

“No thief, however skilful can rob one of knowledge, and that is why knowledge is the best and safest treasure to acquire”



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Foreword

We are happy to release the ninth publication series “EMERGING THOUGHTS”. As the name suggests, these updates are the emerging and constructive thoughts of article assistants (Interns undergoing Chartered Accountancy course). We, at SURESH & CO., have attempted to imbibe the habit of reading and updating one’s knowledge library every single morning. The organisation has successfully implemented the concept of daily updates. This has been a beautiful journey of knowledge without any breaks. Many a times we ourselves have been surprised by the new learning opportunities that we got from these daily updates

The main objective of this publication is to enable the article assistants of SURESH & CO., to think beyond their capabilities. It also helps the articles to improve their knowledge and climb the professional ladder and reach greater achievements.

Every day is a learning day at SURESH & CO., As an organisation, we encourage all the budding professionals to share their views and opinions on various technical and non-technical aspects.

The article assistants have various practical insights which help them understand the theoretical aspects in a more efficient way, and they are able to share the same with all of us in these series of updates.

The intent behind these updates is imparting the skill of technical analysis and professional decision making of any case study/situation.

We at SURESH & CO., wanted to share these gems of infant thoughts as conceived by these young minds. It is to be noted that these updates may or may not have been reviewed by any senior or a technical expert and thus these should be used only to kindle thoughts in certain positive direction. Readers are advised to do further research and analysis on the topics which they find interesting. Professional advice should be sought before acting on any of the information contained in it.

A candle loses nothing by lighting another candle.

Update for the day #421 | Section 194N: TDS on cash withdrawal exceeding 1 Crore.

INTRODUCTION

The ambitious mission of the government of India to drive India towards a cashless economy was boosted with the announcement of demonetization on November 8, 2016. Since then, the government of India has taken numerous initiatives to promote cashless transactions. To promote digital payments further, and discourage the practice of making business payments in cash, a new section 194N has been inserted to levy TDS on cash withdrawal above a certain limit.

NEED FOR SUCH MEASURE

This section has been inserted to discourage large amount of cash withdrawals from bank accounts and to curb the generation of black money in India. The detailed analysis of the provision has been given in the article below.

BARE TEXT

Finance Bill (No. 2), 2019 dated 5th July, 2019

Every person, being, -

- (i) a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act);
- (ii) a co-operative society engaged in carrying on the business of banking; or
- (iii) a post office,

who is responsible for paying any sum, or, as the case may be, aggregate of sums, in cash, in excess of one crore rupees during the previous year, to any person (herein referred to as the recipient) "from an account maintained by the recipient with it shall, at the time of payment of such sum"*, deduct an amount equal to two per cent. of sum exceeding one crore rupees, as income-tax:

***Further amendment as passed by Lok Sabha on 18th July 2019**

Tax at the rate of 2% would be deducted by banking company, cooperative societies engaged in the business of banking, or post office, "if the cumulative withdrawals from all accounts with one bank, exceeds INR 1 crore".

ANALYSIS

1. This section will take effect from the 1st day of September, 2019.
2. This section will be applicable to any person (referred as Recipient) who withdraws a sum of, or an aggregate of sums, that is in excess of Rs. 1 Crore from all of his accounts maintained under one bank or such other institution as given above, in cash, in a particular previous year. It should be further noted that the account from which the cash is withdrawal must be in the name of recipient only. (i.e. the account holder and the recipient must be same).

Example:

a) Mr. A has an account with State bank of India. He has already withdrawn Rs. 99,50,000 during the year. He further withdraws Rs. 2,00,000 during March then tax will only be deducted on Rs. 1,50,000/- which is in excess of Rs. 1 Crore. Net payment to recipient will be Rs. 1,97,000/-.

b) Mr. A has an account with State bank of India. He has already withdrawn Rs. 1,00,00,000/- during the year. He issued a bearer cheque in the name of Mr. B of Rs. 5,00,000/- payable in cash. Here no tax shall be deducted even if the amount of withdrawal exceeds Rs. 1 Crore as the account holder and the recipient are not the same.

3. Person's liable to deduct tax:

- Banking Company (To which the Banking Regulation Act of 1949 must be applicable, or any bank/banking institution referred to in Section 51 of the same Act.)
- Co-operative Society; that engages in carrying out the business of banking.
- Post Office

4. The limit of Rs. 1 Crore is applicable for all type of accounts maintained by the bank or similar entities as mentioned above. For instance, if a recipient has a Current Account as well as an Overdraft Account with the same bank, the limit of Rs. 1 Crore will be applicable for aggregate withdrawals from both the accounts. Furthermore, if the recipient has branches throughout the country and maintains separate accounts for each branch, the limit is applicable in aggregate for all such different branches of the same bank.

Therefore, there exists a loophole that a recipient can maintain accounts in different banks and withdraw in excess of Rs. 1 Crore from different bank accounts and avoid the applicability of the said provision.

5. This section will not be applicable if recipients are following persons:

- a) the Government;
- b) any banking company or co-operative society engaged in carrying on the business of banking or a post office;
- c) any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the guidelines issued in this regard by the Reserve Bank of India under the Reserve Bank of India Act, 1934;
- d) any white label automated teller machine operator of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007;
- e) Such other person or class of persons, which the Central Government may, by notification in the Official Gazette, specify in consultation with the Reserve Bank of India.

HINDRANCES

The only hindrance that will be faced by the department in the implementation and execution of this provision is proper automated system that needs to be installed by the banks and other institutions. Specially in case of ATM machines, the execution of this provision will be a bit challenging for the department as well as banks.

Furthermore, with proper automated system, this provision will lead to promotion of digital payments and avoid huge unauthorized cash transactions in the economy.

Afza Lazeeb



Update for the day #422 | 3D Bio Printing: Is this the future of organ transplantation?

“Growing new organs of the body as they wear out, extending the human lifespan! What’s not to like?”

While home and office printers don’t seem to have improved in quality since the mid-90s, the world of 3D printing is alive with innovation and potential. The technology has entered the world of medicine through 3D printed devices like prosthetics and surgical instruments, and researchers are now testing out bio-ink as a way of printing vital organs, bones and cartilage.

3-D Bio printing is three-dimensional printing of biological tissue and organs through the layering of living cells.

It is mainly divided into two types:

1. Organ Transplantation
2. Tissue Engineering

Bio Printing is an automated computer aided layer-by-layer deposition of biological materials for manufacturing of functional human organs. 3-D bioprinted human cartilage cells can be implanted

Swedish researchers at Chalmers University of Technology and Sahlgrenska Academy have successfully induced human cartilage cells to live and grow in an animal model, using 3D bioprinting. The results will move development closer to a potential future in which it will be possible to help patients by giving them new body parts through 3D bioprinting.

The results were recently presented in the journal *Plastic and Reconstructive Surgery Global Open*.

"This is the first time anyone has printed human-derived cartilage cells, implanted them in an animal model and induced them to grow," says Paul Gatenholm, professor of biopolymer technology at Chalmers University of Technology.

The researchers printed a hydrogel of nanocellulose mixed with human-derived cartilage cells - a so called construct. They used a 3D bioprinter manufactured by Cellink, a Gothenburg-based startup firm whose bio-ink is a result of research by Paul Gatenholm. Immediately after printing, the construct was implanted in mice.

The researchers can report three positive results of the animal study:

1. Human cartilage tissue has grown in an animal model.
2. Vascularisation, i.e., the formation of blood vessels, between the materials.
3. Strong stimulation of proliferation and neocartilage formation by human stem cells.

"What we see after 60 days is something that begins to resemble cartilage. It is white and the human cartilage cells are alive and producing what they are supposed to. We have also been able to stimulate the cartilage cells by adding stem cells, which clearly promoted further cell division," says Lars Kölby.

Other Advances in 3D Bio - Printing:

1. Corneas: a boost for biocompatibility
2. Hearts: Beating the functionality challenge
3. Skin: A great leap in grafting for burn patients

Bio Printing is one of the 10 innovative technologies predicted to change the world!!

3D Bio printing seems very exciting but it has its own set of cons. It basically adds life to human organs which is expected to result in longer life duration that would effect our ecosystem cycle. It gives longer life to humans but at the same time might lead to introduction of new set of diseases.

But lets all believe that the dots will somehow connect in our future!!

Sidhi Chopra



Update for the day #423 | The biggest ever Amazon scam in Europe

Online shopping has gone through a sea of change in the last few years. With more and more people opting to buy goods from the internet, the e-commerce industry is not only becoming highly competitive but also slowly turning into an economic powerhouse in many countries.

However, there are many instances when online shopping does not turn out the way we want it to. Leading e-commerce companies are known to make mistakes from time to time. This can be in the form of odd delivering wrong or damaged items, or delivering inferior products to the customer.

While most customers follow the company guidelines to return the products in such case, one man took advantage of Amazon's return facility and allegedly scammed them to the tune of \$3,70,000 (₹2.5 crores).

Key Highlights

- The unnamed man from Palma de Mallorca in Spain had been sending back parcels filled with dirt to Amazon.
- He allegedly filled up boxes for I-Phones and other goods with dirt that matched the original weight.
- The fraud was eventually detected when a random search was conducted in one of the company's warehouses.
- It was the biggest ever Amazon scam in Europe and the second biggest worldwide.

According to reports, the unnamed man from Palma de Mallorca in Spain had been sending back parcels filled with dirt to Amazon. He allegedly filled up boxes for I-Phones and other goods with dirt that matched the original weight. After returning the parcels, the man and his friend would request for refunds.

Returned packages end up sitting in the warehouses without proper inspection, the probable reason why Amazon took time to realise they were duped.

However, the fraud was eventually detected when a random search was conducted in one of the company's warehouses. The activity was then looked up by Amazon's Technological Crimes Group of the Upper Balearic Headquarters.

El Espanol reported it was the biggest ever Amazon scam in Europe and the second biggest worldwide.

In the biggest one, two conmen from Indiana managed to earn \$1.2 million by selling as many as 2,700 items from Amazon. It included products like smartwatches, Xboxes, tablets, and Mac books.

Darshan Jain



Update for the day #424 | Cafe Coffee Day & The Coffee King of India

VG Siddhartha the poster man of Entrepreneurship and Coffee King of India

Cafe Coffee Day Global Ltd. company is a Chikkamagaluru-based business which grows coffee in its own estates of 20,000 acres. It is the largest producer of arabica beans in Asia exporting to various countries including the U.S., Europe, and Japan.

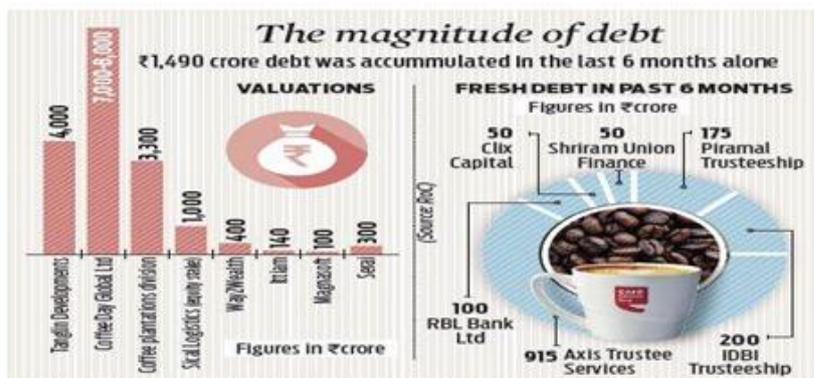
V. G. Siddhartha started the café chain in 1993 when he incorporated Coffee Day Global which is the parent of the Coffee Day chain. The first CCD outlet was set up on July 11, 1996, at Brigade Road, Bangalore, Karnataka. It rapidly expanded across various cities in India adding more stores with more than 1000 cafés open across the nation by 2011.

The death of VG Siddhartha, the founder of India's largest coffee chain, Café Coffee Day (CCD), is most unfortunate. While there are debates on the business, tax and personal reasons behind his death, there are many lessons and action-points from the tragic story for investors. Managing debt, keeping personal and business finances separate, curbing reckless spending, keeping family members in the know and taking sufficient insurance are critical factors for the self-employed, business persons and in general for indebted people.

Beginning of Financial Crisis:

Even as over-indebtedness was crushing him and the company, Coffee Day Enterprises founder continued borrowing, raising as much as Rs 1,500 crore in last six months. Data from the Registrar of Companies shows that capital was raised mostly by pledging shares, but not a penny was used to retire existing debt.

Between January and February, 61.31 per cent stake in Tanglin Development was pledged in lieu of Rs 1,015 crore (51 per cent with Axis Trustee for Rs 915 crore and 10.31 per cent with RBL Bank for Rs 100 crore).



As recent as in May, another Rs 175 crore was borrowed from Piramal Trusteeship Services, even as the company mounted efforts to pare debt by offloading promoter stake in other entities. But it is unclear where the capital was deployed, while tax officials aren't ruling out suspicious transactions.

Interestingly, the Rs 3,200 crore proceeds from L&T towards 20.32 per cent stake sale in Mindtree was of little use. On March 22, complying with the income-tax department, which attached Mindtree shares, the holding entity Coffee Day Enterprises opened an escrow account for Rs 3,000 crore (again by pledging shares) with IDBI Trusteeship Services Ltd. As opposed to reducing the group debt, the transaction didn't offer any respite. In all, with six subsidiaries and nearly 30 associates and joint ventures, Coffee Day Enterprises' consolidated debt as on March 2019 stood at over Rs 6,500 crore, including debt of another listed entity, Sical Logistics.

From a letter purportedly written by Siddhartha, which the tax sleuths dismissed due to a mismatch in signature, the valuation of the companies he founded far exceeds the overall debt, raising questions about why he resorted to an alleged attempted suicide.

The flagship brand Coffee Day Global Ltd alone is valued at Rs 7,000-8,000 crore, which is 3-4 times its current revenue run rate of Rs 2,200 crore. CCD was in talks with beverage giant Coca-Cola to sell it for an estimated Rs 10,000 crore.

Other subsidiaries including the Coffee Plantations division was valued at Rs 2,000 crore, while timber assets are pegged at another Rs 1,000-1,300 crore. The promoter's equity stake in Sical Logistics is valued at Rs 1,000-crore, while other subsidiaries, associates and joint ventures including Tanglin Development, Way2Wealth, Ittiam, Magnasoft and Serai are together valued at Rs 5,000 crore.

