelligence-enabled early warning signal system that crawls the web for information on borrower's activities, including news articles and social media.
<https://www.livemint.com/industry/banking/banks-turn-to-ai-to-curtail-loan-frauds-11603889357341.html>

ECONOMIC UPDATES

RBI keeps repo rate unchanged at 4%, maintains accommodative stance

The Reserve Bank of India (RBI) kept the repo rate unchanged at 4 per cent and maintained the policy stance at accommodative. The RBI's Monetary Policy Committee (MPC) made a unanimous decision to maintain status-quo after a three-day meeting that began on December 2. The reverse repo rate also remains steady at 3.35 per cent, RBI Governor Shaktikanta Das said. "MPC decided to continue with accommodative stands of monetary policy as long as necessary, at least till current financial year and into next year to revive growth on a durable basis and mitigate the impact of Covid-19 while ensuring that inflation remains within the target."
<https://www.livemint.com/videos/rbi-keeps-repo-rate-unchanged-at-4-maintains-accommodative-stance-11607073294950.html>

CROSSWORD - JANUARY 2021



ACROSS

1. _____ is the quantity of a good that consumers are willing and able to purchase at various prices during a given period of time
3. _____ Index is a measure of the distribution of income across a population.
6. It's your life. Make it _____
10. An active volcano of Sicily, Italy.
11. As you sow _____ shall you reap.
12. Unaware.
14. An Indian stock exchange
16. Books of Maps
17. Softwares designed to carry out particular tasks.
21. An international software company purchased and incorporated into IBM announced in January, 2009.
22. Opposite of Yes
23. Coloured
26. One of six research laboratories within the National Institute of Standards and Technology.
28. _____ is a voluntary certification program for Health IT to provide for the certification of health IT.
30. _____ is the ratio of the circumference of any circle to the diameter of that circle.
32. A type of savings account that provides the account holder with specific tax advantages.
34. Roman numeral for 6.
35. A saved shortcut that directs your browser to a specific webpage.
38. A person or thing of special ability or importance.
40. Crypto-currency designed for the Internet of things.
41. _____ is an economic system in which transactions between private groups of people are devoid or almost devoid of any form of economic interventionism such as regulation and subsidies
45. It is an accommodation agreement wherein an individual stays within the premises of the owner in the same house utilising all the benefits of the house like a guest and pays for the facilities like food, laundry, bed etc. to the owner.
47. Student services by ICAI have been made online, in digitized form on a new platform which works on a Self Service Mode on the _____.
48. _____ is a method of assigning overhead and indirect costs—such as salaries and utilities—to products and services.
49. A file that is added to an email.
53. Elite.

55. Discards.
 56. Something that is environmentally friendly or sustainable.
 58. Pronto.
 59. Anger.
 60. To send out something.
 61. Hackneyed
 62. The outer protective layer of a fruit or vegetable
 63. A method used to examine the tasks that are in a schedule and determine a variation of the Critical Path Method.
- ### DOWNWARD
1. _____ Moines: Capital of the U.S. state of Iowa
 2. _____ James.
 3. People come and _____. That's life.
 4. _____ Aayog was established with the aim to achieve sustainable development goals with cooperative federalism by fostering the involvement of State Governments of India in the economic policy-making process using a bottom-up approach.
 5. An Eskimo house
 6. The profit and _____ statement is a financial statement that summarises the revenues, costs, and expenses incurred during a specified period
 7. Exist
 8. Harsh sounding
 9. An abbreviation which means 'and so on'.
 11. Part of a min.
 13. _____ indicates that the monitoring system is not receiving any numeric data.
 14. Phase of a business cycle.
 15. A series of radio waves.
 16. Upon
 18. The _____ project is an initial small-scale implementation that is used to prove the viability of a project idea.
 19. The form of the indefinite article used before words beginning with a vowel sound
 20. The unit symbol of tebibit.
 23. A collection of data stored on computer
 24. At any time.
 25. Roman Numeral of 501
 27. A social movement against sexual violence and sexual assault: Me _____.
 29. A stock market _____ is a sudden dramatic decline of stock prices across a major cross-section of a stock market, resulting in a significant loss of paper wealth.
 31. A society dedicated to the scientific and engineering development of geo-synthetic materials.

32. The main headdress for Christians and Jews during the Ottoman Empire.
33. A forum of professional accounting bodies in the SAARC region of eight nations.
36. _____ is the tool your Account Management team needs to drive growth and retention with your existing clients.
37. A network detector.
39. An agreed sum paid at fixed intervals by a tenant to the landlord.
42. A non-profit corporation that aims to "produce, establish, maintain and endorse a standardized set" of performance benchmarks for computers.
43. A photon stroller for baby.
44. The first garden.
46. To open the mouth wide.
49. Land measure
50. Elm or Pine
51. An entry-level certification aimed at providing professionals with an awareness of the methodologies and values of Scrum, including team performance, accountability, and iterative progress
52. A short letter.
54. Taboo.
55. A tool that helps you to invest regularly in mutual fund schemes,
57. Smallest binary digit.

If undelivered, please return to: The
Institute of Chartered Accountants of
India, ICAI Bhawan, Indraprastha Marg,
New Delhi-110104