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Understanding Fraud and Building Fraud Prevention Mechanisms

The term 'fraud' is not defined in the Indian Penal Code, 1908, however it defines 'cheating' and lays down certain essential elements for the offence of 'cheating'. The Companies Act, 2013, however, defines fraud in relation to the affairs of a company or body corporate by virtue of Section 447, which also includes similar elements as the offence of 'cheating'. Both of them mention an 'attempt to deceive'. Fraudulent activities are subject to stringent penalties under the provisions of section 447 of the Act, which have recently been increased by the Companies Amendment Ordinance, 2018. Fraudulent activities of one director can result in making other directors liable since the provisions of the Act are quite strict in covering them under the term 'officer who is in default' if they are expected to be aware by any means of such activities. If the company is made liable to a third party on account of fraudulent activities of directors, it will be considered a victim and might be able to claim such losses from the guilty director. Some mechanisms to prevent fraud from sprouting in an organisation can also be thought of like carrying out a thorough background checking of the potential directors and employees, installing strong internal control mechanisms, etc. *(CS Magazine November 2018)*

Rupee opens 5 paise up at 71.85 against dollar

The rupee on Monday opened 5 paise up at 71.85 against dollar on account of selling in American currency by banks and exporters. The local currency on Friday declined 22 paise to close at 71.90 against the US dollar. Rupee is expected trade around 71.80- 71.95 as the rise in dollar index's to its highest in one-and-half years offset the decline in brent crude prices, according to Motilal OswalNSE 4.68 % Financial Services.

Dollar index touched its highest level since June last year, helped by a surge in core retail sales and weak data out of Europe. US retail sales rose 0.9 per cent in November, up from the

revised 0.7 per cent in the previous month and higher than the 0.4 per cent expected by the markets.

Meanwhile, data released late Friday showed that India's trade deficit stood at \$16.7 billion in November, narrowing from \$17.1 in the prior month. The gap between imports and exports stood at \$15.10 billion in the year-earlier period. "Indian government bonds are likely to trade little changed, as investors await further cues on interest rates," Motilal Oswal said. Sterling fell 1 per cent, heading towards a 20-month low, as concerns grew that Prime Minister Theresa May's failure to win key concessions from the European Union to salvage her Brexit deal could plunge the economy into chaos. Investors eye a rate hike in the US at the end of the Federal Reserve's December 18-19 policy meeting. *(Times of India.)*

Is education loan better than tapping retirement corpus?

It's not without reason that funding of a child's education is among the top worries for parents. The HSBC survey reveals that nearly 31% parents have taken short-term loans, while 26% have borrowed from friends and family to pay for their children's higher education. While a common mistake is not starting to invest at the right time, which is at the child's birth, "parents also err in investing too conservatively or in not considering the future value of the goal by factoring in inflation." This invariably translates into a corpus that is insufficient for the goal. This is when parents end up expending all their financial resources, going to the extent of mortgaging their homes and risking their retirement to fund the kid's education. "What if the child doesn't support you later? There is no loan available for retirement and in trying to ward off an immediate problem, you invite another, bigger problem later on."

Five things to know about education loans.

- 1. Eligibility:** The child should be an Indian national between 16 and 35 years of age.
- 2. Interest rate:** The banks typically use 1-year MCLR with an additional spread of 1.3-3%. So, rates range from 8% to 15% per annum.
- 3. Moratorium:** The RBI has provided a uniform moratorium period of 1 year from the time of completion of course.
- 4. Guarantor/collateral:** No collateral or third-party guarantee for loans up to Rs 4 lakh. For loans of Rs 4 lakh-7.5 lakh, a third-party guarantee is required. Collateral is needed for loans exceeding Rs 7.5 lakh.
- 5. Tax benefit:** The interest on loan can be claimed as deduction under Section 80E of the Income Tax Act 1961. It starts from the year in which one starts repaying the loan and is available for 8 years or till the interest is fully repaid, whichever is earlier.

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