Takings from the life of Coffee King of India

If you are a person, please be a good one. Even after VG Siddhartha is gone, people are coming together to talk, not about his business or wealth or success, but about how good of a person he was and how he made them feel.

Harsh Jain



Update for the day #425 | Five Of The Largest Asset Bubbles In History

An **Asset bubble** is when the price of an **asset**, such as housing, stocks or gold, become over-inflated. Prices rise quickly over a short period. They are not supported by an underlying demand for the product itself. It's a **Bubble** when investors bid up the price beyond any real sustainable value.

An asset bubble occurs when the price of a financial asset or commodity rises to levels that are well above either historical norms or its intrinsic value, or both. The problem is that since the intrinsic value of an asset can have a very wide range, a bubble is often justified by the flawed assumption that the asset's intrinsic value itself has skyrocketed or, in other words, the asset is fundamentally worth much more than it was in the past.

A common element that runs through most bubbles is the willingness of participants to suspend their disbelief and to steadfastly ignore the increasing clamor of cautionary signals. Another feature of bubbles is that the bigger a bubble, the greater the damage it inflicts when it finally bursts.

On that note, we list below five of the biggest asset bubbles in history, three of which have occurred since the late 1980s a telling sign of the times.

1. **The Dutch Tulip Bubble:** The Tulipmania that gripped Holland in the 1630s is one of the earliest recorded instances of an irrational asset bubble. By one account, tulip prices soared 20-fold between November 1636 and February 1637, before plunging 99% by May 1637, according to former UCLA economics professor Earl A. Thompson. As bubbles typically do, Tulipmania consumed a wide cross-section of the Dutch population, and at its peak, some tulip bulbs commanded prices greater than the prices of luxury homes.
2. **The South Sea Bubble:** The South Sea Bubble was created by a more complex set of circumstances than the Dutch Tulipmania, but has nevertheless gone down in history as another classic example of a financial bubble. The South Sea Company was formed in 1711, and was promised a monopoly by the British government on all trade with the Spanish colonies of South America. Expecting a repeat of the success of the East India Company, which had a flourishing business with India, investors snapped up shares of the South Sea Company. As its directors circulated tall tales of unimaginable riches in the South Seas (present-day South America), shares of the company surged more than eight-fold in 1720, from £128 in January to £1050 in June, before collapsing in subsequent months and causing a severe economic crisis.
3. **Japan's Real Estate and Stock Market Bubble:** In the present era, asset bubbles are sometimes fuelled by overly stimulative monetary policy. The Japanese bubble was a classic example. The yen's 50% surge in the early 1980s triggered a Japanese recession in 1986, and to counter it, the government ushered in a program of monetary and fiscal stimulus. These measures worked so well that they fostered unbridled

speculation resulting in Japanese stocks and urban land values tripling from 1985 to 1989. At the peak of the real estate bubble in 1989, the value of the Imperial Palace grounds in Tokyo was greater than that of the real estate in the entire state of California. The bubble subsequently burst in early 1990, setting the stage for Japan's "lost decades" of the 1990s and early 2000s.

4. **The Dot-Com Bubble:** For sheer scale and size, few bubbles could match the NASDAQ bubble of the 1990s. The introduction of the Internet triggered a massive wave of speculation in "New Economy" businesses, and as a result, hundreds of dot-com companies achieved multi-billion dollar valuations as soon as they went public. The NASDAQ Composite, home to most of these technology / dot-com companies, soared from a level of under 500 at the beginning of 1990 to a peak of over 5,000 in March 2000. The index crashed shortly thereafter, plunging nearly 80% by October 2002 and triggering a US recession. The Composite eventually reached a new high only in 2015, more than 15 years after its previous peak.
5. **The US Housing Bubble:** Some experts believe that the bursting of the NASDAQ bubble led US investors to pile into real estate in the mistaken belief that this was a much safer asset class. While an index of US house prices nearly doubled from 1996 to 2006, two-thirds of that increase occurred from 2002 to 2006, according to report from The US Bureau of Labour Statistics. Even as house prices were increasing at a record pace, there were mounting signs of an unsustainable frenzy rampant mortgage fraud, condo "flipping," houses being bought by sub-prime borrowers, etc. US housing prices peaked in 2006, and then commenced a slide that resulted in the average US house losing one-third of its value by 2009. The US housing boom and bust, and the ripple effects it had on mortgage-backed securities, resulted in an global economic contraction that was the biggest since the 1930s Depression and has come to be known as the "Great Recession"

The Bottom Line

The five bubbles discussed here were among the biggest in history, and hold valuable lessons that should be heeded by all investors.

Naveen Jv



Update for the day #426 | Nivedan Nempe, Creator of Areca tea

Nivedan Nempe, the creator of **Areca Tea** was born in the southern part of India, in a village called Mandagadde, located in the district of Shivamogga, Karnataka.



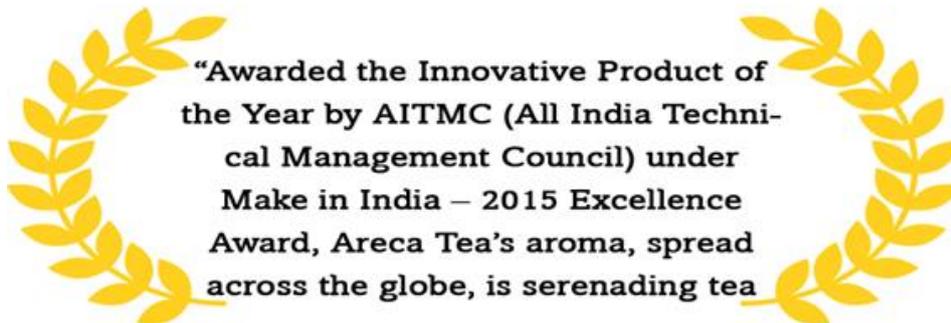
Impressed by a paper which he presented at the International Pharma Conference at Gulbarga, The Swinburne University of Technology for higher education in Goods Manufacturing and Management Technology opened its doors for him for higher studies. After having completed his post-graduation at the Swinburne, his job as a Business Development Consultant took him across Australia, New Zealand, Hong-Kong, Bangkok and Singapore. Nivedan also had a stint as a consultant in Dubai but the love for his motherland and an ambition to serve his country brought him back to India and to the village where he was born.

Nivedan started a company called Mystic Aromatics and began manufacturing recycled paper air fresheners alongside doing agricultural product developments. His aim was to help the agricultural community, mainly the farmers produce to be put to use in different ways apart from the conventional consumption of the same. One such produce that attracted Nivedan's attention was Areca Nut.

Farmers in the region of the Malenadu where Nivedan was born, depend on Areca Nut for their livelihoods. As per the statistics that he collected, over 5 lakh families were dependent upon Areca Nut cultivation and this triggered the thought of an alternate value added product development. As a pharmacist, Nivedan started working on the photo-chemistry of Areca Nut and sent it to various labs for chemical identifications.

In the meanwhile, he collected research papers published on Areca and found that it contains aqueous tannins and many useful chemicals such as anti-oxidants, Proline (Amino Acids) and digestive enzyme enhancing agents. With all the information he had gathered he started working on a new product. Extracting tannins from Areca and aided by his research, Nivedan introduced a new product to the world of tea lovers – Areca Tea. The modernization took 3 to 4 months and Areca Tea Bags went out to the market. He thanks the media for helping Areca Tea gain popularity and taking it to the international level.

The AITMC (All India Technical Management Council) under 'Make in India Excellence Award' recognized his research and awarded Areca Tea as 'Innovative Product of the Year' for 2014-15. With an FSSAI Certificate for production of Areca Tea Nivedan has also received Intellectual Property Rights from the Patenting Authority.



The love for his nation urges him to work harder everyday so that he can give something back to the land where he was born. A fact that Delegates from China visited him to discuss value added product development from Areca has made him feel proud that he has made people sit up and notice this development made in India. He encourages students to do the same too. Nivedan is now working on innovate more by-products of Areca Nut, to further enhance the farmers to grow this crop economically. His dream is to present to the world an array of creations which upholds Indian heritage.

Mounisha Ramesh



Update for the day #427 | Mezzanine Financing

What Is Mezzanine Financing?

Mezzanine financing is a hybrid of debt and equity financing that gives the lender the right to convert an equity interest in the company in case of default, generally, after venture capital companies and other senior lenders are paid.

Mezzanine debt has embedded equity instruments attached, often known as warrants, which increase the value of the subordinated debt and allow greater flexibility when dealing with bondholders. Mezzanine financing is frequently associated with acquisitions and buyouts, for which it may be used to prioritize new owners ahead of existing owners in case of bankruptcy.

How Mezzanine Financing Works?

Mezzanine financing bridges the gap between debt and equity financing and is one of the highest-risk forms of debt. It is subordinate to pure equity but senior to pure debt. However, this means that it also offers some of the highest returns when compared to other debt types, as it often receives rates between 12% and 20% per year.

Companies commonly seek mezzanine financing to support specific growth projects or acquisitions. The benefits for a company in obtaining mezzanine financing include the fact that the providers of mezzanine capital are often long-term investors in the company. This makes it easier to obtain other types of financing since traditional creditors generally view a company with long-term investors in a more favorable light and are therefore more likely to extend credit and favorable terms to that company.

Mezzanine financings can be completed through a variety of different structures based on the specific objectives of the transaction and the existing capital structure in place at the company. The basic forms used in most mezzanine financings are subordinated notes and preferred stock. Mezzanine lenders, typically specialist mezzanine investment funds, look for a certain rate of return which can come from (each individual security can be made up of any of the following or a combination thereof):

- **Cash interest:** A periodic payment of cash based on a percentage of the outstanding balance of the mezzanine financing. The interest rate can be either fixed throughout the term of the loan or can fluctuate (i.e., float) along with LIBOR or other base rates.
- **PIK interest:** Payable in kind interest is a periodic form of payment in which the interest payment is not paid in cash but rather by increasing the principal amount by the amount of the interest (e.g., a \$100 million bond with an 8% PIK interest rate will have a balance of \$108 million at the end of the period, but will not pay any cash interest).
- **Ownership:** Along with the typical interest payment associated with debt, mezzanine capital will often include an equity stake in the form of attached warrants or a conversion feature similar to that of a convertible bond. The ownership component in

mezzanine securities is almost always accompanied by either cash interest or PIK interest, and, in many cases, by both.

Mezzanine lenders will also often charge an arrangement fee, payable upfront at the closing of the transaction. Arrangement fees contribute the least return, and their purposes are primarily to cover administrative costs or as an incentive to complete the transaction.

The Pros and Cons of Mezzanine Financing

Mezzanine financing may result in lenders gaining equity in a business or warrants for purchasing equity at a later date. This may significantly increase an investor's rate of return (ROR). In addition, mezzanine financing providers receive contractually obligated interest payments monthly, quarterly or annually.

Borrowers prefer mezzanine debt because the interest is tax-deductible. Also, mezzanine financing is more manageable than other debt structures because borrowers may figure their interest in the balance of the loan. If a borrower cannot make a scheduled interest payment, some or all of the interest may be deferred. This option is typically unavailable for other types of debt. In addition, quickly expanding companies grow in value and restructure mezzanine financing into one senior loan at a lower interest rate, saving on interest costs in the long term. However, when securing mezzanine financing, owners sacrifice control and upside potential due to the loss of equity. Owners also pay more in interest the longer mezzanine financing is in place.

ICICI Venture's Mezzanine Fund was the first fund in India to focus on mezzanine finance opportunities.

Varsha N. K.



Update for the day #428 | AFFORESTT

Industrial engineer **Shubhendu Sharma** was working at Toyota in India when he met Japanese forest expert Akira Miyawaki, who'd arrived to plant a forest at the factory, using a methodology he'd developed to make a forest grow ten times faster than normal. Fascinated by this, Sharma interned with Miyawaki, and grew his first successful forest on a small plot behind a house.

Today, his company "**Afforestt Environmental Conservation Services Private Limited**" promotes a standardized method for seeding dense, fast-growing, native forests in barren lands, using his car-manufacturing acumen to create a system allowing a multilayer forest of 300 trees to grow on an area as small as the parking spaces of six cars -- for less than the price of an iPhone. Afforestt has helped grow forests at homes, schools and factories. Sharma has seen improvement in air quality, an increase in biodiversity -- and the forests even generate fresh fruit. Afforestt is at work on a platform that will offer hardware probes to analyze soil quality, allowing the company to offer step-by-step instructions for anyone who wants to grow a native forest anywhere in the world.



The problem:

Cities in India are encroaching into surrounding rural areas, and open spaces are becoming a rarity with buildings mushrooming everywhere. And as urban planning in India is weak, green spaces are disappearing. Ensuring a sufficient green cover in urban areas is unfortunately considered a low priority: Indeed, new accommodation solutions and transportation networks are often done at the expense of green areas. Most Indian metropolitan areas have a forest cover of less than 5 percent, according to the Indian Council of Forestry Research and Education. In cities that do have fairly good green cover, trees and saplings are often damaged by soil compaction and other effects of the urban environment. All this contributes to a poor air and environmental quality.

In some cases, government and private institutions (i.e. real estate developers) have created “green spaces” that act as havens within cities. However, most such spaces are laid with lawns or alien varieties of plants that require significant amounts of water. Not native to local regions, these landscapes are expensive and require high maintenance (in terms of manpower, watering, pesticides, and more), as well as being inefficient to absorb sound and air pollution. Hence, growing green cover is considered a useless and expensive luxury.

Most initiatives in India that work on afforestation in rural or urban areas, employ stop-gap measures like drives to plant saplings. Their performance is often measured by the number of trees planted and while well-intentioned, these endeavors take little initiative to employ methods to ensure the saplings survive. Hence, only one of ten saplings will usually survive and grow into an adult tree.



