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The Registered Accountants' Journal

(Conducted under the auspices of the Society of Auditors, Madras.)

Edited by:
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CONTENTS

Appointment of Auditors to Companies.—Appointment of Auditors to Companies are made under Section 144 (3) of the Indian Companies Act which reads, "Every Company shall at each annual general meeting appoint an auditor or auditors to hold office until the next annual general meeting". It can be questioned whether the intentions of the above provision, if strictly interpreted, will allow the management to take any part in the voting on the subject. It is well-known, however, that only the management are, in an overwhelming number of instances, able to exercise the power of appointment and to fix their remuneration. Auditors are the only persons, apart from the management, who are in full knowledge of the working of the Company and the shareholders depend on them entirely for all the informations about the business that are allowed to be published under the Act. Thus they have a very responsible duty to the shareholders and it should be clear that the shareholders in this context means only the persons who are unconnected with the management of the affairs of the company. This leads us to the question whether appointment of auditors should at all be influenced in any way by the Directors or the Managing Agents. We do not, for a moment, suggest that auditors in the execution of their duties lend themselves to the vagaries of the management, but at the same time, it should be noted that this raises an important point of ethics. On this there can be no hesitation in declaring that the management should have no voice in the selection of auditors. It will be a happy feature if the Directors should refrain from collecting or using proxies for this purpose. It will be a great reform beneficial to the Auditors and the investing public alike if suitable enactments are made to rectify the position.

Capital Expenditure.—Businessmen and Accountants are oftentimes perplexed by varied legal decisions that are pronounced time and again all over the world on the subject of distinguishing between Capital and Revenue Expenditures. What to a lay businessman will appear to be a clear item of business expenditure is considered as capital expenditure under the Companies Act and the Taxation Acts. We have thus instances of expenditure on royalties, wasting mines, etc., classed as Capital Expenditure, although it is well-known that the money paid was for the particular purpose of exploiting the mines and ceases to represent any tangible asset at the end of the periods stipulated under the agreements to exploit them. The shareholders of companies exploiting these mines, etc., however, can go about complacently without any indication whatsoever that their capital is rapidly diminishing. Taxation authorities can go on collecting taxes on the excess of receipts over working expenses without conceding anything as depreciation on these wasting assets. This appears to us to be anamolous and it is for the commercial public to agitate and insist on provision being made for them under the Companies Act and on such provision being allowed under the Taxation Acts. The Taxation authorities should also be urged to allow yearly write-off of deferred revenue expenditure and of numerous other items which do not represent any asset, tangible or even intangible, so long as the expenditures are necessary for the business. Commonsense interpretations should prevail in distinguishing between capital and Revenue and no complicated or far-fetched interpretation difficult of appreciation to the lay-mind should be imposed.

SPECIAL ARTICLES

Appointment and retirement in rotation of, vacation of office by and removal of Directors of public Companies under the provisions of the Indian Companies Act, 1913

(M. S. SRINIVASAN)

(*Continued from page 117.*)

Regulations 78 to 82 of Table A are, under the provisions of Section 17 of the Act, applicable to all companies. Regulation 78 runs as follows:

"At the first ordinary meeting of the company, *the whole of the directors shall retire* from office, and at the ordinary meeting in every subsequent year, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office."

The phrase, "The whole of the directors", is used in sub-section (2) of Section 83-B, and in Section 87-I. As a statute must be construed literally that phrase must be taken to mean all the directors of the company for the time being inclusive of the directors that are not, according to the articles of the company, subject to retirement in rotation. If this literal interpretation is given to the phrase, in the absence of words such as "the whole of the directors that are subject to retirement in rotation", the effect has to be observed in the application of the five regulations.

