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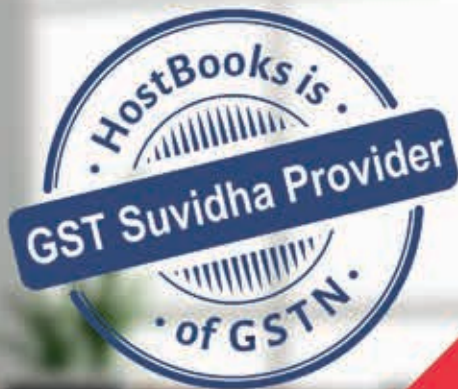


CORPORATE FINANCE REEMPHASISED

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Corporate Finance Reemphasised

The Institute of Chartered Accountants of India, set up by an Act of Parliament more than seven decades back, functions within the administrative control of Ministry of Corporate Affairs, Government of India. The ministry regulates corporate affairs in India through the Companies Act, 1956, 2013 and other allied Acts, Bills and Rules. It is natural that the relationship between the Institute and corporate world is symbiotic where the profession contributes strategically to growth and sustainability of the businesses, big and small. The ICAI is the second largest professional body of Chartered Accountants in the world, with a strong tradition of service to the Indian economy. ICAI regulates and sets standards in different aspects of corporate functioning, viz., auditing, accounting, taxation, sustainability and valuations to lay strong edifice for businesses to grow, prosper and provide healthy returns to the owners.

The authentic nature and magnitude of co-dependent existence of accounting profession and business has laid sturdy building blocks of a more secure and trustworthy business environment and facilitated viable and rapid economic growth in India. Today by virtue of holistic education and training professional accountants have a key role to play in all strategic areas of business organisations, nonetheless, the significance of the field of finance persists to be an unrivalled domain for ICAI members in twin terms of incomparable necessity and indispensable contribution to business development. Finance is the foundational backbone of all businesses by syncing various organisational functions with core operational objectives, coordinating security and stability and developing fallback plans to avert shocks and uncertainties. After all, finance has never been about the acquisition and possession of vast sums of money but all about its efficient management. The size of capital a business begins with is immaterial, rather the extent to which the business has sustained it and made it grow is cardinal and worthy of focused considerations.

Corporate finance is concerned with the very sourcing of funds, managing the capital structure of corporations and effectively analysing the allocation of resources. Efficient performance of corporate finance structures multiplies the shareholder values which further allows managers to balance capital

funding between investments in projects. Intelligent choice of these projects increases the long-term profitability and sustainability of any company.

ICAI stands on the ideal that money indeed makes the world go round as it facilitates transactions, however, it is the people who take the world forward. We must remember that an investment in financial knowledge accrues the best interest and the Chartered Accountants excel in the area. The Chartered Accountants under the umbrella tutelage of ICAI are consistently pushed to channelise their attention and efforts towards staying up to date with everyday business and financial affairs; thereby making them cognoscenti of the subject as well as experts of accounting, sourcing of funds, capital structuring, working capital management, investment management, budgeting, resource allocation, taxation, business valuations and other relevant areas.

The current times of economic distress posed by the unprecedented pandemic has shook the business and economy by its core and called for a reemphasis of corporate finance. India's Gross Domestic Product growth rate contracted so far in the current financial year, indicating 'an economy hitting recession' kind of scenario. In the words of Winston Churchill "*Success is not final; failure is not fatal: it is the courage to continue that counts.*" In such afflicting times of financial crisis, the Indian government is doing all that it can and more by recentring the focus on the Indian micro, small and medium enterprises as part of its vision of a globally independent Aatmanirbhar Bharat. With a host of reformistic actions and many more on the anvil, Indian business can help the Make in India goods penetrate to every nook and corner of the world and simultaneously give the country the employment and income boost it needs.

ICAI as a credible partner in nation-building supports these efforts that will undoubtedly reap positive results and give the much-needed thrust to the Indian economy. With these initiatives undertaken, a consequent reversal of downward trend, with the last quarter of the financial year being much better for the economy and the corporate world, is imminent.

-Editorial Board ICAI: Partner in Nation Building

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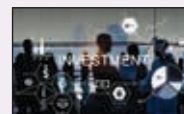
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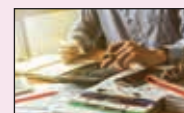
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From the President



CA. Atul Kumar Gupta
President, ICAI

Dear Professional Colleagues,

At the outset, hearty wishes for a very Happy, Prosperous and Joyful New Year to all of you and family Members!

The year 2020 gone by has been a tough one for all of us. The year has thrown many curveballs for the mankind to deal with as we all witnessed the calamitous power of the nature and the need to move on with positive thought. The humanity realised that the uncertainty of the future with fragility of life can stress life in peculiar ways that were unfelt and unthought of previously. The pandemic experience, with all-encompassing lack of certainty, has not only shaped how society shall dwell into future but will also chisel functioning of the economies and business for many years to come.

The Indian economy with its own resilient characteristics is also impacted by the global health crisis developments in many unprecedented ways. The lockdown taught us how to survive not only for ourselves, but also for the society as a whole. It is only a matter of time when things will be different, only if we remain positive. It is irrelevant whether the pandemic period is taken as long or short,

important is the learnings emerging out of the situation. **Swami Vivekananda said** *“time is entirely a dependent existence; it changes with every change of our mind. Sometimes in dream one imagines that one has lived several years, at other times several months were passed as one second. So, time is entirely dependent on our state of mind.”*

When global economies faced strong headwinds, the Indian economy adopted positive approaches to come out of the woods. Economic disruption galvanised the Indian government to make the most of the challenges by ushering-in a flurry of reformistic actions, especially to boost domestic manufacturing and progress towards India becoming truly *Aatmanirbhar*.

The good news, upshot of these initiatives, is that situation is improving to reach normalcy.

We hope the new year 2021 will usher a new beginning where we take the learnings from the year 2020 to make the change. The Reserve Bank of India has predicted a strong possibility of bounce back of Indian economy with positive growth rates in the third quarter of the current financial year. According to other judicious estimates, the Indian economy shall enter ‘*Goldilocks*’ phase in the year 2021. The phase is characterised by economic stability, good employment and growth rates higher than global average rates. The economy in this phase have equilibrium with neither excessive inflation nor too much deflation.

These are healthy signs for burgeoning Indian economy aspiring to reach five trillion dollar mark. In the current scenario, accounting fraternity needs to be fully adaptive and play a crucial role. With deep understanding of business systems and processes, the accounting professionals helping businesses of all sizes – micro, small, medium and large – in financial and strategic decisions. The expertise of accounting professionals extends much beyond finance to encompass almost all areas of business. We are a strong force of over 325 thousand active members and together we can make the difference. **Helen Keller said** – *“The world is moved along, not only by the mighty shoves of its heroes, but also by the aggregate of tiny pushes of each*

honest worker.” The profession needs to absorb and assimilate the evolving challenges and respond to them to make positive contributions both in relation to business and society.

We should consider that the accounting education is not just the process of achieving Chartered Accountancy certificate with professional knowledge, skills, ethical values and beliefs; rather it is a tool to empower us and help us in developing and evolving into a better being. **Dr. Sarvepalli Radhakrishnan** said *“The end-product of education should be a free creative man, who can battle against historical circumstances and adversities of nature.”*

Expanding Global Outreach - New Overseas Office and Representative Offices

ICAI enjoys strong global presence spanning 43 countries. ICAI permanent Office, representative Offices and Overseas Chapters facilitate in bringing foreign investment to India and also assisting Indian Industry by guiding them about the investment opportunities in different parts of the world. Recently, the Ministry of External Affairs, Government of India has also given recognition to Overseas Chapters of ICAI to be at par with other Apex Organisation. Further, one of the prime objectives of expanding global presence is to provide ICAI Members a forum for furtherance of their professional pursuits and knowledge on one hand and promoting affability amongst the ICAI members on the other besides providing opportunities of networking.

The Institute’s first overseas office in Dubai, UAE was inaugurated in the year 2004 and has been instrumental in capacity building initiatives and support to various organisations in the entire Middle East region especially during VAT implementation in GCC Countries besides catering to more than 15000 ICAI members in the region. Considering the success of permanent Office in Dubai, ICAI decided to open its second overseas office in Singapore which was operationalised through an e-Inauguration ceremony. CA. Arun Singh, Hon’ble Member of Parliament (Rajya Sabha) was the Chief Guest at the event who appreciated the ICAI initiative. The event also witnessed participation of Special Guest H.E.

Mr. P. Kumaran, High Commissioner of India to Singapore. The Overseas Office at Singapore would help furtherance of boosting collaboration, align bilateral relationship with Hongkong, Indonesia, Singapore, Taiwan, Malaysia besides assisting ICAI in maintaining reciprocal relationship with Professional Accountancy organisations in Asia Pacific regions, particularly in ASEAN countries.

This year, the ICAI has launched the concept of setting up of Representative Offices with a vision to have ICAI presence in at least 100 locations globally as a part of vision ICAI@2024. In this endeavour, ICAI has inaugurated three new Representative offices in different cities of Europe namely France (Paris), Belgium (Antwerp) and Switzerland (Zurich) on 10th December in a virtual event ‘India Symposium 2020 - Unlocking the Potential Business Opportunities’ between India and European Union and four new Representative offices in USA in Atlanta, Florida, New Jersey and Seattle in an event on 24th December taking ICAI presence to 64 global locations in 43 countries. The objective of setting up of the Representative Offices is to have a nodal point of ICAI to serve its members better in that jurisdiction. Opening of new offices is yet another step of ICAI’s continued thrust to expand Indian accountancy profession globally and enhance the brand image of Indian CAs.

New Office in Srinagar

ICAI has a strong tradition of service to the public interest and to the Indian economy. As a true partner in nation building, the ICAI recently opened an Office in Srinagar. It is a significant initiative as the new office will help in providing the much needed professional employment opportunities to the local youth, socio-economic upliftment through skill development and will facilitate spreading of knowledge in the field of accountancy and offer services to the members and students of the Union Territory of J&K.

At the inaugural ceremony, Chief Guest Hon’ble Justice Shri P.P. Bhatt, President, The Income Tax Appellate Tribunal (ITAT) announced that the ITAT shall soon hold the Camp Bench from ICAI Office in Srinagar to help in bringing justice to the

From the President

doorstep of the citizens of the Union Territory of Jammu & Kashmir. This was another opportunity for ICAI to serve the nation. Guest of Honour, Shri G. S. Pannu, FCA, Vice-President, ITAT, applauded the efforts of ICAI and acknowledged ICAI's contribution in economic and social development. The new office in Srinagar will facilitate spreading of knowledge in the field of accountancy, corporate governance and provide services to the members, students and stakeholders in the region. ICAI also allows 75% waiver in the registration fee for the students pursuing CA course from UTs of J&K, Ladakh and 8 North-East States.

IFAC Appoints New President

We congratulate Alan Johnson who has been appointed by the International Federation of Accountants (IFAC) as its new president for a two year term through November 2022. Earlier, he served as IFAC deputy president since November 2018. We also congratulate Asmâa Resmouki who has been elected to serve as IFAC Deputy President. In a major recognition to Indian accounting profession, I am delighted to share with you that I have been appointed on the Board of IFAC representing ICAI which signifies the importance of ICAI as a leading global body. It is an opportunity for us to work with

IFAC, a global organisation for the accountancy profession, in its public interest efforts to develop international standards and support sustainable economic development. ICAI is a founder member of IFAC which comprises of more than 175 members and associate organisations in 130 countries and jurisdictions, representing nearly 3 million professional accountants.

ICAI Virtual International Conference 2020

The ICAI has played a pivotal role in developing a resilient reporting framework for sustained economic growth of the nation in the last seven decades. The accountancy profession has endeavoured to bring in the best global practices and standards for a robust financial reporting and assurance framework, inspiring trust and confidence amongst the stakeholders. The ICAI, recognizing its role and responsibilities to the stakeholder community and contributing

in promoting public interest through resilient practices for a vibrant economy, organises an ICAI International Conference every year where thousands of members gainfully attend physically apart from those who watch the webcast. This year, in view of the pandemic situation, ICAI organised its flagship event from December 17 to 19 through virtual mode on the theme ***"Accountancy Profession: Augmenting Economic Sustainability"***. With the pandemic enforcing the new normal, the conference dwelled deeper on various strategies, innovation and initiatives, through which the profession can support the economy.

The event was inaugurated through virtual mode by the Chief Guest Shri (CA.) Piyush Goyal, Hon'ble Union Minister of Railways, Commerce & Industry, Consumer Affairs and Food & Public Distribution in the presence of Guests of Honour Shri Anurag Singh Thakur, Hon'ble Minister of State for Finance and Corporate Affairs and Mr. Alan Johnson, President, IFAC. The Chief Guest complimented the efforts of ICAI in bringing together all the stakeholders to deliberate on strategies, innovations and the initiatives through which the global accountancy profession can support and ensure revival in a sustainable manner. Guest of Honour also appreciated the role of CA fraternity in the success of Corporate India. He complimented that ICAI has done a commendable job in promoting India's soft power in accountancy profession. Detailed report of the Conference is published separately in inside pages.

Digi-Locker for ICAI Members and Students

ICAI constantly endeavours to use technology to provide ease of service delivery experience to our stakeholders. In yet another path breaking initiative and promoting e-governance, ICAI has successfully launched the Digi-Locker facility for its members and students during recently concluded Virtual International Conference. The facility aims at 'Digital Empowerment' of members & students by providing access to authentic digital documents to their digital document wallet. The ICAI Digi-locker facility is being provided by the Government of India, through Ministry of Electronics and

From the President

Information Technology by providing an online cloud service of keeping all important documents gradually like, certificates of passing, mark sheets, Membership certificates, Certificates of Practice & Members' ID cards safe and secure. The facility shall provide easy access to important documents that are authentic and legally at par with originals.

Empanelment of Chartered Accountant firms/LLPs for the year 2021-2022

Like every year, Office of the Comptroller and Auditor General of India invited online applications from Chartered Accountant firms/LLPs who desire to be empanelled with their office for the year 2021-2022 for the purpose of appointment of auditors of Companies as per Sections 139 (5) and 139(7) of the Companies Act 2013 and of Statutory Corporations, Autonomous Bodies as per the provisions of their respective Acts. The online application along with detailed instructions in this regard will be available on the website www.cag.gov.in from first of January, 2021. It is an opportunity for interested members to explore professional avenues in these organisations and also gainfully contribute for the public good.

ICAI Examination Conducted Successfully

The Institute successfully conducted the examination for all three levels amidst stringent precautions and social distancing measures in view of the ongoing pandemic. The experience gained over seven decades to conduct the examinations was put to its fullest use in peculiar circumstances of the current year. To comply with the directions issued by the government and employ best practices, various measures such as increased number of examination centres, staggered entry and exit for candidates, face masks and sanitisers at the gates were adopted. The students across the country followed the "new normal" amid the scare of pandemic and queued up wearing masks with safe social distance among them. It is satisfying to note that students across the country much appreciated the arrangement made at the examination centres.

In the interest of Students, the Institute decided to take up the challenge and turned it into a successful and safe event. With the successful conduct of physical examinations of this magnitude in 1084 examination centres spreading into 8 countries, the Institute set many benchmarks for others to follow. With the pandemic rankling the world, there was unhealthy opposition by some unscrupulous

elements, but the ICAI remained committed to its students and their well-being. The Institute firmly believes that "the life must go on" and hence did not jeopardise the career of the students who have been eagerly awaiting the examinations to move ahead in life. In the best interest of the students, the pandemic affected students were also given an option to opt-out to take another round of examinations that are starting in the month of January 2021.

"If I have the belief that I can do it, I shall surely acquire the capacity to do it even if I may not have it at the beginning", said Mahatma Gandhi. If one firmly believes that one can do something, one will eventually find ways to make it happen. Initially, we might seem to be lost and not know how to reach our destination but as we work our way towards our goals, we acquire the skills we need. Goals are the catalyst for success and help us in mapping out the strategies to achieve the desired results. **Simply put, if we believe in ourselves, we can achieve it.** Success and self-esteem reinforce and feed each other, creating a positive growth cycle. But at the same time, we need another ingredient to the equation, and that ingredient is perseverance. Perseverance and determination to acquire knowledge and skills, hone our existing capabilities and talents will make us dexterous enough to achieve what we have set our eyes on. The certainty or belief in our aspirations gives us the courage and strength and fuels our determination to continue until we have accomplished the task. The tenacity of our character weeds out the deterring fears and self-doubt and builds self-esteem and self-confidence. Positive attitude and persistent hard work can unleash endless possibilities for us with the entire world as our oyster.

Before I conclude, I also express my best wishes on the 72nd Republic Day of our beloved motherland – a day to remember with gratitude, the enormous efforts and sacrifices of millions of freedom fighters whose blood and sweat gave us Independence and created our Republic. Above all, this is a day to cherish our republican values. I sincerely hope that in our country, peace and prosperity prevails forever.

Stay safe and healthy.

Jai Hind, Jai ICAI,



CA. Atul Kumar Gupta
President, ICAI

New Delhi, 26th December, 2020

Photographs

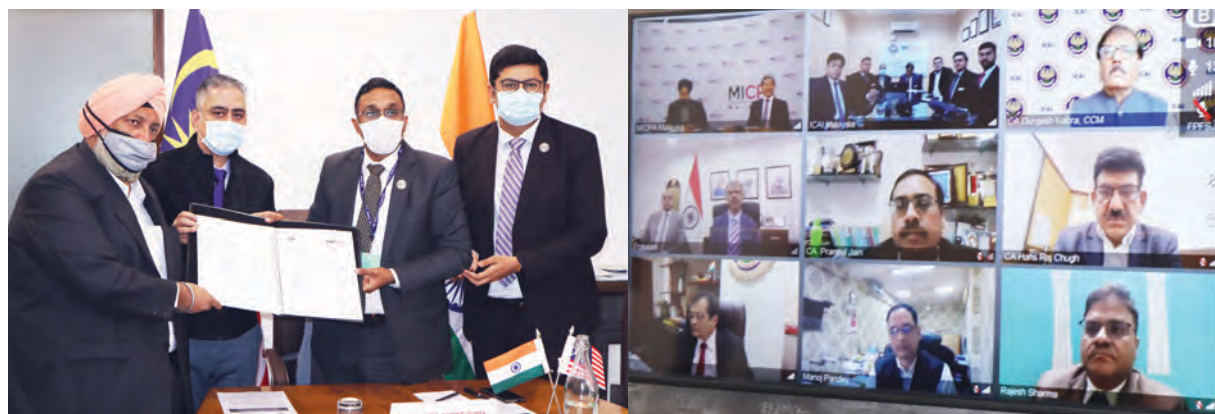
Inauguration of ICAI Srinagar Office



ICAI President CA. Atul Kumar Gupta and ICAI Vice President CA. Nihar N. Jambusaria with Chief Guest President, ITAT, Hon'ble Justice Shri P.P. Bhatt, Vice-President, ITAT, CA. G.S. Pannu in presence of Central Council colleagues CA. Hans Raj Chugh, CA. Charanjot Singh Nanda, CA. Anil Bhandari, CA. M P Vijay Kumar, CA. Dayaniwas Sharma, CA. Anuj Goyal & CA. Rajesh Sharma during inauguration of Srinagar Office of ICAI (15.12.2020)

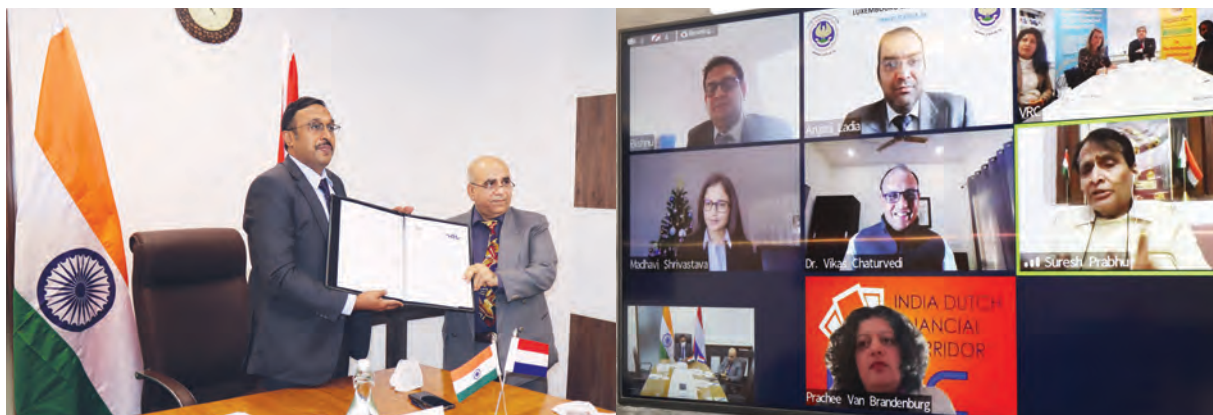


ICAI and MICPA Virtual MRA Signing Ceremony



ICAI President CA. Atul Kumar Gupta and ICAI Vice-President CA. Nihar N. Jambusaria with High Commissioner of India to Malaysia H.E. Mr. Mridul Kumar, Joint Secretary, Ministry of Corporate Affairs Shri Manoj Pandey during Virtual MRA Signing Ceremony between the Institute of Chartered Accountants of India (ICAI) and Malaysian Institute of Certified Public Accountants (MICPA). Also, present on the occasion Central Council members CA. Charanjot Singh Nanda, CA. Dayaniwas Sharma, CA. Aniket Talati, CA. Durgesh Kabra, CA. Hans Raj Chugh, CA. Rajesh Sharma and CA. Pramod Jain (04.12.2020)

Virtual MoU Signing, ICAI and VRC Netherlands



ICAI President CA. Atul Kumar Gupta and Hon'ble Member of Parliament and India's Sherpa to the G7 and G20 CA. Suresh Prabhu during Virtual MoU Signing Ceremony between the ICAI and VRC Netherlands. Also seen ICAI Central Council members and ICAI Acting Secretary on the occasion (10.12.2020)

E-Inauguration Ceremony of Singapore Office of ICAI



ICAI President CA. Atul Kumar Gupta and ICAI Vice President CA. Nihar N. Jambusaria with Hon'ble Member of Parliament CA. Arun Singh, High Commissioner of India to Singapore, H.E. Mr. P. Kumaran during E-Inauguration Ceremony of Singapore Office of ICAI. Also present, Central Council members and ICAI Acting Secretary (10.12.2020)



ICAI President CA. Atul Kumar Gupta along with ICAI Vice-President CA. Nihar N. Jambusaria and ICAI Central Council Members during 'Bhoomi Poojan' ceremony for commencement of construction of ICAI Bhawan at Manesar (Gurugram) (20.12.2020)

ICAI President CA. Atul Kumar Gupta Elected as IFAC Board Member

CA. Atul Kumar Gupta, President, The Institute of Chartered Accountants of India (ICAI) has been elected as the Board Member of International Federation of Accountants (IFAC) at the IFAC



Council Meeting in November, 2020. CA. Gupta has been elected for a period of three years from November 2020 to November 2023.

IFAC is a global organisation for the accountancy profession, dedicated to serving the

public interest by strengthening the profession and contributing to the development of strong international economies.

Beginning with 63 founding members from 51 countries in 1977, IFAC now comprises of 175 members and associates in 130 countries and jurisdictions worldwide, representing approximately 3 million accountants in public practice, education, government service, industry, and commerce.

IFAC's mission is to serve the public interest by: contributing to the development of high-quality standards & guidance; facilitating the adoption & implementation of these standards; contributing to the development of strong professional accountancy organizations & accounting firms and promoting the value of professional accountants worldwide and speaking out on public interest issues.

Internationally, CA. Atul Kumar Gupta is also serving on the Board of XBRL International and South Asian Federation of Accountants (SAFA). He is also a member of Public Sector Financial Management Committee of Confederation of

Asian and Pacific Accountants (CAPA) and representing ICAI in International Integrated Reporting Council (IIRC). He, earlier, has been the Chairman of Committee on Education, Training & CPD of SAFA.

Experience of CA. Gupta spans through education, examination, CPD, research, I&D and system development with strong focus towards IT architecture giving him adequate insight in to the accountancy profession. He has adequate International exposure & hands on experience in dealing with multilateral agencies & the capability to deal with multicultural teams including understanding of the work program of IFAC & has contributed significantly in building strong relationship between ICAI & IFAC.

On being elected on the Board of IFAC, CA. Atul Kumar Gupta said *"Being associated with IFAC reflects the recognition of the pivotal role being played by ICAI for the profession both nationally as well as internationally. We at ICAI are truly excited to work with IFAC, which is a global voice for the accountancy profession. Being associated with IFAC would allow me to work towards re-skilling the skillsets, equip professional with changing technology paradigm, building trust and inspiring confidence amongst various stakeholders, supporting the development and implementation of high-quality international standards, improving public sector financial management and working with member bodies to strengthen the profession globally."*

Describing his vision and priorities for the accountancy profession and IFAC activities, CA. Atul Kumar Gupta mentioned that *"He would like to see that economic issues and challenges being faced by the developing Countries & SMPs are appropriately taken up at global platform and suitable initiatives for professional accountants to enrich and equip them in new age technology skills, acquire strategic managerial skills besides continuing their prowess in accountancy, finance, taxation and business laws are undertaken."*

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC's vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets, and economies.

IFAC's view is that a fundamental way to protect and serve the public interest is to develop, promote, and enforce high-quality, internationally recognized standards for auditing and assurance, education, ethics, and public sector accounting. These standards and related regulations are essential to ensuring the credibility of information upon which investors and other stakeholders depends and to achieving sustainable global economic development. As a result, IFAC supports the following independent standard-setting boards:

- International Auditing and Assurance Standards Board
- International Accounting Education Standards Board
- International Ethics Standards Board for Accountants
- International Public Sector Accounting Standards Board

It promotes convergence to the standards issued by the boards as well as to the International Financial Reporting Standards (IFRSs) set by the International Accounting Standards Board.

IFAC also issues tools, guidance, and resources to support member bodies and their members who are professional accountants in business or employed in small and medium practices-both of these groups play a critical role in the global economy. In addition, it collaborates with member bodies and works with organizations throughout the world to support the growth and development of the accountancy profession in emerging economies.

ICAI in Action

Exposure Draft of Amendments to Ind AS 117, Insurance Contracts

The Indian Accounting Standards (Ind AS) are based on the IFRS Standards issued by the International Accounting Standards Board (IASB), a high quality globally accepted Accounting Standards. In this regard, Accounting Standards Board (ASB) decided to issue the Exposure Draft of Amendments to Ind AS 117, *Insurance Contracts*, corresponding to amendments in IFRS 17 for public comments. It may be noted that in May 2017, the IASB issued new standard on insurance Contracts, IFRS 17, *Insurance Contracts*, replacing IFRS 4 which was in the nature of an interim standard pending the completion of the project on insurance contracts by the IASB. IFRS 17, first comprehensive international standard, sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. After issuing IFRS 17, *Insurance Contracts*, the IASB established a Transition Resource Group for IFRS 17 to discuss implementation questions, and meeting with stakeholders affected by the changes introduced by IFRS 17, including preparers and users of financial statements, auditors and regulators. It helped the IASB to understand the concerns and challenges that arose for some entities while implementing the Standard. In May 2019, the IASB issued the Exposure Draft of Amendments to IFRS 17. After considering comments on the Exposure Draft, in June 2020, the IASB published amendments to IFRS 17 including a deferral of the effective date of Standard by two years, i.e., from annual periods beginning on or after 1 January, 2023.

To remain converged with the IFRS Standards, in 2018, Ind AS 117, *Insurance Contracts*, corresponding to IFRS 17 was formulated which was cleared by the Council, ICAI. Moving forward in this direction in line with international developments, the Exposure Draft of Amendments to Ind AS 117 has been formulated corresponding to amendments to IFRS 17. Comments on the Exposure Draft may be submitted before January 24, 2021. For further details, please visit <https://www.icai.org/post/ed-amendments-to-indas-117-insurance-contracts>.

Exposure Draft of Lease Liability in a Sale and Leaseback - Proposed amendment to IFRS 16

The IASB, before issuing the new/amendments to IFRS Standards, issues the Exposure Draft (ED) for public comments across the globe. The Accounting Standards Board (ASB) of ICAI with the aim to provide an opportunity to the various stakeholders

Developments

in India to raise their concerns at the initial International Standard-setting stage (ED stage) itself, invites comments on the ED issued by the IASB. It also helps the Indian stakeholders to be aware of the preparations required for implementation of Ind AS in line with adhering to global timelines. At present, **ED, Lease Liability in a Sale and Leaseback - Proposed amendment to IFRS 16**, issued by IASB is open for comments by March 29, 2021: Through this ED, the IASB has proposed to amend IFRS 16, Leases. For details, visit <https://www.icai.org/post/ed-lease-liability-in-a-sale-and-leaseback>.

Advisory to follow the ICAI Valuation Standards 2018 while conducting any type of Valuation Engagement to ensure uniformity and transparency.

The Institute of Chartered Accountants of India has issued the ICAI Valuation Standards 2018 to ensure the consistent, uniform and transparent valuation policies for the members undertaking the Valuation Assignments. The ICAI Valuation Standards are applicable for all valuation engagements on mandatory basis for members undertaking valuation engagements under the Companies Act 2013. In respect of Valuation engagements under other Statutes like Income Tax, SEBI, FEMA etc, it will be on recommendatory basis for the members of the Institute. These Valuation Standards are effective for the valuation reports issued on or after 1st July, 2018. These standards come as ICAI's consistent drive to guide its members for ensuring high quality work and standards. Accordingly, ICAI Valuation Standards, 2018 are applicable on recommendatory basis for all the valuation engagements undertaken by members under various laws.

In this regard, all the members of the Institute are advised to follow the ICAI Valuation Standards 2018 while conducting any type of Valuation Engagement to ensure uniformity and transparency. Please visit <https://www.icai.org/post/advisory-icai-valuation-standards-2018>

Mandatory validation of UDIN in all Income Tax Forms

CBDT is validating Unique Document Identification Number (UDIN) generated from ICAI portal while uploading of Tax Audit and other Income Tax Reports as per their Press release.

Tax Audit Reports / Forms uploaded on e-filing portal from 27th November, 2020 and onwards

The Tax Reports / Forms will be treated valid only if their UDINs have been validated by CBDT E-filing Portal. For doing so, CAs will have a buffer time of

15 days to update their UDIN at e-filing portal in addition to providing the same instantly.

UDIN is being validated by e-filing portal online with UDIN Portal of ICAI on three parameters:

- Membership No of Member (MRN)
- UDIN
- Income Tax Form Number

Tax Audit Reports / Forms uploaded on e-filing portal between 27th April, 2020 and 26th November, 2020

CBDT has come out with this functionality of mentioning UDIN in IT Forms at e-filing portal from 27th April, 2020 onwards. It is being observed that some members though might have generated UDIN for IT Forms well in time but somehow missed to update the same on e-filing portal. On the persuasion of ICAI, CBDT has given a one-time relaxation by allowing them to update UDINs for forms latest by 31st December, 2020 for treating these forms as valid.

The members may kindly once again note that now the Form / Tax Audit Report for which no valid UDIN has been updated within the permissible time limit of 15 days will be treated as invalid. Considering the fact that now IT Form will be treated as Valid by e-filing only if the validation of UDIN is done and Taxpayer has accepted the form, it is recommended that members should plan the filing of the Tax Audit Reports without waiting for the last date to avoid any last-minute hassles.

For details please visit <https://www.icai.org/post/mandatory-validation-of-udin-in-all-income-tax-forms>.

Gazette Notification No.1-CA(7)/197/2020 Released

Draft of certain regulations further to amend the Chartered Accountants Regulations, 1988, which the Council of the Institute of Chartered Accountants of India proposes to make, is published, as required by sub-section (3) of Section 30 of the Chartered Accountants Act, 1949 (38 of 1949) for the information of all persons likely to be affected thereby. The said draft regulations will be taken into consideration on or after the expiry of a period of forty-five days from the date on which the copies of the Gazette of India in which these draft regulations are published, are made available to the public. These regulations seek to substitute FORM '18' in Schedule -A to the Chartered Accountants Regulations, 1988 (See Section 2(2) of the Chartered Accountants Act, 1949, Regulation 53B and Regulation 190 of the Chartered Accountants Regulations, 1988).

International Conference



Accountancy Profession: Augmenting Economic Sustainability-A Report



The ICAI mega International Conference with theme "Accountancy Profession: Augmenting Economic Sustainability" was successfully held between December 17-19, 2020 virtually for the 1st time. The conference which had more than 5,500 registrations to attend through specifically created virtual platform was addressed by 58 speakers from different parts of the world. The conference was also live streamed on YouTube and webcast link was created to allow large number of our members get benefit of this historic virtual conference.

The International Conference was inaugurated by CA. Piyush Goyal, Hon'ble Minister of Railways, Commerce & Industry and Consumer Affairs, Food and Public Distribution as Chief Guest and Shri Anurag Singh Thakur, Hon'ble Minister of State for Finance & Corporate Affairs and Mr Alan Johnson, President, International Federation of Accountants (IFAC) as Guest of Honour. The Conference had

participation from eminent speakers both of national as well as international eminence from Government, Industry and Accounting Profession.

The International Conference aimed to highlight the role and importance of sustainable development and the importance of the profession in enhancing the same and provided an apt platform of thirteen technical sessions for members, academicians, researchers and policy makers to dwell upon and deliberate the same.

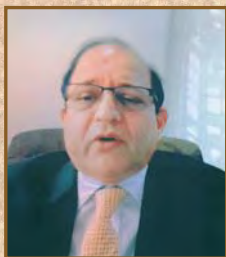


Shri Rakesh Sehgal, Acting Secretary, ICAI welcomed all the dignitaries, the members in the profession and esteemed guests. In his welcome address, he emphasized on the importance of International Conference as a platform for knowledge enrichment and exchange of

Contributed by International Affairs Committee of ICAI. Comments can be sent to ia@icai.in and ebboard@icai.in

International Conference

ideas & networking and it would be a best platform to learn best practices in tandem with changing market dynamics.



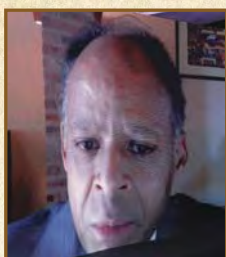
CA. Prafulla P. Chhajed, Past President, ICAI addressed the audience and enlightened them about the proactive steps taken by ICAI in the wake of the pandemic for the benefit of the membership and stakeholders community at large and

extended the invitation for the 21st World Congress of Accountants scheduled to be held in Mumbai, India on November 18-21, 2022.



CA. Atul Kumar Gupta, President, ICAI in his address highlighted how the working of the world has changed due to a pandemic and emphasized that although these changes were necessitated by the pandemic;

the world has quickly embraced these changes. Accounting profession is also no exception to this and it has also recognized the need for a sustainable development. In the current unprecedented times, role of accountant has become all the more important in sustainable development as an accountant now has to act as creator, provider, keeper and a reporter of sustainable values. He then elucidated the various initiatives taken by the ICAI in recent times in wake of the pandemic.



Mr. Alan Johnson, President, IFAC in his address explained how the profession needs to adapt to and thrive on the new normal which has created a need for a future fit accountant including the never changing demand of trust and ethics in

the profession. He highlighted that no matter what change the future brings, trust and ethics are our pillars. He also placed on record the appreciation for ICAI's quick response to the pandemic wherein ICAI had its first webinar on "Impact of COVID"

in April 2020 itself equipping its members to face the pandemic and since then has been sharing its resources with IFAC and other PAOs. This level of international collaboration shown by ICAI, he felt was unmatched.



Mr. Anurag Singh Thakur, Hon'ble Minister of State for Finance & Corporate Affairs began by stating that he is happy to address the fraternity for the third time in last six months. He felt the theme is interesting and comes at a

time when sustainability tops the agenda of the Government. He added further that the Government is looking at strong economy based on strong fundamentals and acknowledges the role of CA, which is crucial to the growth of an economy and it is a medium between the Government and the business community. He appreciated ICAI has a global presence in 63 cities of the world and the members abroad are playing an important role in moving ahead the vision of Aatmanirbhar by the Government.