The Solution:

Shubhendu was quick to realize that for the idea of urban afforestation to be attractive to both individuals and institutions, it must be both efficient and financially competitive. Indeed, although his work is primarily to plant trees, he wants to achieve social impact while providing value to price-sensitive clients and stakeholders whose priorities are not initially social. Upon carefully analyzing the urban development space, Shubhendu found a way to reduce his costs by leveraging free saplings, urban space development funding, and manpower from three different government agencies. In doing so, he is connecting the agencies and drawing them all into urban afforestation.

Shubhendu targets various clients, offering end-to-end afforestation solutions to individuals, small businesses, governments, and corporations like Cisco Systems and GMR Group. With each client, he creates urban forests by employing the “Potential Natural Vegetation” methodology propounded by Japanese scientist Akira Miyawaki. For Miyawaki, a natural forest must be composed of native species, be maintenance free, and grow fast. This methodology, which Shubhendu learned from Mr. Miyawaki, has already proven successful. Miyawaki has planted more than 30 million saplings in 3,000 locations around the world. In ten years, these saplings have grown into dense forests perfectly integrated into the

environment (i.e. the side of a highway or surrounding a manufacturing plant). The growth rate achieved by Miyawaki's method is ten times faster than what nature would take.

Shubhendu has pushed this original method forward by introducing two changes and adapting it to the Indian context. First, he does not bring top soil from other localities to make a mound; indeed compared to Japan where lands have become barren due to decades of heavy industrialization, India has relatively unaltered soils that still have the necessary microorganisms to grow a forest.

Shubhendu believes bringing external top soil would ruin this original land. Not only is this change a more efficient use of the available resources, it also allows him to cut costs by 33 percent. Second, Shubhendu has introduced Panchagavya, a natural liquid made of five elements obtained from cows. Traditionally used in religious rituals in India, Shubhendu uses it as an organic plant fertilizer, which enhances forest growth, increases immunity, and more importantly, naturally prevents stray cattle from eating the saplings. Shubhendu believes that the quality of a forest can be assessed on three different criteria: (i) diversity (ii) density and (iii) self-sustenance. Afforestt uses a range of strategies and methodologies to measure up well against these tests.

Shubhendu has created more than 17 natural forests in five cities in India, spreading over 105,000 sq. ft., and roughly 36,000 trees. He has shown the ability to seize unusual opportunities to extend his work. For instance, Shubhendu convinced the Bangalore Assistant Commissioner of Police to grow a forest around the digital crime building to ensure the confidentiality of their operations. More recently, Shubhendu has engaged colleges and institutions to conduct workshops on these methodologies. Promoting a "do-it yourself" approach, he is empowering youth and other citizens to easily grow a forest in their garden.

Let us all take little steps towards making our living places greener and better by planting saplings and cultivating the "Go Green" habit.

Sakshi Bagrecha



Update for the day #429 | The 10 commandments | Christianity

Let's all believe in the divine, his second coming, praise Lord Jesus and learn about the 10 commandments by the holy spirit!

The division of the commandments themselves is not at all certain. There are 13 sentences in the accepted Jewish version of the Ten Commandments (17 in the Christian), but it is difficult to ascertain with certainty from the text itself what comprises the first commandment, the second, and so forth. For while there are 13 *mitzvot* [commandments] to be found in the text, their allocation to the Ten Commandments can be done in a variety of ways.

The Commandments

First Commandment

I am the Lord Your God, who brought you out of the land of Egypt, out of the house of bondage.

Second Commandment

You shall have no other gods beside Me. You shall not make for yourself any graven image, nor any manner of likeness, of any thing that is heaven above, or that is in the earth beneath, or that is in the water under the earth. You shall not bow down to them, nor serve them, for I, the Lord Your God, am a jealous God, visiting the iniquity of the fathers upon the children unto the third and fourth generation.

Third Commandment

You shall not take the name of the Lord Your God in vain; for the Lord will not hold him guiltless that takes His name in vain.

Fourth Commandment

Remember the Sabbath, to keep it holy. Six days you shall labor, and do all your work; but the seventh day is a Sabbath unto the Lord Your God, in it you shall not do any manner of work, you, nor your son, nor your daughter, nor your man-servant, nor your maid-servant, nor your cattle, nor your stranger that is within your gates; for in six days the Lord made heaven and earth, the sea, and all that in them is, and rested on the seventh day. Wherefore the Lord blessed the Sabbath day, and made it holy.

Fifth Commandment

Honor your father and your mother, that your days may be long upon the land which the Lord God gives you.

Sixth Commandment

You shall not murder.

Seventh Commandment

You shall not commit adultery.

Eighth Commandment

You shall not steal.

Ninth Commandment

You shall not bear false witness against your neighbor.

Tenth Commandment

You shall not covet your neighbor's house, nor his wife, his man-servant, his maid-servant, nor his ox, nor his ass, nor anything that is your neighbor's.

Rahul Murthy



Update for the day #430 | Kaizen Model

"Success isn't overnight. It is when every day you get a little better than the day before".

Kaizen is a Japanese term meaning "change for the better" or "continuous improvement." It is a Japanese business philosophy regarding the processes that continuously improve operations and involve all employees. Kaizen sees improvement in productivity as a gradual and methodical process.

The concept of kaizen encompasses a wide range of ideas. It involves making the work environment more efficient and effective by creating a team atmosphere, improving everyday procedures, ensuring employee satisfaction, and making a job more fulfilling, less tiring, and safer.

How Kaizen Works?

Some of the key objectives of the kaizen philosophy include quality control, just-in-time delivery, standardized work, the use of efficient equipment, and the elimination of waste. The overall goal of kaizen is to make small changes over a period of time to create improvements within a company. That doesn't mean alterations happen slowly; it simply recognizes that small changes now can have huge impacts in the future. Improvements can come from any employee at any time. The idea is that everyone has a stake in the company's success and everyone should strive, at all times, to help make the business model better.

Many companies have adopted the kaizen concept. Most notably, Toyota employs the kaizen philosophy within its organization and has esteemed it as one of its core values. Within its production system, Toyota encourages and empowers all employees to identify areas of potential improvement and create viable solutions.

Requirements for Kaizen

Traditional Japanese ideas of kaizen follow five basic tenets: teamwork, personal discipline, improved morale, quality, and suggestions for improvement. These five tenets lead to three major outcomes: elimination of waste, good housekeeping, and standardization. Ideally, kaizen becomes so ingrained in a company's culture that it eventually becomes natural to employees.

The kaizen concept puts forward the fact that there is no perfect end and that everything can be improved upon. People must strive to evolve and innovate constantly. The basic principle of kaizen is that people who perform certain tasks and activities are the most knowledgeable about that task/activity; including them to effect change is the best strategy for improvement.

Ashweeja A Bhat



Update for the day #431 | Wash Sale Rule

"Illegality is not a question of law but it is a question of your consciousness"

Best investors are those who get the best out of the worst conditions. However, few investors go a little further and exploit the loopholes in tax laws in order to curb taxes. One of the techniques stock investors came up with was selling the low-sailing stocks in order to book the losses and purchase the same stock on the same day or after few days at the price at which it was sold or maybe even lower.

So now the question is how does this activity benefit the investor?

He realises the loss to the extent the stock takes dip and he buys it back immediately so that the portfolio is not affected in terms of stock holding. By doing this the investor not only realises loss but also gives time to the potential stocks to recover and fetch a better price in future. This realised loss is adjusted against the realised capital gains which directly brings down the tax liability. Using losses to reduce tax liabilities is called "tax loss harvesting".

Internal Revenue Services (IRS) recognised this and established **Wash Sale Rule** a couple of years ago. The intention of Wash Sale Rule is to prevent the investors from claiming artificial losses.

What is a Wash Sale?

A **wash sale** is a **sale** of a security at a loss and repurchase of the same or substantially identical security shortly before or after.

When is the Wash Sale Rule attracted?

Wash sale rule is attracted when an investor sells or trades a share at a loss and, within 30 days before or after this sale, buys a "substantially identical" stock or gets into a contract to do so. Interestingly, wash sale rule is attracted when the purchase of "substantially identical" stock is made by the investor's spouse or by any of the companies in which the investor hold substantial interest.

How are these wash sale losses treated?

They are directly disallowed in the broker's statement itself. Attaching screenshot of one of our client's US broker statement.

Note: I tried finding a similar provision in Indian laws but could not find anything of this sort. Rather, I came across a 4 year old article of Zerodha which talks about this as tax planning.

Chirag Jain



Update for the day #432 | Forensic Audit

Introduction:

In the emerging economic scenario, forensic accounting is an essential tool for uncovering or inquiry of financial crime and the direction of justice, providing decisive information about the facts found related to financial crime. It is a new area, but in recent years, banks, insurance companies and even police have increased taking help of forensic accountants. The increase in white collar crime and the difficulties faced by law enforcement agencies in uncovering fraud have also contributed to the growth of the profession. Organizations like Indiaforensic, Institute of Chartered Accountants of India (ICAI) and Association of Chartered Certified Accountants (ACCA) offer courses on forensic auditing in India.

Meaning of Forensic Accounting:

Forensic accounting is a specific area of accounting which investigates fraud and analyze financial information which can be utilized in legal trials. Forensic accounting is judicious mix of accounting, auditing and investigative skills to perform investigations of financial frauds. It is helpful for legal action and analytical Accounting.

Meaning of Forensic Audit:

Investopedia defines - A forensic audit is an examination and evaluation of a firm's or individual's financial information for use as evidence in court. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims.

Objectives of Forensic Auditing:

Following are objectives of Forensic Auditing

- To use the forensic accountant's conclusions to facilitate a settlement, claim, or jury award by reducing the financial component as an area of continuing debate
- To avoid fraud and theft
- To restore the downgraded public confidence
- To formulate and establish a comprehensive corporate governance policy
- To create a positive work environment

Techniques and tools of forensic audit

Different tool and techniques used for Forensic Audit are:

1. Bench-marking - comparison of financial result of one period with another or the performance of one cost center, or business unit, with another and overall business performance with its pre-decided standards.
2. Ratio analysis - to identify any abnormal trends and changes.
3. System analysis - to examine the systems in place and identifying any weaknesses which could be opportunities for the fraudsters.
4. Specialist software- like audit tools for data matching analysis.
5. Exception reporting -Generating automatic unchangeable reports that to find out deviation from the norms.

Literacy for Forensic Accounting in India:

Forensic Accountants has come to the limelight only recently due to rapid increase in frauds and white-collar crimes. There is huge requirement for honesty, fairness and transparency in Indian Corporate reporting. The Institute of Chartered Accountants of India (ICAI) started a course on forensic accounting for only its members. It is "Certificate Course on Forensic accounting and Fraud Detection using IT and CAATs". At present, very few academic institutions are offering courses (full time or part time) on forensic accounting. Indian universities are lagging behind in this area as compared to other foreign universities. Some leading organization such as India forensic (Pune, Maharashtra) started certificate Course in Bank Forensic Accounting (CBFA), Certified Forensic Accounting Professional (CFAP). Institute of Chartered Financial Analyst of India (ICFAI) University also started Postgraduate Diploma in Forensic Accounting.

Kuldeep N



Update for the day #433 | Algorithm Trading

Algorithm in trading

An algorithm is a specific set of clearly defined instructions aimed to carry out a task or process. And there are instances when a human trader is not able to handle enormous numbers of trading, and that's when we need intervention of an intelligent algorithm.

Algorithms have gained popularity in the trading landscape and many big clients demand it. These mathematical algorithms analyse every quote and trade in the stock market, identify liquidity opportunities, and turn the information into intelligent trading decisions.

Algorithmic trading, or computer-directed trading, cuts down transaction costs, and allows investment managers to take control of their own trading processes. Algorithm innovation continues to offer returns for firms with the scale to absorb the costs and to reap the benefits.

What is Algorithm Trading?

Algorithmic trading (automated trading, black-box trading, or simply algo-trading) is the process of using computers programmed to follow a defined set of instructions for placing a trade in order to generate profits at a speed and frequency that is impossible for a human trader. Any strategy for algorithmic trading requires an identified opportunity, which is profitable in terms of improved earnings or cost reduction. The algorithmic trading strategies follow defined sets of rules, and are based on timing, price, quantity or any mathematical model. Apart from profit opportunities for the trader, algorithmic-trading makes markets more liquid and makes trading more systematic by ruling out emotional human impacts on trading activities.

Suppose a trader follows these simple trade criteria:

Buy 100 shares of a stock, when its 100-day moving average goes above the 200-day moving average

Sell shares of the stock, when its 100-day moving average goes below the 200-day moving average

Using this set of two simple instructions, a computer program can be written that will automatically monitor the stock price (and the moving average indicators) and place the buy and sell orders when the defined conditions are met. There is no manual intervention required here. The trader no longer has to monitor the live prices and graphs, or place orders himself. This algorithm does his work for him very efficiently.

What if there is a bug in the Algorithm used by a trader?

We may not personally use algorithms, but if we are in the market, we need to know how they are used by other investors. A key concern with high frequency trading (HFT) and algorithms is that if there is a bug in the programme, it can result in losses to lakhs of investors. In 2010, during the Muhurat trading session, volumes in the BSE derivative segment shot up sharply. This was attributed to an error in the algorithm of a share broker in Delhi, which saw buy and sell orders repeatedly being executed on the derivative platform. Sometimes trader errors or typos can cause stock prices to run riot if HFT or algo trades piggyback on the trend.

SEBI's take on Algorithm Trading

The SEBI has laid down its guidelines i.e. Guidelines on Algorithmic Trading for National Commodity Derivatives Exchanges, for this type of trading. Further, to address the issues and provide more facilities to the members, relating to co-location services and proximity hosting, penalty on order to trade ratio, etc it has released several circulars.

Benefits of Algorithmic trading:

1. Trades are executed at the best possible prices
2. Instant and accurate trade order placement
3. Trades timed correctly and instantly. This avoids significant price changes
4. Reduced transaction costs due to lack of human intervention
5. Simultaneous automated checks on multiple market conditions
6. Reduced risk of manual errors in placing the trades
7. Reduced possibility of mistakes by human traders based on emotional and psychological factors
8. The greatest portion of present-day algorithmic trading is HFT. This trading method attempts to capitalize on placing a large number of orders at very fast speeds, across multiple markets, and multiple decision parameters, based on per programmed instructions.

