



THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Striving for Academic and Professional Excellence
Council Year 2019-20



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Skill Development



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Modernisation



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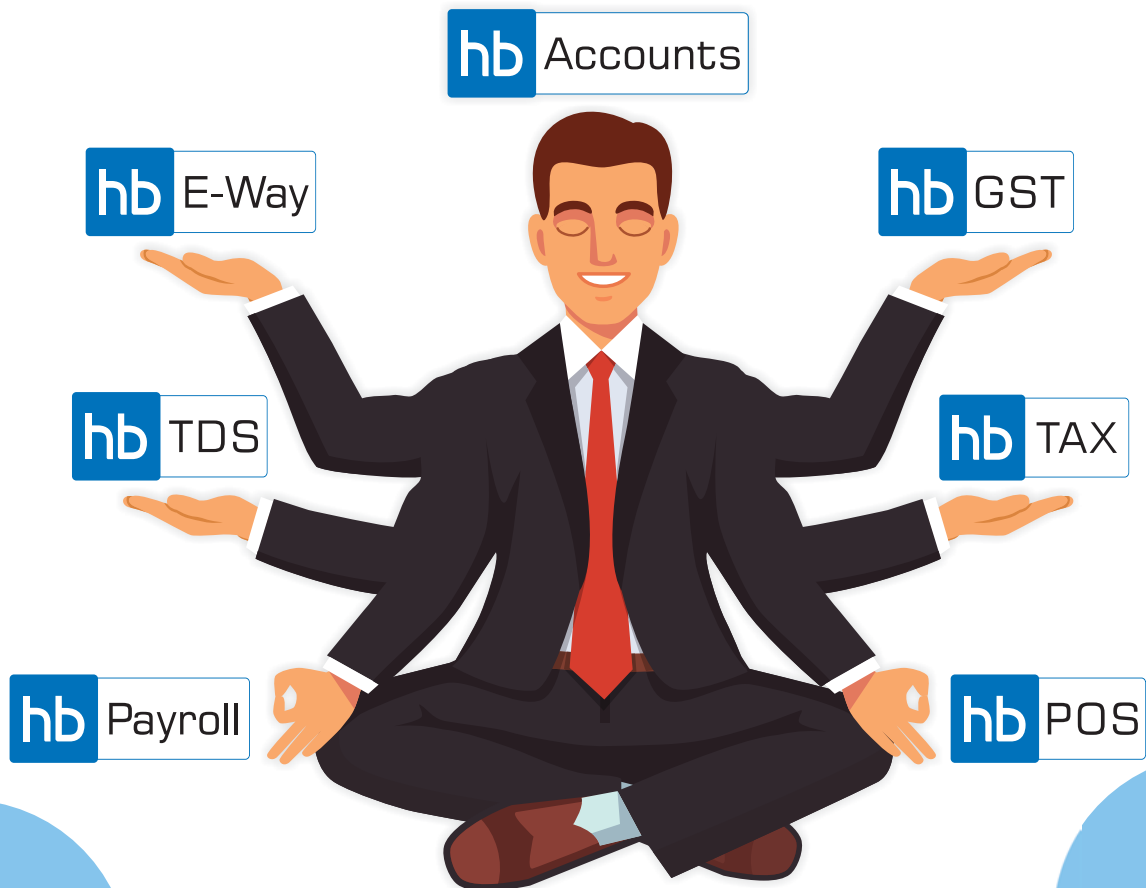


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Bank Branch Audit

The Indian Banking industry has evolved over a long period of time to acquire indomitable position in the economy. It would not be exaggeration to state that the banking system is lifeline and its fruits are enjoyed from large corporate houses to the individual villagers staying in geographically obscure places. The spread of banking system is very wide encompassing every nook and corner of the country.

The system plays a catalytic role in activating and sustaining economic growth and is quintessential part of ecosystem of the Indian economy. The banking system is inherent and integral part of many government initiatives helping in the inclusive growth and implementing various developmental schemes. One such recent initiative, Jan Dhan Yojana – a mass financial inclusion program targeting the individuals who are otherwise deprived of banking benefits has so far brought Rs 1,12,815 crore to productive channels through deposits from 37.95 Crore beneficiaries. Banking system is also used as an intermediary to deliver benefits and subsidies bringing transparency in the system and plugging gaps in delivering help to the needy.

As the financial year is reaching its conclusion, it is time for the audit of banks. The importance of banking system in the economy puts exceptional responsibility on the shoulders of bank auditors to deliver high quality services. Traditionally, the main business of banks was to accept deposits and offer loans. The desire to grow, competition, technological thrust, fading geographical boundaries have pushed banks into taking plethora of additional activities. They directly or through separate structures offer variety of financial products. Thus making the audit task complex, intriguing and highly specialised. The auditors also have challenge of limited time available to audit a single branch. Thus they need to be well prepared with complete understanding of the framework governing the banking industry. The auditors need to understand the laws including the Reserve Bank of India Act, 1934, Banking Regulation Act, 1949 and other relevant Acts. Indian central bank, Reserve Bank of India issues a number of circulars and directions that are relevant for the auditors. The auditors need to be well versed with

the Standards and Guidance Notes issued by the Institute of Chartered Accountants of India. Last but not the least auditors need to go through the relevant internal circulars and manuals of auditee banks.

Indian banking system is highly regulated. In spite of the best efforts there have been major bank crises in Indian banking industry including in some of the cooperative banks in recent times. The banks are also facing challenge of Non Performing Assets, however, silver lining is that NPAs are receding. Incidentally, these banking setbacks erode public trust in the overall system, which is not good for economy.

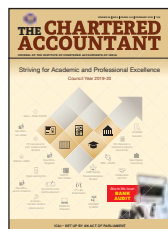
The internal functioning of the banks has become technology driven with the implementation of Core Banking Solution. While technology can help in automatizing processes, bring speed and reduce human discretion, it also brings new dimensions in the problems that may be faced by the banks. The internal control systems cannot be overly relied as the problems below the calm waters can be of uncontrollable magnitude. Auditors can identify potential risk areas and weak internal controls. The Reserve Bank of India in its recent report on 'Trend and Progress of Banking in India - 2018-19' has observed that: *The slowdown in global and domestic growth impulses in the recent past impinged on credit demand. The asset quality, capital adequacy and profitability of scheduled commercial banks improved after a long period of stress, although challenges emerged from other areas like non-banking financial companies and co-operative banks. Going forward, issues such as resolution of stressed assets, weak corporate governance, and frauds need to be addressed to reaffirm a robust financial sector that minimizes systemic risks.*

Bank Audit is an opportunity for the auditors to promote culture of good governance and help the regulators and government. At macro level, the task of auditing of banks can help the Reserve Bank of India to have a closer look at the functioning of the banks and simultaneously identify critical areas that need greater supervision or regulation.

Editorial Board ICAI: Partner in Nation Building

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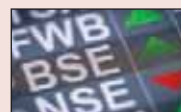
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From the President



My dear Professional Colleagues,

"Glory lies in the attempt to reach one's goal and not in reaching it."

- Mahatma Gandhi

As I pen down my final message in this Journal as President of ICAI, I am overwhelmed with fond memories of yesteryears in my life journey. I am reminded of the start of my incredible journey in this profession as an article trainee with CA. Bansi S. Mehta, Past President of ICAI, my *guru* and my mentor. Life in articleship was challenging, but the strong foundation of discipline, commitment, and integrity that it gave during the period, helped me in my entire professional life, including during my tenure as WIRC member from 2001, WIRC Chairman in 2007-08, and as President of this Institute. For building to be strong, the foundation needs to be solid. It takes a village to raise a child and I am fortunate to have the best mentors and guides along the way. At this juncture, I do not wish to write like a historian detailing about what we have achieved in the past year as you will read about it in detail elsewhere in the journal, here I wish to tell that I am eternally grateful for getting the privilege to serve you.

The ICAI, in its illustrious journey, started with about 1700 members in the year 1949 after the independence. Today, ICAI is having 164 branches in India, 34 chapters abroad along with an overseas office in Dubai and a new office in Singapore. Accountancy is truly a global profession and we

Indian Chartered Accountants are the second largest body of Chartered Accountants in the world, with more than 300,000 members and more than 700,000 students. Today ICAI and its members are a force to be reckoned with.

India has emerged as the new dynamic face of the global accountancy profession and all the past seven decades of integrity, professionalism, independence, competency, and ethics have shaped ICAI to be leading body in the accounting world. It is matter of pride for my fellow professionals and all Indians to get opportunity to host World Congress of Accountants, 2022 to be held in Mumbai in November, 2022. The event often referred to as 'Olympics of the Accounting world' will be co-hosted by the International Federation of Accountants (IFAC) with

the Institute. I am thankful to be bestowed with opportunity to Chair of Executive Committee of WCOA 2022 and it would be our endeavour to make it a memorable knowledge enriching event that will help to make our country honoured.

I am happy that during the year ICAI qualification has been recognised by UK NARIC as being comparable to specific Regulated Qualifications Framework levels of the UK and UAE. This will give an advantage to our students and members. Members looking for opportunities in foreign countries may also try overseas campus placement portal to give themselves option of a truly global career. I would also recommend that members learn a foreign language that will provide them with an extra edge while looking for global opportunities.

Members may also explore the Digital Learning Hub, the distance learning platform providing e-learning opportunities. ICAI constantly strives to proactively leverage technology to better serve stakeholders and the latest such initiative is the creation of a self-service portal to make applications (forms) and transactions (services) faster and convenient. The Institute has always placed students at a high priority and has endeavoured to prepare students for tomorrow by imparting requisite knowledge and skill in innovative ways. Several student-friendly initiatives through the Board of Studies and Examination Department were undertaken to help them to fulfill their dreams. I wish all the students best luck in their future endeavours.

From the President

I have been travelling across India and the globe representing ICAI and putting forward the views, ideas in the overall interest of Indian accounting profession. Love and affection extended to me during these visits have been truly overwhelming. My gratitude to all those with whom I have come into contact and interacted during my tenure as Vice-President and President, ICAI. I will cherish those moments throughout my life. ICAI has associated with The Institute of Chartered Accountants in England and Wales (ICAEW), Kuwait Association of Accountants and Auditors (KAAA), Saudi Organisation for Certified Public Accountants (SOCPA) and CPA Australia through its MRA/MOU and this would act as a catalyst for renewing India's focus for facilitating the export of Accountancy Services and its promotion in a digital world, being earmarked as one of the Champion Sector initiatives of the Government of India.

In the Overseas Campus Placements semi-qualified Accountants were also given the opportunity to participate. The Institute also provides a tailwind to these placements by providing avenues for members and students to learn new languages through ICAI's tie-ups with Instituto Cervantes, GoetheInstitut, Alliance Francaise, and Japan Foundation for Spanish, German, French, and Japanese, respectively. ICAI is also looking forward to providing avenues for learning the Arabic language as one of its action plan for the Champion Sector.

We are going from strength to strength in increasing the number of women Chartered Accountants which today stands at about 82,000. I would also like to share that the International Federation of Accountants (IFAC) is now a women majority board and I draw inspiration from this fact that women in accountancy and Boards will continue to lead to increased productivity and angularity in business and profession.

I have had the fortune of witnessing ICAI prominently representing the concerns of SMPs of not just Indians but South Asian region too, at all possible international platforms including IFAC, Edinburgh Group, CAPA and SAFA. It is a matter of pride that ICAI has always held the Chair of the SMP Committee at SAFA and for the past decade been a member of the SMP Committee of IFAC. This year too, the Institute made further inroads towards the cause of profession especially SMPs. Digital Competency Maturity Model (DCMM), a self- evaluation matrices for accounting firms

developed by ICAI to gauge the Firm's relative maturity level as regards digital competency pertaining to Audit and Accounting related functions got wide global recognition and adopted by European Federation of Accountants and Auditors and SAFA. This year we released DCMM Version 2.0. We also initiated Joint Research with ICAEW on automation in finance and accounting space by interviewing companies in India and UK.

My presidency has also been punctuated with several international dignitary visits. We hosted Confederation of Asian Pacific Accountants (CAPA) events in New Delhi, Asian Oceanian Standards Setters Group (AOSSG) AGM in Goa and the ICAI's premier International Conference on *"Accountancy Profession: Catalyzing Reforms, Creating Values"* in Mumbai. The visits included many Past-Presidents of ICAI, representatives of ICAI's foreign chapters, members of Parliament, officials of IFAC, CAPA, AOSSG, ICAEW, CPA Australia and CPA Canada. We also had the privilege of hosting IFRS Trustee Delegation, IASB Vice-Chairman, CEO CPA Australia during the year. Delegations from the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Chartered Accountants of Nepal (ICAN) also visited India. It was a fruitful exchange of ideas with all of them.

One of the projects very close to my heart was the successful phased implementation of UDINs that established the identity of members signing various reports/ certificates. This initiative in India is the first of its kind in the world that was well appreciated in the IFAC Council and will be soon mirrored by the other SAFA member bodies. Bringing further credibility to its usage, the acronym "UDIN" has now been registered under the Trade Marks Act, 1999 in the name of The Institute of Chartered Accountants of India.

As part of our continuous learning and skill development activity, we continued to organise a large number of Seminars, Workshops and Conferences during the year at the central, regional and branch levels in an effort to provide the maximum possible opportunities for the members to interact with each other, share their experiences and provide a systematic effect on the totality of professional expertise and excellence. During the year, till now, we have organised 7,709 programmes which included 1,943 programmes on GST, 228 on Companies Act, 185 on RERA, 127 on

From the President

Insolvency and Bankruptcy Code, 201 on Ethical Standards/Code of Ethics/Professional Ethics and 40 programmes on Standards on Auditing. We also enabled 157 batches of various Certificate Courses and 87 batches of Post Qualification Courses/ Diploma Courses to develop, maintain and satisfy your intellectual curiosity that would motivate life long study. I encourage the professionals to attend the future courses, seminars, and conferences that are held under the aegis of various committees of the Council to remain updated. Today, ICAI has earmarked a fund of INR 30 crore for Skill Development/ Capacity Building initiatives for CA professionals and I am also very happy that henceforth ICAI will offer a 30% reduction in fee of Certificate Courses and Diploma Courses to promote skill-building among members.

It has been the standard-setting spring with Ind AS 116 Leases, 12 new Accounting Standards for Local Bodies (ASLBs), 13 Standards on Internal Audit (SIAs), revised Standards on Auditing (SAs) 800, 805 and 810 and a revised Part-A of the Code of Ethics. I would like to underline the fact that digitisation, cloud computing, robotic process automation, machine learning, blockchain, and cognitive computing are otherwise causing disruptions can be converted into an opportunities for Chartered Accountants.

In my earlier communications, I have shared at length about various initiatives of ICAI on the regulatory front including the complete automation of disciplinary process including introduction of E-hearing facility. During the past year an impressive 7 Council Meetings covering 15 days disposing of 256 agendas, 5 Executive Committee meetings disposing of 67 items, and 7 Managing Committee meetings disposing of 136 items were held. In addition, 254 meetings of various Non-Standing Committees/Groups have taken place during the year.

While demonstrating its expertise in the areas of education, professional development and maintenance of high accounting, auditing & ethical standards, ICAI has also been extending support to Government and various regulators and taking initiatives as Partner in Nation Building. We have decided to open a representative office of the Institute in Union Territories of Jammu & Kashmir and Ladakh in Srinagar and Leh respectively. Both these offices will be creating newer opportunities for the students, youth, and practitioners residing in these states. ICAI welcomed the students from

Union Territories of Jammu & Kashmir, Ladakh, and 8 North-Eastern States and offered them a 75% fee waiver.

Let me now mention some of the important developments that took place over the last month:

1. The ICAI Convocation held in Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Kanpur, Pune, Ahmedabad, and Jaipur in January 2020 to award Membership and Merit Certificates to newly enrolled Members and Rank Holders, respectively, was graced by dignitaries like Dr. Harsh Vardhan, Hon'ble Minister of Science & Technology, Health and Family Welfare in Delhi, Hon'ble Thiru. K Pandiarajan, Minister for Tamil Official Language and Tamil Culture, Government of Tamil Nadu in Chennai, CA. Arun Singh, Hon'ble Member of Parliament and CA. (Dr.) Niranjan Hiranandani, President ASSOCHAM in Mumbai to name a few. In the event, around 18,000 members and more than 66 CA Examination Rank Holders were felicitated. It was heartening to see young members proudly flipping tassels from one side of their cap to another.
2. ICAI recently honoured stellar individuals who possess excellent skills, dedication, enthusiasm, leadership, and the ability to deliver the best that we all strive to emulate by organising the 13th ICAI Awards in Mumbai. The awards were presented in 9 major categories, i.e., CA Business Leader, CA CFO, CA CXO, CA Young Leader, CA Entrepreneur, CA Global Achiever, CA Educator, CA Special Recognition (for specially-abled members), and CA Hall of Fame by Shri Piyush Goyal, Hon'ble Minister for Commerce and Railways. The precursor to the ICAI Awards ceremony included thought leadership by banking, insurance and industry experts with the focus on roles of CFO, CEO, Ethics, Robotics, and Digital disruption.
3. ICAI Awards for Excellence in Financial Reporting were also organised recently amidst a huge gathering in Jaipur to give impetus to various companies to improve their standards of financial reporting. During the year 188 companies from different sectors applied for the awards and a total of 12 awards were given away by the Chief Guest Justice Sanjeev Prakash Sharma, Hon'ble Judge, High Court of Rajasthan. I am confident that our fraternity both in industry and practice will be able to shoulder the responsibility of the times to come.

From the President

4. As a part of pursuing its goal of playing significant role and developing relationship of mutual understanding with International Bodies, ICAI nominees comprising, myself, Vice-president and others met IFRS Foundation delegation comprising Mr. Erkki Liikanen, Chair of IFRS Foundation Trustees, Mr. Vinod Rai, Trustee, IFRS Foundation and Mr. Lee White, ED, IFRS Foundation. ICAI nominees also participated in meetings of the IFRS Foundation delegation with C&AG, RBI, and SEBI to discuss issues of mutual interest and areas of co-operation.
5. ICAI is helping in nation-building by supporting the cause of justice through leveraging its vast network of branches to help provide video conferencing facilities between members and Income Tax Appellate Tribunal (ITAT) in areas where the ITAT does not have benches or in places where regular members are not available. An arrangement in this regard has been recently entered with ITAT during its 79th Foundation Day in Delhi.
6. You would be pleased to know that now Indian Institute of Management, Jammu (IIM, Jammu) has recognised Chartered Accountancy qualification as an equivalent to a Master's degree for the purpose of pursuing a Ph.D. Programme in IIM, Jammu. With this recognition, a total of 104 Universities, 7 IIMs and 2 IIT (Madras and Bombay) (Total 113 Universities/Institutions) have recognised Chartered Accountancy qualification for pursuing a Doctorate of Philosophy (Ph.D.) programme.

My efforts to actively work for the profession in last two decades led me to be 67th President of The Institute of Chartered Accountants of India for the Council year 2019-20. The profession gave me an opportunity to join Central Council in 2013, ever since then, I have endeavoured to serve the profession at national level with integrity and dedication. Change is inevitable. However, even when I relinquish the position, I will continue to contribute to the furtherance of the profession. I, along with my colleagues from the accountancy profession, will continue to strive to work effectively for the growth of the Institute and the profession.

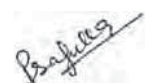
Like all of you, I am looking forward to the Union Budget 2020 which we all hope will provide a boost to the Indian economy to achieve the ambition of being USD 5 trillion economy by 2025. I would like

to thank the Ministry of Corporate Affairs and the Ministry of Finance for their support and ICAI will continue to have a dialogue with them. In handling the onerous responsibility that comes with position of being the President of the Institute, I got ample support and useful suggestions from my colleagues in the profession. I would like to especially thank the Vice President CA. Atul Kumar Gupta for all the support and hard work he has put in to make our endeavours a success. I would like to thank our members in Parliament who have addressed their fraternity. I would also like to thank all my Council members, government nominees, Acting Secretary ICAI, Secretaries and HODs of various Non-Standing Committees and Standing Committees/ Departments, Regional Council members, Branch Managing Committee members, and the entire staff of ICAI for their untiring contribution which has helped me in discharging my duties. I would like to thank all the young budding students and members who showered immense respect and love. I can never repay this debt. I take leave of you with a sense of great personal satisfaction. I also see the future as being full of exciting possibilities, tremendous opportunities. Soon I will hand over the baton of ICAI leadership to my successor. I wish the Institute and the profession very best in future.

I look forward to meeting many of you during ICAI's 70th Annual Function to be held in New Delhi on February 7, 2020, where we would be felicitating our rank holders, Best Regional Council Award, and Best Branch Award, etc. You would get to meet a galaxy of students, dignitaries from Government trade/commerce, diplomats, media and prize winners. On the occasion you can feel the energy of the CA rank holders who will no doubt raise the flag of the Chartered Accountancy profession.

As I drive off and set my GPS for Vision 2030 of ICAI becoming the world's leading accounting regulator, I will keep fond memories of my all colleagues, juniors and seniors in my rearview mirror. All the best to everyone!

Best wishes,



CA. Prafulla P. Chhajed
President, ICAI
30th January, 2020

Photographs



Meeting with Shri Arjun Ram Meghwal

ICAI President CA. Prafulla P. Chhajed presenting bouquet to Hon'ble Minister of State, Parliamentary Affairs Shri Arjun Ram Meghwal in presence of ICAI Vice-President CA. Atul Kumar Gupta and ICAI Central Council member CA. Rajesh Sharma in Delhi



ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta welcomes Chairman of IFRS Foundation Trustees Erkki Liikanen and IFRS Foundation's Executive Director Lee White during their visit to ICAI Bhawan at Bandra Kurla Complex, Mumbai, in presence of ICAI's Central Council member CA. M. P. Vijay Kumar and former Council member CA. S. B. Zaware (21.01.2020)

IFRS Foundation Trustees visit



ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta with Governor, Reserve Bank of India Shri Shaktikanta Das and Chairman of IFRS Foundation Trustees Erkki Liikanen and IFRS Foundation's Executive Director Lee White at RBI office, Mumbai (21.01.2020)



ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta during a meeting with SEBI Chairman Shri Ajay Tyagi, IFRS delegates Erkki Liikanen, Chairman of IFRS Foundation Trustees and Lee White, and IFRS Foundation's Executive Director. Also seen in picture Central Council member CA. M. P. Vijay Kumar and Executive Director, SEBI Shri Amarjeet Singh (21.01.2020)



"Shankusthapana"- S. Janardhan Building

ICAI President CA. Prafulla P. Chhajed at the Foundation Stone Laying ceremony of the ICAI Bhawan - S. Janardhan Building at Bengaluru with Ms. Sudha Janardhan, w/o Late CA. S. Janardhan who generously donated multi-crore property to ICAI in presence of ICAI Past Presidents CA. B. P. Rao, CA. K. Raghu, Past CCM CA. Laxminiwas Sharma and ICAI Central Council members CA. Babu Abraham Kallivayalil, CA. M. P. Vijay Kumar, CA. Dayaniwas Sharma, CA. P. Rajendra Kumar, among other dignitaries, on the occasion (08.01.2020)



Gurugram Branch of NIRC Donates to CABF



Inauguration of Bhavnagar Branch

President ICAI CA. Prafulla P. Chhajed inaugurated new branch premise dedicated to members and students at Bhavnagar Branch of WIRC of ICAI. Also present on the occasion, ICAI Central Council members CA. Aniket Talati, Chairperson WIRC CA. Priti Savla, Vice-Chairman CA. Umesh Sharma, Regional Council Member WIRC CA. Hitesh Pomal and Chairman Bhavnagar Branch of WIRC CA. Jayesh K. Shah with Managing Committee members of Bhavnagar Branch (26.12.2019)

ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President, CA. Atul Kumar Gupta receiving a cheque of ₹ 5,39,201 from Chairman of Gurugram Branch of NIRC CA. Arun Aggarwal, towards contribution to the Chartered Accountants Benevolent Fund (CABF), collected from members. Also seen in picture Vice-Chairman CA. Dheeraj Sharma and members of Managing Committee of the Branch (10.01.2020)

Photographs

'CA Hall of Fame' Award



CA. Askaran Agarwala, Director, Aditya Birla Group

ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta along with Hon'ble Minister of Railways and Commerce CA. Piyush Goyal conferring 'CA Hall of Fame' award to CA. Askaran Agarwala, Director, Aditya Birla Group in presence of Chairman and Vice-Chairman, CMI&B of ICAI CA. Anil Bhandari, and CA. Hans Raj Chugh respectively among other Central council colleagues CA. Sushil Kumar Goyal, CA. Babu Abraham Kallivayalil at 13th ICAI Awards held in Mumbai (14.01.2020)



CA. Aditya Puri, Managing Director, HDFC Bank Ltd.

ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta with Hon'ble Minister of Railways and Commerce, CA. Piyush Goyal conferring 'CA Hall of Fame' award to CA. Aditya Puri, Managing Director, HDFC Bank Ltd. in presence CA. Anil Bhandari, Chairman, CA. Hans Raj Chugh, Vice Chairman of Committee for Members in Industry and Business, ICAI and their Central Council colleagues CA. Durgesh Kabra and CA. G. Sekar at 13th ICAI Awards held in Mumbai (14.01.2020)



Jury Meet, 13th ICAI Awards, Mumbai

ICAI President CA. Prafulla P. Chhajed, ICAI Vice-President CA. Atul Kumar Gupta and ICAI Past President CA. Kamlesh Vikamsey with Future Group Founder and 13th ICAI Awards Jury Chairman Shri Kishore Biyani, along with Jury Members and ICAI Central Council members CA. Durgesh Kabra, CA. Anil Bhandari, CA. P. Rajendra Kumar, CA. Hans Raj Chugh, among others, on the occasion in Mumbai (07.01.2020)



Group photograph of Awardees of 13th ICAI Awards in 25 different categories

ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta along with Hon'ble Minister of Railways and Commerce CA. Piyush Goyal in a group photograph with awardees and Central Council colleagues at 13th ICAI Awards held in Mumbai (14.1.2020)



Interactive Meeting with Members, Navi Mumbai

ICAI President CA. Prafulla P. Chhajed along with Founder Chairman Central Council member CA. Shrinivas Yashwant Joshi Navi Mumbai Branch of WIRC CA. E. A. Patil, Chairman Jayawant Tandel and Vice-Chairman CA. Santosh Sharma during an interactive meet with members at ICAI's Navi Mumbai Branch of WIRC (25.01.2020)

Photographs



Seminar on GST, Surat

ICAI President CA. Prafulla P. Chhajed with Central Council member CA. Jay Chhaira and Chairman Surat Branch of WIRC of ICAI during a Seminar on GST held in Surat (30.12.2019)



Interactive Meet, Thane

ICAI President CA. Prafulla P. Chhajed, WIRC Chairperson CA. Priti Paras Savla and Chairman Thane Branch of WIRC CA. Yogesh Prasade during an interaction meet with members in Thane (22.12.2019)



Members Meet, Madurai

ICAI President CA. Prafulla P. Chhajed with ICAI Central Council members CA. M. P. Vijay Kumar, CA. P. Rajendra Kumar, CA. G. Sekar, CA. D. Prasanna Kumar, also seen in picture Chairman Madurai Branch of SIRC CA. P. Venkatachalam and Chairman SIRC of ICAI CA. Jomon K. George, Vice-Chairman CA. Dungar Chand U. Jain and members of the Managing Committee of the Branch, on the occasion, in Madurai (08.01.2020)



Members Meet, Ichalkaranji

ICAI President CA. Prafulla P. Chhajed in a group photo with Chairman CA. Nagnath Basude, Vice-Chairman CA. Vijay Dudharkar and CA. Arpit Kabra, among other Office Bearers of Ichalkaranji Branch of WIRC on the occasion of members meet at Ichalkaranji Branch (13.01.2020)



Workshop on IBC, Mumbai

ICAI President CA. Prafulla P. Chhajed receiving a green plant as a memento from Central Council member CA. Durgesh Kabra also present CA. Rakesh Tulsyan at one day workshop on Insolvency & Bankruptcy Code in Mumbai (26.12.2019)



Interactive Meet, Satara

ICAI President CA. Prafulla P. Chhajed with Chairman Satara Branch of ICAI, CA. Atul Doshi, Vice-Chairman CA. Anand Kasat and members of Managing Committee during an interactive meet with members in Satara (12.01.2020)



Members and Students Meet, Ajmer

ICAI President CA. Prafulla P. Chhajed with ICAI Central Council member CA. Satish Gupta and Chairman Ajmer Branch of CIRC of ICAI CA. C. P. Jain, Vice-Chairman CA. Surendra Somani during members and students meet in Ajmer (29.12.2019)



Members Meet, Kishangarh

ICAI President CA. Prafulla P. Chhajed in a group photograph on the occasion of ICAI members meet at ICAI's Kishangarh Branch of CIRC (29.12.2019)

Photographs



Members Meet at ICAI's Sangli Branch of WIRC

ICAI President CA. Prafulla P. Chhajed in a group photograph with past Council member and managing committee member of Sangli Branch of WIRC CA. Mangesh P. Kinare and Chairman Sangli Branch of WIRC of ICAI CA. Bhupalsingh Baldevsingh Sulhyan, WIRC Vice-Chairman CA. Sharma Umesh Ramnarayan on the occasion of interaction with members in Sangli (13.01.2020)



Members Meet, Kolhapur Branch of WIRC

ICAI President CA. Prafulla P. Chhajed interacting with members at ICAI's Kolhapur Branch of WIRC. Also present on dais, Chairman of the Branch CA. Amit Madanrao Shinde, Vice-Chairman CA. Anil Chikodi and other dignitaries (13.01.2020)

National Conference for CA Students



Mumbai

ICAI President CA. Prafulla P. Chhajed sharing stage with Central Council members CA. Durgesh Kabra, CA. Kemisha Soni, CA. N. C. Hegde and WIRC Office Bearers during National Conference for CA students in Mumbai (07.01.2020)



Indore

ICAI President CA. Prafulla P. Chhajed with ICAI Past President CA. Manoj Fadnis, Central Council member CA. Kemisha Soni and Chairman Indore Branch of CIRC of ICAI CA. Pankaj G. Shah, among others, on the occasion, in Indore (27.12.2019)



Jaipur

ICAI President CA. Prafulla P. Chhajed along with Central Council members CA. Satish Gupta, CA. Prakash Sharma, CA. Jay Chhaura, CA. Anil S. Bhandari, CA. Anuj Goyal, CA. Pramod Kumar Boob, Central Council Govt. Nominee Shri Vijay Jhalani, Advocate, and Chairman Jaipur Branch of CIRC CA. Lokesh Kasat during National Conference in Jaipur (30.12.2019)

ICAI Convocations 2020



Ahmedabad

Central Council members CA. Aniket Talati, CA. Jay Chhaura and Chairman Ahmedabad Branch of ICAI CA. Ganesh Nadar along with Chief Guest Shri Sandeep Engineer awarding 'Certificate of Membership' to newly qualified members (03.01.2020)



Chennai

Central Council members CA. P. Rajendra Kumar, CA. G. Sekar, CA. Babu Abraham Kallivayalil, CA. M. P. Vijay Kumar presenting a memento to Minister for Tamil Official Language and Tamil Culture, Government of Tamil Nadu, Hon'ble Thiru K. Pandiarajan (04.01.2020)



Delhi

ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta with Chief Guest, Hon'ble Minister of Science and Technology, Health & Family Welfare, Earth Science Dr. Harsh Vardhan during ICAI Convocation. Also present on stage Central Council members CA. Charanjot Singh Nanda, CA. Rajesh Sharma, CA. Anuj Goyal, CA. Hansraj Chug, CA. Sanjeev Singhal and NIRC Chairman CA. Harish Chaudhary Jain (05.01.2020)

Photographs

ICAI Convocations 2020



Mumbai

ICAI President CA. Prafulla P. Chhajed with the Chief Guest Hon'ble Member of Parliament, Rajya Sabha CA. Arun Singh, Guest of Honour CA. (Dr.) Niranjan Hiranandani, President ASSOCHAM, Central Council Members CA. N. C. Hegde, CA. Shriniwas Joshi, CA. Dhiraj Kumar Khandelwal, CA. Rajesh Sharma and WIRC Chairperson CA. Priti Paras Savla during ICAI Convocation (04.01.2020)



Jaipur

Chief Guest Shri Mahendra Singh, Director General Income Tax awarding Certificate of Membership to a newly qualified Chartered Accountant in presence of Central Council members CA. Prakash Sharma, CA. Pramod Kumar Boob and CA. Satish Kumar Gupta at ICAI convocation (04.01.2020)



Kanpur

Central Council members CA. Anuj Goyal, CA. Manu Agrawal, CA. Kemisha Soni during lighting the lamp ceremony. Also present on stage, Regional Council member CA. Atul Agrawal, Chairman Kanpur Branch of CIRC CA. Mukesh Bansal and other Office Bearers on the occasion (04.01.2020)



Kolkata

Chief Guest Shri D. K. Vyas, MD of SREI with Central Council members CA. (Dr.) Debashis Mitra, CA. Sushil Kumar Goyal, CA. Ranjeet Kumar Agarwal along with Chairman EIRC of ICAI CA. Hariram Agarwal, at lighting the lamp ceremony during ICAI convocation (04.01.2020)



Hyderabad

ICAI Past President CA. M. Devaraja Reddy and Central Council member CA. Dayaniwas Sharma with Chief Guest CA. Ganpat Anchaliya during lighting the lamp ceremony on the occasion of ICAI convocation in Hyderabad. Also present on stage Vice-Chairman, Hyderabad Branch of SIRC CA. Pankaj Kumar Trivedi, Ex-Officio Regional Council CA. Chengal Reddy. R and CA. Naresh Chandra Gelli along with Secretary, Hyderabad Branch of SIRC CA. Machar Rao Meenavalli (03.01.2020)



Pune

ICAI President CA. Prafulla P. Chhajed with Chief Guest Shri Pradip Rawat, Former Member of Parliament during convocation ceremony held in Pune. Central Council members CA. Chandrashekhar Vasant Chitale, CA. Shriniwas Yeshwant Joshi, member of past council CA. Shiwaji Bhikaji Zaware, Chairperson Pune Branch of WIRC CA. Ruta Chitale and Vice-Chairman CA. Abhishek Dhamne also share the stage (03.01.2020)

Photographs



ICAI Offers its Infrastructure to ITAT

ICAI President CA. Prafulla P. Chhajed exchanging arrangement documents with ITAT President Hon'ble Justice P. P. Bhatt, in presence of, Hon'ble Chief Justice of India Shri S. A. Bobade during 79th Foundation day ceremony of ITAT in New Delhi (24.01.2020)



Annual Function of Melbourne Chapter of ICAI

ICAI President CA. Prafulla P. Chhajed and Central Council member CA. Dheeraj Kumar Khandelwal seen with Chairman Melbourne Chapter of ICAI CA. Anbu Mohan, Vice- Chairman CA. Harsha Vardhan Singh and Managing Committee members on the occasion of Annual Function of Melbourne Chapter of ICAI (28.01.2020)



MoU Signing with SOCPA

ICAI Vice-President CA. Atul Kumar Gupta with Secretary General, Saudi Organisation for Certified Public Accountants (SOCPA) Dr. Ahmed bin Abdullah Al-Meghames during MoU signing with SOCPA in presence of Minister of Commerce and Investment, Kingdom of Saudi Arabia DR. Majid bin Abdullah Al-Qassabi, member ex-Com, Riyadh Chapter of ICAI and Vice Chairman, Riyadh Chapter of ICAI CA. Naveen Goyal



Interactive Meet, Vasai

ICAI President CA. Prafulla P. Chhajed with Government Nominee Central Council Shri Vijay Kumar Jhalani, Advocate, and Central Council member CA. Durgesh Kabra, past Chairman Vasai Branch of ICAI CA. Sunil Patodia, Chairman CA. Xavier Rajan, Vice- Chairman CA. Ankit Rathi and Office Bearers during a interactive meeting with members in Vasai (25.01.2020)

ICAI Awards for Excellence in Financial Reporting



ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President CA. Atul Kumar Gupta with Chief Guest Hon'ble Justice Sanjiv Prakash Sharma, in presence of ICAI past Presidents CA. Sunil Talati and CA. Sunil Goyal along with their Central Council colleagues during ICAI Conference and Awards Presentation ceremony for Excellence in Financial Reporting in Jaipur (23.01.2020)

ICAI President CA. Prafulla P. Chhajed and ICAI Vice-President along with Chief Guest Hon'ble Justice Sanjiv Prakash Sharma conferring award during ICAI Conference and Awards Presentation ceremony for Excellence in Financial Reporting 2018-19 in Jaipur. Also seen in picture Central Council member CA. Babu Abraham Kallivayalil and CA. Satish Kumar Gupta (23.01.2020)



What the Legends Said

From the Annals of History of Indian Accountancy Profession



CA. V. B. Haribhakti

ICAI President (19th Annual Meeting of the Council, 13th September 1968)

“Our Institute has a proud record in the field of administration of the code of professional conduct. In fact, there is criticism in certain quarters that we have been too strict. But in view of the value attached to the Chartered Accountants’ Report or Certificate by the Government and the members of the public, we are ever vigilant to ensure that very high standards of professional conduct are maintained by our members. We are determined to zealously guard our high standards.”

“The public image of our profession is bright, but we cannot afford to be complacent about it. It has been our constant effort to improve our public image. We try to ensure that our members maintain the highest standards in their professional work. The members should also participate actively in all social activities and voice mature opinions and assume active leadership in the community. It will not help the image of the profession if they meekly and quietly remain on the sidelines for fear of offending some vested interests. The members should exercise their hard won prerogatives and express themselves fearlessly but responsibly on all vital issues affecting the Nation.”

“In performing the attest function and the other professional functions the accountant has to exercise trained intelligence in a rigid framework of independence, integrity and impartiality which form the backbone of our profession. What better qualification could be there for public service? Who could be better qualified by background and experience than an accountant to act on arbitration assignments, review boards, boards of education, etc., where informed intelligence and objective judgment are required? I submit that the accountant, by education, by training and by experience, is one of the best qualified men available for public service today.”

“The Government can usefully draw upon our services for providing accounting analysis and data to serve as a basis for laying down meaningful and progressive financial and economic policies. We are able and willing to play our role in the task of achieving the national economic goals and in the task of achieving the best possible utilisation of the Nation’s resources.”



CA. T. S. Vishwanath

ICAI President (47th Annual Function of ICAI, 16th January 1997)

“The profession today basks in the glory of its edifice built by dedication, vision and wisdom of those before us. I would like to pay my tribute for the yeoman services rendered by them in the cause of the well being of the profession and the society.”

“With the economic frontiers falling, emergence of globalised economy can no longer be wished away. Any country seeking to move forward, in its quest to improve the quality of life of its people can now do so only through active and competitive participation in the globalised economic environment. The process of globalisation of the economy for the first time has enlarged the scope in bringing crossborder services as an integral part. The services sector worldwide forms an important component of the economy and accountancy sector is its significant segment. The accountancy profession, therefore, has a role cut out for it in realising and spurring economic growth.”

“The Government continues the initiation of the process of change towards integrating Indian economy into the world economy and the role of our Institute is growing in the context of national endeavour. The profession endeavours and keeps itself abreast of the developments and with full sense of responsibility discharges its role in continuously improving the technical competence through research and continuing educational programmes, ensuring the professional standards in keeping with the international practices and of course without any let up in maintaining the high and exacting ethical standards. The quest for quality and content of education remaining relevant was not lost sight of as the ‘knowledge edge’ will keep the profession in maintaining its primacy.”

“The urge to search and a searching urge is implicit in a profession seeking continued esteem and recognition of the society. The Institute, with a view to strengthening its research core, decided to set up a research centre with scholastic autonomy to develop more focused research not only in the context of the accountancy profession, but for lending support and playing its natural role in national governance. In times to come, greater and central role in economic development will be sought of the profession.”

“The process of integration of Indian economy with global economy and the consequent liberalisation has enhanced the extent and level of interaction of the Institute with the different statutory and regulatory authorities. The Institute, on its part, is putting the vast expertise of its structure and its members at the disposal of those charged with governance.”



Council Year 2019-20: Striving for Academic and Professional Excellence

The accounting profession, moving ahead step by step in its journey of over seven decades, has acquired indomitable position in the Indian economy. The role of Chartered Accountants has been of great significance in maintaining the financial propriety and augmenting the economic health of the business and society. The contribution made by the Institute and its members exemplifies the virtues on which the profession has been built covering independence, integrity and excellence.

As the profession is reaching the finale of Council Year 2019-20, it is time to take stock of the milestones that have been achieved and those that are in progress. There have been number of steps big and small that have led the profession to cruise ahead in its glorious journey. Small steps culminating into gigantic triumphs have only guided the profession to reach higher pedestals. The services of profession are directly enjoyed by its myriad stakeholders covering individuals, small businesses, corporates, multinationals and the State. The Institute has moved ahead at its professed objective of being Partner in Nation Building to directly and indirectly participate and endorse in the activities of be regulatory bodies and Governments at State and national levels.

Pursuit for Professional Excellence

As we celebrate the glorious existence of ICAI, one has to acknowledge the dynamic journey of professional excellence, integrity and enormous opportunities to serve the society. This past year has seen some major initiatives and achievements that further strengthens the continued trust on the profession and propels ICAI towards more success and accomplishments in the near future.

This section highlights some most significant achievements of the ICAI's year-long persistent pursuit for proficient paradigms.

- ♦ Evaluation of ICAI qualification by UK NARIC for promoting global recognition and mobility.
- ♦ 75% fee waiver for students registering from Union Territories of Jammu & Kashmir, Ladakh and 8 North-Eastern States.
- ♦ Opening of representative office of ICAI in Union territories of Ladakh and Jammu & Kashmir in Leh and Srinagar respectively.
- ♦ Introduction of Digital Learning Hub, an integrated Learning Management System (LMS).
- ♦ Availability of Digital Learning Hub at a token fee of USD 1 to SAFA member bodies and Members of Foreign Accounting Bodies with whom ICAI has entered into MRA/MOU.
- ♦ New overseas Office of ICAI in Singapore.
- ♦ Introduction of Management Development Program and special campus placement drive for Rank Holders with 100% placements.
- ♦ Promoting skill building - 30% Reduction in fee of Certificate Courses and Diploma Courses.
- ♦ Creation of fund of ₹ 30 crore for Skill Development/ Capacity Building initiatives for CA professionals.
- ♦ Renewal of MRA with Institute of Chartered Accountants in England and Wales (ICAEW), MoU with Saudi Organisation for Certified Public Accountants (SOCPA) and new MoU with Kuwait Accountants and Auditors Association (KAAA).
- ♦ In principle approval to open a new chapter of ICAI in Luxembourg.
- ♦ Implementation of Unique Document Identification Number (UDIN) "A Seal of Authentication".
 - The acronym "UDIN" registered under the Trade Marks Act, 1999 with effect from March 15, 2019 in the name of The Institute of Chartered Accountants of India under the seal of Registrar of Trade Marks dated September 7, 2019.



Striving for Academic and Professional Excellence

- Appreciating the UDIN initiative, SAFA has formed a taskforce to implement the UDIN in SAFA member bodies.
- More than 80 lakh UDINs generated during the year.
- ◆ ICAI's Members and Student services made online, in digitised form on a new platform that works as a Self Service portal (SSP).
- ◆ Initiated Complete Automation of Disciplinary Process including Introduction of E-hearing facility.
- ◆ Largest number of disposal of DC cases in recent times.
- ◆ Collaboration with Income Tax Appellate Tribunal (ITAT) for providing infrastructure of branches of ICAI for ITAT Camp hearings, as and when required.
- ◆ Developed 12 Accounting Standards for Local Bodies at par with IPSAS.
- ◆ Improved system of Centralised Distribution System (CDS) for Publications.
- ◆ ICAI's DCMM model adopted by European Federation of Accountants and Auditors (EFAA) & South Asian Federation of Accountants (SAFA).
- ◆ Go Green Initiative - Around 1,48,000 members have opted for e-journal in lieu of printed CA Journal.
- ◆ Monthly Financial Assistance under CABF increased from ₹ 7,500/- to ₹ 15,000/-.
- ◆ Option to pay the advance membership fee for 10 years in one-go.
- ◆ Felicitated by GSTN for contribution and support in the development of GST eco-system.
- ◆ Release of Quick Referencer on Accounting Standards, Ind AS and Auditing Standards.
- ◆ Technical assistance to the Institute of Chartered Accountants of Nepal (ICAN) in further strengthening of their examination systems.
- ◆ Provided assistance to CPA Papua New Guinea (CPAPNG) in attaining full membership of IFAC.
- ◆ Enabling Overseas Campus Placements for semi-qualified professionals.
- ◆ Initiation of Joint Research/study with Institute of Chartered Accountants in England & Wales (ICAEW).
- ◆ Creation of Tender Monitoring Group for monitoring of the floated tenders.
- ◆ Revision of Part A of Code of Ethics in line with International Practices.
- ◆ Released 'Model Curriculum for Commerce Under Graduate Courses' and shared with more than 250 universities/colleges across the country for harmonising CA education with university education.
- ◆ One-Stop Referencer – a booklet for Students detailing information about the initiatives and activities of the Board of Studies with contact details.
- ◆ e-Books for Foundation and Intermediate Course students which contain video lectures and self-assessment quizzes embedded within the study material.
- ◆ Introduction of Live Revision Classes as a part of e-pathshala initiative along with Live Virtual Classes
- ◆ Modernisation of various ITT Labs all over India with 4500 computers.
- ◆ 528 Investor Awareness Programmes were organised across India wherein a total of 28,350 people including 9,450 women participants were educated under the aegis of IEPF of Ministry of Corporate Affairs, Government of India.
- ◆ Took steps to move towards 100% digital or machine based evaluation.
- ◆ Actively contributed for Institutionalisation of Valuation Profession.
- ◆ Launch of Diploma Course - Masters in Business Finance.
- ◆ Launch of Online Portal for Career Counselling Programmes.
- ◆ ICAI's presence in Social Media enhanced considerably.



Indian accounting professionals have been relentlessly working to fulfil the dreams of the founding fathers of their role of quality services envisaged by them.