CA. Piyush Goyal, Hon'ble Minister of Railways, Commerce & Industry and Consumer Affairs

appreciated that while serving for 70 years, ICAI has done well to imbibe qualities of honesty, integrity, competence

and regard for society as the students who joined ICAI made ICAI proud not only in India but in foreign land as well. He asserted that India has been given a unique opportunity to re-design, re-invent, re-inspire and re-innovate to face the future and sustainable development is our guide for the same. Under 'Aatmanirbhar Bharat' ICAI is progressively expanding its role in the global economy, which would not have been possible without strengthening the MSME sector. He appreciated the efforts of ICAI for focusing on MSMEs and asserted that CAs are well positioned for effective resolution and to augment the efforts of the Government to build a self-reliant India.

International Conference



CA. Nihar N. Jambusaria, Vice President, ICAI proposed the vote of thanks to all the dignitaries at the first ever virtual International Conference of ICAI. He stated that despite the pandemic ICAI is committed to serve its members by providing

solutions to the challenges faced today. We are doing what we can to promote technology. CAs are gatekeepers to business and we shall see that the businesses continue to prosper. ICAI would ensure that CAs act as link between businesses and the Government. ICAI has promoted mentorship program for MSME. Big business and MSME have to coexist.

SESSION – I

Accountancy Profession: Role in Accelerating Global Economic Growth/ Global Economy

CA. Jay Chhaira, Council Member, ICAI welcomed the participants to the technical session I. He stated that today there are no physical economic boundaries. If something is holding the world it is economy and commerce. We belong to the profession which is the core of economy and act as a catalyst to the global economy.

Making India a Global Innovation Hub

CA. T N Manoharan, Past President, ICAI, started with the inventions that India has been giving to the human civilization from the time immemorial and went on to say that due to the phenomenally strong political will, India has now reached 50th position in Global Innovation Index Ranking and very soon India shall emerge as a global hub for innovation. The main aim for all should be the quest to secure competitiveness in future through R &D; Intellectual Property and through Innovation. Pandemic has accelerated this pace and now innovation is not a luxury, it is a necessity. He also discussed about the role of Chartered Accountants and the importance of entrepreneurship for sustainable development and also so that India emerges as a global hub for innovation.

Digital Transformation for Sustainable Growth – A CEO's Perspective

CA. Sandip Patel, MD IBM India & South Asia

shared his perspective on digital transformation and how that can be capitalized to further sustainable growth. The pandemic has caused every organization to depend greater than ever before on technology and he discussed the three major technological shifts which the organizations need to adapt as well as adopt in order to sustain in the new normal. He also asserted that Digital transformation is a way of life today and Ethical AI, data integrity are not just the buzz words anymore but are the serious business imperatives.

Accountancy Profession: Role in Accelerating Global Economic Growth

CA. (Dr.) R Seetharaman, CEO Doha Bank began by explaining how the extraordinary set of transformations that we all are witnessing has led to the need to adapt in a very different way in order to sustain. He also explained the need for sustainable development for value creation and the importance of monetary and fiscal prudence which is making sure we can reboot. He asserted the role of technology and he then went on to explain the important role which the Chartered Accountants have to play in the new business model based on liquidity management and fiscal prudence along with a greater level of trust and transparency that comes with the use of the technology.

Role of Youth in Making Self – Reliant India

Shri Tejasvi Surya, Hon'ble Member of Parliament, in his address began by how India has the world's youngest population which is aspirational and ambitious and this population wants to reach out for a better tomorrow. For building a better tomorrow, he stressed on the importance of having dominance in the area of technology and innovation. He also talked about encouraging the agricultural sector and summed up that India needs to make right kind of policies and reforms to enable young people to emerge as top notch leaders, innovators and thought leaders in every sector of the economy and greatest challenge is to provide equal opportunities to all

CA. Dayaniwas Sharma, Council Member, ICAI proposed the vote of thanks of the session, and asserted that the aspiration and motivation

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of contributing to the world has been so high in their addresses and the speakers have given us the

motivation and encouragement with their words of wisdom to aspire to lead the world.



SESSION – II

Transforming the Future: Enabling Excellence, Augmenting Trust

CA. G Sekar, Council Member, ICAI welcomed the participants and speakers to the second technical session. He stated that Global trends are transforming the world of work and reshaping the future of the accountancy profession. In this transformation we have to enable excellence by enhancing trust. CAs are the backbone of the economy and we have the onus of bringing back the trust in the society. This was and would always be the underlying value of the profession.

Sustainable Development Goals- Role of Accountancy Profession

Prof. Mervyn E King, Chair Emeritus, IIRC shared his experience for the last 5 decades elucidating the changes that took place and what is expected of the future, especially the way the technology has transformed how things work. He also stressed upon the role, which the profession can play in achieving the Sustainable development goals. Accountants also facilitate economic activity, development, and decision making by government and business; they also have a role in the development of innovative practices and environmental pollution policies.

Assurance of the Future – Building Credibility and Trust

Mr. Len Jui, Dy Chair, IAASB briefed the audiences

on the working of IAASB and its importance. During his address he also appreciated the role of ICAI in standard setting and its contribution to the IAASB. He described in details the goals and objectives which would help the profession in building credibility and trust as they deeply connect to the stakeholders and empathize with the current issues. He stressed that the profession needs to be more agile and innovative in order to tackle the dynamics.

Managing Public Finances for Inclusive Growth

CA. Srinivas Gurazada, Head PEFA Secretariat & Global Lead, Public Finance Management, World Bank, in his address, emphasized on the importance of amiable co-ordination between economists, accountant and policy makers for inclusive economic growth and effective public financial management. He further explained how PEFA connects public finance and can assist Governments in managing the Public Finance in the future and also synergistic effect of co-ordination between the accounts and the economists for a scaled up impact in future.

Transforming the Future: Enabling Excellence, Augmenting Trust

CA. Amarjit Chopra, Past President ICAI talked about the relevance of financial reporting from the perspective of members in industry and in profession and how the reporting must change for the betterment even in the Government sector. He was of the firm belief that there is an urgent need

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to shift the role from watch dog to atleast barking dog if not biting dog. He also spoke on need for change in the reporting manner to include the ripple effects and synergistic effects of the projects in order to bring excellence and that would be able augment trust on the ultimate reader of the reports.

Reimagining Future of Corporate Reporting: Inspiring Trust and Confidence

CA. Abbas Ali Mirza, 21st Session Chairman, ISAR/UNCTAD, United Nations dwelt upon many issues which needs to be considered for moving ahead confidently in uncertain times. He shared the concept of Black Swan dealt by famous

author Nassim Taleb in his book'. He shared how the continuous development projects undertaken by IASB will change the face of corporate reporting wherein Primary financial statements and Management Commentary Project will make a significant difference.

CA. Satish Kumar Gupta, Council Member, ICAI proposed hearty vote of thanks to all the speakers for their enlightening deliberations. He stated that there were three key words of the session- transformation, excellence and trust. We can transform and excel quickly but for trust it takes years to build and seconds to break and we CAs should never forget that.



SESSION – III

Unlocking Professional Opportunities in Middle East & Africa

CA. Dheeraj Kumar Khandelwal, Council Member, ICAI welcomed the participants to the third session of the first day. India has close ties with Middle East and Africa and for the past 2 decades trade and investment flows have brought these countries closer than ever before. He briefed that this session would discuss the opportunities for CAs in Middle East and Africa.

CA. Anish Mehta, Chairman Duabi Chapter was the moderator of session. On the panel were : CA. Neeraj Ritolia, Abu Dhabi, UAE; CA. Ajay

Kumar Chettuvetty, Bahrain; CA. Kaizar Shakir, Kuwait; CA. Ramanada Prabhu, Muscat, Oman; CA. Sandeep Chowdhary, Doha, Qatar; CA. Adinarayana Balcha, Kampala, Uganda and CA. Vishwanshu Trivedi, Dar es Salaam, Tanzania.

The panel discussed the professional opportunities for Indian Chartered Accountants in Middle East and Africa. It dwelled upon how all these jurisdictions have grown into hub of opportunities for professionals, a real recruitment hotspot that attracts wealth of talent. The Chartered Accountants are serving at top level in these jurisdictions; it indicates huge opportunities for the professionals.

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CA. Hans Raj Chugh, Council Member ICAI proposed the vote of thanks for the session. He thanked panelists for sharing useful insights on

the opportunities available to ICAI members who wish to shift base in these jurisdictions.



Session – IV

Unlocking Professional Opportunities in Australia, New Zealand & Singapore

CA. Prakash Sharma, Council Member, ICAI welcomed all to the first session of Day II of the virtual Conference and briefed that the session shall be focusing on the opportunities in Oceania and South East Asia region which also has very large presence of our members.

The panel comprised of CA. M. Devaraja Reddy, Past President ICAI; Mr. Leslie Leow, Regional Manager CPA Australia; CA. Mahaveer Singhvi, IFS, Joint Secretary, Ministry of External Affairs; CA. Raj Kapoor, Vice Chairman Melbourne, Australia; CA. Subbu Subramanian, Chairman Sydney, Australia; CA. Kala Subramanian, Chairperson, Singapore Chapter and CA. Prabhat Jha, Chairman, Malaysia Chapter.

The session focused on professional opportunities for CAs in these jurisdictions. The economies of Australia, Singapore and New Zealand are strong economies and highly attractive. Many CAs are already working at top leadership levels in these economies and there has been an increased demand recently, especially in audit, assurance, corporate banking, consultancies, wealth management etc. The panel appreciated the well drafted and internationally accepted and acclaimed ICAI curriculum due to which the members are in great demand even in the developed economies.

CA. Prasanna Kumar D, Council Member, ICAI proposed Vote of Thanks for the session and placed on record the appreciation for Ministry of External Affairs in treating the ICAI Chapters at par with apex Trade Associations. He also apprised that the session dwelled on the skill shortage and job opportunities for Indian Chartered Accountants.



SESSION – V

Manthan : Augmenting Investment in Make in India

CA. Charanjot Singh Nanda, Council Member,

ICAI welcomed the participants to session V and apprised that this session particularly speaks about the 'Manthan' for enhancing the investments in India and apprised about the 9 mantras that ICAI gave on 'Rebooting Indian economy- way forward for 5 trillion economy.

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CA. Suresh Prabhu, Member of Parliament & India's Sherpa to G-7 and G-20 started by comparing between a doctor and an accountant. He stated that as the doctors, we are also the doctors of the economy and like any other doctor it becomes our imperative duty to understand the root cause of the problem before the disease is actually treated. We cannot think about revival of economy without thinking about the crisis of 2008 as the world today is highly interconnected and the economies need to work on revival of global economy to reboot their own economy. He then enumerated various factors all of which shall play an important role in boosting the global economy and ultimately benefitting our own economy.

CA. K Rahman Khan, former Union Minister of Minority Affairs and also Ex-Deputy Chairman of Rajya Sabha addressed on augmenting inbound investment in 'Make in India'. In his address, he discussed the important factors which any country needs to focus in order to attract FDI which are market access. He also explained about the role of 'Make in India' in augmenting the FDI and how during this pandemic also, India is able to provide a safe and rewarding investment opportunity. He concluded by saying that growth of FDI is a strong reflection of growth of India and through the 'Make in India' the nation is building to embrace growth and become a super power.

Shri Naresh Salecha, Member Finance, Railway Board, in his session elucidated the 'Make in

India' initiative, NIP, NRP, vision 2024 and 2030 of the Indian Railways. He also spoke about how the Indian Railway has and intends to contribute further into this initiative and how the Chartered Accountants could contribute to this initiative. He also shared the future plans of Indian Railway on the policy front to make the 'Make in India' a success, the plan included adding capacity ahead of demand; increase modal share of rail; making the logistics cost competitive; explore the PPP investment option etc.

Ms. Chandrima Sinha, Vice President, Invest India, apprised about the MoU between ICAI and Invest India and the important role Chartered Accountants can play in boosting the investments. She welcomed for any inputs and suggestions from the Chartered Accountants fraternity and looked forward to closely work with not only with Chartered Accountants in India but Indian CAs based abroad as well. She informed how India was uniquely poised to take the advantage to gain the second highest number of Greenfield projects and besides the 12 Champion sectors, the Government has earmarked 10 sectors for boosting the manufacturing sector as well.

CA. Anuj Goyal, Council Member, ICAI summed up and proposed the Vote of Thanks for a very power packed session of a new and self-reliant India. The aspiration of boosting the FDIs and how the Indian Chartered Accountants worldwide can play their part in making into a reality.



SESSION – VI

Future Trends in Data Analytics and Corporate Governance

CA. (Dr.) Debashis Mitra, Council Member,

ICAI welcomed the participants to the session which would sneak into the future of data analysis and corporate governance so that the quality of the profession is never compromised. He apprised about the various reforms and developments

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in the Indian Companies Act for strengthening the corporate governance in India and about the Digital Accounting and Assurance Board of ICAI.

Data Analytic Thinking and Prediction

CA. (Dr.) Srikant Datar, Associate Dean, Harvard Business School elucidated to what extent corporate governance can be regulated; the newer areas that will be developing in Data Analytics and how Data Analytics will be affecting the corporate governance. He also explained how Data Analytics would change the way auditing currently works. The Data Analytics is also going to change how companies operate by illustrating what might happen in the area of accounting as a result of Data Analytics.

Trends in Corporate Governance and Responsibilities of Accountants

CA. Keki Mistry, Vice Chairman & CEO, HDFC Limited explained the various Corporate

Governance schemes that have gained attraction and became hot topics of discussion. He also talked about the expectation, how it has grown immensely over the years and the important role CFOs are playing in their respective organizations. He stressed on the rising expectations of stakeholders coming from shareholders activism which is exerting strong influence on the Governance. He continued by highlighting the need for the transformational changes for a Chartered Accountant by being more flexible, innovative and lateral.

CA. Chandrashekhar Vasant Chitale, Council Member, ICAI proposed the vote of thanks to the speakers for very interesting and informative session. He rightly summed up the session by expressing that Data Analytics in future would be able to provide rule based background for the purpose of decision making thereby assisting in good governance.



Session – VII

Tax, Technology and Transformation

CA. Shriniwas Yeshwant Joshi, Council Member, ICAI welcomed the participants to a brilliantly planned session on tax, taxation and transformation. He apprised that all over the world, various tax exemptions are given under fiscal policy incentives to attract investment. He informed that in this session we shall be discussing the most prominent factor i.e. the impact of taxation on the investments.

GST Implementation–Impact, Issues and Key Learnings

CA. Sushil Kumar Goyal, Council Member, ICAI informed the audiences about GST and his address covered the impact of technology on GST

and how technology has enabled effective and efficient implementation of GST. He shared about the latest initiatives such as GST Portal, which offers e-invoice; e-assessment, e-returns, appeals etc. all of which would not have been possible without the use of technology.

Influence of Taxation on Foreign Direct Investment

CA. T P Ostwal, International Tax Expert spoke on how the FDI has fallen down as a percentage of GDP over the past few years and stressed that if all over factors of attracting FDI are saturated, how the taxation plays a major role in attracting FDI. He also touched upon the effect of tax haven, shell companies, phantom investments, treaty shopping and tax considerations which have an influence on FDI. He also spoke on the regulatory environment

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in India and the measures taken by India to protect the integrity of its tax system.

Tax Technology and Transformation

CA. G S Pannu, Vice President, ITAT stated that the usage of technology is imperative in every sector and tax system is no exception. He described how the inclusion of technology in taxation has transformed the whole system of operations reflecting a system that is robust, seamless, faceless and has a consistent approach for all enabling the system to have a 360-degree systematic profiling. At the end of his address he urged the Chartered Accountants to continue playing the role of

catalyst of the economic growth and also for their important role in maximum tax collection for the growth of the economy.

CA. Shriniwas Yeshwant Joshi, Council Member, ICAI proposed the Vote of Thanks to the participants for a very relevant as well as interesting session which dwelled upon the critical issues regarding tax system for boosting FDI; how the technology has saved the day for taxation as well in this pandemic era. He ended by asserting that we Chartered Accountants welcome the e-filing initiative and shall do our best in the interest of the economy.



SESSION – VIII

Future Ready Profession

CA. Anil Satyanarayan Bhandari, Council Member, ICAI welcomed the participants to a very relevant session which would highlight what the future holds for our profession. He apprised how business models have transformed and businesses need to embrace technology not only for growth but also how it has become essential for even survival.

Leading Organization in turbulent times

CA. Sanjiv Mehta, CMD, Hindustan Unilever Ltd. began by acknowledging the stellar role that Chartered Accountants play during the turbulent times and then went on to inform the audiences about the various philanthropical & CSR initiatives by the organization. He further shared valuable insights on what are the challenges faced by the organizations and enumerated the key factors on which HUL focused to ride the tide. He concluded by asserting that the pandemic era may be remembered in future as an inflection for many businesses, who timely and effectively reacted to the pandemic and sustained in the turbulent times.

Rise of Women to Board & Executive Ranks: Not Just about Numbers

CA. Madhu Ranganathan, EVP & CFO, Open Text shared her perspective on the topic, being in the finance and accounting profession for over 34 years and as a CFO for half of the time of her experience, she emphasized that this topic resonated with her. She then explained and illustrated well the unique skills and attributes of the women workforce that if added in the Boards and Executive Ranks, lead to not only incremental but exponential increase in performance of an organization. She shared the 10 key takeaways for success which she attributed to her own personal life and professional journey of more than 3 decades.

Building Future Ready Professionals

Mr. David Mathews, President ICAEW commented how the level of member commitment, engagement and relevance has increased due to virtual mode of working specifically in case of Continuous Professional Development. His address also focused on the importance of embracing the technology as well as the need to mitigate the risks and challenges involved in the use of technology. He stressed on the importance of maintenance

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of ethics, integrity, trust and transparency which are the pillars of the profession. He concluded by saying that technology would bring radical changes to the job of accountants and the course of survival is to adapt, thrive and lead.

CA. Pramod Kumar Boob, Council Member,

ICAI proposed the Vote of thanks to the speakers for a very relevant session with their in-depth knowledge and summed up the session. In this rapid transforming business environment, need is to constantly enhance knowledge base and adapt to get hold of the dynamic opportunities.



SESSION – IX

Investment Strategy in Current Environment

CA. Babu Abraham Kallivayalil, Council Member, ICAI welcomed the participants to the first session of Day 3. He briefed on how the current economic changes demand leaders to find solutions and emphasized that every crisis shows us opportunities.

CA. Durgesh Kabra, Council Member, ICAI introduced Past President ICAI CA. Nilesh Vikamsey and invited him to address the delegates of the conference.

CA. Nilesh S. Vikamsey, Past President, ICAI shared how the market went down at the start of pandemic but now we are sitting on the level when markets have set new records with the flow of liquidity. He continued with details on how the things have changed and have made a difference in these times.

CA Durgesh Kabra, Council Member, ICAI introduced Panel moderator and panelists of the session. He handed over to Panel moderator CA. Anil Singhvi for navigating through the session.

Investment Strategy in Current Environment

CA. Anil Singhvi, Managing Editor, Zee Business moderated the session on Investment strategy in Current Environment. This panel discussion had eminent speakers including CA. Nilesh Shah, Group President & MD, Kotak AMC; CA. Nilesh S. Vikamsey, Past President, ICAI and CA. Sunil Singhania, Founder, Abakus Investment and had intense discussion on the investment strategy in the current scenario full of uncertainty and complexity.

CA. Rajendra Kumar P., Council Member, ICAI proposed vote of thanks to everyone for sharing the wonderful message which will play an important role in encouraging the attendees for creating a better tomorrow.



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Session – X

Accountancy Profession: Role in Accelerating Global Economic Growth/ Global Economy

Future of Work –Technology and Analytics

CA. Nandkishore Chidamber Hegde, Council Member, ICAI welcomed the participants and speakers to the second technical session of Day 3. He briefed the attendees on the discussion and deliberations expected to take place in this session. He also highlighted how the change due to pandemic makes this session very important and learnings in the session will allow us to prepare for better future.

Technology-Empowering Profession

CA. K. Raghu, Past President ICAI highlighted that the changes in world due to pandemic demanded the required change for serving the profession and dissected how ICAI has taken the lead to bring in number of initiatives for serving the members in this digital revolution era. He touched upon various technologies which has been emerging quickly and highlighted how we should understand these technologies for staying updated in the current environment.

Engaging Next - Generating Clients - Adding value with Analytics

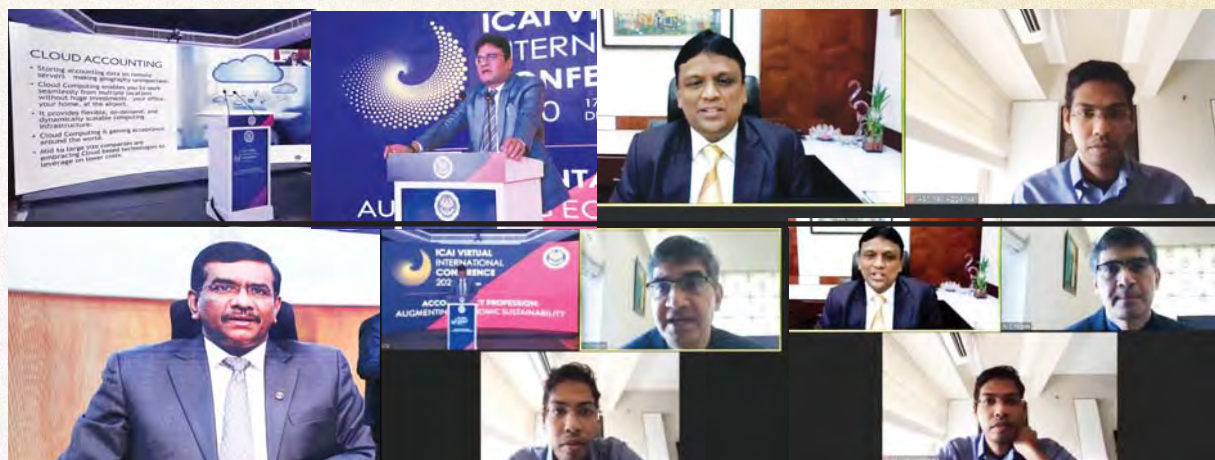
CA. Abhinav Aggarwal, CEO, Fluid AI thanked for the warm introduction and expressed his happiness for being here and addressing the members. He stressed that his interest on technology made him

do different things after qualifying as a Chartered Accountant. He highlighted that how things may be different than as it looks to outside world and shared that by sharing the example of J P Morgan in very interesting way. He shared how AI can be leveraged to transformed businesses and played a small video to show how AI works in the real world. He emphasized that CA's have a lot of data and we should know how to unlock the power of data by encouraging to work through the data. He thanked for the opportunity and appreciated the quality of platform.

Banking and MSME's

Mr. Rajkiran Rai, MD and CEO, Union Bank of India emphasized the importance of the topic which is so close to his heart. He shared detailed information on the level of our foreign reserves and how the pandemic has affected MSMEs. He shared examples of how large organizations have battled the pandemic with various quick initiatives such as reducing cost and highlighted the importance of measures announced by the Government. He stressed on how the measures announced will ensure that small organizations can stay afloat to overcome the challenges and create opportunities for the growth of the economy.

CA. Rajesh Sharma, Council Member, ICAI proposed vote of thanks to all the speakers for their enlightening discussions and deliberations in the session. He highlighted how the world is changing and how new technology initiatives are making significant difference in the financial inclusion.



International Conference

Session – XI

Start-ups and Value creation

CA. Kemisha Soni, Council Member, ICAI welcomed the participants to the third session of the third day of the conference. She expressed hearty thanks to all three speakers for the session and emphasized on how value creation can make a difference in our lives. She highlighted how start-ups in today's world are playing an important role to give different experiences.

Creating a Conducive Ecosystem for Start-ups to thrive

CA. Sanjay Vatsa who is serving as Chairman of Inveniam Capital Partners started with sharing how the Chartered Accountancy qualification has made a difference in his three decades of experience. He shared how in his experience he has spent considerable time creating disruption. He stressed that the speed of disruption has grown significantly with the emerging technologies and the pandemic has further accelerated its pace. He shared how startups are well placed to face the challenges and how they are adapting to the changes in system for creating the value in the global ecosystem. He highlighted how exit opportunities have grown in current times and how evolution of corporate finance has been happening in today's world.

Value Creation through Entrepreneurial Vision

CA. M S M Sundaram Citibank, Singapore highlighted that for future of finance and innovation, value creation should be through entrepreneurial vision. He also touched upon identifying any conflict upon vision and value. He shared different winning strategies for value creation. He concluded by expressing that winners will be those start-up firms that successfully unite the vision and value mindsets.

Start-ups and value creation

CA. Subodh Kumar Agrawal, Past President, ICAI started with sharing his experiences wherein he has come across most successful start-ups being the ones using technology effectively. He explained what startup is, what roles we Chartered Accountants can play in the success of start-ups and how we can create value through start-ups for making the required difference in the economy. He highlighted on the uniqueness of start-ups and the role played by young individuals in creating some successful start-ups.

CA. Pramod Jain, Central Council Member, ICAI proposed the vote of thanks for the session and shared how the speakers successfully navigated through the theme and did justice to create exceptional value from the session.



SESSION – XII

Confluence - Profession and Beyond

CA. M P Vijay Kumar, Council Member, ICAI welcomed the speakers and participants to the fourth session of the third day. He expressed that he is aware that majority of attendees are practitioners but as we interact with CFO's of different organizations, we have a significant role

to play to navigate through the current challenges in terms of the theme of the session. He highlighted how the businesses are changing and new demands from different professions are coming in such as in the medical field due to corporatization.

Rise of CEO : From Archivist to Strategist to Futurist

CA. T V Mohandas Pai, Chairman Manipal

International Conference

Education Group started with sharing his experience as a CFO, how some CFO's emerged as a brand and how the shift of economic power will create disruptions in the market. He expressed that with the current changing environment due to pandemic and ongoing digital revolution, there is demand for CFO's to understand the risks and safely carry the organizations through these challenges when the life of organizations has been rapidly becoming small. He expressed the importance of CFO's working with CEO's for playing an important role for strategist and also futurist by creating revenue model for the organizations.

Secrets of Rockstars CFOs

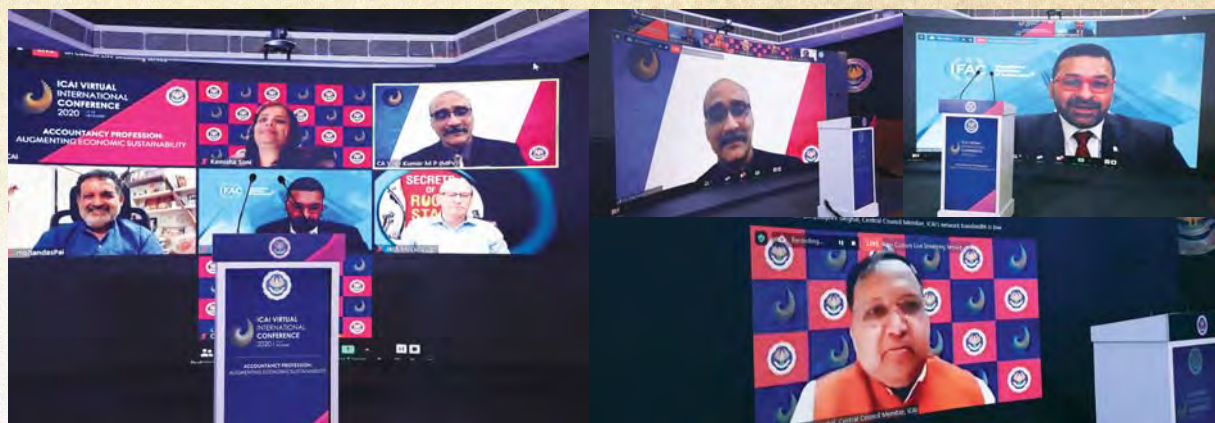
Mr. Jack McCullough, President of CFO Leadership Council expressed his immense happiness to address our members and delegates from all over the world. He started in interesting way by sharing an example of what we can learn from a 14th century mason and created a metaphor to dissect the relationship with CFO. He enumerated the nine secrets of rockstar CFO and then elaborated on each one of those to guide through the role, CFO's play in different organizations. He ended his presentation by emphasizing how we

can become a highly effective CFO.

Future of CFO: Navigating through Covid Era

Mr. Sanjay Rughani, Chair of PAIB of IFAC and CEO of Standard Chartered Bank, Tanzania started with echoing the sentiments of Jack wherein ICAI has done brilliant job to put together the astounding conference. While dissecting through the role of future CFO's he highlighted that the world is changing around us and we must change with it. He emphasized that as Accountants we need to think from broad prospective. He touched upon CFO leadership in covid era and the rise of CFO as Chief Value Officer in future. He shared the talents and skills required for the future. He ended with a deep appreciation to organize this wonderful conference.

CA. (Dr) Sanjeev Kumar Singhal, Council Member, ICAI proposed the vote of thanks for the session and highlighted the great value being created in the session and also meeting of the expectations of our members. He shared how different speakers did justice to the topics they covered and kept the session very interesting for the attendees of the conference.



SESSION – XIII

Unlocking Professional Opportunities in USA and Canada

CA. Manu Agrawal, Council Member, ICAI welcomed the participants to the last session of the concluding day of the conference where speakers unlocked the professional opportunities in USA

and Canada. He handed over the stage to CA. Dayaniwas Sharma, Council member for giving his opening remarks on the launch of ICAI Digi locker for membership cards and other expected services in the future. He shared the ongoing journey of digitization and also how the journey will become bigger in the future.

International Conference

ICAI Vice President CA. Nihar N. Jambursaria while launching ICAI Digi locker highlighted the importance of digi locker and thanked the team behind this initiative.

Unlocking Professional Opportunities in USA and Canada

CA. Manu Agrawal, Council Member, ICAI while delivering his theme address touched upon the MoU with Canadian Accounting body and how outsourcing of accounting and other professional services from the region has been making a significant difference. He introduced the panelists and moderator before handing over the stage to the moderator.

CA. Nilesh Shah from California, USA moderated the session to unlock professional opportunities in USA and Canada. On the panel were: CA. Manoj Fadnis, Past President ICAI; CA. Vish Arunachalam, Founder Chairman, USA (San Francisco) Chapter; CA. Vijay Gupta, Founder Chairman, Canada (British Columbia, Vancouver) Chapter and CA. Vivek Kapoor, Toronto, Canada.

The session focused on how recent changes in economy will be stitched together to dissect the opportunities for our members looking to relocate to these countries and what should be the important points to consider when looking to shift to Canada and the important role that ICAI Chapters play in getting necessary support in the country. The support provided by British Columbia chapter to the young members relocating to the country was also discussed in the session.

CA. Ranjeet Kumar Agarwal, Council Member, ICAI proposed the vote of thanks for the session and congratulated the moderator for making the session very interesting and shared how over three days of conference, 58 speakers deliberated to share valuable insights with conference having attendance of more than 5500 delegates. He complimented the ICAI President CA. Atul Kumar Gupta, ICAI Vice President CA. Nihar N. Jambursaria, Central Council members, Acting Secretary CA. Rakesh Sehgal, International Affairs Committee and other stakeholders for putting together this exceptional conference in an excellent way. ■■■





The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

CABF



The Chartered Accountants' Benevolent Fund

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- » A single payment of Rs. 10,000/- (w.e.f. 1st January, 2020) shall make a person eligible to be enrolled as a life member of the fund.
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- » All other members shall be described as 'Ordinary Members' and shall have to pay an annual subscription of Rs. 1,000/-.
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- » A member or persons eligible to receive the assistance is Rs. 15,000 per month according to the circumstances of the use renewable after one year. This is for maintenance of family of members/ widow/ relatives of deceased members.
- » Financial assistance will be given only to the members/widows/relatives whose monthly family income is not more than Rs. 25,000/- pm.

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- » Medical Financial Assistance from Chartered Accountants' Benevolent Fund for treatment of Corona disease. Per Family of the Member maximum assistance is 1.5 lakhs. For further details please click <https://cabf.icaai.org/61518mss50056.pdf>

It is our earnest appeal that all members must become Life Member/Ordinary Member of the Fund and to contribute voluntarily any amount for the noble and pious cause of CABF. The Contribution to the CABF is eligible for tax exemption under Section 80-G of Income Tax Act, 1961.

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Members and Students Services Directorate, The Institute of Chartered Accountants of India

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Creation of an Intangible Asset (License) on Account of Pre-operational Expenditure

A. Facts of the Case

1. A Company (hereinafter referred to as 'the Company') is the wholly owned subsidiary company of ABC India Limited and is the largest maintenance repair and overhaul (MRO) set up in India that can serve as a one-stop-shop for all aviation engineering requirements.
2. In accordance with the Cabinet approved Turn Around Plan / Financial Restructuring Plan (TAP/FRP) for ABC India Ltd., the entire engineering activities of ABC India Limited were hived off to the Company.
3. It was agreed to give effect to above hiving off of engineering services, all equipment, tools, machinery etc. and also, the personnel of the engineering services would be transferred to the Company. The immovable properties connected with the engineering services e.g. hangars, workshops, buildings, offices etc. had not been transferred to the Company but ABC India Limited has provided requisite right to the Company to use such hangars, workshops etc. However, it was also agreed that necessary / requisite licenses, approvals, accreditations from regulatory authority would be obtained by the Company.
4. The Company would operate as an independent Maintenance, Repairs and Overhaul facility (MRO) to provide maintenance, repairs, overhaul and test of aircraft engines and components. The Company would be providing MRO services to ABC India Ltd. and its group of companies and also to other Indian and foreign airlines.
5. Considering the proposed scope of activities of the Company, MRO capability for overhaul, repair and test of engines, APU's, components including structural repair, landing gear repair etc. is required to be established at different major bases all over India. To carry on work as MRO providing services to various types of aircrafts, such facilities have to be established in accordance with regulations of Director General of Civil Aviation, India (DGCA) particularly keeping in view the 'Business Plan' of the new entity. After establishment of entire facility at various bases in India, the MRO operator has to demonstrate its capabilities for carrying on the activities to the DGCA India.
6. The DGCA India after inspection of facilities and being satisfied that the MRO operator has the requisite capabilities in place, grants license 'CAR 145' to provide maintenance, repairs, overhaul and test of aircraft, engines and components as defined in its scope of approval. For obtaining DGCA License 'CAR 145', it is essential to submit the Business Plan of the applicant company and to demonstrate to DGCA that all necessary requirements/facilities for carrying on MRO activities are in place and available.
7. Only on all compliance with all requirements and setting up of all facilities as per DGCA specifications, DGCA carries out inspection and grants the License 'CAR 145'. 'CAR 145' is the most essential requirement for MRO operation as no activities can be undertaken without obtaining the License from DGCA.
8. The querist has informed that the major facilities required for MRO would include:
 - (i) Various structures/facilities e.g. hangars, workshop, building and associated offices at various important bases in India, as per Business Plan submitted by the Company.
 - (ii) Equipment, tools and material used for maintenance of aircraft and
 - (iii) Requisite personnel i.e., aircraft maintenance engineers, technicians and other support staff.

As such, MRO is a capital intensive industry and at present, the returns are low and there is a long payback period.

9. The entire facility (physical and technical personnel) set up and available, commensurate with the 'Business Plan' presented to DGCA is a pre-requisite for issue of license. After rigorous inspection of all facilities by DGCA, License CAR 145 is granted by DGCA.

10. The Company submitted its 1st application to DGCA for approval in December 2013. The application was resubmitted in February 2014 followed by presentation to the DGCA in June 2014. Modifications were made in accordance with discussion with DGCA and application was resubmitted in July 2014. After inspection of MRO facilities, personnel, equipment & tools and records at all bases in India, DGCA granted approval to MRO facilities of the Company w.e.f. 1st January, 2015.
11. Simultaneously with application to DGCA for the License, transfer of requisite assets, particularly specialised facilities meeting requirements of DGCA for planned work was made on 1st April, 2014. However the requisite, sufficient and qualified personnel and payroll was transferred to the Company only on 1st October, 2014 when the entire process of obtaining approval of DGCA was at a very advanced stage. The business of the Company was finally set up on 1st January, 2015 on receipt of DGCA License – CAR 145 and the Company could commence its business activities w.e.f. 1st January, 2015.
12. During the period up to 1st January, 2015 before the business of the Company was set up, following expenses were incurred:

(₹ in crores)

Hangars, Workshops, Buildings	
Rent, Rates & Taxes	5.24
Electricity & Water	9.26
Maintenance of Equipment	3.18
Personnel Expenses Aircraft	
Maintenance Engineers, Technical Officers	
Salary to Technicians/Engineers	248.19
Travelling & other expenses	4.33
Miscellaneous & Others	1.19
	₹ 271.39

The querist has stated that during the period upto 1st January, 2015, i.e., before the business of the Company was set up, the above referred expenses of ₹ 271.39 Crore, incurred on cost of manpower, rent & related expenses on hangar-workshop facilities, maintenance of equipment, etc. were incurred only to comply with stringent requirements of DGCA for issuing 'License'

(without which the Company could not do any MRO work and bring its asset to commercial use) and are directly attributable to it considering as pre-requisite to obtain such license; and were capitalised as cost of License under 'Intangible Assets' for its intended use to work as an MRO in F.Y. 2014-15. Had the cost of manpower been considered from the date of intended transfer in February 2013, the Company would have to incur huge cost without its commercial use.