At the first ordinary general meeting all the directors, including the directors that are not subject to retirement in rotation, must retire from office and at the ordinary meeting in every subsequent year one-third of the directors for the time being must retire. To have a consistent interpretation, "one-third of the directors for the time being" must include the directors that are not subject to retirement in rotation. When the whole of the directors retire in accordance with the provisions of regulation 78 of Table A, the first ordinary general meeting may fill up the vacated office by electing a person thereto in accordance with the provisions of regulation 81 of table A. This regulation runs as follows:

"The company at the general meeting at which a director retires in manner aforesaid may fill up the vacated office by electing a person thereto."

If regulation 78 is interpreted in such a manner as to make it obligatory on the part of the directors that are not subject to retirement in rotation under the articles of the company to retire at the first ordinary meeting of the company, then, the places vacated by such directors can be filled up only by the company in general meeting as per the provisions of regulation 81 of Table A.

Lord Lindlay, in his treatise on Law of Companies, Volume I, page 471, has observed that—

"Vacancies occurring by retirement under these provisions must be filled up by the members at the meeting at which the directors retire."

This is the meaning he has given to the following article in the English Act, 1862;—Article 61 of Table A of the First Schedule to the English Companies Act, 1862 is.

"The Company at the general meeting at which any directors retire in manner aforesaid shall fill up the vacated offices by electing a like number of persons."

Article 58 of Table A of the said English Act is similar to regulation 78 of Table A of the Indian Companies Act, 1913. In such circumstances, the said regulation 61 of Table A of the said English Act being similar to regulation 81 of Table A of the Indian Companies Act, 1913, the interpretation given to regulation 61 by Lord Lindlay must also hold good to an interpretation of regulation 81 of Table A. There is a small difference between the languages of the aforesaid regulations 61 and 81 of the English and Indian Acts: The English Act says that the vacancies "must be filled up", while the Indian Act says that company "may fill up". According to regulation 61 the vacancies "must be filled up by the members, and if not, regulation 62 of the English Act will come into effect, and this regulation is similar in effect to regulation 82 of Table A. Therefore, all the vacancies caused by the retirement of the whole of the directors at the first ordinary meeting of the company may be filled up by the company in general meeting. As the words, "may fill up", are used in regulation 81 of Table A, it may be surmised that the company in general meeting at which the whole of the directors retire is at liberty to resolve that certain places so vacated need not be filled up. But under no circumstances can regulation 81 be construed to mean that any of the places so vacated by the whole of the directors at the first ordinary meeting of the company can be filled up by any body other than the general meeting at which the retirement took place, and consequently any provision in the articles as to non-retirement of certain directors will be reduced to a nullity. And also any right given to an outside body for the appointment of certain directors that need not retire in rotation cannot be exercised at all after the first ordinary general meeting of the company.

It is beyond doubt that one is entitled and indeed bound, when construing the terms of any provisions found in a statute, to consider any other parts of the Act which throw light upon the intention of the legislature, and which may serve to show that the particular provision ought not to be construed as it would be if considered alone and apart from the rest of the Act. As already observed, Sections 83-B, 86-G, and 87-I of the Act contemplate appointment of directors that may not be subject to retirement in rotation. Therefore, regulations 78 to 82 of Table A must be interpreted in such a way that the existence of certain directors who are not subject to retirement in rotation is not made into a nullity. These regulations must be construed in such a way that there is the probability of directors existing in the board without being obliged to retire or being obliged to be elected by the members in general meeting. Unless regulations 78 to 82 are made applicable only to directors that are subject to retirement in rotation, it is not practicable to have any directors that are not subject to retirement in rotation. If this is the correct interpretation of those regulations, the phrase, "the whole of the directors", occurring in regulation 78 has to be given a meaning which is different from the meaning to be given to the same phrase occurring in sections 13-B and 87-I of the Act. The phrase in regulation 78 must be taken to mean "the whole of the directors that are subject to retirement in rotation". How far such an interpretation is legal is a fit subject for a Court to decide upon.