Forms of trading and investment activities using Algorithmic-Trading:

1. **Mid to long term investors** or buy side firms (pension funds, mutual funds, insurance companies) who purchase stocks in large quantities but do not want to influence stocks prices with discrete, large-volume investments.
2. **Short term traders and sell side participants** (market makers, speculators, and arbitrageurs) benefit from automated trade execution; in addition, algorithmic-trading aids in creating sufficient liquidity for sellers in the market.
3. **Systematic traders** (trend followers, pairs traders, hedge funds, etc.) find it much more efficient to program their trading rules and let the program trade automatically.

Requirements for Algo-Trading

Automated trading provides a more systematic approach to active trading than methods based on a human trader's intuition or instinct. To get into algorithmic trading the following requirements have to be met:

1. A computer program that can read current market prices
2. Price feeds from stock exchanges
3. A forex rate feed for exchange rate
4. Order placing capability which can route the order to the correct exchange
5. Back-testing capability on historical price feeds

Square off trading, Samco trading, Kaunts.in etc. are few Algo traders based in India

However, as a smart investor, we need to understand risks and challenges. For example, system failure risks, network connectivity errors, time-lags between trade orders and execution, and, most important of all, imperfect algorithms. Remember, if we can place an algo-generated trade, so can the other market participants. Consequently, prices fluctuate in milli- and even microseconds. The more complex an algorithm, the more stringent back testing is needed before it is put into action.

Prashanth Goel M



Update for the day #434 | E- voting

E-Voting is a process of voting by electronic means. In the corporate world, there are many occasions when a company needs to obtain approval from its shareholders, like Annual General Meeting (AGM), Extra-ordinary General Meeting (EGM) etc.

Earlier, company management moved the resolutions to be passed before the shareholders present physically in the meeting and they used to convey their consent or dissent by voting on each resolution, in paper form. Further, there are certain occasions wherein a company is allowed to circulate resolutions among the shareholders and seek their consent through postal means. This is known as 'postal ballots'. Some of the occasions where postal ballots are allowed are – change in the registered office, buy back of shares, etc. e-Voting is a technology based effective alternative for the voting process for any of the above mentioned occasions.

A company which needs to undergo process of voting can appoint any of the authorized e-Voting service provider and enable its shareholders to cast their vote electronically without being present physically at the meeting venue or without depending upon the postal means (postal ballot). With this service, shareholders can access the voting platform in a secured way and cast their vote electronically, while sitting in the comfort of their home or office.

How Does e-Voting Work?

- A company needs to identify the occasion to use e-Voting. There are certain occasions wherein it is mandatory for the company to provide e-Voting as an option to its shareholders.
- Having decided the occasion, company needs to ascertain who are eligible to participate in the voting process. So it prepares the list of eligible shareholders and number of votes they can exercise, as on the cut-off date and inform (by email / letters) them about the resolutions proposed for voting.
- Company engages with an authorised entity to provide e-Voting facility. The identified (eligible) shareholders are informed about the User ID and Access Password to use the e-Voting facility. Company also informs them about the timelines during which the e-Voting can be done.
- To ensure fairness and transparency in the voting process, the company needs to appoint an independent scrutinizer.
- The company need to provide helpline number for grievance redressal related to e-Voting.
- Prior to start of the e-Voting cycle, company or its authorised registrar is required to upload the proposed resolutions and other relevant documents.

- Shareholders can access the e-Voting system anytime during the specified period using the User ID and Password known to them.
- Shareholders can cast their vote on each resolution as per their preference. The number of votes each shareholder can exercise depends upon the number of shares held by them on the cut-off date, as determined by the company.
- After the voting period ends, the scrutinizer appointed by the company collates the votes casted through different options - e-Voting (online & tab based), postal means and in paper form (by shareholders present in person at the meeting)
- The company management announces the voting results based upon the report submitted by the scrutinizer

What are legal provisions related to e-Voting?

In keeping with global trends and in recognition of the importance of broad-based shareholder participation in corporate decision-making process, the Ministry of Corporate Affairs (MCA) introduced the concept of voting through electronic mode. As per Rule 20 of the Companies (Management and Administration) Rules, 2014, every listed company is required to provide its members a facility to exercise their right to vote by electronic means. In order to strengthen this process, the Ministry has also laid down systems and processes to be followed by companies to ensure that shareholders are able to exercise their right to vote in a confidential and secure manner. Initially, e-Voting was prescribed as an alternate to postal ballot. Later, it was expanded in form of 'at venue' voting through electronic means (such as tablets, mobile devices).

Examples of resolutions shareholders can vote on:

Approval of the financial statements, Board Report, Auditors Report	Alteration to the Memorandum of Association or Articles of Association
Approval of the payment of dividend	Issuance of shares (equity and preference)
Appointment, re-appointment or removal of auditors	Issuance or modification in stock options
Remuneration of auditors	Buyback of shares
Appointment, re-appointment or removal of independent and non-executive directors	Change in the utilization of IPO/FPO funds
Remuneration of executive and non-executive directors	Sale of assets or subsidiaries and undertakings
Appointment of managing or whole time director	Reorganization of share capital
Election of Small Shareholder Director	Merger, acquisition or amalgamation
Change in the constitution of the board of directors	

Benefits of e-voting:

1. Increase in shareholders participation in corporate decision-making process
2. Better corporate governance
3. Environmentally conscious
4. Error free and Quick results
5. Beneficial for investors with holdings in multiple companies

e-Voting service of NSDL

NSDL is duly authorised by MCA to offer an electronic platform for shareholders to cast their vote. NSDL's e-Voting offerings are fully compliant with MCA guidelines and certified by Standardization Testing and Quality Certification (STQC) Directorate of Govt. of India. NSDL enables companies to offer e-Voting option to their shareholders - remotely as well as at meeting venue. Any company can avail these services by entering into an agreement with NSDL. Apart from companies, these services can be used by any organization / association which require to have a voting process, for example shareholders director election of bank, elections in clubs and associations, etc.

Kiran M G

Update for the day #435 | Robin Hood Army

" Hunger is more than a missing meal "

Did you know ?

- > Hunger kills more people each year than AIDS, malaria and terrorism combined.
- > Every 10 seconds, a child dies from hunger.

The idea to create self-sustained chapters across the world who will look after their local community became the mission of Robin Hood Army.

The Robin Hood Army (RBA) is a volunteer based organisation that works to get surplus food from restaurants and pass it on to the less fortunate sections of society in cities across India and 12 other countries. The organisation consists of over 33,500 volunteers (approximately) in 150 cities, and have served food to over 16.7 million people so far.

The Robin Hood Army was founded by Neel Ghose and Anand Sinha. It was originated in New Delhi, and then eventually spread its operations to other cities such as Kolkata, Mumbai, Hyderabad, Bangalore, Jaipur, Jabalpur, Panipat, Gurgaon, Pune Dehradun,

The members of this organisation are known as Robins, and mostly comprise students and young working professionals who indulge in the activities during their free time.



As the Robins' say- "The challenge is not lack of food, it is making it available to everyone who need it "

Currently the organisation has tied up with multiple restaurants across the 60 cities that provide them with food. The organisation does not accept monetary donations and only distributes the food or donations in kind that it receives from its restaurant partners and donors.

The Robin Hood Army actively leverages Facebook and Twitter to generate awareness and inspire new volunteers to join.

Three principles of Robins include

1. Spreading awareness of its activities through social media to promote the idea of self-sustained communities.
2. Tie-ups and associations with restaurants to provide food in large numbers to the homeless/less fortunate communities.
3. Introduce new volunteers on a regular basis to the system, to create an impact on the lives of the less fortunate and in the process inspire a community to give time and help to those who need it most.

Not only does RBA distribute food to the underprivileged, but also conducts regular weekend classes and excursions with a standardized curriculum to introduce and drive the spirit of learning.

How it works ?

In case of any event around the vicinity, the management in charge of the event can log on to their website (i.e. <https://robinhoodarmy.com/>) and enter details of the event such as the location, contact person's email ID, phone number and other details. By doing so we can "Pledge" that the surplus food from the event goes for a good cause.

For their 5th year running, they are undertaking a unique project - #Mission5. The idea is to mobilize grains across India & Pakistan to serve 5 million citizens across 500 villages over 5 days.

The biggest act of patriotism this Independence Day is serving one's countrymen.

So let us pledge that everyday one person goes to sleep with a full stomach.

Varsha S V



Update for the day #436 | Netaji Subhas Chandra Bose

On 18th August 1945 it was reported that Netaji Subhas Chandra Bose was seriously injured and badly burned in a plane crash in Taihoku airport, Taiwan and is believed to have passed away in a nearby Japanese military hospital.

Subhas Chandra Bose, fondly known as Netaji, was an important Indian Nationalist leader who fought for Indian Independence from the British during the years following World War II, taking help from the Axis Powers (nations which fought the Second World War against the Allied Forces).

Subhas Chandra Bose was born on 23rd January 1897 in Cuttack (then part of the Bengal Presidency) to Janakinath Bose and Prabhavati Devi. Bose graduated from the University of Kolkata in 1919 and left for England to appear for the Indian Civil Service Exam (ICS). He cleared the exam but soon resigned from his job in the Civil Services and came back to India, since he did not want to work under the British. Back in India, Bose took responsibility for the publicity of the Bengal Provincial and in 1923, he was elected as the President of the All India Youth Congress and also as the Secretary of the Bengal State Congress. In 1925 along with the arrest of several other nationalists, Bose was arrested too and was sent to prison in Mandalay.

After being released from Prison in 1927, Bose became General Secretary of the Congress party and worked for Independence along with Jawaharlal Nehru. Bose was soon arrested again for Civil Disobedience and by the time he was released from prison, he became Mayor of Kolkata in 1930. In the 1930's Bose traveled to Europe where he met Indian students and European politicians like Benito Mussolini and observed communism and fascism in action. He had received recognition as a national leader and accepted nomination as Congress President, by end of 1928.

Bose supported Swaraj (self-governance) and also the use of force against the British. Mahatma Gandhi who was a follower and propagator of non-violence did not agree with Bose's philosophy, which led to a confrontation since Gandhi opposed Bose as a President. Gandhi eventually advised Bose to form his own cabinet. This disagreement between Bose and Gandhi also led to tension between Bose and Nehru. Yet, in 1939, Bose was elected as Congress President again. However, due to the mass support, Gandhi enjoyed in the Congress, Bose was soon forced to resign from his presidency.

In 1939 Bose formed the Forward Bloc. During the Second World War in 1939, Bose initiated a mass movement under which he started uniting people from all over the country. Since there was a massive response to his call, Bose was immediately arrested by the British. While in prison, Bose refused to accept food and water for two weeks and with his health condition worsening and fearing outrage from across the country, Bose was put under house arrest.

While under house arrest, Bose planned his escape. Bose grew a beard and escaped his house dressed as a Pathan so that the British could not identify him. On the night of January 19th, 1941 Bose escaped first to Bihar and then to Peshawar (now in Pakistan). Finally, Bose reached Germany, via Kabul, Moscow, and Rome where he met Hitler. In 1943, Bose left for South East Asia to raise an army to fight for freedom against the British, the army was called the Indian National Army (INA).

While in England, Bose met leaders from the British Labour Party, including Clement Attlee who also served as the Prime Minister of the United Kingdom from 1945 to 1951. Bose also met Harold Laski, British political theorist and Sir Stafford Cripps, a British Labour politician, with whom he discussed the future of India. Eventually, it was with the Labour Party in power and Attlee as Prime Minister that Indians gained freedom from British rule.

There is a cloud of controversy regarding the death of Subhas Chandra Bose. It is alleged that Bose died in a plane crash in Taipei in Taiwan on 18th August 1945 while on his way to Tokyo and then the Soviet Union. The Japanese aircraft Bose was traveling in had a technical problem in its engine and it crashed, following which Bose suffered severe burns and died in a nearby Japanese hospital after a few hours. It is believed that his body was cremated and his ashes were interred in at the Rekonji Temple in Tokyo, though there is a dispute if the ashes interred in the temple are indeed his. The absence of Bose's body has given rise to many theories that it was possible that he may have survived the crash. Several committees were set up by the Government of India to look into this matter. Even though no concrete evidence with regard to Bose's death has emerged yet, a portrait of Bose is present in the Indian Parliament and a statue of him has been erected outside the West Bengal Legislative Assembly. Bose has also been described as "Patriot of Patriots" by Mahatma Gandhi.

This is the special day where we could remember the great sacrifices of Netaji Subhas Chandra Bose for his unforgettable contribution in securing freedom for the nation.

Jai Hind !!!!

Nagaraj Hebbar BR



Update for the day #437 | Base Erosion and Profit Shifting (BEPS)

Base Erosion and Profit Shifting (BEPS) has emerged as one of the most important challenges for governments all over the world. The Liberalization, Privatization and Globalization (LPG) has resulted;

- Free movement of Capital and Labour;
- Shift of manufacturing base from high cost to lower cost locations;
- Gradual removal of the trade barriers, and
- Rise of digital economy.

The digital economy has boosted trade and foreign investments in many countries, thereby supporting generation of employment, growth, innovation and removal of poverty. The LPG also helps in creation of multinational organisations all over the world.

There in past the fear of double taxation restricts multinational companies to spread outside their country. It was recognised that the interaction of the foreign companies with domestic tax system in host country might lead to double taxation, which might result in adverse impacts on growth and global prosperity.

The governments to eliminate double taxation started entering into Double Tax Avoiding Treaties. The bilateral treaties are effective in preventing double taxation, but they often fail to prevent double non-taxation that results from interactions among more than two countries. This led increased a number of sophisticated tax planners, who are expert in finding loopholes in these Double Tax Avoidance Agreements and helping MNCs to do aggressive treaty shopping and go for Base Erosion and Profit Shifting to reduce their Tax Burden.

DEFINITION:

Base erosion and profit shifting (BEPS) refers to corporate tax planning strategies used by multinationals to “shift” profits from higher-tax jurisdictions to lower-tax jurisdictions, thus “eroding” the “tax-base” of the higher-tax jurisdictions.

The Organization for Economic Co-operation and Development (OECD) define BEPS strategies as also: “exploiting gaps and mismatches in tax rules”;

The BEPS is a term used to described “ tax planning strategies” that rely on mismatches and gaps that exist between the tax rules of different jurisdictions , to minimise the corporation tax that is payable overall, by either making tax profits “ disappear” or shift profits to low tax operations where their little or no genuine activity.