13. According to the querist, the main conditions for capitalising an internally generated asset as per Accounting Standard (AS) 26, 'Intangible Assets' corresponding to International Accounting Standard (IAS) 38, 'Intangible Assets' as intangible asset are:
- Asset will generate future economic benefits;
 - The intangible asset is available for use;
 - Ability to measure the expenditure attributable to obtain the intangible asset.

Since all these conditions were satisfied in the relevant case and DGCA License would be an asset enabling the Company to receive economic benefits in future, all the expenses incurred for obtaining such License were considered to be directly attributable to obtaining the License.

14. In the financial year (F.Y.) 2017-18, the Company has chosen to prepare financial statements as per Indian Accounting Standards (Ind ASs). As per paragraph 88 of Ind AS 38, the intangible assets can either have a definite life or indefinite life. As per paragraphs 107 and 108 of Ind AS 38, in case of assets with indefinite life, the intangible asset has to be tested for impairment.
15. The Company has tested the intangible assets for impairment and the Company is of the firm opinion that same need not to be amortised, particularly in view of rapid growth of Indian aviation sector which has increasing demand for existence of MRO in the vicinity and also, recent initiatives for development and support to MRO in India, by the Government of India under its 'Make in India' programme will further boost the revenue from MRO, apart from the capability enhancement during past four years.
16. As such, the Company has decided not to amortise the intangible assets, which is

also in line with the provisions stated in Ind AS 38/AS 26. For past four years, the issue of creation of intangible asset and amortisation of same has become a matter of debate. Also, last year, the auditors of the Company have raised a query as regards to non-recognition of any revenue during the pre-commencement period, i.e., from October to December 2014.

B. Query

17. The opinion from the Expert Advisory Committee of ICAI is sought on the following issues:

- (i) Whether the decision taken by the Company in F.Y. 2014-15 was correct to create the intangible assets as regards to salary expenses booked for engineers to the tune of ₹ 248.19 crores, on account of pre-operation expenditure incurred by the Company during the period October-December, 2014; these expenses include only salary expenses for engineers.
- (ii) While the Company has tested the intangible assets for impairment and in view of the fact that due to capability enhancement by the Company and other factors, there is no diminution in the value of assets so created, whether the decision to not amortise the assets so created, as regards to salary expenses booked for engineers as stated in above point (i) is correct.
- (iii) The Company could commence its business only from the date 1st January 2015. Though the Company has got the required license (CAR 145) on 1st January, 2015, the staff of the Company had rendered the services to the holding company – ABC India Ltd., group of companies and other customer during the period 1st October to 31st December, 2014 under the license CAR 145 of ABC India Ltd. Since the Company did not have the required license CAR 145 in its own name, the Company was not in position to bill to any party for the services so rendered during such period. Whether the decision of the Company not to bill for the services rendered by the Company during the period 1st October to 31st December, 2014, is correct.

C. Points considered by the Committee

18. The Committee notes that the basic issue raised by the querist relates to whether capitalisation of expenditure relating to salaries for engineers/ technicians during the pre-operative period (October to December 2014), as cost of License under 'Intangible Assets' was appropriate. 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, accounting treatment of any other expenditure incurred by the Company on acquisition of license, such as license fee (if any) and other pre-operative expenses, such as, travelling & other personnel expenses, rent, rates & taxes, electricity & water, maintenance of equipment, and other related expenses on hangars, workshop, and buildings; accounting for right to use of hangars, workshops, etc.; appropriateness of recognising license as a separate intangible asset by the company; accounting for prior period errors (if any) due to non-compliance of the requirements of the accounting standards or Indian Accounting Standards; etc. Further, the Committee has not examined whether the salaries of engineers were recoverable or not from the holding company and whether any other asset is therefore required to be recognised by the Company for the services rendered by the employees (engineers) of the Company.
19. With regard to recognition of costs on salaries of engineers/technicians during pre-operative period as intangible asset in respect of License, the Committee notes that since the expenditure on account of salaries of engineers have been incurred during the period October to December 2014, when Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 were applicable, the Committee has hereinafter examined these Standards. In this context, considering that License has been separately acquired from the DGCA India, the Committee notes the requirements of Accounting Standard (AS) 26, 'Intangible Assets,' notified under the Companies (Accounting Standards) Rules, 2006 as follows:

“Separate Acquisition

...

25. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use. Directly attributable expenditure includes, for example, professional fees for legal services. Any trade discounts and rebates are deducted in arriving at the cost.”

From the above, the Committee notes that when an intangible asset is separately acquired, only the purchase price (including any import duties and other taxes) and the expenditure which are directly attributable for making the asset ready for its intended use are included in the cost of asset.

The Committee is of the view that the cost incurred on account of salaries of engineers/technicians from October to December 2014 are the cost of holding the team of engineers till the time the License is acquired rather than the cost incurred to acquire the License as during this period, the engineers are rendering services to the holding Company or on its behest to the third party. Although these may be incurred during the period when the License is being acquired and having a team of engineers may be a pre-requisite for obtaining the License, these are neither incurred to acquire or generate the license nor are directly attributable or allocable to acquisition/generation of license. Further, these costs are required to be incurred for the whole of the business; and are in the nature of period costs, which would have been incurred irrespective of whether the Company will get the license or not and would also be continued to be incurred even after the license is obtained. Thus, these costs cannot be considered as directly attributable expenditure for acquiring the intangible asset or making the asset ready for its intended use, as per the above-reproduced requirements of AS 26. Accordingly, these costs cannot be capitalised as part of the intangible asset (License).

D. Opinion

20. On the basis of the above, the Committee is of the following opinion on the issues raised in paragraph 17 above:

- (i) It was not appropriate to capitalise expenditure incurred on salaries of engineers during October to December

2014, as cost of License as per the requirements of AS 26, as discussed in paragraph 19 above.

- (ii) Since the expenditure incurred on salaries of engineers was not required to be capitalised as intangible asset, the question of any impairment or amortisation on such intangible asset created purely on account of salary costs does not arise.
- (iii) The issue with regard to whether the decision of the Company not to bill for the services rendered by the Company during the period 1st October to 31st December, 2014, does not involve any application of accounting/auditing principles and therefore, considering the Advisory Service Rules of the Committee, the same has not been examined by the Committee.

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 August 4-5, 2020. 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 .



“e-Sahaayataa” – A Grievance Resolution Mechanism of ICAI

‘e – Sahaayataa’ is the e-Channel for the entire base of Members and Students of the Institute and other stakeholders of the profession where in their queries/ grievances pertaining to the day-to-day working shall be resolved in a time-bound and transparent manner.

Objectives:

- To provide timely services to all the stakeholders of the profession throughout the globe
- To resolve the Query/ Complaint/ Grievance within 3 – 7 days from the date of submission of the same
- To eliminate the operational bottlenecks and smoothen the flow of education process of Chartered Accountancy

Features:

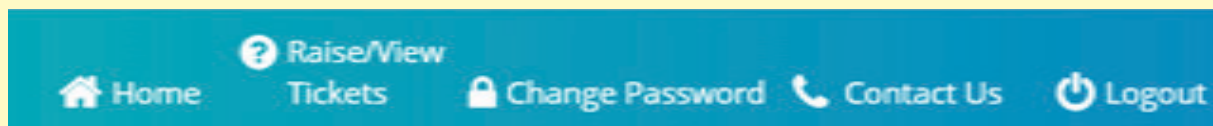
- Automatically sends the query/ complaint/ Grievance to the dashboard of the concerned official as soon as the same is submitted.
- Complete history of Query/ Complaint/ Grievance can be checked.
- E Mail is sent to the user once the query/ complaint and grievance is resolved.
- Query/ Complaint/ Grievance can be reopened by the user in case the user is not satisfied.
- No query/ complaint/ grievance can be deleted from ‘e-Sahaayataa’

Scope:

‘e-Sahaayataa’ caters only to the Queries/ Complaints/ Grievances pertaining to the day to day working of the Institute which are general in nature. This is not meant for registering or making allegations, personal observations, and personal comments. Kindly submit relevant Queries/ Complaints/ Grievances to help you better.

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Corporate Finance and Position of Banks

The area of corporate finance is complex and intriguing. As the business organisations grew in size the area of corporate finance evolved to acquire quintessential position embracing all other functional areas. Primarily the area deals with sources of funds, capital structuring, investment decisions and other areas that involve finance. The primary objective of the corporate finance is to maximize the shareholder value through long and short term financial planning and the implementation of various strategies. There is reciprocal relationship between the area of corporate finance and economic growth. A growing economy assists in providing conducive environment for the corporates to progress. On the other hand better management of finances at micro level helps the business and contributes to the economy as a whole. In this article position of Banks as a constituent of economic system and contributor to the world of corporates is discussed. Read on...



CA. Subbarao Peteti

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Structure involving Procurement of Funds and Working Capital Management to accomplish the goal of the organization i.e. to maximize the returns to all the stakeholders.

The key aspects of financial decision making relate to financing, investment, dividend and working capital Management. Therefore, financial management provides a conceptual and analytical framework for financial decision making. In corporates, finance primarily involves acquisition and allocation of funds and resources with the objective of maximizing the wealth of shareholders. Financial management deals with acquiring and deploying funds from various equity and debt instruments and their investment in the income generating assets to reap benefits. At a primary level corporate finance helps in generation of funds both from internal and external sources in an economical manner to keep costs low. Funds from external sources are often acquired from venture capitalist, financial institutions or through tapping stock markets. Stock markets facilitates the raising of resources through equity shares, debentures and bonds to the general investing public besides Indian and foreign institutions. In order to leverage the equity, corporations approach banks and financial institutions for raising debt funds.

Corporate finance, as a next step, deals with investment of funds with the objective of increasing

The finance field involves of three complex interrelated areas as follows:

1. Financial systems consisting of money and capital markets that deals with financial institutions and the securities market.
2. Investments decisions made by individual and institutional investors
3. Financial Management involves financial decisions on Capital Budgeting / Long Term Investment decisions, Capital



wealth of shareholders. It is the job of the Chief Financial Officer or financial controller to conduct both the functions of acquisition the funds and their investment in a manner that maximises wealth of shareholders. CFO's must balance the interest of owners, i.e., equity shareholders, creditors and other stake holders in a sustainable manner so that business grows without any adverse impact on society and ecology. At times the corporations may deliberately choose to invest its resources in risky ventures in an effort to generate large profits for the shareholders. Per se, rewards are directly related to returns. Conversely, risky investment would reduce the perceived security of the Bonds resulting in increased rate of interest that the organisations pay to borrow money in future. Alternatively, if the businesses invests the resources too conservatively it would fail to maximize its value of business and the returns it provides.

Thus, finance managers have to generate better returns from the investments while protecting the image of the company amongst the creditors, banks and bond holders. Banks provide credit to different sectors for the growth of economy. Table 1 reflects the deployment of gross bank credit in various sectors for the growth of the economy.

Global Financial Crisis

History has shown that India is able to deal with crisis in an effective manner sooner or later. Current pandemic has led to financial crises for many economies across the world. Business go through cycles of highs and lows. Earlier in the year 2008 a crisis shook the world triggered by the collapse of Lehman Brothers a global financial services firm. The US based firm filed for Chapter XI – Bankruptcy Protection following the massive exodus of most of its clients, substantial losses in its stock and devaluation by credit rating agencies. The debacle was largely contributed by involvement of financial services in the sub-prime mortgage. The ten year yield of Government Bonds in India dropped from 9% to 5% by the end of 2008. The Central Government expanded the Fiscal deficit to 2.5% of GDP in FY2008 to 6% in FY 2009 and 6.5% in FY 2010. As a result, India's GDP growth rose to pre-crisis level in 2010. Consequent to global financial crisis of 2008 there was a catastrophic meltdown of the global financial markets. The impact on Indian economy was less severe because of our lower dependence on export markets and the sizable contribution to GDP is from domestic sources.

Table 1: Sectoral Deployment of Gross Bank Credit

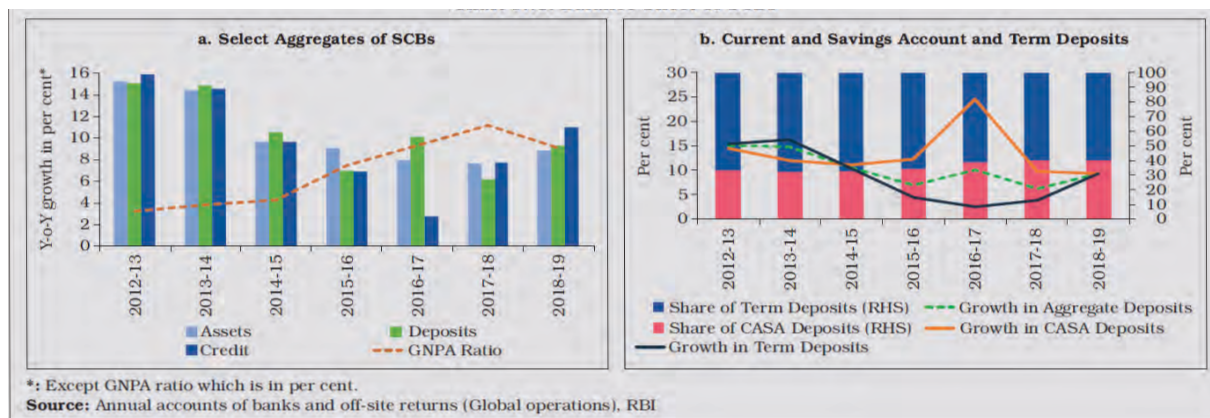
Sr. No & Item	Outstanding as on			Per cent variation (y-o-y)		
	Mar-18	Mar-19	Sep-19	2017-18*	2018-19**	2019-20 (up to September) ^
1. Agriculture & Allied Activities	11,93,400	13,25,824	12,06,850	7.2	11.1	-0.6
2. Industry, of which	31,29,512	33,04,940	31,74,214	6.2	5.6	0.2
2.1 Micro & Small Industries	4,18,225	4,38,392	4,33,908	8.8	4.8	-0.4
2.2 Medium	1,25,960	1,23,843	1,18,261	6.3	-1.7	-6.6
2.3 Large	24,62,576	26,24,288	25,30,553	4.6	6.6	1.8
3. Services, of which	19,98,817	24,77,517	25,77,530	10.6	23.9	16.9
3.1 Trade	5,19,398	5,83,613	5,83,264	7.5	12.4	12.7
3.2 Commercial Real Estate	2,04,414	2,43,122	2,57,959	3.4	18.9	12.4
3.3 Tourism, Hotels & Restaurants	52,095	56,194	56,766	9.9	7.9	3.2
3.4 Computer Software	22,299	22,236	22,576	14.9	-0.3	-0.7
3.5 Non-Banking Financial Companies	4,53,123	6,14,922	7,09,833	31.7	35.7	30.5
4. Retail Loans, of which	19,42,501	23,02,173	24,64,985	20.5	18.5	18.1
4.1 Housing Loans	10,08,013	12,04,332	13,03,629	18	19.5	18.5
4.2 Consumer Durables	19,036	9,195	8,902	-11.6	-51.7	110.2
4.3 Credit Card Receivables	82,827	1,11,361	1,21,708	27.7	34.5	30.5
4.4 Auto Loans	2,38,787	2,69,672	2,75,500	27.9	12.9	8.6
4.5 Education Loans	74,883	76,210	78,237	2.7	1.8	2.4
4.6 Advances against Fixed Deposits (incl. FCNR (B), etc.)	77,175	77,080	63,215	13.5	-0.1	-4.8
4.7 Advances to Individuals against Shares, Bonds, etc.	6,385	9,339	8,655	26.1	46.3	33.4
4.8 Other Retail Loans	4,35,396	5,44,983	6,05,139	28.2	25.2	24.2
5. Non-food Credit (1- 4)	83,61,294	94,71,480	36,71,836	10.5	13.3	8.6
6. Gross Bank Credit	83,99,196	95,19,554	95,57,487	10.4	13.3	8.9

*: March 2018 over March 2017. **: March 2019 over March 2018. ^: September 2019 over September 2018.

Corporate Finance

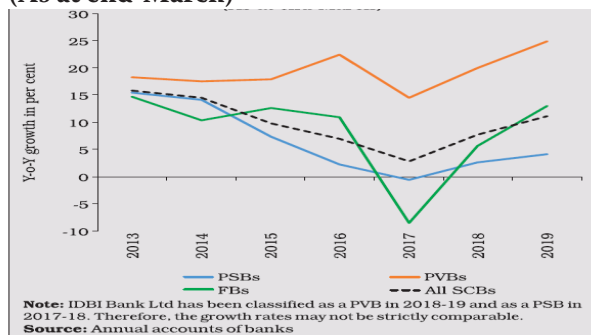
The report on Trend and Progress on Banking in India released by Reserve Bank of India provides graphic description of the status of Financial sector in the country. In the years following financial crisis the negative implication of stressed assets gradually reduced and new slippages were arrested. The Banking sector returned to profitability in the first half of 2019-20. Recapitalisation of public sector banks have helped in improving their capital ratios. The Insolvency and Bankruptcy Code has helped in enhancing the resolutions. The private sector Banks have maintained momentum in credit growth. However, overhang of NPAs still remains high and the turnaround would be expected only on reversal in macro economic conditions. The selected aggregates of Scheduled Commercial Banks (SCBs) are graphically presented in Chart 1.

Chart 1 Balance Sheet of Scheduled Commercial Banks



The SCBs recorded secular deceleration in deposits right from 2009-2010. However the trend was reversed and the deposits constituted 77.6% of the total liabilities of SEBs at the end of March 2019. The demonetization has induced spike in deposits in 2016-17. The revival in the growth of loans and advances started in 2017-18 and same momentum was maintained into 2018-19 as reflected in Chart 2.

Chart 2 Bank Group-wise Growth in Advance (As at end-March)



The outlook for the non-bank sector consisting of housing finance company (HFCs) and non-banking finance company (NBFC) remained 'negative'. During 2018-19 Credit flow from HFCs and NBFCs declined, on the contrary a sharp rise in commercial paper issuances, higher accommodation provided by all India financial institutions and pick up in net-flows from foreign sources gained momentum. External Commercial Borrowings (ECBs) and Foreign Currency Convertible Bonds (FCCBs) registered net inflows for the first time in four years. Further Foreign Direct Investment flows grew at 18.9% in 2018-19. There is need to improve credit to GDP ratio to improve growth. Chart 3 reflects low Credit to GDP Ratio that needs attention to improve ratio for achieving higher levels of growth rates.

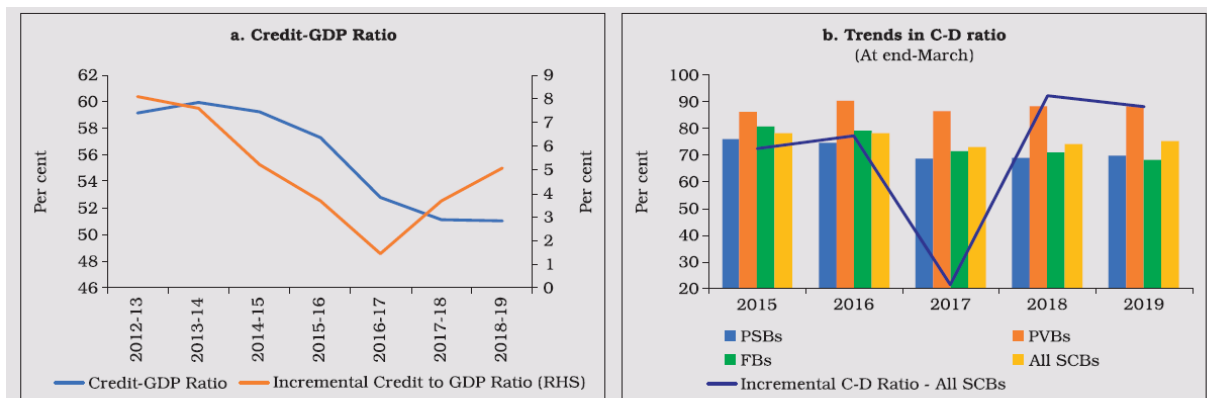
Table 2 demonstrates that the spreads in Public Sector Banks (PSBs) is much lower as compared to Private Sector Banks (PVBs) and Foreign Banks (FBs).

The size of contingent liabilities of all SCBs increased to 1.2x of their on Balance sheet position at end of March 2019 driven primarily by expansion in forward exchange contracts. The Foreign Banks and private sector banks have recorded significantly higher off Balance sheet exposure than Public Sector Banks. Chart 4 depicts on and off balance sheet liabilities of banks.

The Table 3 displays that the returns in PSBs are much lower compared to PVBs and FBs.

The financial sector performance of SCBs reported positive net profits in H1 2019-

Chart 3 Trends in Credit Ratios



Source: Annual accounts of banks and DBIE, RBI

Table 2 – Cost of Bunds and Return on Funds – Bank Group-wise

(Per cent)

Bank Group / Year		Cost of Deposits	Cost of Borrowings	Cost of Funds	Return on Advances	Return on Investments	Return on Funds	Spread
1	2	3	4	5	6	7	8	9 = 8-5
PSBs	2017-18	5.1	4.7	5.1	7.8	7.1	7.5	2.5
	2018-19	5.0	4.8	5.0	8.1	7.2	7.8	2.8
PVBs	2017-18	4.9	6.2	5.2	9.5	6.9	8.8	3.6
	2018-19	5.1	6.6	5.4	9.8	7.0	9.0	3.6
FBs	2017-18	3.9	3.0	3.7	8.1	6.6	7.4	3.7
	2018-19	3.8	2.9	3.6	8.2	6.2	7.2	3.6
All SCBs	2017-18	5.0	5.3	5.1	8.3	7.0	7.9	2.8
	2018-19	5.0	5.5	5.1	8.7	7.1	8.2	3.1

Notes: 1. Cost of deposits = Interest paid on deposits/Average of current and previous year's deposits.
 2. Cost of borrowings = (Interest expended - Interest on deposits)/Average of current and previous year's borrowings.
 3. Cost of funds = Interest expended / (Average of current and previous year's deposits plus borrowings)
 4. Return on advances = Interest earned on advances /Average of current and previous year's advances.
 5. Return on investments = Interest earned on investments /Average of current and previous year's investments.
 6. Return on funds = (Interest earned on advances + Interest earned on investments) / (Average of current and previous year's advances plus investments).
 7. Data include SFBs. For PSBs and PVBs, data adjusted for reclassification of IDBI Bank Ltd.

Source: Calculated from balance sheets of respective banks

Table 3 : Return on Assets and Return on Equity of SCBs (at end March)

(Per cent)

Bank Group	Public Sector Banks		Private Sector Banks		Foreign Banks		All Scheduled Commercial Banks	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
RoA	-0.84	-0.65	1.14	0.63	1.34	1.56	-0.15	-0.09
RoE	-14.62	-11.44	10.12	5.45	7.16	8.77	-2.81	-1.85

Note: For PSBs and PVBs, data adjusted for reclassification of IDBI Bank Ltd.

Source: Annual Accounts of Banks.

2020 reflecting slackening provisioning requirements. The provision coverage Ratio (PCR) improved to 61% by end September 2019 for all SCBs. The leverage of SCBs was reported at 6.6% at the end of March 2019 much above the prescription of three per cent by Basel Committee on Banking Supervision. Further, the Basel III



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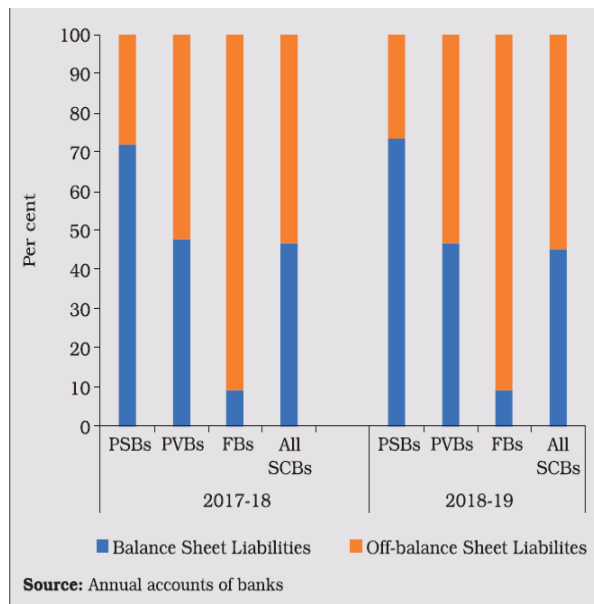


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Chart 4 – On and Off-balance Sheet Liabilities of Banks



framework prescribes two minimum liquidity standards viz the liquidity coverage Ratio and Net Stable funding Ratio. The GNPA Ratio of all SCBs declined in 2018-19 after rising for seven consecutive years as presented in Chart 5, in recognition of bad loans neared completion. Recovery of stressed assets improved during 2018-19.

Recovery of Stressed Assets: The banking sector continues to be marred by the Non-performing assets. NPAs in the larger borrower accounts [exposure of Rs 5 crores or more] had contributed 91% of total GNPA into 2017-18, after the RBI withdrew various restructuring schemes. During 2018-19, propelled by resolutions under the IBC contributed more than half of the total amount recovered. However recovery rates yielded by major resolution mechanisms declined in 2018-19 especially through SARFAESI mechanism. The classification of Loan Assets Bank group wise as reflected in Table 4 demonstrate that there is no appreciable growth in the percentage of Standard Assets. At the same time percentage of Sub-standard Assets recorded an improvement from 2.8% to 1.9% but the amount of Loss Assets recorded high level and increased from 0.6% to 0.8%.

The cases referred for recovery through legal mechanism shot up. cleaning up of Balance sheet via sale of stressed assets to Asset Reconstruction Companies decelerated on a YoY basis and declined as a proportion to GNPA's at the beginning of 2018-19. The same is depicted in Chart 6

From time to time banks have also faced financial frauds stressing their assets. Frauds particularly the large ones are difficult to detect, tend to get reported with a lag and have significant implications. The number of cases of fraud reported by Banks as well as the amount involved increased during 2018-19. In February 2018 the government issued a framework for timely detection, reporting and investigation relating to Frauds in PSBs. The framework required banks to evaluate NPA accounts exceeding Rs 50 crores from the angle of possible frauds as a tool to unearth large fraudulent transactions at an early date. Consequently, there was a sharp rise in reported frauds in the year 2018-19. Frauds have been predominately occurring in the loan portfolio. The modus operandi of large value frauds that account for 86.4%, involved in diversion of funds by borrowers through various means, viz., associated & shell companies, accounting irregularities, manipulating financial statements. Further, opening current accounts with banks outside the lending consortium without a No Objection Certificate from lending banks have helped the persons intending to defraud banks. PSBs accounted for a bulk of frauds in 2018-19, 55.4% of the number of cases reported and 90.2% of the amount involved, mainly reflecting lack of adequate internal processes to tackle operational risks.

Endnote

The banking system plays a crucial role in the growth of Indian economy. The problem of banks, accentuated by variety of factors, can be improved by putting proper governance mechanism in place. Chartered Accountants functioning diligently and following well established standards can also help the banks.

Corporate Finance

Chart 5: Asset Quality of Banks

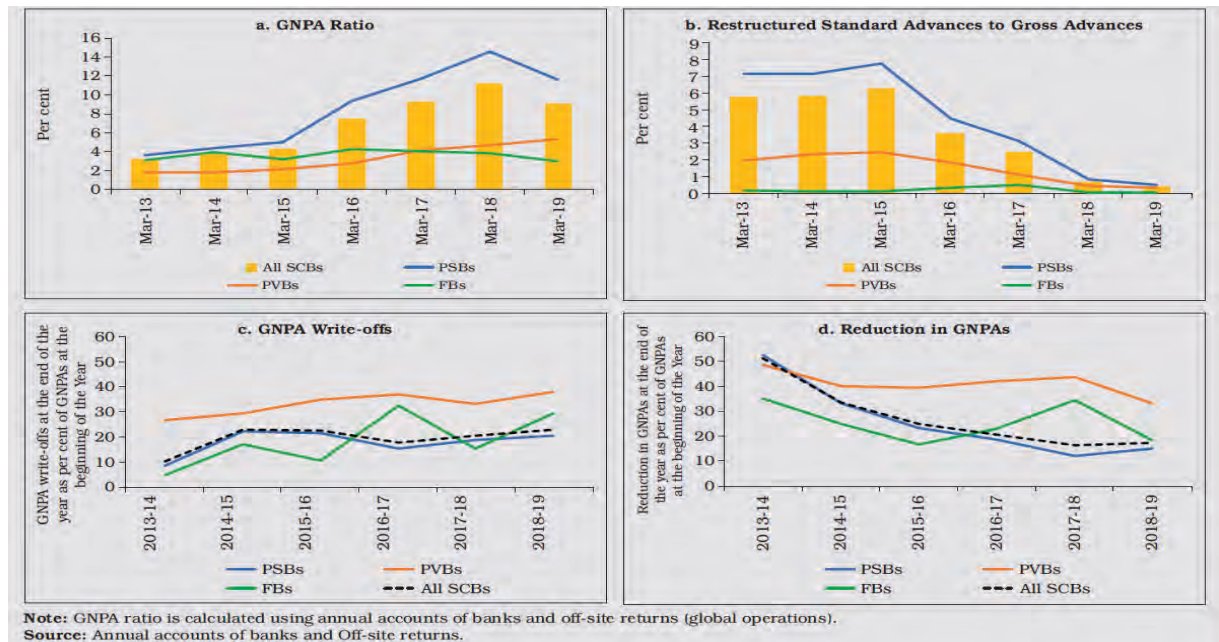


Table 4 : Classification of Loan Assets

(Amount in ₹ crore)

Bank Group	End-March	Standard Assets		Sub-Standard Assets		Doubtful Assets		Loss Assets	
		Amount	Per cent*	Amount	Per cent*	Amount	Per cent*	Amount	Per cent*
PSBs#	2018	46,02,125	84.5	2,05,340	3.8	5,93,615	10.9	46,521	0.9
	2019	50,86,874	87.8	1,37,377	2.4	5,06,492	8.7	66,239	1.1
PVBs ^	2018	24,50,552	96.0	27,203	1.1	69,978	2.7	5,243	0.2
	2019	31,03,581	95.2	42,440	1.3	1,04,696	3.2	9,576	0.3
FBs	2018	3,49,475	96.2	3,831	1.1	8,364	2.3	1,635	0.5
	2019	3,94,699	97.0	3,163	0.8	7,985	2.0	1,034	0.3
All SCBs**	2018	74,02,152	88.1	2,36,374	2.8	6,71,957	8.0	53,398	0.6
	2019	85,85,154	90.2	1,82,980	1.9	6,19,173	6.5	76,849	0.8

Notes: 1. Constituent items may not add up to the total due to rounding off.

2. *: As per cent to gross advances.

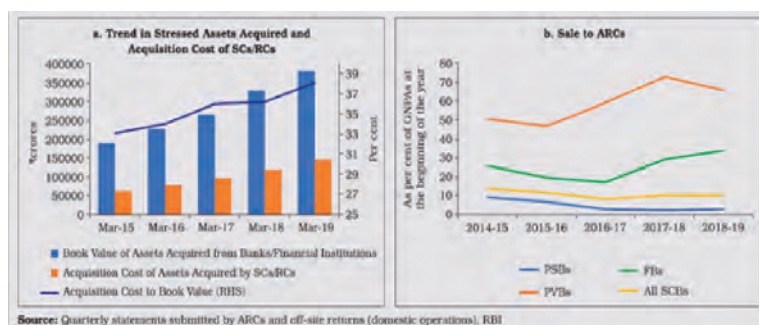
3. #: Includes IDBI Bank Ltd for 2018.

4. ^: Includes IDBI Bank Ltd for 2019.

5. **: Excludes SFBs.

Source: Off-site returns (domestic operations). RBI

Chart 6: Stressed Assets Sales to ARC



The chartered accountants as auditors or as employees need to work responsibly, diligently and truthfully to strengthen the health of these financial institutions. Banks are considered as to be the life-blood of economy and the profession can play an important role in the maintain the financial life of a business.



Business Valuation in Good and Bad times

In the world of finance, the valuation of business keeps on fluctuating. The happenings around us in recent times have brought about an accentuated appreciation of the implications of environmental factors and market dynamics over valuations. The stock markets, barometer of economic health, witnessed steep fall in the month of March, 2020 on account of pandemic. As the things settled down the comeback of markets was also quick as it happened later in the year. A new virulent strain in the UK now has again impacted the share prices for similar reasons. These times make it appropriate for us to ponder on changing valuations of business in the good times and bad times. Read on...



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Lets start with looking at a classic case from the global scenario. The case of Yahoo! Is a great example of the timing of the value – In February 2008, Microsoft made a \$ 44.6 billion bid for Yahoo!. However, this did not happen and later in the year 2016, Verizon agrees to purchase Yahoo!'s operating business for \$ 4.8 billion. In 2008, the offer was spurned by Yahoo on the grounds that it was being undervalued significantly. While this is so, the transaction with Verizon was consummated about 8 years later. In a span of 8 years, the whole scene becomes completely different!

One can be pretty sure there would have been a plethora of

advisors including valuers who had advised the parties on both sides and this clearly shows how the valuation could change topsy turvy with changing circumstances.

With this, let us proceed to look at what the ICAI Valuation Standards indicate in respect of the connect between valuation and timelines.

Valuation of a business is always with a clear linkage to the valuation date. The valuation is relevant and appropriate only as of that valuation date. Valuation date itself is defined in the ICAI Valuation Standards as the specific date at which the valuer estimates the value of the underlying asset. The Standards



Valuation

also define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

Thus, one of the key ingredients of determining fair value is the “valuation date”. It is always pertinent to note that the valuation is devoid of a valuation date to which it is linked. The value could soar great heights from a given valuation date to a later date or slip deep into the bottomless pit in the same period, due to a variety of reasons.

The standards also lay down that valuation is time specific and can change with the passage of time due to changes in the condition of the asset to be valued and / or market. Accordingly, valuation of an asset as at a particular date can be different from other date(s)

Some indicate factors which can affect the valuation between different dates classified into these two buckets are as under:

Those who are aware of Pagers in India would really understand the import of the valuation varying enormously at various points of time.

In 1996 March when India commenced the first paging service, the market was expected to reach 600 thousand subscribed by end of 1996, arguably making India the fastest growing market for this service. The overall subscriber level peaked in 1998 with nearly 2 million subscribers to then fall to less than 500 thousand by 2002. Mobile communication brought in a early demise of the pager business in India. In contrast, in the USA, pagers were in vogue for more than a couple of decades. Globally, the peak was somewhere in 1994 when there were an estimated 61 Mn pagers in use.

In this backdrop, consider the valuation of pager companies in India in the early 1990s when companies were vying to get the licences which were being sold by the Government.

In the early 1990s, pager companies would have been valued at significant amounts.



The standards also lay down that valuation is time specific and can change with the passage of time due to changes in the condition of the asset to be valued and / or market.

was expected by nearly anyone in the Industry and even by the investing community. It is, however, a different matter of fact that probably the risk would have been higher and accordingly the discount rate would have been probably higher.