**Hon'ble Vice-President of India
Shri M. Venkaiah Naidu
On CA Day July 01, 2019**

I. Engagement with the Leadership and Persons of Eminence

ICAI remained in constant dialogue, and tried to regularly and consistently meet, associate and maintain relations with different leaders from various facets of the Indian Government, business and industry. By engaging and having discussions with various renowned and eminent leaders, we not only garnered a better and deeper comprehension of the needs and requirements of the government and society, but also shared our perspectives in return. This ensured that the all policies of the Institution were in alignment with the state laws, regulations, ideologies and the general expectations of business and society. Some of the important dignitaries and meetings wherein ICAI leadership participated are as follows:

- Meeting with Hon'ble Minister of State for Finance and Corporate Affairs Shri Anurag Singh Thakur.
- Regular Meetings with Secretary, Ministry of Corporate Affairs Shri Injeti Srinivas regarding matters of professional concerns, amendments, insolvency regime and for Investor Education and Awareness Programme, MCA E- Form Active INC-22A.
- Meeting with Former Member of Parliament CA. Kirit Somaiya, Mumbai.
- Meeting with Former President of IFAC Rachel Grimes in Delhi.
- Meeting with CPA Canada at Canada.
- Meeting with Minister of Education at Abu Dhabi.
- Meeting with Hon'ble Minister of State for Parliamentary Affairs, Heavy Industries and Public Enterprises Shri Arjun Ram Meghwal.
- Meeting with Hon'ble Minister of Law and Justice, Communications, and Electronics and Information Technology Shri Ravi Shankar Prasad.
- Meeting with Hon'ble Member of Parliament Shri P. P. Chaudhary.
- Meeting with Hon'ble Minister of Health and Family Welfare, Science and Technology, and Earth Sciences Dr. Harsh Vardhan.
- Meeting with Hon'ble Minister of Jal Shakti Shri Gajendra Singh Shekhawat.
- Meeting with Member of Parliament, Rajya Sabha CA. Suresh Prabhu.
- Meeting with Minister of State for Micro, Small and Medium Enterprises, and Fisheries, Animal Husbandry and Dairying Shri Pratap Chandra Sarangi.
- Meeting with CBDT Chairman Shri Pramod Chandra Mody.
- Meeting with Hon'ble Minister of Railways, and Commerce and Industry Shri Piyush Goyal.



*Hon'ble Speaker of Lok Sabha,
Shri Om Birla*



*Hon'ble Minister of Home Affairs,
Shri Amit Shah*



*Hon'ble Minister of Finance,
Smt. Nirmala Sitaraman*



- ♦ Meeting with IFAC President Dr. In Ki Joo and IFAC CFO Russell Guthrie in Delhi.
- ♦ Meeting with Hon'ble Speaker of Lok Sabha, Shri Om Birla.
- ♦ Meeting with Shri K. Shanmugam Chief Secretary Tamilnadu.
- ♦ Meeting with His Excellency, Hamed Saif Al Rwahi, Ambassador of Oman to discuss the modalities for promotion of Arabic language amongst our members and students.
- ♦ ICAI leadership met with Hon'ble Minister of Finance Smt. Nirmala Sitaraman for presentation on the resolution of Return filing issues in GST.
- ♦ Meeting with CPA Australia delegation led by CEO Andrew Hunter.
- ♦ Meeting with ICAEW President Fiona Wilkinson at Mumbai.
- ♦ Meeting with Hon'ble Member of Parliament, Rajya Sabha CA. Arun Singh.
- ♦ Meeting with Union Minister of State for Railways Shri Suresh Angadi.
- ♦ Meeting with Shri Rishi Kumar Shukla, Director, CBI.
- ♦ Meeting with President, ITAT Hon'ble Justice Shri P. P. Bhatt and Hon'ble Vice-President, ITAT, Delhi Zone Shri G.S. Pannu.
- ♦ Meeting with Hon'ble C&AG of India Shri Rajiv Mehrishi and Dy. C&AG Shri Venkatesh Mohan.
- ♦ Meeting with IFRS Trustees Erkki Liikanen, Chairman, IFRS Foundation, Shri Vinod Rai, Trustee, IFRS Foundation (Former C&AG of India), and Lee White, Executive Director, IFRS Foundation.
- ♦ Meeting with Governor, RBI, Shri Shaktikanta Das and Chairman, SEBI, Shri Ajay Tyagi, Mumbai.

ICAI was felicitated by The Goods and Services Tax Network (GSTN) on the occasion of its foundation day on 5th April for recognition of its contribution and support in the development of the GST ecosystem.

- ♦ In addition, various Committees of the ICAI remained in continuous dialogue with various Ministries/senior officials of Government Departments/Local Bodies to discuss matters related to mutual professional interest and to create awareness about the value addition which can be brought by Chartered Accountants in their processes and procedures. These Ministries/ Government Departments/Regulators at Central level included Ministry of Women and Child Development, Ministry of Urban Development, Ministry of Finance, Pension Fund Regulatory and Development Authority, Indian Banks Association, GASAB, CBDT, CBIC, SEBI, RBI, Director General (Local Bodies), C&AG, etc.
- ♦ Further, at the State level too, meetings were held with various Ministers, Chief Secretaries, Additional Chief Secretaries, Principal Secretaries, Finance Secretaries, Special Secretaries, and Director of Local Bodies.

II. Partner in Nation Building

ICAI has continued to support the government by providing various services in the areas of corporate law, direct taxes, indirect taxes, international taxation and so on. As one of the world's premier accounting body, ICAI is creating a positive impact on national financial reporting systems while fast tracking accounting reforms as a dynamic Partner in Nation building process.

Helping Government

- ♦ In line with the strong expertise possessed by the Chartered Accountants, ICAI facilitated in the process of Union Budget and submitted



Hon'ble Minister of Railways; and Commerce and Industry, CA. Piyush Goyal



Minister of Women and Child Development, Smt Smriti Irani



Hon'ble Minister of State for Finance and Corporate Affairs, Shri Anurag Singh Thakur



*Hon'ble Governor of Himachal Pradesh,
Shri Bandaru Dattatreya*

pre-budget and post budget memoranda in the area of Direct and Indirect Taxes.

- Facilitating the Law-Making Process with respect to ICAI Valuation standards to set up concepts, principles, and procedures which are generally accepted internationally having regard to legal framework and practices prevalent in India. On the advice of ICAI MCA constituted a Committee of Experts to examine the need for an institutional framework and development of the valuation profession. A Committee was formed to make recommendations to the Central Government on formulation and laying down of valuation standards and policies for compliance by companies and registered valuers. ICAI is a member of the Committee.
- ICAI is contributing as a member of the Insolvency Law Committee as constituted by the Government of India for review of the implementation of the IBC, 2016.
- ICAI provided suggestions/ comments on the report of the Company Law Committee constituted by the Ministry of Corporate Affairs to further decriminalise the provisions of the Companies Act, 2013 based on their gravity and to take other concomitant measures to provide further ease of living for corporates in the country.
- ICAI is supporting the cause of justice through leveraging its vast network of branches to help provide video conferencing facilities between members and Income Tax Appellate Tribunal (ITAT) in areas where the ITAT does not have benches or in places where regular members are not available.
- Implementation of UDIN is curbing the issue of fake certification and misrepresentation by Non- CAs.
- ICAI supported the Government by providing inputs on direct taxes, especially in the areas of filing returns, Orders, Tax Audit Reports, Demand, Income tax rules, definition of 'accountant', new Tax Payer Information (TPI) Series Brochures and imparted training in Central Revenue Workshop organised by the office of C&AG at Hyderabad.
- Facilitating Ministry of Corporate Affairs in recruiting young professionals (CAs) for various MCA offices across India.
- Representation sent to Public Sector Units requesting them to eliminate the criteria of shortlisting physically challenged CAs on the basis of the number of attempts.
- Provided support to the Ministry of Rural Development in conducting Training Program on Internal Audit at Bhubaneswar, Jabalpur, Jaipur, Delhi and Hyderabad.
- Supported the Goods and Services Tax (GSTN) in drafting an e-invoice standard, which also takes into account the requirement under tax laws and has features, which are required for international trade and would be made mandatory from April 2020 for specified taxpayers.
- Support for testing software on invoicing, accounting and return filing, etc., which would be provided for free to the Taxpayers having less than 1.5 crore turnover.



Member of Parliament, Rajya Sabha CA. Suresh Prabhu



Member of Parliament, Rajya Sabha CA. Arun Singh



Secretary, Ministry of Corporate Affairs, Shri Injeti Srinivas



- ♦ 12 GST Training programmes for State and Central Government Officials.
- ♦ Revision of study material 'Background Material on Training programme for Government Officials' to keep them abreast of topical and intriguing concepts of accounting, auditing and taxation.
- ♦ Outreach Programme on Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 jointly with Central Goods & Services Tax (CGST & CX), at Delhi, Vishakhapatnam and Pune Commissionerate.
- ♦ On request of MCA, ASB has undertaken the task to facilitate the drafting of new Rules under Companies Act, 2013 mirroring existing Companies (Accounting Standards) Rules, 2006 for submission to NFRA.
- ♦ MoU with Gujarat Forensic Sciences University (GFSU) for joint certificate programs for members.
- ♦ Facilitating in the lawmaking process in the Companies Act, 2013 by providing recommendations on Management Services and other Services as per Section 144, awareness and webcasts on MCA E- Form Active (Active Company Tagging Identities and MCA E- Form DPT -3).
- ♦ Supporting the Nation-wide campaign of the Department of Justice, Ministry of Law and Justice on creating awareness on citizens' duties including fundamental duties amongst CA students by displaying the Posters at students' Programmes.
- ♦ ICAI ARF submitted the Accrual Based Financial Statements of Indian Railways for the year 2015-16 and 2016-17 comprising the Statement of Financial Position & Performance, Cash Flow Statement as on 31st March, 2016 and 31st March, 2017 (prepared on grafting method) along with Accounting Policies and Notes to Accounts of Indian Railways.
- ♦ Training Programme on 'Financial Management for Decision Making', 'Indian Accounting Standards', for the Department of Public Enterprise (DPE) at Gangtok and Puri, respectively.
- ♦ ICAI Training Session on Forensic Accounting & Fraud Detection for Indian Corporate Law Services (ICLS) Officer Trainees and State Bank of India (SBI) officials.
- ♦ ICAI Course on Blockchain Technology for Professional Accountants for IOCL officers.
- ♦ National Summit on 'Transparency and Accountability in Government Financial Management' in New Delhi. Summit was inaugurated by Hon'ble Minister of State for Rural Development Sadhvi Niranjana Jyoti, in the presence of senior officials from the Government.
- ♦ Organised 528 Investor Awareness Programmes across India wherein total of 28,350 people including 9,450 women participants were educated under the aegis of IEPF of Ministry of Corporate Affairs, Govt. of India.
- ♦ Suggestions on the provisions of CSR in the Companies Act, 2013, Companies (CSR Policy) Rules, 2014 and Circulars submitted to the High-Level Committee. These included expansion of scope and area of social improvement activities, permission of CSR activities in kind, rating of NGOs, and that the 'Spend or Explain Regime' should give way to companies making a provision in the books and spending the same in the next year. ICAI also suggested that there may be a need for a detailed reporting on monitoring, and the social impact evaluation of projects where a company spends on CSR, say in excess of say ₹ 5 crores, and there could be an audit of compliance of CSR provisions and of related amount spent by a Practicing Chartered Accountant (which should be annexed to Director's Report).



CA. Thomas Chazhikadan, Member of Parliament

Helping Regulatory Bodies

In its endeavour to support regulators as well as to bring transparency in financial reporting, ICAI is working on cases referred by MCA, SEBI, ECI or any other regulator. The significant assignments undertaken are as follows:

- ♦ ICAI has considered the review of 7 annual audited accounts of political parties, as referred by the Election Commission of India (ECI) from time to time.



- ♦ Special cases review of 21 general purpose financial statements and auditor's reports thereon of various enterprises as referred by the Ministry of Corporate Affairs and Securities and Exchange Board of India, based on media reports and other references received.
- ♦ Submitted Revised Formats of Long Form Audit Report (LFAR) for Banks and Bank Branches to RBI.
- ♦ As per MoU signed with Invest India to provide professional services to the investors interested in inbound and outbound investments, ICAI has sent a panel of 456 firms interested in assisting these investors for varied professional services.
- ♦ Technical support for seminars organised by RBI and C&AG as follows:
 - 'Impact of Ind AS on NBFCs' programme organised by Reserve Bank of India, Kanpur.
 - 'Seminar on Indian Accounting Standards (Ind-AS) including Accounting Standards' organised at Regional Training Institute, Kolkata for the officials of Comptroller & Auditor General of India, (C&AG).
- ♦ the date for filing of the statement by a Composition Supplier and payment of tax. Many of the suggestions were accepted by the Government and changes were made.
- ♦ Representation for the inclusion of CA Member in the GST Grievance Redressal Committee.
- ♦ A representation has been submitted to the Government for change in Jurisdiction of Daman and Dadra & Nagar Haveli from GSTAT, Mumbai to GSTAT, Surat Area Bench for conveniences of Taxpayers/Tax Practitioners.
- ♦ ICAI suggestions on the practices followed by UK, US, Australia and Singapore for the appointment of Internal auditor as an external auditor and vice-versa after cessation of the tenure.
- ♦ ICAI Comments/ Suggestions on the provisions of CSR in the Companies Act 2013, Companies (CSR Policy) Rules, 2014 and Circulars issued concerning CSR submitted to the High-Level Committee on CSR.
- ♦ Request to waive off additional fee for filing ADT- 1 where Form GNL- 2 has already been filed by the companies for the period 1st April, 2014 to 19th October, 2014, with respect to the filing of the ACTIVE form submitted to MCA.
- ♦ ICAI in liaison with various Ministries has provided inputs to promote export of CA Services or areas pertaining to WTO including:
 - Reservation List of Investment Chapter of Regional Comprehensive Economic Partnership (RCEP) Agreement, Draft professional services annex under RECP agreement and Inter-ministerial stakeholders consultations under India-Peru negotiations.
 - Movement of Natural Persons (MoNP) with respect to Trade in Services under India-Japan CEPA.
 - Issues for 4th Joint Sub-Commission on Trade meeting between India & Vietnam.
 - Report to the WTO Trade Policy Review Body (TPRB) on Trade-Related Developments.
 - Inter-Ministerial Meeting in connection with the 2nd meeting of Joint Administration Committee (JAC) under expanded India Chile PTA.

Representations/Technical Inputs to Government (Other than taxation area)

- ♦ ICAI views on 'Consultative Paper on policy proposals with respect to the resignation of statutory auditors from listed entities' issued by SEBI.
- ♦ ICAI aligned the limited review/ audit report of listed entities issued by SEBI SA 700(Revised).
- ♦ Inputs submitted on Government Accounting Standards Advisory Board (GASAB).
- ♦ Representation to Central P. F. Commissioner on the matters related to landmark verdicts of the Supreme Court of India which may impact the calculation of Provident Fund deduction and EPS Pension.
- ♦ Circulated the views of MahaRERA to various RERA Authorities and Trade Bodies.
- ♦ Representation to ORERA regarding separate format for CA Certificate and request for including UDIN.
- ♦ ICAI provided suggestions on GST Annual Return and Audit Certificates, rate of GST for Real Estate Sector, GST portal, extending



- India- China fourth meeting on Joint Working Group on Trade in Services.
- India's preferential treatment to LDCs in trade in services at the WTO.
- 5th Meeting of India-Brazil Trade Monitoring Mechanism (TMM).
- Regional Comprehensive Economic Partnership (RCEP) Agreement negative list offer in services.
- Developments in the bilateral dialogue between India and Japan.
- 11th session of India-Tajikistan Joint Commission on Trade, Economic, Scientific and Technical Cooperation (IT-JCM).
- Interest Rate Benchmark Reform (Amendments to Ind AS 109, Financial Instruments, and Ind AS 107, Financial Instruments: Disclosures).
- ◆ Undertook the revision of Part-B of Code of Ethics. The revised counterpart of Part-A of the Code of Ethics was already issued in February, 2019 in line with International Ethics Standards Board for accountants (IESBA) Code of Ethics, 2018.
- ◆ During the year, Educational Material on Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors and five (5) clarification bulletins have been issued covering 30 issues that have been brought out.

III. Evolving Standards

ICAI releases a number of Standards, Guidance Notes and other inputs for the profession in the areas of accountancy, auditing, valuation, taxation and like. Use of standards help in bringing credibility to the information being provided by the professionals. Indian Accounting Standards are converged with the International Financial Reporting Standards to make financial reporting in the country comparable to that of the world. Accounting standards play a significant role in enabling the stakeholders to get the reliable and comparable accounting data for taking financial decisions.

Apart from amendments to Ind AS, following Ind AS corresponding to new IFRS or IFRICs were notified by the MCA in March 2019:

- Ind AS 116, Leases (corresponding to IFRS 16, Leases), (replacing Ind AS 17, Leases) with effective date from April 1, 2019. It is a new standard that brings in a paradigm shift in accounting by lessees.
- Appendix C, Uncertainty over Income Tax Treatments to Ind AS 12, Income Taxes corresponding to IFRIC 23 Uncertainty over Income Tax Treatments with effective date from April 1, 2019.

Further, the following amendments to Ind AS have been approved by the Council, ICAI for recommendation to the MCA:

- Definition of Business (Amendments to IAS 103, Business Combinations).
- Definition of Material (Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).

◆ Creation and Implementing Standards for Local Bodies

The Institute of Chartered Accountants of India (ICAI) has been formulating Accounting Standards for Local Bodies (ASLBs) since March, 2005 to improve financial reporting of Government at the third-tier of Government, i.e., Local Bodies that are moving towards accrual accounting.

ASLBs set the standards for financial reporting by local bodies to reflect how efficiently and effectively Local Bodies have discharged their responsibilities in using public funds. Moving forward in this direction, the Council of the ICAI at its (387th) meeting held on December 18, 2019, approved and issued twelve new ASLBs, apart from the Conceptual Framework for GPFR by Local Bodies in addition to fifteen already issued ASLBs:

1. ASLB 4, The Effects of Changes in Foreign Exchange Rates.
2. ASLB 13, Leases.
3. ASLB 16, Investment Property.
4. ASLB 21, Impairment of Non-Cash Generating Assets.
5. ASLB 23, Revenue from Non-Exchange Transactions (Taxes and Transfers).
6. ASLB 26, Impairment of Cash-Generating Assets.
7. ASLB 32, Service Concession Arrangements: Grantor.
8. ASLB 33, First-Time Adoption of Accrual basis ASLBs.
9. ASLB 34, Separate Financial Statements



10. ASLB 36, Investment in Associates and Joint Ventures.
11. ASLB 39, Employee Benefits.
12. ASLB 42, Social Benefits.
13. The Conceptual Framework for General Purpose Financial Reporting by Local Bodies.

ASLBs are based on the International Public Sector Accounting Standards (IPSASs) to complete the set of ASLBs, that can be considered by the Government for the notification and time-bound implementation.

Creation and Implementation of Auditing Standards/ Internal Auditing Standards

The Institute has initiated the process of revising Standards on Internal Audit (SIAs) and making them mandatory for certain class of companies in a phased manner. These principle-based Standards will help the members in providing a framework for internal audit activities, establishing the basis for evaluation of internal audit performance and fostering improved organisational processes and operations. The standards issued include:

- Revised Definition of Internal Audit, including an explanation which provides additional clarity on the key terms used in the revised definition.
- Revised Preface to the Framework and Standards on Internal Audit.
- Revised Framework Governing Internal Audit.
- Revised Basic Principles of Internal Audit.
- Standard on Internal Audit (SIA) 110, Nature of Assurance.
- Standard on Internal Audit (SIA) 120, Internal Controls.
- Standard on Internal Audit (SIA) 210, Managing the Internal Audit Function.
- Standard on Internal Audit (SIA) 220, Conducting Overall Internal Audit Planning.
- Standard on Internal Audit (SIA) 230, Objectives of Internal Audit.
- Standard on Internal Audit (SIA) 240, Using the Work of an Expert.
- Standard on Internal Audit (SIA) 310, Planning the Internal Audit Assignment.

- Standard on Internal Audit (SIA) 320, Internal Audit Evidence.
- Standard on Internal Audit (SIA) 330, Internal Audit Documentation.
- Standard on Internal Audit (SIA) 350, Review and Supervision of Audit Assignments.
- Standard on Internal Audit (SIA) 360, Communication with Management.
- Standard on Internal Audit (SIA) 370, Reporting Results.
- Standard on Internal Audit (SIA) 390, Monitoring and Reporting of Prior Audit Issues.

- ◆ ICAI formulated revised Standards on Auditing (SAs) 800, 805 and 810. These standards have been submitted to NFRA for its recommendations to MCA. ICAI issued Implementation Guides for smooth implementation of below-cited Standards on Auditing (SA):

- SA 570(Revised), *Going Concern*.
- SA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*.

- ◆ During the Council Year 2019-20 a new Committee, *Committee on Insolvency & Bankruptcy Code* was constituted – to give specific focus on the Insolvency and Bankruptcy Laws.

The Committee aids in bringing awareness about this new area of practice in the insolvency resolution sphere to the members at large and also plays a big role in educating the members on the practical aspects and procedures of the Law. The Committee has also brought out various publications on the subject. ICAI had undertaken a research project on 'Guidance Note on Accounting for companies under liquidation.'

IV. Rising Global Strength

ICAI, a founder member of International Federation of Accountants believes that the best policies are formulated are those which are parallel to the international world. By global engagements, ICAI aims to gather narratives and perceptions from every nook and corner of the world. ICAI invites internationally reputed names of the accounting profession to interact, conduct meetings and conferences, thereby making their eminent words of wisdom



and invaluable ideas accessible to many. The Institute tries to imbibe their experiences, learn from their lessons and translate it all into dynamic, world class policies and standards.

Technical Support to IFAC, CAPA, SAFA

- ♦ Provide technical support to SAFA ITAG Committee for its Best Presented Annual Reports Awards competition.
- ♦ Joint Research with the Institute of Chartered Accountant in England and Wales (ICAEW) on automation in finance and accounting.



Minister of Education, UAE

- ♦ Comments submitted to the International Auditing and Assurance Standards Board (IAASB) of IFAC on 'Discussion Paper on Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs' issued by the IAASB.
- ♦ Case Study on Indian Railways project published by CAPA, available at http://www.capa.com.my/wp-content/uploads/2019/12/CAPA_PFM_PAOsEngagingPS2019_CaseStudyIndia_Printable.pdf.



Deputy President, IFAC

- ♦ Comments submitted on Exposure Draft 67, 'Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)' issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC).
- ♦ Public-Sector Financial Management Committee of Confederation of Asian Pacific

Accountants (CAPA) and ICAI-CAPA Joint Roundtable Stakeholders was organised at New Delhi.



MoU with ICAEW

- ♦ Comments submitted on IASB's Exposure Drafts on:
 - Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2).
 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12).
 - Amendments to IFRS 17, Insurance Contracts.
 - Interest Rate Benchmark Reform - Proposed amendments to IFRS 9 and IAS 39.
 - Reference to the Conceptual Framework Proposed amendments to IFRS 3.
 - Annual Improvements to IFRS Standards 2018–2020.
 - Definition of 'Material'- Proposed amendments to IAS 1 and IAS 8.
 - 'Accounting Policies and Accounting Estimates- Proposed amendments to IAS 8'.
- ♦ Comments submitted to IFRS Interpretations Committee on Tentative Agenda Decisions:
 - Over time transfer of constructed good (IAS 23).
 - Credit enhancement in the measurement of expected credit losses (IFRS 9).



IFAC President and CFO - Sideline meeting to discuss WCOA, 2022 preparedness



- Presentation of unrecognised interest following the curing of a credit-impaired financial asset (IFRS 9).
- Costs to Fulfil a Contract (IFRS 15).
- Holdings of Cryptocurrencies.
- Effect of a Potential Discount on Plan Classification (IAS 19).
- Subsurface Rights (IFRS 16).
- Fair Value Hedge of Foreign Currency Risk on Non-Financial Assets (IFRS 9).
- Lease Term and Useful Life of Leasehold Improvements (IFRS 16 and IAS 16).
- Compensation for Delays or Cancellations (IFRS 15).
- ◆ Submitted views to the AOSSG Secretariat, China, on the following items which were shared at the Accounting Standard Advisory Forum (ASAF) meeting:
 - SMEs that are subsidiaries.
 - Accounting Policy Changes (Proposed amendments to IAS 8).
 - Onerous Contracts - Cost of fulfilling a Contract.
- ◆ ICAI representatives participated in the meetings of the various international forum, viz., World Standards-Setters (WSS), Asian-Oceanian Standard-Setters Group (AOSSG), Emerging Economies Group (EEG) and International Forum of Accounting Standards Setters (IFASS).
- ◆ ICAI representative attended two meetings of IFRS Advisory Council wherein discussions were held on the balance between transparency in financial reporting and concerns about disclosure of sensitive information and on digital experience for customers and stakeholders.

Global Recognition and Outreach

The phased implementation of the UDIN initiative received praise from IFAC Council and SAFA has formed a task force to implement the UDIN in SAFA member bodies. Joint research with ICAEW has been initiated on automation in finance and accounting space.

- ◆ Recognition of ICAI qualification by UK NARIC. This benchmarking of the CA qualification would strengthen the position of ICAI members and help corporates gain a better understanding on the relevance and

standing of the CA qualification and provide opportunities for higher studies and enhanced professional opportunities for ICAI members, semi qualified professionals in UK, Middle East and other foreign jurisdictions accepting NARIC evaluation.



UK NARIC London

- ◆ A Memorandum of Understanding was signed with the Institute of Chartered Accountants in England and Wales, UK to recognise the qualification, training of each other and admit the members in good standing by prescribing a bridging mechanism on October 2, 2019, in London.
- ◆ Signed a Memorandum of Understanding (MoU) with Kuwait Accountants and Auditors Association (KAAA) on November 21, 2019, in Kuwait. This MoU aims to work together to strengthen the accounting, financial and audit knowledge base in Kuwait.



MoU with Kuwait (KAAA)

- ◆ European Federation of Accountants and Auditors (EFAA) has adopted 'Digital Competency Maturity Model for Professional Accounting Firms (Version 1.0)' issued ICAI for preparing an updated version that may be propagated in Europe.
- ◆ CPA Australia has also expressed keen interest in the renewal of the MRA between ICAI and CPA Australia for holding joint online CPD programs and collaborating on public practice.

Visit from Abroad

- ◆ ICAI hosted 11th Annual AOSSG Meeting on November 11-13, 2019 in Goa, India which was inaugurated by the Hon'ble Chief Minister of Goa, Dr. Pramod Sawant. The three-day international meetings have also seen the presence of Vice-Chair, International Accounting Standards Board (IASB), Sue



Lloyd, key delegates of the IASB, Board members and representatives from 27 AOSSG member countries including India, China, Sri Lanka, Australia, Korea, Hong Kong amongst others.

- ♦ Sue Lloyd, Vice-Chair, IASB, attended:
 - Outreach Event on *IFRS Standards and Ind AS: Recent Developments and Progress* at New Delhi and Mumbai.
 - An outreach event on Extractive Industries.
 - Interactive meetings with the regulators covering Secretary, MCA, officials of Reserve Bank of India, State Bank of India, Life Insurance Corporation, Insurance Regulatory Development Authority of India, Securities and Exchange Board of India.
- ♦ Shri Sanjay Rughani, CEO Standard Chartered Bank, Tanzania addressed on challenges of modern finance- CEO's Perspective in Leadership Summit 2020 in Mumbai.
- ♦ ICAI nominees comprising, President, Vice-president and others met IFRS Foundation delegation comprising Erkki Liikanen, Chair of IFRS Foundation Trustees, Vinod Rai, Trustee, IFRS Foundation and Lee White, Executive Director, IFRS Foundation. ICAI nominees also participated in meetings of the IFRS Foundation delegation with C&AG, RBI, and SEBI to discuss issues of mutual interest and areas of co-operation.

International Events

International Conference on the theme "Accountancy Profession: Catalyzing Reforms, Creating Values" held in December 2019 at Mumbai. The Conference was addressed by 36 speakers including many Past-Presidents of ICAI, representatives of ICAI's foreign chapters, members of Parliament, officials of IFAC, ICAEW, CPA Australia and CPA Canada.

- ♦ 9 CPE International Study Tours were organised internationally by the CPE Programme Organising Units (POUs) at Almaty Kazakhstan, Switzerland, Bali, Muscat, Oman and Malaysia, Baku, Dubai-UAE.
- ♦ ICAI Course on 'Blockchain Technology for Professional Accountants' was organised at Doha, Dubai, and Bahrain.
- ♦ Participation in the Avenir (2019) Oman-The Two Days Mega Educational and Career Guidance Programme held on 10th -11th

October 2019 at Oman wherein 10,000 (approx) students from 21 Indian schools participated. The Muscat Chapter of ICAI was the local facilitator representing in the event. The students and parents were made aware of the Chartered Accountancy Course, its USP, opportunities, etc.

- ♦ International Conference for Students was organised by the Board of Studies at Pune. It was attended by around 2581 students from India and 21 students from The Institute of Chartered Accountants of Nepal and Institute of Certified Management Accountants of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka.

V. Towards Robust Governance and Regulatory Mechanism

ICAI is a robust regulator of accounting and auditing profession in India, committed to disciplinary process in case of any transgressions by the accounting professionals. There is inherent public interest oversight framework of governance, standard setting and disciplinary mechanism prescribed in the Chartered Accountants Act, 1949. The strong and effective disciplinary mechanism is complemented by self-regulated system consisting of Peer Review Board, Financial Reporting Review Board and Taxation Audits Quality Review Board.

Contributing towards Corporate Governance

- ♦ During the current Council Year Board of Discipline and Disciplinary Committee concluded hearing in 413 cases which is much higher as compared to cases concluded in past many years. Punishment was awarded in 88 cases as of 20th January, 2020. Further, the DC/BoD has also considered *prima facie* opinion of the Director (Discipline) in 387 cases during current Council Year.
- ♦ For the purpose of expeditious disposal of cases, concept of E-hearing was introduced wherein parties are not required to travel to different places for hearing and they can attend Board of Discipline (BoD) / Disciplinary Committee (DC) hearing through Video Conferencing to be held in respective Regional Offices. The Rules in this regard have already been notified by MCA. The same is expected to be implemented very soon.



- ♦ Financial Reporting Review Board completed review of 47 financial statements. Out of these 47 cases, 8 cases have been referred to relevant regulators and Director (Discipline) for further action and in 36 cases Board decided to issue advisory to the auditor of the enterprise. Six cases were referred to Regulators. The cases completed during the period include review of 16 financial statements undertaken as special cases.
- ♦ 263 fresh peer reviews initiated during the year. The Peer Review Board has considered and issued 11743 Peer Review Certificates till date. Greater emphasis is being given on proper selection of samples and effective review.
- ♦ ICAI regularly organises CFO/CEO/MII Meet who are at the helm of affairs in the Corporate in all major cities to discuss the contemporary issues such as Good Governance and CFO Agenda in the Current Business Environment.
- ♦ Reply on the issues received from SEBI on the basis of recommendations by Kotak Committee on Corporate Governance on the following issues:
 - Strengthening the role of ICAI – Recommendations w.r.t enforcement/disciplinary process of the ICAI.
 - Strengthening of reporting on Internal Financial Controls.
 - Greater transparency on audit quality indicators.
 - Strengthening the independent functioning of the Quality Review Board (QRB) Current Regulatory Provisions.
- ♦ Publication on the provisions of the Independent Directors from Corporate Governance perspective.
- ♦ Conference on 'Effective Board Dynamics' for the Directors and Aspiring Directors.
- ♦ Scope of Tax Audit Report widened with the modification of its terms of reference in the current Council Year to encompass within itself the word 'persons' in place of the word 'entities'. Accordingly, for the

Council Year 2019-20, ICAI decided to review the tax audit reports of the top 100 individuals, firms and LLPs each having a turnover of more than ₹ 100 crores and top 100 trusts having turnover of more than ₹ 10 crores.

- ♦ ICAI has selected 100 companies during the Council Year 2018-19 for review of their tax audit reports pertaining to Assessment Year 2017-18 on suo moto basis and 13 review reports have been submitted.

VI. Empowering Members

Knowledge driven accounting profession needs its members to remain updated in the topical issues. The dynamic environment and evolving standards, laws and structures create new avenues for growth of members. In addition to the various initiatives undertaken for upskilling and capacity building of members that have been mentioned in the initial pages of this report, following details are also placed for perusal of our readers:

Research and Development

- ♦ ICAI has revised the Compendium of Guidance Notes on Accounting and brought out other technical materials related to industry-specific like Aviation Sector, Oil & Gas Sector, NPO Sector, etc.
- ♦ Research on Provident Fund law in India, RERA, PMLA, MSME, Benami Law, etc for developing publications.
- ♦ Survey on GST Implementation in India to find out the achievement, glitches, and area which needs attention. The initial draft report has been prepared based on the feedback received from 15,474 stakeholders.
- ♦ Publication on 'IFRS 9, *Financial Instruments*, A Study- Transition Impact on Banks across the Globe' was brought out after analysing financials of 75 banks from 26 global jurisdictions.
- ♦ Publication on Technical Guide on Accounting treatment of Bullion (Gold) Borrowing and Lending Transactions.
- ♦ Survey conducted on IFRS 16/Ind AS 116 amongst AOSSG members and Indian stakeholders and its findings were presented in the 11th Annual AOSSG meeting.



- ♦ Examine Corporate Laws, the Indian Partnership Act, and Limited Liability Partnership, Rules, Regulations, Guidelines, Notifications, Schemes, Schedules issued thereunder, vis-à-vis best global practices and make appropriate representation/suggestions to the concerned Ministries of Government to participate as well as to facilitate the Law making process.
- ♦ Detailed document enumerating the distinguishing features of ICAI Valuation Standards 2018 vis-à-vis International Valuation Standards issued by IVSC was submitted to MCA.

Members Education, Capacity Building-Seminars, Webcasts and other events

Till date, during the year, 7,709 CPE Programmes were organised for the members across the country, by the CPE Programme Organising Units of ICAI on various topics of professional interests. Different units of ICAI organised a number of programmes in various parts of the Country. Some of the specific areas of professional interest wherein programmes have been organised are as follows:

- 1,943 programmes on GST including 282 programmes specifically on GST Audit.
- 204 programmes on UDIN.
- 228 programmes on Companies Act.
- 185 programmes on RERA (Real Estate Regulatory Act).
- 127 programmes on Insolvency and Bankruptcy Code.
- 46 programmes on ICDS (Income Computation and Disclosure Standards).
- 66 programmes on Investor Awareness.
- 201 programmes on Ethical Standards/ Code of Ethics/Professional Ethics.
- 59 programmes have been organised by the CPE POUs on Demonetisation, Black Money, Benami Transactions and Undisclosed Income.
- 28 CPE Programmes were organised on Stress Management, Lifestyle Management where Yoga is a way of

life, Work-Life Balance, etc. on 21st June celebrated as International Yoga Day.

- 39 programmes on Standards on Auditing
- 23 programmes on Ease of Doing Business in India, start-ups.
- ♦ Train the Trainer Programmes on 'Government and Public Financial Management Reforms: Local Self-Government Perspective' organised at Mumbai, New Delhi, Jaipur, Chennai, and Kolkata.
- ♦ Webcast on Commonly found Non-Compliances in the financial reporting framework.
- ♦ ICAI had entered into MoU with Invest India to promote foreign investment and organised a workshop in J&K for members and non-members.
- ♦ Constituted an online Expert Panel to address the queries of the members related to bank audits for the financial year 2018-19.
- ♦ Advisory on Exhibit B3 of SEBI's Circular dated 29th March 2019 regarding Procedure and formats for limited review/audit report of the listed entity and those entities whose accounts are to be consolidated with the listed entity.
- ♦ Announcement on Applicability of "Implementation Guide on Resignation/Withdrawal from an Engagement to Perform Audit of Financial Statements" to Statutory Auditors of Listed Entities and their Material Subsidiaries.
- ♦ Advisory on Auditor's Reporting on Section 197(16) of the Companies Act, 2013.
- ♦ Requirement to mention UDIN in all Reports and Certificates issued by Members of the ICAI.
- ♦ Clarification on Auditor's Certificate on Return of Deposits pursuant to Rule 16 of the Companies (Acceptance of Deposits) Rules, 2014.
- ♦ Requirement of Mentioning UDIN while Signing Audit Reports.

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- ♦ 56 Live Webcasts were organised by Central Committees/Boards of ICAI on various topics of professional interest. The recordings of webcasts are available at www.icaity.com.
- ♦ Issue of Monthly Updates on the Corporate Laws which are uploaded on the ICAI website.
- ♦ UDIN Awareness Programme was organised under the aegis of UDIN Monitoring Group at Yamunanagar, Dibrugarh, Nashik, Bhopal, Indore, Bangalore and Bhilwara, Noida, Salem, and Coimbatore.

Post Qualification Courses - Certificate Courses

- ♦ New Diploma Course in 'Master in Business Finance'.
- ♦ Certificate Course on Internal Audit has been revamped completely by including new topics and a heavy dose of information technology.
- ♦ 157 batches of Certificate Courses of ICAI on GST, Anti Money laundering Laws, Forex and Treasury Management, NPO, Wealth Management and Financial Planning, Concurrent Audit of Banks, Ind-AS, Forensic Accounting and Fraud Detection, Preparation of appeals, Drafting of Deeds & Documents and Representation before Appellate Authorities and statutory bodies, ADR (Arbitration, Mediation & Conciliation), etc. were organised for Members through the Central Committees of ICAI.
- ♦ 87 batches of Post Qualification Courses/ Diploma Courses of the Institute like Insurance and Risk Management (DIRM), Information Systems Audit (ISA) and International Taxation.
- ♦ 16 batches of Pre-registration Education Course organised by ICAI RVO.
- ♦ 13 batches of Pre-registration Education Course organised by IIIPI.

VII. Harnessing Technology

Technology is on a constant and unstoppable train of progress and development. ICAI tries

to constantly maintain pace with the ever changing technology. Institute makes sure that technical literacy trickles down to every step of the management processes, both at the basic and advanced level. The Institute aims to expand its scope of improvement and increase efficiency by taking into account technological innovations.

- ♦ In the year, amongst many beginnings and successes, steps were, *inter alia*, taken to extensively reengineer the internal processes and evolve the systems of interaction with students, members and other stakeholders in form of Self-Service Portal. Technology was used in novel and systematised manner to simplify and strengthen the services being rendered to the students and members.
- ♦ The Institute considers education delivery of high order to its students and members is of paramount importance. The technology was used in form of a putting a learning management system in place that is changing the ways the education was being delivered in past. The Digital Learning Hub (DLH) is a single sign-on self-service platform with technology capabilities to improve engagement with all its stakeholders by providing rich and valuable content to its students for holistic education and members for their continuous professional development which would help them to keep pace with contemporary practices and innovations.
- ♦ All the ICAI publications were made available through Centralised Distribution System portal.
- ♦ Enhancement in CMIB Placement Portal made to make it more system driven.
- ♦ A helpdesk was launched for resolving queries for Members in Industry.

VIII. Helping Students – The future of the profession

ICAI has always maintained that very high priority is given to student driven initiatives. Since its very conception, the Institute has strived for the all-round development of the budding CA aspirants. It has consistently



ensured that the students are given quality guidance and support to develop their thought processes, hone their skills and broaden their horizons. ICAI believes that these young men and women shape the future of business world of tomorrow and hence, their benefit and upliftment should be the primary focus of ICAI.

UK NARIC's evaluation of the CA course has been a shot in the arm for the placements for CAs and NQCA's that saw a spike in 2019-20, with nearly 5,888 candidates secured employment and 276 companies took part. Lateral placements for CAs were also promising.

- ♦ Conducted Live Virtual Classes for November 2019 and May 2020 examinations with concessional fees.
- ♦ Introduced Live Revision Classes for the benefit of Intermediate and Final level students.
- ♦ e-Books for Foundation and Intermediate Courses. The work towards the implementation of e-Books for the Final Course has also started.
- ♦ Organised Refresher Courses for CA Students through Virtual Mode on GST, Ind AS and Companies Act, 2013, International Taxation, Insolvency and Bankruptcy Code, 2016 and Foreign Exchange Management Act (FEMA), 1999. 576 students attended these courses.
- ♦ Opportunities for Ph.D. increased, 104 Universities, 7 IIMs and 2 IIT (Madras and Bombay) (Total 113 Universities/Institutions) have recognised Chartered Accountancy qualification for pursuing Doctorate of Philosophy (Ph.D.) programme/higher studies.
- ♦ 23 days residential Management Development programme was organised successfully for May 2019 CA final rank holders. The next batch of Management Development Programme for CA Final rank holders (November 2019 pass outs) is scheduled in February 2020 at Manipal County, Bangalore. The same will be followed by the Special Placement Programme on 25th February, 2020.
- ♦ 2nd Overseas Campus Placement for Chartered Accountants and Accountants in December 2019 at Delhi, Mumbai and Chennai, personally and at Bangalore, Hyderabad, Pune, Jaipur and Ahmedabad through video call. It was a step forward to the initiative taken of last year, including accountants as well, in overseas campus drive.
- ♦ Successfully conducted 11 Computer-Based Tests for Assessment of Practical Training and approx 1,16,000 students had so far appeared in these tests.
- ♦ Till date, 4,153 desktops have been delivered at 113 Regional and Branches Offices of ICAI.
- ♦ Installation of Biometric machines at 18 Regional and Branch offices of ICAI in the first phase for monitoring of student and faculty attendance of IT and Soft Skill courses.
- ♦ The accounting software Tally will be upgraded at all the ITT centres with the latest version by Tally Ltd. free of cost. The Company Tally Ltd. is providing free software, E-learning content and case studies for the students for hands-on experience. The MoU will be signed in due course.

IX. Other initiatives

ICAI Convocation

The ICAI Convocation held in Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Kanpur, Pune, Ahmedabad and Jaipur in January 2020 to award Membership and Merit Certificates to newly enrolled Members and Rank Holders, respectively. The event was graced by dignitaries like Dr. Harsh Vardhan, Hon'ble Minister of Science & Technology, Health and Family Welfare in Delhi, Hon'ble Thiru. K Pandiarajan, Minister for Tamil Official Language and Tamil Culture, Government of Tamilnadu in Chennai, CA. Arun Singh, Hon'ble Member of Parliament, Rajya Sabha and CA. (Dr.) Niranjan Hiranandani, President ASSOCHAM in Mumbai to name a



few. In the event, around 18,000 members and more than 66 CA Examination Rank Holders were felicitated amongst the august gathering.

Developing Infrastructure

- ♦ 17 more CPE PoUs were opened for helping the members in mofussil/remote areas of the country to undergo CPE activities in their nearby places, reaching to a strong network base of 614 CPE PoUs in India and Abroad.

Towards achieving societal goals

- ♦ Organisation of programmes on CSR.
- ♦ ICAI organised a three Days Executive Development Programme on Corporate Social Responsibility.
- ♦ ICAI submitted a detailed Note on the implementation modalities/ operationalising of the recommendations of the High-Level Committee on CSR-2018, including the creation of capital assets, tax benefits for CSR activities, registration of implementation agencies, CSR audit, mapping Schedule VII with SDG, CSR Exchange portal and Annual Report on CSR and Third-party assessment of CSR projects.
- ♦ Awarded 1,783 Scholarships to students on the basis of Merit, Need, Merit cum Need, and Weaker Sections.
- ♦ Grant of 75% Fee Concession to students from the newly formed Union Territories of Jammu & Kashmir and Ladakh, and North Eastern States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura) to encourage students from these places to enroll in CA course.
- ♦ 5th International Day of Yoga was celebrated for encouraging all members and students to inculcate Yoga for a healthy body and mind.
- ♦ Website for career counselling www.ccg.icaai.org has been launched and various events were organised to popularise the same amongst Secondary, Senior/ Higher Secondary, Graduate/Post Graduate students as well as other stakeholders.
- ♦ The Commerce Talent Search Test titled 'Commerce Wizard' was launched for the students of class IXth onwards till Graduation and is an online diagnostic test that measures the ability of a student to understand the concept.





Are you geared up for Quarterly Consolidation?

From 1st April, 2019, all listed companies having subsidiaries are required to submit quarterly/ YTD consolidated financial statements to the Stock Exchange. Quarterly consolidation is a complex activity and doing it manually using spreadsheets is error prone.

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- Eleven awards for CSR projects in National Priority Areas

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- All registered companies required to comply with Section 135 of the Companies Act, 2013 are eligible
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- Selection process: nominations, shortlisting of nominations followed by detailed submission and field verification of projects
- For detailed guidelines, visit www.csr.gov.in

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Planning of Bank Branch Audit

As the financial year draws to a close, the appointment of branch statutory auditors by various Public and Private Banks starts gaining momentum. In the emerging scenario the role of the bank branch auditors and the need and output of the said audit cannot be undermined. Presently, the Indian banking sector is under tremendous stress in terms of rising NPAs, lack of credit offtake, crunching of the net interest margin, rising frauds, compromise of various IT systems, etc. In such a scenario, the role of the auditors is often called in question and serious doubts are raised about the quality of the audit. In addition to this, the Reserve Bank of India (RBI) is often found to be critical of the role of the auditors and being the sole banking regulator, it has the powers to recommend penal action against the auditors in case of negligence or professional misconduct. The members in the profession need to exercise utmost professional skepticism and be proactively involved in their audits, especially those of the bank branches. In majority of the cases, the auditors do perform their duties with adequate skills and caution, yet are found caught in the mess, primarily due to lack of audit planning and documentation of the work done. Read on...



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It is with this purpose that planning for a Bank branch audit assumes greater importance. The auditors need to be aware of the entire gamut of Bank branch audit. SA 300 deals with the Planning an Audit of Financial Statements. Appropriate planning is also essential since in terms of SA 600, using the Work of another Auditor, the Statutory Central Auditor is entitled to rely on the work done by the branch auditor. The auditor should also be abreast with the latest version of the Guidance Note on Audit of Banks issued by the Institute (ICAI). The various stages of the Bank branch audits are explained in the following section.