Further, the use of the words, "election", "re-election", "electing" and "re-elected" in regulations 79, 80, 81, and 82 of Table A respectively justifies such an interpretation as such words cannot be applicable to the directors appointed by outside bodies as there is no question of election in such cases.

Though sec. 83-A of the Act has provided a minimum for the board of directors the act has not fixed any maximum, and therefore the articles of a company can and usually fix a maximum for the number of directors. But articles can be and are sometimes framed without limiting the number of directors. Companies that adopt Table A must conform to regulation 68 in the matter of the number of directors.

When the Company is incorporated there must be at least three directors. The directors who come into existence as such along with the incorporation of the company are usually called the first directors. Such directors are usually named in the articles though there is no statutory obligation to do so. If the first directors are not named in the articles, they must be appointed in accordance with the provisions in the articles. But, if the articles do not name the first directors and no provision is made in them as to the appointment of the first directors, the provisions clause (1) of sub-section (1) of section 83-B of the Act will automatically govern the circumstances and the subscribers of the memorandum of association will be deemed to be directors of the company until the first directors are appointed.

The learned author, K. J. Rustomji, in his book on Company Law, second edition, page 181, has observed that—

> "Article 68, Table A, which provides that the names of the first directors shall be determined in writing by a majority of the subscribers of the memorandum of association, cannot be reconciled with section 83-B."

But the author has not pointed out wherein the irreconcilability consists. Article 68, Table A, is a provision made in the articles. The provisions of section 83-B will come into operation only when no provision is made in the articles. The existence of article 68 in the articles of association of a company cannot create any irreconcilability.

(*Will continue*)

STUDENT'S CORNER

Balance-Sheet—Audit

(S. P. S. IYER, R.A.)

(*Continued from page 121.*)

Deferred Capital Expenditure: Preliminary Expenses:—These would require close scrutiny. When the preliminary expenses are borne by the company, no amounts should be passed by the auditor other than those necessary for the obtaining of the capital and for the commencement of the business. These include the legal expenses connected with the preparation of the Memorandum, Articles and Prospectus of and drafting of the agreements with the vendors and under-writers, the expenses of advertising the prospectus, stamp duties and fees, printing and stationery bills, and out-of-pocket expenses including those connected with filing returns and the actual expenses of the issue.

Vouchers should be seen for all amounts expended, a strict enquiry being made where none can be produced. When a portion of the expenses of the issue is undertaken by the promoters, the clauses of the prospectus must be followed, and the auditor must see that the heavy formation expenses and legal charges do not improperly fall on the shoulders of the company. The expenditure under this head is usually spread over three to five years, a proportionate amount being written off each year out of profits, and the balance is shown in the meanwhile on the assets side of the Balance Sheet.

Brokerage and Commission on Shares and Debentures, when authorised by the Articles and stated in the prospectus, can also be treated in just the same manner as preliminary expenses, but they are required to be shown separately in the form of balance sheet prescribed by the Act. Incidentally, it is my opinion that the nature of these items would be more clearly indicated by being grouped under the distinct heading of "*Deferred Revenue Expenditure*" and shown as the last item on the asset side, instead of being mixed up with other tangible assets as is done in the form of balance sheet prescribed under the Act.

Debentures and Discount on Debentures :—The auditor should examine the articles to see that the company is duly authorised as to the issue of debentures. A company cannot exercise borrowing powers unless it is entitled to commence business. Unlike shares, debentures may be issued at a discount in which case they should be shown on the liabilities side at their par value, and any discount allowed should be stated distinctly on the asset side until it is written off.

In the case of mortgage debentures the register of mortgages and a copy of the debenture or trust deed should be examined to ascertain the terms and conditions of issue. He should also inspect the Certificate of Registration of such mortgage. The item should appear separately in the Balance Sheet with a note of the assets on which the debenture holders hold the charge.