With the growth in the industry as it moved forward, say, sometime by end of 1998 or so, any valuation engagement would have probably by then had a better grip on the growth plans which may have been moderated and considering a more informed projections. With this, there is likely that the risk rates applied

Condition of the asset to be valued	Condition of the Market
Quality being impacted due to efflux of time	Macro economic conditions and trends
Maturity in the product life cycle	Market sentiments towards future
Technological changes	Demand trend
Capability maturity	Market size and likely changes to the same

These are only some examples of the factors that impact the valuation at different points of time. But, it is pertinent to note that a broad classification of all the factors affecting valuation with passage of time can be into “condition of the asset” or “condition for the market” as mentioned in the standard.

From an asset perspective, the outlook would have been one of significant growths to be achieved with the advent of paging services in India and the power of licences held by the companies which would enable them to have such growths. Thus, the projected business plan and financials would have been on a aggressive growth plan which

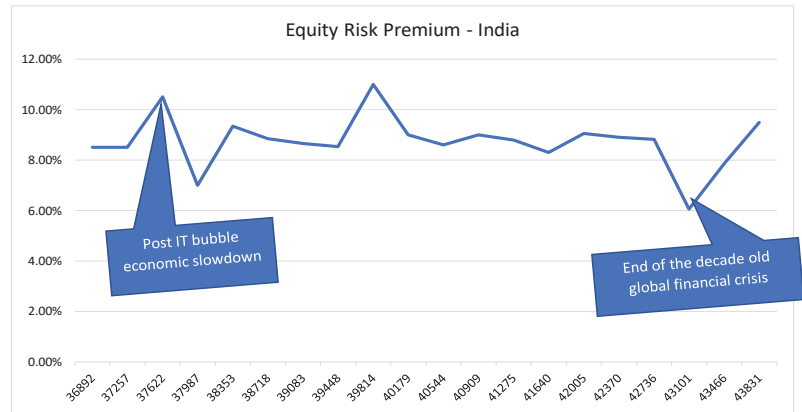
also were moderated to be lower than what was considered in the early stages of this industry, considering that there is experience of the industry’s performance to rely upon in the business plans forming the basis of the future expectations.

However, as the industry moved on into tough times in the later

part of 2000s, the business plans would have factored the waning nature of the industry and accordingly would have a dim outlook forming the basis for the valuation. However, with the uncertainty plaguing the industry, the risk profile for the industry would have also probably gone up resulting in the discount rates once again becoming higher, thus leading to a probable double whammy on the business valuation.

To summarise what transpires as a principle from this example of the pager industry, the likely implication on the valuation on a comparable basis would have been as under:

Global recession – financial market failure



This brings out the effect of the “condition of market” with a negative impact to the risk premium in case of “bad times”.

The chart above depicts the

cost of equity for the US automotive market and it can also be seen that the spikes and troughs therein are linked to the economic condition of this industry. 2001 saw a recession

Stage of Business	Nascent	Maturing	Waning
Business Plans	Aggressive	Moderate	Subdued
Risk perception	Very High	Moderate	High
Discount Rates	Higher	Normal	Higher
Net effect to valuation, say as a multiple to current revenue or PAT	Higher multiple	Normal	Lower multiple

From the above illustration of the likely effect to the pager business valuation at various points of time, it clearly emerges that the business valuations are impacted by both the factors of “market condition” and “condition of the asset” with passage of time.

A look at the equity risk premium determined for India by Sri. Aswath Damodaran in his dataset over the years, clearly it can be seen that there are upward spikes connected with the “economic bad times”.

coming in, which led to a small peaking which then ebbed downward. Once again, from 2005 it started peaking in view of the rising oil prices which peaked in 2008, coinciding with

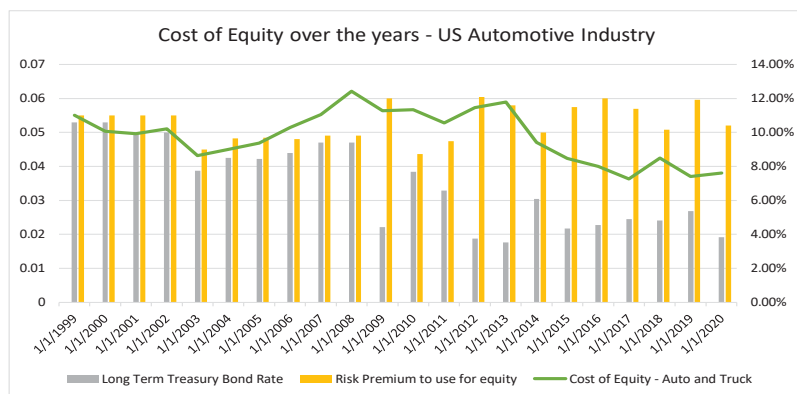
the financial crises too. All these led to peaking of the cost of equity too in this period. The automotive industry was in a crisis thereafter for 3 – 4 years which is also reflected in the



Valuation

higher cost of equity in this period. After this period, there was a blip in 2017-18 due to the increasing unemployment, increasing interest costs and the small drop in sales of vehicles in 2017 compared to 2016 – an effect of affecting the consumer confidence at this point of time.

students using projected data from past five years revenue growth. This considered only a smaller growth compared to the estimates used in 2016 and also estimated the operating income to be significantly different.



This again reinforces the impact to the valuation in bad times through the “condition of the market” reflected by the cost of capital / discount rate.

Looking at the condition of the asset being valued, the example of Ford Motor Company, USA could be taken for analysing and understanding this aspect.

In 2015-16, University of Connecticut MBA program students did a valuation of Ford Motor Company using source data from Bloomberg, which presented a very optimistic scenario being the growth period of automotive industry in the USA, post the financial crisis of 2008. Another valuation which was undertaken in 2018 by Minnesota State University

Ford Motor Company’s projected Operating Profit based on these two period studies:

	Projected Operating Profit in USD 000’s			
Study Reference	2017	2018	2019	2020
Valuation in 2016	7,730	9,348	8,313	8,507
Valuation in 2018	4,813	4,667	4,820	4,978

This brings out the practical effect of how, the future estimates are also significantly based on the view point of the future developments at a point of time and how these significantly vary over a period of time when new information coming forth could lead to a complete overhaul in the expectations about the future. Without going into the reasons and rationale for the differences



A broad classification of all the factors affecting valuation with passage of time can be into “condition of the asset” or “condition for the market” as mentioned in the standard.

between the projections used in these two studies, it can be concluded that the practical application does indicate that the data used to reflect the “condition of the asset” also could significantly be impacted during good and bad times.

Thus, to conclude, valuation during good times and bad

times are impacted by a twin factor of the “condition of the asset” as well as the condition of the market”. Of course, these two could have varied combination of effect at different points of time. In other words, the market condition may remain the same but the condition of the asset could change or vice versa or even still both could change over the period of time. ■■■



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Global Footprints of Indian Companies-A Must for Accelerating GDP Growth

Indian Economy has always endeavoured to aim high and achieve farther beyond. There are a number of avenues to materialize India's target of transforming itself into a three trillion USD economy within the span of next four years; the achievement of which can help facilitate productivity, employment and access to social rights within the country. Further, a comparative analysis of India with respect GDP, PCI, Market Capitalization and National Debt, shows how India can improve in these dimensions besides National Debt. India has immense potential to capture a big growth opportunity and change the course for generations to come. Read on...



CA. Ketan Mehta

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Ambitious GDP target of US\$5 trillion by 2024! I strongly believe we have potential to achieve even higher - maybe even 10 Trillion or more GDP size by 2030 or earlier - as the Lord Buddha saying goes "believe in yourself and no one & nothing can stop you." While many experts & analysts have written on "what" should be done to achieve GDP target, In this article, I would be rather focusing on the "how" part, i.e., the execution piece as to how India can drive itself to achieve a US\$ 10 Trillion GDP Mark.

Let's first be clear about the motivation behind increasing

our GDP, i.e., size of economy. India is today's 5th largest economy with GDP of \$2.94 trillion, but per capita income is just much lower with millions of people, around 3% of population) still below extreme poverty. The key reason we need to drive for higher GDP growth, \$10 trillion or even more, is to drive productivity, employment and finally improving per capita income at least 5 times thus empowering our citizens to achieve their basic rights to education, health and good quality of living.



When we compare to USA & China¹:

- a) India's GDP is 1/10th of USA & 1/7th of China
- b) India's per capita income (i.e income per citizen) is just \$2k, 1/30th of the USA & 1/5th of Chinese citizens.
- c) India's Market Capitalisation i.e., valuation of all our Companies listed on Indian Stock Exchange) is 83% of GDP against USA 176%.
- d) India's National Debt is the most conservative at 67% of GDP against USA 116% of GDP

Key inference we can draw from the table below is there is a direct correlation between Market Capitalisation and GDP. The bigger the size of corporations in a country, the larger the GDP. So, we need to analyse what we have to do differently to produce large 'Market Capitalisation' corporations.

Table 1 : GDP Size, Market Capitalisation & National Debt Comparatives

Country	GDP	Population	Per Capita Income	Equity Market Capitalisation	National debt	Market capitalisation as % of GDP	Debt as % of GDP
	<i>USD in Trillion</i>	<i>No's in Million/Billion</i>	<i>USD</i>	<i>USD in Trillion</i>	<i>USD in Trillion</i>	<i>%</i>	<i>%</i>
	<i>A</i>	<i>B</i>	<i>C=A/B</i>	<i>D</i>	<i>E</i>	<i>F=D/A</i>	<i>G=E/A</i>
USA	21.4 Tn	328 Mn	65, 244	37.7 Tn	24.9 Tn	176%	116%
China	14.4 Tn	1,435 bn	10,034	11.7 Tn	5.5 Tn	81%	38%
India	2.7 Tn	1,366 bn	1,985	2.2 Tn	1.8 Tn	83%	67%

To answer that question, we need to ask ourselves : What does India lack and why are we not able to produce 'at least' 3 Global companies such as Apple, Microsoft and Google? The market capitalization of each of these 3 companies cumulative is USD \$4 trillion higher than the market capitalisation of the entire Indian Stock Market US\$2.2 trillion despite being a country having an abundance of land, a country with the best demographic (Labour) in the world (young population) & best human capital. So, What does India need to do differently in order to be able to produce at least 3 Global Companies with >\$1 trillion Market capitalisation in the next 10 years?

In the table below, you will notice that while India has listed companies higher than USA & China , not a single company with US\$1 Trillion Market Capitalisation ? What is stopping us to reach the \$1 trillion milestone ?

One key reason for this is that Indian Companies despite best management, corporate culture and highest governance model are not able to become global

companies, i.e., companies whose consumers are spread across across the globe say more than 75+ countries in the world ? We need to create our own 'Global' brands to create large Market Capitalisation, resulting in higher GDP for the economy (as per co-relation shown in Table 1 above) - let's move forward and analyze this further - Why are we not able to achieve this milestone ? (despite all challenges)

Table 2 : Equity Market Capitalisation

Country	Equity Market Capitalisation	Number of Listed Companies on Stock Exchange	Companies with >\$1 Trillion Market Cap
US	37.7 Tn	3,300 (Nasdaq)	8
China	11.7 Tn	3,584	2
India	2.27 Tn	5,065	NIL

¹Source of factual data: <https://www.statista.com/statistics/531619/national-debt-of-india/>

In order to answer that question let's rewind and go "back to basics" - We all know that **land, labour and capital** are the three main ingredients of business. The article primarily focuses on the 'capital' element as so much has already been written and said about 'land and labour' reforms).

One easy & favorite argument of 'all experts generally is that we should increase our investment in 'research & development' multiple fold to promote "**innovation**", that's a fair argument and definitely lots to be done in this area so that as a country we should be able to produce at least one innovative product. (US \$1.4 trillion Market cap of a single company, representing 52% of India's GDP). However, it is important for a country to focus on 'execution' piece as well as to how can we make our 'policies' and 'processes' efficient to enable execution of those innovative products.

So, let's focus in this section 'what best can we do' in terms of execution, within the current opportunities we have on hand in automobile, pharma, chemical, cement, FMCG, banking industry & last but not the least the new fab - digital money.

Land

Land is a natural resource and one of the main ingredients to start a business but as we know "Land" is a scarce resource as well, i.e., a country cannot produce or increase the amount of land they have even if they want to. Fortunately, India has

an abundant and huge 'land bank' which is rich in mineral resources as well. So from capability point of view we have a big advantage here over other countries.

However, the key question is: How do we make our land policies efficient and industrially friendly in order to make the best use of it? I think we all agree that we need drastic land reforms. Listed below are ways we can make our use and efficiency of land even better:

- digitisation of land records
- trading of land in dematerialisation form
- categorising land into a) Industrial b) Agricultural and c) Railway land (relevant for India).

The aim of simplifying this is to make sure land availability for industry is available in the most easiest & transparent way and we make our land more productive whether in the field of 'agriculture' or extraction of 'mineral' resources. Government should define top 3 measurable KPIs (Key Performance Indicators- Measurement of success) - and then ensure, all policies are designed & implemented to achieve those KPIs. These KPIs should be published on monthly basis

Labour

India is the 2nd most populated country in the world. So, again like land, labour is abundant in supply in comparison to other countries and the best

part is our demography – we are a young nation with 40% of the population < 35 years. So, this resource as well we have in plenty - so now the question here is; How can we make our labour laws more efficient & competitive globally? How can we make our 'labour' more skillful. In this competitive world, can we afford to have laws that do not promote meritocracy and promote socialism? There are various other ways to promote socialism, but let's not be over protective about our labour especially when it makes our products 'expensive' & 'uncompetitive' than in the international market while competing with global peers. Our labour laws should promote industry growth and not cripple them. Here, as well, the Government should define Top 3 measurable KPIs and publish them on monthly basis.

Funds / Capital (Equity and Debt)

I would say currently for India, in comparison to 'land' and 'labour', 'access to capital' is a major hurdle for our entrepreneurs to become 'global' companies. Indian entrepreneurs have somehow managed to overcome challenges in 'Land' and 'Labour', despite all negatives vs global peers. However, it is the 'shortage' of Capital which I would say causes more than 50% of enterprises to shut down their operations.

Lets evaluate where we stand on the 'debt' matrix vs. our global peers Corporate debt size - 51% of GDP vs 163% in China



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a) Rate of Interest i.e cost of funds - 8% to 10% vs sub 3% in USA/China

b) Most importantly, our default rate is also highest at 40% vs 6% in USA/24% in China

Table 3 : Corporate Debt as % of GDP & Default %. India default rate is 40%

(All figs in USD)

Country	Corporate Debt	Average Interest Rates	GDP	Corporate Debt as % of GDP	Default %
US	17.2 Tn	~2% to 3%	21.4 Tn	80%	6%*
China	23.5 Tn	~Nil to 1%	14.4 Tn	163%	24%*
India	1.4 Tn	~8% to 10%	2.7 Tn	51%	40%

*Source : S&P Capital IQ :
Mckinsey Global Institute analysis

IMF data ranks India 33 among 137 nations with a bad NPA ratio in descending order. Of the 32 countries with worse ratios, 16 are in Africa. Agree, we have a big problem here. Hence, we should look at expanding our corporate debt considerably at 'interest rates' competitive to our global peers.

So, what are the **five (5) "Big Changes"** we need to execute to rebuild confidence in Indian Corporates and ensure abundance 'Funds' inflows for Indian Companies, to enable them to achieve their full potential and am sure by doing so few 'star companies' who dream to become 'Global' companies will born with US \$1 Tn Market cap.

1. Change in Attitude

We need to do a in-depth study on options available to entrepreneurs to raise funds for their businesses

- whether 'capital' or 'debt'. The policies, processes, rules & laws related to raising capital or granting debts needs suitable reforms. –We all know one basic tenant of any business to grow is 'ability to take risks', whereas Indian entrepreneurs are constantly afraid of 'failure' rather than focusing on 'growth'.

The fear with which a small or mid-size entrepreneur lives with today are:

How do I raise capital or debt for growing my business? Where will I get additional funds, even if I grow? - What is the motivation for me to grow when I cannot have access to additional capital or loan.

What will happen if my business fails due to external factors? How will I repay my loan?

How will I arrange for

collateral to raise debt?

The Indian Banking system and Government of India has a major role to play in order to be able to provide following support to corporates into becoming Global Companies:

- Step 1 : a structural way of access to Capital or debt viz equity, granting or extinguishing debts, even if it means taking 'risk',
- Step 2 : Nurturing companies to become successful at home turf , and
- Step3 : Last but not the least, giving them required support to go 'Global'.

At macro level, India is at a strong short term debt cycle, compare to its global peers where interest rates are significantly lower -near to zero!. We have a unique opportunity to expand our corporate debt effectively to increase productivity by reducing interest rates. Hence, Monetary policy support is need of the hour.

2. Change in Processes "Ways of doing things"

As mentioned earlier, we should review end to end existing policies & processes related to all the 'sources' of funds for all sizes of corporates (Small, Medium & Large enterprises) whether it is about raising 'Capital or debt'. Corporates should have ease of access to these 'sources of funds'

where there is reward for good performance & *financial* penalty for 'default'. I have picked in this article as an example one of the key source "Corporate debts" issuance by banks.

Similar, exercise can be done for other sources of funds as well.

The mantra is let's play a game, let's take a risk, let's play '1 million to 1 billion'

corporate innings ! Table 4 : Below table depicts how the banking system can play a critical role in 'corporate life' journey of an enterprise from a \$1mn to \$1bn marathon!

	Evaluation & Monitoring Process CORPORATE 'LIFE CYCLE' TILL IT GOES GLOBAL				
Investment /Debt Size	<US \$1m >>>>>>>	<US\$10m >>>>>	<US \$100m >>>>	<US \$500m >>>	>US \$1bn
Pre-clearance of 'Project' Business Case-	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Mentoring & Monitoring 'Project' Performance vs Targets - a Independent agency	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Project start & end date to be defined	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Collateral Guarantee	No	No	No	No	Yes
Loan Repayment Moratorium	2 Years	2 Years	2 Years	1 Year	NA
Tax Moratorium (Direct, Indirect & Employment related taxes including ESI,PF)	2 Years	2 Years	2 Years	1 Year	NA
Rate of Interest (Globally Competitive)	NIL for first 5 years	NIL for first 5 years	NIL for first 5 years	Benchmark to US/	Benchmark to US/
Credit Rating to be awarded to each Corporation , Promoters, Pre-clearance agency & Mentoring agency	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Mandatory Training & Skill Development Program for Promoters/Employees	Yes	Yes	Yes	Yes	Yes

All of the above steps need to be incorporated in our "Corporate debts" approval cycle to ensure we reduce our 'default' rates significantly and at the same time expand our Corporate debt size from 51% to at least 100% of GDP by March 2022 and at the same time improve our default

rate/NPAs to same levels as USA, Australia at <5%.

3. Change in "belief" "Mentoring & Coaching"

a. *Skill Set Development :*
Investment needs to be made in improving

i. Skill development program for existing WorkForce - Promoters should be obliged to conduct a mandatory number of hours "Skill Development" program for its workers/ employees.

ii. Skill Development for Future Needs: Education system should link up future needs of the country. A road map should be laid down for the next 10 years of TOP 10 Jobs needed in the country to support Industry/Corporations.

iii. Quality of basic Education. Significant Investment needs to be made in this area to get us ready for decades to come

b. *Training Program (Entrepreneurs):* Leadership skill development program to be conducted across the Corporate Life growth journey (as indicated in Table 3 above) for Entrepreneurs. A mandatory number of training 'hours' annually should be imparted to Entrepreneurs by astute institutes Viz IIMs, IITs, AIIMs etc.

4. Change in "Scale": "Access to Global Platforms"

a. International Exposure to Entrepreneurs: Entrepreneurs should be made aware of Global Environment and relevant news & development related to their industry should be shared formally. Cost benchmarking exercise should be carried out for their products with their Global peers and Entrepreneurs should

be challenged to produce 'best quality' products at Global Competitive prices. There should be healthy interaction & co-operation between CII/relevant bodies & Entrepreneurs.

b. Training and Support for acquisition of Foreign Companies - Entrepreneurs should be given confidence and support to acquire foreign companies to increase global footprint.

5. Change in "Strategy": FDI - Foreign Ownership

a. FDI Strategy : we shall have to make some tough choices/decisions - 'short term sacrifice for long term gains' i.e., our Foreign Direct Investment (FDI) policy needs to be relooked to ensure that we encourage Indian entrepreneurs to raise funds internally within India instead of looking outward for funds for expansion. Acquisition of Indian companies by foreign companies may sometimes curb our growth globally as explained below.

Over the last decade we saw the emergence of quite a few successful Indian corporates which captured the attention of Global Corporate. These are successful companies which should be promoted to go global by providing adequate funding through Indian sources. However, foreign investment is encouraged. The underlying objective of which may be to ensure

that this Companies do not go global and compete with them at International stage (this is a highly debatable topic though !) and the biggest factor hindering our companies to go global and enhance their Market Capitalisation.

b. Cost of Capital : Cost of Capital/debt in India is quite high compared to global peers - to be Globally competitive RBI shall have to review the "interest rates" for corporate debts for 'foreign acquisitions' and 'exporters'. There is no way India can compete with Global peers when the Cost of Capital is 3 to 4 times higher than their Global partners.

The above 'Changes' shall go a long way in enhancing confidence of Indian businesses (small, medium & large) enabling them to grow their business multiple fold times, and contribute to nation building by driving GDP growth. True testimony of success shall be to convert "Indian companies" to be at least 3 large corporates of US\$1 trillion+ size & 25 large corporates of US \$ 0.5bn+ Market Capitalisation in next 10 years - can we ? Yes, we can. India has the potential to capture a big growth opportunity in this decade and change the course for generations to come. As Warren Buffet saying goes "Someone's sitting in the shade today because someone planted a tree a long time ago." ■■■

Exploring the Roots

This article is on the journey of accounts and the milestones made. It starts with Vedic Scriptures and how accounts were used in it. The article moves on to how Archaeologists have found evidence of Development of accounts and records on clay tablets which dates back to the ancient Mesopotamia. It portrays on how accounts evolved in India from the era of Chanakya to the modern techno age. Read on...

“Behind every good businessman there is a great accountant” – This saying brings great pride to our community and I thought that knowing the roots of accounts is equally essential.

Accounts is just not a list of debits and credits but a language of business and finance. Accounts translates the complexities of finance into information which the general public can understand and take informed decisions.

Accounting History can be traced to ancient civilizations.



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Archaeologists have found evidence of Development of accounts and records on clay tablets which dates back to ancient Mesopotamia, Egyptian and Babylonian society as early as 2000 to 3300 B.C. So accounting would have evolved when society started trading.

Luca Pacioli, father of accountancy who in 1494 first introduced the system of double-entry book keeping which was used in Italy, is regarded as Father of modern accounts, but he did not invent accounts. Rather, he described a method which was used by merchants in Venice. His system introduced accounting cycle as we know

it today. The first accounting book was one of five sections in Pacioli's mathematics book, titled "Summa de Arithmetica, Geometria, Proportioni et Proportionalita" (Everything about Arithmetic, Geometry and Proportions). The section on accounting served as the world's only accounting text until the 16th century.

History has evidence that accounts evolved in 2000 B.C, but in India we trace it back to Vedic Scriptures. Chitragupta (meaning 'rich in secrets') is a Hindu God who keeps absolute records of the assets and liabilities (Karmas) that every human beings accumulates over their life span. He is also



known as Dharmaraja, God of Justice. There is proof that in bygone times accounts were maintained by professionals of Law. Chitrugupta is believed to be created from Bramha's soul and mind, who has the task of deciding heaven or hell for humans according to their actions on Earth, like how accounts is the deciding factor for every business.

Eventhough Indians followed accounting system from the time of Vedic scriptures evidence of usage of accounts in India was around the second century. Indian economist Chanakya wrote a manuscript similar to a financial management book, during the period of the Mauryan Empire around the third century B.C. His book "Arthashasthra" contains detailed aspects of maintaining books of accounts for a Sovereign State. The book holds advices and details on how to maintain record of books for accounts.

Chanakya was an ancient Indian teacher, philosopher, economist, jurist and royal advisor who assisted the first Mauryan emperor, Chandragupta in his rise to power and establish the Maurya empire. He is traditionally identified as Kautilya or Vishnugupta, who authored the ancient Indian political treatise, the Arthashastra. He is considered a pioneer in the field of political science and economics in India. His works were lost near the end of the Gupta Empire in the 6th century B.C. and rediscovered in the early 20th century.

He recognised the importance of accounting methods in enhancing economic enterprises. He had a conviction that economic performance was essential for effective allocation of resources. He considered accounts as an integral part of economics. Kautilya enumerated a very broad scope for accounts and considered explanation and prediction as its objective. He made headways in developing book keeping rules to record and classify economic data. He accentuated on independent periodic audit and emphasised on two critical roles, one that of a Treasurer and another of a Comptroller – Auditor to increase accountability and reduce the scope for conflict of interests. Chanakya's contribution to accounts can be classified into four heads, first- Development of principles of accounting, second- specification of scope and methodology of accounting, next- modification of financial rules and regulations and the creation of organisational structure and the last- he also prioritised the role of ethics which will restrain fraudulent accounting. He has surmised most of the aspects which we use in accounts and finance today.

A person who took accountancy to the next level in India is Shri Kalyan Subramani Aiyar (1859-1940) who was a pioneer of commercial and accounting education in India.

Shri Kalyan Subramani Aiyar, started one of the very first accounting firm in India. He is a pioneer in commercial and accountancy education and profession in India.

The culminating stage of all the above is - The Institute of Chartered Accountants of India (ICAI).

ICAI was established on 1 July 1949 as a statutory body under the The Chartered Accountants Act, 1949 enacted by the Parliament (acting as the provisional Parliament of India) to regulate the profession of Chartered Accountancy in India.

The Institute of Chartered Accountants of India (ICAI) is the national professional accounting body of India. ICAI is the second largest professional Accounting & Finance body in the world. ICAI is the only licensing cum regulating body of the financial audit and accountancy profession in India. It recommends the accounting standards to be followed by companies in India to National Financial Reporting Authority and sets the accounting standards to be followed by other types of organisations. ICAI is solely responsible for setting the Standards on Auditing (SAs) to be followed in the audit of financial statements in India. It also issues other technical standards like Standards on Internal Audit (SIA), Corporate Affairs Standards (CAS) and so on. ICAI is one of the founder members of the International Federation of Accountants (IFAC), South Asian Federation of Accountants (SAFA), and Confederation of Asian and Pacific Accountants (CAPA).

Milestones in Accounts

- Book keepers - This method was present during barter system. They maintained accounts in narrative style.
- New and Improved Ledgers- Ledgers were adapted when currencies became prevalent. They followed narrative style with numbers in one column.
- The Mathematical Monk – Double entry book keeping was followed. Accounting records were however only for the owners who hired the book keeper. The general public had no access to such records in this age.
- The American touch
 - Book keeping migrated to America with European colonization- the businesses were small and the owners were personally involved and aware of the financial health of their companies.
- Early Financial Statements
 - To attract investors, corporates began to publish their financials in the form
- of a balance sheet, income statement, and cash flow statements.
- Birth of a Profession - The modern profession of chartered accountant originated in Scotland in the nineteenth century. Accountants often belonged to the same associations as solicitors, who often offered accounting services to their clients. The accounting profession was recognised in 1896 with the establishment of the professional title of certified public accountant (CPA). In India, The Institute of Chartered Accountants of India (ICAI) was established on 1 July, 1949 as a statutory body under the Chartered Accountants Act, 1949 enacted by the Parliament to regulate the profession of Chartered Accountancy in India.
- Accounting Today
 - Technology has transformed accounting.

Bookkeeping is now completely automated. The first accounting records were kept in America, bookkeepers had used a number of tools. The adding machine in 1890 helped early accountants calculate receipts and quickly reconcile their books. When IBM released the first computer in 1952, accountants were among the first to use them. Technology has brought a number of softwares in the areas of accounting. Technology has also led to development of cloud computing, blockchain, automated accounting technology, and so on. These new advancements are much more intuitive, helping accountants do their job quicker, more accurately, and with more ease and helps in transparency. ■■■

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Withholding Obligations on Non-residents: Whether an Unintended Consequence?

This article seeks to examine the legal aspects on the applicability of withholding tax provisions on non-residents under the Income Tax Act, 1961 while making payment to residents of India. The article analyses many aspects including extra territorial operations of law on non-residents, relevance of circular No 726 issued by CBDT, recommendations of working group, various provisions of the Act. It also scrutinizes whether the tax authorities have the jurisdiction over the non-residents to recover any tax from them. As a result, it provides possible option that the non-residents may consider to get away with the penal and the prosecution consequences. Read on...



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The Indian Income Tax Act, 1961 ('the Act') has evolved over the years, with various amendments pertaining to non-residents. However, still there lies a deep-rooted ambiguity on the applicability of withholding provisions on non-residents. It is a settled law that the payments made to non-residents are subject to withholding tax u/s 195 of the Act. However, the question that needs to be addressed is on the vice versa scenario. whether in legality the non-residents are required to comply with the withholding provisions under the Act, while making payment to Indian residents?

Withholding provisions on payment to Indian residents

At the outset, the withholding provisions are covered by Chapter XVII B of the Act. This chapter *inter alia* covers various provisions like Section 193, 194 A, 194C, 194D, 194H, 194I, 194 IA 194IB, 194IC, 194J and so on, which deals with payments made to residents. The opening words of majority of these sections generally starts with the phrase "Any person responsible for paying a sum to any resident.....". Therefore, the important question is whether "any person responsible for paying" is defined under the act?



Meaning of person responsible for paying

Section 204 of the Act defines the meaning of “person responsible for paying”. As per clause (iii) of the said section, in case any credit or payment of any other sum chargeable under the provisions of this Act, person responsible for paying is the payer himself or if the payer is a company, then the company including the principal officer thereof. Therefore, on literal interpretation, one may take a view that the non-resident or the foreign company would be the person responsible for paying and hence the provisions of Chapter XVII would be squarely applicable on them.

Extra territorial operations of law

However, the issue that warrants serious examination is whether, the Indian legislation is empowered to regulate a person, who is residing outside the territory of India with no presence in India? Legally this is understood as the “extra territorial operation of law”. In this context, the privy council in the case of *British Columbia Electric Railway Co Ltd Vs King* MANU/PR/0103/1946, while interpreting the *Government of India Act, 1935* held that:

“A legislature which passes a law having extraterritorial operation may find that what it has enacted cannot be directly enforced, but the Act is not invalid on that account, and the courts of its country must enforce the law with the machinery available to them.”

Therefore, the privy council dictum goes on to show that, it is within the powers of the legislature to enforce a law having extraterritorial operations. At the time when the draft Indian constitution was prepared, it contained several clauses

for distribution of power to enact a legislature. Clause 179 contained provisions related to extra territorial operations, which stated that “Subject to the provisions of this Constitution, the Federal Parliament may make laws, including laws having extra-territorial operation, for the whole or any part of the territories of the Federation....” which later on was embedded in the constitution as Article 245(1) & 245(2).

Article 245(1) of the Indian Constitution, empowers the Parliament to make laws for the whole or any part of the territory of India and the legislature of the state to make any law for the whole or any part of the state. Further, Article 245(2) states that “No law made by Parliament shall be deemed to be invalid on the ground that it would have extra territorial operation”.

Therefore, it may appear that Article 245(2) may validate the extra territorial operations of the Income Tax Act. However, the question that remains is, whether the parliament is empowered to enact laws in respect extra territorial aspects or causes that have no nexus with India? This question has been lied to rest by the Apex Court Judgement in the case of *GVK Industries Ltd Vs Income Tax Officer* [2011 197 Taxman 337 (SC)]. The key observations of the Apex court are as under:

“The Court derived the responsibility of the Parliament with the help of word ‘for’ used in article 245(1) and stated that Parliament of India is to act as the Parliament of India and of no other territory, nation or people. The Court also derived two related limitations in this regard, the first being that the Parliament may only exercise its powers for the benefit of India in regard to the necessity.

The laws enacted by Parliament may enhance the welfare of people in other territories too but the benefit to or of India remain the central and primary purpose. The second limitation that the law made by Parliament with regard to extra-territorial aspects or causes that do not have any, or may be expected to not have nexus with India, transgress the first condition. The Sudarshan Reddy J. for Constitutional bench negated the answer of question logically and held that the Parliament’s powers to enact legislation, pursuant to clause (1) of article 245 may not extend to those extra-territorial aspects or causes that have no impact on or nexus with India.

Therefore, the key ratio decidendi drawn from Apex court precedence is that the Article 245 cannot be extended to territory beyond India that have no impact or nexus with India. Practically, a non-resident may or may not have a:

- a. a presence in India or;
- b. Income sourced in India or;
- c. a business connection in India

If the non-resident does not have any of the above proximity with India, then it may be reasonably fair to contend that the non-resident does not have any nexus with India and consequently the extra territorial operation of law may not be applicable on them. However, if the non-resident has any proximity with India, then it may be difficult to take the above argument and therefore this leg of argument may not stand in the court of law.

Further, in the case of *A.H. Wadia vs Income Tax Commissioner* MANU/FE/0004/1948, the federal court opined that the enactment process relating to extra territorial operation of law cannot be challenged in

municipal court. Therefore, raising constitutional validity on the extra territorial operation of law may not travel higher in the Judiciary.

Circular No 726 dated 18-10-1995

In the context of the moot issue under discussion, it will be relevant to peruse the Circular No. 726 which clarifies regarding the payments to Indian residents by foreign companies or foreign law firms that have no presence in India. Representations were made to CBDT from various law and accountancy firms' resident in India that were receiving fees for professional fees from foreign companies and foreign law firms which had no presence in India regarding the practical difficulty in withholding tax and complying with the filing procedure. The CBDT vide circular no 726 clarified that TDS provisions u/s 194J may not be applicable on the non-resident if the fees are paid through proper banking channels and such non-resident does not have any agent, business connection or permanent establishment in India. The circular further requires the non-resident to send a quarterly statement indicating certain details of the payment to the Income Tax Department.

While it may prima facie appear that this circular has provided clarity in this aspect, it has also led to confusion on this issue. Firstly, all the non-residents cannot take a cue from the circular, as this is only applicable for payments made to lawyers and chartered accountants by foreign companies and foreign law firms. Secondly, it appears from the circular that non-residents, who do not have any nexus with India (as held contrary in GVK case supra) are required to comply with withholding

provisions under the Act. Thirdly, the circular directly does not absolve the non-residents from any compliance requirements since they are required to submit a quarterly statement to CBDT in these regards.

Report of Working Group on non-resident Taxation

While analysing this issue it may be relevant to take note of the recommendation made by the working group. The Government appointed a Task Force on Direct Taxes under the Chairmanship of Dr. Vijay Kelkar, which presented a "Consultation Paper" relating to tax treatment of non-residents. The Task Force recommended the creation of a Working Group headed by the Director General of Income Tax (International Taxation) and comprising representatives from trade and industry to examine various issues pertaining to non-resident's taxation.

The working group in para 4.13.4 of the report after taking into consideration the practical difficulty on non-residents to comply with the withholding provisions recommended that *"a provision be introduced to the effect that if the recipient undertakes to pay the withholding tax and completes all formalities including filing of TDS return on behalf of the non-resident payer then the non-resident payer shall be relieved of his obligation of deduction of tax at source. The undertaking and the deposit of the tax in such cases shall be made in non-resident tax circles. This will also safeguard revenue's interest."*

However, the government has not considered this recommendation even after taking cognizance of this issue. This gives out a signal that the intention of the Government is to hold non-residents "the person responsible" for withholding tax.

Explanation 2 to Section 195(1) – Whether it can protect non-residents from withholding obligations?

As a surgical mission to overrule the land mark decision of Apex court in the case of *Vodafone International Holdings B.V vs Union of India* [2012 341 ITR 1 (SC)], the government inserted Explanation 2 to Section 195(1) to clarify that the deduction u/s 195(1), was always applicable to both residents and non-residents, whether or not it had any residence, business connection or presence in India in whatsoever manner.

Now, one school of interpretation could be that, since the other provisions of chapter XVII B of the Act does not emphatically hold non-residents responsible, it may be possible to take a view that non-residents are not liable under the Act.

Another school of thought could be that, explanation 2 is more of clarificatory in nature and it holds a non-resident responsible for making payment to a another non-resident, therefore if it widely interpreted then even without having an specific explanation in other provisions, it may be said that non-residents would be covered under the provisions of the Act.

In the light of the above background let's analyse the provisions under the Act.

Whether non-resident is an assessee under the Act?

As per Section 2(7) of the Act, assessee means any person by whom any tax or any other sum is payable under the Act and it inter alia includes every person who is deemed to be an assessee in default under any provisions of the Act.