A. Appointment and Related Formalities

The letter of appointment sent by banks to branch auditors typically contains the following:

1. Appointment under the Banking Regulation Act, 1949, and the underlying duties and responsibilities of the auditors.
2. Particulars of branches allotted to the firm and of the region/zone to which the branch reports.
3. Names and communication details of statutory central auditors.
4. Names and communication details of previous auditors.
5. Guidelines for conducting audit of Branches, completion of audit, eligible audit fees and reimbursement of expenses, etc.
6. Procedural requirements to be complied with in accepting the assignment, e.g., letter of acceptance, declaration of indebtedness, declaration of fidelity and secrecy, other undertaking by the firm/SBA, specimen signatures, etc.
7. Requirements of SA 220, SA 210 w.r.t acceptance/ continuance of the client relationship, compliance with ethical requirement, etc.

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8. Scope of work - Besides the statutory audit under the provisions of the Banking Regulation Act, 1949, the branch auditors are also required to verify certain other areas and issue various report and certificates like the Long Form Audit Report (LFAR), Tax Audit Report, and various certificates.

In present times, the time available for completion of branch audit is extremely limited.

Co-ordination between the auditor and the branch management is essential for an effective audit, timely completion with the highest audit quality. NoC from the previous auditor should be obtained and kept on record. On receipt of NoC and accepting the appointment, the auditor should send a formal communication to the branch management/HO accepting his appointment and other declarations and undertakings so required. An engagement letter should also be sent to the appointing authority of the Bank by the Auditor. For the sake of clarity, the auditor should also specify the books, records, and other information that he would require in the course of his audit. Such a communication would enable the branch management to keep the requisite documents, information, etc., ready in a timely manner. Additionally, a visit to the branches would be helpful prior to actually commencing the audit. It will enable the auditor to get an overall idea about the business, nature and competences of the staff and understanding of the flow of information and authority.

B. Knowledge of the Banking Business, Branch Composition and Expected Deliverables.

The functioning of banking industry in India is regulated by the RBI. The auditors need to understand the role of RBI and the nuances of the banking sector. The provisions regarding the financial statements of banks are governed by the Banking Regulation Act, 1949. Further, in case of banking companies, the requirements of the Companies Act, 2013, relating to the balance sheet, profit and loss account and cash flow statement

The auditors should also ensure that their audit report complies with the requirements of SA 700 (Revised), SA 705(Revised), and SA 706 (Revised).

of a company, in so far as they are not inconsistent with the Banking Regulation Act, 1949, also apply to the financial statements, as the case may be, of a banking company. It may be noted that this provision does not apply to Nationalised Banks, State Bank of India, its Subsidiaries and Regional Rural Banks (RRBs).

The provisions regarding audit of Nationalised Banks are governed by the Banking Regulation Act, 1949 and the RBI Guidelines. The provisions regarding audit of Banking Companies are governed by the Banking Regulation Act, 1949, RBI Guidelines and the provisions of the Companies Act, 2013.

The auditors should also ensure that their audit report complies with the requirements of SA 700 (Revised), SA 705(Revised), and SA 706 (Revised).

The audit plan needs to be based on the business mix of that branch. Sample selection is also dependent on the business mix of the branch. Chartered Accountant must discuss the sample size with branch manager based on business mix and percentage of checking mentioned in the appointment letter, if any.

C. Composition of the Audit Team and Engagement Team Discussions

Since branch audit is essentially a time bound program, the audit team must be chosen appropriately. Preferably, staff having prior knowledge of bank audits should be included in the audit team. Persons having good interpretation and analytical skills, report drafting abilities and intuitive capabilities should be given priority. The team should also comprise of suitable Chartered Accountants for guidance and coordination. It is essential that basic training to the branch prior to

actual commencement of the audit is necessary. This includes knowledge of RBI circulars, closing circular of the Bank, proficiency with features of the CBS. Specific emphasis should be provided to the susceptibility of the bank's financial statements to material misstatement due to fraud, that enables the engagement team to consider an appropriate response to fraud risks, including those related to engagement risk, pervasive risks, and specific risks.

D. Basic Understanding of following Reference Material:

1. RBI Circulars – RBI issues various circulars during the year to be complied by the Banks. Auditors of banks are expected to have knowledge of these circulars. Till the year 2015, RBI had a practice of issuing Master Circulars every year on 1st July. Since January 2016, RBI has started issuing Master Directions. Such Master Directions are issued regularly.
2. Closing Circular of the Bank - With the appointment letter, the Closing Circular of the bank is also sent to the Auditors. The said circular covers the policies of concerned bank which are framed within the parameters set by RBI Circulars and also SEBI Guidelines etc. Dates of expected compliance from the branches are also included in the Circular. Accounting treatment of various items is also spelt out in the closing circular.
3. ICAI Guidance Note - The Guidance Note on Audit of Banks is issued by the Auditing and Assurance Standards Board (AASB) of ICAI every year with the objective to provide detailed and updated guidance to the members on various aspects of bank audits. The Guidance Note is an important resource for the members carrying out audits of banks and bank branches. The Guidance Note is updated every year to incorporate the impact of developments that have taken place in the banking sector which require attention of statutory auditors,

such as, master directions/circulars of RBI, other relevant circulars issued by RBI, relevant pronouncements of ICAI having bearing on bank audits, amendments/changes in applicable laws or regulations.

Persons having good interpretation and analytical skills, report drafting abilities and intuitive capabilities should be given priority. The team should also comprise of suitable Chartered Accountants for guidance and coordination.

4. Accounting and Auditing Standards- Auditors need to be aware of and ensure compliance with relevant and applicable Engagement and Quality Control Standards issued by the ICAI (SAs and SQCs).
5. Allied Laws - Auditors should also have basic knowledge of Allied Laws in order to carry out effective audit. For example, Indian Contract Act, 1872, The Bombay Stamp Act, 1958, Negotiable Instruments Act 1881, etc. The impact of provisions under these laws on the documents especially in the area of Loans and Advances need to be considered appropriately, wherever required.

E. Risk Assessment and Internal Control Assessment

Prior to commencing actual verification of files and documents it is essential for the audit team to conduct risk assessment in terms of SA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment. Banks have certain typical risks viz: handling large volumes of cash on behalf of customers, significant involvement of outsourced services, extensive dependence on IT systems and

software, operations spread over vast geographical areas, etc. SA 315 requires the auditor to put specific emphasis on the risks arising out of the fraud, changes in regulatory environment, complex transactions, related party transactions, and abnormal business transactions.

Since the past few years, cybersecurity has gained much importance. The auditor should familiarise himself with the cybersecurity framework in place at the branch. The audit procedures will need to be enhanced/alterd if the auditor concludes that the cybersecurity framework is not effective.

F. Audit Planning Document

The engagement partner should summarise audit plan by preparing an audit document also known as the planning memorandum. The planning memorandum should contain the following minimum aspects:

1. Results of the risk assessment procedures performed by the auditor and the extent of sample selection as well as decisions of reliance on controls.
2. The expected scope and extent of the audit procedures to be performed.
3. Any significant changes made during the audit to the overall audit strategy or the audit plan, and the reasons for such changes.

The planning memorandum should also be prepared in a manner that it will act as an aid in the Peer Review process of the Audit Firm.

G. Regular Supervision and Monitoring

Since branch audit is a time sensitive and time bound activity, regular interaction of the engagement partner with the audit team is imperative. The partner should devote adequate time and attention to critical audit areas like NPA verification, fraud reporting, CRAR certification, etc. Suitable checklists may be devised by the firm to track progress of the work. Requirement and work trackers may also be developed which could be updated on a real-time basis on shared network accessible to all the members of the audit team.

Snapshot of Activities to be exercised during Branch Audit

At CA's Office, Prior to Commencement:

1. Refer appointment letter and complete formalities of acceptance, NoC from previous auditor, etc.
2. Identification of audit team and preparation of basic audit programme with standardised checklist. Conduct interactive meeting of the team to confirm understanding of audit programme.
3. Collect and read all relevant background material as stated above.
4. Accounting, Auditing and Assurance Standards, Guidance Notes and other relevant material issued by ICAI be studied.
5. Based on the above, prepare a final check list covering all the areas in Bank Branch Audit and have common understanding of contents of checklist. Please remember that checklist is very important to control Bank Branch Audit in limited time and to cover all the areas under audit.
6. Decide timelines of completion of each job till signing of final report.
7. Draft Management Representation Letter to be obtained from branch manager.
8. Before going for audit, carry with you- all stamps, letterheads, pen drive, soft copies of report formats, reference material, etc.

The Guidance Note on Audit of Banks is issued by the Auditing and Assurance Standards Board (AASB) of ICAI every year with the objective to provide detailed and updated guidance to the members on various aspects of bank audits.

Bank Audit

At the Branch, Prior to Commencement:

1. If possible, visit the branch before 31st March and discuss broad Audit Programme. Send basic data requirements on e-mail to enable the branch to compile the same. Request for one person to be identified in the Branch as audit coordinator.
2. Discuss all Closing Circulars, Accounting Policies and basic working of the branch with branch manager.
3. Take judgement of records, work culture, procedures, processes, etc. to have an idea of working of the branch.
4. Understand the software used for branch business and CBS system.
5. Verify effectiveness of controls and take list of various exception reports generated by CBS software.
6. Obtain list of all returns and other submissions to be made by branch to HO, ZO, RBI, etc.
7. Obtain copies of all other Audit Reports, i.e., Internal, Revenue, Concurrent, Stock Audit, RBI Inspection, previous year Statutory Auditor's Report, System Audit Report, Discretionary Financial Powers Circular, etc. Also check new advances sanctioned during the year, restructured accounts, new NPAs declared/NPAs upgraded during the year, previous year Memorandum of Changes

(MOCs), list of large borrowers to understand reported irregularities, if any.

8. Attend meeting with Central Statutory Auditors, if scheduled, to understand their expectations and management perspective about Bank Branch Audit.
9. Prepare a list of items to be checked before 31st March and after 1st April.
10. If possible prepare standardised formats of queries to avoid confusion.
11. Discuss audit of Loans and Advances with Credit Officer in detail and use judgement to decide sample percentage.

Activities to be exercised During Audit

1. Follow timelines and commitments as decided earlier.
2. Keep track of daily targets. For pendency, verify reasons and take corrective actions. Document the extent of verification.
3. Issues identified by audit staff during the audit may be discussed and cleared on daily basis. However, noting of all observations including those cleared must be preserved as records.
4. Comparative analysis of Balance Sheet and Profit & Loss items with previous year's figures and call for explanations in case of material variances.
5. Plan to check and report aspects

of LFAR to avoid any area to be missed out.

Activities to be exercised at the End of Audit

1. Carefully review the Audit Process and confirm final Query Sheets and Reports. Re-draft the same if necessary. Involve all team members.
2. Prepare Draft Audit Report and draft of other documents to be certified by you. Discuss the same with Branch. Quantify and discuss MoCs suggested by you.
3. Prepare Final Report.
4. Quantify all points raised in report particularly from the point of view of materiality. This will help in deciding whether a particular comment or observation is necessary to be included in the report.
5. Generate UDIN, separately for the statutory audit report, certificates and the tax audit report. Refer FAQs on UDIN released by ICAI. These can be accessed at <https://udin.icai.org/faqs>
6. Complete other formalities like stamping, signing and affixing date, etc.
7. Handover final sets as required by adhering to the deadline given by bank authorities.
8. Take all your working papers and final set without leaving any of your working papers at Branch. Delete working folders created on branch computer systems before leaving the branch.

Sample Bank Branch Audit Programme / Illustrative Checklist

S. No.	Name of the person	Designation & Qualifications	Estimated time for work	Initials of the person

Audit Programme

S. No.	Area of Work		Person responsible at the Branch	Done by whom	Date
A.	General - Pre Audit Work				
	1.	Appointment letter, NOC of previous auditor, acceptance letter and related formalities			
	2.	Preliminary visit to branch for understanding of business, IT systems etc.			

S. No.	Area of Work	Person responsible at the Branch	Done by whom	Date
3.	Review of Closing Circular issued by Head Office			
4.	Review of Latest available inspection reports of Internal/ Concurrent/Stock Audit/Revenue Audit / RBI / Statutory Auditors/ System Audit and compliance thereof			
5.	Study of Significant accounting policies of the Bank & computer system			
6.	Study of Business mix of the Branch & determination of the sample size and percentage of checking in each area			
7.	Compliance of Mandatory Accounting Standards / Auditing Standards and RBI circulars / directions			
8.	Intimation in writing whether given to the Branch Manager regarding requirements for audit and documents to be kept ready for audit including for LFAR, Tax Audit Report and Certification			
B.	Physical Verification			
1.	Physical verification of Cash (in branch and in ATM), Tokens, Adhesive stamp documents and postage and cross verification of the same with GL balances.			
2.	Physical verification of Investments. (if lodged at Branch)			
3.	Physical verification of valuable stationery like cheque books, Demand Drafts, Pay-Orders etc.			
C.	Verification of Returns and Reconciliation			
1.	Verification of returns submitted to RBI/HO/ZO (Monthly/ Quarterly / Half Yearly / Yearly)			
2.	Verification of Annual Closing Returns			
3.	Verification of HO / Branches / Other Banks Reconciliation, Branch Adjustment Account, Suspense account, Sundry Accounts etc.			
4.	Verification of Statement of Fraud			
5.	Verification of NOSTRO reconciliation			
D.	Verification of Balances			
1.	Checking of opening balances in GL with previous year audited Balance Sheet and Profit & Loss Account			
2.	Cross Verification of Trial Balance, Profit & Loss Account and Balance Sheet figures as on 31 st March with GL figures			
E.	Balance Sheet			
1.	Advances 100 % coverage of advances in respect of which outstanding amount is in excess of 5% of the aggregate advances of the branch or ₹ 2 crores whichever is less. List number of cases and names of parties including limits for all cases above specified limits and sample selected below the limit. a) Credit Appraisal			

Bank Audit

S. No.	Area of Work	Person responsible at the Branch	Done by whom	Date
	b) Sanctioning and Disbursement c) Documentation - Pre-sanction & Post Sanction including Registration and Mortgage of property and Registration of Charges with ROC/ CERSAI d) Monitoring/ Review/ Supervision by the Branch i. Submission of financial statements ii. Submission of I.T. Returns iii. Timely submission of stock statements iv. Calculation of Drawing Power v. Inspection of Godowns / other units of the borrowers vi. Operations in the account - overdue/ sticky accounts / diversion of funds/ cheques duly honoured / limit not exceeded frequently vii. Renewal of documents due / Review of Term Loans viii. Penal interest for default – whether system driven or manual ix. Insurance coverage x. Verification of data in CBS with special reference to BASEL II requirements of LTV ratio in case of housing loans etc. / BASEL III Norms			
2.	Analysis of entries outstanding in Sundries and Suspense Account, Sundry Debtors, Sundry Creditors			
3.	i. Verification of assets classified as NPA. ii. Verification of Upgraded Accounts earlier classified as NPA – Registration of uncharged interest iii. Identification of new NPAs			
4.	Review of suit filed accounts / Decreed accounts & their follow – up			
5.	Checking of additions, deductions, transfer of fixed assets with relevant supporting			
6.	Verify that all balances are shown under proper heads			
7.	Verify that credit balances in OD, CC, inoperative current accounts are not netted off with advances and are shown separately under demand deposits			
	Verify that Interest accrued but not due on loans is not included in advances			
8.	Deposits i. Near the Balance Sheet date & till the date of audit whether there have been any unusual large movements in the aggregate deposits held at the year end ii. Verification of Staff Accounts iii. Check that guidelines issued by RBI for inoperative & dormant accounts are strictly followed with KYC guidelines. iv. Verify that overdue, matured time deposits are shown in demand deposits v. Verify that interest accrued but not due is not included in deposits but shown under other liabilities vi. Verify that Dormant Accounts more than 10 years are transferred to Depositors Education and Awareness Fund			
9.	Analysis of entries outstanding in Bills Payable/ Sundry Deposits, etc.			

S. No.	Area of Work	Person responsible at the Branch	Done by whom	Date
	10. Obtain list of contingent liabilities not acknowledged as debts by the branch. Check for correct reporting.			
E.	Profit & Loss Account			
	1. Verification of provision of interest on standard, substandard, doubtful & loss assets and appropriate accounting treatment thereof and reversal of interest and charges not recovered on new NPAs			
	2. Checking of proper classification of revenue and expenditure items			
	3. Ratio Analysis and comparison with previous year figures			
	4. Verify whether there is any divergent trend in major items of income & expenditure and analysis of reasons thereof			
	5. Test checking of interest on deposits and advances			
	6. Test checking of commission and discount on bills, etc.			
	7. Verification of accounts of major heads of income & expenditure			
	8. Verification of provisions for prepaid and outstanding income & expenditure			
	9. Verification of locker rent received and due and provision thereof			
	10. Verification of provision for depreciation on fixed assets			
	11. Checking of prior period expenses and income and provisioning thereof. Separate prior period expenses and provisioning- give separate numbers			
	12. Checking of provisions for ECGC/ DICGC claims			
G.	LFAR			
	1. Checking of items as per LFAR checklist			
	2. Preparation of annexures to LFAR			
	3. Annexures to LFAR			
	4. NPAs			
H.	Tax Audit Report			
	1. Check the followings in detail-			
	2. Payments made to clubs			
	3. Details of revenue expenditure capitalised			
	4. Whether TDS has been deducted and remitted before the due date			
	5. Particulars of Income and Expenditure of earlier years debited / credited to Profit & Loss Account which are of material nature			
	6. Checking of Tax Audit Schedules			
	7. Preparation of Tax Audit Report			
I.	Verification of Checklist of Jilani Committee Recommendations			
J.	Verification of Checklist of Ghosh Committee Recommendations			
K.	Collection of following certificates and statements from Branch			
	1. Physical verification of cash			

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S. No.	Area of Work	Person responsible at the Branch	Done by whom	Date
	2. Physical verification of Adhesive Stamp Documents, Postage, Security, etc.			
	3. Physical verification of Investments			
	4. Physical verification of Fixed Assets carried out by Branch			
	5. NPA Statement, Profit & Loss Account, Balance Sheet, Trial Balance certified by Branch Manager			
	6. Management Representation Letter			
	7. Certificate from Branch Manager for attendance of Audit			
L.	Issue of Certificates			
	1. Certificate for Review of Loan Portfolio			
	2. Certificate relating to recoveries in claim paid accounts under small loan Guarantee Scheme 1971 and Small Loan (SSI) Guarantee Scheme, 1981			
	3. Certificate in respect of subsidy utilised under the scheme Prime Minister's Rojgar Yojana (PMRY) and correctness of claim made			
	4. Certificate regarding the implementation of Jilani & Ghosh Committee recommendations			
	5. Certificate in respect of Interest Subvention if any at the Branch.			
	6. Certificate regarding possession of investment documents on behalf of Head Office			
	7. Certificate for DICGC Claim			
	8. Movement of NPAs			
	9. Certificate of BASEL – III			
	10. Cash Balance on Twelve Days (Certificate for CRR)			
M.	Finalisation			
	1. Preparation of Draft of the following-			
	2. Audit Report under SA 700 format			
	3. LFAR & Annexures			
	4. Tax Audit Report			
	5. Jilani Committee Recommendations			
	6. Ghosh Committee Recommendations			
	7. Memorandum of Changes			
	8. Discussion of Draft Report with Branch Manager			
	9. Preparation of Final Report			
	10. Generation of UDIN as required by ICAI – separate for Statutory Audit report, tax audit report and certificates			
	11. Submission of Final Report along with Copies of Signed Balance Sheet, Profit & Loss Account and certificates			
N.	Review of work done by Audit Team			
	1. Senior			
	2. Junior			
	3. Articled Clerks			
	4. Employee			

Bank Branch Audit- CBS Environment

As the month of March is fast advancing, the audit fraternity gears up to undertake statutory audit of bank branches. Most of us have started our practice by providing various services to the banking industry. The statutory branch audit is one of the important professional services. Over the period technology has changed drastically the way banking industry was operating. Auditor's duties, responsibilities and deliverables, however remain to be same as were used in the past. During last 5-6 years the numbers of fraud cases which are reported have increased drastically. This casts more responsibility on auditors while discharging their duties in performing statutory audit of bank branch. Read on...

It is pertinent to note that most of the banks have moved to Core Banking Solution (CBS) environment. What was earlier the prerogative of the private sector banks and large public sector banks has come down to the large co-operative banks and even smaller banks. Thus, CBS environment and technology is all pervasive affecting all stakeholders viz. depositors, borrowers, revenue authorities, regulators and the auditors too. Therefore, this information technology implication should not be seen only to report under Jilani Committee Recommendations since it is all



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pervasive affecting the branch auditor's opinion in most critical manner.

In this background, the article discusses the following aspects:

- ❖ Understanding Core Banking.
- ❖ Branch auditor's role.
- ❖ Conducting CBS branch Audit.

Understanding core banking:

Core banking is a system in which a centrally shared database supports the banking application. This server is kept at a location called the Data Centre (DC). To mitigate the risk of failure of the common server, backup site(s) are maintained at a distant location, generally in a different seismic zone. These are called Disaster Recovery Centres (DRC). There

are various modes which are used to establish connectivity such as wireless network (radio frequency), VSAT (Very Small Aperture Terminal), VPN (Virtual Private Network) over the internet, cloud, etc.

Different approaches are followed in designing CBS architecture such as:

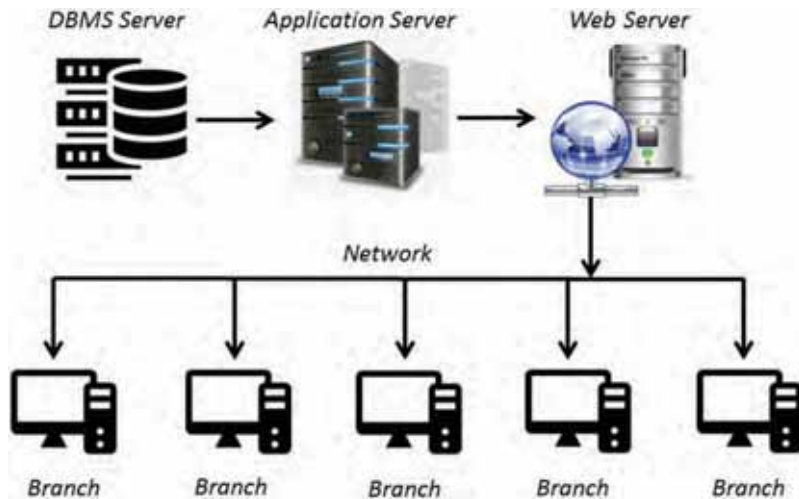
- ◆ Central Single Database.
- ◆ Branch server and Central database.
- ◆ Cluster.

However, any CBS architecture will have following major components:

- ◆ Data Base server.
- ◆ Application server.
- ◆ Web server.
- ◆ Network.
- ◆ Nodes.

Bank Audit

Simple CBS architecture:



In order to facilitate reporting under various regulatory requirements, add-on softwares may be used by the banks. Few examples are:

- ◆ Credit risk calculation under Basel norms.
- ◆ Risk weighted assets/ capital adequacy.
- ◆ Asset classification and provisioning.
- ◆ Classification of advances- priority/non priority or sensitivity.

Branch auditor's role

The branch auditor is not expected to be a technical expert to understand the IT system or the software and the technicalities. However, it is a fact that technology has changed the way for most of the banking operations. For example, transactions may take place from various locations,

central database gets updated on real time basis and various reports are generated through backend. Similarly, there are various transactions relating to mass customers which are run at central data centre. For example, application of interest, application of service charges, etc. Thus, CBS is the neurological network of the bank; the branch auditor cannot afford to ignore the existence of the system and CBS environment. The branch auditor needs to understand what the CBS system can do and what CBS system cannot do. CBS system can provide data, analysis through various reports and understanding about the controls built in the system. However, CBS system cannot do documentation, security or stock inspection, KYC checks, etc. Thus, the branch auditor needs to devise his audit procedures in such a way that he makes best possible use of CBS system to manage his audit risk and conduct effective audit efficiently.

The branch auditor is required to issue reports/certificates based on his audit conducted for the branch. Generally, branch auditor's deliverables are as under:

- ◆ Branch Audit Report expressing opinion on true and fair view of branch financials taken as whole.
- ◆ Long Form Audit Report (LFAR) containing certain factual statistics and auditors opinion on certain areas.
- ◆ Tax Audit Report under Income Tax Act, 1961.
- ◆ Various certificates.

Conducting CBS branch audit

We will discuss now key aspects to be considered while conducting CBS branch audit. It is a challenge for branch auditors to complete their audit and issue reports within a week to ten days time. So striking a balance between time and resource constraints along with managing audit risk is very important.

Suggestive audit approach, the branch auditor may adopt in respect of CBS branch is as under:

- ◆ Use auditor login (read only and view only access) to obtain understanding and feel about system.
- ◆ Refer user manuals conduct enquiries to obtain better understanding.
- ◆ Explore circulars and other important documents through intranet of the bank.
- ◆ Conduct detailed review of various exception reports.
- ◆ Select appropriate sample judiciously.
- ◆ Apply substantive procedures.
- ◆ Make effective use of excel or spread sheet tools.

Broadly, the audit exercise can be divided into following four different stages:

- ◆ Risk assessment and audit planning.
- ◆ Control testing.

Thus, CBS is the neurological network of the bank; the branch auditor cannot afford to ignore the existence of the system and CBS environment.

- ◆ Applying substantive checks.
- ◆ Compilation and issuance of report.

Important considerations and suggested audit procedures are discussed below:

Risk assessment

Risk assessment is pervasive and prevails throughout over the audit process. The branch auditor should do the initial risk assessment which will guide planning of audit work. The branch auditor may review previous statutory audit reports, internal audit reports, concurrent audit reports, inspection reports, etc. pertaining to branch including status of compliances and regularisation of irregularities pointed out in these reports. He may review randomly various exception reports.

Risk of material misstatement by and large is centered with correctness of asset classification, income recognition as per prudential norms and provisioning. In addition to these areas the branch auditor should consider element of fraud risk and branch reporting in respect of anti-money laundering. The branch auditor can make effective use of exception reports for considering fraud element with reference to early warning signals described in RBI master circular on wilful default. Thus, the auditor can assess the risk of material misstatement and identify the items/areas and extent of substantive checks.

Control testing

Branch auditor needs to evaluate overall control environment. Branch auditor should obtain reasonable assurance that the sufficient controls are in place and the controls are effective. The branch auditor should review various reports on sample basis, which the branch has submitted

The branch auditor can make effective use of exception reports for considering fraud element with reference to early warning signals described in RBI master circular on wilful default.

to its controlling offices. Similarly, the branch auditor should review of concurrent audit reports, internal audit reports or inspection reports and compliances thereof. Particularly in respect of bank branch operating under CBS environment the branch auditor should obtain and review latest Information Technology (IT) audit report conducted for the branch. He may conduct enquiries and seek compliances in respect of irregularities or gaps identified in IT audit report. This will help the branch auditor to gain fair knowledge about control environment in CBS branch and respective effectiveness and efficacy of the controls. Various controls pertaining to CBS branch, which branch auditor may consider conducting sample testing for existence and effectiveness are as under:

- ◆ *Environmental controls*
 - Air conditioning AMCs.
 - Fire extinguishers.
 - Smoke and heat detectors.
 - Water seepage.
- ◆ *Physical controls*
 - Entry restriction to critical areas where servers, routers are located.
- ◆ *Application controls*
 - Password management history.

- Unsuccessful login attempts.
- Access logs.
- Inactive user ids.
- ◆ *Logical controls*
 - User id creation/deletion.
 - Mapping of user ids with roles, responsibilities and delegated authorities.
- ◆ *Output controls*
 - Automatic log off.
 - Hard copies of reports whether duly signed.

Applying substantive tests

As discussed in previous paragraphs the branch auditor can decide on samples to be drawn for applying substantive testing. Under CBS environment branch auditor can make effective use of various reports available in CBS system. Some of the reports which auditor can use while conducting bank branch audit are discussed as under:

Financial Statements

- ◆ *Advances disbursed by transferring to deposit accounts*

The branch auditor can use aforesaid report to review fresh advances disbursed during the audit period. By applying 80:20 principle the branch auditor can select sample across various types of advances disbursed during the audit period to review documentation, scrutinise transactions, etc.
- ◆ *Interest applied/ failed report for deposits*

To review and verify correctness of interest expense, the branch auditor can use this report to check in case of deposit account where interest application report has thrown failure report. The branch auditor

can select sample out of such deposit accounts to verify whether the error has been rectified and interest has been correctly applied. The branch auditor should enquire into the reasons for interest application error and how the issue has been resolved.

◆ *Interest applied /failed report for advances*

The branch auditor can use aforesaid report and select sample of few accounts for further verification. The branch auditor should enquire into reasons for the error reported in interest application and how the error has been sorted out and resolved. The branch auditor should perform audit procedure of recalculation of interest in respect of such advances account to test accuracy.

◆ *Age wise and nature (head) wise classification of all office accounts*

The branch auditor should use this report and review old outstanding entries under various office accounts. The branch auditor should conduct further enquires and ascertain reasons for old outstanding entries and consider whether there is possible impact on profit or loss reported in financial statement of the branch.

◆ *Loan accounts with Zero interest rate*

The branch auditor should review all the advances accounts where interest rate is zero. Further enquiries should be conducted to understand how the issue has been dealt with. The branch auditor should review the sanction documents and check the interest parameters

It could be a good strategy to commence the branch audit with LFAR and then financial statements. Some examples are reporting on window dressing, reporting on fraud, etc.

for correctness. The branch auditor can perform audit procedure of recalculating the interest in respect of all such accounts.

There are other reports which the branch auditor can use for multiple aspects such as existence of early warning signal, correctness of account classification, charge and collection of penalties for defaults in respect of pendency of instalments, non submission of stock/book-debt statements, etc. Indicative list of such reports is as under:

- List of Loan accounts with instalments in arrears.
- CC/OD Overdrawn.
- Report of accounts not renewed/reviewed.
- Report of stock, book debt statements in arrears.
- Report on 'Overdue Bills purchased and Bills discounted'.

Long Form Audit Report (LFAR)

The long form audit report contains various matters on which the branch auditor has to report his observations. Broadly the LFAR contains some areas where the branch auditor has to report factual information. For example, age wise analysis of pending entries in reconciliations, office accounts, etc. Using various reports available through CBS system, most of the information is readily available for the auditor

to report his observations on the matters in LFAR. It is important to note that matters in LFAR provide detailed understanding of the branch. Therefore, the observations on the matters in LFAR need to be carefully considered while forming opinion on the financial statements.

It could be a good strategy to commence the branch audit with LFAR and then financial statements. Some examples are reporting on window dressing, reporting on fraud, etc. Some of the reports available through CBS system which the branch auditor can use while reporting on the matters in LFAR are as under:

- Cash balance above the cash retention limit.
- Overdue stock/book-debts/ QIS statements.
- Overdue reviews /renewals of credit limits.
- Expired insurances/under-insurances of securities.
- Overdue inspection of securities.
- Overdue renewal of loan documents.
- Overdue valuations of fixed assets charged in NPA.
- TDRs where lien has been lifted.

Based on the branch management responses the auditor should take an appropriate call on observations having impact on financial statement where the auditor may consider of issuing Memorandum of Change (MoC) or for rectification of errors observed.

- Loans against TDR where lien not marked.
- Accounts having sanction limit exceeding specified limit.

The branch auditor should select samples from various reports. Using his auditor login on the CBS system he can verify the items sampled.

Income Recognition and Asset Classification (IRAC)

Key aspects of bank branch audit are assurance on compliance to income recognition norms, asset classification and provisioning. While applying substantive tests or test of details the branch auditor can make effective use of reports generated from CBS system. Illustrative list of useful reports is as under:

- Transaction turnover in CC accounts.
- Standard accounts rescheduled during the year.
- Sub standard accounts restructured during the year.
- Accounts where moratorium period expired and interest flag "N".

- Sub standard NPA upgraded during the year.
- Report on overdue instalments and interest in loan accounts.
- Accounts out of order for more than 30 days.
- Accounts where value of securities is less than drawing power.

The branch auditor can corroborate with the asset classification prepared and provided by the branch. As discussed in preceding paragraphs, Banks use software for the purpose of asset classification and provisioning. These reports are generated through these softwares centrally using central database. However, there is certain data/information which the branch has to provide, such as security value, last date of submission of stock/book-debt statement, etc. The branch auditor should verify correctness of data, information provided by the branch. Incorrect input of the information may impact

on provisioning, security-wise classification and may have impact on financial statements of the branch.

Compilation and issuance of report

While compiling the various reports to be issued the auditor needs to take global review of entire audit exercise performed. The auditor should communicate and document all the major observations he has made during the audit and obtain responses of the branch management. Based on the branch management responses the auditor should take an appropriate call on observations having impact on financial statement where the auditor may consider of issuing Memorandum of Change (MoC) or for rectification of errors observed.

Useful report tags

For quick reference of readers, following is the gist of some of the reports mapped to various areas which the branch auditor can explore himself through the Finacle CBS system:

S. No.	Audit area	Sub area	Report tag
1.	Cash	i) Physical verification of Cash Balance ii) Cash Balance as on the date of Audit Period iii) Cash Balances reported in Friday Statements	'ACL' Account Ledger Inquiry (Vault A/c and Teller Accounts)
2.	Balance With RBI / SBI / Other Banks	i) Balance as on Date ii) Transactions in Mirror Accounts. iii) Reconciliation Statements (Generally outside of CBS)	'ACL' Account Ledger Inquiry
3.	Advances	i) Sanction Limit / Drawing Power setup	a) 'ACLHM' Account Limit History Maintenance b) 'ACM /ACI' Account Master (Go to Limits details) c) 'LTL' Limit Tree Lookup (Tree view of all Limits)

Bank Audit

S. No.	Audit area	Sub area	Report tag
	Advances	ii) Account & Customer Master parameters setup viz. Interest Parameters (Regular & Penal Interest) iii) Repayment Instructions iv) Standing Instructions Parameters v) Transactions in Borrower's Account vi) Interest Rate History vii) Conduct of Account & Credit Turnover viii) Turnover of CC accounts based on Borrowers business profile ix) In case of loan accounts recovery of instalments and interest. x) Interest Report xi) Primary & Collateral security maintenance xii) Lien Marking xiii) Non Fund based Facility (LC, BG)	a) 'ACLHM' Account Limit History Maintenance for DP & SL Account Specific b) 'ACM /ACI' Account Master c) 'CUMM/CUMI' Customer Master 'ACLI' Account Ledger Inquiry a) 'INTTM' Interest Table Master Maintenance (Under Inquire Mode Account Specific) a) 'ATOR' Account Turnover Report b) 'ACTI' Account Turnover Inquiry c) 'CUTI' Customer Level Turnover Inquiry 'AINTRPT' Interest Report for Account 'SRM' Security Register Maintenance 'ALM' Account Lien Maintenance a) 'GI' Guarantee Inquiry b) 'DCQRY' Documentary Credit Query
4.	Office Accounts	i) Outstanding entries for reporting ii) Entries outstanding-Whether any provisioning is required? iii) Whether improper reversals are done?	a) 'IOT' Inquire on Transaction (As on date Inquiry) b) 'MSGOIRP' Outstanding Items Report TDS
5.	TDS Related	TDS Information & Reports	'TDSIP' TDS Inquiry and Reports Month end report on account wise/ transaction wise Tax deduction. Bank specific customised Menu/ report
6.	NPA Verification		
7.	Discrepancies in setting up the EMI/ Installments	i) Whether EMI / installment is correctly setup. ii) Whether EMI / installment amount is matching with the Sanctioned Terms. iii) Whether periodicity of Installment is correctly classified as per Sanctioned Terms?	ACI → Option 'E' Repayment details

S. No.	Audit area	Sub area	Report tag
8.	Multiple sets of EMI/Installments	For case of Multiple sets of EMI e.g. For 1- 5 years EMI of ₹ 10,000 and after 5 years ₹ 11,000. Whether sets of EMI are properly entered? Is there any substantial difference between 1 st set of EMI and 2 nd or other sets (e.g. 1 st set ₹ 5,000 and 2 nd ₹ 1,00,000) which cast doubt on debt serviceability?	ACI→ Option 'E' Repayment details
9.	System determined Asset Classification vis-à-vis User defined Asset Classification	i) CBS contain two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types. ii) In few CBS it has been observed that user is generally given the option to differ and select / amend the classification. In such cases detailed scrutiny of NPA system is required to be carried out. iii) Due to errors in certain Master Data, there can be erroneous identification of account as NPA. However, such accounts require detailed scrutiny	a) ACM ACI Option Asset Classification Inquiry b) A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for Accounts listed in the said report should be thoroughly verified.
10.	Manipulation in SL / DP	Changes in SL/DP should be cross checked with Sanctioned Letter. Whether any change in Limit is supported by necessary documentation?	ACLHM Account Limit History Maintenance
11.	Incorrect moratorium period	Incorrect moratorium period Based on moratorium period CBS will identify the Loan Installment and will track repayment. In case the moratorium period / installment start date is erroneously updated system will not show correct result.	ACI → Option 'E' Repayment details
12.	Installment Start Date is future date	Check whether Installment Start Date entered as per sanctioned term? In case of future date system will not identify installment and any repayment received will be shown as 'Overflow'.	ACI → Option 'E' Repayment details
13.	Interest Demand date (Future Date)	Check whether Interest Start Date entered is as per Sanctioned Term? In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as 'Overflow'	ACI → Option 'E' Repayment details

Case Studies in Non-performing Assets

In banking, we can say that deposits make the banking possible, advances make the banking profitable and Non Performing Assets make the banks perishable. In past few years, we can observe that there is considerable increase in the bad loans in the banking sector in India especially in Public Sector Banks. As per Financial Stability report issued by the Reserve Bank of India for December 2019, Scheduled Commercial Banks' gross non-performing assets (GNPA) ratio was 9.3 per cent between March and September 2019 which indicates high level of NPAs in the financial sector. Further, the degradation of accounts from Standard to Non-performing Assets (NPAs) also increases the financial stress on the Public Sector banks. Read on...

During the past few years we have seen many banks being under the Prompt Corrective Action Framework by the RBI due to increase in their net NPAs.

Advances is one of the most critical part of the balance sheet of any bank and we as auditors are expected to certify the classification of advances as per the Income Recognition and Asset Classification (IRAC) norms issued by the Reserve Bank of India vide master circular on - Prudential norms



on Income Recognition, Asset Classification and Provisioning pertaining to *Advances No. RBI/2015-16/101 DBR.No.BP. BC.2/21.04.048/2015-16* dated 01st July 2015 and various other circulars issued by the RBI from time to time. Further, the RBI has instructed the banks to disclose the divergences in case additional gross NPAs identified by RBI exceed 15% of the published incremental gross NPAs for the reference period by the bank. Further, SEBI has also issued guidelines to the banks and had directed all listed banks to disclose any divergence in bad loan provisioning within 24 hours of receiving RBI's risk assessment report, rather than waiting to publish the details in their annual financial statements.

Due to this disclosure requirements, the responsibility of the auditors in respect of



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correct identification and provisioning of NPA accounts have increased manifold.

Identification of NPAs and case studies

Identification of NPAs is an important task in the audit of banks. Para 1.2, of the RBI master circular, states that the classification of assets of banks has to be done on the basis of objective criteria which would ensure a uniform and consistent application of the norms.

Likewise, the policy of income recognition should be objective and based on record of recovery rather than on any subjective considerations. Also, the provisioning should be made on the basis of the classification of assets based on the period for which the asset has remained non-performing and the availability of security and the realisable value thereof.

Non-performing Assets are any assets which cease to generate income for the bank. As per Para 2.1.2 of the master circular, an advance/loan account becomes a NPA where:

- i. interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- ii. the account remains 'out of order' in respect of an overdraft/cash credit (OD/CC) for more than 90 days,
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- iv. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

The gist for classification of NPAs is that if any amount is overdue from the borrower for a period exceeding 90 days, then the account is to be treated as NPA.

Firstly, let us understand the meaning of 'Overdue'. Overdue means any amount which is due on a particular due date fixed by the bank but not paid on that due date. For example, a person had taken a personal loan of ₹ 2 lakhs from the lender on 30th June, 2019 on Equated Monthly Instalment (EMI) basis. The bank has fixed its date of payment of instalment as 10th of every month. If the borrower does not pay the EMI on or before the due date fixed by the

bank which in the instant case is 10th then the account becomes overdue on 11th.

If any account remains overdue for a period exceeding 90 days then the account is to be treated as NPA.

Identification of NPAs of various types of advances, are explained below with the help of the following case studies.

1) Cash Credit Accounts/ Hypothecation of Goods Accounts

Cash credit accounts are running accounts and hence, are treated as NPA if it is out of order for more than 90 days. In this case, the account is deemed to be out of order if the following conditions are fulfilled:

- a) The balance in the account is continuously in excess of the limit sanctioned/ drawing power whichever is lower for a period exceeding more than 90 days.
- b) There are no credits in the account continuously for a period of 90 days as on the date of Balance sheet
- c) Credits in the account are not sufficient to cover the interest debited during the account in the said period.

Drawing power should be calculated based on the stock statement which should not be older than 3 months. The outstanding in the account based on calculation of drawing

If any account remains overdue for a period exceeding 90 days then the account is to be treated as NPA

power on the basis of stock statements older than 3 months will be deemed as irregular and if such irregularity continues for more than 90 days then the account will be treated as NPA.

An account, where the regular/ ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

Let us understand the identification of NPAs with the following illustrations:

Case I: The borrower had a cash credit limit of ₹ 50 crores and Non Fund Based Limit of ₹ 500 crores. On December 20, 2018, two BGs totaling ₹ 55.61 crores were invoked which were paid by overdrawing cash credit account. There were regular transactions in the account and sufficient credits were there in the account to take care of the interest debited during the said period. However, the balance outstanding was more than 50 crores continuously from 20/12/2018 to 31/03/2019. The drawing Power of the borrower was ₹ 50 crores as per the latest stock statement available on record. Hence, the account should be classified as NPA by the bank as the outstanding balance is in excess of Cash Credit Limit sanctioned or the drawing power computed, whichever is less.

Case II: There was an instance wherein the cash credit account was classified as standard by the bank on the basis of record of recovery. The account was regular and the transactions in the account were found to be satisfactory. The credits in the

account were sufficient to cover the interest debited during the said period. The account was properly renewed and the borrower was submitting the stock statements regularly on the basis of which the drawing power was calculated by the bank and the drawings were within the drawing power permitted as per the stock statement submitted by the borrower. *Prima facie*, there were no signs of weakness in the account. As the borrower was a large borrower, the stock audit was allotted and the stock audit report was on record. As per the stock audit report, it was observed that the stock statements submitted by the borrower were inflated and not in agreement with the actual stock verified by the stock auditor. Further, the valuation of stock was done at the market value instead of purchase price due to which the stock value was overstated. Further, the report stated that some of the raw material received by the borrower for job work, which did not belong to the borrower, was also included in the Stock Statement. As a result there was substantial decrease in the closing stock as calculated by the stock auditor and that as per the stock statement submitted by the borrower. Hence, the drawing power arrived at by the stock auditor was much lower than the sanctioned amount. As the balance outstanding in the account was in excess of the sanctioned limit/drawing power, the account needed to be classified as NPA.

Case III: Cash Credit account needs to be verified with regard to the accuracy of the data

An account, where the regular/ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/date of ad hoc sanction will be treated as NPA.

punched by the branch in the computer system with regards to the date of renewal. As per the IRAC norms mentioned earlier, if the account is not reviewed/renewed within 180 days from the due date, then the account will have to be treated as NPA. In some cases, it was observed that the branch personnel had just punched the date of renewal. However, no renewal papers were found on record. Hence, the accounts were classified as NPAs which were classified as Standard by the bank.

Case IV: The borrower had a cash credit limit of ₹ 50 crores. On December 30, 2018, Bank Guarantees totaling ₹ 25 crores were invoked and was parked in a separate advance bills account. The drawing power as per stock statements and stock audit report was ₹ 50 crores. The minimum balance outstanding in Cash Credit account during the last 90 days was ₹ 45 crores. Credits in the account were sufficient to cover the interest debited during the said period. As per Para 4.2.7 (ii) of the master circular, if the debits arising out of devolvement of letters of credit or invoked guarantees are parked in a separate account, the balance outstanding in that account also should be treated

as a part of the borrower's principal operating account for the purpose of application of prudential norms on income recognition, asset classification and provisioning. Accordingly, if we assume that the devolved Bank Guarantee instead of debiting to advance bills account is debited to principal operating account of the borrower which is the cash credit account, then the balance outstanding in the cash credit account in the last 90 days will be more than the limit sanctioned. Minimum outstanding balance in the last 90 days will work out to ₹ 70 crores which is more than the limit sanctioned/Drawing Power of ₹ 50 crores. Hence, the account may be classified as Non Performing Asset.

Account regularised near the Balance Sheet date: The asset classification of borrowal accounts where a solitary or a few credits are recorded before the balance sheet date should be handled with care and without scope for subjectivity. Where the account indicates inherent weakness on the basis of the data available, the account should be deemed as a NPA. In other genuine cases, the banks must furnish satisfactory evidence to the Statutory Auditors/Inspecting Officers about the manner of regularisation of the account to eliminate doubts on their performing status. Further, the credits/repayment in the account should be out of income generating activities of the borrower, i.e., out of genuine sources and not out of any additional financing or window dressing. The different scenarios explaining the situations are:

Scenario I

The borrower was availing different credit facilities from the bank as follows:

Type of loan	Loan A/c no.	Sanctioned amount	Outstanding amount as on 30.03.2018	Outstanding amount as on 31.03.2018
Term Loan	1	1,50,00,000	1,70,55,098	1,32,83,098
Term Loan	2	55,00,000	43,95,798	17,34,798
Term Loan	3	50,00,000	57,28,576	41,43,576
Working capital loan	4	1,00,00,000	1,41,00,496	99,30,496
Loan against property	5	5,00,00,000	6,16,52,547 (as on 27.03.2018)	5,13,22,547

From the above table it can be observed that except term loan 2, all loan accounts were overdue till 30.03.2018. But on the Balance Sheet date, there is heavy recovery in these accounts resulting in recovery of total interest during the year.