Deferred Charges to Operations:- Under this heading in the balance sheet are usually grouped such items as unexpired insurance, bond discounts applicable to a future period, prepaid royalties, experimental charges etc. After the clerical accuracy of the deferred charges has been verified by the auditor, he should satisfy himself that they are properly carried forward to future operations.

Whenever possible, documentary proof should be produced in support of the item carried forward, as for example, with unexpired insurance the policies should be examined to verify the dates of expiration, the amounts covered, and the proportion of the premiums carried forward; with royalties the agreements should be examined; with experimental charges the vouchers and particulars of the work done should be looked into, etc.

The examination of the deferred charges will usually furnish the auditor with interesting information in regard to the accounts of the company, *e.g.*,

1. the verification of experimental charges carried forward will furnish valuable information as to the production and future policy of the company ;

2. royalty vouchers will generally furnish a check on the production of mines ;

3. an examination of the insurance policies will show whether the properties are mortgaged or covered by lien and thus be an additional verification of the liability for mortgages on real estate, building, etc., shown in the balance sheet ;

4. the assets covered by insurance will be ascertained and if any omissions are discovered, they should be mentioned to the client.

Capital Stock :—As a rule Trust Companies are the transfer agents for the capital stock of large corporations, and for verification purposes it is sufficient to obtain letters from them certifying to the capital stock outstanding.

It is essential in the case of companies with cumulative preferred stocks outstanding to make a note in the Balance Sheet of dividends accrued but not declared.

Where companies issue their own stock, the stock registers and stock certificate books should be examined and compared with the lists of outstanding stock holders.

Share Capital :—For a thorough scrutiny of the share capital, the following steps are necessary :—

1. See that the capital issued does not exceed the authorised capital as shown by the Memorandum of Association ;

2. See that the minimum subscription has been received prior to allotment ;

3. Check the application letters with the application and allotment book, to see that the shares allotted have been actually applied for ;

4. See the Directors' Minutes to ascertain that the allotment is in order ;

5. Vouch the moneys received on application and allotment as shown by the counterfoil receipts in the cash book;

6. Check the cash received on application and allotment account from the cash book into the bank pass book and also with the application and allotment book. Agree the balance of the pass book with the application and allotment account in the ledger ;

7. In case of application moneys returned to applicants, check the entries in the cash book with the application and allotment book and pass book, and vouch such payments with the letters of regret and receipts by the payees acknowledging the return of money ;

8. If any calls have been made, see the minutes authorising the calls.

9. Vouch the cash received on account of each call from the counterfoil receipt books into the cash book ;

10. Check the calls received as shown by the cash book with the call books and the bank pass book ;

11. Check the postings of the application and allotment and call books into the share register, and see that the total number of shares issued as ascertained from the latter agrees with the total number of shares as shown by the application and allotment book ;

12. See that the total cash received on account of share capital as ascertained from the share register, agrees with the credit balance of share capital account less debit balances of allotment and call accounts, if any, in the financial ledger ;

13. Note that the Directors have taken up their qualification shares and have paid for them to the same extent as other share-holders ;

14. When shares are allotted for consideration other than cash, examine the contract constituting the allottee's title to the shares together with the Minute authorising the allotment ; see that such contract has been duly filed with the Registrar of Joint Stock Companies ; and

15. If shares are issued at a premium, see that the premium is shown distinctly from the share capital.

A minute examination of the share capital having thus been made at the first audit, it is not necessary to check the register of members in detail each year, except for the purpose of checking further monies on account of capital, if any, received during the year.

Sundry Creditors :—Under the Indian Companies Act, 1913, "Sundry creditors" have to be sub-divided to disclose the nature of transaction that gave rise to these liabilities as follows :—

For goods supplied.
For Expenses.
For Acceptances.
For other finance.

The all-covering item "Sundry creditors" does not convey any idea as regards the financial position apart from the fact that liabilities to that amount exist. When stated as given in the 3rd Schedule the reader knows how much of the stock shown on the Asset side remain unpaid for how much of the expenses show in the profit and loss account still remain as liability, and how much of the working capital is furnished by the Bills of exchange. These being material considerations in forming an idea as to the financial fluctuations of the company, the Balance Sheet which is prepared with this end in view serves its purpose well if these facts are shown as required in the Indian Companies Act.