As per explanation to Section 191 of the Act, if any person who is required to deduct any sum

and does not deduct or after deducting fails to pay & where the assessee has also failed to pay such tax directly, then the payer would be deemed to be assessee in default within the meaning of section 201(1) of the Act.

Therefore, the non-resident would be an assessee under the Act if he becomes an assessee in default for not withholding tax while making payment to a resident.

However, as per first proviso to Section 201(1) of the Act, the non-resident would not be deemed to be assessee in default if the resident payee has:

- furnished the return of income,
- Taken such sum while computing the income,
- Paid tax on such income and
- The payee furnishes Form 26A read with Rule 31 ACB to this effect from an accountant.

It may be worthwhile to note that this will not absolve the non-resident from the interest implications u/s 201. Therefore, in that case he may be an assessee under the Act for the amount of interest which may be payable by him. Having analysed the definition of assessee under the Act, it may be relevant to analyse the consequence of not withholding tax.

Consequences of not withholding tax

If the tax is not deducted or after deducting, if it is not paid to the credit of the government, then the deductor will be deemed to be assessee in default and following are the consequences:

- Interest @ 1% per month or part thereof for non-deduction and interest @ 1.5% per month or part thereof for non-payment of tax u/s 201.

- Disallowance of expenditure to the extent of 30% while computing Income u/s 40(a) (ia) of the Act; (not relevant for non-residents not having an income sourced in India)
- Penalty u/s 271C of the Act to the extent of tax in arrears in addition to interest.
- Prosecution u/s 276B of the Act which may not be less than 3 months but may extend up to 7 years.
- Recovery proceedings under the Act

Disconnect between recovery provisions under Chapter XVII of the Act

The recovery provisions under the Act are contained in Chapter XVII of the Act. Further, as per Section 228A (2) of the Act, if the assessee is in default or deemed to be in default in making a payment of tax, and he has any property outside India, in a country with which central government has entered into agreement for the recovery of income tax, then the tax recovery officer ("TRO") may, forward to the board, a certificate drawn up by him u/s 222 of the Act and the board make take such action as it may deem appropriate with such country.

Section 223 of the Act defines the TRO competent to take action u/s 222 of the Act and it states that the competent TRO shall be the person within whose jurisdiction the assessee carries on business / profession or his principal place of business / profession is situated or within whose jurisdiction the assessee resides or the property of the assessee is situated.

Therefore, technically in case of non-residents not carrying any business in India and neither possessing a property situated in India, there will

not be any competent TRO to issue certificate u/s 222 of the Act and consequently, recovery proceeding u/s 228A of the Act cannot be initiated. This does not protect the revenue's interest in safeguarding the amount of tax that may be withheld. Therefore, there lies a disconnect between the provision of recovery in case of non-residents.

Conclusion

The non-residents may opt to take different view on this subject matter depending upon the facts and circumstances. However, the position as on date is that the law does not in black and white obviate the compliance obligations on non-residents. On a conservative stand, the non-residents may contemplate filing Form 26A and ensure that the resident payee has paid the tax in these regards in order to get away with the penal and the prosecution consequence under the Act. However, this may be at a cost of interest u/s 201 of the Act.

Practically, it would be very difficult for a non-resident to comply with the provision of Indian Income Tax Act merely for making a payment to a resident in India, especially in case where it does not have any presence or nexus with India. This may create undue hardship and unwarranted obligation on them, moreover this would go against the moto of "ease of doing business". Also, as analysed in the article the revenue will also not have complete control on the recovery of tax. Therefore, it would be good on the part of the department to come out with a clarification or an alternative approach in these regards to lie the issue to rest. ■■■

The Largest Ever Tax Fine Overturned by the European General Court : A Case Study

On 15 July 2020, the European General Court (Seventh Chamber, Extended Composition) pronounced the much awaited Apple-Ireland judgement overturning the entire tax fine imposed by the European Commission amounting to Euros 13 billion (approximately INR 1.15 lac crores) on the ground that the European Commission failed to demonstrate that an unfair state aid/selective tax advantage under article 107(1) of the Treaty on the Functioning of the European Union ("TFEU") was granted by the Irish tax authorities to the Irish subsidiaries of Apple Inc. namely Apple Sales International ("ASI") and Apple Operations Europe ("AOE"). Read on...



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To put the facts in right perspective for further discussions, the decision elaborately lays down the history of the Apple Group. It mentions that the Apple Group, founded in 1976 and headquartered in Cupertino, California, U.S is engaged in the designing, manufacturing and marketing of personal computers, mobile communication and media devices and portable digital music players, as well as in sale of related software, services, peripherals, networking solutions and third party digital content and applications

worldwide. The Group sells its products worldwide through its online stores, retail stores, third-party wholesalers, resellers, and direct sales force.

Apple Inc. incorporated two subsidiaries in Ireland namely ASI and AOE. While these two subsidiaries were incorporated in Ireland, they were not tax residents of Ireland.

Through a cost sharing arrangement between Apple Inc and ASI and AOE; ASI and AOE agreed to share the research and development costs in relation to the technology/



intellectual property (“IP”) incorporated in the products of the Apple Group. In return, Apple Inc. granted royalty free licenses of these IPs to ASI and AOE to manufacture and sell the products of the Apple Group to third party customers in Europe, Middle-East, India and Africa (“EMEIA”) as well as Asia-Pacific (“APAC”) regions, i.e., practically the entire world except North and South America. The parties to the agreement were required to bear risks resulting from the risks, the main risk being the obligation to pay the development costs relating to the Apple Group’s rights.

ASI and AOE further set up branch offices in Ireland

Key functions of ASI’s branch included procurement of finished goods of Apple Group from related party as well as third party manufacturers, sales and distribution of those goods under framework agreements (negotiated and concluded outside Ireland), logistics management and providing after sales services to customers.

Key functions of AOE’s branch office included assembly and manufacture of iMAC desktops, Macbook laptops and computer accessories and their sale to related party distributors in the assigned territory. Key functions within that branch include production planning and scheduling, process engineering, production and operations, quality assurance and quality control, and refurbishing operations.

ASI and AOE sought two tax rulings (“the disputed tax rulings”) from the Irish Tax authorities in 1991 and subsequently updated in 2007 which determined the profits attributable to the activities of the branch offices of ASI and AOE and hence, to be taxed in Ireland. The profit attribution mechanism which was proposed by ASI and AOE and accepted by the Irish tax authorities in these rulings was not based on the arm’s length principles. However, these rulings were given to ASI and AOE on the basis of certain advance tax rulings given by the Irish tax authorities to other taxpayers in the past.

The European Commission (“The EC” or “The Commission”) opened its investigation against the disputed tax rulings which were applicable during the period 1991-2014 and alleged that through the disputed tax rulings, the Irish Tax authorities had granted an unfair state aid/selective tax advantage to ASI and AOE for the purposes of Article 107(1) of the TFEU. The EC’s allegation was mainly based on the following grounds:

- Through the disputed tax rulings, the Irish Tax authorities agreed to allocate all significant decision making and management functions (and the corresponding profits attributable to these functions) in relation to exploitation of IPs to the head office of ASI and AOE which was for all purposes “stateless”, i.e., existed
- only on paper and had no staff/operating capacity to perform these functions. Only a minuscule amount of profits was attributed to the activities of the branches of ASI and AOE and hence, was taxed in Ireland.
- The argument of the Irish Tax authorities that the decision making/management functions in relation to the exploitation of these IPs as well as the activities of the branches were undertaken by the Board of Directors of ASI and AOE (“not Irish residents”) cannot be accepted as the minutes of the board meetings did not reflect any such decision making functions undertaken by the Board of Directors.
- In the absence of any staff/operating capacity in the head office of ASI and AOE, the significant decision making/management/control functions in relation to exploitation of these IPs and the corresponding profits attributable to the same should have been allocated to the branch offices of ASI and AOE and hence taxed in Ireland.
- Through the disputed tax rulings, the Irish Tax authorities accepted a level of profits chargeable to tax for the branches of ASI and AOE which did not reflect a market based outcome as envisaged under the arm’s length principle as stated

International Taxation

under the OECD Guidelines and further the allocation was not in accordance with the Authorised OECD Approach on attribution of profits to a permanent establishment. The Commission argued that a comparable enterprise, operating under similar market conditions and covered under the “normal” taxation regime of Ireland would have earned more profits.

- The arm’s length principle can be regarded as a benchmark to assess as to whether an unfair state aid or a selective tax advantage was granted by a member state of the EU for the purposes of Article 107(1) of the TFEU (As per the judgment in the case of Belgium and Forum 187 v/s the Commission).
- Lastly, the Commission argued that the allocation mechanism which was agreed in the 1991 and 2007 rulings between the Irish Tax authorities and ASI and AOE was ad-hoc and not backed by any scientific analysis. Also, in the *ex-post facto* reports submitted by ASI and AOE to justify that the profit allocation was at arm’s length, there were three methodological errors namely selection of branch offices as the tested parties, selection of berry ratio as the profit level indicator (“PLI”) for ASI’s branch and selection of operating profit/operating costs (excluding

the cost of materials) as the PLI for AOE’s branch (*this argument was a subsidiary argument of the Commission*).

On the other hand, the Irish Tax authorities (supported by ASI and AOE) contended the following:

- As per the European Union (“EU”) law, corporate taxation regime falls within the purview of a member state of the EU (Ireland in this case) and therefore, by interfering in a corporate taxation matter of Ireland, the Commission has breached the EU law.
- The disputed rulings were issued to ASI and AOE in 1991 and 2007 respectively and the corporate taxation regime of Ireland did not include the arm’s length principle at that time (*Transfer Pricing provisions were formally introduced in Ireland and embedded in the Irish Taxation Regime in 2010*).
- The OECD Guidelines only serve as guidance and are not mandatorily required to be followed by the Irish Tax authorities.
- Without prejudice to the above, The Authorised OECD Approach on profit attribution requires that profit attribution to the activities of a permanent establishment (branch in this case) should be done on the basis of functions performed, assets employed and risks assumed (“FAR”)

by the respective branch. The entire case of the EC was based on an assumption that since the head office of ASI and AOE had no operating capacity/physical staff, the decision making/management/control functions in relation to IPs must have been necessarily performed by their branch offices without actually proving with evidences that these functions were performed by the branches. The Commission therefore adopted the “exclusion” approach which is neither permissible under the Irish Tax regime nor envisaged under the OECD Guidelines.

- All strategic functions in relation to the IPs namely research and development facilities management, brainstorming in relation to new/enhanced features of the new product/model, design of the product/model, functionalities of the software to be embedded in the product etc. were taken by Apple Inc (based in California). The management decisions in relation to exploitation of these IPs and executing the strategies formulated by Apple Inc. were taken by the Board of Directors of ASI and AOE (not residents of Ireland) and just because these decisions were not reflected in the minutes of the board meetings, it cannot be assumed that these decisions were not taken by the Board.

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- As per the FAR profile of the branch offices of ASI and AOE (as highlighted in the ad-hoc reports submitted by ASI and AOE), it cannot be alleged that significant IP related functions were performed by these branches and hence, more profits should have been allocated to the activities of these branches. Moreover, as per the ex-post facto ad-hoc reports submitted by ASI and AOE, the profit allocation was at arm's length.

- In relation to the subsidiary line of argument regarding the methodological errors in relation to selection of branches as tested party and choice of PLI, again the case of EC was based on the assumption that complex functions were performed at the branches and hence they couldn't be selected as tested parties and this assumption doesn't hold good. Further, the EC in its analysis changed the PLI of ASI's branch from Berry ratio to OP/Sales and the PLI of AOE's branch from OP/VAE to OP/TC without demonstrating as to why the PLIs selected by ASI and AOE were incorrect.

- Having regard to the above, since the profits allocated towards the activities of the branches of ASI and AOE were as per the activities undertaken at these branches, section 25 of the Taxes Consolidation Act, 1997 (Corporate Tax

Regime of Ireland) was complied with and hence, no further profit attribution was essential.

The European General Court after observing the arguments of both sides concluded the following:

- Article 107(1) of TFEU gives the Commission the right to check whether the level of profits allocated to the branches of the non-resident entities would correspond to the level of profits that would have been earned had the activity been carried out under normal market conditions.
- The arm's length principle and the Authorised OECD approach were tools used by the Commission to assess whether the profits attribution made to the branches of ASI and AOE was a reasonable approximation of a market based outcome and whether the attribution was made on the basis of the FAR profiles of these branches. The arm's length principle as well as the Authorised OECD approach have international consensus and hence the Commission could not be criticized for using these tools.
- However, the arguments of the Irish Tax authorities (supported by ASI and AOE) were well founded on the aspect that the entire case of the Commission was based on an assumption that merely because the head office of ASI and

AOE had no employees/ staff/operating capacity, all significant functions in relation to exploitation of these IPs and the corresponding profits in relation to the same should have been allocated to the activities of the branches. The Commission failed to demonstrate that strategic functions in relation to IPs were actually performed by the branches of ASI and AOE. Therefore, in relation to its primary line of reasoning, the Commission failed to prove that the profit attribution as per the disputed tax rulings did not correspond to the FAR profiles of these branches and thus it failed to demonstrate that an unfair state aid a selective tax advantage for the purposes of Article 107(1) of TFEU was granted by the Irish Tax authorities to ASI and AOE.

- As far as the subsidiary line of argument of the Commission is concerned, the arguments of the Irish Tax authorities (supported by ASI and AOE) were again well founded on the aspect that the Commission argued that the branches could not be selected as tested parties only on the assumption that they performed complex functions (which the Commission failed to demonstrate as highlighted above). Further, as far as the choice of PLIs is concerned, the Commission asserted that OP/Sales was the right

PLI for ASI's branch and OP/Total Cost was the right PLI for AOE's branch without demonstrating as to why the PLIs adopted (Berry ratio for ASI's branch and OP/VAE for AOE's branch) in the ad-hoc reports furnished by ASI and AOE were incorrect and unreliable.

- Moreover, even if according to the Commission these methodological errors existed, still the Commission failed to conduct its analysis in a way to demonstrate that on account of these errors there was a reduction in the taxes actually paid by ASI and AOE as compared to what should have been paid under normal rules of taxation without the issue of these disputed rulings. Lastly, mere methodological errors cannot be used as basis to claim that an unfair state aid/selective tax advantage was granted by the Irish Tax authorities to ASI and AOE.

Concluding remarks/key takeaways:

- Despite the fact that Euros 13 billion (approximately INR 1.15 lac crores) plus interest on the same could have gone a long way in boosting the economy of Ireland, Ireland still appealed against the decision of the Commission since Ireland was clear that this appeal was to protect the sovereign status of Ireland as far as its taxation regime was concerned.
- While, the judgment was pronounced in favour of Irish tax authorities (supported by ASI and AOE), the General Court in its ruling highlighted that article 107(1) gave the right to the Commission the right to check whether the level of profits allocated to the branches of the non-resident entities would correspond to the level of profits that would have been earned had the activity been carried out under normal market conditions. This

indicates that even in the future, the Commission can interfere in the corporate tax regime of its member states by triggering article 107(1) of TFEU.

- The judgment was pronounced in favour of the Irish Tax authorities because the Commission failed to discharge its burden of proof, i.e., it failed to demonstrate that management/control/decision making functions in relation to exploitation of IPs were being performed by the branch offices of ASI and AOE. Last year, the arguments of the Commission in the Starbucks case were dismissed by the General Court on a similar footing, i.e., the Commission failed to discharge its burden of proof as it failed to demonstrate that an unlawful state aid under article 107(1) of TFEU was granted by the Dutch Tax authorities to Starbucks.
- This case leaves us with a couple of interesting questions. In which country were profits attributable to critical IP exploitation functions taxed? (If not Ireland). Were these profits even taxed at all? ■■■

References:

- Judgment of the General Court (Cases T-778/16 and T-892/16)*



Crude Oil: The Big Black Bet

Crude oil prices are critical for Indian economy as its demand, supply, output and other factors directly affect the Indian Trade Deficit. The article provides insight on how few hands control the fuel and enjoy the benefit of regional and demographic imbalance thereby impacting economies. Indian economy which till date has been dependent on Imports of crude is often impacted by sharp changes in crude prices. The US weekly Inventory figures and how the derivatives market for Crude reacts to each and every headline of the day from US and OPEC members has been considered in this article. The once in a lifetime event of negative prices which has at times been a theoretical discussion but had been a practical experience during the times of Pandemic 2020. Overall the article provides a broader view on what exactly is "The Crude Phenomenon" which straightforwardly dents almost each and every sector of the economy.



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Crude oil prices drive economic health of many countries. From fueling to farming to ferrying to flying, purchasing power of every single penny starts to decline the moment crude starts to surge. Global economy has seen major swings in the price of this mineral ranging from \$150-\$165 a barrel during the time of Global Financial Crisis 2008 to \$11-\$19 a barrel during the times of pandemic'2020 when there was lockdown across the globe.

Oil rich countries who have a major chunk of their GDP contribution by exploration and export of oil are United States, Russia, The Gulf (Saudi, Kuwait, Iran, UAE), Venezuela, China and others who directly or

indirectly control almost 80% of the worldwide production of this black gold.

Heading towards India. We do not have enough oil reserves and thus, import almost 85% of our crude oil requirement. The dollars we spend on this mineral have always made a stiff and strong impact on our finances. During the year 2019-20, crude oil imports amounted to \$102 billion of total \$467.19 billion of imports, i.e., of every dollar spent on import, 0.22 goes to oil, and thus it can be conceived that crude import contributes maximum to the trade deficit.

As far as data for the fiscal 2019-20 is concerned India stands



next to China and United States in terms of crude oil imports at around 48-50 lakh barrels of crude being imported in a day. To make it more simple 159 liters make a barrel.

Routing to some major factors, predominantly related to crude that widen the gap between India's import and export and thereby funding the trade deficit are:

- **Rupee to Dollar relationship:** Being an imported product, disbursement for crude has to be made in US dollar. Rising crude prices, directly controlled by thirteen OPEC members leads to much higher outflow of foreign reserves contributing to widening of current account deficit, weakening the rupee and accelerating inflation. The rising oil imports and depletion of foreign reserves directly hinder country's GDP. Again Indian rupee has been on depreciation treadmill against the US dollar where, during the times of Global Financial Crisis 2008 the average price of one dollar was ₹ 50 and today, it is hovering at around ₹ 75 a dollar - meaning almost 50% depreciation in a decade or so.
- **Geo-Political scenarios:** Intensifying geo-political risks post implementation of Iranian Oil Sanctions, Yemen and Syrian War, Fire at Saudi oil facilities

and others have led to the assumption that geopolitical risks have uncontrolled impact on global oil prices. Considering the supply and demand relationship, OPEC oil output has hit its 4-year low in Apr'19 post the political tensions gearing up in Iran and Venezuela, both being OPEC members.

- **Derivatives:** Market participants are buying and selling crude oil contracts, not in delivery form, but in the form of futures and options. Airlines and other end users use derivative contracts like futures, to hedge their treasury against swing in oil prices, while speculators drive those prices upwards or downwards. Slight movement in prices imply variation in millions of dollars either way.
- **Duties and other levies:** To curb imports, government levies duties to reduce the reliance on imports, but since crude being the product which by default has to be imported attracts custom duties at ₹ 57.2 per ton principally increasing the oil prices and funding the exchequer. The derivation of this 57.2 is ₹ 1 per ton as Basic Custom Duty, National Calamity Contingent Duty (NCCD) at ₹ 50 per ton and Counter Veiling Duty (CVD) at Rs 1 per ton. Over and above all these duties is 10% Social Welfare Surcharge calculated on total of the above three duties.
- **Supply and Demand correlation:** The original supply and demand correlation sometimes doesn't hold good for crude as the power to concentrate and control the same lies in very few hands whereas the consumption is done by almost everyone across the globe, in some form or the other.
- **Concentration of Oil Reserves:** Oil reserves are viewed as a proven reserve where the probability of extraction of oil is $\geq 90\%$. Venezuela (the crisis hit country as on date) has the highest quantum of reserves, but the density of crude is hard enough, making it difficult to process. Other economies where crude reserves are abundant are Saudi, Iran, Kuwait and others. Since these economies have built-in reserves, they straight forwardly control the supply and prices.

Looking at the above facts, it is quiet predominant that "Crude prices in India are not driven by the rising market for it, but by the ability to pay for it".



Market participants are buying and selling crude oil contracts, not in delivery form, but in the form of futures and options.

Industry Specific

One of the major attribute to the crude pricing is of “Maximum wealth in Minimum hands”. OPEC countries account for almost 70 to 78% of global oil reserves leaving balance in the hands of US, Russia and China, but since the consumption pattern of the Non OPEC countries is too high, i.e. they consume what so ever they can produce, they are second pioneers to determine the pricing schema. The genesis of Crude Oil classification which the global refiners take into account while calculating Cost of production and also the related bottom-line is as below:

1. **Sweet v/s Sour Crude:** Classification of Crude grade as sweet or sour depends on the proportion of Sulphur content in it. According to New York Mercantile Exchange Sulphur content less than 0.50% is Sweet grade of Crude and Sulphur content of more than 0.50% is Sour grade. In layman's term Sulphur is something which is not desired in crude and hence sweet crude is more desired and demanded and therefore valuable.



One of the major attribute to the crude pricing is of “Maximum wealth in Minimum hands”. OPEC countries account for almost 70 to 78% of global oil reserves

2. **Light v/s Heavy Crude:** Classification of crude oil into Heavy and Light depends on oil's relative density based on American Petroleum Institute (API) gravity. In simple terms this test measures how heavy or light is crude in comparison to water. The lower the gravity the heavier the fuel. Crude with API > 35 is Light Crude oil, API ranging between 26-35 is Medium Crude Oil and API < 26 is Heavy Crude. Light grade of crude is less expensive to refine as it has higher percentage of light hydrocarbons which can easily be refined.

Global Benchmark for Pricing:

Now particularly in respect of pricing, there are two benchmark grades of Crude globally. The WTI in the United States and Brent Crude in rest of the world. West Texas Intermediate (WTI) is standard for US oil prices and Brent Crude which comes from Northern Europe acts as International Standard for Oil prices globally.

Crude Oil Inventory: Another important aspect which cannot be overlooked and which influences the price of Crude is the Level of Inventory. When oil inventories rise, derivative traders question the demand levels for oil at the current price and tend to square off their positions, causing a price retreat and vice versa.

The U.S. Energy Information Administration (EIA) provides weekly update on crude oil inventories in the United States specifically in Cushing (Oklahoma), the US Crude Oil



When oil inventories rise, derivative traders question the demand levels for oil at the current price and tend to square off their positions, causing a price retreat and vice versa.

Store room. This weekly data provide insight on how is the US Oil moving from production areas to refineries.

Oil stockpile provides very essential reflection into one of the important fundamentals of the overall market i.e. The level of Supply, meaning the level of supply influences prices. Oil prices can react spontaneously following the US's weekly inventory report if they are at a variation from analysts' expectations. Total inventory levels are also significant because weekly inventory adjustments are taken in the reference of the overall level. If inventory level is low and there is a good weekly expectation on inventories, prices could see a sharp rise. If the records provide some other picture where we have abundant and heavy supply weekly inventories continue to increase, oil prices can experience decline.

Crude Oil as Derivative: Further going ahead in respect of trading of Crude Oil derivatives in the Indian Commodity market, it is a conceived notion that Crude is one of the most actively traded commodity. At the MCX commodity exchange crude oil has unit size of 100 BBL (BBL

refers to Barrels of Oil) and Crude Oil Mini with contract size of 10BBL. At the time of writing of this article, January'21 crude oil futures are trading in the range of ₹ 3400-₹ 3600 per contract.

Now the interesting theme in respect of trading in Crude Oil Derivatives is that at times it is the most volatile commodity to trade in, whether it's an economic report or tensions in the Middle East, which can exacerbate price movement. Supply and demand determine the price, but the market also moves on sentiments and emotions, especially with retail traders who day trade in crude derivatives. If tensions escalate in the Middle East, there's no denying to the fact that possible supply disruptions are hotcake, and traders often have to react within seconds to help themselves out from the position.

Negative Crude Prices: In the recent past, negative crude prices were red hot in the market, wherein it was believed that people will get paid to buy crude, but the picture behind the curtain was altogether different. West Texas Intermediate commonly known as WTI is light sweet grade of crude that is transacted at the New York Mercantile Exchange's (NYMEX). In Apr'20, WTI crude was trading at negative \$37 per barrel. This was the first time in the history of crude futures that prices were negative, which was due to sudden crash in demand due to pandemic'20 and price/output war between Russia and Saudi Arabia - Two major oil giants. Russia decided to increase its output from 01st April, 2020 and in response to the same, OPEC too decided to increase the

production. As storage facilities crossed their neckline, the prices started pushing in negative territory. WTI grade of crude is different in a way that it is linked to physical delivery of oil, and as the delivery date of WTI grew near, the contract holders began selling their contracts, resulting in massive sell off and prompting the prices to dive into negatives.

The above short story has made big holes in the pocket of capital market intermediaries, leading the global markets to observe sudden sell-off. According to one of the largest brokerage house in India, the day when this unprecedented event of negative oil prices occurred, the brokerage house suffered loss of crores of rupees. On each overnight carried crude contract brokerage house suffered loss of some 2 lakh rupees. The reason was simple - margin call. However, situation rebounded quickly and again the futures were trading in positives.

Endnote: Bundling up the above facts, out of the total crude requirement in the hydrocarbon and gasoline sector, India imports to the tune of 85%, meaning a drop cut in output or decimal increase in the prices will hamper the "D" line, i.e., **D**eficit, **r**upee **D**epreciation, **D**epletion of foreign reserves and **G**ross **D**omestic product. The reason being very obvious, we are a consumption based economy for Crude and not a producer based as against Agriculture where we enjoy the producer based advantages. This is a globally accepted phenomenon that whenever a country is dependent on another for any of its means, it is by default prone to the risk of the product availability or the



Supply and demand determine the price, but the market also moves on sentiments and emotions, especially with retail traders who day trade in crude derivatives. If tensions escalate in the Middle East, there's no denying to the fact that possible supply disruptions are hotcake, and traders often have to react within seconds to help themselves out from the position.

price the country has to pay for that product. Precisely in case of crude the impact is so large that a decimal variation impacts series of sectors starting from oil & gas to aviation to chemicals to automobile to logistics, etc. Strategic and economic ties with OPEC members and other Oil Giants also play a significant and substantial role in getting the giant tanker vessel which boards crude to the Indian coasts.

What India has in its basket is a market fledged with enormous demand but no control over the factors catering that demand. And till then, whenever there is rise in the prices, the common man has to loosen his pocket, because going back to the stone age is not an option. ■■■

Investing in Tough Times

The past decade has seen many simple established investment phenomena been questioned. From negative interest rates to negative prices for crude, what was considered to be once a millennium events have suddenly popped around the world all in a decade. We find that the investment rationale and logic have been stretched to the highest degree in stock valuations and yet we find under performance in other asset classes (commodities) that go past many decades. The current uncertainty in the investment world is probably the highest one has seen in his life time. Never before were the assumptions been questioned and making money so difficult. The one question on most investors and the general public is: where do I deploy my surplus cash? Read on...

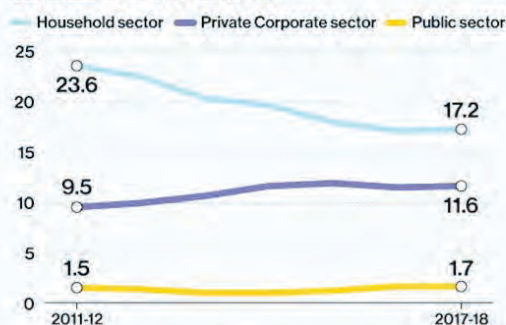
If one goes by the figures, inflation has been benign. Yet investors don't really believe the same. They have seen their expenses balloon and savings rate reduce. Not to mention the underperformance in most major asset classes has reduced their other income. Business growth through organic means is difficult to come by both for most established corporates, industrial capacity utilization is below 70% and small businesses and salaried employees have seen their increments diminish over a period of time. In such case, investors depend on markets and fixed income sources to meet their requirement of retirement planning and investment. But markets performance has been volatile and can be said to be mixed at the best creating doubts in the mind of investors whether they can be entrusted with their life savings not to mention the precarious position of the banking system and the failure of regulatory bodies in stopping the scams. The confidence has been maintained through frequent bail outs and interventions increasing moral hazard.



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SECTORAL SAVING RATES AS % OF GDP



Source: RBI Bulletin, March 2019

Capacity Utilisation in Manufacturing



Source: RBI Bulletin April 2020



What has created this problem?

How is it that a nation that was growing at 7% per annum with increasing educated and young working population has suddenly found itself devoid of investing avenues? To understand this, one also needs to look at global trends. Most analysts feel that India is facing problems created by itself. While this is true to most extent and reforms are need of the day, external factors are also exacerbating the problem. From 1990s, when India unleashed animal spirits in the economy by breaking the license raj till 2008, global economy was undergoing expansion. Many educated Indians settled abroad and remitted their earnings creating stable flow of foreign reserves which were the reason why we had the crisis in the first place. Stock markets boomed, credit flew, IT boomed and mushroomed a lot of other industries with it. Real estate started gaining traction. At the same time, agriculture productivity improved and could feed the growing population. Consumption boomed as income jumped and prospective job opportunities increased too. Infrastructure and investment cycle saw an uptick.



Source: RBI Data

The present Foreign reserve in India is \$479.57 Billion. In the above chart it is visible that the unprecedented increase in the forex since 2000 was the real effect of economic development.

Then came the global financial crisis in 2008. Post 2008 crisis, there was a dip in the reserves and it remained below 300 billion till 2014.

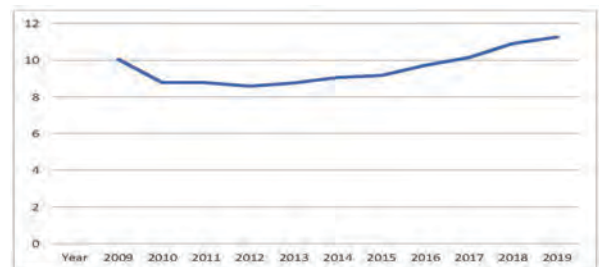
India was expected to come out of global financial crisis unhurt which it did thanks to the Banking system which remained unhurt due to real income in Indian economy and intrinsic value of assets held as collateral with banks. This helped India to come out of the crisis in a ferocious way. But at the same time, the world was a different place. Investments and capital expenditure slowed down. While financial



The confidence has been maintained through frequent bail outs and interventions increasing moral hazard.

assets rose in value, commodities and other assets got hit. Instead of growing sales, earnings were increased through tax classifications and non-GAAP measures of accounting with share buybacks aiding EPS growth. Executives had no need to drive the top line growth when the only performance indicator, the stock price, could be manipulated through share buybacks and increasing debt. Markets gave insane valuations to “network effect” based businesses neglecting cash flows and increasing debt. The cornerstone has been the support of the central banks who have created the perception of killing risk at every incidence of panic in the market.

Post 2008, India has seen growth through consumption and through financialization of the economy. Increased consumption has come at the cost of reduction in savings and increased debt. While general growth in consumption is welcome, it has reduced the capacity of households to absorb shocks.



Household Debt USD mn Annual India

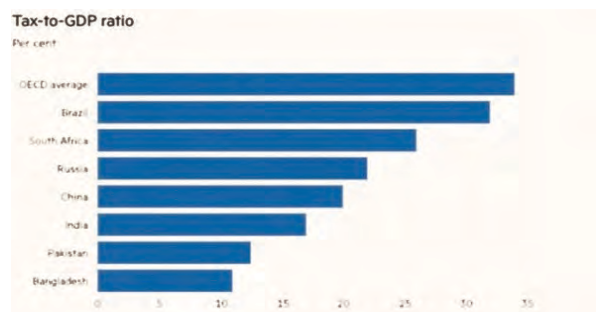
Those shocks have come in multiple forms: Demonization and then GST. While these measures have formalised the economy, the impact that was generated was severe and required time to recuperate. An economy ship is not easy to shift especially when millions of people are dependent on informal economy.

Incentives of the Various Participants

The government has been trying to increase tax to GDP ratio. India has had poor tax to GDP ratio compared to many developing countries. To increase the same, it was decided to cut down sources of black money. As a result, demonetization made cash hoarding difficult, import duty on gold made it expensive and reduced demand,

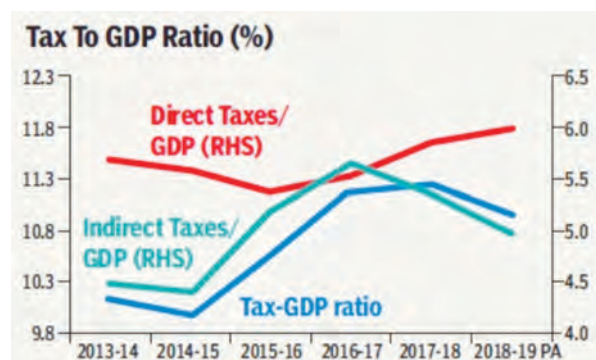
Capital Market

interest rates have been reducing for quite some time and many find it inadequate to generate returns above inflation. Therefore, the only choice was to take shelter in equity and debt markets. Here too, most investors didn't have much choice except through mutual funds as most investors lacked adequate understanding of the markets and dedicated effort and time for identifying individual stocks and risks (AMFI too came with mutual fund campaign). This made taxing easy. LTCG came with Grandfathering date in and now all gains could be taxed too. This was the important step to ensure that gains in the market could be taxed.



Note: Figures available for FY 2016-17

Source: Data IMF, National Govt



Source: IMF



Source: World Bank

From the time LTCG came into existence, dividend distribution tax has been abolished and now dividend is chargeable in the hands of the shareholders. Further, super rich people are now been penalised with surcharge and cess which makes income taxable to the extent of 42%. The dividend is also taxable as normal income under income from other sources which was earlier exempt in the hands of recipient and company declaring dividend needs to pay 20.56% as Tax. These are ways and means to increase the tax. But there are always options and corporates will find a way to skip those too like change of citizenship to obtain benefit of lower tax on dividend, etc. The unfortunate victim will be the shareholder who will increasingly see corporates skip dividends as they don't make any sense. This is a case of how government incentives are impacting shareholder returns. Every year during the budget we find people and analyst clamouring for LTCG tax removal, but without understanding the incentives for the government they are merely barking at the wrong tree.

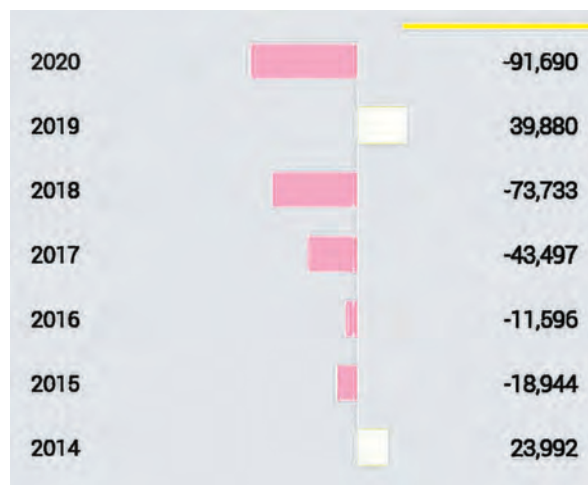
Moreover, the regulatory oversight in matters of fraud have been found wanting. Companies have been found giving inadequate information and siphoning funds. While the old ways of promoters taking their shareholders for a ride are gone, new methods have been found. Many auditors have been found to have not done proper due diligence. Tax authorities have unearthed scams of GST avoidance by many corporates. Some have even fled the country and the administration has been forced to bring them back. Many are still serving time in judicial custody. The incentives for the promoters haven't been to increase shareholders wealth as most capital market advocates tend to think. Shareholder's wealth has been eroding for quite some time (in the broader market).