On scrutiny of records, it was observed that the recovery in the accounts was due to additional loan given to the borrower by way of loan to the borrower with the purpose of business development. But instead of business development, the sanction proceeds were utilised to repay overdue amounts of above mentioned loan accounts sanctioned on 31.03.2018. As the recovery in the account is not out of income generating sources of the borrower, but out of the additional finance given by the bank, hence, in this scenario, the account may not be said to be regularised and would be classified as Non Performing Asset.

Scenario II

The borrower was having Term Loan account with the bank. As on 31st March 2019, total 12 instalments were outstanding amounting to ₹ 120000/-. There were no credits in the account during the year. However, on 31st March 2019, the borrower

deposited cheque of ₹ 120000/- to clear the outstanding dues. Hence, the bank upgraded the account as on 31st March, 2019. However, subsequently, on 4th April, 2019, the cheque deposited got bounced. The bounced cheque should not be considered as credit in the account and accordingly the account is required to be degraded to Non Performing Asset instead of Standard asset.

2) Term Loans

Term loans are identified as NPAs if interest and/or instalment of principal remain overdue for a period of more than 90 days.

In case of interest payments, banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

3) Advances under Consortium

The borrower was availing consortium advance with three banks out of which ABC bank was the lead bank. As per the consortium agreement, the lead bank, i.e., ABC bank was to remit the share of recovery of other participating bank and was responsible for intimating the drawing power to other member bank. However, the lead bank did not remit the share of recovery to the other member bank. The

This tantamounts to restructuring/ever greening as the borrower was granted concession in the form of grant of one time interchangeability of NFB to FB which was not to the entire class of advances, but only to the borrower owing to his financial stress.

member bank classified the account as Standard. Further, the member bank contended that as the lead bank has not declared the account as NPA. There was also no express consent from the lead bank on record mentioning transfer of participating bank's share of recovery, to ensure proper asset classification in their respective books. However, in IRAC Master Circular para no. 4.2.8, it is clearly mentioned that the classification of accounts under consortium should be based on the record of recovery of the individual member banks. Where the remittances by the borrower under consortium lending arrangements are pooled with one bank and/or where the bank receiving remittances is not parting with the share of other member banks, the account will be treated as not serviced in the

books of the participating bank and therefore, be treated as NPA.

4) Considerable Erosion in the Value of Security

4.1) The bank had given Loan Against Property of ₹ 32 lakhs for business purpose in February 2015. The value of the security was ascertained at ₹ 40 lakhs on the date of sanction vide valuation report of registered valuer. Subsequently, the account was classified as NPA by the bank as on 30th June 2018 as substandard and the bank obtained fresh valuation certificate of the security mortgaged valued at ₹ 19 lakhs. As per IRAC Master Circular Para No. 4.2.9 i a, Erosion in value of security is considered as significant when the realisable value of security is less than 50% of the value assessed by the bank/ RBI at the time of last inspection. Where there is significant erosion, the NPAs may be straightaway classified under Doubtful category. Accordingly, in the present scenario the bank should classify the advance as doubtful instead of substandard as there is erosion in value of security by more than 50% from 40 lakhs as on last valuation to 19 lakhs present valuation and accordingly provisioning norms will be applied.

4.2) As per the RBI Guidelines, the security should be valued at least once in 3 years. The valuation report older than 3 years is not considered for valuation of security for IRAC norms. If the valuation report of the security is more than 3 years old, then such valuation is to be ignored and value of security is to be taken as NIL. This criteria needs to be seen critically in case of accounts which are already classified as NPA by the bank and especially in case of doubtful advances as the provisioning will increase substantially.

5) Restructured Accounts

A restructured account is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances/securities, which would generally include, among others, alteration of repayment period/repayable amount/the amount of instalments/rate of interest (due to reasons other than competitive reasons).

As per Para 17.2 of master circular on IRAC norms, accounts classified as standard assets are to be classified as substandard immediately upon restructuring. Further, if NPA account is restructured, then, upon restructuring, the account would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule.

However, extension in repayment tenor of a floating rate loan on reset of interest rate, so as to keep the EMI unchanged provided it is applied to a class of accounts uniformly will not render the account to be classified as 'Restructured account'.

In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as 'restructured accounts'.

Case Study

The borrower had a cash credit limit of ₹ 40 crores and NFB of ₹ 100 crores. One June 17, 2016 two BGs totaling ₹ 25 crores were invoked, which were paid by overdrawing the cash credit

account. Hence, the account turned SMA-2 on 31/08/2016 and would have turned NPA on 30th September, 2016. On 21st September, 2016, the bank sanctioned an increase in cash credit limit of ₹ 10 crores, increase in Bank Guarantee Limit of ₹ 30 crores, a new corporate loan of ₹ 6 crores for a period of more than six months and a onetime interchangeability of ₹ 25 crores from NFB to FB. It effectively increased the CC Limit to ₹ 75 crores. The corporate loan was disbursed on September 29, 2016 and was utilised for repayment of interest dues of cash credit account. This tantamounts to restructuring/ever greening as the borrower was granted concession in the form of grant of one time interchangeability of NFB to FB which was not to the entire class of advances, but only to the borrower owing to his financial stress. Hence, the account is to be classified as substandard immediately upon restructuring.

6) The NPAs are to be identified borrower wise and not facility wise

The borrower was availing cash credit facility, term loan facility and vehicle loan from the bank. The cash credit account of the borrower became NPA due to non-servicing of interest. All the other accounts were standard and regular. The bank treated the cash credit account as substandard and all the other accounts as standard. As per the IRAC Master circular para 4.2.7, all the facilities granted to the borrower will be treated as NPA even though there is default in only one facility. Hence, in the given instance all the cash credit, term loan and vehicle loan accounts will be classified as NPA and appropriate provisions need to be made as per the classification. ■

Audit of Agriculture Advances during Bank Branch Audit

India is an agro based nation and agriculture is a key sector of Indian economy contributing significantly in GDP and employment. As per the RBI guidelines, agriculture is a priority sector and the banks are required to lend 18% of Adjusted Net Bank Credit (ANBC) to agriculture sector. As a bank branch auditor, the auditor is required to examine various important aspects relating to agriculture advance such as compliance to eligibility norms, sanction process, documentation, security creation, asset classification, etc. Besides, the auditors are also required to certify the eligible amount of interest subvention on crop loans which is provided by the banks to the borrowers and later claimed from RBI. To know more about audit of agriculture advances during a bank branch audit, read on...



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Eligible Activities under Agriculture Credit

As per RBI's master circular No RBI/2015-16/53FIDD.CO.Plan. BC.4 /04.09.01/2015-16 dated July 1, 2015, the lending to agriculture sector has been defined to include

- (i) Farm Credit,
- (ii) Agriculture Infrastructure, and
- (iii) Ancillary Activities.

Farm Credit Include

- (i) Crop loans to farmers.
- (ii) Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities).
- (iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.

- (iv) Loans to farmers up to ₹ 50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- (v) Loans to distressed farmers indebted to non-institutional lenders.
- (vi) Loans to farmers under the Kisan Credit Card Scheme.
- (vii) Loans to small and marginal farmers for purchase of land for agricultural purposes.
- (viii) Loans to corporate farmers, farmers' producer organisations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of ₹ 2 crore per borrower.

Bank Audit

Agriculture Infrastructure Include

- i) Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units/ cold storage chains designed to store agriculture produce/products, irrespective of their location.
- ii) Soil conservation and watershed development.
- iii) Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting. For the above loans, an aggregate sanctioned limit of ₹ 100 crore per borrower from the banking system, will apply.

Ancillary Activities Include

- (i) Loans up to ₹ 5 crore to co-operative societies of farmers for disposing of the produce of members.
- (ii) Loans for setting up of Agriclincs and Agribusiness Centres.
- (iii) Loans for Food and Agro-processing up to an aggregate sanctioned limit of ₹ 100 crore per borrower from the banking system.
- (iv) Loans to Custom Service Units managed by individuals, institutions or organisations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.
- (v) Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.
- (vi) Loans sanctioned by banks to MFIs for on-lending to agriculture sector
- (vi) Outstanding deposits under RIDF and other eligible funds with NABARD on account of priority sector shortfall.

Kisan Credit Cards (KCC)

Kisan Credit card aims at providing adequate and timely credit support to the farmers under a single window, to enable them to conveniently avail bank loans for various purposes such as short term requirements for cultivation of crops; to meet post harvest expenses, working capital for maintenance of farm assets and allied agriculture activities investment credit requirement for agriculture and allied activities.

KCC scheme was introduced in 1998 and subsequently modified through various RBI circulars and presently governed by RBI Master Circular No RBI/2017-18/4FIDD.CO.FSD. BC.No.7/05.05.010/2017-18 dated July 3, 2017, However, it may be noted that KCC is not a type of loan, but is a channel for granting either short term or long term agriculture finance.

As per the extant guidelines, the salient features of the scheme are as below:

Eligibility	<ol style="list-style-type: none"> i) Farmers -individual/joint borrowers who are owner cultivators; ii) Tenant farmers, oral lessees & share croppers; iii) Self Help Groups (SHGs) or Joint Liability Groups (JLGs) of farmers including tenant farmers, share croppers etc.
Fixation of limit	<p><i>The short term limit to be arrived for the first year (For cultivating single crop in a year):</i></p> <p>Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest/household/ consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance and/or accident insurance including PAIS, health insurance & asset insurance.</p> <p><i>Limit for second & subsequent year:</i></p> <p>First year limit for crop cultivation purpose arrived at as above plus 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year) and estimated term loan component for the tenure of Kisan Credit Card, i.e., five years.</p> <p><i>Maximum Permissible Limit</i></p> <p>The short term loan limit arrived for the 5th year plus the estimated long term loan requirement will be the Maximum Permissible Limit (MPL) and is to be treated as the Kisan Credit Card limit.</p>
Disbursements	The short term component of the KCC limit is in the nature of revolving cash credit facility. There should be no restriction in number of debits and credits. However, each installment of drawable limit drawn in a particular year will have to be repaid within 12 months. The long term loan for investment purposes may be drawn as per installment fixed.
Validity/Renewal	Banks may determine the validity period of KCC and its periodic review. The review may result in continuation of the facility, enhancement of limit or cancellation of the limit/withdrawal of the facility depending upon increase in cropping area/pattern and performance of the borrower.
Repayment	The repayment period may be fixed by banks as per the anticipated harvesting and marketing period for the crops for which the loan has been granted. The term loan component will be normally repayable within a period of 5 years depending on the type of activity/investment as per the existing guidelines applicable for investment credit.

Margin	As per the policy of individual banks
Security	Hypothecation of crops and mortgage of agriculture land. Collateral security (agriculture land) is waived for KCC limit upto ₹ 1.60 lakh. (raised from ₹ 1 lakh w e f February 7, 2019)
NPA norms	The extant prudential norms on income recognition, asset classification and provisioning are applicable for loans granted under KCC scheme.

However, it may be noted that KCC is not a type of loan, but is a channel for granting either short term or long term agriculture finance.

Interest Application on Agriculture Loans

- The interest on agriculture loans are normally charged at half yearly or annual rests.
- Compounding of interest is generally not permitted in respect of an agriculture advance unless it turns out to be a non performing advance.

Interest Subvention

The interest subvention scheme for farmers provides short term credit to farmers at subsidised interest rate. The scheme is governed through letter No 1-7/2018-Credit-I dated 11.02.2019 of Ministry of Agriculture and Farmers Welfare, Government of India. The salient features of the scheme are as under :

- The scheme covers all farmers availing short term crop loans upto one year for an amount not exceeding ₹ 3 lakh.
- Under the scheme, the farmers can avail concessional crop loans at 7% per annum as against normal 9% per annum. In addition, an additional interest subvention at 3% per annum is also provided for prompt payment within a period of one year from date of advance resulting in effective rate of interest of only 4% per annum for loans upto ₹ 3 lakh.

- In order to discourage distress sale by the farmers, the scheme extends interest at 7% per annum to small and marginal farmers having KCC upto 6 months post harvest against negotiable ware house receipts for keeping their produce in warehouses accredited by Warehousing Development Regulatory Authority.
- The interest subvention claims made by the banks have to be duly audited by the Statutory Auditors about their correctness.

Prudential Norms for Agriculture Loans

- Prudential norms on Income recognition, Asset Classification and provisioning for agriculture credit is governed by RBI master circular No RBI/2015-16/101 DBR No. BP.BC.2/21.04.048/2015-16 dated July 1, 2015.
- As per para 4.2.13 of RBI Master Circular, a loan granted for short duration crops will be treated as NPA,

The interest subvention scheme for farmers provides short term credit to farmers at subsidised interest rate.

if the installment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season.

- The above norms are applicable only to Farm Credit extended to agricultural activities as listed at paragraph III (1) of the Circular on Priority Sector Lending – Targets and Classification FIDD.CO.Plan. BC.54/04.09.01/ 2014-15 dated April 23, 2015. An extract of the list of these items is furnished in the Annexure - 2 of the said circular in respect of agricultural loans, other than those specified in the Annexure - 2 and term loans given to non-agriculturists, identification of NPAs would be done on the same basis as non-agricultural advances, which, at present, is the 90 days delinquency norm.
- The following need to be taken into consideration in respect of asset classification of agriculture loans :

Short/Long duration Crop	Long duration crops would be crops with crop season longer than one year and crops, which are not "long duration" crops, would be treated as "short duration" crops
Crop Season	The crop season for each crop, which means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers' Committee in each State. Depending upon the duration of crops raised by an agriculturist, the above NPA norms would also be made applicable to agricultural term loans availed of by him.
State Level Bankers' committee	The State Level Bankers' Committee (SLBC) is as an apex inter-institutional forum to create adequate coordination machinery in all States, on a uniform basis for development of the State. Duration of crops/crop season is determined by SLBC of each state.

Bank Audit

Agriculture Advances Affected by Natural Calamities

Para 4.2.13 of the master circular; deals with the agriculture advances affected by natural calamities.

In case of natural calamities affecting the repaying capacity of the borrowers engaged in eligible agriculture activities, the banks may decide on their own as a relief measure conversion of the short-term production loan into a term loan or rescheduling of the repayment period; and the sanctioning of fresh short-term loan.

In such cases of conversion or re-scheduling, the term loan as well as fresh short-term loan may be treated as current dues and need not be classified as NPA. The asset classification of these loans would thereafter be governed by the revised terms and conditions and would be treated as NPA if interest and/or installment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.

Recent Frauds/Major Irregularities in Agriculture Loans

In case of natural calamities affecting the repaying capacity of the borrowers engaged in eligible agriculture activities, the banks may decide on their own as a relief measure conversion of the short-term production loan into a term loan or rescheduling of the repayment period; and the sanctioning of fresh short-term loan.

The auditors are advised to note key facts of certain recent agriculture loan frauds / major irregularities which are summarised below:

- ABC Co. Ltd. fraudulently availed loans from various banks in the guise of crop loans to 8-10 thousand farmers on the basis of guarantee given by ABC Co. Ltd. These loans were illegally availed in the name of non existing bogus farmers through forged documents, photographs, etc. The sanctioned crop loans were deposited in the bogus savings accounts of the farmers and on the same date transferred in the current account of ABC Co. Ltd.
- XYZ Ltd., a company engaged in rice manufacturing, availed credit facilities from bank with the object of making payment to farmers who provided paddy to it. The loans were disbursed through Joint Liability Groups (a small group of villagers that approach a bank for an institutional loan) even though the company had already received the paddy and hence, not entitled to such funding. Further, the JLGs were nonexistent entities. The bank also violated NABARD guidelines which state that JLG members must be from the same area/village.
- In order to achieve the agriculture advance targets, crop loans were given at subsidies rates to farmers but immediately the entire amounts were returned and put in fixed deposits higher rate of interest. Hence, the loans were not used for agriculture purposes and interest subvention benefits were provided for non-agriculture activities.
- Full compliance of proper due diligence and KYC process is followed by the branch while granting the agriculture advance including pre-sanction visit, obtaining KYC documents, etc.
- Verification of end use of bank funds through post sanction inspection and obtaining documentary evidence is made by the branch to ensure that funds are used only for agriculture activities.
- Prescribed documents are executed.
- Credit limit is fixed as per the extant guidelines.
- Agriculture credit is extended only after obtaining NOC from existing credit agencies in the area of finance.
- In case of mortgage of agriculture land, the following are duly taken into records :
 - Non encumbrance certificate of panel advocate.
 - Copy of land revenue extracts.
 - Recording of bank's lien in the records of revenue authorities.
- Only eligible activities as mentioned above are classified in agriculture credit.
- NPA norms as applicable to farm credits is extended only to eligible agriculture activities and for other agriculture loans.
- Comprehensive verification of interest subvention claim is made to ensure that interest subvention is provided only to eligible borrowers as per the scheme.
- In case of agriculture debt relief/waiver, the relief granted is as per the relevant schemes and bank's circulars, and given only to the eligible borrowers. ■

Key Points for Audit of Agriculture Advances

While doing the audit of agriculture advances, the auditors are advised to ensure:

Audit of Advances other than Agriculture Advances

Banks are the backbone of economy and Chartered Accountants in India are entrusted with the responsible task of carrying out their audit. Considering the new and innovative ways of committing frauds and misappropriation of funds in the present scenario, effective audit and raising red flags in critical issues is of utmost importance. Advances, the main part of the Bank audit, are a very large area and detailed guidance for the same is available in the 'Guidance note on Audit of Banks' published by the ICAI. This article is an endeavour to summarise some key points to be considered while carrying out audit of Advances portfolio of a Bank Branch and documentation requirements under various standards on auditing (SA). Read on...



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A. Planning the audit of Loans and Advances

Considering the limited time available for Branch Statutory audit, preparation of effective audit plan becomes essential. SA 300 (Planning and audit of Financial Statements) issued by ICAI requires an auditor to plan audit assignment and document the same. Loans and advances being a crucial area under Branch audit, would be the main part of overall audit planning document.

B. List of requirements to be communicated to Branch to be audited

A short visit to the Branch or advance communication with Branch head is required in order to obtain following information related to advances may be very useful. This would be a part of overall list of requirements:

- a. Borrower-wise Break up of various categories of advances (including non-funded) viz., CC/OD, Term Loans
- (further bifurcation into, Business, Housing, Vehicle, Other retail, Commercial, Loans against shares etc.), Guarantees and LCs etc.;
- b. List of top 25 top borrowers of the Branch at end of the year and beginning of the year;
- c. Latest report of irregular accounts or overdue statement;
- d. Party-wise statement of movement in NPA accounts along with MOC statement for previous financial year (for reference);
- e. Concurrent audit reports for the year under audit of the Branch and Branch responses on the observations;
- f. Special Mention Accounts (SMA) reports for each quarter end;
- g. Details of accounts classified as fraud and wilful defaulter and accounts restructured;
- h. List of accounts where stock audit is mandatory as per sanction terms.

Bank Audit

C. Selection of the borrower accounts to be audited and to be reported under branch LFAR

Considering the nature and volume, it may not be possible for the Branch auditor to verify 100% of the accounts. Hence, selection of appropriate samples of advance accounts is critical. Here SA 320 (Materiality in Planning and Performing an Audit) and SA 530 (Audit Sampling) need to be considered. There are no specific rules for selection of samples for verification of advances and auditor will have to use his/her own judgement based on preliminary review of the documents stated above. However, following accounts must be included for verification:

- a. Accounts appearing in the overdue statement;
- b. Accounts upgraded by the branch to standard category;
- c. Top 10 borrower accounts by outstanding at end of the year depending upon size of branch under each facility and some accounts randomly selected from other retail loan portfolio;
- d. Top 5 or 10 accounts sanctioned during the year apart from above accounts;
- e. Accounts having adverse comments in the concurrent audit report of the Branch;
- f. Accounts reported in the previous year LFAR with adverse comments of branch statutory auditor;
- g. Accounts appearing in the SMA account statement of the branch;
- h. Accounts restructured during the year.

Apart from the above, auditor may also look at overdue accounts at the beginning of March and at end of the year to see if there are any advances appearing at the beginning of the month but are missing in the statement at end of

the year to ascertain how these accounts were regularised so near about the year end. Similarly, the overdue statement for days till issuance of the branch audit report may be taken to see if any of such advance account is reappearing in the statement through temporary arrangement done to keep the account out of NPA category and reporting.

D. Important points to be considered while verification of advances selected based on above criteria

1. *Sanction of facility:* Check if the advance is sanctioned by appropriate authority as per the lending powers of the Bank/branch
2. *Creation of Master for borrower:* After sanction, the Master would be created for new borrowers. In case of existing borrowers, the Master may be modified based on the latest sanction terms. These fields would typically include following:
 - a. Repayment Schedule,
 - b. EMI,
 - c. Rate of Interest (normal and penal),
 - d. Drawing Power,
 - e. Classification of advance (secured/unsecured, nature of security and priority/others)

These parameters are keyed in System and after disbursement, many functions such as charging of interest, processing fees, penal interest, category classification, overdue status etc., would be based on the above data. Hence, it is very important that auditor checks correctness of these inputs for selected samples to ensure system applies its parameters correctly.

3. *Compliance with sanction terms:* Auditor may check

compliance of terms of sanction including creation of security/mortgage, NOC from other Bank/FL, registration of charges, CERSAI report etc., Also, it needs to be checked if the disbursement of advance is done only after compliance of the terms of sanction.

4. Review of account operations:

- a. Review of ledger for various facilities of large borrower samples selected should be done to get idea on operations of account. Generally, interest application, penal interest etc., would be done by system. However, it is advisable to check for few samples whether amount of interest is correct.
- b. Check if there are frequent delays in payment of dues of loans or overdrawn in case of CC/OD accounts. Apart from this, devolvement of LCs, regularisation in account around critical dates such as dates for consideration as NPA, etc., are some examples, which may require detailed review of the account operations. Auditor may check the latest audited financial statements of the borrower, qualifications of borrowers' statutory auditors if any, transactions with related parties etc., Here one should also check if the account is regularised at end of the financial year by showing cheque deposited under bank reconciliation and subsequently reversed in the following year indicating possible evergreening.
- c. Inquire into significant differences observed

between the amounts of stock and receivables as per statement submitted by the borrowers and the amounts stated in audited financial statements. This aspect is overlooked many times by branch. Borrowers having financial difficulties may submit statements with inflated numbers and tend to show receivables beyond permissible period, under different category and within permissible time limit. In the event such discrepancy is noticed, auditor may ask branch management to immediately seek clarification and apply the correct value of stock and receivable for calculation of Drawing Power (DP). Correct application may result the account becoming overdue beyond 90 days and turn NPA.

Since the DP is manually fed in the System, based on such stock statements with higher value, System may not identify the account as overdue and it would result in incorrect classification. In most cases, this is the reason for non-identification of NPA by system and hence auditor should be careful in reviewing such accounts.

- d. In case of large advances, annual stock audit and inspection would normally be one of the sanction conditions. We need to check if the stock and receivable audit has been conducted as per the terms and if there are any significant observations or remarks by the auditor, which may impact the

operations of account or may indicate inherent weaknesses. Also, auditor should check if the branch has obtained necessary explanations and responses on stock audit reports, from the borrowers and considered necessary remarks while computing DP.

- e. In case of bill discounting, most Banks have policy of recognising interest over period of the bills. Such interest collected in advance is kept under other liabilities in balance sheet of the branch. Bill wise break up of the same may be taken and mapped with the interest on balance period of outstanding bills discounted. In case if difference is noticed, auditor may ask explanation from the branch and insist for passing necessary entry through profit & loss account to match the actual interest that ought to be kept under "interest received in advance" at the year end.

E. Non-funded advances

List of Letters of Credit (LC) (Inland and Foreign) and Bank Guarantees (Inland and Foreign) should be obtained borrower-wise. Check if LCs are outstanding against borrower having frequent overdrawing in other limits. In case of invocation/devolvement of LCs, operative CC/OD account of the borrower is to be debited and not to be parked in a separate account to consider the overdue position in the account. Guarantees, should be checked with the dates of expiry and verified whether all the expired guarantees have been removed from the System. Guarantees are classified in Performance and Financial. Correct

classification of nature of guarantee is very important as it will have implication on the Risk Weighted Assets of the Bank for its Capital Adequacy requirements. On sample case selected, commission on LCs and guarantee fees need to be checked along with adequacy of cash collateral margin.

F. Restructured advances and stressed assets

Restructuring is an act in which Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. It refers to modification in terms of repayment in order to provide relief to the borrower who could otherwise default in repayment. Restructuring generally involves reducing the rate of interest, extending period of repayment, providing additional finance to borrower and funding of interest on existing facilities etc.,

- a. *Classification on restructuring:* The auditor may obtain a list of all the accounts restructured during the financial year. Upon restructuring, the accounts classified as 'standard' should be immediately downgraded as non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring. Accordingly, the provision requirements on NPA are also required to be complied with.
- b. *Conditions for upgrading accounts which are restructured:* Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the lenders may be upgraded only when satisfactory performance is demonstrated in all the outstanding loans/facilities of the borrower during the period from the date of implementation of resolution

plan (RP) up to the date by which at least 10 percent of the outstanding principal debt as per the RP and interest capitalisation sanctioned as part of the restructuring, if any, is repaid. Provided that account cannot be upgraded before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of RP.

- c. **Income recognition:** Income recognition norms for restructured advances are the same as normal advances and are applied based on the respective classification of account except that unrealised income represented by FITL / Debt or Equity instrument, can only be recognised in the profit and loss account as under:

1. **FITL/debt instruments:** only upon receipt of the loan or sale/redemption, as the case may be;
2. **Unquoted equity/ quoted equity (where advance is classified as NPA):** only on sale;
3. **Quoted equity (where Advance is classified as standard):** market value of the equity as on the date of upgradation, not exceeding the amount of unrealised income converted to such equity. Subsequent changes to value of the equity should be dealt with as per the extant Prudential Norms on Investment Portfolio of Banks.

There are many other aspects related to stressed assets and for detailed guidance, one may refer to RBI notification on Prudential Framework for Resolution of Stressed Assets (DBR.No.BP. BC.45/21.04.048/2018-19) dated June 7, 2019.

G. Identification of additional NPA

Based on various documents and checks applied as discussed in the above paras, when the auditor identifies NPA accounts with incorrect classification, following needs to be ensured:

- a. All the accounts of the borrower irrespective of regularity of payment with other facilities are classified as sub standard
- b. Unrealised income in all above accounts is reversed as on the date of NPA classification
- c. Provision amount is arrived at in terms of the IRAC norms prescribed by RBI
- d. In case of substantial erosion in value of security, the account need not go through various stages of NPA and it may straight be classified as doubtful or loss account, based on such erosion in the realisable value of security.
- e. Passing of necessary entries for the above through Memorandum of Changes (MOC)

H. Verification of existing NPAs

Apart from correct classification into Standard and NPA and further classification of NPA category into sub-standard, doubtful and loss, it is also important to check the correctness of provision created on existing NPA accounts. Though generally accounting entry for provision of NPA accounts is posted centrally at Head Office, it is based on the numbers certified by respective branch auditors. Sometimes, if the classification of advances is found correct, amount of provision against individual borrower accounts is assumed to be proper and branch auditor may tend to ignore detailed verification of computation of such provision. However, in terms of master circular on IRAC norms issued by RBI, if the valuation report is not obtained for 3 years in case of

immovable property and 1 year in case of other assets including stock, the value of security would be considered NIL and 100% provision would be required to be created on outstanding amount. Hence auditor may check all the cases of doubtful loans if latest valuation report is obtained as required. Date of classification of account into substandard category is also very important since the subsequent category/classification and provision would be based on that date.

I. Other important aspects

A few other important aspects that may be kept in mind which will help conducting effective audit for Advances Portfolio of the branch are:

- a. **Understanding Bank's software:** Most banks in India are on Core Banking Solution (CBS). Finacle is one such software used by many banks. Manual intervention is reduced to a large extent due to implementation of CBS and hence it has become essential for an Auditor to have a working knowledge of Finacle or other CBS software in order to conduct Bank Audit.
- b. **Exception reports:** Auditor may request branch management for a list of exception reports that are generated by system. A few important reports related to advances are, excess drawing permitted over sanctioned limit through TOD, changes done in master data of borrowers, Interest rate changes etc.
- c. **Analytical procedures:** Variance analysis of important ledgers related to advances, including interest earned and commission charged for comparable previous period many time throw up major exceptions which help auditor to find discrepancies. SA 520 also requires an auditor to perform analytical procedures.
- d. **Concurrent audit report**

observations: Branch auditor should obtain the concurrent/internal audit reports and check their comments on advances and verify the accounts where negative observations or accounts with irregularities have been commented upon. Also, if the discrepancies noticed have been resolved or satisfactorily answered. This will help also since concurrent/internal audit may have some observation on areas which the Branch Auditor has not covered in his sample.

- e. *Fraud reporting:* Check with Branch if they generate the suspicious transaction report (STR) or they get the same from the HO or Risk Management department for providing response to the suspicious transactions and how they dealt with closure of the same. It is also important nowadays to check the effective implementation of staff rotation policy.
- f. *Classification of advances:* One should also check other information related to classification of advances such as Priority/non-priority sector, Secured/Unsecured etc., as this information would eventually be compiled and published by the Bank by way of notes. This information is also essential for the Bank to ensure compliance with certain regulatory requirements such as priority sector advances etc.
- g. *Crystallisation of overdue export bills:* When a foreign bill is discounted by the branch and not paid on due date, the AD bank as per policy formulated by it, needs to crystallise the foreign currency liability of the concerned bill. The bill will be crystallised by selling the liability amount in foreign currency at the prevailing TT selling rate or at the original bill buying rate, whichever is higher

and convert the exporter's liability in Rupee terms. Auditor needs to check if interest for the overdue period shall be recovered on the date of crystallisation at the appropriate rate and thereafter till the date of recovery of the crystallised amount.

- h. *Capital adequacy:* There are various formats for reporting to the head office for the purpose of compilation of Risk Weighted Assets (RWA) for computation of capital adequacy. Information contained in these reports is mainly generated from the advance portfolio of the branch. Auditor can check the working/supporting documents from where the information in RWA working sheet is compiled and rating of the borrower and category of advance are two important points to verify.
- i. *Interest subvention:* Auditor needs to check if the interest subvention benefits have been appropriately passed on to borrowers as per the notification of RBI. Extensions if any, granted for the packing credits/LCs in case of delayed exports/inward remittances and if the same are within the permissible time limit of RBI as subvention may not be available beyond normal permissible period.
- j. *LFAR reporting:* This is a vast topic in itself and one may refer to the relevant RBI circulars as well as Guidance Note of ICAI on Bank audits. A couple of important points related to LFAR reporting of advances:
 - a. Common irregularities observed such as non-submission of stock statements, frequency of LC devolvement, frequent overdrawn permitted, adequacy of insurance coverage, Stock audit not done, errors in DP calculations etc.,

- b. Obtain detailed annexure to LFAR from branch management and review the same for advances with outstanding balance of ₹ 2 crores and above- (applicable for Branches dealing in Large Advances/Asset Recovery Branches).

J. Obtaining management representation

It is essential to obtain management representation for the branch audit conducted and information related to advances would be a part of the same. This is required as a part of branch audit documentation under SA 500 and SA 580. For content and format of the management representation, one may refer ICAI guidance note on bank audits.

K. Important material and notification/circulars of Reserve Bank of India to refer for audit of advances

- a. Guidance note on audit of banks (2019 Edition) published by the ICAI
- b. Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, DBR.No.BP.BC.2/21.04.048/2015-16
- c. Master Circular- Loans and Advances – Statutory and Other Restrictions, DBR.No.Dir.BC.10/13.03.00/2015-16
- d. Master Circular – Exposure Norms, DBR.No.Dir.BC.12/13.03.00/2015-16
- e. Master Direction-Priority Sector Lending-Targets and Classification, Master Direction FIDD.CO.Plan.1/04.09.01/2016-17
- f. Prudential Framework for Resolution of Stressed Assets (DBR.No.BP.BC.45/21.04.048/2018-19) dated June 7, 2019 ■

List of Relevant Master Circulars and Directions issued by RBI

Master Circulars

S. No.	Date	Subject	Circular No.
1.	July 01, 2015	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances	RBI/2015-16/101 DBR.No.BP.BC.2/21.04.048/2015-16
2.	July 01, 2015	Prudential norms for classification, valuation and operation of investment portfolio by banks	RBI/2015-16/97 DBR No BP.BC.6 /21.04.141/2015-16
3.	July 01, 2015	Loans and Advances – Statutory and Other Restrictions	RBI/2015-16 /95 DBR.No.Dir.BC.10/13.03.00/2015-16
4.	July 01, 2015	Bank Finance to Non-Banking Financial Companies (NBFCs)	RBI/2015 -16/36 DBR.BP.BC.No.5/21.04.172/2015-16
5.	July 01, 2015	Exposure Norms	RBI /2015-16/70 DBR.No.Dir.BC.12 /13.03.00/2015-16
6.	July 01, 2015	Disclosure in Financial Statements - Notes to Accounts	RBI/2015-16/99 DBR.BP.BC No.23 /21.04.018/2015-16
7.	July 01, 2015	Guarantees and Co-acceptances	RBI / 2015-16/76 DBR. No. Dir. BC.11 /13.03.00/2015-16
8.	July 01, 2015	Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)	RBI/2015-16/98 DBR.No.Ret.BC.24/12.01.001/2015-16
9.	July 01, 2015	Credit Card, Debit Card and Rupee Denominated Co-branded Prepaid Card operations of banks and Credit Card issuing NBFCs	RBI/2015-16/31 DBR.No.FSD.BC.18/24.01.009/2015-16
10.	July 01, 2015	Para-banking Activities	RBI/2015-16/30 DBR.No.FSD. BC.19/24.01.001/2015-16
11.	July 01, 2015	Prudential Norms on Capital Adequacy- Basel I Framework	RBI/2015-16/86 DBR.No.BP.BC. 3/21.01.002/2015-16
12.	July 01, 2015	Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF)	RBI/2015-16/85 DBR.No.BP.BC.4./21.06.001/2015-16
13.	July 01, 2015	Housing Finance	RBI/2015-16/46 DBR.No.DIR.BC.13/08.12.001/2015-16
14.	July 01, 2015	Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts	RBI /2015-16/39 DBR.No.Dir.BC. 7/13.03.00/2015-16
15.	July 01, 2015	Willful Defaulters	RBI/2015-16/100 DBR.No.CID. BC.22/20.16.003/2015-16
16.	July 01, 2015	Rupee / Foreign Currency Export Credit & Customer Service to Exporters	RBI/ /2015-16/47 DBR No.DIR.BC.14/ 04.02.002/ 2015-16
17.	July 01, 2015	Guidelines issued under section 36(1) (a) of the Banking Regulation Act, 1949 -Implementation of the provisions of Foreign Contribution (Regulation) Act, 2010	RBI/2015-16/35 DBR.AML.BC.No.16/14.08.001/ 2015-16

S. No.	Date	Subject	Circular No.
18.	July 01, 2015	Basel III Capital Regulations	RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16
19.	July 01, 2015	Customer Service in Banks	RBI/2015-16/59 DBR No.Leg.BC. 21/09.07.006/2015-16
20.	July 01, 2016	Mobile Banking transactions in India – Operative Guidelines for Banks	RBI/2016-17/17 DPSS.CO.PD.Mobile Banking. No./2/02.23.001/2016-2017
21.	July 01, 2016	Policy Guidelines on Issuance and Operation of Pre-paid Payment Instruments in India	RBI/2016-2017/16 DPSS.CO.PD.PPI. No.01/02.14.006/2016-17
22.	July 04, 2018	Kisan Credit Card (KCC) Scheme	RBI/2018-19/10 FIDD.CO.FSD. BC.No.6/05.05.010/2018-19
23.	July 01, 2019	Master Circular - Facility for Exchange of Notes and Coins	RBI/2019-20/02 DCM(NE)No.G-2/08.07.18/2019-20
24.	July 01, 2019	Master Circular - Detection and Impounding of Counterfeit Notes	RBI/2019-20/01 DCM(FNVD) G-1/16.01.05/2019-20
25.	July 01, 2019	SHG – Bank Linkage Programme	RBI/2019-20/08 FIDD.FID.BC.No.05/12.01.033/ 2019-20
26.	July 01, 2019	Master Circular - Credit Facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)	RBI/2019-20/06 FIDD.CO.GSSD. BC.No.03/09.09.001/2019-20
27.	July 01, 2019	Master Circular - Credit Facilities to Minority Communities	RBI/2019-20/03 FIDD.GSSD. BC.No.04/09.10.01/2019-20
28.	July 02, 2019	Master Circular - Lead Bank Scheme	RBI/2019-20/10 FIDD.CO.LBS. BC.No.06/02.01.001/2019-20

Master Directions

S. No.	Date	Subject	Direction No.
1.	October 22, 2015 (Updated as on August 16, 2019)	Gold Monetisation Scheme, 2015	RBI/2015-16/211 Master Direction No.DBR.IBD. No.45/23.67.003/2015-16
2.	November 19, 2015	Prior Approval for acquisition of shares or voting rights in Private Sector Banks: Directions, 2015	RBI/2015-16/240 Master Direction No.DBR.PSBD. No.56/16.13.100/2015-16
3.	January 1, 2016 (Updated as on November 17, 2016)	Master Direction - Insurance	RBI/FED/2015-16/5 FED Master Direction No. 9/2015-16
4.	January 01, 2016 (Updated as on March 29, 2019)	Master Direction - Establishment of Branch Office (BO)/ Liaison Office (LO)/ Project Office (PO) or any other place of business in India by foreign entities	RBI/FED/2015-16/6 FED Master Direction No.10/2015-16
5.	January 1, 2016 (Updated as on September 18, 2019)	Master Direction – Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad	RBI/FED/2015-16/10 FED Master Direction No. 15/2015-16
6.	January 1, 2016 (Updated as on April 04, 2019)	Master Direction- Compounding of Contraventions under FEMA, 1999	RBI/FED/2015-16/1 FED Master Direction No.4/2015-16

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S. No.	Date	Subject	Direction No.
7.	January 1, 2016	Master Direction – Borrowing and Lending transactions in Indian Rupee between Persons Resident in India and Non-Resident Indians/ Persons of Indian Origin	RBI/FED/2015-16/2 FED Master Direction No. 6/2015-16
8.	January 1, 2016 (Updated as on June 20, 2018)	Master Direction - Liberalised Remittance Scheme (LRS)	RBI/FED/2017-18/3 FED Master Direction No. 7/2015-16
9.	January 1, 2016 (Updated as on November 6, 2018)	Master Direction - Other Remittance Facilities	RBI/FED/2015-16/4 FED Master Direction No. 8/2015-16
10.	January 1, 2016 [Updated as on April 11, 2018]	Master Direction – Acquisition and Transfer of Immovable Property under Foreign Exchange Management Act, 1999	RBI/FED/2015-16/7 FED Master Direction No. 12/2015-16
11.	January 1, 2016 (Updated as on April 28, 2016)	Master Direction - Remittance of Assets	RBI/FED/2015-16/8 FED Master Direction No. 13/2015-16
12.	January 1, 2016 (Updated as on September 03, 2019)	Master Direction - Deposits and Accounts	RBI/FED/2015-16/9 FED Master Direction No. 14/2015-16
13.	January 1, 2016 (Updated as on April 01, 2019)	Master Direction – Import of Goods and Services	RBI/FED/2016-17/12 FED Master Direction No. 17/2016-17
14.	January 1, 2016 (Updated as on September 18, 2019)	Master Direction – Reporting under Foreign Exchange Management Act, 1999	RBI/FED/2015-16/13 FED Master Direction No.18/2015-16
15.	January 1, 2016 (Updated as on November 12, 2018)	Master Direction – Miscellaneous	RBI/FED/2017-18/14 FED Master Direction No. 19/2015-16
16.	January 1, 2016 (Updated as on August 31, 2018)	Master Direction – Opening and Maintenance of Rupee/Foreign Currency Vostro Accounts of Non-resident Exchange Houses	RBI/FED/2015-16/16 FED Master Direction No.2/2015-16
17.	January 1, 2016 (Updated as on January 12, 2018)	Master Direction – Export of Goods and Services (Updated as on January 12, 2018)	RBI/FED/2015-16/11 FED Master Direction No. 16/2015-16
18.	January 1, 2016 (Updated as on March 29, 2019)	Master Direction - Money Changing Activities	RBI/FED/2015-16/17 FED Master Direction No.3/2015-16
19.	February 25, 2016 (Updated as on August 09, 2019)	Master Direction - Know Your Customer (KYC) Direction, 2016	RBI/DBR/2015-16/18 Master Direction DBR.AML. BC.No.81/14.01.001/2015-16
20.	March 03, 2016 (Updated as on February 22, 2019)	Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016	RBI/DBR/2015-16/19 Master Direction DBR. Dir. No.84/13.03.00/2015-16
21.	March 03, 2016 (Updated as on September 04, 2019)	Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016	RBI/DBR/2015-16/20 Master Direction DBR.Dir. No.85/13.03.00/2015-16

S. No.	Date	Subject	Direction No.
22.	April 21, 2016	Master Direction - Issue and Pricing of shares by Private Sector Banks, Directions, 2016	RBI/DBR/2015-16/21 Master Direction DBR.PSBD. No.95/16.13.100/2015-16
23.	April 21, 2016	Master Direction – Amalgamation of Private Sector Banks, Directions, 2016	RBI/DBR/2015-16/22 Master Direction DBR.PSBD.No. 96/16.13.100/2015-16
24.	May 12, 2016	Master Direction – Ownership in Private Sector Banks, Directions, 2016	RBI/DBR/2015-16/24 Master Direction DBR.PSBD.No. 97/16.13.100/2015-16
25.	May 26, 2016 (Updated as on September 25, 2017)	Master Direction- Reserve Bank of India (Financial Services provided by Banks) Directions, 2016	RBI/DBR/2015-16/25 Master Direction/DBR.FSD.No.101/ 24.01.041/2015-16
26.	June 23, 2016	Master Direction - Reserve Bank of India (Financial Statements of All India Financial Institutions - Presentation, Disclosure and Reporting) Directions, 2016	RBI/DBR/2015-16/26 Master Direction DBR.FID. No.108/01.02.000/2015-16
27.	July 01, 2016 (Updated as on July 03, 2017)	Master Directions on Frauds – Classification and Reporting by commercial banks and select FIs	RBI/DBS/2016-17/28 DBS.CO.CFMC. BC.No.1/23.04.001/2016-17
28.	July 5, 2016 (Updated as on January 07, 2020)	Master Direction - Risk Management and Inter-Bank Dealings	RBI/FMRD/2016-17/31 FMRD Master Direction No. 1/2016-17
29.	July 7, 2016	Master Direction on Money Market Instruments: Call/Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year)	RBI/FMRD/2016-17/32 FMRD.Master Direction No.2/2016-17
30.	July 7, 2016 (updated as on December 05, 2019)	Master Direction - Priority Sector Lending – Targets and Classification	RBI/FIDD/2016-17/33 Master Direction FIDD. CO.Plan.1/04.09.01/2016-17
31.	January 17, 2017	Master Directions on Access Criteria for Payment Systems	RBI/DPSS/2016-17/51 Master Direction DPSS.CO.OD. No.1846/04.04.009/2016-17
32.	February 22, 2017	Master Direction – Money Transfer Service Scheme (MTSS)	RBI/FED/2016-17/52 FED Master Direction No.1/2016-17
33.	July 24, 2017 (Updated as on April 25, 2018)	Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector	RBI/FIDD/2017-2018/56 Master Direction FIDD.MSME & NFS.12/06.02.31/2017-18
34.	October 11, 2017 (Updated as on December 24, 2019)	Master Direction on Issuance and Operation of Prepaid Payment Instruments	RBI/DPSS/2017-18/58 Master Direction DPSS.CO.PD. No.1164/02.14.006/2017-18
35.	January 4, 2018 (updated up to March 08, 2019)	Master Direction – Foreign Investment in India	RBI/FED/2017-18/60 FED Master Direction No. 11/2017-18
36.	October 17, 2018	Master Direction – Reserve Bank of India (Relief Measures by Banks in Areas affected by Natural Calamities) Directions 2018 – SCBs	RBI/FIDD/2018-19/64 Master Direction FIDD.CO.FSD.BC No.9/05.10.001/2018-19

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S. No.	Date	Subject	Direction No.
37.	March 26, 2019 (Updated as on August 08, 2019)	Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations	RBI/FED/2018-19/67 FED Master Direction No.5/2018-19
38.	July 1, 2019 (Updated as on January 6, 2020)	Master Direction on Currency Distribution & Exchange Scheme (CDES) based on performance in rendering customer service to the members of public	RBI/2019-20/69 Master Direction DCM (CC) No.G-6/03.41.01/2019-20
39.	July 01, 2019 (Updated as on October 03, 2019)	Master Direction on Levy of Penal Interest for Delayed Reporting / Wrong Reporting / Non-Reporting of Currency Chest Transactions and Inclusion of Ineligible Amounts in Currency Chest Balances	RBI/2019-20/68 Master Direction DCM (CC) No.G-4/03.35.01/2019-20
40.	July 29, 2019	Master Direction – Priority Sector Lending – Small Finance Banks – Targets and Classification	RBI/FIDD/2019-20/70 Master Direction FIDD.CO.Plan.BC No.08/04.09.01/2019-20
41.	August 2, 2019	Master Direction - Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019	RBI/DBR/2019-20/71 Master Direction DBR.Appt.No: 9/29.67.001/2019-20

Development of Case Studies and Integrated Case Scenarios

In the New Scheme of Education and Training, the assessment of elective papers at the Final level is open book and case study based. Further, in certain core papers at the Intermediate and Final levels, integrated case scenario based assessment is being introduced from May, 2020 examinations to assess higher level analytical skills of the candidates. For this purpose, we invite expression of interest from experts in different subject areas to contribute to the development of case studies and integrated case scenarios.

Case studies need to be developed in the six elective papers, namely - **Risk Management, Financial Services and Capital Markets, International Taxation, Economic Laws, Global Financial Reporting Standards and Multi-disciplinary case study**. In addition, Case Studies/ Case Scenarios need to be developed in the core paper **Strategic Cost Management and Performance Evaluation**.