BEPS generally refers to those instances, where gaps between different taxation regimes leads to tax avoidance and loss to the concerned governments. The MNCs by taking advantage of gaps in taxation rules and regulations of two countries, shift their profit from higher taxation state to lower taxation state, causing tax loss to former. The BEPS refers to;

- Due to gap in application of the bilateral tax treaties, cross border activities may go untaxed in any of two countries;
- No or low tax is paid by shifting profits to low jurisdictions and shifting losses and high expenditure to high tax jurisdictions.

In generally BEPS activities are not illegal because these MNCs are exploiting the taxation gaps between two countries to avoid payment of tax in higher taxation country to lower taxation country.

The base erosion constitutes a serious risk to tax sovereignty, tax fairness and tax revenues for both developed and developing countries alike.

The Double Taxation Avoidance Agreement between two countries will be made on assumption that the same transaction should not be taxed in both countries. But due to tax planning and gaps available the MNCs plan their transaction in such a way that their transaction does not taxed anywhere in two countries.

To understand the process lets' consider two cases;

1. **APPLE INC.** -the US base and world leader MNE, used a verity of offshore structures, arrangements and transactions to shift billions of dollars of profit away from US and into Ireland, where Apple has negotiated a Special Corporate Tax less than 2%. On of Apple's unusual tactics has been to establish and direct substantial funds to offshore entities in Ireland, while claiming that they are not residents of any jurisdiction. Apple has also transferred its economic rights to its intellectual property through cost sharing agreements with its own offshore affiliates, and thereby able to shift billions of dollars to low tax jurisdiction to avoid taxation in US.
2. **GOOGLE INC.** - carried out aggressively expansion of its operations in 2011, its revenue reached nearly \$38 billion and its profit \$10 billion. Effective tax rate was 2.4% in that year, while the statutory tax rate in USE was 35%. The IT giant resorted to setting up of a subsidiary Ireland Holdings Limited and shifted intellectual property rights to Ireland through cost sharing agreement, since agreeable tax rate was 12.5% and there was an availability of appropriate personnel. IHL acquired rights to exploit Google IP's rights for Europe, Middle East and Africa through CSA. The Google has also entered into APA through which the profits generated by exploiting of IP rights in these countries were taxed in Ireland and not in US.

Most BEPS activity is associated with industries with intellectual property (“IP”), namely Technology (e.g. Apple, Google, Microsoft, Oracle), and Life Sciences (e.g. Allergan, Medtronic, Pfizer and Merck & Co) . IP is described as the raw materials of tax avoidance, and IP-based BEPS tools are responsible for the largest global BEPS income flows. Corporate tax havens have some of the most advanced IP tax legislation in their statute books.

Nandan M N



Update for the day #438 | Green belt

“The greatest threat to our planet is the belief that someone else will save it”

What is a Green belt?

A green belt is a policy and land use zone designation used in land use planning to retain areas of largely undeveloped, wild, or agricultural land surrounding or neighboring urban areas. Green belt land refers to an area that is kept in reserve for an open space, most often around larger cities.

Purpose:

The main purpose of the green belt policy is to protect the land around larger urban centers from urban sprawl, maintain the designated area for forestry and agriculture, to provide habitat to wildlife as well as to improve air quality within urban areas.

In British town planning, the green belt is a policy for controlling urban growth.

Restrictions over Green belt areas:

Areas that are designated as green belt must not be built upon because green belt is defined as an open space, however, that does not mean that no buildings can be erected in green belt. Buildings for agricultural uses and sanitation facilities, for instance, are usually allowed. In some cases, it is also possible to change the use of land in green belt and even gain permission for structures that are officially not allowed in green belt. However, such cases are very rare, and the local authorities grant permission only if no suitable site for the building can be found in the urban center or outside the green belt.

Benefits:

- Green belt policy may not work well in all areas and has been a subject of criticism in the recent years, however, its advantages by far outweigh its disadvantages.
- The UK government therefore encourages local authorities to protect the land around the towns by creating green belts. At the moment of writing, green belt land covers about 13 percent of total area in England, 16 percent in Northern Ireland and 2 percent in Scotland.
- The UK benefited a lot from green belts in the last 50 years because only 12% of the total area is covered by forests making air quality and suitable wildlife habitat highly problematic.
- Things have been changing for the better over the last few decades by using eco-friendly heating using char wood stoves or solar panels, but the country is still lagging behind in comparison to other European countries when it comes to percentage of forested land.
- Green belts do not solve the problem related to low forest cover, but they significantly improve air quality and help combat a number of environmental problems.

Green belt in India:

In India, we do not have any exclusive green belt policy or green belt regulation, as available in other countries. However, on the basis of other environmental policies and Acts, we do have certain areas of land as green belts where no industrial and residential projects is encouraged.

The Environmental Impact Assessment (EIA) has come up with a guidance manual where building, construction, townships, industries and area development projects must conform to certain rules and regulations that do not hamper the ecological balance of the region. The green belt development is necessary to improve the overall environmental condition of a particular region and maintain the ecological health. In India, therefore, there is lot of talk about the urgent need for the creation of green belt zones.

In essence, a green belt is an invisible line designating a border around a certain area, preventing development of the area and allowing wildlife to return and be established.

Dhaarani M V

Update for the day #439 | Hima Das

Early life and Education:

- Hima Das known as “Dhing Express”, is an Indian Sprint runner from Assam.
- She was born in a poor family near Kandhulimari Village in Assam on 9th January,2000.
- Hima’s superior talent came to light at an inter-district meet back in 2016.
- In spite of the lack of training facilities and equipment available, the resilient sprinter scalped a bronze medal in the state meet.
- Das passed 12th grade exam from Assam Higher Secondary Education Council in May, 2019.

How Hima Das rose to Success:

- After the Initial development, Hima Das built on that success to compete well in the 2018 Commonwealth Games at Gold coast, Australia in Aril, 2018.
- She was competing in the 400 meters as well as 4*400 meters relay. In the 400 meters she reached the final, but she had to suffice herself with a sixth place that came in a time of 51.32 seconds.
- Later, on 12th July,2018, her maiden accomplishment came in the 400m final at the World U-20 championships, 2018 held at Tampere in Finland.
- She had clocked 51.46 seconds to reach the summit. Moreover, with this win, she became the first Indian sprinter to ever win a gold medal at an International track event.

Contribution in Social welfare activities:

- Hima Das has always shown a peaking interest in social welfare, and is known to have led a campaign against social ills illicit liquor dens in her local area.
- The massive downpour in Assam which lead to a terrifying flood, left lakhs of people displaced, amidst her hectic schedule, the star athlete set a shining example by coming to the aid of those affected by the floods in Assam, she donated half of her salary to the chief Minister’s Relief Fund.

Some facts about Dhing Express Hima Das:

- Football was her first interest: During her schooldays, Hima was interested in football and would play football with the boys.
- Although she wanted to pursue a career in football, her physical education teacher Shamsul Hoque convinced her to change her line to sprint running, as they did not see football as the right career option for her.
- First Indian sprinter to win a gold medal at an international level event, World U-20 championships, 2018.

- In September, 2018, Hima signed an endorsement deal with the International brand, Adidas.

Award/Achievements and Recognition:

- Hima Das Received Arjuna Award in 2018
- In 2018, UNICEF appointed her as India's first ever Youth Ambassador
- The State Bank of India announced Hima Das as the brand ambassador of digital SBI YONO
- In July 2019, she bagged a total of five gold medals in a month:
- She won 200m gold in Poznan Athletics Grand Prix in Poland on 2nd July, 2019.
- On 7th July, 2019 she won 200m gold at the Kutno Athletics Meet in Poland.
- 13th July, 2019: She won 200m gold at the Kladno Athletics in the Czech Republic.
- She also bagged the gold medal in the 200m race at the Tabor Athletics Meet, on July 17, 2019.
- On 20 July 2019, she roared to her fifth gold of the month July'19 in her 400-meter race in Nove Mesto, Czech Republic.

Suresh Poudel



Update for the day #440 | Haircut

What Haircut in financial term means ?

The term haircut is most commonly used when referencing the percentage difference between an asset's market value and the amount that can be used as collateral for a loan. There is a difference between these values because market prices change over time, which the lender needs to accommodate for.

A haircut refers to the lower-than-market value placed on an asset being used as collateral for a loan. It is expressed as a percentage of the markdown between the two values. When they are used as collateral, securities are generally devalued, since a cushion is required by the lending parties in case the market value falls.

For example, if a person needs a Rs.1,00,000 loan and wants to use his Rs.1,00,000 stock portfolio as collateral, the bank is likely to recognize the Rs.1,00,000 portfolio as worth only of Rs.50,000 in collateral. The Rs50,000 or 50% reduction in the asset's value, for collateral purposes, is called the haircut.

When collateral is being pledged, the degree of the haircut is determined by the amount of associated risk to the lender. These risks include any variables that may affect the value of the collateral in the event that the lender has to sell the security due to a loan default by the borrower. Variables that may influence that amount of a haircut include price, volatility, credit quality of the asset's issuer (if applicable), and liquidity risks of the collateral

Why are Haircuts used?

Lenders need to make sure that the money they lend is paid back. The biggest assurance, of course, is an agreement with the borrower. But, if the borrower fails to repay, then the lender will have to sell the collateral. So, the lender needs to ensure that he is able to sell the collateral at a price enough to cover the loan. However, the problem is that the value of the assets can go up and down. Also, lenders need some time to sell the assets further leading to volatility. Therefore, a haircut provides a buffer against any loss in the value of the collateral.

How are Haircuts related to Loan-To-Value Ratio?

A haircut in finance is also referred to as the complement of the loan-to-value ratio. When a haircut is added to the loan-to-value ratio, it totals 100%. For instance, you put an asset with a market value of Rs1,00,000 as collateral. The bank applies a 30% haircut and approves a loan of Rs70,000. In this case, 70% is the loan-to-value ratio and 30% is the haircut.

WHAT DETERMINES THE HAIRCUT AMOUNT?

The price predictability and lower associated risks result in compressed haircuts, as the lender has a high degree of certainty that the full amount of the loan can be covered if the collateral must be liquidated.

Few types of Haircuts are:-

1. Banking industry w.r.t NPA - Once an asset gets classified as a non-performing asset after an interest or principal repayment remains overdue for more than 90 days, banks start provisioning (setting aside its net worth to cover the loss) for such loans, depending on whether it is to be completely written off or to be classified as 'doubtful'. Simultaneously, it starts the recovery process. The difference between whatever money – if any – a bank gets as against the loan's original value is called a haircut.

2. Mutual Funds - The mutual fund industry standards body released the guidelines to standardise haircuts asset managers need to take if their investments are downgraded. The suggested write-downs in principal and interest range from 15% for the first downgrade below BBB rating to a full haircut depending on the type of investment, according to the norms released by the Association of Mutual Funds in India. They also depend on the sector and type of debt.

3. Stock Market - Haircut is the percentage that is deducted by the broker when broker is giving you margin on your stocks. As a trader, one can pledge the shares to get margin. The broker then takes custody of those shares but deducts a percentage amount as per the exchange norms and provides the necessary amount to enable him to trade. For example, let's say a person has 1000 shares of Reliance Industries and he wants to trade but don't have enough capital. In such circumstances, he can pledge these shares and unlock 70% of the value and use it to trade.

Securities that are characterized by volatility and price uncertainty have larger haircuts when used as collateral. For example, an investor seeking to borrow funds from a brokerage by posting equity positions to a margin account as collateral can only borrow 50% of the value of the account due to the lack of price predictability, which is a haircut of 50%.

While a 50% haircut is standard for margin accounts, a risk-based haircut can be increased if the deposited securities pose liquidity or volatility risks. For example, the haircut on a portfolio of leveraged exchange-traded funds (ETFs), which are highly volatile, may be as high as 90%. Penny stocks, which pose potential price, volatility and liquidity risks, typically cannot be used as collateral in margin accounts.

4.Repurchase agreement – It is the sale of a security for cash together with an agreement for the seller to buy back the security at a later date. The buyer assumes the collateral as repayment when the seller defaults. If the collateral has a volatile price history, the buyer is at risk. To reduce this risk, a haircut is imposed. The haircut is some percentage of the market value the buyer holds back from the cash payment to account for the price volatility as well as counterparty risk. Treasury bills are often used as collateral for overnight borrowing arrangements between government securities dealers, which are referred to as repurchase agreements (repos). In these arrangements, haircuts are negligible due to the high degree of certainty on the value, credit quality, and liquidity of the security.

Meghana KR



Update for the day #441 | SpaceX



Space Exploration Technologies Corp., doing business as SpaceX, is a private US aerospace manufacturer and space transportation services company headquartered in Hawthorne, California. It was founded in 2002 by Elon Musk with the goal of reducing space transportation costs to enable the colonization of Mars.

SpaceX is inspiring because of its failures as much as its successes. The private space company has endured multiple fiery setbacks – yet remains en-route to achieving its ambitious aims. In 2001, Elon Reeve Musk conceptualized Mars Oasis, a project to land a miniature experimental greenhouse and grow plants on Mars. "This would be the furthest that lives ever travelled" to regain public interest in space exploration and increase the budget of NASA. Musk tried to buy cheap rockets from Russia but returned empty-handed after failing to find rockets for an affordable price. Musk realized that he could start a company that could build the affordable rockets he needed. Musk calculated that the raw materials for building a rocket were only three percent of the sales price of a rocket at the time. By applying vertical integration, producing around 85% of launch hardware in-house.

The company has grown rapidly since it was founded in 2002, growing from 160 employees in November 2005 to 1,100 in 2010 and November 2017, the company had grown to nearly 7,000.

As of March 2018, SpaceX had over 100 launches on its manifest representing about \$12 billion in contract revenue. The contracts included both commercial and government (NASA/DOD) customers.

Since the founding of SpaceX in 2002, the company has developed three families of rocket engines – Merlin and the retired Kestrel for launch vehicle propulsion and the Draco control thrusters. SpaceX is currently developing two further rocket engines: SuperDraco and Raptor. SpaceX is currently the world's most prolific producer of liquid fuel rocket engines.