Similarly, the role of the RBI is to maintain stability and confidence in the financial system and maintain price stability. Since 2015, RBI has been at the forefront of breaking the bubble and initiating a soft landing for the financial firms stuck in the non-performing assets trap. It was only due to the actions of the RBI that the bubble in the NBFCs burst and steps were taken to quickly recapitalise the banks. But it was found to have done little to seek credible information. Many rating agencies were caught sleeping and banks were found hiding non-performing assets in spite of standard disclosure norms. The ILFS and DHFL scam have shown that when it comes to understanding the banking and financial industry much of the data is kept obscured. It seems the regulatory mechanisms have failed the investors who had directly or indirectly invested in such firms. Yet even after these episodes have taken place, we still find scheduled

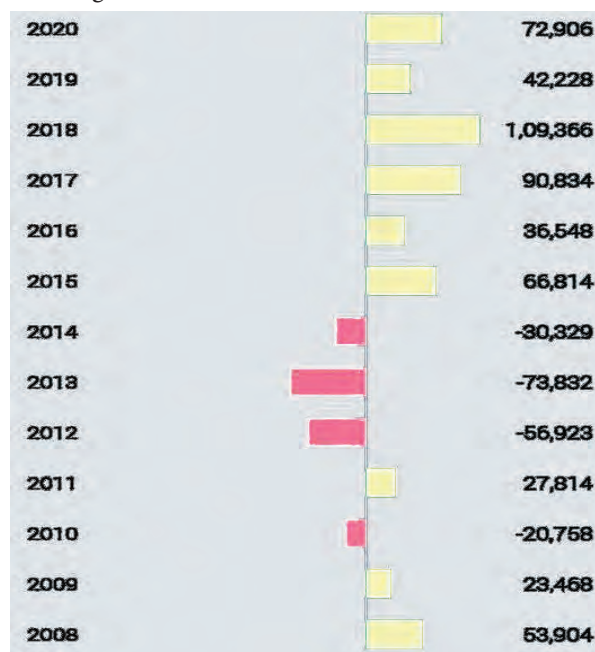
banks failing and need bailouts time and again. The virus has given another opportunity for the banking and financial firms to extend. Even before the virus, banks were seeking moratorium for loans to builders and MSME segments. Even the Government in its relief package has directed banks to not to recognise NPAs of MSME till March 2020 which keeps the real picture of banks balance sheets from being unveiled. Unfortunately, these non-performing assets will keep on dragging the weak banking system, keep asset prices inflated and never let the markets clear off the inventory and hence increase the cost of borrowing. Therefore, credit will be difficult to access as banks remain reluctant to lend to people and industry with weak credit ratings and thereby hamper growth. Thus, we find that while the incentive of the RBI is to stabilise the system, the incentives of the banks and the steps taken by the RBI seem to have impacted the economic growth.

Investor Psychology

The average time an investor has stayed in the financial markets is less than a decade. Most investors have never seen a bear market in their lifetime. Few have a memory of the bear market in 2008 Global Financial crisis as the resultant rally has left the pain of the bear market in the drain. Investors have been given a false sense of complacency and hope that in case the markets tank, central banks will always come and save the day. Hence, the general consensus is to follow the success of a few investors or the momentum and make gains. The spread of the social media has further increased investors access to information. However, it has also created the scope for herd mentality to takeover. There have been episodes in the past where investors have been lured by particular group of stocks and finding the next multi baggers had become a fantasy game. Those who have been able to stay away have fallen into the trap of attractive investment ideas from mutual funds and other institutionalised investment participants. Most have been delivering subpar returns for past few years as compared to their previous five-year returns. Some may blame the market yet it is also known that mutual funds are flush with funds and have been supporting the markets while foreign portfolio investors have been withdrawing the money. One therefore wonders as to what is it that makes the fund managers so bullish.



FII figures (Cash Data) Source: National Stock Exchange



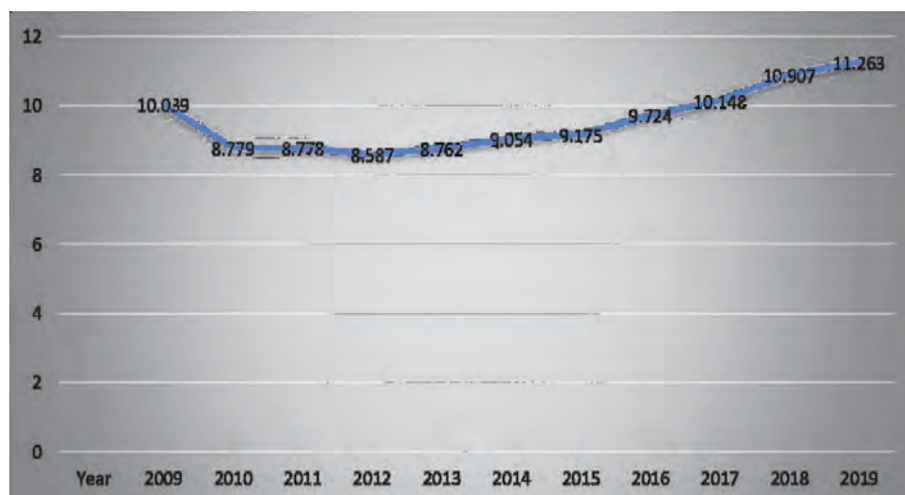
DII cash Data Source: National Stock Exchange

Fund Performance		
Asset Classes/MF Categories/Strategy	10-Year Return(%)	
	Lump Sum	SIP
Large Cap	6.94	6.39
Large and Mid-cap	8.01	6.83
Multicap	7.91	6.4
Midcap	10.26	8.75
Small Cap	7.56	5.42
Gold	9.78	9.02
Liquid Fund	7.8	7.48

To answer that one has to look at the incentives of the fund managers. Most fund managers are paid management fees which is a certain percentage of their asset under management (AUM). Thus, there is no need to perform as long as one can increase their AUM. The fund can keep growing while taking increased risk in assets which are perceived to be liquid but not stress tested for liquidity risk. Hence, we are now finding mutual funds writing down NAVs due to actual realization of those risks. Unfortunately, investors are at risk both from the speculators and institutionalised funds.

Banks & Financial Intermediaries

Much of the growth in the past decade has been due to consumption and credit expansion has been at the forefront. At the start of the decade, NBFC led the growth in real estate and moved into consumer finance.



Household Debt % of Nominal GDP Annual India

Public sector banks had their hands full in lending to corporates and retail. Capital investments made after 2010 had started souring by 2014. Many corporate loans went bust. A few Non-Banking Financial institutions failed as liquidity dried and rates went up. At present, even good franchises are facing problems of Asset Liability mismatch. Public sector banks had to be bailed out and system got frozen. At the height of it, the total Non-Performing assets were 10% of the total loans. This made banks conservative and started raising lending standards. Credit access became difficult. Economy suffered due to lack of easy access to credit and consumption suffered. The economy started performing at less than optimum levels and profits eroded making interest payments difficult. To resolve the economic problem, interest rates have been cut consistently. Interest rates on savings have dipped below 4% to even 3% for savings accounts and below 6.5% for fixed deposits. Inflation currently is above



The stock market may not be the barometer of the economy, but it does notice the impact the policies of these institutions have on the economy. It has been silent till date occasionally frowning.

5% which means that investors are not comfortable to put money in the banks for fixed deposits as interest earned after tax is more or less equal to the inflation. This makes it difficult for investors to

earn a fixed income and safe haven investments are decreasing thereby reducing the cushion in case of losses in other investment assets. Most of the globe is facing a similar issue. Corporate fixed deposits are also now been considered risky due to default risk rising. The only place to earn decent returns then is the small savings schemes like PPF whose interest is tax free along with availability of exemption in 80C of Income Tax and SCSS (Senior citizen saving Schemes exempt u/s 80C) which also offer safety of the government.

Income From 10 Year Treasuries

Starting Point	Annual Income on \$1 Million
1960	\$47,200
1970	\$77,900
1980	\$108,000
1990	\$82,100
2000	\$66,600
2010	\$37,300
2020	\$17,600
Currently	\$6,500



Source: Benchmark Repo Rate, RBI

When financial assets fail, one may look at real assets like real estate, gold and other commodities. However, the performance has been mixed at best. Real estate performed at the start of the decade but prices have gone too high in most tier – I cities and inventory is increasing in spite of few projects been launched. RERA has tightened the norms and hence it is now difficult if not impossible for misuse of project funds that kept the boom running. The failure of few projects in the NCR region due to outside borrowings at whooping interest rate along with costly NBFC Loans and several other parts of the country have increased the desire for ready possession flats and apartments. Commercial real estate did well but in wake of the virus such trend can't be expected to continue. Yields on rents from real estate have been declining (due to increased prices) and interest costs are higher as compared to the yields therefore making less sense as an investment alternative. Besides, prices have



RERA has tightened the norms and hence, it is now difficult if not impossible for misuse of project funds that kept the boom running.

remained stable reducing expectations of increased capital appreciation in most cities. Therefore, real estate is proving to be a risky investment alternative with potential to inflict long term loss on the invested capital.

This leaves out gold and investible commodities. Gold has only recently started performing. Between 2013-18, its returns have been negative and there has been an increased negative perception on gold as it doesn't yield anything. The government has been running a sovereign bond scheme which has been providing a yield on gold bonds & Tax free returns on redemption i.e. No capital Gains Tax but it is really a financial vehicle rather an investment in gold. No gold ever gets traded or changes hands. That apart, returns have been increasing and bonds can be traded before maturity, therefore, reducing maturity risk and improves liquidity. But the performance is still dependent on the gold prices which haven't been impressive in the last seven years (compared to fixed income). Commodities have been in a bear market since many years and hence not attracting investments too.

Gold Price Performance: % Annual Change

	USD	AUD	CAD	CHF	CNY	EUR	GBP	INR	JPY
2005	+20.0%	+28.9%	+15.4%	+37.8%	+17.0%	+36.8%	+33.0%	+24.2%	+37.6%
2006	+23.0%	+13.7%	+23.0%	+14.1%	+19.1%	+10.6%	+8.1%	+20.9%	+24.3%
2007	+30.9%	+18.3%	+12.1%	+21.7%	+22.3%	+18.4%	+29.2%	+16.5%	+22.9%
2008	+5.6%	+31.3%	+30.1%	-0.1%	-2.4%	+10.5%	+43.2%	+28.8%	-14.4%
2009	+23.4%	-3.0%	+5.9%	+20.1%	+23.6%	+20.7%	+12.7%	+19.3%	+26.8%
2010	+29.5%	+13.5%	+22.3%	+16.7%	+24.9%	+38.8%	+34.3%	+23.7%	+13.0%
2011	+10.1%	+10.2%	+13.5%	+11.2%	+5.9%	+14.2%	+10.5%	+31.1%	+4.5%
2012	+7.0%	+5.4%	+4.3%	+4.2%	+6.2%	+4.9%	+2.2%	+10.3%	+20.7%
2013	-28.3%	-16.2%	-23.0%	-30.1%	-30.2%	-31.2%	-29.4%	-18.7%	-12.8%
2014	-1.5%	+7.7%	+7.9%	+9.9%	+1.2%	+12.1%	+5.0%	+0.8%	+12.3%
2015	-10.4%	+0.4%	+7.5%	-9.9%	-6.2%	-0.3%	-5.2%	-5.9%	-10.1%
2016	+9.1%	+10.5%	+5.9%	+10.8%	+16.8%	+12.4%	+30.2%	+11.9%	+5.8%
2017	+13.6%	+4.6%	+6.0%	+8.1%	+6.4%	-1.0%	+3.2%	+6.4%	+8.9%
2018	-2.1%	+8.5%	+6.3%	-1.2%	+3.5%	+2.7%	+3.8%	+6.6%	-4.7%
2019	+18.9%	+19.3%	+13.0%	+17.1%	+20.3%	+22.7%	+14.2%	+21.6%	+17.7%
2020	+13.8%	+25.2%	+23.4%	+14.7%	+15.7%	+18.2%	+22.2%	+22.3%	+12.5%
Average	10.2%	11.1%	10.8%	9.1%	9.0%	11.9%	13.6%	13.7%	10.3%

Source: World Gold Council

The point that we have been trying to make is that there are times when it is easy to make risk free returns, there are times when it is easy to make returns with optimum degree of risk and there are times when a high degree of risk exists in the market. Currently we are in the latter stage and hence it makes sense to tone down returns expectations while trying to deal with the risks involved. These systemic risks will have to be dealt with care as investors can lose their decades of corpus in few months. Hence, while some asset classes will make sense from the point of view of returns the inherent nature of

the risk involved will have to be studied with greater sensitivity. There is little margin of safety in equity class as they are overvalued in most aspects. There will be a few winners but the broader markets will underperform. Markets have narrow leadership.

Conclusion

Portfolio investing is like making a building. Imagine you are sanctioned to create a building of 15 floors with total of 60 flats. However out of greed and neglect, you plan to add 5 more floors and construct 20 additional flats. You don't take approvals and flout the norms. You might have a 20th floor building constructed. But the same is untested for external shocks. A single earthquake can jeopardise your years of work and collapse the entire structure. And it will all be because of the extra 33% that you intended to make leading to the destruction of the 100% capital. Systemic risks are such earthquakes. They might not come, but you better be prepared to handle them. While making a ship, planners have to take into consideration various storms and typhoons that the ship can meet. Planning for 5% probability

events has become as important as planning for the 95%. You may not encounter them, but the potential loss in case of event happening is guaranteed and will take an entire life to rebuild. Such events today are called black swan events. But they are basically about managing risks. And with the incentives of players in the system far different than those of the investors, they are better off managing these risks.

Till the time there are real economic reforms taken up, economic growth will lag and therefore the opportunities to invest one's surplus will be restricted. Mere tinkering with monetary policy will not help the economic activity. Reforms in the land, labour market and taxation are need of the day and unless the governing bodies of the country take bold steps in providing the opportunities for people to undertake economic activities at globally comparative costs with an enabling regulatory environment, the economic growth is going to lag. The stock market may not be the barometer of the economy, but it does notice the impact the policies of these institutions have on the economy. It has been silent till date occasionally frowning. But if push comes to shove, it may as well dive. ■■■



A Study on the Impact of Covid-19 Lockdown on Share Price

This paper attempts to analyze the impact of COVID-19 lockdown on share prices and also to know the percentage variations in share prices of ten selected companies from five different sectors, i.e., banking sector, steel sector, Oil sector, Insurance sector and Pharmaceutical sector. It covers daily price data of the selected companies for 28 days period, i.e., 14 days before the announcement of lockdown and 14 days after the date of lockdown announcement. For this purpose we are conducting t-test-statistics for null hypothesis. We specify a 95% confidence interval, or a 0.05 level of significance for each test-statistic. The study found significant evidence of impact on share price of companies in Banking and Insurance sector due to lockdown while no significant impact on share price of companies in Insurance sector and Pharmaceutical sector. Oil sector has witnessed mixed results. Read on...



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In the present scenario when the whole world is struggling against COVID-19, a nationwide lockdown was announced from 24th March'2020 by our Prime Minister of India. COVID-19 lockdown degraded the Indian economy. The whole country is suffering from this damage and this has adversely affected the entire economy i.e., Gross Domestic Product (GDP) rate, Consumer Price Inflation (CPI), Revenue Collection, Stock Markets, Employment rate etc. Our study mainly focuses on the impact on share price due to COVID-19 lockdown.

Research Objective

- 1) To study the impact of COVID-19 lockdown on share price.
- 2) To know the percentage variations that has occurred in Share price before and after the COVID-19 lockdown.

Hypothesis

H0: $\mu_1 = \mu_2$ there is no significant impact of COVID-19 lockdown on share price.

H1: $\mu_1 \neq \mu_2$ there is significant impact of COVID-19 lockdown on share price.



Research Methodology

In this study analytical research is used, the available information or data are analyzed and critical evaluations are made. It is primarily concerned with testing of hypothesis and specifying and interpreting relationships. This method was selected due to accurate and availability of quantitative numerical data. The study has formulated a set of hypothesis that needs to be confirmed or rejected during the research process following a deductive approach. This study uses 24 days data selected from March, 2020 to April, 2020 i.e., 14 days before COVID-19 lockdown and 14 days post COVID-19 lockdown. The study collected only secondary data. Statistical test like paired t – test, percentage are used in this study. We specify a 95% confidence interval, or a 0.05 level of significance for each test-statistic.

Population of the study – The study covers the census of ten organizations, two organizations from each of banking sector, steel sector, oil sector, insurance sector and pharmaceutical sector. These are State Bank of India (SBI), ICICI Bank, TATA Steel, JSW Steel Ltd, Indian Oil Corporation (IOC), Oil and Natural Gas Corporation (ONGC), HDFC Life Insurance Co Ltd, SBI Life Insurance Co Ltd, Sun Pharmaceutical Industries Ltd and Cipla Ltd.

Analysis and Findings

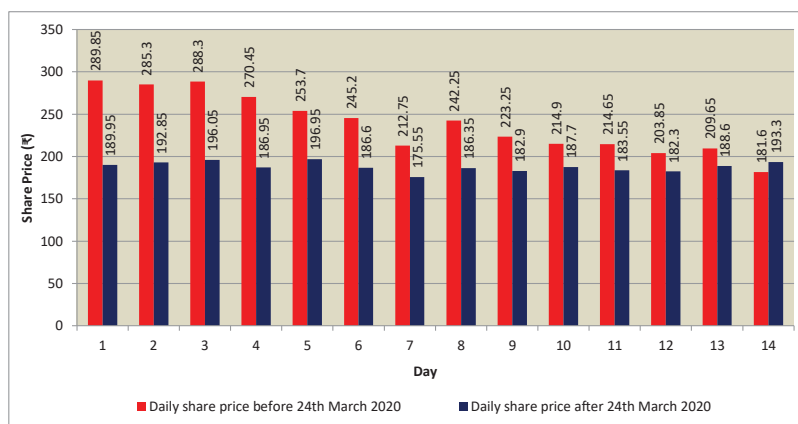
The data pertaining to share price is taken from Money control. The share price data is of 28 days i.e., 14 days data before the lockdown declared on 24th March 2020 and 14 days data after the date of lockdown.

Table 1: Share price of SBI for 28 days

SBI		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	289.85	189.95
2	285.3	192.85
3	288.3	196.05

4	270.45	186.95
5	253.7	196.95
6	245.2	186.6
7	212.75	175.55
8	242.25	186.35
9	223.25	182.9
10	214.9	187.7
11	214.65	183.55
12	203.85	182.3
13	209.65	188.6
14	181.6	193.3

Chart 1: Share price of SBI for 28 days



Inference

From Chart 1 it is clear that the share price has decreased within the study period (28 days) i.e., there is a decrease of 33.13% $\left[\frac{(289.85 - 193.3)}{289.85} \times 100\right]$. So from above it is clear that share price of SBI has been decreasing due to COVID-19 lockdown.

Table 2: t-Test Paired Two Sample for Means

SBI	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	238.2642857	187.8285714
Variance	1223.775549	33.80373626
Observations	14	14

Pearson Correlation	0.455567245	
Hypothesized Mean Difference	0	
df	26	
t Stat	5.763041119	
P(T<=t) one-tail	3.28289E-05	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	6.56578E-05	
t Critical two-tail	2.160368652	

4	486.25	314
5	457.15	324.5
6	465.4	311.45
7	425	286.5
8	447.45	326.1
9	402.9	319
10	366.85	342.65
11	356	330.85
12	339.15	327.3
13	345.7	342.1
14	283.9	375.95

Chart 2: Share price of ICICI Bank for 28 days

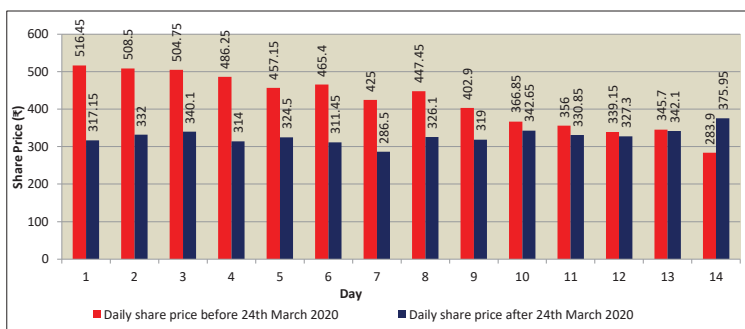
(T-test is done using Microsoft Excel)

Interpretation

From Table 2 it is observed that the calculated t-test is 5.76. The critical value for a 0.025 significance level (two-tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 5.76 is bigger than the rejection point of 2.16; therefore we can reject the null hypothesis and accept the Alternative hypothesis that there is significant impact of COVID-19 lockdown on share price of SBI. The share price of SBI decreased due to COVID-19 lockdown, as represented by the share price from a mean value of ₹238.26 to ₹187.82.

Table 3: Share price of ICICI for 28 days

ICICI Bank		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	516.45	317.15
2	508.5	332
3	504.75	340.1



Inference

Table 4: t-Test: Paired Two Sample for Means

ICICI	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	421.8178571	327.8321429
Variance	5436.442541	406.9229258
Observations	14	14
Pearson Correlation	-0.520050168	
Hypothesized Mean Difference	0	

df	26	
t Stat	4.090657075	
P(T<=t) one-tail	0.000637639	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.001275277	
t Critical two-tail	2.160368652	

From Chart 2 it is clear that the share price of ICICI Bank has decreased within the study period (28 days) i.e., there is a decrease of 27.20%.

(T-test is done using Microsoft Excel)

Interpretation

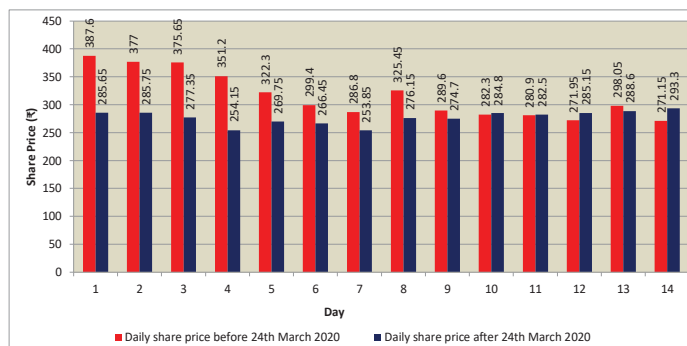
From Table 4 it is observed that the calculated t-test is 4.09. The critical value for a 0.025 significance level (two-tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 4.09 is bigger than the rejection point of 2.16; therefore we can reject the null hypothesis and accept the Alternative hypothesis that there is significant impact of COVID-19 lockdown on share price of ICICI bank. The share price of ICICI bank decreased due to COVID-19 lockdown, as represented by the share price from a mean value of ₹ 421.81 to ₹ 327.83.

Table 5: Share price of Tata Steel for 28 days

Tata Steel		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	387.6	285.65
2	377	285.75
3	375.65	277.35
4	351.2	254.15

5	322.3	269.75
6	299.4	266.45
7	286.8	253.85
8	325.45	276.15
9	289.6	274.7
10	282.3	284.8
11	280.9	282.5
12	271.95	285.15
13	298.05	288.6
14	271.15	293.3

Chart 3: Share price of Tata Steel for 28 days



Inference

From Chart 3 it is clear that the share price of TATA steel has decreased within the study period (28 days) i.e., there is a decrease of 24.33%.

Table 6: t-Test Paired Two Sample for Means

TATA STEEL	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	315.6678571	277.0107143
Variance	1710.704464	149.0146841
Observations	14	14
Pearson Correlation	-0.080195123	
Hypothesized Mean Difference	0	

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Capital Market

df	26	
t Stat	3.283330616	
P(T<=t) one-tail	0.002967528	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.005935057	
t Critical two-tail	2.160368652	

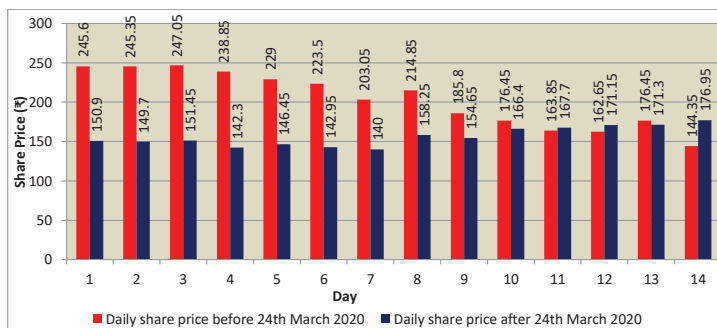
9	185.8	154.65
10	176.45	166.4
11	163.85	167.7
12	162.65	171.15
13	176.45	171.3
14	144.35	176.95

(T-test is done using Microsoft Excel)

Chart 4: Share price of JSW Steel ltd for 28 days

Interpretation

From Table 6 it is observed that the calculated t-test is 3.28. The critical value for a 0.025 significance level (two-tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 3.28 is bigger than the rejection point of 2.16; therefore we can reject the null hypothesis and accept the Alternative hypothesis that there is significant impact of COVID-19 lockdown on share price of TATA steel. The share price of TATA steel decreased due to COVID-19 lockdown, as represented by the share price from a mean value of ₹ 315.66 to ₹ 277.01.



Inference

From Chart 4 it is clear that the share price of JSW steel ltd has decreased within the study period (28 days) i.e., there is a decrease of 27.95%.

Table 7: Share price of JSW Steel ltd for 28 days

JSW Steel ltd		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	245.6	150.9
2	245.35	149.7
3	247.05	151.45
4	238.85	142.3
5	229	146.45
6	223.5	142.95
7	203.05	140
8	214.85	158.25

Table 8: t-Test Paired Two Sample for Means

JSW STEEL LTD	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	204.0571429	156.4392857
Variance	1258.557637	149.4881456
Observations	14	14
Pearson Correlation	-0.820977467	
Hypothesized Mean Difference	0	
df	26	
t Stat	3.86937567	
P(T<=t) one-tail	0.00096758	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.00193516	
t Critical two-tail	2.160368652	

(T-test is done using Microsoft Excel)

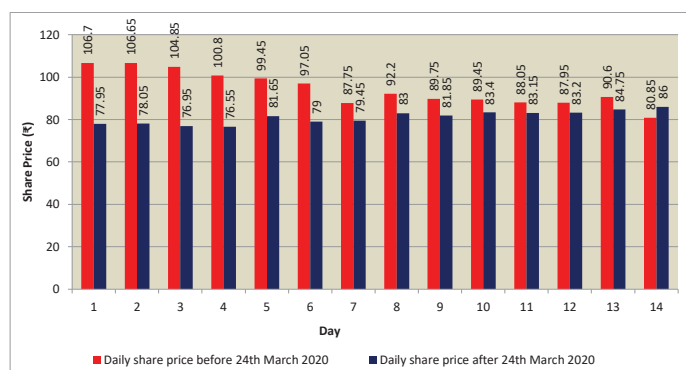
Interpretation

From Table 8 it is observed that the calculated t-test is 3.86. The critical value for a 0.025 significance level (two- tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 3.86 is bigger than the rejection point of 2.16; therefore we can reject the null hypothesis and accept the Alternative hypothesis that there is significant impact of COVID-19 lockdown on share price of JSW Steel Ltd. The share price of JSW Steel Ltd decreased due to COVID-19 lockdown, as represented by the share price from a mean value of ₹204.05 to ₹156.43.

Table 9: Share price of IOC for 28 days

IOC		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	106.7	77.95
2	106.65	78.05
3	104.85	76.95
4	100.8	76.55
5	99.45	81.65
6	97.05	79
7	87.75	79.45
8	92.2	83
9	89.75	81.85
10	89.45	83.4
11	88.05	83.15
12	87.95	83.2
13	90.6	84.75
14	80.85	86

Chart 5: Share price of IOC for 28 days



Inference

From Chart 5 it is clear that the share price of IOC has decreased within the study period (28 days) i.e., there is a decrease of 19.40%.

Table 10: t-Test Paired Two Sample for Means

IOC	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	94.43571429	81.06785714
Variance	66.09054945	9.22907967
Observations	14	14
Pearson Correlation	-0.829347261	
Hypothesized Mean Difference	0	
df	13	
t Stat	4.638357804	
P(T<=t) one-tail	0.000232107	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.000464214	
t Critical two-tail	2.160368652	

(T-test is done using Microsoft Excel)

Interpretation

From Table 10 it is observed that the calculated t-test is 4.63. The critical value for a 0.025 significance level (two- tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 4.63 is bigger than the rejection point of 2.16; therefore we can reject the null hypothesis and accept the Alternative hypothesis that there is significant impact of COVID-19 lockdown on share price of IOC. The share price of IOC decreased due to COVID-19 lockdown, as represented by the share price from a mean value of ₹94.43 to ₹81.06.

A hand is shown in silhouette, holding a bright sun that creates a starburst effect. The background is a hazy cityscape at dusk or dawn. The overall color palette is warm, with oranges, yellows, and blues.

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Capital Market

Table 11: Share price of ONGC for 28 days

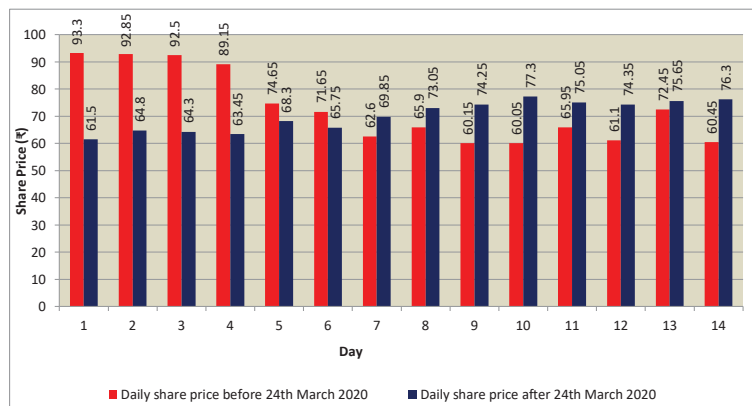
ONGC		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	93.3	61.5
2	92.85	64.8
3	92.5	64.3
4	89.15	63.45
5	74.65	68.3
6	71.65	65.75
7	62.6	69.85
8	65.9	73.05
9	60.15	74.25
10	60.05	77.3
11	65.95	75.05
12	61.1	74.35
13	72.45	75.65
14	60.45	76.3

Table 12: t-Test Paired Two Sample for Means

ONGC	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	73.05357143	70.27857143
Variance	176.3232555	30.0971978
Observations	14	14
Pearson Correlation	-0.87512149	
Hypothesized Mean Difference	0	
df	26	
t Stat	0.568204084	
P(T<=t) one-tail	0.289789554	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.579579108	
t Critical two-tail	2.160368652	

(T-test is done using Microsoft Excel)

Chart 6: Share price of ONGC for 28 days



Inference

From Chart 6 it is clear that the share price of ONGC has decreased within the study period (28 days) i.e., there is a decrease of 18.22%.

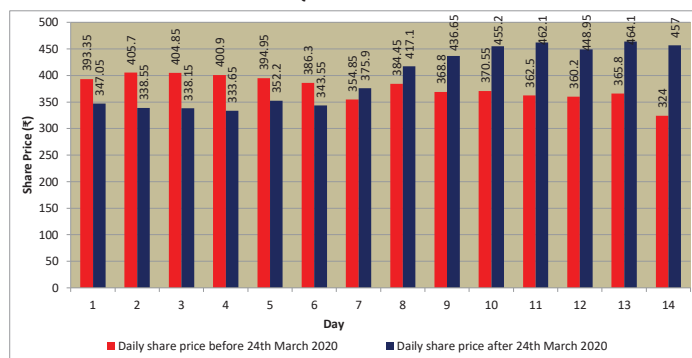
Interpretation

From Table 12 it is observed that the calculated t-test is 0.56. The critical value for a 0.025 significance level (two-tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 0.56 is lower than the rejection point of 2.16; therefore we can accept the null hypothesis and reject the Alternative hypothesis that there is no significant impact of COVID-19 lockdown on share price of ONGC.

Table 13: Share price of Sun Pharmaceutical Industries Ltd for 28 days

Sun Pharmaceutical Industries Ltd		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	393.35	347.05
2	405.7	338.55
3	404.85	338.15
4	400.9	333.65
5	394.95	352.2
6	386.3	343.55
7	354.85	375.9
8	384.45	417.1
9	368.8	436.65
10	370.55	455.2
11	362.5	462.1
12	360.2	448.95
13	365.8	464.1
14	324	457

Chart 7: Share price of Sun Pharmaceutical Industries Ltd for 28 days



Inference:

From Chart 7 it is clear that the share price of Sun Pharmaceutical Industries Ltd has decreased within the study period (28 days) i.e., there is an increase of 16.18%.

Table 14: t-Test: Paired Two Sample for Means

Sun Pharmaceutical Industries Ltd	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	376.9428571	397.8678571
Variance	532.953022	3006.857926
Observations	14	14
Pearson Correlation	-0.776545785	
Hypothesized Mean Difference	0	
df	26	
t Stat	-1.055154982	
P(T<=t) one-tail	0.155285193	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.310570387	
t Critical two-tail	2.160368652	


(T-test is done using Microsoft Excel)

Interpretation

From Table 14 it is observed that the calculated t-test is -1.05. The critical value for a 0.025 significance level (two-tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of -1.05 is lower than the rejection point of 2.16 (i.e., within range from 2.16 to -2.16); therefore we can accept the null hypothesis and reject the Alternative hypothesis that there is no significant impact of COVID-19 lockdown on share price of Sun Pharmaceutical Industries Ltd.

Table 15: Share price of Cipla Ltd for 28 days

Cipla Ltd		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	425.7	376.7



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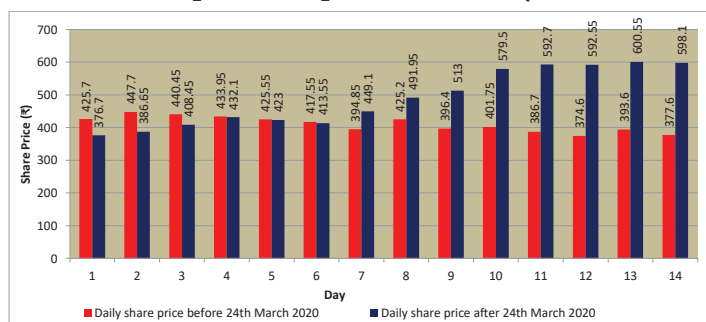
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2	447.7	386.65
3	440.45	408.45
4	433.95	432.1
5	425.55	423
6	417.55	413.55
7	394.85	449.1
8	425.2	491.95
9	396.4	513
10	401.75	579.5
11	386.7	592.7
12	374.6	592.55
13	393.6	600.55
14	377.6	598.1

Pearson Correlation	-0.852082527	
Hypothesized Mean Difference	0	
df	26	
t Stat	-2.757780309	
P(T<=t) one-tail	0.008146891	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.016293782	
t Critical two-tail	2.160368652	

Chart 8: Share price of Cipla Ltd for 28 days

(T-test is done using Microsoft Excel)



Interpretation

From Table 16 it is observed that the calculated t-test is -2.75. The critical value for a 0.025 significance level (two-tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of -2.75 is greater than the rejection point of -2.16 (two-tailed); therefore we can reject the null hypothesis and accept the Alternative

hypothesis that there is significant impact of COVID-19 lockdown on share price of Cipla Ltd. The share price of Cipla Ltd increased due to COVID-19 lockdown, as represented by the share price from a mean value of ₹410.11 to ₹489.85.

Inference

From Chart 8 it is clear that the share price of Cipla Ltd has decreased within the study period (28 days) i.e., there is an increase of 40.49%.