Integrated case scenarios followed by MCQs based on such case scenarios have to be developed to assess the analytical and application skills of candidates in select core subjects at the Intermediate and Final level. At the Intermediate level, the select subjects are **Corporate and Other Laws, Taxation, Auditing & Assurance, Information Technology, Enterprise Information System & Strategic Management**. At the Final level, the select subjects are **Advanced Auditing and Professional Ethics, Corporate and Economic Laws, Information Systems Control and Audit, Direct Tax Laws and International Taxation and Indirect Tax Laws**.

For further details, please refer below URL: <https://resource.cdn.icai.org/56407bosicaidcscs.pdf>

Chairperson, Board of Studies

Educational Institute - Exemption under section 10(23C) vis-à-vis 12AA of the Income Tax Act, 1961

The article analyses Income-tax exemptions available to certain Educational Institutions under section 10(23C) of the Income Tax Act, 1961 and comparison of the same with exemption available under section 11 to trusts and institutions registered under section 12AA of the Act. Read on...



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Brief of Section 10(23C) for claiming exemption by educational institution

Section 10(23C) provides for exemption for different types of educational institutes:

- ♦ (iiiab) any university or other educational institution existing solely for educational purposes and not for purposes of profit, and which is wholly or substantially financed by the Government; or
- ♦ (iiiad) any university or other educational institution existing solely for educational purposes and not for purposes of profit if the aggregate annual receipts of such university or educational institution do not exceed the amount of annual receipts as may be prescribed; or

- ♦ (vi) any university or other educational institution existing solely for educational purposes and not for purposes of profit, other than those mentioned in sub-clause (iiiab) or sub-clause (iiiad) and which may be approved by the prescribed authority; or

The educational institutes, falling under the sub-clause (iiiab) or (iiiad), are not required to seek any approval from the Income Tax Authorities for claiming exemption. Any educational institute not falling under the sub-clause (iiiab) or (iiiad) and existing solely for educational purposes and not for purposes of profit can seek approval from the prescribed authority and claim exemption.

As per Rule 2CA of the Income Tax Rules, 1962, the application

for approval shall be made in Form No. 56D to the Chief Commissioner or Director General of the Income Tax.

Brief of Section 12AA for claiming exemption by educational institution

Section 11 of the Act is a popular section for claiming exemption of income by charitable or religious trusts and institutions. The provision states that income shall not be included in the total income to the extent it is applied for the objects of charitable or religious purposes during the previous year in India. Section 12A specifies that the provisions of Section 11 and 12 will not apply to any trust or institution unless such trust or institution is registered under section 12AA.

The word 'charitable purpose' has

been defined in Section 2(15). It includes relief of the poor; education, yoga and medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest, and the advancement of any other object of general public utility. So various categories of trust or institutions can obtain registration under section 12AA and claim exemption. Education is one of the charitable purposes and therefore, educational institution can claim exemption under the said section after obtaining registration under section 12AA.

Whether registration under section 12AA is necessary for approval under section 10(23C)(vi)?

Section 10(23C) read with rules does not prescribe condition which mandates registration under section 12AA necessary a mandatory pre or post condition. In fact, the provisions of section 11 and 10(23C) are two parallel regimes and operate independently in their respective realms although some of the compliance criteria may be common to both. Hence obtaining prior registration before granting approval under section 10(23C) cannot be insisted upon. The above position has been clarified by the Ministry of Finance vide Circular No. 14/2015 dated August 17, 2015.

Whether withdrawal of registration of 12AA leads to withdrawal of approval under section 10(23C)(vi) or vice versa?

Para 2.2 of the Circular No. 14/2015 dated August 17, 2015 reads as, “in case of a trust or an institution having obtained registration under section 12AA as well as approval under section

10(23C)(vi), if registration is withdrawn at some point of time due to certain adverse findings, the withdrawal of approval under section 10(23C)(vi) shall not be automatic but will depend upon whether these adverse findings also impact the conditions necessary to keep approval under section 10(23C)(vi) alive.”

The above para clarifies that withdrawal of registration of 12AA does not automatically lead to withdrawal of approval under section 10(23C)(vi). The Commissioner has to look independently whether the adverse findings for withdrawal of 12AA impacts the condition necessary approval of exemption under section 10(23C)(vi).

Activities outside India

The provisions of Section 11(1)(a) and 11(1)(c) are:

(1) Subject to the provisions of Sections 60 to 63, the following income shall not be included in the total income of the previous year of the person in receipt of the income—

- (a) income derived from property held under trust wholly for charitable or religious purposes, to the extent to which such income is applied to such purposes in India; and, where any such income is accumulated or set apart for application to such purposes in India, to the extent to which the income so accumulated or set apart is not in excess of fifteen per cent of the income from such property;*
- (c) income derived from property held under trust—*
 - (i) created on or after the 1st day of April, 1952, for a charitable purpose which tends to promote international welfare in which India is interested,*

to the extent to which such income is applied to such purposes outside India, and

- (ii) for charitable or religious purposes, created before the 1st day of April, 1952, to the extent to which such income is applied to such purposes outside India.*

Provided that the Board, by general or special order, has directed in either case that it shall not be included in the total income of the person in receipt of such income;

So a charitable organisation registered under section 12AA cannot claim application to the extent of which the income is applied for charitable purposes outside India, i.e., any income applied on activities outside India is not eligible for exemption. However, the application of income can be claimed under the following two scenarios:

- ♦ for trusts created on or after the 1st day of April, 1952, for a charitable purpose which tends to promote international welfare in which India is interested.
- ♦ for trusts created before the 1st day of April, 1952, for charitable or religious purposes.

Provided that the Board by special or general order has permitted such activities.

The third proviso to Section 10(23C)(vi) are as under:

“Provided also that the fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via)—

- (a) applies its income,*

or accumulates it for application, wholly and exclusively to the objects for which it is established and in a case where more than fifteen per cent of its income is accumulated on or after the 1st day of April, 2002, the period of the accumulation of the amount exceeding fifteen percent of its income shall in no case exceed five years;”

From the above, it can be noted that the provisions of Section 10(23C)(vi) does not mention the words “in India” unlike the provisions of Section 11(1).

So does that mean whether the educational institute claiming exemption under section 10(23C)(vi) can claim exemption for charitable activities outside India? At this juncture, it is pertinent to discuss Supreme Court judgement in the case of American Hotel and Lodging Association Educational Institute:

Brief facts of the case

In the instant case the appellant was a non-profit organisation set up in USA and has been granted tax exemption as an educational institute in that country. Appellant had a branch office in India, mainly to comply with its obligations under various agreements with Government of India (Ministry of Tourism). In 1993, the National Council of Hostel Management and Catering Technology, the apex body overseeing hostel management and catering education under the Ministry of Tourism, signed MoU with the Educational institute under which approval was granted to use courses, resources and expertise of the appellant in India with a view to improving the quality of hospitality education and training in India.

The appellant had also applied

for Advance Ruling for claim of income exemption under section 10(22) of the Act. The Advance Ruling authority vide its order dated 14.2.96 had held that income of the appellant was entitled to exemption under section 10(22) of the Act. The decision of the authority was accepted by the department that the appellant’s income was exempt under section 10(22). Since Section 10(22) stood omitted by the Finance Act, 1998, the appellant made an application to the prescribed authority (PA) for initial approval in terms of the first proviso to Section 10(23C)(vi) of 1961 Act.

By its order dated 12.10.2004, CBDT rejected the appellant’s application holding that “there is a surplus repatriated outside India and, therefore, the appellant has not applied its income for the purpose of education in India”.

The said order dated 12.10.2004 was challenged by the appellant in the Delhi High Court vide writ Petition No. 17978/04. By the impugned judgement dated 24.11.2006, the Delhi High Court held that that the gross receipts constituted “income” chargeable to tax such “income” was required to be applied to educational purposes in India and since the appellant had failed to do so CBDT was right in rejecting the application dated 7.4.99. In this connection, the Delhi High Court placed reliance on the third proviso to Section 10(23C)(vi) as well as the decision of this Court in the case of Oxford University Press v. Commissioner of Income-tax reported in (2001) 247 ITR 658 SC.

Grounds of the appellant

According to the learned counsel of the appellant, the words ‘in India’ should not be read into clause (a) of the third proviso to Section 10(23C)(vi) of the 1961

Act as done by the High Court in its impugned judgement. The plain words of the third proviso refer to the application of income of the objects for which the Institute is established and the said proviso does not require the application of income in ‘India’. Therefore, it is urged that there is no valid reason given by the Department as to why the words “in India” should be read in the third proviso. Similar words “in India” are found in Sections 10(20A), 10(22B) and 11(1)(a) of the 1961 Act but not in Section 10(23C)(vi). Therefore, by comparison, learned counsel urges that wherever such requirement was considered necessary by the Parliament the same has been incorporated and, therefore, the exclusion of the words “in India” in the third proviso to Section 10(23C)(vi) is not an oversight. For the above reasons, learned counsel submits that the words “in India” should not be read into clause (a) of the third proviso of Section 10(23C)(vi) of the 1961 Act.

Oxford University Press judgement distinguished

In Oxford University Press (supra) this Court found that the applicant was a branch of Oxford Press which was part of the Oxford University but its activity in India was restricted to publishing books, journals, periodicals, etc. The Tribunal held that because Oxford Press is part of the University its income was exempt under section 10(22) as it stood at the relevant time. It is in this context that the words ‘existing solely for educational purposes and not for profit’ in Section 10(22), which words also find place in Section 10(23C)(vi), came for consideration. This Court held that the location of the University is not relevant, what is relevant is - whether there is imparting of education in India.

Therefore, the test formulated by this Court to decide the character of the recipient of income under section 10(22) is whether there is in fact the existence of an activity which is in the nature of 'imparting of education in India'. This is how the words 'in India' have come into judgement and not by incorporation from Section 11(1)(a) of 1961 Act, as contended on behalf of the Department.

Supreme Court held that even after the Finance Act, 1998 w.e.f. 1.4.1999, the third proviso to Section 10(23C)(vi), which refers to monitoring conditions, confines the words 'application of income' to the objects for which the Institution is established. The third proviso does not use the words 'in India' in the matter of application or accumulation of income though in several other sections like Sections 10(20A), 10(22B) and 11(1)(a), etc., Parliament has used the words 'in India'. Therefore, for this one more reason, the Court cannot read in the words 'in India' into the third proviso. As stated, Parliament in its wisdom has stated in the third proviso that the educational institution has to apply its income wholly and exclusively to the objects for which it is established. Therefore, the plain words of the third proviso do not require the application of income to be in India. Our judgement should not be understood to mean that the applicant has not to impart educational activities in India. If the applicant wants exemption under section 10(23C)(vi) it has to impart education in India and only then it would be entitled to claim initial approval under that section. That is the reason for our saying that the 'non-profit' qualification has to be tested against Indian activities. Our conclusion is that impartation of education must be in India if applicant desires exemption

under section 10 (23C)(vi) and that excess/deficit of income over expenditure will not decide whether the applicant exists for profit or not.

The Court reiterated that items such as application of income or accumulation of income or investment in specified assets indicated in clauses (a) and (b) in the third proviso are a part of compliance/monitoring conditions. As stated, however, there is a difference between the application/utilisation of income and outward remittance of income out of India. As discussed above, with the insertion of the provisos in Section 10(23C)(vi) of the 1961 Act, it is open to the prescribed authority (PA) to stipulate, while granting approval, that the approval is being given subject to 39. For the sake of clarity, the Court reiterated that items utilisation/application of certain percentage of income, in the accounting sense, towards impartation of education in India. Such exercise would be based on an estimation. There is a difference between 'accounting income' and 'taxable income'. At the stage of Section 10, we are concerned with the accounting income. Therefore, it is open to the PA, if it deems fit, to stipulate that certain percentage of accounting income would be utilised for impartation of education in India. Therefore, in our view, it is always open to the PA to impose such terms and conditions as it deems fit. The interpretation is based on harmonious construction of the provisos inserted in Section 10(23C)(vi) by the Finance Act, 1998. Lastly, there is a difference between stipulation by the PA of such terms and conditions, as it deems fit under the provisos, and the compliance of those

conditions by the appellant. The compliance of the terms and conditions stipulated by the PA would be a matter of decision at the time of assessment as availability of exemption has to be evaluated every year in order to find out whether the institution existed during the relevant year solely for educational.

Benefit to Interested Persons

In case of trust registered under section 12AA, the provision of Section 11 allowing for exemption of income will be subject to the provisions of Section 13. The provision of Section 13(1)(c) and 13(3) are:

(1) *Nothing contained in Section 11 or Section 12 shall operate so as to exclude from the total income of the previous year of the person in receipt thereof—*

(c) in the case of a trust for charitable or religious purposes or a charitable or religious institution, any income thereof—

(i) if such trust or institution has been created or established after the commencement of this Act and under the terms of the trust or the rules governing the institution, any part of such income enures, or

(ii) if any part of such income or any property of the trust or the institution (whenever created or established) is during the previous year used or applied, directly or indirectly

for the benefit of any person referred to in sub-section (3):

Provided that in the case of a trust or institution created or established before the commencement of this Act, the provisions of sub-clause (ii) shall not apply to any use or application, whether directly or indirectly, of any part of such income or any property of the trust or institution for the benefit of any person referred to in sub-section (3), if such use or application is by way of compliance with a mandatory term of the trust or a mandatory rule governing the institution:

Provided further that in the case of a trust for religious purposes or a religious institution (whenever created or established) or a trust for charitable purposes or a charitable institution created or established before the commencement of this Act, the provisions of sub-clause (ii) shall not apply to any use or application, whether directly or indirectly, of any part of such income or any property of the trust or institution for the benefit of any person referred to in sub-section (3) in so far as such use or application relates to any period before the 1st day of June, 1970;

(3) The persons referred to in clause (c) of sub-section (1) and sub-section (2) are the following, namely :

- (a) the author of the trust or the founder of the institution;
- (b) any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total

contribution up to the end of the relevant previous year exceeds fifty thousand rupees;

- (c) where such author, founder or person is a Hindu undivided family, a member of the family;
- (cc) any trustee of the trust or manager (by whatever name called) of the institution;
- (d) any relative of any such author, founder, person, member, trustee or manager as aforesaid;
- (e) any concern in which any of the persons referred to in clauses (a), (b), (c), (cc) and (d) has a substantial interest.

The brief of the above provisions is that the application of income will not be considered to the extent the income has been applied for the benefit of the interested persons unless it falls within the proviso of the aforesaid section.

Now whether the provisions of Section 13(1)(c) apply to the educational institutes claiming exemption under section 10(23C)(vi) - There are no provisos to Section 10(23C)(vi) which deals with such situation.

Let us go through Form No. 56D which is an application form for grant of exemption or continuance thereof under section 10(23C)(vi) and (via). Relevant extract from the point no. 17 of the Form 56D has been reproduced below:

"Whether any part of the income or any property of the university or other educational institution or hospital or other medical institution referred to in serial number 1 was used or applied, in a manner which results directly or

indirectly in conferring any benefit, amenity or perquisite (whether converted into money or not), on any interested person as specified in sub-section (3) of Section 13? If so, details thereof. ¹"

So does this mean that provisions of Section 13(1)(c) apply to the educational institution claiming exemption under section 10(23C)(vi) although there is no specific proviso in the said section. The board has issued a circular no. 557 dated 19.03.1990 to provide clarification in this regard. Relevant extracts from the circular are reproduced:

"The Board have received a number of representations seeking clarifications in respect of various columns of Form No. 56 prescribed for grant of exemption under section 10(23C)(iv) and (v). The clarifications are as under: Answer to question (c) is relevant, In the amended form no. 56, columns 16 and 17 seek information in respect of transactions contemplated in sub-section (2) and sub-section (3) of the Income-tax Act. This does not imply that the provisions of Section 11 and Section 13 will be applied. It will only enable the prescribed authority i.e. DGIT(E), to know broadly that the institution/trust is working genuinely towards its objects."

The clause (vi) in Section 10(23C) was introduced in the Finance (No. 2) Act, 1998 w.e.f. April 1, 1999. In the author's view, the above circular issued by the board will apply mutatis mutandis to educational institution claiming exemption under section 10(23C)(vi) of the Act and hence, provision of Section 13(1)(c) will not apply to such educational institute.

¹ As per instructions available while filing the form, the said field is mandatory.

Compliance in case of accumulation in excess of 15% of income

Section 11(2)(a) provides that where eighty-five percent of the income is not applied, or is not deemed to have been applied, to charitable or religious purposes in India during the previous year but is accumulated or set apart, either in whole or part, for application to such purposes in India, such income so accumulated or set apart shall not be included in total income of the previous year, provided *such person furnishes a statement in the prescribed form and in the manner to the Assessing Officer, stating the purpose for which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed years.* Such a statement needs to be furnished on or before the due date specified under sub-section (1) of Section 139 for furnishing the return of income of the previous year.

Rule 17(2) specifies Form No. 10 as the statement to be furnished to the Assessing Officer under section 11(2). The form asks for the amount which has been accumulated or set apart, the purpose of accumulation and ending period of accumulation/set apart. The form also keeps track of amount of accumulation made in the previous year by seeking following details: a) Year of accumulation [previous year] b) Amount accumulated c) period for which accumulated / set apart d) amount applied upto to the end of previous year e) amount remaining for application f) amount deemed to be income within meaning sub-section (3) of Section 11.

While the provisions of Section 10(23C)(vi) do provide for accumulation of income exceeding

fifteen percent of its income, there are no conditions attached to it except that the period of accumulation shall in no case exceed five years. So there is no requirement of filing a statement as specified in Section 11.

Change in Objects of the Trust or Institution

Provisions of Section 12A(1)(ab) of the Act are:

The provisions of Section 11 and Section 12 shall not apply in relation to the income of any trust or institution unless the following conditions are fulfilled, namely:—

(ab) the person in receipt of the income has made an application for registration of the trust or institution, in a case where a trust or an institution has been granted registration under section 12AA or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996 (33 of 1996)], and, subsequently, it has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, in the prescribed form and manner, within a period of thirty days from the date of said adoption or modification, to the Principal Commissioner or Commissioner and such trust or institution is registered under section 12AA;

The above provisions have been introduced by the Finance Act, 2017 w.e.f. 1-4-2018.

The memorandum explaining the provisions of Finance Bill, 2017 clarifies for the above amendment as under:

The provisions of Section 12AA of the Act provide for registration of the trust or

institution which entitles them to the benefit of sections 11 and 12. It also provides the circumstances under which registration can be cancelled, one such circumstance being satisfaction of the Principal Commissioner or Commissioner that its activities are not genuine or are not being carried out in accordance with its objects subsequent to grant of registration. However, at present there is no explicit provision in the Act which mandates said trust or institution to approach for fresh registration in the event of adoption or undertaking modifications of the objects after the registration has been granted.

Therefore, it is proposed to amend Section 12A so as to provide that where a trust or an institution has been granted registration under section 12AA or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996] and, subsequently, it has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, it shall be required to obtain fresh registration by making an application within a period of thirty days from the date of such adoption or modifications of the objects in the prescribed form and manner."

Rule 17A was amended through Income Tax (First Amendment) Rules, 2018 to give to the above provisions. The rules came into force from February 19, 2018. Now Form 10A seeks details covering the above amendment:

5. Is this a case of registration under clause (ab) of sub-section (1) of Section 12A? – Yes / No

5a. If Yes, please provide details of existing registration

Date of Registration

Effective Date

Registration No.

Designation of Registered Authority and Station

5b. Date of modification of objects

Also, certified copy of the documents evidencing adoption or modification of the objects, if any is to be attached.

There is no express provisions in Section 10(23C)(vi) regarding the procedure to be followed whenever there is a change in objects of the educational institution. Generally, the prescribing authority grants approves exemption subject to the condition that the activities are carried out as per the objects stated in the Memorandum of Association or Trust Deed furnished while seeking approval. So in the author's view, it is always wiser to intimate the department about the change in objects although there is no express provisions or process defined in Section 10(23C)(vi).

Return filing section

The charitable trust or institute registered under section 12AA has to file the return under Section 139(4A) while institute claiming exemption under section 10(23C)(vi) has to file the return under section 139(4C) of the Act.

Receipt of Corpus Donation – Whether included in Income?

Section 2(24)(iia) defines income to include,

“voluntary contributions received by a trust created

wholly or partly for charitable or religious purposes or by an institution established wholly or partly for such purposes or by an association or institution referred to in clause (21) or clause (23), or by a fund or trust or institution referred to in sub-clause (iv) or sub-clause (v) or by any university or other educational institution referred to in sub-clause (iiia) or sub-clause (vi) or by any hospital or other institution referred to in sub-clause (iiiae) or sub-clause (via) of clause (23C) of section 10 or by an electoral trust.”

Going through the above definition it can be said that all voluntary contributions whether forming part of corpus or not are included in income.

At the same time Section 12 excludes from the scope of income any voluntary contribution made with a specific direction that they shall form part of corpus of the trust or constitution for the purpose of Section 11. Section 12(1) has been reproduced below for reference:

“Any voluntary contributions received by a trust created wholly for charitable or religious purposes or by an institution established wholly for such purposes (not being contributions made with a specific direction that they shall form part of the corpus of the trust or institution) shall for the purposes of section 11 be deemed to be income derived from property held under trust wholly for charitable or religious purposes and the provisions of that section and Section 13 shall apply accordingly.”

Also Section 11(1)(d) provides that income in the form of voluntary contributions made with a specific direction that they shall form part of the corpus of the trust or institution shall not be included in the total income of the previous year subject to the provisions of Section 60 to 63.

So it can be concluded that voluntary contributions made with a specific direction that they shall form part of the corpus will not be includible in income for the purposes of Section 11.

Now coming to the educational institute claiming an exemption under section 10(23C)(vi) – All voluntary contributions including contribution forming part of corpus are included in income as defined in Section 2(24)(iia) of the Act above. But there is no specific exclusion provided in provisos to Section 10(23C)(vi) as provided in Section 12.

At this juncture, it is important to understand the reason for inclusion of voluntary contributions in the definition of income for educational institutions claiming exemption under section 10(23C)(vi). Finance Act, 2006 amended the definition of income with retrospective effect from 1st April, 1999. The notes on Finance Bill 2006 explains the legislative intent behind the amendment. It explains that the amendment was consequential to the insertion of new Section 115BBC inserted vide clause 22 of the Finance Bill 2006. Section 115BBC tax the anonymous donations referred to in that section in certain cases. So in view of the author the corpus donation are also not includible in the total income considering the legislative intent unless it is in the form of anonymous donation. ■

E-Invoice under GST

In Common parlance the concept of E-invoicing (Electronic invoicing) is the exchange of the invoice document between a supplier and a buyer in an integrated electronic format. This is slightly different from the current Digital Invoice which is shared in a PDF/ Web or other formats. Infact traditional invoicing is heavily paper-based process and also manually intensive prone to human error resulting in increased costs and processing lifecycles for companies. Read on ...

The true definition of an electronic invoice is that it should contain data from the supplier in a format that can be entered (integrated) into the buyer's Account Payable (AP) system without requiring any data input from the buyer's AP administrator other than Approval for posting. Each Country have defined a standard and adopted the same. Recent adoption in the Asia Country is by Singapore who has used Pan-European Public Procurement On-Line (PEPPOL) Standard. Globally accepted standard on e-Invoice, is Universal Business Language (UBL). All these standards aim to having a common business language. These standards are aligned with the local laws by each country. After implementation of this



standard all accounting application will generate same electronic version of the Invoice. In the current system India, each ERP has their database and the eVersion of the Invoice be it XML / JSON or any other format would have different header or nomenclature, which leaves no room for interoperability. The machine readability and uniform interpretation is the key objective of e-Invoice.

e-Invoice in India

In the 35th GST Council Meeting, the introduction of 'E-invoicing' or 'Electronic invoicing' has approved and planned in a phased manner for reporting of invoices to GST System before issuing to the customers. It was decided to start E-invoicing from 1st January, 2020, on voluntary basis and mandatory from 01st April, 2020. Since there is no standard for e-invoice, existing in the country, standard for the same has been finalised after consultation with trade/industry bodies as well as ICAI, after keeping the draft in public place.



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Notification issued to implement E-invoicing

CBIC issued 5 notifications on 13th December 2019, bearing numbers 68/2019 - Central Tax to 70/2019 - Central Tax, to implement the provisions of E-invoicing. Notification No. 02/2020 – Central Tax has notified the Schema.

Summary of these notifications are as follows.

- Registered person whose aggregate turnover in a financial year exceeds ₹ 100 Crores, shall prepare E-invoice and same will be mandatorily from 1st April 2020 for the all transactions except B2C transactions and Bill of Supply.
- New sub rule 4 has been introduced under Rule 48 under CGST Rules. As per this new rule, the invoice shall be prepared by including such particulars as contained in FORM GST INV-01, after obtaining an Invoice Reference Number (IRN) by uploading

same information on the Invoice Registration Portal (IRP).

- As per the Scheme released by GSTN, the details of supplier, details of buyer and consignee, type of supply, details of supply (HSN Code, value, description, tax, etc), to be uploaded in the form of GST INV-01 on Invoice Registration Portal (IRP).
- Taxpayers needs to obtain Invoice reference number by uploading the information on Invoice Registration portal.
- Invoice issued without Invoice reference number will be treated as **Invalid invoice** for the taxpayers whose turnover is more than 100 crores.
- Following are the common goods and service tax electronic portal for the uploading of E-invoice. www.einvoice1.gst.gov.in –to– www.einvoice10.gst.gov.in.
- In case of E-invoice, the provisions of the CGST Rule 48(1) and (2) are not applicable. The said sub rules are containing the provisions of issue of triplicate invoices and duplicate invoices in case of Goods and Services respectively.
- Timing of issue of invoice as mentioned in Section 31 of CGST Act, does not get changed due to the introduction of E-invoice. In other words, the time of generation of invoice in case of Goods will be, before or at the time of removal of goods / delivery of goods, etc. and before or after the provision of service in case of services as prescribed in Section 31(2) of the CGST Act.

Salient Features of E-Invoice

- E-invoice does not mean generation of invoices from a central portal of tax department.
- All accounting software are expected to adapt the new e-Invoice standard wherein they would re-align their data access and retrieval in the standard format.
- There would not be any change in the format and mode of

Timing of issue of invoice as mentioned in Section 31 of CGST Act, does not get changed due to the introduction of E-invoice.

delivery of invoice to the customer.

- Generation of e-invoice will be the responsibility of the taxpayer who will be required to report the same to Invoice Registration Portal (IRP) of GST, which in turn will generate a unique Invoice Reference Number (IRN).
- E-Invoice is required to be issued in case of all types of supply including reverse charge, exports, Business to Government, etc., except B2C. In case of B2C, the QR code is must for the taxpayers whose total turnover is more than ₹ 500 crores in the financial year.
- E-invoicing is not merely limited to the issuance of invoices, but also extends to the credit notes, debit notes, etc.

Workflow of E-invoice

The flow of the e-invoice generation, registration and receipt of confirmation can be logically divided into two major parts.

- a) The first part being the interaction between the Accounting Software and the Invoice Registration Portal (IRP).
- b) The second part is the interaction between the IRP and the GST/E-Way Bill Systems and the Buyer.

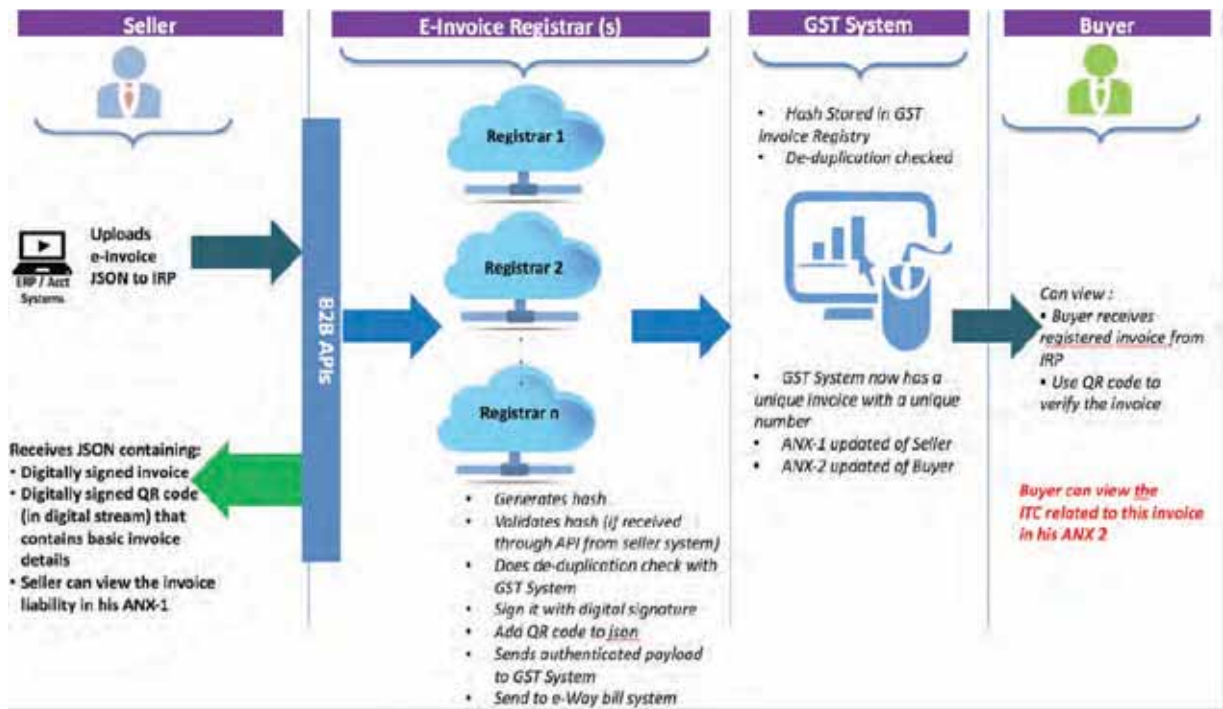
Process Flow

- Invoice will be generated from the accounting software.
- The invoice data must conform to the e-invoice schema (standards) that is published and have the mandatory and optional parameters.
- Details of the invoices need to be uploaded to the Invoice Registration portal.
- This activity can be done through Web based or also

through API based. GSTN will also provide offline tool to serve this purpose. In case of volume of business, better to choose API mode. National Informatics Centre (NIC) has stated that there would be 6 different APIs. It has currently released specs for critical APIs (such as Generation).

- The Invoice Registration Portal (IRP) will generate the hash/ Invoice reference Number and ensure it is not duplicate in a particular year.
- IRP will add its signature on the invoices data as well as a the QR code.
- Invoice Registration Portal will send back signed JSON with IRN, back to taxpayer with a QR code. But it is optional for supplier to sign the JSON before submitting the e-invoicing details to IRP.
- The said Invoice reference number (IRN) should be printed on the invoice, to be issued by taxpayer to customers.
- The IRP will push the Invoice data to the GST System. The GST system will convert the e-invoice received and populate it into the GST ANX 1 and GST ANX 2 of the seller and buyer respectively.
- For e-way bill perspective, transporter ID parameter will be created in the e-invoice schema. Part A of the e-way bill will be populated from the e-invoice schema data itself.
- IRN shall also be required to be part of the invoice issued for all formal purposes.

Generation of e-invoice will be the responsibility of the taxpayer who will be required to report the same to Invoice Registration Portal (IRP) of GST, which in turn will generate a unique Invoice Reference Number (IRN).



Amendments to the e-invoice are allowed on GST portal as per provisions of GST law. September of next year is the last month to amend e-invoices in the GST portal for a particular financial year.

Amendment/cancellation of e-invoice

- The e-invoice mechanism enables invoices to be cancelled. This will have to be reported to IRP within 24 hours. Any cancellation after 24 hours could not be possible on IRP; however, one can manually cancel the same on GST portal before filing the returns. Hence, cancellation beyond 24 hours are reconciliation item between Invoice Portal and GST portal and financials.
- Amendments to the e-invoice are allowed on GST portal as per provisions of GST law.

September of next year is the last month to amend e-invoices in the GST portal for a particular financial year.

Challenges Ahead

Cost to businesses: The existing ERP system must be re-configured in view of requirement of seamlessly sync with IRP. It will have one-time cost, most as well recurring cost. A large group having different business verticals within the group, may have varying demands for invoice generation, which would require customisation of commonly maintained ERP systems

Operational Challenges: The scheme issued for E-invoice is having many optional fields. Businesses will also have to look at the requirements for skill development and further upgradation for Staff concerned with invoice generation and accounts. Additional technological upgradation can also be undertaken to automate processes such as payment, reconciliation with PO raised by buyer as well as bank statement to fully realise the benefits of the transition.

Way forward

The introduction of e-invoicing,

promises to be the most significant step since the introduction of the GST. The businesses must understand the proposed system at its very inception, so that adequate preparation can be taken care of.

In sum, this must be seen as a tax compliance tool evolved as a technological solution.

The data requirements as mentioned in the schema provided by GSTN, have to be understood thoroughly. This requires a high degree of standardisation of invoicing operations and will necessitate the involvement of various stakeholders including internal teams such as Accounts Receivable and Accounts Payable as well as external players such as customers, suppliers, etc.

In sum, this must be seen as a tax compliance tool evolved as a technological solution. E-invoicing is conceptualised to be a win-win situation; with digitisation resulting in ease of compliance for business, as well as real-time access to data, to tax administrators. ■

Impact of Herd Mentality on Investment Decisions — Implications for India

Capital markets of an economy are a significant and indispensable source of investment and financing activities for corporate and other investors. Most of the financial assets are traded in these markets and they serve as the backbone of economic development. Such markets if engulfed in cognitive biases and psychological errors will result in misvaluations, excessive volatility and panic trading, thereby resulting in not just loss of capital from global sources, but also increased cost of capital for seekers of funds within the economy. It is therefore, imperative to understand these biases and the corrective actions necessary to reduce their effect. One of the major behavioural patterns observed among investors is herding. Read on...



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Standard financial theories are rooted in the assumptions of rationality and profit maximisation that are based on the premise of efficient markets. These theories assume that investors are guided by fundamentals and asset prices discount all available information at all points in time. However, the financial market anomalies have shown that mean variance portfolio allocation is not always the case and limits to arbitrage exist and markets remain inefficient for longer than suggested periods of time. Thus, a new framework of behavioural finance is required to explain the phenomenon where conventional finance theories fail. Behavioural patterns influence investment decisions and result in sub optimal outcomes. The scope of

behavioural finance focuses on the role and impact of psychology on the investment decisions. In the past decade, this study has received a major impetus as it is important to understand the role of cognitive biases and why people make irrational investment choices. Among the many, one social bias is herd behaviour that leads to imitation and collective actions while making investments. Herding occurs when group actions are thought to carry better and more useful information than an individual. Financial literature argues that local group interactions in the absence of a central control mechanism triggers the pattern and although research asserts that it moves the asset prices closer to the fundamental value, yet continued periods of imitation

disregarding the real value can lead to bubbles and market inefficiency. Herd phenomenon is demonstrated at two levels- micro or investor category where money managers and fund managers herd due to reputational concerns or aggregate level with respect to the market returns which over a period of time can lead to the financial environment of high asset correlations. Although the study of heuristics and herd pattern specifically is exciting, it has some inherent risks like unethical applications in research. Despite this the scope of the field continues to grow and is a gold standard providing compelling evidence in explaining the anomalies especially for India which is at a turning point and remains an attractive investment market for retail and institutional investors and is vulnerable to psychological biases due to its emerging character.

Emerging financial markets are characterised by limited retail investor participation, information asymmetry and weak disclosure mechanisms, to name a few, that augment volatility in the returns and make them fragile and vulnerable. These features have the potential to induce systematic errors and psychological biases that result in mispricing and misallocation of resources in the economy. Numerous studies have proved that investors are normal and not rational and while making investment decisions. These

Capital markets of an economy are a significant and indispensable source of investment and financing activities for corporate and other investors.

psychological biases guide the process, sometimes to the extent of making the financial environment susceptible to major events. In extreme cases, these behavioural patterns have the capacity to even cause financial crisis.

According to Richard Thaler, the Nobel Prize winner of Economics, human beings are real and lack self-control and driven by social preferences and sentiments. Their emotions affect the investment decisions too and rational asset pricing models like CAPM and APT do not always hold valid making the standard finance theories questionable. This observation is further reinforced by studies that suggests that the existence of a disparity between assumptions of financial theories and how investors actually behave. These theories assume that a rational investor performs risk-return trade-off while making an investment decision and profitable payoff is the driving force behind any investment. However, the recent financial market busts, for instance subprime crisis and Eurozone crisis demonstrate otherwise, that market participants and investors do not design portfolios according to the mean variance theory, rather through behavioural approach and expected returns are not just a function of beta, but something additional as well. When faced with complex situations that demand substantial time and effort, investors have difficulty in devising rational strategies and approaches and they tend to follow a sub-optimal path of choice and create bias in decision making. The investment cycle is full of psychological pitfalls and biases like overconfidence, herding, self attribution, loss aversion, disposition, framing and mental accounting to name

Herd behaviour starts when the investor decides to make an investment based on private information, but do not do so, after learning that others are not investing or vice-versa.

a few. Investors rely on these heuristics- mental shortcuts and fall prey to cognitive biases and emotional predispositions. The interdisciplinary field of behaviour finance examines these biases and the effect on financial markets by taking insights from psychology and human behaviour and incorporating them to investment decision making to find answers to why investors behave the way they do.

What is herd behaviour?

As teenagers we have experienced doing something that was suddenly cool or because everyone else was doing it- known or even unknown. People have a tendency to mimic the actions of others in the group that may not always be due to rational reasons. A number of motivating factors like, cost of information acquisition, intrinsic preference for social conformity, reputational concerns, compensation schemes and incentives can make the process of analysis challenging and complex resulting in investors relying on collective behaviour. Herd behaviour has been extensively studied in various disciplines like sociology, psychology, zoology, biology and also economics. In especially economics and finance, herding is the phenomenon when investors follow the crowd and take investment decisions that might not be in accordance with their private information. Hence, there

is an obvious tendency to imitate others that leads to a collective behaviour of buying or selling the stocks or assets in large numbers. Herd behaviour starts when the investor decides to make an investment based on private information, but do not do so, after learning that others are not investing or vice-versa.

Spurious and Intentional Herding:

Herding can be categorised as spurious and intentional, where the former leads to an efficient outcome as investors react similarly to the available public information whereas the latter leads to the 'lemming' like behaviour and in extreme cases excessive buying or selling, thus impacting the asset prices.

Such patterns over a continued period of time lead to bubbles as it is not in tandem with the efficient market hypothesis. A primary reason for a utility maximising investor to ignore private information and herd may be based upon the fact that group knows more and possesses better information than an individual or probably for social conformity and to be 'one among the boys'. After all it is better to fail conventionally rather than succeed unconventionally. Money managers and portfolio managers may display the tendency to herd due to reputational reasons or sometimes their compensation and incentives schemes are such that imitation is rewarded and they follow the bigger fund managers only to confirm to the 'big boys' choices. In addition, if a fund manager is not confident of his investment selection and his ability to pick the right stocks, then herding prevents the fog as the manager is in-line with others in the market. At the aggregate market level, herd behaviour may be exasperated during

People have a tendency to mimic the actions of others in the group that may not always be due to rational reasons.

periods of market asymmetry for instance, high volatility or extreme movements making the markets fragile and vulnerable. Such periods cause clustering of the assets around the market and the dispersion between the individual asset return from the market return decreases. The research claims that the periods of extreme market movements and crisis provide a fertile ground to observe herding, although such phases prove to be corrective times as investors focus on fundamentals rather than fads. The prevalence of herd pattern in the financial market shows that the system is fragile and exposed to systematic risks. It provides the warning to strengthen the information disclosure mechanism and regulations governing financial literacy and education.

Implications for India

In the above context, the examination of such a behavioural pattern has huge implications for the Indian financial market and its stability. The Indian economy is expected to be an outperformer and become a USD 5 trillion economy and a global economic powerhouse by the year 2024-25. It provides huge growth potentials for institutional and retail investors alike and acts like an investment magnet. Diversity of cultures and geographies add to the vastness of the country that is replicated in the investment pattern. Add to this the evolving nature of market and high transaction costs and higher uncertainty in an informational asymmetrical

environment that can potentially dictate the behavioural patterns thereby making the investment decisions a function of prejudice rather than fundamentals. This is where the legal and regulatory policies can limit the damage caused by these cognitive biases. Better investor education and training programs should be designed to improve the trading sophistication for reducing cognitive bias while investing. Investor awareness campaigns should be launched to promote efficient allocation of capital. In this context, The Institute of Chartered Accountants of India conducts regular Investor Awareness Programmes under the aegis of Investor Education and Protection Fund Authority, Ministry of Corporate Affairs. More than 6,600 such programmes have been organised till date. Securities and Exchange Board of India has also launched investor education portal under Securities Market Awareness Campaign where it offers free of cost study material to empower investors through education. More such steps to improve the literacy among investors are welcome. Herding can also arise at sector or industry level. This has implications for portfolio and fund managers as they have an affectation towards a particular sector and tend to cherry pick industry specific 'hot' stocks, and sell losers thereby suggesting abnormal profit making scope. This also indicates the extent for diversifiable risk as more number of securities is required to minimise the same level of unsystematic and idiosyncratic risk. To minimise herd behaviour at sector level, more emphasis should be made to build stronger client-fund manager relationship so that during dynamic market movements, investors trust the mutual cooperation and skills of the manager and trade accordingly.

Focusing and understanding this implication is complex and necessary for the Indian market as it involves developing better tools to help investors overcome the nudges and biases to strengthen the financial environment. Next, irrational collective behaviour also has the potential to alter the asset prices during extreme bull or bear phases or asymmetrical trading volume and volatility periods. Trading volume is a measure of market transparency and high value implies improved information disclosure systems thereby reducing the probability of herding. Whereas, high volatility is associated with greed and fear and such panic phases have the ability to amplify herd behaviour as investors prefer to act collectively.

The Indian market has witnessed many setbacks and recessions including the global financial crisis and has proved to be resilient to a good extent compared to the other emerging economies. In spite of this, currently the domestic financial market is highly linked with other major global markets and the impact of spill over cannot be undermined. Since investors track other markets, any sentiment driven or socially influenced movements occurring outside the economy also have a tendency to impact the valuations here resulting in panic trading and causing asset mispricing. During

such periods, the role of financial market regulators becomes even more imperative as the surveillance mechanisms have to be strengthened and risk containment measures installed. Rumours have a tendency to cause considerable damage to the normal functioning of the market and quick verification of information is necessary especially during periods of high volatility or fear and panic stricken times. Appointment of compliance officers who can be contacted for quick verification of information, coordination officers in stock exchanges for immediate exchange of information, development of stock watch mechanisms to detect any improper activity to guard the integrity of the market, are a few of the steps taken by SEBI in the right direction to improve the market functioning making it more efficient.

Conclusion

This article only touches the tip of the iceberg on the theme of behavioural bias of herding and its implications for financial market and investors. Although the regulators have taken proactive measures by installing mechanisms and systems to mitigate the risk and minimise the aberrations caused in the financial market due to these behavioural biases, more preventive measures for instance, initiatives focussing on individual, peer and social learning of investors, rationalising the transaction costs, introducing diverse financial products, better trading methods of executing pre-programmed trading instructions such as algorithm trading that uses high frequency trade mechanics in wide variety of situations like arbitrage or trend trading need to be introduced. Also, an emergent technology of machine learning and the use of artificial intelligence can help in developing programs that will be self improving through deep learning. Such technologies can help in faster order executions at lesser costs. Additionally, developing markets

Increased financial education and investor literacy programs should be developed and made available to the investors across categories to enable them to make informed decisions.

like other financial instruments, bonds and interest rate futures, that currently do not witness active participation will aid in improving the market efficiency. Further, financial markets should be made more inclusive by increasing the proportion of retail investor participation which currently stands at a mere 2.5% for the Indian equity market. This will ensure increased liquidity and better price discovery. Increased financial education and investor literacy programs should be developed and made available to the investors across categories to enable them to make informed decisions. Such programs will provide the market long term benefits and enable the investors to differentiate between rumours and true news and prevent them from making poor financial decisions. These programs also provide the benefit of greater investor confidence and act as a catalyst for higher participation in the securities markets, thereby improving liquidity and volumes. Further the regulator should ensure that the investors are aware of their rights and responsibilities to make the markets more efficient. For academicians, the subject of herding offers a lucrative ground for more impactful research as the aspect of psychology in finance is unexplored at various levels and experimental studies in this area are the need of the hour. Such initiatives towards creating a more transparent market will generate more incentives to invest in the Indian financial markets. ■

To minimise herd behaviour at sector level, more emphasis should be made to build stronger client-fund manager relationship so that during dynamic market movements, investors trust the mutual cooperation and skills of the manager and trade accordingly.

Whether the Arrangement is in Nature of Operating Lease or Finance Lease

A. Facts of the Case

1. M/s ABC has been constituted as a statutory authority under the Airports Authority of India Act, 1994. It has been created by merging the erstwhile International Airports Authority of India and National Airports Authority of India.
2. The querist has informed that the main functions of M/s ABC are as under:
 - Control and management of the Indian airspace (excluding special user airspace) extending beyond the territorial limits of the country, as accepted by International Civil Aviation Organization (ICAO).
 - Provision of communication, navigational and surveillance aids.
 - Expansion and strengthening of operational areas, viz. runways, aprons, taxiways, etc. and provision of ground based landing and movement control aids for aircrafts and vehicular traffic in operational area.
 - Design, development, operation and maintenance of passenger terminals.
 - Development and management of cargo terminals at international and domestic airports.
 - Provision of passenger facilities and information systems in the passenger terminals.
3. M/s ABC operates 129 Airports comprising of 23 International Airports, 77 Domestic Airports, 9 Customs Airports and 20 Civil Enclaves at Defence Airfields. M/s ABC prepares its annual accounts as per the format notified by the Ministry of Civil Aviation vide notification dated 27th March, 2014 framed under the Airports Authority of India (Annual Report and Annual Statement of Accounts)

Rules, 2014 which is aligned to the format of accounts as per schedule III to the Companies Act, 2013 and all mandatory Accounting Standards, issued by the Institute of Chartered Accountants of India (ICAI) are followed. The querist has further informed that the Comptroller and Auditor General of India (C&AG) is the sole auditor of M/s ABC.