SpaceX is actively pursuing several different research and development programs. Most notable are those intended to develop reusable launch vehicles, an interplanetary transport system and a global telecommunications network.

SpaceX's active test program began in late 2012 with testing low-altitude, low-speed aspects of the landing technology. Grasshopper and the Falcon 9 Reusable Development Vehicles (F9R Dev) were experimental technology-demonstrator reusable rockets that performed vertical takeoffs and landings.

High-velocity, high-altitude aspects of the booster atmospheric return technology began testing in late 2013 and have continued through 2018, with a 98% success rate to date. As a result of Elon Musk's goal of crafting more cost-effective launch vehicles, SpaceX conceived a method to reuse the first stage of their primary rocket, the Falcon 9, by attempting propulsive vertical landings on solid surfaces. Once the company determined that soft landings were feasible by touching down over the Atlantic and Pacific Ocean, they began landing attempts on a solid platform. SpaceX leased and modified several barges to sit out at sea as a target for the returning first stage, converting them to autonomous spaceport drone ships (ASDS). SpaceX first achieved a successful landing and recovery of a first stage in December 2015 and in April 2016, the first stage booster first successfully landed on the ASDS.

SpaceX continues to carry out first stage landings on every orbital launch that fuel margins allow. On March 30, 2017, SpaceX launched a "flight-proven" Falcon 9 for the SES-10 mission. This was the first time a re-launch of a payload-carrying orbital rocket went back to space. The first stage was recovered and landed on the ASDS in the Atlantic Ocean, also making it the first landing of a reused orbital class rocket. Elon Musk called the achievement an "incredible milestone in the history of space."

In January 2015, Elon Musk announced the development of a new satellite constellation to provide global broadband internet service. In June 2015 the company asked the federal government for permission to begin testing for a project that aims to build a constellation of 4,425 satellites capable of beaming the Internet to the entire globe, including remote regions which currently do not have Internet access.

The Internet service would use a constellation of 4,425 cross-linked communications satellites in 1,100 km orbits. Owned and operated by SpaceX, the goal of the business is to increase profitability and cashflow, to allow SpaceX to build its Mars colony. As of March 2017, SpaceX filed with the US regulatory authorities plans to field a constellation of an additional 7,518 "V-band satellites in non-geosynchronous orbits to provide communications services" in an electromagnetic spectrum that had not previously been "heavily employed for commercial communications services". Called the "V-band low-Earth-orbit (VLEO) constellation", it would consist of "7,518 satellites to follow the [earlier] proposed 4,425 satellites".

In February 2019, SpaceX formed a sibling company, SpaceX Services, Inc., to license the manufacture and deployment of up to 1,000,000 fixed satellite earth stations that will communicate with its Starlink system.

Adarsh S



Update for the day #442 | The Boring Company

“Old ways won’t open new doors”

The Boring Company



The Boring Company is an **infrastructure and tunnel construction** company for the transportation of passengers and cargo. It is founded in 2017 by Elon Musk.

Inspiration for the project

Musk has cited difficulty with Los Angeles traffic and limitations with the current 2-D transportation network as an inspiration for the project.

Why Tunnel?

There is an option of **“Go Up”** i.e. Flying Cars but it has issues like weather, noise and generally increases anxiety levels of those below them.

Another option is **“Go Down”** i.e. Build tunnels, benefits of tunnels:

- There is no practical limit to how many layers of tunnels can be built, so any level of traffic can be addressed.
- Tunnels are weatherproof.
- Tunnel construction and operation are silent and invisible to anyone on the surface.

Why hasn't this been done before?

Tunnels are really expensive to dig, with some projects costing as much as \$1 billion per mile. In order to make a tunnel network feasible, tunnelling costs must be reduced by a factor of more than 10.

How are they reducing the cost of tunnelling?

- 1) The current standard size of the one-lane tunnel is approximately 28 feet. By using electric autonomous vehicles with alignment wheels, the diameter can be reduced to less than 14 feet. Reducing the diameter by half reduces tunnelling costs by 3-4 times.
- 2) They are working on to increase significantly the speed of the Tunnel Boring Machine (TBM) A snail is effectively 14 times faster than a soft-soil TBM. The goal is to defeat the snail in a race.

Ways to Increase the speed of TBM:

- Increase TBM Power: The machine's power output can be tripled (while coupled with the appropriate upgrades in cooling systems).
- Automate the TBM
- Go electric: Current tunnel operations often include diesel locomotives. These have been replaced by electric locomotives.

Impact on Earthquake on the tunnel?

Tunnels, when designed properly, are some of the safest places to be during an earthquake. From a structural safety, the tunnel moves uniformly with the ground, in contrast to surface structures. Additionally, a large amount of earthquake damage is caused by falling debris, which does not apply inside tunnels. Some examples:

- 1994 Northridge Earthquake: no damage to the LA Subway tunnels
- 1989 Loma Prieta (Northern California) Earthquake: no damage to tunnels, which were then used to transport rescue personnel



A Ride into the Loop:

<https://www.youtube.com/watch?v=WQn-D-i5lyM>

What is the ridership capacity of Loop (Tunnel Transport)?

Loop is targeting 4,000 vehicles per hour at 155mph (250km/h) for each Main Tunnel. If a second tunnel is added below the first, this value doubles.

How much would a trip cost?

Fare prices are not finalized but will be comparably equal to or lower than current public transportation fares.

Ongoing Projects:

- Test Tunnel - Hawthorne, CA
- Las Vegas Convention Centre Loop - Las Vegas, NV
- Dugout Loop - Los Angeles, CA
- The Chicago Express Loop
- East Coast Loop - Washington D.C. to Baltimore

Current Status:

· The Boring Company provided an update on the state of their technology and product line on 18 December 2018, when they opened to the public their first 1-mile-long (1.6 km) test tunnel in Hawthorne, California.

Conclusion:

· The Boring Company is the future, it is backed by the one of the greatest entrepreneur (i.e. Elon Musk). It is attracting huge amounts of investments and expanding rapidly (This Month they are planning to launch the boring company in China).

Prathyush Kumar Maddula

Update for the day #443 | Disclosure of Long Term Capital Gains under section 112A in ITR Form

Disclosure of Long-Term Capital Gains under section 112A in ITR Form.

As we all know with the insertion of section 112A in IT Act 1961, there has been a lot of confusion in disclosing the Long-term capital gains arising out of the transfer of equity shares or equity-oriented mutual funds.

As per Sec 55(2)(ac) Revised Cost is computed after comparing Sale consideration, cost of acquisition and Fair Market Value as on 31st Jan 2018.

Therefore, we must disclose all three values for all the transfer. But practically there are many problems and here I will try to explain a few.

First, we need to understand how the Capital gains are disclosed in ITR Form, attaching an abstract of schedule where the CG as per 112A is disclosed.

We may note that there is only one schedule where the aggregate sale consideration, cost, FMV, the revised cost is disclosed. Nowhere we are disclosing the date of sale, purchase or even name of securities transferred.

5		From sale of equity share in a company or unit of equity oriented fund or unit of a business trust on which STT is paid under section 112A			
a	Full value of consideration		5a		
b	Deductions under section 48				
	i	Cost of acquisition without indexation (higher of iA and iB)	bi		
		A Cost of acquisition	iA		
		B If the long term capital asset was acquired before 01.02.2018, lower of B1 and B2	iB		
		1 Fair Market Value of capital asset as per section 55(2)(ac)	B1		
		2 Full value of consideration	B2		
	ii	Cost of improvement without indexation	bii		
	iii	Expenditure wholly and exclusively in connection with transfer	biii		
	iv	Total deductions (bi + bii + biii)	biv		
c	Balance (5a - biv)		5c		
d	Less- LTCG threshold limit as per section 112A (5c - Rs. 1 lakh)		5d		
e	Deduction under sections 54F (Specify details in item D below)		5e		
f	Long-term Capital Gains on sale of capital assets at B5 above (5d - 5e)			B5f	

There is also a tool provided by CBDT in Java utility (abstract attached) where we must enter individual share details, but the data entered here will be aggregated and auto-filled in the above-mentioned schedule. Meaning nowhere there are individual share details are disclosed in ITR form. Even the ISIN code is not reflected in ITR form.

Sl. No.	ISIN Code	Name of the Share/Unit	No. of Shares/Units	Sale-price per Share/Unit	
(1)	(2)	(3)	(4)	(5)	
1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="button" value="+ Add"/> <input type="button" value="X Delete"/>					
Total of each column					
No. of Shares/Units	Sale-price per Share/Unit	Total Sale Value (4*5) Item 5 (a) of LTCG Schedule of ITR3	Cost of acquisition without indexation Item 5 (b)(i) of LTCG Schedule of ITR3	Cost of acquisition- Item 5 (b)(i)(A) of LTCG Schedule of ITR3	If the long term capital asset was acquired before 01.02.2018, lower of B1 and B2 -Lower of 11 & 12-item 5 (b)(i)(B) of LTCG Schedule of ITR3
(4)	(5)	(6)	(7)	(8)	(9)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

equity share in a company or unit of equity oriented fund or unit of a business trust on which STT is paid under section 112A						
Fair Market Value per share/unit as on 31st January, 2018	Total Fair Market Value of capital asset as per section 55(2)(ac) - (4*10) - item 5 (b)(i)(B)(1) of LTCG Schedule of ITR3	Full value of Consideration - item 5 (b) (i)(B)(2) of LTCG Schedule of ITR3	Cost of improvement without indexation - item 5 (b)(ii) of LTCG Schedule of ITR3	Expenditure wholly and exclusively in connection with transfer - item 5 (b) (iii) of LTCG Schedule of ITR3	Total deductions (bi + bii + biii) - item 5 (b)(iv) of LTCG Schedule of ITR3	Balance (5a -biv) -Item 5 (c) of LTCG Schedule of ITR3
(10)	(11)	(12)	(13)	(14)	(15)	(16)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Problems

- How to disclose gains arising from PMS, or when there are 100+ transfers.
- Few broker statements do not provide FMV (31st Jan 2018) but they straight-away show capital gains considering "revised cost" which is supposedly after application of IT provisions.
- Section 55(2)(ac) to be applied at the transaction level and not at the aggregate level

Solutions

- How to disclose gains arising from PMS, or when there are too many transactions.**

Since the ITR requires disclosure only relating to sale consideration, cost, FMV we need not disclose details at the transaction level. Rather, we need to report the values at the aggregate level. For doing this, we may either prepare our excel workings or rely on the reports issued by brokers/fund houses. However, if the figures are being directly picked from the reports, it is advised to test check few transactions and scrutinize them thoroughly to be sure that the provisions are applied correctly in arriving at the gain amounts. Winman / Spectrum requires transaction-level details just for future reference.

- Few broker statements do not provide FMV (31st Jan 2018) but they straight-away show capital gains considering "revised cost" which is supposedly after application of IT provisions**

As per the new ITR requirement, we need to disclose the FMV for the transactions attracting Section 112A. We should first verify that the revised cost computed is correct as per Income Tax Act 1961, and whether we should trust it or not (By comparing the actual sale value, cost of acquisition with FMV taken from NSE/BSE). After testing the reports, if reliance can be placed on the figures, the revised cost itself can be taken as FMV values. (Even though it is not a correct disclosure since it doesn't affect the gain amounts as the revised cost is verified) This is done only to avoid the tedious job of obtaining FMV for every scrip which may even run to hundreds.

3. Section 55(2)(ac) to be applied at the transaction level and not at the aggregate level

Let me explain this with an example

Security	Sale Consideration (A)	Fair market Value as on 31 st Jan 2018 (B)	C= A or B Whichever is less	Actual Cost (D)	Revised Cost E=(C) or (D) Whichever is high	Taxable Gain or Loss F=(A)-(E)
ABC Ltd	1,00,000/-	80,000/-	80,000/-	1,20,000/-	1,20,000/-	(20,000)/-
XYZ Ltd	2,00,000/-	1,95,000/-	1,95,000/-	1,60,000/-	1,95,000/-	5,000/-
KBC Ltd	2,50,000/-	2,60,000/-	2,50,000/-	2,20,000/-	2,50,000/-	-
Total	5,50,000/-	5,35,000/-		5,00,000/-	5,65,000/-	(15,000)/-

In the above example, the revised cost computed individually and aggregated amount to ₹5,65,000/-. Whereas if we apply section 55(2)(ac) on the aggregate value of Sale, cost and FMV, the revised cost comes to ₹5,35,000/- which is wrong.

Aggregate Sale consideration (A) - 5,50,000/-
 Aggregate Fair Market Value (B) - 5,35,000/-
 C= (A) or (B) Whichever is less - **5,35,000/-**
 Aggregate Cost of Acquisition (D)- 5,00,000/-
 Revised Cost (E)= (C) or (D) WHI - **5,35,000/-**

Therefore the provisions of section 55(2)(ac) should be applied on individual transactions and not on aggregate value. The difference arises only when there are losses in any transaction.

Bashar Hamdi



Update for the day #444 | Article 370 of Indian Constitution

Article 370 of the Indian constitution gave special status to Jammu and Kashmir—a state in India, located in the northern part of the Indian subcontinent, and a part of the larger region of Kashmir, which has been the subject of dispute between India, Pakistan, and China since 1947 allowing it to have a separate constitution, a state flag, and autonomy over the internal administration of the state. The government of India revoked this special status in August 2019 through a Presidential Order and the passage of a resolution in Parliament.

The article was drafted in Part XXI of the Constitution: Temporary, Transitional and Special Provisions. The Constituent Assembly of Jammu and Kashmir, after its establishment, was empowered to recommend the articles of the Indian the constitution that should be applied to the state or to abrogate the Article 370 altogether.