Table 16: t-Test Paired Two Sample for Means

Cipla Ltd	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	410.1142857	489.85
Variance	561.1970879	7618.521538
Observations	14	14

Table17: Share price of HDFC Life Insurance Co Ltd for 28 days

HDFC Life Insurance Co Ltd		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	562.9	433.75
2	568.55	477.3

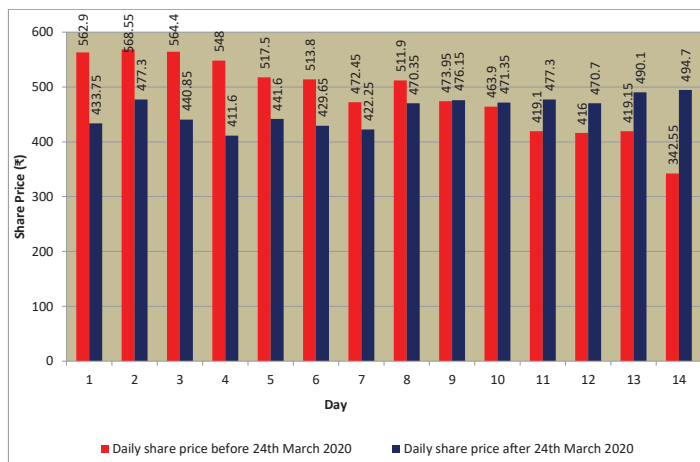
Capital Market

3	564.4	440.85
4	548	411.6
5	517.5	441.6
6	513.8	429.65
7	472.45	422.25
8	511.9	470.35
9	473.95	476.15
10	463.9	471.35
11	419.1	477.3
12	416	470.7
13	419.15	490.1
14	342.55	494.7

Pearson Correlation	-0.636252107	
Hypothesized Mean Difference	0	
df	26	
t Stat	1.178247923	
P(T<=t) one-tail	0.129908092	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.259816184	
t Critical two-tail	2.160368652	

(T-test is done using Microsoft Excel)

Chart 9 : Share price of HDFC Life Insurance Co Ltd for 28 days



Interpretation

From Table 18 it is observed that the calculated t-test is 1.17. The critical value for a 0.025 significance level (two-tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 1.17 is lower than the rejection point of 2.16; therefore we can accept the null hypothesis and reject the Alternative hypothesis that there is no significant impact of COVID-19 lockdown on share price of HDFC Life Insurance Co Ltd.

Inference

From Chart 9 it is clear that the share price of HDFC Life Insurance Co Ltd has decreased within the study period (28 days) i.e., there is a decrease of 12.11%.

Table 18: t-Test Paired Two Sample for Means

HDFC Life Insurance Co Ltd	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	485.2964286	457.6892857
Variance	4645.176332	717.5596841
Observations	14	14

Table 19: Share price of SBI Life Insurance Co Ltd for 28 days

SBI Life Insurance Co Ltd		
Day	Daily share price before 24 th March 2020 (₹)	Daily share price after 24 th March 2020 (₹)
1	899.35	586.6
2	885.65	618.2
3	886.25	605.6
4	855.85	623.15
5	821.15	640.95
6	810.5	635.4

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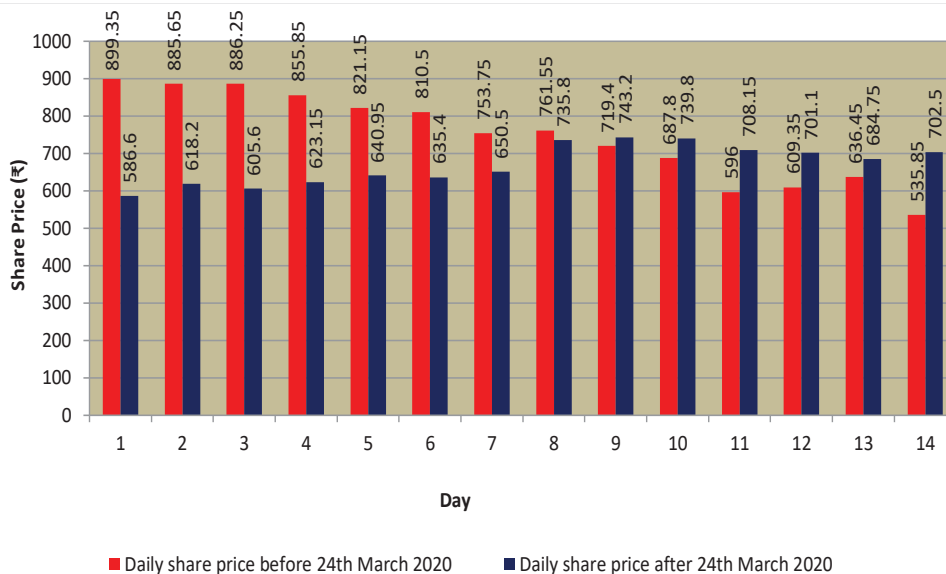
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Capital Market

7	753.75	650.5
8	761.55	735.8
9	719.4	743.2
10	687.8	739.8
11	596	708.15
12	609.35	701.1
13	636.45	684.75
14	535.85	702.5

Pearson Correlation	-0.7523	
Hypothesized Mean Difference	0	
df	26	
t Stat	1.77125	
P(T<=t) one-tail	0.04997	
t Critical one-tail	1.77093	

Chart 10 : Share price of SBI Life Insurance Co Ltd for 28 days



Inference

From Chart 10 it is clear that the share price of SBI Life Insurance Co Ltd has decreased within the study period (28 days) i.e., there is a decrease of 21.88%.

Table 20: t-Test Paired Two Sample for Means

SBI Life Insurance Co Ltd	Daily share price before 24 th March 2020	Daily share price after 24 th March 2020
Mean	747.064	669.693
Variance	14329.3	2819.8
Observations	14	14

P(T<=t) two-tail	0.09995	
t Critical two-tail	2.16037	

(T-test is done using Microsoft Excel)

Interpretation

From Table 20 it is observed that the calculated t-test is 1.77. The critical value for a 0.025 significance level (two- tailed test) with 26 degrees of freedom is 2.16. Our calculated test statistic of 1.77 is lower than the rejection point of 2.16; therefore we can accept the null hypothesis and reject the Alternative hypothesis that there is no significant impact of COVID-19 lockdown on share price of SBI Life Insurance Co Ltd.

Findings

From the study it is observed that –

Sector	Company	Change in Share Price	Impact on Share Price	t-test
Banking Sector	SBI	33.13%	Decrease	Reject the null hypothesis
	ICICI Bank	27.20%	Decrease	Reject the null hypothesis
Steel Sector	TATA Steel	24.33%	Decrease	Reject the null hypothesis
	JSW Steel Ltd	27.95%	Decrease	Reject the null hypothesis
Oil Sector	Indian Oil Corporation	19.40%	Decrease	Reject the null hypothesis
	ONGC	18.22%	Decrease	Accept the null hypothesis
Pharmaceutical Sector	Sun Pharmaceutical Industries Ltd	16.18%	Increase	Accept the null hypothesis
	Cipla Ltd	40.49%	Increase	Reject the null hypothesis
Insurance Sector	HDFC Life Insurance Co Ltd.	12.11%	Decrease	Accept the null hypothesis
	SBI Life Insurance Co. Ltd	21.88%	Decrease	Accept the null hypothesis

Conclusion

In this study we mainly focus on the impact of COVID-19 lockdown on Share price of selected ten organizations from five sectors, i.e., Banking Sector, Steel Sector, Oil Sector, Pharmaceutical sector and Insurance sector and it is seen that there is a significant impact on share price of companies in banking sector and steel sector, while Oil sector has mixed results IOC has seen a significant impact on share price due to lockdown but ONGC has witnessed no significant impact on share price. It is also observed that there is no significant impact on share price of companies in Pharmaceutical sector and Insurance sector. It is seen that Cipla Ltd has a positive impact with a price change of 40.49%.



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- ✓ **Act as a financial risk manager.**
- ✓ **Provide key services to the Organizations relating to Investments and explore new opportunities.**

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Remaining Converged with the IFRS Standards

I. Indian Accounting Standards: Update

- **Amendment in Ind AS 117, Insurance Contracts, corresponding to amendments in IFRS 17 issued by the International Accounting Standards Board (IASB) in June 2020** – In May 2017, the IASB had issued new standard on insurance contracts, IFRS 17, Insurance Contracts, with an effective date of January 1, 2021, replacing IFRS 4 which was in the nature of an interim standard pending the completion of the project on insurance contracts by the IASB. IFRS 17 sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. After IFRS 17 was issued in May 2017, the IASB undertook activities to support entities and monitor their progress in implementing the Standard to help the IASB to understand the concerns and challenges that arose for some entities while implementing the Standard and thereby deferring the effective date of applicability of IFRS 17.

To remain converged with the IFRS Standards, in 2018, Exposure Draft of Ind AS 117, Insurance Contracts, corresponding to IFRS 17 was issued for public comments. Ind AS 117 was finalised by the ICAI considering the public comments. However, Insurance Regulatory Development Authority of India (IRDAI) at that time had decided to implement Ind AS 109 and Ind AS equivalent of IFRS 17 simultaneously along with all other applicable Ind AS and it was decided to implement Ind AS in insurance sector after finalisation of IFRS 17 by IASB.

In June 2020, IASB issued amendment to IFRS 17, Insurance Contracts, and thereby IFRS 17 incorporating the amendments will be effective from annual reporting periods beginning on or after 1 January 2023. The amendments are aimed at helping companies in implementation of the Standard and making it easier for them to explain their financial performance.

The ASB is actively working on the finalisation of amendments to Ind AS 117 corresponding to amendments in IFRS 17 to issue the Exposure Draft of the same seeking comments.

- **Educational Material on Ind AS 23, *Borrowing Costs*** – As a part of Ind AS Implementation initiatives, the ASB is in the process of finalising the Educational Material on Ind AS 23 and the same shall be issued shortly.

II. IFRS Foundation & IASB: Stakeholder Consultations

(A) IASB reviews package of IFRS Standards for group accounting – The IASB has issued a Request for Information calling feedback on the IFRS Standards for group accounting—IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities **by 10 May 2021**. The Request for Information has been published as part of the Post-implementation Review (PIR) of these Standards and can be assessed at <https://cdn.ifrs.org/-/media/project/pir-10-11-12/rfi2020-pir10-11-12.pdf?la=en>

IFRS 10 sets out requirements for the preparation of group—consolidated—financial statements; IFRS 11 addresses how to account for interests in joint arrangements; and IFRS 12 sets out the information to be disclosed in the notes to the financial statements about interests in other companies. These IFRS Standards have been effective for annual reporting periods beginning on or after 1 January 2013.

(B) IASB consults on possible new accounting requirements for mergers and acquisitions within a group – The IASB has issued a Discussion Paper, Business Combinations under Common Control, on possible new accounting requirements for mergers and acquisitions involving companies within the same group—business combinations under common control. IFRS 3 Business Combinations sets out reporting requirements for mergers and acquisitions—referred to as business combinations in IFRS Standards. However, that Standard does not specify how to report transactions that involve transfers of businesses between companies within the same group. Such transactions are common in many countries around the world. As a result of this gap in IFRS Standards, companies report similar business combinations in different ways. This diversity in practice makes it difficult for investors to understand the effects of such transactions on companies that undertake them and to compare companies that

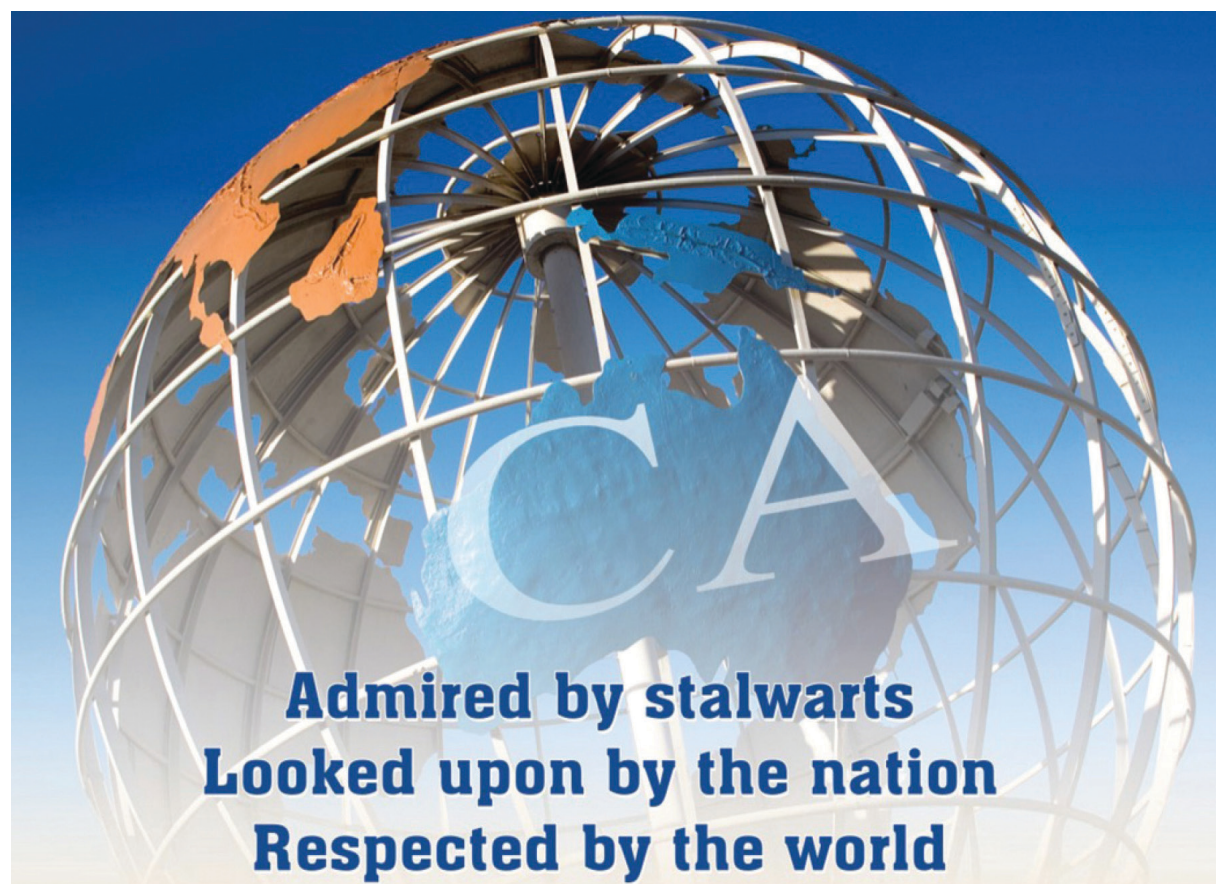
Contributed by Accounting Standards Board of ICAI. Comments can be sent to asb@icai.in. Refer https://www.icai.org/post.html?post_id=15770 for Ind AS Implementation Guidance and https://www.icai.org/post.html?post_id=14058 for Ind AS – IFRS Standards Convergence Status

Ind AS Alert

undertake similar transactions. The IASB view is that companies should provide similar information about similar business combinations when the benefits of that information to investors outweigh the costs of providing it. Specifically, the IASB is suggesting that fair-value information should be provided when a business combination under common control affects shareholders outside the group. In all other cases, the IASB is suggesting that book-value information should be provided using a single approach to be specified in IFRS Standards. The Discussion Paper can be assessed at <https://cdn.ifrs.org/-/media/project/business-combinations-under-common-control/discussion-paper-bcucc-november-2020.pdf?la=e> and comments can be submitted by **1 September 2021**.

(C) Exposure Draft and comment letters: Lease Liability in a Sale and Leaseback - Sale and leaseback transactions are transactions for which a company sells an asset and takes back the same asset from the new owner. IFRS 16 includes requirements for how to account for sale and leaseback transactions at the time the transaction takes place. However, it does not specify how to measure the lease liability when

reporting after that date. The IASB has proposed to amend IFRS 16, Leases, to specify the method a seller-lessee uses in initially measuring the right-of-use asset and liability arising in a sale and leaseback transaction and how the seller-lessee subsequently measures that liability. The proposed amendment applies to sale and leaseback transactions in which, applying paragraph 99 of IFRS 16, the transfer of the asset satisfies the requirements to be accounted for as a sale of the asset. The proposal set out in this Exposure Draft would improve the requirements for sale and leaseback transactions in IFRS 16. The proposal would change neither the principles for the sale and leaseback requirements in IFRS 16 nor the accounting for leases unrelated to sale and leaseback transactions. The Exposure Draft can be assessed at <https://cdn.ifrs.org/-/media/project/lease-liability/ed-lease-liability-in-a-sale-or-leaseback.pdf> and comment letter period is open until **29 March 2021**. The IASB's Exposure Draft is also hosted on ICAI website with the aim to provide an opportunity to the various stakeholders in India to raise their concerns at the initial International Standard-setting stage (ED stage) itself. The ICAI invites comments on the same by **February 15, 2021**.





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National Update

Implementation of CARO order deferred by one year

The CARO requires companies to comply with stricter disclosure requirements on various issues, including whistle blower complaints and default in repayment of borrowings. The government has deferred implementation of the strict disclosure requirements for auditor reports of companies by one year, a move that comes amid the disruptions caused by the Coronavirus pandemic. Now, the Companies (Auditor's Report) Order, 2020 would come into effect from financial years commencing on or after April 1, 2021, according to a notification issued by the Ministry of Corporate Affairs (MCA). It is implementing the companies law. Earlier, CARO 2020 was to come into force from financial year starting on or after April 1, 2020. The CARO requires companies to comply with stricter disclosure requirements on various issues, including whistle blower complaints and default in repayment of borrowings. "CARO 2020 would necessitate enhanced due diligence and disclosures on the part of auditors of eligible companies, and has been designed to bring in greater transparency in the financial state of affairs of such companies," the MCA had said in February this year. Under this stricter framework, auditors are required to provide detailed disclosures about loan defaults, amount of cash losses and immovable properties as well as other aspects about companies in their annual reports.

(Source: www.indianexpress.com)

MCA provides additional relaxations to independent directors for Online Proficiency Test

In further relief to independent directors, the ministry of corporate affairs (MCA) relaxed both the requirements and timelines for the online self-assessment proficiency test such directors must take under the amended Companies (Appointment and Qualification of Directors) Rules, 2014. The ministry also amended the rules regarding the transfer of shares of minority shareholders of a company undergoing a merger or amalgamation, to provide for further checks on intimation and payment to such shareholders. In another notification, the MCA provided further relief to auditors by pushing back until the coming fiscal, the applicability of the Companies (Auditor's Reporting) Order (CARO) 2020 on account of disruptions due to the pandemic. The passing criterion for the test has been reduced to 50% from 60% before, according to a recent notification.

(Source: www.economictimes.com)

MCA notifies new provision for Extension of Reservation of Name

The Ministry of Corporate Affairs (MCA) notified the new provision namely Rule 9A for the extension of reservation of name in certain cases. The Government notified the Companies (Incorporation) Third Amendment Rules, 2020 which seeks to amend the Companies (Incorporation) Rules, 2014. In the Companies (Incorporation) Rules, 2014, Rule 9A shall be inserted with effect from 26th January, 2021. As per the new rule registrar shall extend the period of a name reserved under Rule 9 by using web service SPICe+ (Simplified Proforma for Incorporating Company Electronically Plus: INC-32) up to 60 days on Payment of Fees. Firstly, the period shall be extended upto forty days from the date of approval under rule 9, on payment of fees of rupees of one thousand rupees made before the expiry of twenty days from the date of approval under rule 9. Secondly, the period shall be extended upto sixty days from the date of approval under rule 9 on payment of fees of rupees two thousand made before the expiry of forty days. Thirdly, the period shall be extended upto sixty days from the date of approval under rule 9 on payment of fees of rupees three thousand made before the expiry of twenty days from the date of approval under rule 9. However, the Registrar is empowered to cancel the reserved name in accordance with subsection (5) of section 4 of the Act.

(Source: <https://www.taxscan.in>)

No Service Tax applicable on Liquidated Damages, Forfeiture of Earnest Money Deposit and Penalty

The Customs, Excises, and Service Taxes Appellate Tribunal (CESTAT), New Delhi Bench held that no Service Tax is applicable on Liquidated damages, forfeiture of earnest money deposit and penalty. The appellant, M/s. South Eastern Coalfields Ltd. is a public sector undertaking and is a subsidiary of Coal India Ltd. It is primarily engaged in the business of mining and selling of coal, which is an excisable good. It operates from 18 different mines/offices. In commercial contracts entered during the course of business, certain clauses providing penalty for non-observance/breach of the terms of contract have been stipulated. According to the appellant, these clauses have been provided to safeguard the interest of the appellant. A show-cause notice was issued to the appellant under section 73(1) of the

Finance Act mentioning therein that the appellant had collected an amount towards compensation or penalty from the buyers of coal on the short lifted or un-lifted quantity of coal, collected amount towards penalty from the contractors engaged for breach of terms and conditions, and collected amount in the name of damages from the suppliers of material for breach of the terms and conditions of the contract. According to the Department this amount charged by the appellant during the period from July 2012 to March, 2016 appeared to be taxable as a declared service under section 66E (e) of the Finance Act. The Principal Commissioner confirmed the demand of service tax holding that the amount received by the appellant towards penalty, earnest money deposit forfeiture and liquidated damages would tantamount to a consideration for tolerating an action the part of the buyers of coal/contractors, for which service tax would be levied under section 66 E(e) of the Finance Act. The coram headed by the President, Justice Dilip Gupta while quashing the order of the Principal Commissioner held that the ex-gratia charges made by the M/s Parle to the appellant were towards making good the damages, losses or injuries arising from "unintended" events and does not emanate from any obligation on the part of any of the parties to tolerate an act or a situation and cannot be considered to be the payments for any services.

(Source: <https://www.taxscan.in>)

NCLT approves record number of resolution plans between Jan to Sept

Despite the challenges posed by the pandemic, a record 78 resolution plans were approved by bankruptcy courts in the first 9 months of 2020 according to Insolvency and Bankruptcy Board of India (IBBI) data. This is the highest number of resolution plans approved by National Company Law Tribunal (NCLT) in 9 months, since the inception of Insolvency and Bankruptcy Code (IBC). While 36 resolutions were approved between January to March period this year, 20 resolution plans were approved in the June quarter amidst Covid-19. The July to September period registered approval of 22 resolution plans in 2020. A total 228 out of 464 cases were closed by liquidation in

the current year, as per data till September, 2020. Last year, a total 76 resolutions were approved between January to September, 2019. Similarly, only 42 resolution plans were approved by the court during the same period in 2018. A total 277 resolution plans have been approved by IBC till date, as on September, 2020. Experts are of view that some changes should be brought in the IBC.

(Source: <https://www.financialexpress.com>)

RBI: Bank credit to MSEs up 6.8% in October even as deployment to manufacturing units climb out of red

The deployment of gross bank credit to micro and small enterprises (MSEs) remained steady in October as well. As of March 27, 2020, bank credit to MSEs stood at ₹ 11.49 lakh crore. Importantly, while the overall year-on-year credit growth to MSEs showed continued growth, credit deployment to manufacturing MSEs was finally out of red in the current FY with a growth of 0.7 per cent in October to ₹ 3.61 lakh crore from ₹ 3.59 lakh crore in October FY20. Deployment to services MSE continued to be in green in October FY21. The gross bank credit growth was up 10 per cent from ₹ 6.94 lakh crore in October last FY to ₹ 7.63 lakh crore. Similarly, for September, the deployment grew 10.2 per cent to ₹ 7.66 lakh crore and for August, it was up 8.8 per cent to ₹ 7.49 lakh crore. Nonetheless, the growth in FY21 so far till October remained negative to 0.5 per cent from ₹ 7.67 lakh crore in March 2020. The contraction in the FY till September stood at minus 0.2 per cent to ₹ 7.66 lakh crore.

Meanwhile, the government had enabled sanctioning of over 80 lakh loans involving ₹ 2.05 lakh crore out of which loans involving more than ₹ 1.58 lakh crore has been disbursed as of December 4, 2020, under the Emergency Credit Line Guarantee Scheme. The scheme was extended from October 31, 2020, to November and further till March 2021 as it targeted to enable disbursement of ₹ 3 lakh crore scheme corpus announced in May as part of the Atmanirbhar package to MSMEs, individuals, Mudra enterprises, and other businesses.

(Source: <https://www.financialexpress.com>)

International Update

IFAC Releases New International Standard Support Resources

The International Federation of Accountants (IFAC) recently released updates to two previously published international standard support resources:

- Agreed-Upon Procedures (AUP) Engagements: A Growth and Value Opportunity (the AUP Publication)
- Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedures Services (the Brochure)

Both resources have been updated to reflect International Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*, which was approved by the International Auditing and Assurance Board (IAASB) earlier this year and is effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022.

The demand for AUP engagements continues to grow as a broad range of stakeholders, such as regulators, funding bodies, and creditors use agreed-upon procedures reports for a variety of reasons. Flexibility is a key benefit of AUP engagements, as they can be tailored to different circumstances and focused on individual items of financial or non-financial subject matters.

One of IFAC's three strategic objectives is contributing to and promoting the development, adoption, and implementation of high-quality international standards. There are numerous additional guidance and support resources available on the dedicated 'Supporting International Standards' section of the IFAC Knowledge Gateway.

(Source: <https://www.ifac.org/>)

IFAC Welcomes New Report on Climate-Related Financial Disclosure

IFAC applauds the publication of *Reporting on Enterprise Value, Illustrated with a Prototype Climate-Related Financial Disclosure Standard*, a new report from leading sustainability and integrated reporting organizations CDP, CDSB, GRI, IIRC, and SASB. The report represents another milestone in the journey to enhancing corporate reporting, and stands to advance the dialogue between companies and their investors and stakeholders through reporting of sustainability-related information.

In September 2020, IFAC published *The Way Forward*, a call for the creation of an international sustainability

standards board. Earlier this month, IFAC issued its response to the *IFRS Foundation Consultation Paper on Sustainability Reporting*, where we reiterated our view that the IFRS Foundation should establish a new sustainability standards board alongside the IASB, to focus on reporting requirements that address enterprise value creation, and to deliver at speed by leveraging the expertise and standards that already exist as a result of work by CDP, CDSB, GRI, IIRC, SASB as well as the TCFD.

New report not only provides a valuable starting point for this IFRS initiative, but also clearly demonstrates the collaborative intent and effort of these organizations—now and going forward. IFAC encourages our members and stakeholders to respond to the IFRS Consultation Paper by December 31. IFAC will continue to speak out on behalf of the global accountancy profession in support of a *global* solution for reporting sustainability information.

(Source: <https://www.ifac.org/>)

IFAC Responds to IFRS Foundation Sustainability Reporting Consultation

The International Federation of Accountants (IFAC) recently submitted its response to the *IFRS Foundation's Consultation Paper on Sustainability Reporting*, issuing a resounding "yes" to the question of whether an international sustainability standards board is needed to lead a coherent global system of interconnected corporate reporting that will rationalize the current fragmented ecosystem for sustainability information.

Reiterating the themes of its September 2020 call-to-action, *Enhancing Corporate Reporting: The Way Forward*, IFAC calls for the creation of the new board alongside the IASB under the IFRS Foundation. The proposed board would address the urgent and growing demand from investors, policy makers and regulators for a reporting system that delivers consistent, comparable, reliable, and assurable information relevant to enterprise value creation, sustainable development, and evolving stakeholder expectations. IFAC encourages our members and other stakeholders to review our response and engage in this important conversation with the IFRS Trustees.

(Source: <https://www.ifac.org/>)

IFAC Releases Latest Point-of-View: Embracing a People-Centered Profession

The International Federation of Accountants released their latest "Point-of-View" (POV): *Embracing a People-Centered Profession*. The new publication explores the connection between

the people in the accountancy profession, the core components of the profession (education, professional judgment, ethics, values) and the profession's commitment to the public interest. In the POV, IFAC offers insights and guidance on how firms, organizations and PAOs can better understand and appreciate the benefits and challenges of a profession made up of individuals. IFAC also examines the relationship between a strong focus on "human capital" and the ability to attract, challenge, and retain talented people throughout their careers. To read the new POV, visit the IFAC Website.

(Source: <https://www.ifac.org/>)

IASB Proposes Amendment to Its Leases Standard to Improve Accounting for Sale and Leaseback Transactions

The International Accounting Standards Board recently proposed to amend IFRS 16 Leases by specifying how a company measures the lease liability in a sale and leaseback transaction. Sale and leaseback transactions are transactions for which a company sells an asset and leases that same asset back from the new owner. IFRS 16 includes requirements for how to account for sale and leaseback transactions at the time the transaction takes place. However, it does not specify how to measure the lease liability when reporting after that date.

The proposed amendment would improve the sale and leaseback requirements already in IFRS 16 by providing greater clarity for the company selling and leasing back an asset both at the date of transaction and subsequently. By doing so, the amendment would help ensure the Standard is applied consistently to such transactions. The proposed amendment would not change the accounting for leases other than those arising in a sale and leaseback transaction. Exposure Draft Lease Liability in a Sale and Leaseback is open for public comment until 29 March 2021.

(Source: <https://www.ifrs.org/>)

IASB issues IFRS Taxonomy Update for Interest Rate Benchmark Reform—Phase 2

The International Accounting Standards Board (Board) has today issued an update to the IFRS

Taxonomy 2020 to reflect *Interest Rate Benchmark Reform—Phase 2*, issued in August 2020, which amended IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. IFRS Taxonomy 2020—Update 2 *Interest Rate Benchmark Reform—Phase 2* includes IFRS Taxonomy elements to reflect the new disclosure requirements introduced by the amendments issued by the Board in August 2020. For the IFRS Taxonomy Update and the IFRS Taxonomy files in XBRL, please go to the published documents tab of the project page; for the *IFRS Taxonomy Illustrated* and versioning information, please go to the supporting material tab.

(Source: <https://www.ifrs.org/>)

IAASB Releases Audit Quality Management Standards

The International Auditing and Assurance Standards Board issued a set of three revised standards aimed at improving quality management for auditors across the globe. The new standards aim to encourage a stronger and more proactive approach to quality management than earlier quality control standards.

The set of standards includes:

- International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements;
- ISQM 2, Engagement Quality Reviews; and
- International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements.

The Public Company Accounting Oversight Board is using ISQM 1, as originally proposed, as a starting point for its own proposed improvements in its quality management standards for firms in the U.S.

(Source: <https://www.accountingtoday.com>)

ACCOUNTANT'S BROWSER

PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

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

1. Accountancy

IND AS/IGAAP- Interpretation and Practical Application by Dolphy D'souza. *Bombay Chartered Accountant Journal*, Vol.52-B/2, November 2020, pp.82-83.

Pandemic Accounting: How to make the right judgments by Ken Tysiac. *Journal of Accountancy*, November 2020, pp.24-29.

2. Auditing

4 Key Covid-19 audit risks for 2020 years Why risk assessment merits increased auditor focus by Tristan B. Johnson and James Rich. *Journal of Accountancy*, November 2020, pp.31-33.

3. Economics

Behaviour of banks liquidity in the light of financial crisis- A study of Indian commercial banks by Anurag Banerjee. *The Management Accountant*, Vol.55/11, November 2020, pp.90-93.

GDP Growth forecasts of the Reserve Bank of India- A Performance assessment. *Reserve Bank of India Bulletin*, Vol.74/10, October 2020, pp.113-122

Observations of Deglobalization against globalization and impacts on global business by Hag-Min Kim and Ping Li. *International Trade, Politics and Development*, Vol.4/2, 2020, pp.83-103.

4. Investment

Amalgamations, mergers, takeovers, acquisitions by Raghav Sharma. *Company Law Journal*, Vol.4/2, November 2020, pp.33-40.

5. Law

Decriminalization of offences under the companies (Amendment) Act, 2020- An Analysis by Rohini Verma and Lekha Ashok. *Chartered Secretary*, Vol.50/11, November 2020, pp.48-52.

Indian Insolvency law by M S Sahoo and Anuradha Guru. *Vikalpa*, Vol.45/2, 2020, pp.69-78.

Whether practicing CAs can deal in derivatives on stock exchanges by H. L. Sekhri. *Bombay Chartered Accountant Journal*, Vol.52-B/2, November 2020, pp.40-42.

6. Management

How to develop your leadership style : Concrete advice for a squishy challenge by Suzanne J. Peterson and Robin Abramson. *Harvard Business Review*, Vol.98/6, November-December 2020, pp.69-77.

Leading in uncertain times-Perquisites for better navigation by Debopam Chell. *The Management Accountant*, Vol.55/11, November 2020, pp.70-72.

Recruiting top finance talent in the public sector by Lou Carlozo. *Journal of Accountancy*, October 2020, pp.22-25.

7. Taxation and Finance

Analysis of newly introduced TCS provision U/S 206(1H) of the income tax act, 1961 by Atul P. Suvagiya. *The Management Accountant*, Vol.55/11, November 2020, pp.73-75.

Taxability of transfer fee received by a co-operative housing society by Jignesh R. Shah. *Bombay Chartered Accountant Journal*, Vol.52-B/2, November 2020, pp.11-20.

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.

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Legal Decisions



Income Tax

LD/69/80, [Karnataka High Court: ITA. No. 544/2013], The Commissioner of Income Tax Vs. NTT Data Global Advisory Services Pvt. Ltd., 12/11/2020

Assessee engaged in the business of providing human resource services through a computerised electronic database of qualified personnel is eligible for deduction under Section 10A. High Court noted that CBDT notification dated 26/09/2000 clarifies the scope of ITeS service for Section 10A eligibility and stated the notification has been issued with an object to outsourcing service industry in India as it generates employment and helps in earning foreign exchange. High Court held that irrespective of the nature of training expenses, assessee's business of transmitting data of qualified personnel, electronically, from its database would fall under 'human resource services' as per CBDT notification making assessee eligible for deduction under Section 10A.

LD/69/81, [ITAT Delhi: 4695/DEL/2012] Havells India Limited Vs. The Asst. Commissioner of Income Tax 10/11/2020

Gain due to foreign exchange difference on redemption of shares at par held to be a non-taxable capital receipt. Assessee received / paid foreign exchange on purchase and redemption of shares at par in foreign subsidiary. ITAT held that for the purpose of computation of capital gains, profits are to be computed in foreign currency and subsequently converted to INR. ITAT held that the exchange difference is only due to currency exchange from Euro to INR and it cannot be construed to be part of consideration received on redemption of shares, and thus Section 45 is not applicable. Separately, ITAT held that notional losses of previous years cannot be set-off against the current year's profit for computing deduction under Section 80IC as losses of previous AYs from eligible units are already set-off against non-eligible units in the respective years.

LD/69/82, [ITAT Mumbai: 7055/Mum/2017], Smit Singapore Pte Ltd. Vs. Dy. Commissioner of Income Tax, 09/11/2020

Consideration from time charter of vessel and crew received by assessee is held to be not 'royalty' under India Singapore DTAA. Agreement entered into between assessee and Indian entity for time chartering of vessel and crew for exploration/extraction of mineral oil doesn't satisfy the condition of 'use' or 'right to use' of equipment under DTAA. Though, time charter receipts are royalty as per Explanation 5 to Section 9(1)(vi) under "use / right to use", but the same is not taxable due to overriding effect of DTAA over the domestic law.

LD/69/83, [ITAT Mumbai: 3909/M/2018] Dr. Vithal Kamat Vs. Jt. Commissioner of Income Tax, 06/11/2020

Amount received by assessee being a partner, on his retirement from partnership firm, is not a transfer and thus is non-taxable being a capital receipt. Assessee received the impugned amount as a retirement benefit from the firm, pursuant to settlement in a civil suit. Amount received by the retiring partner from the firm doesn't amount to capital gain since there is no element of 'transfer' of interest in the partnership assets by the retired partner to the continuing partners.

LD/69/84, ITAT Mumbai: 633/M/2019 Vishwaroop Infotech P. Ltd Vs. The Asst. Commissioner of Income Tax, 06/11/2020

ITAT ruled in assessee's favour on the issue of non-taxability of unrealised rent from a commercial building where the licensee had deducted TDS on the unrealised rent portion. Licensee paid TDS on unrealised rent reflected in the ITS data but did not pay rent to the assessee and there was no certainty of receipt of such unrealised rent. ITAT held that TDS compliance by licensee has no bearing on taxability of unrealised rent in assessee's hands.

Contributed by CA. Sahil Garud, GST & Indirect Taxes Committee (CA. Mandar Telang), Disciplinary Directorate and ICAI's Editorial Board Sectionretariat. For details please visit Editorial Page webpage at <https://www.icai.org/post/editorial-board>. Readers are invited to send their comments on the selection of cases and their utility at eboard@icai.in. For full judgement write to eboard@icai.in.

LD/69/85, Delhi High Court: ITA 106/2005 Skyland Builders P. Ltd Vs. The Income Tax Officer 03/11/2020

Mesne profits and interest received on it in lieu of rent, held to be a revenue receipt and not capital receipt, by the High Court. Mesne profits and interest on it received as per the decree of Civil Court held to be chargeable to tax under income from house property. Section 25B is a clarificatory provision and hence is to be applied retrospectively.