4. The querist has further informed that M/s ABC has placed supply orders for supply, installation, testing, commissioning and comprehensive maintenance of X-Ray baggage inspection system (XBIS) for registered baggage and hand baggage on BOT (Build, Own and Transfer) model for 06 years at various airports in India to the following 2 supplier companies:

	Name of the Company	Contract value
1	Company 1	₹110.41 crores
2	Company 2	₹46.99 crores

(The copies of work orders in this regard have been separately supplied by the querist for the perusal of the Committee.)

5. *Accounting treatment given by M/s ABC for the contracts under reference:* As the ownership of the asset as well as risks and rewards relating to the assets remain with the supplier during the term of lease (though there is a provision for transfer of assets to M/s ABC on successful completion of lease period of six years free of cost), M/s ABC has treated these contracts as operating lease considering the substance and the stipulations under Accounting Standard (AS) 19, 'Leases'.
6. *C&AG Para on the accounting treatment given by M/s ABC for these contracts in 2017-18 accounts while conducting the audit of annual accounts of M/s ABC for the financial year (F.Y.) 2017-18:*

C&AG while conducting the audit of annual accounts of M/s ABC for the F.Y. 2017-18 has observed that the contracts under reference should have been treated as finance lease considering the substance of the contract instead of operating lease as reckoned by M/s ABC. The Comments of C&AG and the management reply thereon are as follows:

Comments of C&AG:

“Half Margin No: 03

Balance Sheet

Assets

Non-Current Assets

As per Accounting Standard 19 ‘Leases’, a lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The lease may be finance lease or an operating lease and transaction and other events are accounted for and presented in accordance with their substance and financial reality and not merely with their legal form.

A lease is a finance lease or an operating lease depends on the substance of the transaction rather than its form. Examples of situations which would normally lead to a lease being classified as a finance lease are:

- (a) The lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) The lease term is for the major part of the economic life of the asset even if title is not transferred;
- (c) If the lessee can cancel the lease, the lessor’s losses associated with the cancellation are borne by the lessee; etc.

In case of finance lease, the lessee should recognise the lease as an asset and a liability at an amount equal to the fair value of the leased asset at the inception of the lease. Further, if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; other asset is depreciated over the lease term or its useful life, whichever is

shorter. If the above conditions are not fulfilled, the lease should be classified as operating lease.

On review of records, it was noticed that M/s ABC vide its work order dated 22nd March 2017 awarded the work of supply, installation, testing, commissioning (SITC) & comprehensive maintenance of XBIS (Registered Baggage and Hand Baggage) on BOT (Build, Own and Transfer) model for six years to two foreign companies at a total cost of ₹157.40 crore. Further, review of contract reveals that as per terms and conditions of the contract, on successful completion of six years, the assets in serviceable condition shall be taken over by M/s ABC at free of cost, the term of the lease is for major part of the economic life of the asset and in the event of termination of the contract due to unsatisfactory performance/ poor maintenance, the equipment shall be taken over by M/s ABC for which the contractor shall be paid depreciated cost of the equipment minus 30% of the lease amount from the total lease amount already paid to the contractor as penalty. The depreciation would be at the rate of 20% per annum on the original cost of the equipment. Thus, as can be seen from above and considering the substance over legal form as stipulated in AS 19, the aforesaid transaction of procurement of XBIS on BOT basis should have been classified as finance lease instead of treating the same as operating lease.

This has resulted in understatement of ‘Non-Current Assets’ and ‘Liability’ by ₹157.40 crore. Consequently, depreciation is understated by ₹0.89 crore (Depreciation – ₹8.66 crore minus R&M Expenses on XBIS already booked – ₹7.77 crore) and profit for the year is also overstated to the same extent.

Moreover, the disclosure requirement as per AS 19 of disclosing the lease payments as not later than one year, later than one year and not later than five years and later than five years is also not made in the notes to the accounts.

The above facts and figures may please be confirmed, while furnishing the reply to the Half Margins within three working days.”

Management reply:

"In the given case the asset is owned by the supplier till the end of the lease term. Also, as per the terms of the Service Level Agreement (SLA) the risk attributable to the asset remains with the supplier. Attention is invited to the following clauses appearing in the SLA namely:

- a) Paragraph 9.1 read with 9.2: Contractor shall provide the serviceability of 99% on all the equipment on monthly basis. Penalty shall be levied for delay, beyond the prescribed time for serviceability of the equipment. In case of partial/complete failure of the equipment, on expiry of prescribed limit, recovery shall be made @125% of daily lease maintenance charges per XBIS.
- b) If the availability of the system or part thereof, is below 95% on monthly basis, continuously over a period 6 months, M/s ABC reserves right to terminate the contract....'

Hence, in effect the risk resides with the supplier and he has to maintain high standards of serviceability at all times (99% on all equipment on monthly basis and ensure availability of equipment too).

As per AS 19:

- i) Paragraph 3.2: "A financial lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset."
- ii) Paragraph 3.3: "An operating lease is a lease other than a finance lease."

Hence, as the ownership of the asset and the risk attributable to asset resides with the supplier during the term of lease and is obliged to ensure 99% serviceability of the equipment, the lease has been classified as operating lease in the books of M/s ABC.

As regards disclosing the lease payments it is assured that adequate disclosure as desired by the Audit will be made in the books of account from next F.Y. onwards.

In view of the above Audit is requested to kindly drop the Para."

7. The querist has informed that while discussing

the audit paragraphs issued by C&AG, an assurance was given by M/s ABC that in view of difference of opinion between M/s ABC and C&AG on the accounting treatment given for the contracts under reference, M/s ABC will refer the issue to the ICAI for its considered opinion and necessary action as per the opinion given by ICAI in this regard will be taken by M/s ABC in its annual accounts for the F.Y. 2018-19. (The copies of relevant clauses of the Agreement containing salient features have been supplied separately by the querist for the perusal of the Committee).

8. The querist has separately informed the following:
 - (a) The opinion is sought from the perspective of Accounting Standards, issued by the ICAI.
 - (b) The terms and conditions of the agreement/contract entered into in respect of XBIS with both the companies are same.
 - (c) With regard to whether at the inception of the lease, the present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset, the querist has stated that while considering the proposal of 'Supply, Installation, Testing, Commissioning and Comprehensive Maintenance (SITC)' of XIBS for administrative approval and expenditure sanctioned the present value of capital model cost and present value of BOT model cost were compared and the NPV of BOT model as worked out was economical. (Copy of the Board Note/Minutes in this regard has been provided separately by the querist for the perusal of the Committee.)
 - (d) The economic life of leased asset i.e. XBIS is nine years.

B. Query

9. In view of above, the querist has sought the opinion of the Expert Advisory Committee as to whether the work orders issued by M/s ABC on the two supplier companies and subsequent

contract entered into for Supply, Installation, Testing, Commissioning and Comprehensive Maintenance of XBIS (Registered and Hand Baggage) on BOT (Build, Own and Transfer) model for 06 years at various airports in India should be treated as operating lease or finance lease by M/s ABC.

C. Points considered by the Committee

10. The Committee notes that the basic issue raised by the querist relates to whether the aforementioned arrangement with the two supplier companies for XBIS machines (hereinafter referred to as 'the asset') is operating lease or finance lease. The Committee has, therefore, considered only this issue and has not considered any other issue that may arise from the Facts of the Case, such as, measurement of fair value of the leased asset and minimum leased payment, appropriateness of calculations of net present value as performed by M/s ABC while considering the proposal of SITC of XBIS, accounting for the servicing and maintenance of the equipment component, as embedded in the contract, etc. Further, since AS 19, issued by the Institute of Chartered Accountants of India (ICAI) has been referred to in the Facts of the Case and the querist has also separately informed that mandatory Accounting Standards as issued by ICAI are being followed by M/s ABC, the Committee has expressed its views, hereinafter in the context of Accounting Standards, issued by the ICAI only and not the Accounting Standards or Indian Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 or Companies (Indian Accounting Standards) Rules, 2015. The Committee also wishes to point out that the query has been raised in the context of work orders/contract issued by M/s ABC to/with two supplier companies, however, as confirmed by the querist, all the terms and conditions of the Agreement/Contract entered into in respect of XBIS with both the companies are same. Therefore, the Committee has examined various terms and conditions of the agreement/contract with the company 1 only and not for company 2.

11. The Committee notes the following clauses of the Agreement with the supplier company, as submitted by the querist:

Clauses from Tender documents forming part of the contract agreement with Supplier:

Section B: Terms & Conditions

- 5 Delay & non-conformance
 - 5.1 In case of time schedule including approved delay with or without levy of liquidated damage, for late delivery of supplies or late completion of training, whichever if applicable, as contained in Para 2 & 3 above, not being adhered to, M/s ABC has shall have the right to cancel the order wholly or in part thereof, without any liability of cancellation charges and shall have right to procure the goods / services elsewhere in which case the bidder firm shall pay for the loss to M/s ABC the difference in the cost of goods procured elsewhere against price set forth in the purchase order with the bidder firm.
8. Termination of contract at purchaser's initiative
 - 8.1 M/s ABC reserves the right to terminate the contract either in part or in full due to the reason other than specified herein in this tender, in fact not for convenience. Then M/s ABC shall in such an event give THIRTY calendar days' notice in writing to the bidder firm of their decision to do so.

13. PRICE

- 13.1 The bidder firm shall confirm that quoted prices shall be firm and subject to no escalation whatsoever till the validity period of the tender/contract.

16. TRANSFER OF ASSETS

M/s ABC shall take over all the equipment and accessories in fully serviceable condition at the end of the lease period at free of cost, and the successful bidder shall maintain the equipment and accessories for a period of SIXTY (60) days from the last date of end of lease period

without any extra charges.

17.8 Even after supplementary FAT, if the equipment is found not in conformance to tender technical requirements stipulated in Section-C of this tender, then M/s ABC shall cancel the contract and shall resort to action given in Section B – Para 5, 6, 8 and 12.”

Section C: SOW, Technical and Qualitative Requirements of Tender Document

1.4 The system shall be designed for continuous operation. The design life of the equipment shall be a minimum of SEVEN years.

2. Scope of Work

2.1 The Scope of work includes Supply, Installation, Testing, Commissioning & Comprehensive Maintenance of X-Ray Baggage Inspection (Registered and Hand Baggage) at various Airports in India for SIX years under BOT (Built Own and Transfer) model as per terms, conditions and specifications of this tender. ...

The Lease period shall be for Six years. After successful completion of lease period, the equipments which shall be in serviceable condition, be taken over by M/s ABC at free of cost.

Scope of work also includes any upgradation of the software, hardware for the equipments supplied, released by OEM during lease period. Any software patches required for satisfactory operation of the equipment shall be provided by the contractor, free of cost.

7.22 If at any stage the contractor fails to provide satisfactory service, M/s ABC shall terminate the contract by giving one month's notice and treated as unsatisfactory performance and dealt with as per the clause No. 7.32 (i) and 7.32 (ii).

7.32 i. In case of poor maintenance and unsatisfactory performance, M/s ABC shall terminate the contract by giving one month notice and debar the contractor for further participation in M/s ABC tender for the period of 03 (Three) years.

ii. In the event of termination of the contract due to unsatisfactory performance/ poor

maintenance, the equipment shall be taken over by M/s ABC for which the contractor shall be paid depreciated cost of the equipment minus 30% of the lease amount from the total lease amount already paid to the contractor as penalty. The depreciation is at the rate of 20 % per annum on the original cost of the equipment.

Section I: Eligibility Requirements

8. Eligibility details and undertakings

8.2 In case of OEM firm, proof of being Original Equipment Manufacturer (OEM) for the offered X-ray Baggage Inspection System shall be submitted. OEM firm shall also submit an undertaking (Annexure- X) that the offered product(s) are not declared obsolete or end-of-life by OEM, and shall undertake to provide spares, sales, service and software support, in India for the life-time of the equipment i.e. estimated to be SEVEN years.

Clauses of work order with company 1:

9.0 Service level agreement (SLA)

9.2 Penalty: Penalty shall be levied for the delay, beyond the prescribed time for serviceability of the equipment. In case of partial/ complete failure of the equipment, on expiry of prescribed time limit. Recovery shall be made @125% of the daily lease maintenance charges per XBIS per day for each XBIS from the quarterly bill of running quarter.

9.3 However, if suitable fully functional replacement is provided in place of faulty equipment within prescribe time, no penalty shall be levied. The original equipment has to be reinstated at site after the repairs at the earliest. The total penalty within the scope of this contract shall not exceed 10% of the total contract value.

12. The Committee notes the following paragraphs from Accounting Standard (AS) 19, 'Leases', issued by the Institute of Chartered Accountants of India:

“5. The classification of leases adopted in this Standard is based on the extent to which

risks and rewards incident to ownership of a leased asset lie with the lessor or the lessee. Risks include the possibilities of losses from idle capacity or technological obsolescence and of variations in return due to changing economic conditions. Rewards may be represented by the expectation of profitable operation over the economic life of the asset and of gain from appreciation in value or realisation of residual value.

6. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. Title may or may not eventually be transferred. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership."

"8. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than its form. Examples of situations which would normally lead to a lease being classified as a finance lease are:

- (a) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- (c) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- (d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- (e) the leased asset is of a specialised nature such that only the lessee can use it without major modifications being made.

9. Indicators of situations which individually or in combination could also lead to a lease being classified as a finance lease are:

- (a) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- (b) gains or losses from the fluctuation in the fair value of the residual fall to the lessee (for example in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- (c) the lessee can continue the lease for a secondary period at a rent which is substantially lower than market rent."

13. From the above, the Committee notes that the classification of lease depends upon the extent to which risks and rewards incident to ownership of a leased asset lie with lessor or lessee. Therefore, a key criterion to determine the type of lease is whether or not it transfers substantially all the risks and rewards incident to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than its form. Further, paragraphs 8 and 9 of AS 19 contains certain examples of situations and indicators which would normally lead to a lease being classified as finance lease, such as, transfer of ownership of the asset by the end of lease term, option to purchase the asset at the end of the lease term at a price sufficiently lower than the fair value at the date the option becomes exercisable, major part of the economic life of the asset is covered by the lease term, present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset, conditions for cancellation, gains or losses from the fluctuation in the fair value of the residual, continuation of lease for a secondary period at a substantially lower rent etc. Thus, classification of an arrangement as operating or finance lease requires

exercise of judgement based on evaluation of facts and circumstances in each case, by considering the indicators/factors enumerated above.

14. The Committee notes from the Facts of the Case that as per the terms and conditions of the work order/Agreement, M/s ABC shall take over asset at the end of lease period of six years, free of cost, as a result, the lease transfers ownership of the asset to the lessee by the end of the lease term, which is one of the key criteria of classification of leases into finance lease. Also, M/s ABC will use the asset for the entire economic life of the asset. Further, the payments decided in advance at the beginning of the lease are fixed and subject to no changes/escalation irrespective of any change in the value of the asset under lease. Thus, the resultant gain/loss from appreciation or depreciation in the value of the leased asset is borne by the lessee, viz., M/s ABC. Accordingly, the Committee is of the view that the rewards in the form of expectation of profitable operation over the economic life of the asset and of gain from appreciation in value or realisation of residual value as enumerated in paragraph 5 of AS 19 vest with M/s ABC (lessee). The Committee also notes that in the extant case, the risks in the form of idle capacity of the leased asset also apparently vest with M/s ABC. Accordingly, the Committee is of the view that considering the above factors, the lease in the extant case would, in substance, satisfy the tests laid down in paragraphs 8 and 9 of AS 19 and hence, would need to be classified as 'finance lease' by M/s ABC, the lessee. The Committee is further of the view that the right of the lessee to cancel/terminate the lease and the clauses relating to 99% serviceability of the leased asset during the lease term (as being contended by the querist in favour of the factors to be considered for operating lease) are only protective clauses to ensure satisfactory performance of the leased asset during the term of the lease and merely on that basis, it cannot be said that the risk attributable to the asset remains with the supplier. Further, the

ownership of the asset during the lease term is not a relevant factor for determining the type of lease under AS 19.

D. Opinion

15. On the basis of above, the Committee is of the opinion that the arrangement with the two supplier companies for XBIS machines in the extant case would, in substance, satisfy the tests laid down in paragraphs 8 and 9 of AS 19 and hence would need to be classified as 'finance lease' by M/s ABC, the lessee, as discussed in paragraph 14 above.

1.	The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute.
2.	The Opinion is based on the facts supplied and in the specific circumstances of the querist. The Committee finalised the Opinion on June 13, 2019. The Opinion must, therefore, be read in the light of any amendments and/or other developments subsequent to the issuance of Opinion by the Committee.
3.	The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in thirty six volumes. A CD of Compendium of Opinions containing thirty six volumes has also been released by the Committee. These are available for sale at the Institute's office at New Delhi and its regional council offices at Mumbai, Chennai, Kolkata and Kanpur.
4.	Recent opinions of the Committee are available on the website of the Institute under the head 'Resources'.
5.	Opinions can be obtained from EAC as per its Advisory Service Rules which are available on the website of the ICAI, under the head 'Resources'. For further information, write to eac@icai.in . ■

ACCOUNTANT'S BROWSER

PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during December 2019-January 2020 for the reference of Faculty/Students & Members of the Institute.

1. Accountancy

Closing the financial GAP by Belinda Parkes. *Intheblack*, December 2019, pp.47-49.

Practice management : What it takes for accounting firms to recruit Gen Z by Owen Brown and Daniel Shailcross. *Journal of Accountancy*, December 2019, pp.37-41.

Standard Bearers: Financial Statements need the input of more stakeholders than accountants by Adam Courtenay. *Intheblack*, December 2019, pp.35-41.

2. Economics

Financial development, openness in financial services trade and economic growth : A panel data analysis in BRICS economies by Rabia Khatun and Jagadish Prasad Bist. *International Trade, Politics and Development*, Vol.3/2, 2019, pp.42-65.

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Corporate insolvency & bankruptcy under the IBC, 2016 by Rajesh Ojha. *The Management Accountant*, Vol.54/12, December 2019, pp.94-98.

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Corporate social responsibility and corporate governance : Evidence for sustainability by Jai Prakash Sharma and Sunaina Kanojia. *Chartered Secretary*, Vol.49/12, December 2019, pp.90-97.

Corporate Governance and its importance in the start-up world by Abhishek Bhowmik and Amrita Bhattacharya. *The Management Accountant*, Vol.54/12, December 2019, pp.48-50.

Employee satisfaction, human resource management practices and competitive advantage: The case of northern cyprus by Hamzah Elrehail. *European Journal of Management and Business Economics*, 2019.

Significance of corporate social responsibility in the liberalized economy by Qazi Mohammed Usman. *Company Law Journal*, Vol.4/3, December 2019, pp.129-139.

6. Taxation and Finance

Deemed Export Refund under GST by Jaykishan Vidhwani. *Ahmedabad Chartered Accountants Journal*, 2019, pp. 337-339.

Full Texts of the above articles are available with the Central Council Library, ICAI, which can be referred on all working days. For further inquiries please contact on 011-30110419 and 011-30110420 or by e-mail at library@icai.in; kmray@icai.in.

Nation's Leap towards Convergence with IFRS persists

ICAI, in its endeavour to remain converged with the globally acceptable International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) at all times, continuously monitors the financial reporting developments globally and plays a critical role in the Nation's Standard-setting Framework by formulating, amending and implementing Ind ASs in line with IFRS Standards issued by IFRS Foundation. In this context, read on the following updates.

First year of implementation of Ind AS 116, Leases

Ind AS 116 was notified by the MCA on March 30, 2019 vide Companies (Indian Accounting Standards) Amendments Rules, 2019, replacing Ind AS 17, Leases. The Standard was made applicable w.e.f. April 1, 2019. Financial year 2019-20 will be the first year of implementation of Ind AS 116. Accordingly, financial year ending 31st March 2020 will be the first full year that will capture the changes brought in by the new leases Standard. Ind AS 116 will primarily change the accounting by lessees resulting in the recognition of almost all leases on balance sheet. In the books of lessee, there is no more distinction of lease obligations of leases as finance lease obligations and operating lease obligations and requires recognition of an asset (the right-of-use leased item) and a financial liability to pay rentals for virtually all lease contracts subject to certain exemptions. Net Profit/Loss is not expected to change significantly for many companies but expense Line items, EBIDTA and Operating Profit/Loss will change due to reclassification of expenses from operating lease expense to interest and depreciation. The accounting by lessors will be substantially carried forward as in Ind AS 17, except for enhancement in certain disclosures and removal of earlier carve-out allowing recognition of lease income on a basis other than straight line basis where the payments to the lessor are structured to increase in line with expected general inflation.

Pursuant to issuance of new leases Standard, following amendments in Schedule III are proposed to align the same with Ind AS 116

- (a) In the format of Balance Sheet, a separate line item to be added as 'Lease Liabilities' under the sub-head Financial Liabilities (under both current and non-current liabilities)
- (b) Line items 'Long term maturities of finance lease obligations' under non-current liabilities and 'Current maturities of finance lease obligations' under current liabilities to be deleted.

Contributed by Accounting Standards Board of ICAI. Comments can be sent to asb@icai.in. Refer https://www.icai.org/post.html?post_id=14058 for Ind AS –IFRS Standards Convergence Status

Amendments to Ind AS being finalised, proposed to be effective from April 1, 2020

1. Amendment in Ind AS 103, Business Combinations

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment also removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs and brings out an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2. Amendment in Ind AS 1, Presentation of Financial Statements and Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors

Definition of 'material' is proposed to be clarified vide these amendments.

3. Interest Rate Benchmark Reform — Amendments to Ind AS 109, Financial Instruments, and Ind AS 107, Financial Instruments, Disclosures

Proposed amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). Specifically, the amendments:

- Modify specific hedge accounting requirements so that entities would apply those requirements if the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered because of interest rate benchmark reform.
- Apply to all hedging relationships that are directly affected by the interest rate benchmark reform.
- Require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

Ind AS Alert

Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS Conceptual Framework) – Exposure Draft for Public Comments

As informed vide ICAI's January 2020 issue of the Journal, the IASB in March 2018 issued the revised *Conceptual Framework for Financial Reporting* (IASB's Conceptual Framework) replacing the previous version of the *Conceptual Framework* issued in 2010 which was based on the Framework issued by IASB's predecessor body IASC in year 1989. The revised *Conceptual Framework* came into effect for IASB and IFRS Interpretation Committee immediately upon its issuance and for preparers and others it is applicable from January 2020, 1, with earlier application permitted for preparers.

Corresponding to aforesaid IASB's Conceptual Framework issued in March 2018, the Accounting Standards Board (ASB) of ICAI has prepared the draft of Conceptual Framework for Financial Reporting under Ind AS (Conceptual Framework) and the same has been issued as an Exposure Draft seeking public comments. The draft Conceptual Framework describes the objective of and concepts for general purpose financial reporting. It is a comprehensive set of concepts for formulating financial reporting standards and financial reporting. It is structured into eight chapters and includes an appendix of defined terms. The draft Conceptual Framework incorporates specific chapters on measurements, presentation and disclosures and derecognition. Another important change brought out is in the area of certain critical definitions, i.e., Asset and Liability and their recognition criteria. Additional clarifications have been provided in some areas such as Prudence, Substance over Form, Stewardship and Measurement uncertainty. As a consequence to the issuance of draft Conceptual Framework, certain amendments are proposed Ind AS to refer to the Conceptual Framework in place of earlier ICAI's Framework.

The Exposure Draft of Conceptual Framework for Financial Reporting under Ind AS along with consequential amendments to references to Conceptual Framework in Ind AS has been issued for public comments by **29th February, 2020**. The same can be accessed at <https://resource.cdn.icai.org/57880icaiasb010120.pdf>

Developments at IFRS Foundation and IASB IFRS for Small and Medium-sized Entities (SMEs) Standard

The IASB is developing a Request for Information focused on obtaining views on whether and, if so, how to update the *IFRS for SMEs* Standard for IFRS Standards and amendments not currently incorporated into the *IFRS for SMEs* Standard. The IASB at its December 2019 meeting reviewed the steps undertaken in developing the draft Request for Information, publication of which would complete the first phase of the 2019 Comprehensive Review of the *IFRS for SMEs* Standard.

Help shape IFRS Standards in 2020

To develop high-quality accounting standards, the IASB seeks views from people interested in and affected by financial reporting. This engagement helps the IASB to generate ideas and evaluate suggested solutions to accounting problems so that IFRS Standards reflect the needs of the companies that use them when preparing their financial statements and of investors that use those financial statements when making investment decisions. Stakeholders will also be invited to provide comments on more narrow-scoped proposed amendments, proposed updates to the IFRS Taxonomy and the IFRS Interpretations Committee's tentative agenda decisions.

The first major consultation document, already out for comment, proposes improving the way information is communicated in the financial statements, with a focus on financial performance. Exposure Draft *General Presentation and Disclosures*, which the IASB published in December 2019 as part of its Primary Financial Statements project, is open for comment until 30 June 2020.

The IASB plans to publish following important consultation documents in 2020:

- **Discussion papers** - Goodwill and Impairment (Q1) and Business Combinations under Common Control (Q2)
- **Exposure drafts** - IBOR Reform and its Effects on Financial Reporting—Phase 2 (Q2); Rate-regulated Activities (Q2); Disclosure Initiative—Targeted Standards-level Review of Disclosures (H2); Management Commentary (H2)
- **Requests for information** - Comprehensive Review of the IFRS for SMEs Standard (Q1); Post-implementation: Review of IFRS 10, IFRS 11 and IFRS 12 (Q2); 2020 Agenda Consultation (H2)

IFRS Taxonomy Consultative Group (ITCG)

Following Agenda Topics are proposed to be discussed at the meeting of ITCG on 16 January 2020 and the same can be viewed on the ITCG January 2020 meeting page. The meeting will be webcast live and an audio recording will be made available on the same page shortly after the meeting finishes:

- IFRS Taxonomy modelling for Exposure Draft *General Presentation and Disclosures*
- Review of common reporting practice related to the primary financial statements
- Review of common reporting practice related to IAS 19 *Employee Benefits*
- Review of common reporting practice related to IFRS 7 *Financial Instruments: Disclosures*
- Review of IFRS Taxonomy supporting materials

IASB Chair, Mr. Hans Hoogervorst, speech on 19 December, 2019, at Paris, France: The Chair, IASB, delivered a speech at the 9th Symposium on Accounting

Research hosted by the Autorité des Normes Comptables (ANC). He talked about the importance of high-quality accounting standards in supporting long-term investment. The speech of Mr. Hoogervorst can be assessed at: <https://www.ifrs.org/news-and-events/2019/12/accounting-standards-and-the-long-term/>

IFRS Foundation Conference in Madrid

The IFRS Foundation's annual conference will be held at the Hotel Riu Plaza España, Madrid, Spain, on Monday 29 and Tuesday 30 June 2020. More information about the conference including the cost and how to register will become available in early 2020.

Comments on Exposure Draft issued by IASB

1. Exposure Draft of General Presentation and Disclosures (Primary Financial Statements) for comments: As informed vide ICAI's January 2020 issue of the Journal, the IASB has issued the Exposure Draft of General Presentation and Disclosures (Primary Financial Statements). The Exposure Draft includes the proposals of the IASB to improve how information is communicated in the financial statements, with a focus on information about performance of the entity. The comments on the Exposure Draft can be submitted directly to IASB by June 30, 2020, and the same can be accessed online at: <https://cdn.ifrs.org/-/media/project/primary-financial-statements/exposure-draft/ed-general-presentation-disclosures.pdf>

The said Exposure Draft has also been hosted on the ICAI website to invite comments from Indian stakeholders by **March 20, 2020**. The Exposure Draft can be accessed at https://www.icai.org/new_post.html?post_id=16199

This was reported in the last issue of Journal.

The revisions in the IFRS Standards as part of this project are expected to have far reaching and significant impact on the presentation of financial performance of the entity and it intends to introduce a few mandatory line and sub line items for uniformity and consistency. The ICAI is also planning to conduct outreach events across India to involve stakeholders, viz., preparers, auditors, users including regulators to express their views and suggestions.

Initiatives of Ind AS Implementation Committee

Release of publication Educational Material on Ind AS 116, Leases

The new Leases standard Ind AS 116, *Leases* is effective from April 1, 2019, for companies implementing Ind AS. The objective of the new Standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. Ind AS 116 introduces a single lessee accounting

model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Educational Material on Ind AS 116, *Leases* addresses all relevant aspects envisaged in the Standard by way of brief summary of the Standard and Frequently Asked Questions (FAQs) which are being/expected to be encountered while implementing the Standard.

ITFG invites suggestions regarding possible responses to various issues on applicability/implementation of Ind AS

With a view to making the process of issuing the clarifications more participative and effective, it has been decided to invite the stakeholders to make suggestions as to possible responses on the various queries received by the Group.

Members of the Institute as well as other stakeholders are invited to send their suggested responses (or any other comments) on the queries. These suggestions will be considered by the Group at its meeting. After due discussions, clarifications will be issued wherever considered appropriate. The suggested responses should be supported by appropriate reasoning and reference to specific paragraph number(s) of the relevant Standard(s) or other basis for the suggested response. The suggested responses or any other comments should be submitted through e-mail at indas@icai.in.

Queries on which the Group invites suggestions can be accessed on the below mentioned links: https://www.icai.org/new_post.html?post_id=15594&c_id=240

Certificate Course on Ind AS

The Ind AS Implementation Committee is conducting a Certificate Course on Ind AS (Indian Accounting Standard). The Course aims at educating the members about the concepts enunciated under Ind AS, Comparison of Ind AS with IFRS, Differences between Ind AS and AS, Ind AS Implementation issues and their clarifications, Conversion of Financial Statements prepared on the basis of Indian GAAP to Ind AS based financial statements.

Certificate Course on Ind AS/IFRS is organised across India and abroad. So far, around 10180 members have been successfully trained in the said course. Recently, the batch has been completed at Delhi and Mumbai. The ongoing batches are at Hyderabad & Goa. Batches of the Course have also been proposed to be held at Delhi, Mumbai, Pune, Ludhiana, Nagpur, Kanpur, Jaipur, Noida, Kolkata, Bhubaneswar, Ghaziabad. For further details, please follow the link: https://www.icai.org/post.html?post_id=3562&c_id=266

Ind AS 116 will primarily change the accounting by lessees resulting in the recognition of almost all leases on balance sheet. ■

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Legal Decisions



Income Tax

LD/68/116, [Kerala High Court: W.P No.7795/2019], Chirayinkeezhu Service Co-Operative Bank Limited Vs. The Central Board of Direct Taxes, 30/12/2019

Assessee a primary agricultural credit society held to be not entitled to TDS exemption under section 194A(3)(iii)(a) on interest earned on the deposits made with the State Treasuries. Benefit of exemption under section 194A(3)(v) would be available on deposits made with the Cooperative Banks. High Court held that deposit receipts from own members could not be construed as 'business of banking' for Section 194A(3)(iii)(a) purposes. High Court rejects assessee's stand that primary agricultural credit society assessee is a co-operative society engaged in carrying on the 'business of banking' and therefore, entitled to receive the interest without TDS. The High Court thus ruled in favour of the Revenue.

LD/68/117, [ITAT Bangalore: 1784/Bang/2018], Acciona Wind Energy Private Limite Vs. The Deputy Commissioner of Income Tax, 20/12/2019

Capital gains exemption arising on buy-back of shares by Indian assessee-company of its Spanish parent company, under section 47(iv) denied. Parent company was holding 99.99% of share capital of assessee company and 0.01% shares were held by another Spanish company which was not also the nominee of the parent company. Exemption condition under section 47(iv) was not met as for all practical purposes. ITAT upheld invoking Section 46A which deems consideration received by shareholder on purchase of its own shares as 'capital gains'. As per ITAT there is no requirement of transfer of shares as capital asset, but there is only requirement that a shareholder receives a consideration from a company for purchase of its own shares.

LD/68/118; [ITAT Ahmedabad: 675/Ahd/2016], Shreno Limited Vs. The Assistant Commissioner of Income Tax, 18/12/2019

Section 50CA held to be prospective in nature applicable w.e.f. AY 2018-19 and thus not applicable to share sale by assessee during AY 2012-13. Prior

to insertion of this section, there is no power with the revenue authorities to replace full sale consideration with fair market value of the shares. Full value of consideration could be replaced by way of deeming provision contained in Section 50C which is related to being land or building, but no such provision with regard to the sale of shares. ITAT, therefore, allowed set-off of capital loss from the sale of shares.

LD/68/119, [ITAT Bangalore: 145/Bang/2019], Moody's Analytics Knowledge Services (India) Pvt. Ltd. Vs. The Income Tax Officer, TDS, 13/12/2019

Interest levied under section 201(1A) was deleted by Bangalore ITAT noting that though the TDS chalan was reflected on Online Tax Accounting System (OLTAS), a TDS chalan website, on 8 or 9th of the month, the assessee had remitted the same online on 7th of that month. ITAT held that Central Government Account (Receipts and Payments) Rules, 1983 were not applicable to online payments and those applicable only to payments by cheque. Further, as per CBDT Circular 261 of 1979 was binding on the Revenue over the Central Government Account (Receipts and Payments) Rules. CBDT Circular stated that date of payment is to be regarded as the date on which the cheque is handed over to the government bankers if the cheque is ultimately honoured. ITAT thus ruled in favour of the assessee to delete interest levied under section 201(1A).

LD/68/120, [ITAT Chennai: 3067/Chny/2018], Shri Narayan Agarwal Vs. The Assistant Commissioner of Income Tax, 12/12/2019

The assessee had booked a flat by paying certain amount, which flat could not be completed by the developer and so mitigate the risk, assessee sold the rights in the flat to a third party buyer and invested the sale amount in a new flat thereby claiming benefit of Section 54. AO rejected the claim of assessee on the ground that since that the builder had not given possession of actual flat, the income was assessable as income from other sources and not capital gains. ITAT held that since the assessee had transferred his rights and received consideration, the gains were assessable as long term capital gains and benefit of Section 54 was available.

Transfer Pricing

**LD/68/121, [Madras High Court: W.P. 1729/2011],
Vedaneta Limited Vs. The Assistant Commissioner of
Income Tax, 22/10/2019**

Section 144C held to be applicable prospectively w.e.f. AY 2010-11. Clarificatory Circular of CBDT issued in 2013 stating that earlier CBDT circular was inadvertently incorrect and stating that Section 144C was retrospectively applicable for orders which proposes to make variation in income or loss returned by an eligible assessee, on or after 1.10.2009 irrespective of the assessment year to which it pertains, held to be non-jurisdictional. High Court held that such change sought by CBDT cannot be considered as a mere 'shift in procedure' and was a substantive amendment and has to be made applicable prospectively. High Court held that right has been enured to the parties in 2009 and it cannot be modified by a Clarification issued by the Board, three years thereafter in 2013.

GST



**LD/68/122, [Ker HC], Abbott Healthcare Pvt. Ltd.
Vs. Commissioner of SGST and Ors, 07/01/2020**

The concept of a composite supply would not be attracted in cases where there was more than one supplier. The concept of the enhancement of utility of one supply through others may be relevant only for the purposes of valuation of the supply of instruments and cannot be imported into the concept of composite supply under the GST Act. The business model followed by the petitioner for a considerable period of time would be indicative of whether or not the supplies are bundled in the 'ordinary course of business'.

**LD/68/123, [Delhi High Court], TMA International Pvt
Ltd. & Ors Vs. UOI & Ors, 26/11/2019**

The refund of IGST not to be denied merely because the applicant inadvertently claimed higher duty drawback during transitional period due to lack of clarity on the procedural matters. The department is however, free to verify the claim.

**LD/68/124, [Mad HC], M/s Precot Meridian Ltd. Vs.
Commissioner of Customs and Ors, 19/11/2019**

Claiming Higher duty draw back which is repaid subsequently along with interest, would not disentitle the Applicant of IGST refund under the

IGST Act. The Circular No.37/2018 – Customs issued for the purposes of explaining the provisions of the drawback schemes has nothing to do with IGST refund claimed under section 16 of the IGST Act, read with Section 54 of the CSGT Act and Rule 96 of the CGST Rules.

Service Tax

**LD/68/125, [MUM-CESTAT], Mankeshwar Enterprises Vs.
CCEx., 07/10/2019**

Hon'ble Tribunal relied upon the agreement between the parties to decide the nature of services and held that the services provided under the agreement are not manpower supply services but cleaning services.

**LD/68/126, [Kar HC], Abdul Samad S/O Late P
Mohammed Age 50 Years Chartered Accountant Vs.
Commissioner of Central Excise and Service Tax,
5/3/2019**

High Court held that, once there was no compulsion or duty cast to pay the service tax, the amount paid by petitioner under mistaken notion, would not be a duty or 'service tax' payable in law. Once it is not payable in law there is no authority for the department to retain such amount which would otherwise be outside the purview of Section 11B of the Act. Time limitations mentioned in Section 11B is therefore, not applicable in such cases.

Customs

**LD/68/127, [Madras High Court: W.P. 29526 of 2012],
J. Sheikh Parith Vs. The Commissioner of Customs,
13/12/2019**

High Court held that it cannot entertain the writ petition of assessee seeking to quash hearing notice issued to the assessee. Assessee submitted that it was not supplied with relevant material for preparing their reply to the show cause notice by the Revenue. The Directorate of Revenue Intelligence had seized certain documents of the assessee which were not returned to the assessee after completing its investigation. High Court directed the Revenue to return the seized documents and also directed the assessee to file reply to the hearing notice [show cause notice] in time bound manner, noting that adjudication of the show cause proceeding had been considerably delayed by about seven years due to pendency of the present writ petition.

LD/68/128, [Kerala High Court: W.P. 25339 of 2019], Anu Cashews Vs. The Commissioner of Customs, 13/11/2019

High Court ruled that Revenue should not have denied export benefit to the assessee for an inadvertent mistake by the assessee where he failed to check the box on form filled on web portal which was consequently recorded as 'No' at filing the form online. High Court held that lapse held to be a mere technical lapse and the Revenue could not have denied the benefit in a mechanical manner especially when there was sufficient indication from the other details entered in the form that pointed to the assessee's intention to claim the benefit.

Excise

LD/68/129, [Patna High Court: W.P. 22415 of 2019], Bihar State Beverages Corporation Limited Vs. The Union of India, 03/12/2019

Writ Petition of assessee against levy of service tax charged under Reverse Charge Mechanism

on License fees and privilege fee charged by State Government for granting exclusive wholesale business in liquor disposed by the High Court. Appeal before Tribunal held to be an equally efficacious alternative remedy available to the assessee. The High Court thus held the writ petition to be not maintainable and disposed the writ.

Sales Tax Act

LD/68/130, [Madras High Court: W.P. 14193 of 2001], Advance Paints Private Limited Vs. The Commercial Tax Officer, 09/12/2019

Sale of goods by agent immediately after receiving of goods from the Principal is not a ground to treat the branch transfer as an inter-state sale. The assessing authority did not find any pre-concluded contract with the buyer and the assessee had demonstrated movement of goods from Tamil Nadu to Kerala with supporting documents like Form F. Revenue was incorrect to levy CST merely based on assumptions.

Disciplinary Case



Respondent actively engaged in business and managing the affairs of the Partnership Firm without obtaining prior permission from the Council - Held, Guilty under Clause 11 of the Part I of First Schedule to The Chartered Accountants Act, 1949.

In the instant case, Respondent was the working partner and was having substantial interest in the partnership firm. It is an admitted fact that

the Respondent before becoming partner had not taken permission of the Council. The Board noted that as per Clause 11 of the partnership deed dated 01st May, 2006, the Respondent was the working partner and was having substantial interest in the partnership firm. Respondent was actively involved in business as partner without the permission of the Council. As per the partnership deed, the Respondent was entitled to salary of ₹ 5,000/- per month and bonus @12% of the salary. Further as per the clause 8 of the same partnership deed, the Respondent along with one more partner was jointly operating the bank account of the firm. Moreover, the onus lied on the Respondent to show that he was not actively engaged in the business of the firm which he could not substantiate before the Board.

On overall consideration of the same, the Board was of the view that there is clear cut ignorance of law by the Respondent and it cannot be taken as a excuse. Hence, in the opinion of the Board, the Respondent has violated the requirements of Clause (11) of Part I of First Schedule to the Chartered Accountants (Amendment) Act, 2006.

Circulars/Notifications

Given below are the important Circulars and Notifications issued by the CBDT, CBIC-GST, FEMA and MCA issued since the publication of the last issue of the journal, for information and use of members. Readers are requested to use the citation/website or weblink to access the full text of desired circular/notification. Feedback and suggestions on this column can be submitted at eboard@icai.in



CBDT

I. NOTIFICATIONS

Form No. 10DA (under Rule 19AB) providing for Report under section 80JJAA of the Income-tax Act, 1961 substituted w.e.f. 18.12.2019 - Notification No. 104/2019, dated 18.12.2019

Where the gross total income of an assessee to whom Section 44AB applies, includes any profits and gains derived from business, a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the previous year, would be allowed under section 80JJAA for three assessment years including the assessment year relevant to the previous year in which such employment is provided. Further, Section 80JJAA(2)(c) provides that deduction would be available only if the assessee furnishes alongwith the return of income the report of the accountant giving such particulars in the report as may be prescribed.

Vide this notification, the existing Form No. 10DA providing for Report under section 80JJAA has been substituted. For details regarding the substituted Form No. 10DA, members may refer the aforesaid notification. The said notification is applicable w.e.f. 18.12.2019.

The detailed Notification can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/notification/notification_98_2019.pdf

Modes of payment for the purpose of Section 269SU specified vide insertion of new Rule 119AA in the Income-tax Rules, 1962 and a related clarification - Notification No. 105/2019 & Circular No. 32/2019, dated 30.12.2019

In furtherance to the declared policy objective of the Government to encourage digital economy and move towards a less-cash economy, a new provision namely Section 269SU was inserted

in the Income-tax Act, 1961, vide the Finance (No. 2) Act, 2019, which provides that every person having a business turnover of more than ₹ 50 crore ("specified person") shall mandatorily provide facilities for accepting payments through prescribed electronic modes. The said electronic modes have been prescribed vide Notification No. 105/2019 dated 30.12.2019 ("prescribed electronic modes").

In this regard, new Rule 119AA (Modes of payment for the purpose of Section 269SU) has been inserted in the Income-tax Rules, 1962. Rule 119AA provides that the specified person shall provide facility for accepting payment through following electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, namely:

- (i) Debit Card powered by RuPay;
- (ii) Unified Payments Interface (UPI) (BHIM-UPI); and
- (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

Accordingly, w.e.f. 01.01.2020, the specified person must provide the facilities for accepting payment through the prescribed electronic modes. Further, Section 10A of the Payment and Settlement Systems Act 2007, inserted by the Finance Act, provides that no Bank or system provider shall impose any charge on a payer making payment, or a beneficiary receiving payment, through electronic modes prescribed under section 269SU of the Act. Consequently, any charge including the MDR (Merchant Discount Rate) shall not be applicable on or after 01.01.2020 on payment made through prescribed electronic modes.

In this connection, it may be noted that the Finance Act has also inserted Section 271DB in the Act, which provides for levy of penalty of ₹ 5,000 per day in case of failure by the specified person to comply

with the provisions of Section 269SU. In order to allow sufficient time to the specified person to install and operationalise the facility for accepting payment through the prescribed electronic modes, it is clarified by the CBDT that the penalty under section 271DB shall not be levied if the specified person installs and operationalises the facilities on or before 31.01.2020. However, if the specified person fails to do so, he shall be liable to pay a penalty of ₹ 5,000 per day from 01.02.2020 under section 271DB for such failure.

The detailed Notification/Circular can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/notification/notification_105_2019.pdf

https://www.incometaxindia.gov.in/communications/circular/circular_32_2019.pdf

CBDT further extends the timeline for Linking PAN with Aadhaar from 31.12.2019 to 31.03.2020 - Notification No. 107/2019, dated 30.12.2019

Vide Notification No. 75/2019 dated 28.09.2019, the CBDT had extended the cut-off date for intimating the Aadhaar number and linking PAN with Aadhaar to 31.12.2019, unless specifically exempted.

Vide this notification, the due date for linking PAN with Aadhaar has been further extended from 31.12.2019 to 31.03.2020.

The detailed Notification can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/notification/notification_107_2019.pdf

CBDT notifies ITR Form No. 1 and 4 for AY 2020-21 and thereafter grants relaxation in eligibility conditions for filing of said ITR Forms - Notification No. 01/2020, dated 03.01.2020 and Press Release, dated 09.01.2020

In order to ensure that the e-filing utility for filing of return for A.Y 2020-21 is available as on 01.04.2020, the ITR Forms ITR-1 (Sahaj) and ITR-4 (Sugam) for the A.Y 2020-21 are notified vide this notification. In the notified returns, the eligibility conditions for filing of ITR-1 & ITR-4 Forms were modified with an intent to keep these forms short and simple with bare minimum number of Schedules. Therefore, a person who owns a property in joint ownership was not made eligible to file the ITR-1 or ITR-4 Forms. For the same reason, a person who is otherwise not

required to file return but is required to file return due to fulfilment of one or more conditions in the seventh proviso to Section 139(1), was also not made eligible to file ITR-1 Form.

After the aforesaid notification was issued, concerns were raised that the changes are likely to cause hardship in the case of individual taxpayers. The taxpayers with jointly owned property had expressed concern that they will now need to file a detailed ITR Form instead of a simple ITR-1 and ITR-4. Similarly, persons who are required to file return as per the seventh proviso to Section 139(1), and are otherwise eligible to file ITR-1, had also expressed concern that they will not be able to opt for a simpler ITR-1 Form.

The matter was examined by the CBDT and it has been decided to allow a person, who jointly owns a single house property, to file his/her return of income in ITR-1 or ITR-4 Form, as may be applicable, if he/she meets the other conditions. It has also been decided to allow a person, who is required to file return due to fulfilment of one or more conditions specified in the seventh proviso to Section 139(1), to file his/her return in ITR-1 Form.

For further details, the newly notified ITR forms 1 and 4 may be referred.