After consultation with the state's Constituent Assembly, the 1954 Presidential Order was issued, specifying the articles of the Indian constitution that applied to the state. Since the Constituent Assembly dissolved itself without recommending the abrogation of Article 370, the article was deemed to have become a permanent feature of the Indian Constitution

Facts about Article 370

But what exactly is Article 370 and why is the Article so important to keep Jammu and Kashmir as a part of India? Here are 10 facts that explain why:

1. According to the Constitution of India, Article 370 provides temporary provisions to the state of Jammu and Kashmir, granting it special autonomy.
2. The article says that the provisions of Article 238, which was omitted from the Constitution in 1956 when Indian states were reorganized, shall not apply to the state of Jammu and Kashmir.
3. Dr BR Ambedkar, the principal drafter of the Indian Constitution, had refused to draft Article 370.
4. In 1949, the then Prime Minister Jawaharlal Nehru had directed Kashmiri leader Sheikh Abdullah to consult Dr.Ambedkar (then law minister) to prepare the draft of a suitable article to be included in the Constitution.
5. Article 370 was eventually drafted by Gopalaswami Ayyangar
6. Ayyangar was a minister without portfolio in the first Union Cabinet of India. He was also a former Diwan to Maharajah Hari Singh of Jammu and Kashmir
7. Article 370 is drafted in Amendment of the Constitution Article, in Part XXI, under Temporary and Transitional Provisions.
8. The original draft explained, "the Government of the State means the person for the time being recognized by the President as the Maharaja of Jammu and Kashmir acting on the advice of the Council of Ministers for the time being in office under the Maharaja's Proclamation dated the fifth day of March 1948."
9. On November 15, 1952, it was changed to "the Government of the State means the person for the time being recognised by the President on the recommendation of the Legislative

Assembly of the State as the Sadr-I-Riyasat (now Governor) of Jammu and Kashmir, acting on the advice of the Council of Ministers of the State for the time being in office."

10. Under Article 370 the Indian Parliament cannot increase or reduce the borders of the state.

Revocation of Article 370.

The resolution seeking the revocation of the special status under Article 370 and the bill for the state's reorganization was debated and passed by the Rajya Sabha - India's upper house of parliament - on August 5, 2019, with 125 (67%) votes in its favour and 61 (33%) against it.

On August 6, the bill for the reorganization was debated and passed by the Lok Sabha - India's lower house of parliament - with 370 (86%) votes in its favor and 70 (14%) against it, and the resolution recommending the revocation was passed by 351 votes in favor and 72 against.

BBC reported that "According to the constitution, Article 370 could only be modified with the agreement of the 'state government'. But there hasn't been much of a state government in Jammu and Kashmir for over a year now". The constitutional expert opinion is divided on whether the revocation is legally sound.

Prior to the revocation of the status, the Ministry of Home Affairs granted approval for the mobilization of thousands of paramilitary security troops into Jammu and Kashmir, citing the reason to maintain law and order in the area. On August 2, Indian Army said that the Pakistan Army and terrorists are "planning to upscale violence" and tried to "target the Yatra recently." The Government of India notified students and tourists, both local and foreign, to leave Jammu and Kashmir. These actions sparked fears that India would soon be revoking Jammu and Kashmir's special status. However on August 3, Omar Abdullah said that Governor Satya Pal Malik "assured him there was no initiative in progress to dilute Article 35A of the Constitution, start delimitation or trifurcate.

On 4 August, satellite phones were distributed in central, north and south Kashmir among the security forces. The government thereafter ordered a total communication blackout, shutting down cable TV, landlines, cell phones, and the internet. Many news sources reported an effective curfew (although *The Telegraph* of Kolkata reports that the government didn't officially announce a curfew). Doctors and district administrators were advised to remain on standby.

Implications of revoking Article 370

Article 370 was added to India's Constitution in 1949. It allows Jammu and Kashmir to have its own constitution, a separate flag, and independence over all matters except foreign affairs, defense, and communications. This autonomy has been greatly eroded in practice over recent decades.

During recent national elections, which it won decisively, the Bharatiya Janata Party (BJP), led by the prime minister Narendra Modi promised to revoke Article 370 except for one clause to which the Government does not object, this happened by presidential order on 5 August 2019.

A Bill has also been rapidly approved by both Houses of Parliament splitting the state of Jammu and Kashmir into two federal (also known as Union) territories. One will be called

Jammu and Kashmir, which will have a state legislature. The other is Ladakh, which will be ruled directly from New Delhi.

The revocation of Article 370 extends to a key provision added under it, known as Article 35A. This gives special privileges to permanent residents, including state government jobs and the exclusive right to own property in Jammu and Kashmir. It is intended to protect the state's distinct demographic character as the only Muslim-majority state in India.

Others, including the BJP, view it as discriminatory against non-Muslims and harming development. It was introduced in its current form in 1954 but a similar law was in place prior to Indian independence in 1947.

Suhas. N



Update for the day #445 | Idea Validation

It's very common to come out with an idea which stays for every few days in your mind. Lack of further implementation due to the fear of failure and looking at the challenges yet to come in the path of idea. If you have a business or are thinking about starting one, it's going to be in the real world. Not in your mind. Your audience and customers are going to be real people, not imaginary. So why are you validating ideas in your head? You need real, hands-on feedback. This feedback helps you make better business decisions.

Idea validation is the process of testing and validating your idea prior to launching your business name, tagline, product, service or website. This is like the research and development process big companies use to test product ideas before they're released to the general public.

Why Should I Do this Idea Validation Thing?

In short, it will save you a ton of time and money, as well as generate interest in your idea. Since you're testing your idea, you will be exposing it to the marketplace.

Don't make the rookie mistake of working on an idea that no one is really interested in. Idea validation can save you time by giving you a good feel as to whether your idea appeals to your potential audience. It can also save you a lot of money.

Step 1: Brainstorm Internally

You need to have some starting ideas to present to your potential clients. You probably have thousands of ideas about what you want to do but you need to present only 4-5 at a time. In our case it was 4-5 versions of our new tagline. In your case it could be 4-5 different features of your business or product.

Any more than five is way too confusing. Trust me. Plus, you do not want to take too much of the potential customer's time. Ten minutes max. You may want to contact them later for more info so you want to keep it light.

Step 2: Don't ask Family and Friends

Yes, in step 2 you are required to NOT do something. Why did I include this step? Because it's so hard to skip. We all want to feel good about what we are doing so sometimes we ask our loved ones about our ideas knowing that it will feel good. That doesn't mean your family and friends are liars. It's just that they are biased and, in most cases, they are not one of your potential customers.

They also might feel forced to give feedback for feedback's sake. They might even make up a point they don't really believe in so you feel like they're being unbiased. Do you see how tricky asking family and friends about this can get?

Step 3: Choose your Interviewees

Choosing your potential customers for the interview is a challenge, as it depends on the targeted audience of your idea. The difficulty in selecting the interviewees is indirectly related to the How niche market you are going to select ?. After reaching out to them you will end up with around 10 “yesses”, a few “I’m sorry, I can’t’s” and a couple no replies.

Step 4: Conduct Your Informal Interview

The first thing you want to do when conducting your informal interview is thank them for their time and tell them how their time will help you offer something that your customers will actually want.

Second, explain plainly that you are not selling anything to them and what you are going to be talking about is actually not even available yet. Put them at ease and remind them of how much their feedback is valued and will influence your business. *People like knowing that their opinion matters.*

Third, take a minute to explain what you do and the nature of your business before explaining what you need their opinion on. Remember to explain things with their perspective in mind. Don’t use jargon that they wouldn’t understand.

Fourth, tell them you are going to present 4-5 versions of your idea. And that you will show all 4-5 first, then go over each one asking for their thoughts on each one at a time. Let them know you might be jotting down some notes during the process to remember their advice later on.

Fifth, after going through all 4-5, ask them for their initial thoughts for each one individually. Ask then how the idea makes them feel as well as think. Look at their body language and how quickly they answer. Compare their reaction to the reactions of other ideas you present to gauge what is a brilliant to them and what is a dud. Not everyone wears their emotions on their sleeve.

Lastly, after you have received their feedback on each idea. Thank them again and ask them if they would mind if you contacted them again if you need to as you work on your project.

Step 5: Review and Decide

During your interviews you will greet to the heart of what the customers identify with. At time you may have realized that customers don’t really resonate with the brand (or) product as it was too abstract or maybe some other reason.

One last thing

This is your business, your baby. Show your love and care for it and for your customers. Your interviewees take cues from you, so if you are relaxed and casual about it they will loosen up and give you more than you ask for. This isn't a sales exercise. It's a great conversation with someone you respect. It's not win or lose. It's a win-win! And it's the best way to take your idea and business to the next level.

Ashrith ARK

Update for the day #446 | Arun Jaitley- Biography



About Arun Jaitley

Arun Jaitley, (born on December 28, 1952, New Delhi India), Indian Lawyer, politician and government official, who served as a government official, who served as leader of the Bharatiya Janata Party (BJP) in the Rajya Sabha (upper chamber of the Indian parliament) in 2009-14. In 2014 he joined the cabinet of the BJP-led government of Prime Minister Narendra Modi. Jaitley was known as an eloquent speaker, his political and professional career was largely non-controversial.

Jaitley was born and raised in New Delhi, and his father Maharaj Kishen Jaitley was a successful lawyer and his mother Ratan Prabha was a housewife and a social activist at the same time. Jaitley completed a bachelor's degree in commerce in 1973 and received a law degree in 1977, both from the University of Delhi.

How did Arun Jaitley enter into Politics?

He started his political career in 1974 when he won the election to become the president of Delhi University Students' Union. At a time when the Congress's rule was very strong, by winning the election as an ABVP (Akhil Bhartiya Vidyarthi Parishad) candidate he made a never-ending impact on the people of India. HexVP and All India Secretary of the ABVP.

- Being associated with the ABVP since a long time, Arun Jaitley joined the BJP in 1980.
- He was then made the president of the youth wing of the BJP and the secretary of the Delhi Unit in 1980.
- In 1991 he became the member of the National Executive of the BJP.
- In the 1998 United Nation General Assembly session, Arun Jaitley was a delegate on behalf of the government of India. In this session, the bill against drugs and money laundering was introduced.
- He became the spokesperson for the BJP in 1999 just before the General Assembly elections.
- He took over as the Minister of State, Department of Information and Broadcasting in 1999. Additionally, he headed the Ministry of Law, Justice and Company Affairs.
- He further joined the Council of Ministers as the Minister of State, and along with this he was in charge of the newly formed Department of Disinvestment.
- In 2000, he was made the member of the Rajya Sabha for the first time from Gujarat.
- In 2000, he was again appointed as the Minister of Law, Justice and Company Affairs and was also appointed as the head of the Ministry of Shipping. He held the

responsibility of modernizing ports by upgrading berths and introducing new berths to improve the efficiency by reducing the turnaround time.

- After the resignation of Ramjeth Malani as the Union Cabinet Minister, Arun Jaitley was appointed as the Cabinet Minister in November 2000. He was the Law Minister in the cabinet and introduced many amendments to the Civil Procedure Code, the Criminal Procedure Code, and the Companies Act.
- He then left the cabinet to become the General Secretary of the BJP in July 2002 and worked as the National Spokesperson till January 2003.
- He again joined the Union Cabinet in 2003 as the Minister of Commerce and Industry and Law and Justice and functioned there till May 2004. As Commerce Minister he had a lot of responsibilities during this term as the state of the WTO negotiations was very critical during that time. Developed nations such as the US and the EU were forcing to reduce tariffs of agriculture commodities so that they can enter the Indian market and benefit by gaining market share. This would have worsened the conditions of the millions of Indian farmers, whose living is based on agriculture. India, along with the G20 group and countries such as China and Brazil, stood against the developed nations by not granting any substantial concession which could have disadvantaged our farmers.
- He was re-elected as the member of the Rajya Sabha in 2006 and again in 2012 from Gujarat, which was his third term as a member of the Rajya Sabha.
- He is recognized as the Leader of Opposition (2009-2012) and has put in constant efforts to bring about positive change. He played a vital role during the talks of the Women Reservation Bill in the Rajya Sabha and supported Anna Hazare for the Jan Lokpal Bill.
- On May 26, 2014, Arun Jaitley became the Finance Minister with additional charge of Defense Ministry. Later in 2014, he stepped down as minister of defense, though he subsequently held the post in 2017.

Legal Career & Achievements

- Arun Jaitley started practicing law from 1977 onwards in Supreme Court and several High Courts.
- In 1990, he was promoted to senior Advocate and was appointed Additional Solicitor General of India. As the Additional Solicitor General of India, he worked on the Bofors Scandal, which was related to the illegal kickbacks paid in the US\$ 1.3 billion deal between Bofors, a Swedish arms manufacturer, and the Government of India.
- As a Law Minister in the Union Cabinet, he brought in a several electoral and judicial reform. He got the Advocates Welfare fund and Investor Protection Fund set up. He implemented the scheme of setting up of the Fast Track Courts and paid special attention to the computerization of the courts. To facilitate the expeditious disposal of cases, he brought amendments in the Motor Vehicles Act and the Negotiable Instruments Act.
- The High Courts of Chhattisgarh, Jharkhand and Uttarakhand were inaugurated under his guidance.
- He has a line of clients such as Sharad Yadav, Madhavrao Scindia, and L.K. Advani.
- He has represented many multinationals, such as Pepsico, Coca Cola and big industrialists such as the Birla family in the courtroom.

- He successfully introduced the 84th amendment to the Constitution of India in 2002 for freezing parliamentary seats till 2026.
- He successfully introduced the 91st amendment to the Constitution of India in 2004 for penalizing defections.

Other Achievements:

- He has played an important role as a strategic planner for the BJP in eight Assembly elections.
- In Gujarat, he helped his party colleague Narendra Modi win the 2002 General Assembly election by grabbing 126 seats out of 182. Again in 2007, he helped Modi come back to power by winning 117 seats out of 182 in Gujarat. The state witnessed good governance all this while.
- In 2003, he managed the Assembly election in Madhya Pradesh and won along with Uma Bharti.
- In 2004, he was specifically put in charge in Karnataka which faced Assembly election at the same time as the Lok Sabha election, and the BJP won 18 out of 26 Lok Sabha seats and captured 83 seats in the assembly elections and emerged as the largest party there.
- In 2007, he was appointed general secretary in charge of elections to MCD (Municipal Corporation of Delhi) in which the BJP won 184 wards out of 272.
- He was appointed as the Vice President of BCCI because of his love for the game of cricket and his close associations but he resigned when the IPL match-fixing scandal unfolded.
- Similarly, he resigned from the post of President of the Delhi District Cricket Association after a service of 13 years to concentrate on the first love of his life-politics. Yesterday on 27th Aug 2019, The Delhi and District Cricket Association(DDCA) announced that the iconic Feroz Shah Kotla Stadium will be renamed as **Arun Jaitley Stadium**, since he played a big role in development of Delhi's cricket and made contribution in improving the standards of the stadium in Delhi, which was rated as one of the best by the BCCI.