Bonded Debt :—A copy of the mortgage hypothecating the Assets of a company to the trustee for the bond-holders should be examined and the terms thereof noted. The amount of the bonds registered, issued and in treasury, rate of interest and the duration of the bonds, should be shown on the face of the Balance Sheet. A certificate should be obtained from the Trust certifying to the amount of bonds outstanding etc., as a verification of liability in the Balance Sheet. The interest on the bonds outstanding, shown in the Balance Sheet, should be calculated and reconciled with the interest on Bonds, as shown in the Income account.

Sinking fund provisions in mortgages should be carefully noted and care taken that they are given effect to in the accounts of the company.

Bonds redeemed and cancelled during the year should either be examined or a cremation certificate received therefor from the trustee.

Mortgages frequently stipulate that the current assets must be maintained at a certain amount in excess of the current liabilities and the Auditor should familiarise himself with such matters and any other stipulation in regard to the accounts, or an audit thereof, that may be referred to in the trust deed.

(Will continue)

Letters to the Editor

Sir,

Kindly allow me to put forward the difficulties which the R. A. Articled clerks are encountering and which is one of the main causes of the so low rate of success in the R. A. Examinations.

Firstly, though there is a provision in the Auditor's Certificate Rules, 1932 that the employer will by the best ways and means in his power and to the utmost of his skill and knowledge instruct or cause to be instructed the Articled Clerk and afford him such reasonable opportunity and work as may be required to enable him to acquire the art science and knowledge of accountancy, in practice the employer helps the Articled clerk to learn only that portion of the science, art and knowledge of accountancy which is required for the Employers' business purpose as all the Employers entitled to train Articled clerks do not possess all the variety of business clients (variety of accounts) which the Articled Clerk has got to learn. At present there is no provision for the Employers to hold any class (say once a week) or meet and give the Articled clerks opportunity to discuss about studies and give him instructions. As a result of this the major po[illegible]ience, art and kn[illegible] of accountan[illegible] and in most cases the whole of cost accounting and other subjects as Economics, Income-tax, Mercantile Law have got to be learnt by the Articled Clerks themselves without any guidance in the theoretical portion of the R. A. Course.

Secondly it appears from the Auditors Certificates Rules, 1932 that the Articled Clerk is not entitled to any 'privilege leave' as the paid clerks. The leave to which the Articled clerk is entitled, *i.e.*, for a period aggregating not more than one-eleventh of the services actually rendered, is essentially required for the period next previous to the date of examination for preparations for the same. The provision as to three months leave if the Articled Clerk attends a Recognised Institution is superfluous in most cases as there is no such Institution even in a City like Calcutta. These three months leave should be afforded to the Articled Clerk without any reservation.

I hope that the kind attention of the learned R. A. Board will be drawn to remove such long felt difficulties of the R. A. Articled Clerks.

"N. D".

[The Society of Auditors Coaching Institute, Madras holds classes for final R. A. candidates. *Ed.*]

NOTIFICATIONS

CENTRAL BOARD OF REVENUE

Income-tax, New Delhi, the 25th May, 1946.

No. 12.—The following draft of certain further amendments to the Indian Income-tax Rules, 1922, which the Central Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act, 1922 (XI of 1922) is published as required by sub-section (4) of the said section, for the information of all persons likely to be affected thereby, and notice is hereby given that the said draft will be taken into consideration on or after the 1st August, 1946. Any objection or suggestion which may be received in respect of the said draft before the date specified will be considered by the said Board.