The detailed Notification can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/notification/notification_01_2020.pdf

<https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/819/Press-Release-CBDT-grants-relaxation-in-eligibility-conditions-for-filing-of-Income-tax-Return.pdf>

Amendment of Rule 10DA and Rule 10DB regarding furnishing of information and maintenance of documents by Constituent Entity of an international group - Notification No. 03/2020, dated 06.01.2020

Section 286 provides for furnishing of a Country-by-Country report in respect of an international group by the parent entity or alternate reporting entity, resident in India. Further, Section 92D, substituted by the Finance (No.2) Act, 2019, provides for maintenance, keeping and furnishing of information and document by every person who has entered into an international transaction or specified domestic transaction and every person, being a constituent entity of an international group.

Amendments in Rule 10DA

- (i) Rule 10DA now provides for maintenance and furnishing of information and document by certain person under section 92D.
- (ii) There is no change in sub-rule (1) of Rule 10DA specifying the threshold and the information and documents of the international group to be kept and maintained by every person, being a constituent entity of an international group.
- (iii) Sub-rules (2), (3) and (4) have been substituted w.e.f. 1.4.2020. New sub-rule (2) requires the information and document specified under Rule 10DA(1) to be furnished to the Joint Commissioner referred to in Rule 10DB(1), in Form No. 3CEAA on or before the due date for furnishing the return of income as specified under section 139(1).
- (iv) New sub-rule (3) requires the constituent entity to furnish Part A of Form No.3CEAA even if the conditions specified under sub-rule (1) are not satisfied.
- (v) New sub-rule (4) provides that where there are more than one constituent entities resident in India of an international group, Form No.3CEAA may be furnished by any one constituent entity if:
 - (a) the international group has designated such entity for this purpose; and
 - (b) the information has been conveyed in Form No.3CEAB to the Joint Commissioner referred to in Rule 10DB(1), in this behalf 30 days before the due date of furnishing Form No.3CEAA.

Amendments in Rule 10DB

- (i) Sub-rules (1), (2) and (5) have been substituted. Rule 10DB(1) now provides that the income-tax authority for the purposes of Section 286 shall be the Joint Commissioner as may be designated by the Director General of Income-tax (Risk Assessment).
- (ii) Rule 10DB(2) now provides that the notification under section 286(1) shall be made in Form No. 3CEAC two months prior to the due date for furnishing of report as specified under section 286(2).
- (iii) The proviso to Section 286(4) requires furnishing of CbC report by any one constituent entity, where there are more than

one constituent entity of an international group, resident in India. Such constituent entity should have been designated by the international group to furnish the report on behalf of all the constituent entities resident in India and the information should have been conveyed in writing on behalf of the group to the prescribed authority. Rule 10DB(5) now requires the information required to be conveyed in writing on behalf of the group regarding the designated constituent entity to be furnished in Form No.3CEAE.

Amended Rule 10DA shall come into force w.e.f. 01.04.2020 whereas amendments in Rule 10DB are applicable w.e.f. 06.01.2020. For further details, the said notification be referred.

The detailed Notification can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/notification/notification_3_2020.pdf

II. CIRCULARS

Income-tax Deduction from salaries during the Financial Year 2019-20 under section 192 of the Income-tax Act, 1961 - Circular No. 04/2020, dated 16.01.2020

This CBDT Circular contains the rates for deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2019-20 and explains certain provisions of the Income-tax Act, 1961 and Income-tax Rules, 1962, including the broad scheme of TDS from Salaries, persons responsible for deducting tax at source from Salaries and their duties, computation of income under the head "Salaries", etc.

The detailed Circular can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/circular/circular_no_4_2020.pdf



CBIC-GST

Format of DIN on any communication issued by the officers of the Central Board of Indirect Taxes and Customs (CBIC) to tax payers and other concerned persons

Further to the Circular No. 122/41/2019-GST dated 05.11.2019, regarding use of Document Identification No (DIN), the Central Board of Indirect Taxes and Customs vide Circular no. 128/47/2019 dated 23rd December, 2019, has

directed that electronic generation and quoting of Document Identification Number (DIN) shall be done in respect of all communications (including e-mails) sent to tax payers and other concerned persons by any office of the CBIC across the country w.e.f. 24th December, 2019. Further, in order to standardise the format of search authorisations, summons, arrest memos, inspection notices etc. issued by the GST/ Central Excise/ Service Tax formations across the country, the Board had constituted a committee of officers to examine and suggest modifications in the formats of these documents which has submitted its recommendations. The standardised documents have since been uploaded by DDM and are ready to be used. When downloaded and printed, these standardised documents would bear a pre-populated DIN thereon. Accordingly, the Board directs that all field formations shall use the standardised authorisation for search, summons, inspection notice, arrest memo and provisional release order (the formats are provided). These formats shall be used by all the formations w.e.f. 01.01.2020.

[Circular No.128/47/2019-GST Tax dated 23rd December, 2019]

Standard Operating Procedure to be followed in case of non-filers of Returns

The Central Board of Indirect Taxes and Customs vide *Circular no. 129/48/2019 dated 24th December, 2019* has laid down the following SOP to be followed in case of non- filers of GST Return:

- (i) Preferably, a system generated message would be sent to all the registered persons 3 days before the due date to nudge them about filing of the return for the tax period by the due date.
- (ii) Once the due date for furnishing the return under section 39 is over, a system generated mail / message would be sent to all the defaulters immediately after the due date to the effect that the said registered person has not furnished his return for the said tax period; the said mail/message is to be sent to the authorised signatory as well as the proprietor/ partner/director/karta, etc.
- (iii) Five days after the due date of furnishing the return, a notice in FORM GSTR-3A (under section 46 of the CGST Act read with Rule 68 of the CGST Rules) shall be issued electronically

to such registered person who fails to furnish return under section 39, requiring him to furnish such return within fifteen days;

- (iv) In case the said return is still not filed by the defaulter within 15 days of the said notice, the proper officer may proceed to assess the tax liability of the said person under section 62 of the CGST Act, to the best of his judgement taking into account all the relevant material which is available or which he has gathered and would issue order under Rule 100 of the CGST Rules in FORM GST ASMT-13. The proper officer would then be required to upload the summary thereof in FORM GST DRC07;
- (v) For the purpose of assessment of tax liability under section 62 of the CGST Act, the proper officer may take into account the details of outward supplies available in the statement furnished under section 37 (FORM GSTR-1), details of supplies auto populated in FORM GSTR-2A, information available from e-way bills, or any other information available from any other source, including from inspection under section 71;
- (vi) In case the defaulter furnishes a valid return within thirty days of the service of assessment order in FORM GST ASMT-13, the said assessment order shall be deemed to have been withdrawn in terms of provision of sub-section (2) of Section 62 of the CGST Act. However, if the said return remains unfurnished within the statutory period of 30 days from issuance of order in FORM ASMT-13, then proper officer may initiate proceedings under section 78 and recovery under section 79 of the CGST Act;

Above general guidelines may be followed by the proper officer in case of non furnishing of return. In deserving cases, based on the facts of the case, the Commissioner may resort to provisional attachment to protect revenue under section 83 of the CGST Act before issuance of FORM GST ASMT-13.

Further, the proper officer would initiate action under sub-section (2) of Section 29 of the CGST Act for cancellation of registration in cases where the return has not been furnished for the period specified in Section 29.

[Circular No.129/48/2019-GST dated 24th December, 2019]

Constitution of Grievance Redressal Committees at Zonal/ State level for redressal of grievances of taxpayers on GST related issues

With a view to tackle grievances of taxpayers on GST related issues of specific/ general nature, CBIC vide Instruction *F. No. 20/10/16/2018-GST (Pt. I) dated 24th December, 2019* provides that GST Council has approved constitution of 'Grievance Redressal Committee' at Zonal/State level consisting of both Central Tax and State Tax officers, representatives of trade and industry and other GST stakeholders. Further, it provides for constitution of each such Grievance Redressal Committee, its terms, functions and mandate, periodicity of meeting as well as mechanism of working of the committee.

[F. No. 20/10/16/2018-GST (Pt. I) dated 24th December, 2019]

Extension of last date for furnishing of annual return/reconciliation statement in FORM GSTR-9/FORM GSTR-9C for FY 2017-18

The Central Government vide Removal of Difficulty Order *No.10/2019-Central Tax dated 26th December, 2019* has further extended the due dates of filing annual return/reconciliation statement in FORM GSTR-9/FORM GSTR-9C for FY 2017-18 to 31st January, 2020.

[Order No. 10/2019-Central Tax dated 26th December, 2019]

Restriction in Availment of Input Tax Credit (ITC), (Condition of use of Electronic Credit Ledger and Blocking of E-Way Bill

The Central Government vide *Notification No.75/2019-Central Tax dated 26th December, 2019* has made the following amendments in CGST Rules, 2017:-

- With effect from the 1st January, 2020, in Rule 36, in sub-rule (4), for the figures and words "20 per cent", the figures and words "10 per cent", shall be substituted

Comment:- *W.e.f 1st January, 2020, ITC to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers under sub-section (1) of Section 37, shall not exceed 10 % of the eligible credit available in respect of*

invoices or debit notes the details of which have been uploaded by the suppliers under sub-section (1) of Section 37.

- In the said rules, after Rule 86, the following Rule shall be inserted, namely:

"86A. Conditions of use of amount available in electronic credit ledger:

- (1) The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible in as much as
 - a) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under Rule 36
 - i. issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained;
 - or
 - ii. without receipt of goods or services or both; or
 - b) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under Rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government;
 - or
 - c) the registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained;
 - d) the registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under Rule 36,

may, for reasons to be recorded in writing, not allow debit of an amount equivalent to such credit in electronic credit ledger for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

- (2) The Commissioner, or the officer authorised

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by him under sub-rule (1) may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit.

(3) Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.”

- In the said rules, with effect from the 11th January, 2020, in Rule 138E, after clause (b), the following clause shall be inserted, namely:

“(c) being a person other than a person specified in clause (a), has not furnished the statement of outward supplies for any two months or quarters, as the case may be.”

Comment: The insertion has been made to block generation of E-way Bill by a registered person who has not furnished Form GSTR-1 for successive two months or two quarters, as the case may be w.e.f 11th January, 2020.

[Notification No. 75/2019-Central Tax dated 26th December, 2019]

Exemption of Upfront Payment for long term lease of industrial/ financial infrastructure plots by an entity having 20% or more ownership of Central or State Government.

The Central Government vide *Notification No. 28/2019-Central Tax (Rate), dated 31st December 2019* has made the following amendment in *Notification No.12/2017- Central Tax (Rate), dated the 28th June, 2017*:

In the said notification, in the Table, against serial number 41:

- in column (3), for the figure “50”, at both the places where they occur, the figure “20 ” shall be substituted;
- for the entry in column (5), the following entries shall be substituted, namely:

(5)
<p>“Provided that the leased plots shall be used for the purpose for which they are allotted, that is, for industrial or financial activity in an industrial or financial business area,</p> <p>Provided further that the State Government concerned shall monitor and enforce the above condition as per the order issued by the State Government in this regard,</p> <p>Provided also that in case of any violation or subsequent change of land use, due to any reason whatsoever, the original lessor, original lessee as well as any subsequent lessee or buyer or owner shall be jointly and severally liable to pay such amount of central tax, as would have been payable on the upfront amount charged for the long term lease of the plots but for the exemption contained herein, along with the applicable interest and penalty,</p> <p>Provided also that the lease agreement entered into by the original lessor with the original lessee or subsequent lessee, or sub-lessee, as well as any subsequent lease or sale agreements, for lease or sale of such plots to subsequent lessees or buyers or owners shall incorporate in the terms and conditions, the fact that the central tax was exempted on the long term lease of the plots by the original lessor to the original lessee subject to above condition and that the parties to the said agreements undertake to comply with the same.”</p>

Clarity on RCM on renting of Motor Vehicles to a Body Corporate

The Central Government vide *Notification No. 29/2019-Central Tax (Rate), dated 31st December 2019* has made the following further amendment in *Notification No.13/2017- Central Tax (Rate), dated the 28th June, 2017*:

S. No.	Category of Supply of Services	Supplier of service	Recipient of Service
(1)	(2)	(3)	(4)
“15	Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.	Any person, other than a body corporate who supplies the service to a body corporate and does not issue an invoice charging central tax at the rate of 6 percent to the service recipient	Any body corporate located in the taxable territory.”

To clarify the need of the said amendment, the Central Board of Indirect Taxes & Customs vide *Circular No. 130/49/2019-GST dated 31st December, 2019* has issued the following clarification:

Though a supplier providing the service to a body corporate under RCM may still be paying GST @ 5% on the services supplied to other non body corporate clients, to bring in greater clarity, serial No. 15 of the *Notification No. 13/2017-CT (R) dated 28.06.17* has been amended vide *Notification No. 29/2019-CT (R) dated 31.12.19* to state that RCM shall be applicable on the service by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient only if the supplier fulfils all the following conditions:

- (a) is other than a body-corporate;
- (b) does not issue an invoice charging GST @12% from the service recipient; and
- (c) supplies the service to a body corporate.

[Notification No. 29/2019-Central Tax (Rate), dated 31st December, 2019] and [Circular No. 130/49/2019-GST dated 31st December, 2019]

Similar amendments have been made in the Integrated Tax (Rate) and Union Territory Tax (Rate) vide [Notification No. 28/2019-Integrated Tax (Rate), dated 31st December, 2019] and [Notification No. 29/2019-Union Territory Tax (Rate), dated 31st December, 2019]

Effecting certain provisions of the Finance (No. 2) Act, 2019

The Central Government vide *Notification No. 01/2020-Central Tax, dated 1st January, 2020* has appointed the 1st day of January, 2020, as the date on which the provisions of Sections 92 to 112, except Section 92, Section 97, Section 100 and Sections 103 to 110 of the Finance (No. 2) Act, 2019 (23 of 2019), shall come into force.

Comment: *Following Sections of the Finance (No. 2) Act, 2019 (23 of 2019) is effective w.e.f. 1st January, 2020:*

S. No.	Section as per Finance (No. 2) Act, 2019	Section as per CGST Act, 2017	Related Provision
1.	Section 93	Section 10	Composition Levy
2.	Section 94	Section 22	Persons liable for registration
3.	Section 95	Section 25	Procedure for registration
4.	Section 96	Section 31A inserted	Facility of digital payment to recipient
5.	Section 98	Section 44	Annual return
6.	Section 99	Section 49	Payment of tax, interest, penalty and other amounts
7.	Section 101	Section 52	Tax collected at source
8.	Section 102	Section 53A	Transfer of certain amounts
9.	Section 111	Section 168	Power to issue instructions or directions
10.	Section 112	Section 171	Anti-profiteering measure

Effecting certain provisions of the Finance (No. 2) Act, 2019 to amend the IGST Act, 2017

The Central Government vide *Notification No. 01/2020- Integrated Tax, dated 1st January, 2020* has appointed the 1st day of January, 2020, as the date on which the provisions of Sections 114, of the Finance (No. 2) Act, 2019 (23 of 2019), shall come into force.

Comment: *Sections 114, of the Finance (No. 2) Act, 2019 (23 of 2019) reads as under:*

“114. After Section 17 of the Integrated Goods and Services Tax Act, 2017, the following Section shall be inserted, namely:

“17A. Where any amount has been transferred from the electronic cash ledger under this Act to the electronic cash ledger under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, the Government shall transfer to the State tax account or the Union territory tax account, an amount equal to the amount transferred from the electronic cash ledger, in such manner and within such time, as may be prescribed.”

[Notification No. 01/2020- Integrated Tax, dated 1st January, 2020]

Amendments in CGST Rules

The Central Government vide *Notification No. 02/2020-Central Tax, dated 1st January, 2020* has made the following amendments in CGST Rules, 2017:

Amendment in Rule 117 - Tax or duty credit carried forward under any existing law or on goods held in stock on the appointed day:

(a) in sub-rule (1A), with effect from the 31st December 2019, for the figures, letters and word “31st December, 2019”, the figures, letters and word “31st March, 2020” shall be substituted;

(b) in sub-rule (4), in clause (b), in sub-clause (iii), in the proviso, for the figures, letters and word “31st January, 2020”, the figures, letters and word “30th April, 2020” shall be substituted.

Comment: The above amendments empowers the Commissioner, on the recommendations of the Council, to extend the date for submitting the declaration electronically in FORM GST TRAN-1 by a further period not beyond [31st March, 2020], in respect of registered persons who could not submit the said declaration by the due date on account of technical difficulties on the common portal and in respect of whom the Council has made a recommendation for such extension. The above amendment also allows the registered persons filing the declaration in FORM GST TRAN-1 in accordance with sub-rule (1A), to submit the statement in FORM GST TRAN-2 by [30th April, 2020]

Amendment in FORM REG-01, FORM GSTR-3A, FORM INV-01:

Certain changes have also been made in FORM REG-01, in Part-B, FORM GSTR-3A

(“Notice to Return Defaulter under section 46 for not filing Return”) and FORM INV-01 vide the said notification.

[Notification No. 02/2020-Central Tax, dated 1st January, 2020]

Amendment in the transition plan for the UTs of Jammu & Kashmir and Ladakh

The Central Government vide *Notification No. 03/2020-Central Tax, dated 1st January, 2020*

has made certain changes in the transition plan *Notification No. 62/2019-Central Tax, dated the 26th November, 2019* for the UTs of Jammu & Kashmir and Ladakh as under:

In the said notification:

- (i) in paragraph 2, in clause (iii), for the figures, letters and words “30th day of October, 2019” and “31st day of October”, the figures, letters and words “31st day of December, 2019” and “1st day of January, 2020” shall respectively be substituted;
- (ii) in paragraph 3, for the figures, letters and words “31st day of October, 2019”, the figures, letters and words “1st day of January, 2020” shall be substituted.

Comment: The above amendment extends the time to exercise the option to transfer the input tax credit (ITC) from the registered Goods and Services Tax Identification Number (GSTIN), till the 31st day of December, 2019 (instead of 30th day of October, 2019) in the State of Jammu and Kashmir, to the new GSTIN in the Union territory of Jammu and Kashmir or in the Union territory of Ladakh from the 1st day of January, 2020 (instead of 31st day of October, 2019).

Further, it also extends the time for transfer of the balance of State taxes in electronic credit ledger of the said class of persons, as the balance of Union territory tax whose principal place of business lies in the Union territory of Ladakh from the 1st Day of January, 2020 (in place of 31st day of October, 2019).

[Notification No. 03/2020-Central Tax, dated 1st January, 2020]

Appointment of Revisional Authority under CGST Act, 2017

The Central Government vide *Notification No. 05/2020-Central Tax, dated 13th January, 2020* authorises the following as the Revisional Authority under section 108 of the CGST Act –

S. No.	Revisional Authority	For Orders Passed by
(a)	The Principal Commissioner or Commissioner of Central Tax	for decisions or orders passed by the Additional or Joint Commissioner of Central Tax

S. No.	Revisonal Authority	For Orders Passed by
(b)	The Additional or Joint Commissioner of Central Tax	for decisions or orders passed by the Deputy Commissioner or Assistant Commissioner or Superintendent of Central Tax.

[Notification No. 05/2020-Central Tax, dated 13th January, 2020]



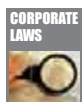
FEMA

Foreign Exchange Management (Export of Goods and Services) (Amendment) Regulations, 2019

In Regulation 4 after sub regulation (e) following is inserted –

“(ea) re-export of leased aircraft/ helicopter and/or engines/auxiliary power units (APUs) re-possessed by overseas lessor and duly de-registered by the Directorate General of Civil Aviation (DGCA) on the request of Irrevocable Deregistration and Export Request Authorisation (IDERA) holder under ‘Cape Town Convention’ subject to permission by DGCA/ Ministry of Civil Aviation for such export/s.”

A new sub regulation is added to the already existing scenarios of export of goods/software wherein furnishing of declaration is not required.



MCA

Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2020

The Ministry of Corporate Affairs has issued Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2020. They shall be applicable in respect of financial years commencing on or after 1st April, 2020.

In the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for Rule 8A, the following shall be substituted as under:-

Pre Amendment	Post Amendment
“8A. A company other than a company covered under Rule 8 which has a paid-up share capital of five crore rupees or more shall have a whole-time company secretary.”	“8A. Every private company which has a paid up share capital of ten crore rupees or more shall have a whole-time company secretary.”

Rule 9	For the purposes of sub-section (1) of Section 204, the other class of companies shall be as under-	Rule 9	For the purposes of sub-section (1) of Section 204, the other class of companies shall be as under-
(a)	Every public company having a paid-up share capital of fifty crore rupees or more; or	(a)	Every public company having a paid-up share capital of fifty crore rupees or more; or
(b)	Every public company having a turnover of two hundred fifty crore rupees or more;	(b)	Every public company having a turnover of two hundred fifty crore rupees or more or
		(c)	Every company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more. (New insertion)

For complete text of the notification, please refer the link: http://www.mca.gov.in/Ministry/pdf/AmtdtRules_06012020.pdf

The Ministry of Corporate Affairs has again extended the last date for filing of e-Form BEN-2 without additional fees on account of the representations received

On the basis of the representations received the matter has been examined and it is hereby informed that the time limit for filing e-form No. BEN-2 is extended upto 31st March, 2020 without payment of additional fee and thereafter fee and additional fee shall be payable. Consequent to the extension in the date of filing of e-Form BEN-2, the date of filing of Form BEN-1 may be construed accordingly.

For complete text of the notification, please refer the link: http://www.mca.gov.in/Ministry/pdf/Circular1_01012020.pdf

Relaxation of additional fees and extension of last date of filing of CRA-4 (cost audit report) for FY 2018-19 under the Companies Act, 2013

The Ministry of Corporate Affairs has issued a circular in which the last date of filing of CRA-4 (Cost Audit Report) has been extended for

Legal Update

all eligible companies for the Financial Year 2018-2019. As the Ministry had received several recommendations from various stakeholders for extension of filing of CRA-4, the last date of filing for the same has been extended without payment of additional fee, till February 29, 2020. The extension is given for the entire process starting from preparation of Annexures to the Cost Audit Report to submission of Cost Audit Report by the Cost Auditor to the Company' and finally filing of Cost Audit Report by the Company with the Central Government.

For complete text of the notification, please refer the link: http://www.mca.gov.in/Ministry/pdf/Circular17_30122019.pdf

Notification of Special Courts in state of Uttarakhand and Union Territories of Jammu & Kashmir and Ladakh

The Ministry of Corporate Affairs has issued a notification which stated that, in exercise of the powers conferred by sub-section (1) of Section 435 of the Companies Act, 2013 (18 of 2013), the Central Government, with the concurrence of the Chief Justice of the High Court of Jammu and Kashmir, hereby makes the following amendments in the notification of the Government of India, Ministry of Corporate Affairs, number S.O. 1796(E), dated, the 18th May, 2016, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), namely:-

In the said notification, in the Table, for serial number 1 and the entries relating thereto, the following shall be substituted, namely:-

S. No.	Existing Court	Jurisdiction as Special Court
"1"	Courts of Additional Sessions Judges Anticorruption, Jammu and Srinagar	Union territory of Jammu and Kashmir."

Note:

The principal notification was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O. 1796(E), dated, the 18th May, 2016 and subsequently amended vide notification number S.O. 3119(E), dated the 28th August, 2019.

For complete text of the notification, please refer the link: http://www.mca.gov.in/Ministry/pdf/SpecialCourt Notification_23122019.pdf

SEBI

Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) (Amendment) Regulations, 2020

In exercise of the powers conferred by Section 11, sub-section (2) of Section 11A and Section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with Section 31 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2020.

They shall come into force on the date of their publication in the Official Gazette.

In the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, in regulation 17, in sub-regulation (1B), the number "2020" shall be substituted by the number "2022".

Regulation 17

"(1B) With effect from [April 1, 2022,] the top 500 listed entities shall ensure that the Chairperson of the board of such listed entity shall - (a) be a non-executive director; (b) not be related to the Managing Director or the Chief Executive Officer as per the definition of the term "relative" defined under the Companies Act, 2013:

Provided that this sub-regulation shall not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern filed with stock exchanges.

Explanation - The top 500 entities shall be determined on the basis of market capitalisation, as at the end of the immediate previous financial year.]

Conclusion

SEBI has deferred deadline by 2 years for split of post of Chairman and Managing Director for top 500 listed companies.

For complete text of the notification, please refer the link: https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2020_45649.html

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Seventh Amendment) Regulations, 2019

In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India

Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, namely:- the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Seventh Amendment) Regulations, 2019. They shall come into force on the date of their publication in the Official Gazette.

In the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018:

- I. in regulations 4, 29, 43, 44, 101, 127, 139, 140, 152, 156, 182, 186, 189, 201, 227, 250, 264 and 265, for the word “registering”, wherever it occurs, the word “filing” shall be substituted.
- II. in regulations 25 and 123, the words “registering or” shall be omitted.
- III. in regulations 25 and 123, for the word “registering”, wherever it occurs, the word “filing” shall be substituted.
- IV. in regulations 29, 127, 189 and 250, for the word “registered”, the word “filed” shall be substituted.
- V. in regulation 246, for the word “registration” the word “filing” shall be substituted.

VI. in Schedule V,- i. in form C, for the word “registering” the word “filing” shall be substituted; ii. in form C, for the word “registered” the word “filed” shall be substituted; iii. in form D, for the word “registered” the word “filed” shall be substituted.

VII. in Schedule VI, Part A,- i. for the word “registering” the word “filing” shall be substituted; ii. in clause (7), in sub-clause (O), in para (d), for the word “registered” the word “filed” shall be substituted; iii. in clause (14), in sub-clause (S), in para (6), for the word “registered” the word “filed” shall be substituted.

VIII. in Schedule XIII, in Part A,- i. for the word “registering” the word “filing” shall be substituted; ii. in clause (3), in sub-clause (c) for the word “registered” the word “filed” shall be substituted; iii. in clause (14), for the word “registered” the word “filed” shall be substituted.

For complete text of the notification, please refer the link: https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-seventh-amendment-regulations-2019_45626.html ■



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Know Your Ethics

Ethical issues in Question/Answer form¹



Fundamental Principles

Q. What are the Fundamental Principles which a Professional Accountant is required to comply?

- A. A professional accountant is required to comply with the following fundamental principles:
- Integrity
 - Objectivity
 - Professional Competence and Due Care
 - Confidentiality
 - Professional Behaviour

Q. What is Independence?

- A. Independence requires:

Independence of Mind – The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

Independence in Appearance – The avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, would reasonably conclude a firm's, or a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.

Know Your Client (KYC)

Q. Whether there are any "Know Your Clients" norms for the members in practice? If, yes, to which assignments thereof are they applicable?

- A. Yes, the institute has "Know Your Clients" (KYC) norms for the members, these are applicable to all the attest functions. The detailed norms are mentioned below:

KYC Norms

The financial services industry globally is required to obtain information of their clients and comply with KYC norms. Keeping in mind the highest standards of Chartered Accountancy profession in India, the Council of ICAI thought it necessary to issue such norms to be observed by the members of the profession who are in practice.

In light of this background, the Council of ICAI approved the following KYC Norms which are mandatory in nature and shall apply in all assignments pertaining to attest functions. Explanation: "Attest Functions" for the purpose of this Announcement will include services pertaining to Audit, Review, Agreed upon Procedures and Compilation of Financial Statements.

1. Where Client is an Individual/Proprietor

A. General Information

- Name of the Individual
- PAN No. or Aadhar Card No. of the Individual
- Business Description
- Copy of last Audited Financial Statement

B. Engagement Information

- Type of Engagement

2. Where Client is a Corporate Entity

A. General Information

- Name and Address of the Entity
- Business Description
- Name of the Parent Company in case of Subsidiary
- Copy of last Audited Financial Statement

B. Engagement Information

- Type of Engagement

C. Regulatory Information

- Company PAN No.
- Company Identification No.
- Directors' Names & Addresses
- Directors' Identification NO.

3. Where Client is a Non-Corporate Entity

A. General Information

- Name and Address of the Entity
- Copy of PAN No.
- Business Description
- Partner's Names & Addresses (with their PAN/ Aadhar Card/DIN No.)
- Copy of last Audited Financial Statement

B. Engagement Information

- Type of Engagement

These KYC Norms shall be mandatorily applicable for engagements accepted on or after 1st January, 2017

Miscellaneous

Q. Whether a member in service can represent before the Income Tax Authorities on behalf of other employees /colleagues of the company?

- A. A member in service can appear as tax representative before tax authorities on behalf of the employer, but not on behalf of employees/colleagues.

Q. Whether a member in practice can hold Customs Brokers License under section 146 of the Customs Act, 1962?

- A. No, in terms of the provisions of Code of Ethics, it is not permissible for the member in practice to hold Customs Brokers License under section 146 of the Customs Act, 1962 read with Customs Brokers Licensing Regulations, 2013.

Q. Can a member in practice print QR (Quick Response) code on his visiting cards, facilitating easy access to information?

- A. Yes, printing of QR Code on the visiting Cards is permissible, provided that it does not contain information that is not otherwise permissible to be printed on a visiting card. ■

¹Contributed by Ethical Standards Board of ICAI

Urgent Call for Improved UN Sustainable Development Goals Disclosures

Recently, leading accounting bodies and other organisations have called for corporate and asset owner action and improved reporting on the UN's Sustainable Development Goals (SDG) in an attempt to hit goals set for 2030. The recommendations are detailed in the report, *Sustainable Development Goals Disclosure (SDGD) Recommendations*. The report has been published by global accountancy bodies - International Federation of Accountants (IFAC), Association of Chartered Certified Accountants (ACCA), Institute of Chartered Accountants of Scotland (ICAS), Chartered Accountants Australia and New Zealand (CA ANZ), the International Integrated Reporting Council (IIRC) and the World Benchmarking Alliance. It is also endorsed by the Director of SDG Impact from the United Nations Development Programme (UN-DP).

The *SDGD Recommendations* offer a new approach for businesses and other organisations to address sustainable development issues aligned to the three most influential and popular reporting frameworks. They attempt to establish a best practice for corporate reporting on the SDGs and enable more effective and standardised reporting and transparency on climate change, social and other environmental impacts. The *SDGD Recommendations* were developed through consultation with accounting and finance professionals, sustainability experts, academics, consultants, framework and standard setters, asset owners and managers and civil society participants.

Responses to the consultation have been published in *Sustainable Development Goals Disclosure (SDGD) Recommendations: Feedback on the consultation*. They show strong support for alignment of *SDGD Recommendations* with other key reporting frameworks/standards (those of the Task force on Climate-related Financial Disclosures, the Global Reporting Initiative and the International <IR> Framework). Respondents agreed that accountability for value destruction and negative impacts are critical. The *SDGD Recommendations* call on organisations to consider sustainable development risks and opportunities relevant to their long term value creation strategy and communicate the actual or potential impacts on achievement of the SDGs. This will require relevant and material disclosures about the factors that influence long term value creation (or destruction) for the organisation and society or that have an impact (positive or negative) on the achievement of the SDGs in the annual report.

The *Recommendations* are built upon a suggested five-step approach for contributing to the SDGs aligned with long-term value creation, previously developed by Professor Adams and published by the IIRC and ICAS.

(Source: www.ifac.org)

ASB issues Guidance on Global Investment Performance Standards

The AICPA Auditing Standards Board has issued guidance to practitioners for engagements to examine and report on

aspects of an investment firm's claim of compliance with the 2020 edition of the Global Investment Performance Standards (GIPS). Guidance for this type of engagement, known as a verification, is contained in Statement of Position (SOP) 20-1, *Reporting Pursuant to the 2020 Edition of the Global Investment Performance Standards*. SOP 20-1 also provides guidance for another type of attestation engagement, known as a performance examination, to examine and report on any of the investment firm's composites or pooled funds and their associated GIPS reports. The new SOP updates SOP 12-1, *Reporting Pursuant to the Global Investment Performance Standards*, which addresses the 2010 edition of the GIPS standards and remains relevant for engagements that are performed using the 2010 edition. SOP 20-1 takes effect upon issuance for engagements to report on an investment firm's or asset owner's compliance with the 2020 edition of the GIPS standards.

(Source: <https://www.journalofaccountancy.com>)

FASB Clarifies Interaction between Standards

Financial Accounting Standards Board (FASB) recently issued a standard that is intended to clarify the interaction between accounting standards related to equity securities, equity method investments, and certain derivatives. The board expects that standard to reduce diversity in practice and increase comparability of accounting for these interactions. Stakeholders had asked FASB to clarify how guidance issued in 2016 should interact with equity method investments. Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, added Topic 321, *Investments — Equity Securities*, and made targeted changes to address certain aspects of accounting for financial instruments.

The 2016 ASU provided a company with the ability to measure certain equity securities without a readily determinable fair value at cost, minus impairment (if any), unless an observable transaction for an identical or similar security occurs (the measurement alternative). The ASU issued recently explains that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, *Investments — Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The changes in ASU No. 2016-01 also prompted questions on whether certain forward contracts and purchased options should be accounted for in accordance with Topic 321, Topic 323, or Topic 815, *Derivatives and Hedging*.

The recently issued ASU clarifies that, when determining the accounting for certain forward contracts and purchased options, a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The new standard is based on a consensus of the Emerging Issues Task Force.

(Source: <https://www.fasb.org>)

Chartered Accountants Foundation Course [Under New Scheme], Intermediate (IPC) [Under Old Scheme], Intermediate [Under New Scheme] and Final [Under Old & New Scheme] Examinations, May 2020

No. 13-CA (EXAM)/M/2020: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to announce that the next Chartered Accountants Foundation Course {Under New Scheme}, Intermediate (IPC) {Under Old Scheme}, Intermediate {Under New Scheme} and Final {Under Old & New Scheme} Examinations will be held on the dates given below at the following places provided that sufficient number of candidates offer themselves to appear from each centre.

Similarly, Examinations in Post Qualification Course under Regulation 204, viz.: International Trade Laws and World Trade Organisation (ITL & WTO) and International Taxation – Assessment Test (INTT – AT) (which is open to the members of the Institute) will be held on the dates and places (centres in India only) which are given below provided that sufficient number of candidates offer themselves to appear from each of the below mentioned places.

FOUNDATION COURSE EXAMINATION – Under NEW SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 25 F (3) of the Chartered Accountants Regulations, 1988]

11th, 13th, 15th & 17th May 2020

INTERMEDIATE (IPC) COURSE EXAMINATION – Under OLD SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 28 E (3) of the Chartered Accountants Regulations, 1988]

Group-I: 3rd, 5th, 8th & 10th May 2020

Group-II: 12th, 14th & 16th May 2020

INTERMEDIATE COURSE EXAMINATION – Under NEW SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 28 G (4) of the Chartered Accountants Regulations, 1988]

Group-I: 3rd, 5th, 8th & 10th May 2020

Group-II: 12th, 14th, 16th & 18th May 2020

FINAL COURSE EXAMINATION - Under OLD SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 31 (ii) of the Chartered Accountants Regulations, 1988]

Group -I: 2nd, 4th, 6th & 9th May 2020

Group -II: 11th, 13th, 15th & 17th May 2020

FINAL COURSE EXAMINATION - Under NEW SCHEME

[As per syllabus contained in the scheme notified by the Council under Regulation 31 (iv) of the Chartered Accountants Regulations, 1988]

Group -I: 2nd, 4th, 6th & 9th May 2020

Group -II: 11th, 13th, 15th & 17th May 2020

INTERNATIONAL TRADE LAWS AND WORLD TRADE ORGANISATION

(ITL & WTO), Part I EXAMINATION

Group A 3rd & 5th May 2020

Group B 8th & 10th May 2020

INTERNATIONAL TAXATION – ASSESSMENT TEST (INTT – AT)

11th & 13th May 2020

It may be emphasised that there would be no change in the examination schedule in the event of any day of the examination schedule being declared a Public Holiday by the Central Government or any State Government / Local Holiday.

Candidates may note that two of the papers viz. Paper(s) 3 & 4 of Foundation Examination are of 2 hours duration. Similarly, Elective Paper - 6 of Final Examination (under New Scheme) is of 4 hours. However, all other examinations are of 3 hours duration, and the examination wise timing(s) are:

Examination	Paper(s)	Exam Timings (IST)	Duration
Foundation	Paper 1 & 2	2 PM to 5 PM	3 Hours
	Paper 3 & 4*	2 PM to 4 PM	2 Hours
Intermediate (IPC)	All Papers	2 PM to 5 PM	3 Hours
Intermediate (New Scheme)	All Papers	2 PM to 5 PM	3 Hours
Final (Old Scheme)	All Papers	2 PM to 5 PM	3 Hours
Final (New Scheme)	Paper 1 to 5 & Paper 7 & 8.	2 PM to 5 PM	3 Hours
	Paper 6 (Elective)	2 PM to 6 PM	4 Hours
Post Qualification Course Examinations i.e. (ITL & WTO), Part I and (INTT – AT)	ALL	2 PM to 5 PM	3 Hours

*In Paper 3 and 4 of Foundation Examination and all papers of Post Qualification Course Examinations there will not be any advance reading time, whereas in all other papers / exams mentioned above, an advance reading time of 15 minutes will be given from 1: 45 PM (IST) to 2: 00 PM (IST).

Foundation Course Examination is to be held along with Final Group –II Examinations on 11th, 13th, 15th & 17th May, 2020 and the Post Qualification Course Examination i.e. INTT - AT is to be held along with Final Group – II Examination on 11th and 13th May, 2020 whereas ITL & WTO examination is to be held along with 4 papers, Group – I of Intermediate (IPC) / Intermediate Examinations.

PLACES OF EXAMINATION CENTRES IN INDIA:

The Chartered Accountants examinations in May 2020 will be held in the following cities:

1	AGRA	2	AHMEDABAD	3	AHMEDNAGAR
4	AJMER	5	AKOLA	6	ALAPPUZHA
7	ALIGARH	8	ALLAHABAD (PRAYAGRAJ)	9	ALWAR
10	AMBALA	11	AMBIKAPUR*(CHHATTISGARH)	12	AMRAVATI
13	AMRITSAR	14	ANAND	15	ANANTAPUR
16	ASANSOL	17	AURANGABAD	18	BADLAPUR
19	BAHADURGARH	20	BALOTRA*	21	BANSWARA
22	BAREILLY	23	BATHINDA	24	BEAWAR
25	BEED	26	BELGAUM	27	BELLARY
28	BENGALURU	29	BERHAMPORE (ODISHA)	30	BHAGALPUR
31	BHARATPUR	32	BHARUCH	33	BHAVNAGAR
34	BHILWARA	35	BHIWANDI	36	BHIWANI
37	BHOPAL	38	BHUBANESWAR	39	BHUJ
40	BIKANER	41	BILASPUR	42	BULANDSHAHR
43	BURHANPUR	44	CHANDIGARH	45	CHANDRAPUR
46	CHENNAI	47	CHHINDWARA	48	CHITTORGARH
49	CHURU	50	COIMBATORE	51	CUTTACK
52	DARBHANGA	53	DAVANGERE	54	DEHRADUN
55	DELHI / NEW DELHI	56	DHANBAD	57	DHULE
58	DIBRUGARH	59	DURG	60	DURGAPUR

61	ELURU	62	ERNAKULAM	63	ERODE
64	FARIDABAD	65	FATEHABAD	66	FIROZABAD
67	GANDHIDHAM	68	GANDHINAGAR	69	GHAZIABAD
70	GONDIA	71	GORAKHPUR	72	GUNTUR
73	GURGAON	74	GUWAHATI	75	GWALIOR
76	HALDWANI	77	HARIDWAR	78	HISAR
79	HUBLI	80	HYDERABAD	81	ICHALKARANJI
82	INDORE	83	JABALPUR	84	JAIPUR
85	JALANDHAR	86	JALGAON	87	JALNA
88	JAMMU	89	JAMNAGAR	90	JAMSHEDPUR
91	JHANSI	92	JHARSUGUDA	93	JHUNJHUNU
94	JIND	95	JODHPUR	96	JUNAGADH
97	KADAPA	98	KAITHAL	99	KAKINADA
100	KALABURGI* (GULBARGA)	101	KANCHEEPURAM	102	KANNUR
103	KANPUR	104	KARIMNAGAR	105	KARNAL
106	KISHANGARH	107	KOLHAPUR	108	KOLKATA
109	KOLLAM	110	KOTA	111	KOTTAYAM
112	KOZHIKODE	113	KUMBAKONAM	114	KURNOOL
115	KURUKSHETRA	116	LATUR	117	LUCKNOW
118	LUDHIANA	119	MADURAI	120	MALAPPURAM
121	MANDSAUR	122	MANGALORE	123	MAPUSA (GOA)
124	MARGAO (GOA)	125	MATHURA	126	MEERUT
127	MORADABAD	128	MUMBAI	129	MUZAFFARNAGAR
130	MUZAFFARPUR	131	MYSORE	132	NAGPUR
133	NANDED	134	NASHIK	135	NAVI MUMBAI
136	NAVSARI	137	NEEMUCH	138	NELLORE
139	NIZAMABAD	140	NOIDA	141	ONGOLE
142	PALAKKAD	143	PALGHAR	144	PALI MARWAR
145	PANIPAT	146	PANVEL	147	PARBHANI
148	PATIALA	149	PATNA	150	PIMPRI-CHINCHWAD
151	PONDICHERRY	152	PORT BLAIR*	153	PUNE
154	RAIGARH* (CHHATTISGARH)	155	RAIPUR	156	RAJA MAHENDRAVARAM
157	RAJKOT	158	RANCHI	159	RANIGANJ
160	RATLAM	161	RATNAGIRI	162	REWA
163	REWARI	164	ROHTAK	165	ROURKELA
166	SAHARANPUR	167	SALEM	168	SAMBALPUR
169	SANGLI	170	SANGRUR	171	SATARA
172	SATNA	173	SHIMLA	174	SHIMOGA

175	SIKAR	176	SILIGURI	177	SIROHI
178	SIRSA	179	SIVAKASI	180	SOLAPUR
181	SONEPAT	182	SRI GANGANAGAR	183	SRINAGAR
184	SURAT	185	SURENDRANAGAR	186	THANE
187	THIRUVAN- ANTHAPURAM	188	THRISSUR	189	TINSUKIA
190	TIRUCHIRAPALLI	191	TIRUNELVELI	192	TIRUPATI
193	TIRUPUR	194	TUTICORIN	195	UDAIPUR
196	UDUPI	197	UJJAIN	198	VADODARA
199	VAPI	200	VARANASI	201	VASAI
202	VELLORE	203	VIJAYAWADA	204	VISAKHAPATNAM
205	WARANGAL	206	YAMUNA NAGAR	207	YAVATMAL

* **Kindly note that only Foundation Examination will be conducted at these cities.**

PLACES OF EXAMINATION CENTRES OVERSEAS:

[FOR FOUNDATION, INTERMEDIATE (IPC), INTERMEDIATE AND FINAL EXAMINATIONS ONLY]

The May - 2020 examinations will also be held at the 5 (Five) overseas examination centres, namely

1.	ABU DHABI	2.	DOHA	3.	DUBAI	4.	KATHMANDU	5.	MUSCAT
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The Examination commencement timings at Abu Dhabi, Dubai and Muscat Centres will be 12: 30 PM i.e., Abu Dhabi, Dubai and Muscat local time corresponding/equivalent to 2: 00 PM. (IST). The Examination commencement timing at Doha Centre will be 11: 30 AM i.e., Doha local time corresponding/equivalent to 2: 00 PM. (IST). The Examination commencement Timing at Kathmandu (Nepal) Centre will be 2: 15 PM Nepal local time corresponding /equivalent to 2: 00 PM (IST).

The Council reserves the right to withdraw any city / centre at any stage without assigning any reason.

Online filling up of examination forms:

Applications for admission to Foundation, Intermediate (IPC), Intermediate & Final Examinations: Candidates are required to apply on-line at <https://icaiaexam.icaai.org> from **5th February, 2020** to **26th February, 2020** and remit the examination fee on-line by using VISA or MASTER or MAESTRO Credit / Debit Card / Rupay Card / Net Banking / Bhim UPI. They shall however, be required to remit additional ₹600/- towards late fee (for Domestic & Kathmandu centres) and US\$ 10 (for Overseas centres) in case the application on-line is made after **26th February,**

2020 and upto **4th March, 2020** [up to 5.30 PM (IST)]

Whereas the Examination application form for Post Qualification Course Examinations i.e. International Trade Laws and World Trade Organisation (ITL & WTO) and International Taxation – Assessment Test (INTT – AT) (which is open to the members of the Institute) is to be filled up in the downloadable paper based form (hard copy) only and is priced at ₹ 100/- per examination application form. The forms can be downloaded from our website www.icaai.org on or after **5th February 2020**. ₹ 100 may be added to the examination fees payable for the relevant post qualification course. It may be noted that the application forms duly completed for the Post Qualification Course Examination will be received **only** at the New Delhi office of the Institute. The last date for application is **26th February, 2020** without late fee and **4th March, 2020** with late fee of ₹ 600/-

Payment of fees for the Post Qualification Course i.e., International Trade Laws and World Trade Organisation (ITL & WTO) and International Taxation – Assessment Test (INTT – AT) should be made by Demand Draft only. The Demand

Draft may be of any Scheduled Bank and should be drawn in favour of **The Secretary, The Institute of Chartered Accountants of India**, payable at **New Delhi only**.

The examination fees payable for various courses are as under:

Intermediate (IPC) & Intermediate Course Examinations {Old and New Scheme}	
For Indian Centre(s)	
Single Group / Unit 1 to 10 (except Unit 9) / Unit 4A to 7A	₹ 1500/-
Both Groups / Unit 9 / Unit 8A / Unit 9A	₹ 2700/-
For Overseas Centre(s) – Excluding Kathmandu Centre	
Single Group / Unit 1 to 10 (except Unit 9) / Unit 4A to 7A	US\$ 325
Both Groups / Unit 9 / Unit 8A / Unit 9A	US\$ 500
For Kathmandu Centre	
Single Group / Unit 1 to 10 (except Unit 9) / Unit 4A to 7A	INR ₹ 2200
Both Groups / Unit 9 / Unit 8A / Unit 9A	INR ₹ 3400
Final Course Examinations {Old and New Scheme}	
For Indian Centre(s)	
Single Group	₹ 1800/-
Both Groups	₹ 3300/-
For Overseas Centre(s) – Excluding Kathmandu Centre	
Single Group	US\$ 325
Both Groups	US\$ 550
For Kathmandu Centre	
Single Group	INR ₹ 2200
Both Groups	INR ₹ 4000
ITL & WTO	₹ 2000/- per group
INTERNATIONAL TAXATION – ASSESSMENT TEST	₹ 2000/-
Foundation Course Examination	
For Indian Centre(s)	₹ 1500/-
For Overseas Centre(s) – Excluding Kathmandu Centre	US\$ 325
For Kathmandu (Nepal) Centre	INR ₹ 2200

The late fee for submission of examination application form after the scheduled last date would be ₹ 600/- (for Indian / Kathmandu Centres) and US \$ 10 (for Abroad Centres) as decided by the Council.