On 9th August 2019, he was hospitalized in New Delhi under critical condition for respiratory problems. He died on 24th August 2019 at the hospital, aged 66. The cause of Death was problem caused by diabetes.

Manoj Kulkarni



Update for the day #447 | Onerous Contract

What is an Onerous Contract?

An onerous contract is an accounting term for a contract that will cost a company more to fulfil than the company will receive in return.

Understanding Onerous Contracts

The International Accounting Standards (IAS) define an onerous contract as "a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it."

The term "unavoidable costs" also has a specific meaning for accounting purposes. The IAS define it as "the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it." An example of an onerous contract might be an agreement to rent property that is no longer needed or that can no longer be made use of profitably. For instance, suppose a company signs a multiyear agreement to rent office space, then moves or downsizes while the agreement is still in effect, leaving the office space, which it now has no use for, vacant.

Or consider a mining company that has signed a lease to mine for coal or some other commodity on a piece of land, but at some point, during the term of the contract, the price of that commodity falls to a level that makes extracting it and bringing to market unprofitable.

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Dhanush B S



Update for the day #448 | Chit Funds

A chit fund is a type of rotating savings fund and agreement among different people to subscribe to a certain sum of money for a specified period

Chit funds are governed by The Chit Funds Act 1982.

Chit means a transaction in which a person enters into an agreement with a specified number of people and they shall subscribe a certain sum of money by way of periodical instalments over a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender as may be specified in the chit agreement, be entitled to the prize amount.

Parties of Chit Fund

- Chit Organizer
- Members

Types of Chit funds in India

- Chits run by state government
- Private registered
- Unregistered

Lets understand with an example:

Lets say in a group, 10 people decided to contribute 2000 each per month in the form of instalments. (Tenure of Chit should be in proportion to the number of members and hence in this case chit tenure is 10 months) So there will be 20,000 in the chit fund to be won each month.

Now each member has to bid at the auction every month for the chit of 20K. The one who bids the lowest (lowest will be 65 % of chit value) will win the **prize money** (i.e the lowest bid in this case 15000) and winning member cannot participate in the auction in subsequent months. Say one member bids 15000 for the chit. This means that he gets 15000 less organiser fees (normally 5%).

The rest 5000 becomes the profit for the entire fund, which shall be bifurcated among the members & each member gets 500 each in the form of dividend (5000 divided by 10) which shall be reduced from next month instalment payable.

After the auction the winning member should continue paying the remaining instalments i.e he will keep contributing monthly instalments for next 9 months when others participate in the auction.

The same process is repeated every month until all the members get money ones.

Taxability of Chit Funds

1) Is dividend taxable in the hands of subscribers? Is dividend liable to TDS u/s 194A?

Dividend is neither taxable nor tax deductible

In the above example dividend of Rs 500 which shall be deducted from subsequent instalment is neither taxable nor subject to TDS.

2) Is overall gain taxable or loss at the end of the scheme allowable u/s 37 of Income tax Act?

A member who wins an auction by accepting a lower payment can set off the loss from the chit against business income. This reduces the cost of capital for the borrower. However, this benefit is available only to businessmen and traders.

Salaried persons cannot set off the loss against their income. On the other hand, any profit made by the last person in the chit is taxable. The amount is to be shown as income from other sources in the tax.

Checklist for members to comply before entering into Chit funds

- § Is chit registered?
- § Is the certificate genuine?
- § Is the Chit approved?
- § Can you continue for full term?
- § Who are the promoters?
- § Is the Organiser (chit company) legitimate?
- § Previous history of chit fund company
- § Foremans commission?

Chit Fund Registration

While these companies are often thought to be illegal, this is rather untrue. This industry is completely regulated by the government, though these companies aren't registered with the Reserve Bank of India.

However, no individual in India can start a chit fund business until she/he is registered with the chit registrar. Every district or city has a chit registrar, where one needs to go and apply for the chit fund registration. Nevertheless, before one goes there, one must register a private limited company in India under the Companies Act and then register apply for the license with chit registrar.

The registration will not be given to

- Any individual or entity convicted of any offence under the Chit Fund Act or under any other Act regulating the business and sentenced to imprisonment for any such offence; or
- Any individual or entity who had defaulted in payment of the fees or the filing of any statement or the record required to be paid or filed under this Act or had previously violated any of the provisions of this Act or the rules made thereunder; or
- Any individual or entity had been convicted of any offence that involves moral turpitude and had been sentenced to imprisonment for any such offence unless a period of five years has elapsed since his/her release.

Pragathi.R



Update for the day #449 | Big Data

1. What exactly is BIG DATA?

Big Data is also data but with a huge size. Big Data is a term used to describe a collection of data that is huge in size and yet growing exponentially with time. In short, such data is so large and complex that none of the traditional data management tools are able to store it or process it efficiently. But these massive volumes of data can be used to address business problems we wouldn't have been able to tackle before.

2. What are the 'Three V's of Big Data'?

Volume - The name Big Data itself is related to a size which is enormous. Size of data plays a very crucial role in determining value out of data. Also, whether a particular data can actually be considered as a Big Data or not, is dependent upon the volume of data. For example, Twitter data feeds, clickstreams on a webpage or a mobile app, or sensor-enabled equipment.

Velocity - Velocity is the fast rate at which data is generated and processed to meet the demands, determines real potential in the data. Big Data Velocity deals with the speed at which data flows in from sources like business processes, application logs, networks and social media sites, sensors, Mobile devices, etc. The flow of data is massive and continuous.

Variety - Variety refers to heterogeneous sources and the nature of data, both structured and unstructured. During earlier days, spreadsheets and databases were the only sources of data considered by most of the applications. Nowadays, data in the form of emails, photos, videos, PDFs, audio, etc. are also being considered in the analysis applications. This variety of unstructured data poses certain issues for storage, mining and analyzing data.



3. The Value and Truth of Big Data:

In the recent years two more V's have emerged which are **value** and **veracity**. According to that, Data has intrinsic value. But it's of no use until that value is discovered. Equally important thing is How truthful is your data? and How much can you rely on it?

In today's world, big data has become capital. For example, Think of some of the world's biggest tech companies. A large part of the value they offer comes from their data, which they're constantly analysing to produce more efficiency and develop new products.

With an increased volume of big data, it is now cheaper and more accessible, we can make more accurate and precise business decisions. Also, it's an entire discovery process that requires insightful analysts, business users, and executives who ask the right questions, recognize patterns, make informed assumptions and predict behaviour.

4. The History of Big Data

People began to realize just how much data users generated through Facebook, YouTube and other online services. Hadoop an open-source framework created specifically to store and analyse big data sets and NoSQL were developed.

The development of open-source frameworks, such as Hadoop, Spark were essential for the growth of big data because they make big data easier to work with and cheaper to store. In the years since then, the volume of big data has skyrocketed. Users are still generating huge amounts of data but it's not just humans who are doing it.

With the advent of the Internet of Things, more objects and devices are connected to the internet, gathering data on customer usage patterns and product performance. The emergence of machine learning has produced still more data. Cloud computing has expanded big data possibilities even further.

5. Benefits of Big Data and Data Analytics:

- Businesses can utilize outside intelligence while taking decisions,
- Improved customer service,
- Early identification of risk to the product/services, if any
- Better operational efficiency,
- Big data makes it possible for us to gain more complete answers,
- Helps in a completely different approach to tackle problems or issues.

6. Big Data Challenges

Although new technologies have been developed for data storage, data volumes are doubling in size. Organizations still struggle to keep pace with their data and find ways to effectively store it. But it's not enough to just store the data. Data must be used to be valuable and that

depends on curation. Clean data or data that's relevant to the client and organized in a way that enables meaningful analysis, requires a lot of work.

Finally, many big data technologies are changing at a rapid pace. A few years ago, Apache Hadoop was the popular technology used to handle big data. Then Apache Spark was introduced in 2014. Keeping up with big data technology is an ongoing challenge.

7. How big data can improve tax collection and reduce tax evasion?

i) Fighting tax fraud with big data

Tax violations are difficult to uncover, especially among business taxpayers, who have many justifiable expenses and exemptions that are harder to track. Big Data and analytics can help provide a method to find anomalies, possibly leading to predicting where these anomalies may happen again. Companies and individuals employ a phalanx of auditors and tax experts to reduce their tax burden.

In fact, Big Data and analytics, coupled with Artificial Intelligence (AI) can work even better to help regulators significantly increase tax compliance. For example, by analyzing historical data about the reaction of taxpayers on receiving tax notices can be summed up to predict their next move. Predictive analytics can also develop sophisticated risk profiles, analyze trends, flag potential audit issues and identify higher-risk cases for deeper investigation, potentially cutting off avenues for fraud even before they take place.

ii) From reactive to proactive approach

Today, the interactions that the tax authority has with the taxpayer are limited. It is either through TDS, GST or through the government's e-Filing portal or state tax authorities. Regulators only send notices and conduct tax-raids once they have discovered that the taxpayer is non-compliant. This reactive approach of regulators leads to loss of time and resources, and cumbersome legal cases.

With Big Data and Behavioural Analytics, the tax-authorities can analyse interaction data, map the tax journey and understand the demeanour of an individual or a company towards tax compliance. Using this proactive approach tax authorities can analyse the amount of tax they can collect, interact with taxpayers comfortably, forecast scenarios for efficient utilization of resources. Also, it can allocate resources in advance to either conduct a raid, or a non-compliance notice, or a simple reminder

8. How big data is the game changer for Indian Government in E-Governance?

1.Project Insight: As reported earlier, the Indian Government launched a project called Project insight in 2017, to catch tax evaders. The project leveraged data mining techniques and analysed the data to achieve its objective of a corruption-free country and to get information about the black money.

2.Agriculture: Agriculture is the backbone of India's economy and the sector growth rate is declining day by day. In order to improve this industry, the government with NITI Aayog is

striving to help it. NITI Aayog had an agreement with IBM to develop a model for crop yield productions. This model is going to use bid data and AI and it helps farmers to provide with real-time advice.

3.Geotagging: The Government is going to make use of big data to shell companies. Many companies that exist only on paper with the same address were found to be bogus transactions without commercial substance.

4.Goods Flow: To estimate the flow of goods and how the trade is carried out in India, it had leveraged the GST network. Also, to estimate the flow of goods across states by analysing the transaction level data made available by the Goods and Services Tax Network (GSTN).

Recently, The Kerala Water Authority (KWA) of the Government of Kerala is using IBM's Analytics and Mobility solutions to analyse, monitor and manage water distribution in its capital-Thiruvananthapuram.

Also, the Government of Andhra Pradesh is employing big data and analytics to launch a real-time monitoring system to monitor the performance of each department in its government. The aim is to increase transparency in day-to-day government's functioning through big data.

"Big data is at the foundation of all of the mega trends that are happening today, from social to mobile to the cloud to gaming"

Venkat Narayana Reddy K



Update for the day #450 | Bank Merger - Pros and Cons

Nowadays, a lot is being said and written about merger of public sector banks. In 2017, the Government of India decided to merge five associate banks of State Bank Group with State Bank of India (SBI). Recently, a similar move was made aiming at merging Bank of Baroda with Vijaya Bank and Dena Bank. And this could not be last one either. The aim of creating an Indian bank that will in an international league of giants is there since the early 1990s.

In 2017, post the merger, the SBI was in the process to rationalise its branch network by relocating some of its branches to reach the maximum number of people. The SBI believed that such a move would help it optimise its operations and also benefit profitability. The merger of the three banks could bring about material operating efficiencies over a period of time by lowering the combined operating costs, stronger risk management practices, etc.

The recent news we've seen about these PSU mergers is that the Finance Minister Nirmala Sitaram announced the merging of Punjab National Bank, United Bank of India and Oriental Bank. Resulting in PNB becoming the second largest Public sector bank in India.

FM also announced the merger of Canara Bank and Syndicate Bank.

The Finance Ministry opines that the merger of these 10 public sector banks (PSBs) will help India make a USD 5 Trillion Economy. The bank merger was done under the bank consolidation plan of the Union Government.

Details of Amalgamation of 10 Banks into 4 NextGen PSBs

Head/Anchor Bank	Merged banks	Business Size (Rupees)	PSB Size
Punjab National Bank	Punjab National Bank Oriental Bank of Commerce United Bank of India	17.94 Lakh crore	2 nd largest Bank
Canara Bank	Canara Bank Syndicate Bank	15.20 Lakh crore	4 th largest Bank
Union Bank of India	Union Bank of India Andhra Bank Corporation Bank	14.59 Lakh crore	5 th largest Bank
Indian Bank	Indian Bank Allahabad Bank	8.08 Lakh crore	7 th largest Bank
State Bank of India (Merged earlier)		52.65 Lakh crore	1 st largest bank
Bank of Baroda (Merged earlier)		16.13 Lakh crore	3 rd largest bank

Let's have a glimpse about the pros and cons of such PSU mergers;

The advantages are:

- It reduces the cost of operation
- The merger helps in financial inclusion and broadening the geographical reach of the banking operation
- NPA and risk management are benefited
- Merger leads to availability of a bigger scale of expertise and that helps in minimising the scope of inefficiency which is more in small banks
- The disparity in wages for bank staff members will get reduced. Service conditions get uniform
- Merger sees a bigger capital base and higher liquidity and that reduces the government's burden of recapitalising the public sector banks time and again
- Redundant posts and designations can be abolished which will lead to financial savings

The disadvantages of merger:

- Many banks have a regional audience to cater to and merger destroys the idea of decentralisation.
- Larger banks might be more vulnerable to global economic crises while the smaller ones can survive
- Merger sees the stronger banks coming under pressure because of the weaker banks.
- Merger could only give a temporary relief but not real remedies to problems like bad loans and bad governance in public sector banks
- Coping with staffers' disappointment could be another challenge for the governing board of the new bank. This could lead to employment issues.

Shreya R Mahendrakar





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