Draft Amendment

In the Statement set out below rule 8 of the said Rules under the head "III Machinary and Plant"—

(1) In sub-head (2) Item (xxvii) of group B shall be deleted,

(2) In sub-head (3) the following group and items shall be added, namely.—

T—Glass manufacturing concerns*

* Replacement of Direct Fire Glass melting Furnaces will be allowed as revenue expenditure.

(*i*) Recuperative and Regenerative Glass melting furnaces 15%

(*ii*) Other plant and machinery including machinery for the manufacture of vacuum tubes and vacuum bulbs 10 per cent.

S. RANGANATHAN *Secy.*

No. 13.—In exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act, 1922 (XI of 1922), the Central Board of Revenue directs that the following further amendment shall be made in the Indian Income-tax Rules, 1922, the same having been previously published as required by sub-section (4) of the said section, namely :—

In the form of "*Notice of Demand under Section 29 of the Indian Income-tax Act 1922, for advance payment of tax under section 18A* (1) *of the Act*" set forth in Rule 20A of the said Rules, in the statement under the heading "*Order under section 18A* (1) *of the Income-tax Act 1922*" the columns "Surcharge on income-tax" and "Surcharge on super-tax" shall be omitted.

PYARE LAL, Secretary.

New Delhi 22nd June, 1946.

No. 17.—The following draft of further amendments to the Indian Income-tax Rules, 1922, which the Central Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act, 1922 (XI of 1922) is published as required by sub-section (4) of the said section, for the information of all persons likely to be affected thereby, and notice is hereby given that the said draft will be taken into consideration on or after 31st July 1946. Any objection or suggestion which may be received from any person in respect of the said draft before the date specified will be considered by the said Board.

Draft Amendments.

In the "Form of return of total income and total world income for individuals, Hindu undivided families, companies, local authorities, firms and other associations of persons required under sub-section (1) or (2) of section 22", set forth in sub-rule (1) of rule 19 of the said Rules—

(1) In the statement under Part IV—

(*a*) in item "Depreciation allowable as shown in Part V of this Return—

See note 17 (c)" for the figures, letter, and brackets "17 (c)" the figures letter, and brackets "17 (d)" shall be substituted ; and

(*b*) after the above item as so amended, the following item shall be inserted, namely :—

"*Scientific Research Expenditure* (if not charged in arriving at the above figure of profit).

(*i*) Any expenditure (not in the nature of capital expenditure) laid out or expended on scientific research related to the business—*See note 17(c)*. Give details.

(*ii*) Any sum paid to an approved scientific research association or an approved university, college or other institution for such scientific research —*See note 17(c)*. Give details.

(*iii*) Any expenditure of a capital natur on scientific research related to the business admissible under section 10(2) (xiv) of the Act—*See note 17(c)*. Give details."

(2) in the Statement under Part V—

(*a*) for the marginal note "*See note 17 (c)*" the marginal note "[See note 17 (*d*) and 17 (2)]" shall be substituted.

(*b*) in the heading of column 2 for the words, figures letter and brackets "[See note 17 (c)]" the words, figures, letter and brackets "[See note 17(d)]" shall be substituted ;

(*c*) In the heading of column 3 the mark "†" shall be placed immediately before the word "Capital" ; and

(*d*) at the end of the statement to the existing notes the following further note shall be added, namely :—

"†(3) Capital expenditure on new machinery or plant or new buildings erected should be shown separately and in the Remarks column against each such entry, it should be indicated that initial depreciation is claimed."

(3) In the Statement under Part VI for the existing heads at the bottom, the following heads shall be substituted, namely :—

"Total income from property.........
Less (*i*) Claim for irrecoverable rent (Give details separately).

(*ii*) Income from property erected during the period 1st April 1946 to 31st March, 1948.

Net Income from property carried to part I of the return........ ..." ; and

(4) In the "Notes for guidance in filling up Return Form No. I.T. 11"

(*a*) to Note 1 A, the following shall be added, namely :—

"Super-tax in these cases should be calculated at the rates and in the manner specified in the annual Finance Act.";

(*b*) in Note 17.

