

OFFSHORE ACCOUNTING AND TAXATION SERVICES PVT. LTD. (OATS)

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Happy New 'Financial' Year 2011-12 !

OATS Newsletter

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New policy on Foreign Direct Investment (FDI)

Department of Industrial Policy and Promotion, Ministry of Industry, has notified new policy on Foreign Direct Investment in India effective from 1 April, 2011.

Link:

http://dipp.nic.in/Fdi_Circular/FDI_Circular_012011_31March2011.pdf

Highlights:

- Pricing of convertible instruments can be done based on pre-defined conversion formula, instead of specifying the price up front. This can help the investee companies realise better price depending upon performance.
- Issue of shares against non-cash considerations. Under the government approval route, permission can now be given for issue of equity against import of capital goods/ machinery or for pre-operative/ pre-incorporation expenses, including payment of rent etc., subject to certain conditions. Payment should have been made by foreign investor to the investee company. Payments to third parties, citing reasons such as non-availability of bank accounts, will not be allowed.

Company Law: New Schedule VI- Formats of financial reports

Ministry of Corporate Affairs has come out with new Schedule VI containing a new format of Balance Sheet and Profit and Loss Account to be used by companies effective from 1st April 2011.

Link:

http://www.mca.gov.in/Ministry/pdf/Schedule_VI_28feb2011.pdf

Highlights:

- Only vertical form of Balance Sheet and Profit and Loss is now allowed.
- Balance sheet: Clear distinction between non-current and current portions of assets and liabilities.

- Reconciliation of shares at the beginning and at the end of the period to be given.
- Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, if any, shall be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative.
- Profit and loss account: Results of continuing operations and discontinued operations to be mentioned separately.

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