OPTION TO ANSWER PAPERS IN HINDI:

Candidates of Foundation, Intermediate (IPC), Intermediate and Final (Old & New Scheme) Examinations will be allowed to opt for English / Hindi medium for answering papers. Detailed information will be found in guidance notes hosted at <https://icaiaexam.icaai.org>. However the medium of Examinations will be only English in respect of Post Qualification Course viz.: International Trade Laws and World Trade Organisation (ITL & WTO) and International Taxation – Assessment Test (INTT – AT).

Additional Secretary
(Examinations)

Standards on Internal Audit- Repositories of Performance Benchmarks

Standards on Internal Audit, in addition to outlining fundamental principles for the guidance of the members, also serve as their performance benchmarks. The Institute has initiated the process of revising SIAs and making them mandatory for certain class of companies in a phased manner. Revised Standards have been re-numbered and classified in the categories: Standards on Key Concepts (100 series), Standards on Internal Audit Management (200 series), Standards on the Conduct of Audit Assignments (300-400 series), Standards on Specialised Areas (500 series), Standards on Quality Control (600 series) and Standards on Miscellaneous Matters (700 series).

These principle-based Standards provide a framework for internal audit activities, establish the basis for evaluation of internal audit performance, and foster improved organisational processes and operations.

The Board has recently issued three Standards on Internal Audit, providing guidance on important areas i.e., Internal Controls, Review and Supervision of Audit Assignments and Monitoring and Reporting of Prior Audit Issues. All Standards on Internal Audit as issued by the Institute are available on link: https://www.icaai.org/new_post.html?post_id=597&c_id=145.

On the path of updation, the Institute has issued

Exposure Drafts of three Standards on Internal Audit (SIAs) i.e., Risk Management, Auditing in an Information Technology Environment and Third Party Service Provider. The said exposure drafts are available on Institute's website on link: https://www.icaai.org/post.html?post_id=4620. Comments are most helpful if they indicate a clear rationale and, where applicable, provide a suggestion for alternative wording. Last date for sending comments is February 5, 2020.

- SIA 130, *Risk Management* clarifies the responsibilities of management and auditors over risk management, and the requirements need to be met in order to assess, evaluate, report and provide assurance over risk management.
- SIA 520, *Auditing in an Information Technology Environment* deals with the responsibility of the Internal Auditor to conduct audit in an Information Technology (IT) environment.
- SIA 530, *Third Party Service Provider* outlines the key requirements for providing independent assurance over information residing with third party service providers.

These Standards on Internal Audit as issued by the Institute would support the members in discharging their duties as highly valued and trusted advisors to the stakeholders.

Setting up of Branch of Western India Chartered Accountants Students' Association at Ichalkaranji

In pursuance of Regulation 81(5) of the Chartered Accountants Regulations, 1988, read with Rule 4 of the Chartered Accountants Students' Association Rules, the Council of the Institute of Chartered Accountants of India is pleased to announce the setting up of Branch of Western India Chartered Accountants Students' Association at Ichalkaranji with effect from 15th January, 2020.

The Branch shall be known as Ichalkaranji Branch of WICASA.

As prescribed under Rule 4(b) of the Chartered

Accountants Students' Association Rules, the Branches shall, at all time function subject to the control, supervision and direction of the Central Council, exercised through the Regional Council or the Regional Students' Association and shall be governed by the directions issued by the Central Council from time to time, for the functioning of the Branches of Students' Association or such other directions that may be issued from time to time.

Acting Secretary, ICAI

Certificate Course on Concurrent Audit of Banks

The concurrent audit system of banks has become very crucial and important for banks. The main objective of the system is to ensure compliance with the audit systems in banks as per the guidelines of the Reserve Bank of India and importantly, to ensure timely detection of lapses/ irregularities. In view of the core competence of the chartered accountants in the area of finance and accounting, risk management, understanding of the internal functioning and controls of banks, etc., the banking sector has been relying extensively on them to comply with these requirements of the regulator. The Internal Audit Standards Board of ICAI conducts six days Certificate Course on Concurrent Audit of Banks. The purpose of the *Certificate Course on Concurrent Audit of Banks* is to provide an opportunity to the members to understand the intricacies of concurrent audit of banks thereby improving the effectiveness of concurrent audit system in banks, and also the quality and coverage of concurrent audit reports.

The course is open for the members of the Institute of Chartered Accountants of India as well as the students who have cleared CA final examinations. However, the students who have qualified their CA final examinations but are yet to obtain the membership number of the Institute shall be eligible for examination/evaluation only after getting their membership number from the ICAI. None other than the above are eligible for participating for any of the certificate course.

Please refer link for further details of the Course: https://www.icai.org/post.html?post_id=8236

Online payment links for the Course: <https://ccm.icai.org/>.

FEES DETAILS (w.e.f January, 2020)	Metro Cities	Non-metro Cities
For Members of ICAI born before 01.01.1990	₹ 12,390 (₹ 10,500 per participant +18% GST)	₹ 11,800 (₹ 10,000 per participant +18% GST)
For Members of ICAI born on or after 01.01.1990*	₹ 11,800 (₹ 10,000 per participant +18% GST)	₹ 11,800 (₹ 10,000 per participant +18% GST)

I. *The members who are suffering from permanent disability of 50% and above be treated at par with young members and all those concessions which are available to the young members may be extended to such members provided such member is not a partner in a firm.*

The details of the forthcoming batches of the Certificate Course on Concurrent Audit of Banks, organised by the Internal Audit Standards Board of ICAI at various places are as follows:

Location	Scheduled Dates	Course Structure and other details
Patna	February 1&2, 8&9 and 15&16, 2020	https://resource.cdn.icai.org/57683iasb46895.pdf
Hyderabad	February 1&2, 8&9 and 15&16, 2020	https://resource.cdn.icai.org/57809iasb47089hyd.pdf
Kanpur	February 1, 2 & 8, 9 and 15, 16, 2020	https://resource.cdn.icai.org/57808iasb47089kanpur.pdf
Jodhpur	February 15, 16 & 22, 23 & 29 and March 1, 2020	https://resource.cdn.icai.org/57967iasb47266j.pdf
Kolkata	February 15, 16 & 22, 23 & 29 and March 1, 2020	https://resource.cdn.icai.org/57965iasb47266k.pdf

Chairman
Internal Audit Standards Board, ICAI
E-mail: cia@icai.in

RESULT OF CHARTERED ACCOUNTANTS FINAL (NEW SCHEME) EXAMINATION HELD IN NOVEMBER - 2019





The result of the Chartered Accountants Final (New Scheme) Examination was declared recently. The details of percentage of candidates passed in the above said examinations are given below:

	Candidates applied for	No. of candidates appeared	No. of candidates passed	% of pass
I	Group – I	27861	4830	17.34
II	Group –II	26972	7593	28.15
III	Both Groups	15003	2268	15.12

Consequent to declaration of result as mentioned above, 5125 candidates qualified as Chartered Accountants.

The details of top three rank holders on the all India basis for the FINAL (New Scheme) Examination held in November - 2019 with the marks secured by them are also given herewith.

TOPPERS OF CHARTERED ACCOUNTANTS FINAL (NEW SCHEME) EXAMINATION NOVEMBER - 2019

	All India Topper First Rank	All India Topper First Rank	All India Second Rank	All India Third Rank
				
Name	Abhay Bajoria	Suryansh Agarwal	Dhruv Kothari	Darshan Mukeshkumar Shah
City	Kolkata	Noida	Kolkata	Ahmedabad
Marks	603/800	603/800	577/800	575/800
%	75.38	75.38	72.13	71.88

RESULT OF CHARTERED ACCOUNTANTS FINAL (OLD SCHEME) EXAMINATION HELD IN NOVEMBER - 2019




The result of the Chartered Accountants Final (Old Scheme) Examination was declared recently. The details of percentage of candidates passed in the above said examinations are given below:

	Candidates applied for	No. of candidates appeared	No. of candidates passed	% of pass
I	Group – I	27409	7384	26.94
II	Group – II	37589	8679	23.09
III	Both Groups	8021	817	10.19

Consequent to declaration of result as mentioned above, 9446 candidates qualified as Chartered Accountants.

The details of top three rank holders on the all India basis for the FINAL (Old Scheme) Examination held in November - 2019 with the marks secured by them are also given herewith.

TOPPERS OF CHARTERED ACCOUNTANTS FINAL (OLD SCHEME) EXAMINATION NOVEMBER - 2019

	All India Topper First Rank	All India Second Rank	All India Third Rank
			
Name	Gurram Naga Sri Krishna Praneeth	Varada K P	Dhawal Kapoorchand Chopda
City	Vijayawada	Mannarkkad	Mumbai
Marks	577/800	548/800	531/800
%	72.13	68.50	66.38



Mentorship Programme

Engage Guide and Empower



This Mentorship Programme is facilitating the growth and development of the CAs by building bridges between emerging and established professionals

Benefit to MENTOR

Satisfaction of contributing to the profession

Exposure to fresh perspectives & ideas

Enhance leadership skills

Embark to new challenges

Eligibility:

Member of ICAI positioned as CFO and above in various organizations or
Member holding managerial position & having more than 10 years of experience

Benefit to MENTEE

Network with established professionals

Develop and advance professional goals

Gain guidance & support to face challenges

Improve interpersonal skills

Eligibility:

Chartered Accountant aspiring and keen to learn and to join the industry or want to move up in corporate ladder

SIGN UP TODAY

<https://mentorship.icai.org>

Organised by

Committee for Members in Industry & Business (CMI&B)

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

'ICAI Bhawan', Post Box No. 7100, Indraprastha Marg, New Delhi - 110002

Website: www.icai.org

For more details about the Programme, please contact at 011-30110525/555 or e-mail cmib@icai.in



Campus for Newly Qualified Chartered Accountants (NQCA's)

February-March, 2020

Maintaining strong and spontaneous relationship with the industry and other business houses remains the main focus of the Committee for Members in Industry & Business (CMI&B) of the Institute of Chartered Accountants of India (ICAI). An initiative to that effect remains the Campus Placement Programme (held twice a year) that provides a platform to both the NQCA's and the organizations looking to hire the best available talent to fulfil their human resource requirement. ICAI simply acts as a facilitator to bring the recruiter and NQCA's together.

Invitation to Organisations- Any corporation, irrespective of its size, standing in the market and boundary of its business, can take part in this placement programme being held at several centers across the country during February- March, 2020.

Campus Interview Schedule

Sr. No.	Centres	Dates
1	Mumbai & New Delhi	28th, 29th February, 2nd, 3rd, 4th, 5th March, 2020
2	Chennai	2nd, 3rd, 4th, 5th & 6th March, 2020
3	Kolkata	3rd, 4th, 5th, 6th & 7th March, 2020
4	Ahmedabad, Jaipur, Pune & Hyderabad	4th, 5th & 6th March, 2020
5	Bengaluru	4th, 5th, 6th, 7th & 8th March, 2020
6	Durgapur & Ernakulam	28th March, 2020
7	Bhubaneswar, Noida, Chandigarh, Coimbatore, Indore, Kanpur & Thane	30th & 31st March, 2020

Invitation to Candidates: The above Campus is meant for the candidates, who would be passing the CA Final examination held in Nov, 2019 and also for others who have qualified earlier and are fulfilling the criteria mentioned in the Announcement.

Organizations intending to recruit NQCA's through campus scheme are requested to get in touch with the CMI&B Secretariat, ICAI Bhawan, Indraprastha Marg, New Delhi -110002, and e-mail: campus@icai.in, Tel. No. (011) 30110555 and to register log on to <https://cmib.icai.org/>.

Candidates may e-mail at cajob@icai.in, Tel. No. (011) 30110491/548 and to register log on to <https://cmib.icai.org/>.

Chairman
Committee for Members in Industry & Business (CMI&B)
The Institute of Chartered Accountants of India

Organised By:

Committee for Members in Industry & Business (CMI&B)
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

'ICAI BHAWAN', Post Box No.: 7100, Indraprastha Marg, New Delhi - 110002
Tel. No.: (011) 30110555 | E-mail: campus@icai.in



An Insurance Protection for Members in Practice and CA Firms of ICAI: An Initiative of CCBMP of ICAI

The Committee for Capacity Building of Members in Practice (CCBMP) of ICAI has arranged insurance protection for members in practice/firms in the form of specially designed professional indemnity insurance at a reasonable premium i.e., up to 95% discount in market rate. The scheme has become effective for the Members in practice/CA Firms of the ICAI.

Scope

The policy covers all sums which the insured professional becomes legally liable to pay as damages to third party in respect of any error and/or omission on his/her part committed whilst rendering professional service. Legal cost and expenses incurred in defense of the case, with the prior consent of the insurance company, are also payable, subject to the overall limit of indemnity selected.

Only civil liability claims are covered. Any liability arising out of any criminal act or act committed in violation of any law or ordinance is not covered.

Eligibility :

Chartered Accountants, individual/jointly or Proprietorship Concern or a Partnership Firm/Partnership.

The applicants/firms should not have been subjected to disciplinary action by the Institute.

Members and CA firms desirous to avail the benefits of the aforesaid scheme may please visit <http://icai.newindia.co.in> & online solution for the same.

For grievance or any other queries please contact the New India Personnel at nia.830000@newindia.co.in, Telephone: 022-22150330 or Mr. Johns M. Paulose at his e-mail id: johns.paulose@newindia.co.in, Mobile: 9562251076 or Mr. Dilip Kumar Patra, Mobile: 9437133917, 9439920085, Telephone: +91-22-22150330, E-mail ID; dillip.patra@newindia.co.in or Secretary, Committee for Capacity Building of Members in Practice (CCBMP), ICAI at ccbcaf.query@icai.in, telephone: 0120-3045994.

Chairman
CCBMP, ICAI

Committee for Capacity Building of Members in Practice (CCBMP), ICAI

Arrangement of Tally Software at Special Price

website <https://cmpbenefits.icai.org/>

Product	Eligible Member	Available up to	Market Price ₹	Discount Rate ₹	Net Price ** ₹
Tally.ERP 9 (Multi User)	All Full Time Practising CAs/CA Firms*	31/03/2020	54000	80%	10800
Tally.ERP 9 (Multi User)	CAs who started Practice on or after 1 st January 2018	31/12/2022	54000	80%	10800
Tally.ERP 9 yearly subscription	All Licencee under any scheme for CAs are eligible	31/12/2022	10800	50%	5400

Note:

* CAs who are already availed the benefit in any earlier scheme of tally are not eligible for the special price.

**GST extra on net price

To avail this offer : <https://cmpbenefits.icai.org/tally-Software-Solutions/>

For Technical Queries
Toll Free No.-**18004258859**,
E-mail: support@tallysolutions.com

For any other Query
Secretary of Committee for Capacity Building of Members in Practice (CCBMP), ICAI
Telephone: 0120-3045994; E-mail: ccbcaf@icai.in

A Practice Management Software for members in Practice and CA Firms of ICAI: An initiative of Committee for Capacity Building of Members in Practice (CCBMP) of ICAI

CCBMP of ICAI has arranged practice management software for members in practice / firms, in form of cloud software designed for managing the Professional Practice in an effective way. The scheme has become effective for the members in practice/ CA Firms of ICAI from 1/11/18.

Scope and functions

- » Assignment management – Long duration
- » Assignment Management – Short duration
- » Work allocation and tracking
- » Time sheet recording
- » Variance and Profitability analysis
- » Leave management
- » Expense management,
- » Meeting management
- » Mobile based GPRS based attendance management
- » Mobile app and portal based system
- » Customer Relationship Management (CRM)
- » Invoicing
- » Collection Management
- » BI and Analytics tool

Members and CA firms desirous to avail the benefits of the aforesaid scheme may please visit <https://simplifypractice.com> and online solution for same.

For any other enquiry please contact at support@simplifypractice.com toll free no 180030028489 or anuroop.khare@simplifypractice.com mobile 9607929605, 8390900611 or Secretary, Committee for Capacity Building of Members in Practice (CCBMP), ICAI at ccbcaf.query@icai.in, Telephone : 0120-3045994.

Committee for Capacity Building of Members in Practice (CCBMP), ICAI

Group Term Insurance Scheme through LIC

Committee for Capacity Building of Members in Practice (CCBMP), ICAI

Salient Features

1. Applicant should be healthy and disease free while joining the Scheme. No Health or Medical Underwriting is required.
2. Competitive Rate of Premium.
3. Annual Premium payment.
4. The Insurance Coverage is with effect from the date of issuance of Master Policy by LIC.
5. No Individual Policy will be issued to the applicant.
6. The spouse of the member may also avail this facility.
7. This Group Term Insurance Scheme is facilitated by CCBMP, ICAI jointly with LIC and recommendatory only.
8. The processing of Insurance and Issuance of Master Policy take substantial time. Members are requested to wait for the same.
9. Settlement of claims through ICAI.
10. The decision of LIC will be final in all cases of Insurance Coverage or claim and ICAI will not be responsible for the same.

S. No.	Particulars	Terms
1.	Age at entry	21 years to 64 years (For Members) & 18 years to 64 years (For Spouse)
2.	Validity period of Life Cover	One year
3.	Sum Assured	₹ 10,00,000 for the Members of ICAI ₹ 5,00,000 for the Spouse of the Member of ICAI
4.	Mode of Premium	Online (through the Portal)
5.	Annual Premium in case of Members for the Sum Assured of ₹10 lakhs	Completed Years
		Age
		Premium*
		21-30
		31-35
		36-40
		41-45
		46-50
6.	Annual Premium in case of Spouse for the Sum Assured of ₹ 5 lakhs	51-55
		56-60
		61-64
		18-30
		31-35
		36-40
		41-45
		46-50
		51-55
		56-60
		61-64

* GST Payable Extra @18%

For availing the said Term Insurance through online link: <https://cmpbenefits.icai.org/lic-term-insurance/>

For queries on insurance
Branch Manager
LIC of India
P&GS Department, Delhi Divisional
e-mail: branchmanager@licindia.com

For any other queries, please contact:
Secretary, Committee for Capacity Building of Members in Practice
The Institute of Chartered Accountants of India
A-11, Connaught Place, New Delhi-110048
Phone: 011-23706000, 23706001, 23706002, 23706003, 23706004, 23706005, 23706006, 23706007, 23706008, 23706009, 23706010, 23706011, 23706012, 23706013, 23706014, 23706015, 23706016, 23706017, 23706018, 23706019, 23706020, 23706021, 23706022, 23706023, 23706024, 23706025, 23706026, 23706027, 23706028, 23706029, 23706030, 23706031, 23706032, 23706033, 23706034, 23706035, 23706036, 23706037, 23706038, 23706039, 23706040, 23706041, 23706042, 23706043, 23706044, 23706045, 23706046, 23706047, 23706048, 23706049, 23706050, 23706051, 23706052, 23706053, 23706054, 23706055, 23706056, 23706057, 23706058, 23706059, 23706060, 23706061, 23706062, 23706063, 23706064, 23706065, 23706066, 23706067, 23706068, 23706069, 23706070, 23706071, 23706072, 23706073, 23706074, 23706075, 23706076, 23706077, 23706078, 23706079, 23706080, 23706081, 23706082, 23706083, 23706084, 23706085, 23706086, 23706087, 23706088, 23706089, 23706090, 23706091, 23706092, 23706093, 23706094, 23706095, 23706096, 23706097, 23706098, 23706099, 23706100

Join in the Group Term Insurance Scheme - Insure for Life

Personal Accident Insurance for Members of ICAI

An arrangement made by the Committee for Capacity Building of Members in Practice (CCBMP), ICAI

The Institute of Chartered Accountants of India through the Committee for Capacity Building of Members in Practice recently entered into an MoU with the New India Assurance Company Ltd. for Personal accident insurance. The Personal accident insurance is a customised product for the Members and Students of ICAI. The personal accident insurance is basically designed for the members and students of ICAI.

The Personal Accident Insurance for which the MoU is being executed having following value added features:

- ♦ Coverage from 5 lakhs to 30 lakhs to suit member's convenience.
- ♦ Competitive premium for the Members of ICAI
- ♦ Coverage in the event of bodily injuries or death of insured individual resulting from an accident
- ♦ Global policy that offers 24/7 cover
- ♦ Variety of coverage ranging from cover of death only to comprehensive cover of permanent total disability, permanent partial disability and death.
- ♦ Under medical expenses, reimbursement up to 40% claim amount or 10% sum insured whichever is less if opted by the member.

Members and Students may purchase the Personal accident insurance policy through the website <http://icai.newindia.co.in>. This policy would be available to the members of ICAI.

House Holder Insurance for Members of ICAI

The Institute of Chartered Accountants of India through the Committee for Capacity Building of Members in Practice recently entered into an MoU with the New India Assurance Company Ltd. for the arrangement of House Holder Insurance. The House Holder insurance is a customised product for the Members of ICAI and basically designed for the members of ICAI.

The House Holder's insurance for which the MoU is being executed having following value added features:

- ♦ This is a package policy specially designed to meet the insurance requirements of home and personal belongings under an umbrella of House Holder Insurance for the Members of ICAI
- ♦ Competitive premium for the Members of ICAI
- ♦ Option to take covers not less than 4 to suit the need of the day.
- ♦ Takes care of personal liability segment of the Members of ICAI

Members & Students may purchase the House Holder Insurance policy through the website <http://icai.newindia.co.in>. This policy would be available to the Members of ICAI.

Exclusive Website of Committee for Capacity Building of Members in Practice (CCBMP) of ICAI:

<https://cmpbenefits.icai.org/>

- **CCBMP**, for the benefit of members of the Institute as well as enhancement of the Practice Portfolio, the Committee has taken various initiatives. Some key initiative are described as below:

- ▶ Specially designed Group Term Insurance cover death due to any reason through the LIC for Members of ICAI.
- ▶ Specially designed Personal Accident Insurance cover Death/Permanent Total Disability, loss of Limb(s) and Permanent Partial Disability including reimbursement of hospitalisation expense through the New India Assurance Company Limited, Mumbai for Members of ICAI.
- ▶ Specially designed Health Insurance through the New India Assurance Company Limited, Mumbai for Members of ICAI.
- ▶ Insurance protection for members in practice/firms in the form of specially designed professional indemnity insurance.
- ▶ Motor Vehicle Insurance has value added features with the special discount on OD for both Private car and two wheeler is basically designed for the members.
- ▶ Specially designed Householder's Insurance cover insurance of building and contents against fire & allied perils inclusive STFI & EQ, housebreaking including larceny and theft, jewellery and valuables, employers liability (WC) on annual wages, etc. through the New India Assurance Company Limited, New Delhi for Members of ICAI.
- ▶ Special pricing for Tally ERP 9 Gold Edition (Multi-User version) for Applicable CA Firms/ Practising Members
- ▶ In order to enable members of ICAI to have access to antivirus software, Quick Heal Technologies Pvt. Ltd. Pune provided the Quick Heal Total Security at a special price upto December 31, 2020 for single user for a period of 3 years.

Visit <https://cmpbenefits.icai.org/>

for online access of the aforesaid facilities/other facilities/arrangements made by CCBMP, ICAI.

For any other queries, please contact: Secretary, Committee for Capacity Building of Members in Practice, ICAI
Telephone: 0120-3045994; E-mail: ccbcaf@icai.in

Chairman
CCBMP, ICAI & Central Council Member, ICAI

Classifieds

- 5787** Chennai based CA with twenty plus years of experience in industry seek assignments on sub-contract basis in Chennai. Contact: b.ramesh07@gmail.com or 9176961597
- 5788** Ten years experienced FCA, DISA from Punjab having exposure in Income Tax matters, Internal Audit, Tax Audit, Bank Audit –Statutory, Revenue, ISA want to work as Paid Assistant/Partner/Retainership basis, e-mail: cagrow2020@gmail.com
- 5789** We are a 40 year old professional practice, looking for firms which are interested to officially merge with us. Please mail: cafirmgujarat@gmail.com
- 5790** Pune firm with 2 partners FCA/DISA/33 years PSU Bank and FCA/FAFD seeks work on assignment/retainership/sub-contract basis. Required articles/assistants. Interested in merger of firm. Contact: 9420381673/9420903181.
- 5791** Mumbai based FCA CoP age 67, experience in industry and practice seeks professional work on Partnership basis at Mumbai 9820422001; harshadshah1953@yahoo.com
- 5792** Mumbai based CA having experience of 21 years in Statutory/Tax Audits seeks work from professional colleagues on full time retainership basis. Contact: 9321097639; satishjivani@gmail.com
- 5793** S C Bhagat & Co., 49-year-old New Delhi based firm of Chartered Accountants having an office in Karol Bagh, New Delhi is looking for partners or firms wishing to join/merge. Any partner / firms wishing to join/merge are welcome. Please Contact: Modhu Khyalia at mkhyalia@scbc.co ; 9671731404

Events

FORTHCOMING EVENTS¹

S.No.	Title of the Seminar/ Conference	Date	Place	CPE Hours
Organised by ICAI Registered Valuers Organisation in association with Insolvency and Bankruptcy Board of India (IBBI)				
1.	Workshop to share findings of Peer Review for the three Asset Classes as per Companies (Registered Valuers and Valuation) Rules, 2017	14.02.2020	ICAI Bhawan, Indraprastha Marg, New Delhi	
Topics	Opening Remarks (02.45 pm - 03.00 pm) Session I (02.45 pm - 03.00 pm) Sharing of Findings of Peer Review for the Securities or Financial Asset Class Session II (04.00 pm - 05.00 pm) Sharing of Findings of Peer Review for the Plant & Machinery Class Session III (05.00 pm - 06.00 pm) Sharing of Findings of Peer Review for the Land & Building Class Concluding Remarks (06.00 pm - 06.15 pm) High Tea (06.15 pm onwards)			

¹For more details about the forthcoming events please refer the detailed announcements hosted on the ICAI website www.icai.org

Invitation to Write Articles

Chartered Accountants and other subject experts, with academic passion and flair for writing, are invited to share their expertise through the ICAI Journal – *The Chartered Accountant*. The article may cover any topic relevant to the accounting world covering auditing, finance, laws, strategy, taxation, technology and so on. While submitting articles, please keep following aspects in mind:

- ❖ The length of articles should be about 2500 words.
- ❖ Articles should be original in nature
- ❖ An executive summary of about 100 words should accompany the article.
- ❖ Articles should not have been published or sent for publishing in any other print or electronic media.

Please send articles to Journal Section - The Chartered Accountant, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector 62, NOIDA – 201309. Attach photograph, editable soft copy of file, declaration of originality and assignment of copyright in the prescribed format along with the article. E-mails may be sent to ebboard@icai.in.

Visit https://www.icai.org/post.html?post_id=2557 for detailed guidelines and formats of declaration of originality and assignment of copyright.



The Institute of Chartered Accountants of India

बुधवार, 18 दिसंबर 2019



पुणे शहर

आज का आनंद



सीए होने के लिए परिश्रम, आत्मविश्वास, सातत्य और धैर्य जरूरी

आईसीएआई के राष्ट्रीय अध्यक्ष सीए प्रफुल्ल छाजेड़ ने अंतर्राष्ट्रीय परिषद के उद्घाटन अवसर पर कहा

पुणे, 17 दिसंबर (आ.प्र.)

चार्टर्ड अकाउंटेंट (सीए) होने के लिए परिश्रम, आत्म विश्वास, सातत्य और धैर्य ये चार गुण होने आवश्यक हैं. नये बदलाव और तंत्रज्ञान का उपयोग किया जाना चाहिये. जिनके पास क्षमता है, वह इस क्षेत्र में सफल होते हैं. ऐसा प्रतिपादन दि इन्स्टिट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया के (आईसीएआई) राष्ट्रीय अध्यक्ष सीए प्रफुल्ल छाजेड़ ने किया. सीए के छात्रों के लिए आयोजित अंतर्राष्ट्रीय परिषद के उद्घाटन के समय वह बोल रहे थे.

दि इन्स्टिट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया (आईसीएआई) के बोर्ड ऑफ स्टडीज और आईसीएआई पुणे विभाग की ओर से इसका आयोजन हुआ. महालक्ष्मी लॉन्स में सम्पन्न इस परिषद में भारत के साथ ही नेपाल,

■ महालक्ष्मी लॉन्स में कार्यक्रम का आयोजन

श्रीलंका से मिलाकर 3,000 सीए के छात्र सहभागी हुए. कार्यक्रम में इंडिया फर्स्ट लाइफ इन्श्योरेंस की व्यवस्थापकीय संचालिका सीए आर. एम. विशाखा, उपाध्यक्ष सीए दुर्गा शास्त्री, वंदना नागपाल, रिजनेल कौन्सिल मेंबर सीए आनंद जाखोटिया, सचिव समीर लड्डा, कोषाध्यक्ष काशिनाथ पाठारे आदि उपस्थित थे. सीए प्रफुल्ल छाजेड़ ने कहा, सीए पाठ्यक्रम को अंतर्राष्ट्रीय मानकों के अनुरूप बनाया गया है. छात्रों को सोशल मीडिया पर अफवाहों की परवाह किए बिना अध्ययन पर ध्यान देना चाहिए.

जबकि सीए परीक्षा प्रक्रिया पूरी तरह से पारदर्शी है. सीए आर. एम. विशाखा ने कहा, सीए की परीक्षा में

उत्तीर्ण होने के साथ आर्टिकलशिप भी उतनी ही महत्वपूर्ण है. इस माध्यम से छात्रों को प्रैक्टिकल ज्ञान मिलता है.

इस क्षेत्र में काम करते समय विश्वसनीयता बहुत महत्वपूर्ण है. आईसीएआई के उपाध्यक्ष सीए अतुलकुमार गुप्ता, बोर्ड ऑफ स्टडीज और अंतर्राष्ट्रीय परिषद के अध्यक्ष सीए केमिशा सोनी, आईसीएआई की केंद्रीय समिति के सदस्य, परिषद के संचालक सीए चंद्रशेखर चितले, सीए यशवंत कासार ने भी अपने विचार व्यक्त किए.

पुणे ब्रांच की अध्यक्षा, परिषद की समन्वयक सीए कृता चितले ने प्रस्तावना की. उपाध्यक्ष सीए अभिषेक धामने स्वागत किया. सीए शर्वरी वाघ और सीए नेहा फडके ने सूत्रसंचालन किया. ऋषिकेश ढगेकर ने धन्यवाद ज्ञापित किया.

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NBT नवभारत टाइम्स

New Delhi, January 17, 2019

उपाधियां पाकर खिले नये सीए सदस्यों के चेहरे

कातापुर (संवाद) • इंदौरपुर और चार्टर्ड अकाउंटेंट्स ऑफ इंडिया की संयुक्त संस्थापक अध्यक्ष सीए प्रफुल्ल छाजेड़ ने अंतर्राष्ट्रीय परिषद के उद्घाटन अवसर पर कहा

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14571 स्टूडेंट का नाम CA फाइनल लिस्ट में

14571 स्टूडेंट का नाम CA फाइनल लिस्ट में



आईसीएआई (सीए) का राष्ट्रीय परिषद इस बार तीन लाख छात्रों का नाम (आईसीएआई) में फाइनल लिस्ट में शामिल करेगा। यह छात्रों के नामों की सूची है, जो आईसीएआई के राष्ट्रीय परिषद के अध्यक्ष सीए प्रफुल्ल छाजेड़ ने अंतर्राष्ट्रीय परिषद के उद्घाटन अवसर पर कहा।

आईसीएआई के अध्यक्ष सीए प्रफुल्ल छाजेड़ ने अंतर्राष्ट्रीय परिषद के उद्घाटन अवसर पर कहा।

DH 'CAs are partners in devpt of every organisation'

Angadi congratulates CAs for successful Implementation of GST

BELAGAVI DHNS

Union Minister of State for Railways Suresh Angadi said that Chartered Accountants were not only advisers or consultants to any organisation but partners in the development of organisations.

He noted this while speaking after inaugurating a one-day Sub Regional Conference of the Institute of Chartered Accountants of India (ICAI), Belagavi Branch at Anagadi Institute of Technology & Management here recently. The conference was named 'EQUINOX, Enroute to Digital Future', and gave a deep insight into new technologies, possibilities and challenges for the next generation CA professionals. It

was designed in a unique manner to enhance the knowledge base of chartered accountants.

Describing chartered accountants as strong partners in nation-building, Angadi said that the economy was the backbone of a country and the role of chartered accountants in the growth of the country's economy was immense.

He also congratulated chartered accountants for playing a vital role in successfully implementing Goods & Service Tax (GST) in India.

Digital Accounting & Assurance Board (DAAAB) Vice-chairman Dayanidhi Sharma and Southern India Regional Council of the Institute of Chartered Accountants of India (SIRC-ICAI) Chairman Jomon George spoke on the importance of digital technology in the present scenario.

Institute of Chartered Accountants of India (ICAI) Vice-president Anil Kumar Gupta spoke about ICAI's new initiatives and digital drive. He shared his vision for the CA profession and commitment of ICAI to educate its mem-

bers and students with the latest knowledge that helps them in providing sustained resilient reporting practices in the dynamic market place. He also elaborated on ICAI's fundamental principles of excellence, independence and integrity in making intense and concentrated efforts to train CAs in a professional manner.

He also explained how Indian chartered accountants were respected and recognised all over the World.

The conference covered multiple sessions related to 'Embracing the Robotics Process Automation', 'Artificial Intelligence and Block Chain for Transforming the CA Profession', 'How to be Digital Ready', 'Digital Competency Maturity Model' and 'E-assessment and faceless assessment'. A panel discussion on Operation Clean Money was also held.

Angadi also inaugurated the E-Directory of CAs of Belagavi on the occasion. SIRC-ICAI Belagavi chapter chairman Jaykumar Patil welcomed and secretary Nitin Nimbalkar proposed the vote of thanks.



Union Minister of State for Railways Suresh Angadi inaugurates a sub-regional conference organised by Southern India Regional Council of the Institute of Chartered Accountants of India, Belagavi branch at Anagadi Institute of Technology & Management in Belagavi. (DHNS/ICAI)

DAILY NEWS

ICAI Convocation 2019-20, 2nd Round



Mumbai, January 06, 2020

CA. Arun Singh, Hon'ble Member of Parliament, Rajya Sabha was the Chief Guest and CA. Niranjan Hiranandani, President ASSOCHAM and Co-Founder & MD Hiranandani Group was the Guest of Honour.



CA. Prafulla Premasukh Chhajed, Hon'ble President ICAI while congratulating the newly qualified Chartered Accountants exhorted them to persistently strive for Excellence, Independence and Integrity.

CA. Shriniwas Yashwant Joshi, Central Council Member administered the professional oath to the newly qualified Chartered Accountants. CA. Rajesh Sharma, CA. Dheeraj Kumar Khandelwal, Central Council Members and CA. N.C. Hegde, Convocation Co-ordinator for Mumbai and Central Council Member addressed the members.

CA. N.C. Hegde introduced the Chief Guest. CA. Priti Paras Savla, Chairperson WIRC proposed the Vote of Thanks.

CA. Prafulla Premasukh Chhajed, Hon'ble President ICAI alongwith CA. Arun Singh, Chief Guest and CA. Niranjan Hiranandani, Guest of Honour conferred Rank Certificates for CA Final Exam held in May 2019 to 52 Rank holders. Over 2,700 newly qualified members enrolled from May 2019 to October 2019 were awarded Membership Certificates.

millenniumpost NO HALF TRUTHS

ICAI holds annual convocation ceremony all across country

Kolkata, January 8, 2020

KOLKATA: The Institute of Chartered Accountants of India organised its convocation on January 4, 2020 (Saturday) at Kalamandir, 48 Shakespeare Sarani, in Kolkata. ICAI Convocation 2020 is being held at nine locations at Mumbai, Ahmedabad, Pune, Chennai, Hyderabad, Kolkata, Jaipur, Kanpur and Delhi. 16,192 newly enrolled members who were granted membership during May 2019 to October 2019 have been awarded Certificates of Membership.

Congratulating to the members at the event, CA Sushil Kumar Goyal, Central Council Member, ICAI and Coordinator of the Convoca-



tion, informed the newly qualified CAs that the CA course is ranked amongst the 10 most difficult courses in the world. The most important responsibility of CAs is to carry the

reputation of ICAI.

CA (DR) Debashish Mitra, Central Council Member, ICAI mentioned that the CAs are playing an important role in nation building and the signa-

ture of a CA is very important because the society relies on the same. CAs had played an important role in GST success.

CA Ranjeet Kumar Agarwal, Central Council Member, ICAI praised the parents of the newly qualified members for their contribution to their child's education and also informed that around 26% of total CAs are women. CA is a very affordable course with huge opportunities. CA Devendra Kumar Vyas, Managing Director, Seel Equipment Finance Limited and Chief Guest in the Programme mentioned that CAs are not only the accountants but the professional entrepreneurs. #POST

Our Achiever

CA. Arun Singh, Member of Parliament, Rajya Sabha



CA. Arun Singh, Member of Parliament, Rajya Sabha, is a renowned academician and a successful politician. He is committed towards excellence in academics. CA. Arun Singh inherited his hard working disposition from his parents, and travelled the much difficult road of life, after he left his native place at an age of 16 and entered the wide world, overcoming the struggles through his self-determination and positive attitude. CA. Arun Singh completed his primary and secondary education from Mirzapur and graduated in Commerce from Allahabad University in 1984. Later he moved to national capital, Delhi to pursue Chartered Accountancy course. In 1988 CA. Arun Singh qualified as Chartered Accountant with All India rank. In his 20s, he travelled across the country as an auditor and this frequent and wide travel experience helped him understand and appreciate Indian diverse culture. He possesses solid interest in the ideology of nationalism, since his early youth days, which led to his association with Indian politics.

CA. Arun Singh has an experience of 32 years as a Chartered Accountant to his credit apart from many other qualifications and achievements added

to his name. CA. Singh has been a guest faculty in the discipline of management and finance. He has served as the Director of State Bank of India and Union Bank for seven years and has also worked as a Consultant for projects of World Bank and United Nations and with several notable corporations. Read on to know what he thinks about the profession and the Institute...

Q. What made you decide to pursue the CA course?

Initially, it was the peer influence, which made me opt for commerce stream. Later, while pursuing my graduation in Commerce from Allahabad University, on studying subjects like accountancy, financial management, taxation, micro and macro economics, I gradually started developing interest in matters like economics and finance and hence CA emerged as a natural choice for me. I firmly believe that our country needs the knowledge that Chartered Accountants possess, as they can help in taking policy decisions at macro level, augment resources, improve efficiencies and contribute to the Indian economic systems. I also found chartered accountancy course as highly affordable as students of all strata can pursue it with ease.

Q. Why did you choose your present career, shifting from the core CA profession?

I always had a keen interest in social work and I often used to volunteer in different social activities and NGOs for a good cause. After I qualified as a Chartered Accountant in 1988 with all India rank, owing to my professional requirements, I got an opportunity to extensively travel across the country. It not only helped me to understand the diversity of the cultures we have, but also the disparity prevalent in society. So, with the passage of time, my interest turned into a passion to serve my society and my nation, directly. My affinity with the ideology of nationalism propelled me further to join the field of politics.

Q. How does the CA education and training helps you in your day to day dealing in your public and professional lives.

As a leader, we need to have conviction and farsightedness. Education and training of chartered accountancy course is important in developing these virtues. Education and more importantly training and audit assignments in the chartered accountancy course have helped me to have a

different mindset. A Chartered Accountant can visualise workable solutions to a problem in a holistic manner considering minute details. Chartered accountancy is not about just accountancy and auditing, but overall personality development. It is a journey of becoming a professional who accepts challenges of life, overcomes them and succeeds.

Q. What is your message to the young aspirants (i.e., students) of CA profession?

My father was a teacher and a farmer. My background never came in way of my aspirations and I take pride in being a Chartered Accountant. So, my first advice is one should never let adversities hinder their progress, we can overcome any constraint in life with our toil, and with firm conviction. Secondly, I would urge my young fellows that they must remember their parents every night before going to bed, this will instill a sense of strength in them. One should always introspect whatever one did in order to know whether it was right or wrong because our inner conscience never lie. The period as a student is a golden period to learn and acquire right skills. Stay focused to build a strong foundation that will help you to attain success in life. Take practical training very seriously. Practical training is the best part of chartered accountancy course. Practice hard working disposition, self-determination and positive attitude to succeed.

Q. World is constantly evolving. Economy is opening up. International boundaries are getting blurred. Do you think opportunities for CA professionals have increased? Will these keep increasing in future too?

Chartered Accountants are undertaking diverse roles, as the opportunities available to them are increasing. Indian economy, under the leadership of Prime Minister Narendra Modi, has taken up a challenging vision to become a \$5 trillion economy by the year 2024-25 and become a global economic powerhouse. An economy of this magnitude will require

Our Achiever

services of a very large number of professionals including Chartered Accountants. In the new world, the Chartered Accountants role will be enhanced in business world both as internal employees in industry and as external auditors, consultants and experts. The present membership strength of over three lakh members may not suffice the emerging needs of business and industry. The spurring growth envisaged by the government needs more Chartered Accountants to play strategic roles and steer their organisations on the path of higher growth. Their services are required by all members of society consisting of individuals, organisations, society and government. With Accountancy and Finance being one of the recognised services under Champion Services Sector scheme of the Indian government, the government is expecting enhanced contribution from the accountancy sector towards achieving \$5 trillion economy target. I am sure, with ICAI's 34 foreign chapters and now evaluation by UK NARIC to put ICAI qualification at par with specific Regulated Qualifications Framework levels of UK, UAE and other jurisdictions will further expand and strengthen the opportunities available to Indian CA professionals globally.

Q. As you know, ICAI brings an array of post-qualification courses for its members' empowerment. Can you suggest some emerging areas, where our members require education and training to remain contemporary and relevant?

There are many Chartered Accountants who are experts in diverse areas related to accounting, auditing, laws, economics, capital markets, insurance, taxation and other similar domains. The Institute is also doing commendable job towards their holistic development and continuous education through its various Post Qualification and Certificate Courses. The courses such as International Taxation, Forensic Accounting, Information System Audit and so on are contributing to the Chartered Accountant's diverse field of knowledge. During the recent ICAI Convocation function in Mumbai ICAI President CA. Prafulla P. Chhajed informed me that recently, ICAI has decided to reduce registration fee of Diploma and Certificate Courses by 30% so that more and more members can opt for their skill development. This is a great initiative and I congratulate ICAI President for this.

I would like to suggest that some of the members may consider specialising in public finance and macro economics. Expert knowledge of accounting and finance coupled with deeper knowledge in economics can help members to make more contributions to the Indian economy. Members should also learn the linkages between Indian economy and global economy. India is an important part of the world economic system today and internal factors are impacting the global world. Knowledge in these domains will help members in making constructive contributions towards creation of useful national policies. Members can also participate in generation of resources and lead to employment generation and inclusive growth.

Q. How will you rate the ICAI performance as a regulator, a standard-setter, an educator and as a partner in nation-building?

The Institute of Chartered Accountants of India is a statutory body set up by an Act of Parliament under the provisions of the Chartered Accountants Act, 1949. The

organisation is often referred to as '*Partner in Nation Building*' not without any reason. I will rate the organisation very high in the parameters as ICAI is making noteworthy contributions as a regulator, standard setter and an educator. I understand that the education was restructured recently to benchmark it to the best in the world. The Indian standards are also aligned to the international standards taking the functioning of business in proper direction. As a regulator too, ICAI has been following a policy of positive reinforcement through education and sensitising members to imbibe ethical conduct. In cases of deviations, errant members are also subject to disciplinary actions.

Q. Do you foresee any challenge for CA professionals in the coming times? How should Chartered Accountants prepare in order to respond to them?

Technology has transformed the world and changed the way things are being done. The present methods in accounting and auditing are likely to drastically change with the advent of technology. The profession needs to acquire skills in tools such as artificial intelligence and robotic process automation. The routine jobs will become technology driven and Chartered Accountants will need to play higher level strategic role. Many are seeing this transformation as a challenge to the professionals, but I believe with the automation of routine matters, the importance of skilled manpower such as Chartered Accountants will further increase.

Q. Your message to ICAI? We would like to know your expectations.

Working under the Ministry of Corporate Affairs, ICAI is making tremendous contribution to business and industry. The Institute has been closely associated with growth and development of Indian economy. Institute has recently decided to open a Representative Office in newly formed Union Territories (UTs) of Jammu & Kashmir and Ladakh in Srinagar and Leh respectively and has also waived 75% registration fee for the students registering from UTs of Jammu & Kashmir, Ladakh, and from 8 North-Eastern States, for all level of CA Course, i.e., Foundation, Intermediate and Final. I hope Institute will continue to play a strategic role in providing value added services to stakeholders. Utilising the latest technological advancements, the Chartered Accountants will go a long way in meeting the expectations of its stakeholders and realising the Indian vision.

Q. What is the secret behind this inspirational success of yours in public life? Any mantra of success for our readers?

I have always been inspired by the *shloka* from *Shrimad Bhagawad Gita*, "*Karmanye Vadhikaraste, Ma Phaleshu Kadachana*." Based on this, I have always tried to accomplish whatever responsibility I have been entrusted with my full efficiency and dedication without bothering much about the outcome. And this is what I would like to communicate to the readers too. One should do whatever they are doing using their full potential, dedication and positive attitude and leave the rest on God. Only then one will be able to enjoy their work. Always take care of the fact that being ambitious is not bad, but simultaneously your desires should not deprive you from rejoicing whatever you have at present. ■

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