(*i*) after paragraph (*b*) the following new paragraph shall be inserted, namely :—

"(*c*) Under section 10(2)(*xii*)(*xiii*) and (*xiv*) of the Act, revenue expenditure incurred by the assessee on scientific research related to a business or to the class of business carried on and sums paid to research associations or institutions will be allowed in the assessment of the profits of the year in which the expenses were incurred. Capital expenditure on scientific research will be allowed in five consecutive equal instalments and allowance will be given also in respect of such expenditure incurred not more than three years before the commencement of the business. Any expenditure on scientific research incurred in the previous year for the assessment year 1945-46 is admissible as a deduction in the assessment year 1946-47, but not in any subsequent year of assessment" ;

(*ii*) the existing paragraph "(*c*)" shall re-lettered as "(*d*)" and

(*iii*) after paragraph "(*d*)" as so re-lettered the following paragraph shall be added, namely :—

"(*e*) Under section 10 (2) ([illegible]) of the Act special initial depreciation will be admissible in respect of new buildings, plant and machinery. In the case of buildings, the rate is 10 per cent. of the cost except in the case of buildings erected in the period 1st April 1946 to 31st March 1948 for which it is 15 per cent. In the case of plant and machinery the rate is 20 per cent. The allowance will not be deducted in computing the written down value."

No. 19.—The following draft of a certain further amendment to the Indian Income-tax Rules, 1922, which the Central Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act, 1922 (XI of 1922), is published as required by sub-section (4) of the said section for the information of all persons likely to be affected thereby and notice is hereby given that the said draft will be taken into consideration on or after the 15th July, 1946. Any objection or suggestion which may be received from any person in respect of the said draft before the date specified will be considered by the said Board.

Draft Amendment.

In rule 45 of the said rules, after entry 6 the following entry shall be inserted namely :—

"7. Senior All-India Diploma in Commerce awarded by the All-India Board of Technical Studies in Commerce, Business Administration and Economics of the All-India Council for Technical Education provided that the diploma-holder took "Advanced Accountancy and Auditing" as his optional subject for the diploma course."

PYARE LAL,
Secretary.

LEGISLATIVE DEPARTMENT.

New Delhi, the 18th May, 1946.

ORDINANCE NO. XVII OF 1946.

An Ordinance to prohibit banks from issuing promissory notes payable to bearer.

Whereas an emergency has arisen which makes it necessary to prohibit banks from issuing promissory notes expressed to be payable to the bearer of the instrument:

NOW, THEREFORE, in exercise of the powers conferred by section 72 of the Government of India Act as set out in the ninth schedule to the Government of India Act, 1935 (26 Geo. 5, c 2), the Governor General is pleased to make and promulgate the following Ordinance:—

1. **Short title extent and Comn ment.**—(1) This Ordinance ma called the Bearer Promissory No (Prohibition of Issue Ordinance, 19

(1) It extends to the whole c British India.

(2) It shall come into force at once.

2. **Interpretation.**—In this Ordinance "bank" means a banking company as defined in section 277F of the Indian Companies Act, 1913 (VII of 1913), and includes any branch of such bank but does not include the Reserve Bank of India.

3. **Prohibition of issue of bearer promissory notes.**—Notwithstanding anything contained in the Negotia Instruments Act 1881 (XXVI of 1 no bank shall, after the com ment of this Ordinance, make or any promissory note expressed to payable to the bearer of the instr ment.

Penalty.—If any bank makes c issues any promissory notes i contravention of section 3, ever director or other officer of the ban shall, unless he proves that th contravention took place without hi knowledge or that he exercised all du diligence to prevent it, be deemed be guilty of such contravention shall be punishable with a fine wi may extend to twice the amount which promissory notes were so m or issued

WAVELL,
Viceroy and Governor General.

(1)	(2)	(1)	(2)

Reg. No. M. 4709

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