LD/69/86, ITAT Ahmedabad: ITA No. 186/Ahd/2015], Rich Paints Ltd Vs. The Income Tax Officer 29/10/2020

Assessee had manipulated its books of account by certain fictitious entries to qualify for an IPO which was detected by SEBI as regulatory violation. Revenue invoked Section. 68 to make additions of unexplained credits as assessee failed to establish the identity and creditworthiness of creditors and genuineness of transactions. ITAT held that that Section. 68 contains a legal fiction that is applicable to real transaction and not on the fictitious ones. In such case it would be impossible for the assessee to discharge onus under Section 68 where no actual cash inflow happened.

LD/69/87, ITAT Bangalore: ITA No.668/Bang/2017] Sunita Bathija Vs. The Addl. Commissioner of Income Tax, 28/08/2020

Transfer of shares resulting in transfer of commercial shops held to be not a colourable device. Assessee had purchased the rights in the shops under a scheme which barred assessee from selling the shops. Revenue had computed capital gains by adopting DVO's report despite rejecting applicability of Section 50C to the transaction. ITAT noted that assessee was entitled to enjoy the portion of property proportionate to the shares held under the scheme launched by a company (shares of which were transferred) that barred assessee from selling the allotted units. Merely because the assessee was able to avoid payment of tax/pay reduced tax, it cannot be said to be a colourable device or a sham transaction or an unreal transaction.

Transfer Pricing

LD/69/88, [Madras High Court: Tax Appeal Nos.725 & 726 of 2017], Socomec Innovative Power Solutions Pvt. Ltd. Vs. The Dy. Commissioner of Income Tax, 23/11/2020

High Court held that the ITAT had passed a cryptic order which was thus liable to be set-aside. As per High Court, while dealing with complex issue of TP and the method to be adopted in determining the

ALP, the final fact finding Body is expected to give its own reasons for the method to be adopted for ALP and if the Transfer Pricing given by the assessee is not acceptable to the Revenue authorities, cogent reasons have to be clearly spelt in the order. High Court remitted the matter back to the ITAT directing it to give its reasons for rejecting the CPM method adopted by the assessee or for adopting any other method.



GST

LD/69/89, [2020-TIOL-1694-CESTAT-MUM], M/S Man Infraprojects Ltd Vs. Commissioner Of CGST, Mumbai West, 09/12/2020

A duplex can be regarded as one residential unit in determining the limit of 12 residential units for the purpose of availing exemption under service tax. The Hon'ble Tribunal noted that the architect certificate, the floor plan, and the full occupancy certificate issued by the Executive Engineer (building proposal) of the Municipal Corporation of Greater Mumbai clearly would clearly indicate that the complex comprised of 9 residential units, taking each duplex to be counted as one unit. As regards unjust enrichment, the Tribunal noted that the Commissioner (Appeals) has noted that customers were not charged Service Tax. In these facts and circumstances of the cases, the Tribunal allowed the appeal.

Service Tax

LD/69/90, Sourav Ganguly Vs. Commissioner of Service Tax [Kolkata 2020-TIOL-1687-CESTAT-KOL, 14/12/2020

The activities of the appellant namely acting as a 'brand ambassador' for various brands is not liable to service tax under the category of "business auxiliary services" as the "brand promotion services" under Section 65 (105)(zzzzq) of the Finance Act, was brought to tax w.e.f. July 1, 2010. In the absence of any mention or discussion in the show cause notice, service tax demand on amounts received for anchoring TV shows and for writing sports articles for magazines would not sustain. The composite fees paid for activities comprising taxable as well as non-taxable services cannot be brought to tax in the absence of a mechanism to segregate taxable portion and non-taxable portion.

Legal Update

LD/69/91, [Bangalore Service Tax- I 2020-TIOL-1655-CESTAT-BANG], Skol Breweries Ltd Vs. Commissioner of Central Excise and CST, 10/11/2020

In order to decide whether the transaction involves the permanent transfer of intellectual property rights, the dominant intention of the contract and not to each and every word of the agreement is relevant. Department cannot pick a part of the agreement to suit their purpose. Tribunal held that the assignment of trademark and the IPR in the present case amounts to a permanent transfer and no service tax is applicable on permanent transfer of IP Rights.

LD/69/92, [Dehradun 2020-TIOL-1676-CESTAT-DEL], M/S Rohan Motors Ltd V/S Commissioner of Central Excise, 05/10/2020

Incentive charges received by a vehicle dealer from the manufacturer of the vehicle in terms of dealership agreement are in the nature of discounts and hence would not attract service tax. Penal charges recovered from the customers for delay in payment/cancellation

of orders are penal in nature and not a consideration for any services. Therefore such charges would not attract service tax.

Excise

LD/69/93, [CESTAT Mumbai: Excise Appeal No. 86238 of 2015], Shreyas Intermediates Limited Vs. CCE Kolhapur, 11/09/2020

Assessee had filed a Rectification of Mistake (RoM) application, which has been dismissed by CESTAT Mumbai for absence of apparent mistake on record; CESTAT stated that Tribunal cannot take up exercise on re-appreciating the evidences and to embark on an act of reviewing the decision under the guise of rectification of mistake; An error apparent on the face of the record should be so manifest and clear that no court would permit it to remain on record, as per the CESTAT; Regarding non-consideration of a ruling filed by the assessee, CESTAT stated that had this decision been so relevant then the learned counsel would have placed it on record at the time of first available opportunity itself.

Disciplinary Case



Failure to file an exception report to RBI in contravention of NBFC Auditor's Report (Reserve Bank) Direction, 2008 for pre-closing/ redeeming subordinate debts before maturity. Held, Respondent is guilty of professional misconduct falling within the meaning of clause (6) & Clause (7) of Part I of the Sectionond Schedule to the Chartered Accountants Act, 1949.

Held:

In the instant case, the Respondent was a Statutory Auditor of NBFC. The instant Company had pre-closed/ redeemed subordinate debts before maturity without the consent of RBI which was in violation of Para 2(1)(xxvi) of the instructions

contained in the Circular DNBR, (PD). CC. No. 044/03.10.119/2015-16 dated July 01, 2015 and item (xvii) of Para3 in Chapter II of Master Direction on acceptance of PD Directions 2016 dated 25th August 2016 issued by RBI. Respondent in his submission stated that the percentage of subordinate debts which were redeemed were only 11.25% of the total subordinate debts and hence not material so as to affect the financial position of the Company. Further the Respondent stated that as per practice being followed in Industry, none of his clients NBFC had taken consent to redeem subordinate debts and the RBI had not objected to the same.

Committee viewed that being an auditor of NBFC, an auditor was expected to adhere to various NBFC directions applicable to the Company instead of being guided by the principle of past practice.

In conclusion, the Committee is of the opinion that the Respondent had failed to exercise due diligence in performance of his duties and is guilty of professional misconduct within the meaning of Clause (6) & (7) of Part I of the Sectionond Schedule to the Chartered Accountant Act 1949.

Circulars/Notifications

Given below are summarised important Circulars and Notifications issued by the CBDT, CBIC-GST, MCA, SEBI and FEMA 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. Suggestions on this column can be submitted at eboard@icai.in

DIRECT TAXES



I. CIRCULARS

1. Income-tax Deduction from salaries during the Financial Year 2020-21 under section 192 of the Income-tax Act, 1961 -

Circular No. 20/2020, dated 03-12-2020

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 2020-21 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.

Refer: https://www.incometaxindia.gov.in/communications/circular/circular_20_2020.pdf

2. Clarifications on provisions of the Direct Tax Vivad se Vishwas Act, 2020 - Circular No. 21/2020, dated 04-12-2020

Section 10 and 11 of the Direct Tax Vivad se Vishwas Act, 2020 empowers the CBDT/ Central Government to issue directions or orders in public interest or to remove difficulties. This circular is being issued in continuation of Circular No. 09/2020 dated 22.04.2020 (which covered Q. no. 1 - 55) under section 10 and 11 to provide answers to 34 more FAQs (Q. no. 56 - 89).

Refer: <https://www.incometaxindia.gov.in/communications/circular/circular-21-of-2020.pdf>

II. PRESS RELEASES/INSTRUCTIONS/OFFICE MEMORANDUM/ORDER

CBDT to validate Unique Document Identification Number (UDIN) generated from ICAI portal at the time of upload of Tax Audit Reports – Press Release, dated 26-11-2020

CBDT has specified that the Income-tax e-filing portal had already factored mandatory quoting of UDIN w.e.f. 27.04.2020 for documents certified/ attested in compliance with the Income-tax Act, 1961 by a Chartered Accountant. With this system level integration, UDIN provided for the audit reports/certificates submitted by the Chartered Accountants in the e-filing portal shall be validated online with the ICAI.

Refer: https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/878/validate_UDIN_generated_from_ICAI_portal_26_11_20.pdf



INDIRECT TAXES

I. Notifications

1. Penalty payable for non-compliance of QR Code provisions on B2C transactions waived off from 1st December 2020 to 31st March 2021

The CBIC vide *Notification No. 89/2020- Central Tax dated 29th November 2020* has waived off the general penalty payable by any registered person under section 125 of CGST Act for non-compliance of the provisions of Dynamic Quick Response (QR) code on B2C transactions between the period from 1st December 2020 till 31st March 2021 provided the said registered person complies with the provisions of QR Code from April 1, 2021.

2. Mentioning 8-digit HSN code mandatory on tax invoice in respect of certain chemicals and chemical based products

The CBIC vide *Notification No. 90/2020- Central Tax dated 1st December 2020* has notified 49 chemicals and chemical based products in respect of which it is mandatory for a registered person to mention 8 digit HSN code in the tax invoice issued by him.

3. Extension of due date for compliances and actions in respect of anti-profiteering proceedings under GST till 31.03.2021

The CBIC vide *Notification No. 91/2020- Central Tax dated 14th December 2020* has extended the time limit for completion or compliance of any action, by any authority, specified in, or prescribed or notified under section 171, i.e. anti-profiteering proceedings, which falls during the period from the 20th day of March, 2020 to the 30th day of March, 2021 till 31st day of March, 2021.

II. Circulars

1. Waiver from recording of UIN on the invoices for the months of April 2020 to March 2021

The CBIC vide *Circular No.144/14/2020- GST dated 15th December, 2020* has decided to grant waiver from recording of UIN on the invoices issued by the retailers/suppliers, pertaining to the refund claims from April 2020 to March 2021, subject to the condition that the copies of such invoices are attested by the authorized representative of the UIN entity and the same is submitted to the jurisdictional officer.

CUSTOMS

I. Circulars

1. Faceless Assessment - Clarification on issues raised by stakeholders

With a view to further enhance the efficiency of the process involved in Faceless Assessment, CBIC has issued instructions/guidelines vide *Circular No. 55/2020-Customs dated 17th November 2020* on certain key areas, which require immediate attention. The detailed instructions/guidelines can be accessed from www.cbic.gov.in.

2. Clarification regarding availment of exemption on temporary import of durable containers which do not conform to the standard marine container dimensions

The CBIC has issued *Circular No. 51/2020-Customs dt 20th November 2020* to prescribe the procedure for import and re-export

of durable containers which do not conform to the standard marine container dimensions, but which are intended for temporary import and eventual re-export. The detailed procedure can be accessed from www.cbic.gov.in. The procedure to be followed for import and re-export of marine containers is governed by guidelines provided in *Circular No. 31/2005-Cus., dated 25.07.2005*.

The Circular has also clarified that the containers that satisfy the following conditions are eligible for the duty exemption provided vide *Notification No. 104/94-Cus., dated 16.03.1994 (as amended)*:

- a) they are durable,
- b) capable of being re-used multiple times,
- c) capable of being identified at the time of re-export *vis a vis* the imported containers, and
- d) satisfy all the other stipulated conditions in the notification.

3. Clarification on export of Gems and Jewellery through Courier mode

The CBIC vide *Circular No. 52/2020-Customs dt 27th November 2020* has clarified that the extant Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 and the Courier Imports and Exports (Clearance) Regulations, 1988 do not restrict exports of gems and jewellery through the courier mode.



Discontinuance of Returns/Report under Foreign Exchange Management Act, 1999

A.P. (DIR Series) Circular No. 05 dated November 13, 2020

With a view to improve the ease of doing business and reduce cost of compliance, the existing forms and reports prescribed under FEMA, 1999 have been reviewed and it has been decided to discontinue 17 returns/reports as listed below with immediate effect:

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Legal Update

Sr. No.	Name of Report	Reporting Entity	Frequency
1.	Category-wise transaction where the amount exceeds USD 5000 per transaction	AD Category-II	Monthly
2.	Category-wise, transaction-wise statement where the amount exceeds USD 25,000 per transaction	AD Category-II	Monthly
3.	Statement of Purchase transactions of USD 10,000 and above (including transactions of their franchisees)	FFMCs and AD Category- II	Monthly
4.	Extension of Liaison Offices (LOs)	AD Category-I banks	As and when extension is granted
5.	Extension of Project Offices (POs)	AD Category-I banks	As and when extension is granted
6.	FII/FPI daily: Daily inflow/outflow of foreign fund on account of investment by FPIs	AD banks	Daily
7.	FII/FPI Return (Monthly): Data relating to actual inflow /outflow of remittances on account of investments by Foreign Institutional Investors (FIIs) in the Indian Capital market	AD Category-I banks	Monthly
8.	FVCI reporting: Inflows/outflows of remittances on account of investments by Foreign Venture Capital Investor (FVCIs) and Market value of Investments made by FVCIs	AD Category-I banks/ Custodian bank	Monthly
9.	Reporting of Inflow/Outflow details in respect of Mutual Fund by Asset Management Companies	Asset Management Companies	Quarterly
10.	Market value of FII Investment in India on fortnightly basis	AD Category-I banks	Fortnightly
11.	Market value of FII Investment in India on Monthly basis	AD Category-I banks	Monthly
12.	FII holdings as percentage of floating stock	AD Category-I banks	Monthly
13.	Form DRR for Issue/transfer of sponsored/unsponsored Depository Receipts (DRs)- Hardcopy@	Custodian	At the time of issue/transfer of depository receipts
14.	ADR/GDR Movement Report- two way fungibility	AD Category-I banks	Monthly

15.	Repatriation of Sales proceeds of underlying shares represented by FCCBs/GDRs/ ADRs	Custodian	Monthly
16.	GDR/ADR underlying shares issued, re deposited and released monthly reporting	Custodian	Monthly
17.	Monitoring of disinvestments by Overseas Corporate Bodies	AD banks	Monthly

Please note that it is only the hardcopy filing of form DRR that has been discontinued. The domestic custodian may continue to report the form DRR on FIRMS application in terms of Regulation 4 (5) of FEM (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019.

The Master Direction - Reporting under Foreign Exchange Management Act, 1999 dated January 01, 2016, shall accordingly be updated to reflect the above changes.

Establishment of Branch office (BO) / Liaison Office (LO) / Project Office (PO) or any other place of business in India by foreign Law firms

A.P. (DIR Series) Circular No. 07 dated November 23, 2020

RBI vide AP Dir Circular No. 23 dated October 29, 2015 had advised that no fresh permissions/renewal of permission shall be granted by the Reserve Bank of India to any foreign law firm for opening Liaison Office in India, till the policy is reviewed based on, among others, final disposal of matter by Hon'ble Supreme Court.

The Supreme Court while disposing the matter held that advocates enrolled under the Advocates Act, 1961 alone are entitled to practice in India and that foreign law firms/companies or foreign lawyers or any other person resident outside India, are not permitted to establish any branch office, project office, liaison office or any other place of business in India for the purpose of practicing legal profession.

Accordingly, RBI has directed AD Category I Banks not to grant any approval to any branch office, project office, liaison office or any place of business in India under FEMA for the purpose of practicing legal profession.

External Trade – Facilitation – Export of Goods and Services

A.P. (DIR Series) Circular No. 08 dated December 04, 2020

With a view to further enhance the ease of doing business and quicken the approval process, it has been decided to delegate more powers to AD Category I Banks in following cases:

Direct Dispatch of Shipping Documents

The limit of USD 1 million per export shipment upto which AD Bank allowed to regularize cases of dispatch of shipping documents by exporter directly to consignee or his agent resident in country of final destination of goods has been removed. Now AD Banks will regularize direct dispatch of shipping documents irrespective of any limits subject to conditions. For detailed conditions refer A.P. Dir Circular at –

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/PDIR08DCB570D45FF14E369652F751858C99F8.PDF>

Write-off of Export Bills

The procedure of write-off of export bills is revised. As per revised procedure the limits of self write-off remain unchanged. However the conditions required to be fulfilled for self write-off and write-off by AD Banks have been changed. As per revised conditions, apart from amount remaining outstanding for more than one year and submission of satisfactory documentary evidence, the exporter must be regular customer of bank for period of at least 6 months and fully compliant with KYC/AML guidelines.

Further in following cases write-off of unrealised export bills shall be allowed without any limits:

1. Overseas buyer is declared insolvent and certificate of official liquidator indicating that there is no possibility of any recovery has been produced.
2. Unrealised amount represents balance due in case settled through intervention of Indian Embassy, Foreign Chamber of Commerce or similar organisation.
3. The goods exported have been auctioned or destroyed by Port/Customs/health Authorities in importing country.

For other changes relating to write-off of export bills refer A.P. Dir Circular at -

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/PDIR08DCB570D45FF14E369652F751858C99F8.PDF>

Set off of Export Receivables against Import Payables

Presently AD Banks are only allowing set off of export receivables against import payables from/to

same overseas buyer/supplier. Upon review, now it has been decided to delegate powers to AD Banks to consider requests of set off of export receivables against import payables with the overseas group / associate companies either on net basis or gross basis, through in house or outsourced centralized settlement arrangement subject to fulfillment of conditions as prescribed. For detailed conditions refer A.P. Dir Circular at -

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/PDIR08DCB570D45FF14E369652F751858C99F8.PDF>

Refund of Export Proceeds

AD banks upon review shall not insist on re-import of goods where exported goods have already been auctioned or destroyed in importing country and allow refund of export proceeds after due diligence on track record of exporter, verifying bonfides of transaction and obtain certificate from exporter issued by DGFT/ Customs authorities that no export incentive has been availed or proportionate incentive if availed has been surrendered.

Classifieds

5833 A 40-year-old CA firm primarily based out of Mumbai is looking for interested firms in Delhi/NCR, Hyderabad, Chennai, Bangalore, Ahmedabad, Kolkata, Chandigarh, for association/merger. E-mail - partnership.cafirm@gmail.com

5834 We, KPSN & Associates LLP, Chartered Accountants, a Chennai based CA firm with 7 partners and with 7 years of experience. Currently, we have branches in Chennai and Madurai. We are looking for merger opportunities with existing CA firms in locations such as Bombay, Delhi NCR, Hyderabad, Bangalore, Kolkata, Pune, Bhubaneswar, Cochin, Trichy, Coimbatore, Vellore, Tuticorin, Ahmedabad, Chandigarh and Vizag. We are looking at CA firms with 3-5 years of existence and with good standing. We prefer sole proprietorship firms or partnership firms having 2-5

partners. Interested firms can reach us at: krishna@kpsn.in (9345915959)

5835 Retired CAs, practicing CA professionals, proprietorship/ Partnership firms in India interested in joining or merging with a more than 40 years old CA firm. Write with details of name of city, years of CP, DISA, etc to capickup1975@gmail.com

5836 We are a 40 year old professional practice, looking for firms which are interested to officially merge with us. Please mail: cafirmgujarat@gmail.com

5837 We are 52 years old CA firm having H.O. at Delhi & branches at 8 places are looking for 15 or more years old proprietor firm at Kanpur for merger, additional DISA/CISA is preferred. Interested firms can send proposal with profile on : jk.sarawgi@jksco.in, Phone - 9871599182



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Notification No. 1-CA(7)/197/2020 dated 10th December, 2020
NOTIFICATION

New Delhi, the 10th December, 2020

The following draft of certain regulations further to amend the Chartered Accountants Regulations, 1988, which the Council of the Institute of Chartered Accountants of India proposes to make, is hereby published, as required by sub-section (3) of Section 30 of the Chartered Accountants Act, 1949 (38 of 1949) for the information of all persons likely to be affected thereby; and notice is hereby given that the said draft regulations will be taken into consideration on or after the expiry of a period of forty-five days from the date on which the copies of the Gazette of India in which these draft regulations are published, are made available to the public;

Any person desiring to make any objection or suggestion in respect of the said draft regulations, may forward the same to the Council of the Institute of Chartered Accountants of India within the period so specified, addressed to the Acting Secretary, The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi- 110 002;

Any objection or suggestion which may be received from any person with respect to the said draft regulations before the expiry of the period so specified will be taken into consideration by the Council.

Draft Regulations

1. (1) These regulations may be called the Chartered Accountants (Amendment) Regulations, 2020.
- (2) They shall come into force on the date of their final publication in the Official Gazette.
2. In the Chartered Accountants Regulations, 1988,-
 - (1) In Schedule "A" to the Chartered Accountants Regulations, 1988, the following Form 18 shall be substituted:-

² In case PAN number and GST Registration number of firm is not available at the time of making application, it should be submitted within three months from the time of making application.

" FORM '18'

(See Section 2(2) of the Chartered Accountants Act, 1949, Regulation 53B and Regulation 190 of the Chartered Accountants Regulations, 1988)

PARTICULARS OF OFFICES AND FIRMS

1. Name of firm/trade name of Chartered Accountant in practice
2. PAN number and GST Registration number of firm²
3. Name(s) of the proprietor/partners of firm with his/ their membership number(s)

Details of Partners Holding Certificate of Practice - (CA/CS/ ICWA)

S. N.	Name of Partner	Professional Qualifications*	Membership No.:	Whether membership is active (Yes/ No)	Date from which Certificate of Practice held:

Details of Partners Holding Professional Qualifications Other than CA/ CS/ ICWA, permitted as per Regulation 53B

S. N.	Name of Partner	Professional Qualifications*	Degree no.	Name of University/ Institution which issued the Degree

4. (a) Date of formation of proprietary/partnership firm
- (b) Date on which the present partnership was entered into
- (c) Whether the partnership is supported by a Deed?
- (d) Whether all the partners are sharing the profits of the firm?

* Professional Qualifications of partners who are non-chartered accountants should be duly attested by an Independent Practising Chartered Accountant who is not a partner of the said firm/ relative of the said person.

5. Ref. No; Date and particulars of approval of trade/firm name obtained from the Council (applicable to cases where the firm was started on or after 1.1.1983)
6. Address of the Head Office of the firm/Chartered Accountant in practice.
7. (a) Address(es) of the branch office(s) of the firm/Chartered Accountant in practice, if any
(b) Date on which each branch office was opened
8. Name of the member, with membership number who is incharge of each of the offices, i.e., head office and branch offices.

Head Office	Name of the member in- charge	Membership Number

Branch Office(s)	Name(s) of the member(s) in-charge	Membership Number(s)

9. Whether the proprietor/any partner stated in serial number 3 above is/are partner or proprietor or paid assistant with any other firm(s) of chartered accountants in practice anywhere in India and whether any of them are engaged in a full time or a part-time occupation elsewhere ?

YES NO

10. If yes, give details in each case

Name of the Partner/ proprietor/ paid assistant	Name(s) of the firm(s) of chartered accountants with which connected	Capacity in which connected	Particulars of full time or part-time occupation elsewhere if any

11. In case of a firm, whether any partner is also practicing in his individual name?

YES NO

12. If yes, give name(s) and membership number(s) of the member(s)

13. Name(s) of the member(s) of the Institute with membership number(s) holding full time employment in the firm/under the chartered accountant in practice and date of joining of each such member.

14. Whether any paid assistant stated at serial number 13 above is partner or proprietor or paid assistant with any other firm(s) or chartered accountant in practice anywhere in India ?

YES NO

15. If yes, give details:-

Name of the paid assistant	Name(s) and place(s) of firm(s) in which engaged as partner/ Proprietor/paid Assistant	Capacity in which connected with the firm, i.e. as partner/ Proprietor/paid Assistant

16. Whether any paid assistant stated at serial number 13 above is practicing?

17. If yes, give name(s) and membership number(s) of the paid assistant(s)

Declaration

I/ We hereby confirm that the information given in this Form is true and correct.

Place:

Date:

Signature(s) of the proprietor/all partner(s) of the firm with their membership number(s).]

RAKESH SEHGAL, Acting Secy.
[ADVT.-III/4/Exty./407/2020]

Note : The principal regulations were published in the Gazette of India, Extraordinary, dated the 1st June, 1988 vide number 1-CA(7)/134/88 dated 1st June, 1988 and subsequently amended by the following numbers:-

- Notification No.1-CA(7)/1/89, published in the Gazette of India, dated the 7th October, 1989;
- Notification No.1-CA(7)/10/90, published in the Gazette of India, dated the 19th January, 1991;
- Notification No.1-CA(7)/11/90, published in the Gazette of India, dated the 19th January, 1991;
- Notification No.1-CA(7)/12/91, published in the Gazette of India, dated the 23rd February, 1991;
- Notification No.1-CA(7)/13/90, published in the Gazette of India, dated the 2nd February, 1991;
- Notification No.1-CA(7)/19/92, published in the Gazette of India, dated the 7th March, 1992;
- Notification No.1-CA(7)/28/95, published in the Gazette of India dated the 1st September, 1995;

- | | |
|---|---|
| <p>(viii) Notification No.1-CA(7)/30/95, published in the Gazette of India, Extraordinary dated the 13th March, 1996;</p> <p>(ix) Notification No. 1-CA(7)/31/97, published in the Gazette of India, dated 16th August, 1997;</p> <p>(x) Notification No. 1-CA(7)/44/99, published in the Gazette of India dated the 26th February, 2000;</p> <p>(xii) Notification No.1-CA(7)/45/99, published in the Gazette of India, dated the 26th February, 2000;</p> <p>(xii) Notification No.1-CA(7)/51/2000, published in the Gazette of India, Extraordinary, dated the 17th August, 2001;</p> <p>(xiii) Notification No.1-CA(7)/59/2001, published in the Gazette of India, Extraordinary dated the 28th September, 2001;</p> <p>(xiv) Notification No.1-CA(7)/64/2002, published in the Gazette of India, Extraordinary dated the 31st March, 2003;</p> <p>(xv) Notification No.1-CA(7)/64A/2003, published in the Gazette of India, Extraordinary dated the 4th December, 2003;</p> <p>(xvi) Notification No.1-CA(7)/83/2005, published in the Gazette of India, Extraordinary dated 28th July, 2005;</p> <p>(xvii) Notification No.1-CA(7)/84/2005, published in the Gazette of India, dated the 17th June, 2006;</p> | <p>(xviii) Notification No. 1-CA(7)/92/2006, published in the Gazette of India, dated the 13th September, 2006;</p> <p>(xix) Notification No. 1-CA(7)/102/2007(E), published in the Gazette of India, dated the 17th August, 2007;</p> <p>(xx) Notification No.1-CA(7)/116/2008, published in the Gazette of India, dated the 25th September, 2008;</p> <p>(xxi) Notification No.1-CA(7)/123/2008, published in the Gazette of India, dated the 3rd December, 2008;</p> <p>(xxii) Notification No. 1-CA(7)/145/2012, published in the Gazette of India, Extraordinary dated the 1st August, 2012;</p> <p>(xxiii) Notification No. 1-CA(7)/154/2014, published in the Gazette of India, Extraordinary dated the 22nd July, 2014;</p> <p>(xxiv) Notification No. 1-CA(7)/167/2014, published in the Gazette of India, Extraordinary dated the 23rd January, 2015;</p> <p>(xxv) Notification No.1-CA(7)/178/2016, published in the Gazette of India, Extraordinary dated the 25th May, 2017;</p> <p>(xxvi) Notification No.1-CA(7)/193/2020, published in the Gazette of India, Extraordinary dated the 19th October, 2020.</p> |
|---|---|
- Comments/suggestions if any may be sent to email id mdp@icai.in**

Empanelment of Chartered Accountant Firms/LLPs for the year 2021-2022

Like every year, Office of the Comptroller and Auditor General of India invited online applications from Chartered Accountant firms/LLPs who desire to be empanelled with their office for the year 2021-2022 for the purpose of appointment of auditors of Companies as per Sections 139 (5) and 139(7) of the Companies Act, 2013 and of Statutory Corporations/Autonomous Bodies as per the provisions of their respective Acts.

The online application along with detailed instructions in this regard will be available on the website www.cag.gov.in from 1 January 2021 to 15 February 2021. The applicant firms/LLPs will have to fill/update the data showing the status of their firm as on 1 January 2021. After filling/updating the data, the firms/LLPs will be required to generate online acknowledgement letter for the year. If the firms/LLPs fail to generate online acknowledgment letter, their application would not be considered for empanelment. Further, the firms/LLPs will also be required to submit a printout of the acknowledgement letter generated online and also hard copies of the documents in support of their online application in the Office of the Comptroller and Auditor General of India at 9, Deen Dayal Upadhyaya Marg, New Delhi – 110 002 latest by 26 February 2021.

Professional Development Committee of ICAI

Feedback from participants of the First Virtual Batch of the Executive Master Program- New Age Auditors

The name of the course kindled expectations that something of importance was being planned. We learnt many new skills which would be useful for our practice. Have attended many courses of ICAI and of others but never before there was one to one interaction with faculties. The course was beyond our expectations.

It has been a wonderful experience to be part of this course.

Secretary CAQ, fantastic coordination of the event. Thank you very much for your selfless service to the Noble Cause of the profession. We will always cherish the memories of CAQ transforming us as a New Age Auditor.

It takes vision, deep deliberations and tireless communication and co-ordination to envisage the course, speakers and technology.

Thanks for considering all our queries patiently and resolving it in best possible manner.

Very good course! A must for all practicing CAs!

Eye opener classes

Excellent sessions with good case studies and practical examples

The quality of MCQ questions are really top class!

Very inspiring session.

Compendious presentation. Great. Useful to us.

This has definitely opened a new chapter in ICAI's knowledge sharing endeavour.

Thanks to our dynamic Convenor CAQ for the fantastic need of the hour program

Very special thanks to Convenor and Secretary CAQ for a very great initiative of taking the responsibility of making the members relevant in these challenging times by adopting the mantra and also imbibing the same amongst us i.e Skill, Reskill and Upskill to stay relevant - Atmanirbhar mantra of Hon'ble PM Modiji.

Every session is deep and the faculty excellent! The entire faculty is keen to teach and their vast knowledge! Its an outstanding program. I am highly delighted that I joined it.

It is a wonderful course

Lecture very well explained

Thank entire team of CAQ and faculty for this knowledge enhancement

Fabulous speakers

Feeling lucky to refresh oneself with audit and technology. Thank you for this wonderful course and really grateful for conducting this type of course. It will add to our professional journey in future.

Great to be a part of a wonderful course

Memorable experience to interact with CAQ team

Great interactive sessions

Good Move Congratulations Convenor CAQ

Convenor and Secretary CAQ have done excellent effort which will always remain in our memory. Excellent deliberation by all speakers. No words to express praise. Thanks to all co-participants.

Thanks for considering all our queries and patiently resolving it in best possible manner. This has definitely opened a new chapter in ICAI's knowledge sharing endeavour. This is a New Age Institute!

15 days of real training and with new age training we sitting at remote location could attend the classes. Thanks to all faculties. Thanks to Convenor and Secretary CAQ for such a wonderful event.

It was a mesmerizing and exciting experience.. thanks to all the faculty members and Convenor and Secretary CAQ for organizing such a batch for us. It feels a pleasure to be a part of the First Batch of the Executive Master Program- New Age Auditors.

Thank you all for such a good insight

Excellent course. Keep it up !!!

Really good!

Million thanks!

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ICAI in Media : Glimpses of December, 2020

MumbaiMirror

'ICAI taking best possible steps for the safety of students'

By Satish Nandgaonkar / Updated: Dec 1, 2020, 23:51 IST



The Institute of Chartered Accountants of India (ICAI) President Atul Kumar Gupta talks to Mumbai Mirror about the unique challenges of organising the CA exams at centres across India in the midst of the pandemic.

The CA exams are on Day 11, and how challenging has it been for ICAI to organise an exam of this

scale across the country in the midst of a pandemic?

It is true that organising of physical exams in the midst of pandemic and at the same time ensuring the safety and health of all is big challenge. The Institute has overcome it by doubling of the number of cities including examination centres so that due social distancing can be maintained and students have to travel minimum distance to undertake their examinations.

ICAI, being the sole regulator of accountancy profession in India, has always undertaken various initiatives keeping the interest of its students as topmost priority. This time, ICAI examinations started from 21st November 2020 at more than 1085 examination centres at global level.

ICAI has increased the examinations centres from 505 planned for May 2020 exam to 1085 for November 2020 examination covering additional 200 cities in the country. This was done to facilitate candidates to not travel beyond their district to the extent possible to reach the examination centre.

ICAI has also implemented adequate social distancing measures in current scenario of Covid- 19 to ensure health and safety of our candidates. Adequate measures are being taken for the safety of all without compromising the high standards, sanctity and fairness in the conduct of the examination.

ICAI had verified the position from the concerned examination centres and was informed by the said examination centres that they are not falling in any containment zones. Also, clarification has been obtained from the concerned examination centres and none of them were declared as COVID-care facilities. Further, detailed guidelines have been issued for the various exam functionaries.

While understanding the impact of COVID-19 Pandemic, ICAI has already announced that a separate examination will also be conducted from January 21, 2021 besides May 2021 examination.

Examination centres have been empowered and provided financial support to make arrangements for sanitisation and ensure availability of additional masks, sanitisers, etc. We have also ensured deployment of police personnel, security guards to maintain social distancing.

How has ICAI tweaked its logistics to facilitate this exam in the last 11 days and what kind of changes you had to make looking at on the ground impediments.

For the first time for the benefit of students, the "Opt Out" option has been provided to the students who are suffering from COVID-19 or having symptoms of diseases from November 7, 2020, on self-declaration basis and this option shall continue in operation during the conduct of entire November 2020 examinations. The scheme shall also be applicable to Centres or place of residence of student, which turns out to be the containment zone during the exam dates. They

will be allowed to carry forward their candidature with due carry over of all benefits already available to students including fee paid and exemptions for next examination, that is May 2021 examination cycle.

How has the response from students been? Has it reduced the initial apprehensions they expressed initially now?

Based on the feedback received so far, students in general are very appreciative of the arrangements being made by the ICAI at the examination centres and on the first day itself whatever apprehensions they may be having due to negative campaign on social media have been removed. ICAI is undertaking all the best possible steps for the safety & security of the students as they are the future torchbearers of the profession.

How has ICAI coped with different logistical problems in different states - curfew in Ahmedabad, Cyclone Nivar in Tamil Nadu and southern coastal states, restrictions in states like Delhi due to rising corona cases.

As soon as curfew was imposed in Ahmedabad, we have approached government functionaries, which for the benefit of the students, allowed admit card issued by the ICAI as e-pass for travel of examination purposes.

Further, for the Cyclone Nivar in Tamil Nadu and southern coastal states, after assessing the situation and discussion with exam centres, we have postponed the exams and announced the next date of exam. Students were informed through mail, SMS and announcement hosted on website and social media.

ICAI had given the Opt Out option to students apprehensive of their safety. What percentage of students have exercised the option?

As we informed earlier, the Opt Out option will be continue in operation during the conduct of entire November 2020 Examinations. So it would not be appropriate to inform percentage of students as of now.

DAILYEXCELSIOR.COM
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December 16, 2020



ITAT president Justice PP Bhatt with vice-president G S Pannu, ICAI president Atul Kumar Gupta and others after inaugurating office in Srinagar.

Income Tax Appellate Tribunal (ITAT), who was the chief guest of the function. The occasion was also graced by G S Pannu (FCA), vice-president, ITAT, as guest of honour while CA Atul Kumar Gupta, president ICAI, was also present.

Speaking on the occasion, Justice P P Bhatt announced that the ITAT shall soon hold the Camp Bench from ICAI Office at Srinagar to help in bringing justice to the doorstep of the citizens of the Union Territory of Jammu & Kashmir.

He said, "ICAI decision to grant of 75% waiver in the registration fee for the students pursuing CA course from J&K, Ladakh and North-Eastern States together with the office in these States will certainly provide wings to dreams of students desiring to pursue higher professional education".

In his address, G S Pannu,

dates at their doorstep and thus empower the youth through skill development."

CA Atul Kumar Gupta, president ICAI, while addressing the members, mentioned that ICAI since its very inception, has been immensely passionate about its purpose to propagate progress and has persistently recognized the developments. He said after opening office in Leh, ICAI's office in Srinagar is yet another step as social-economic catalyst for skill development and empowerment of youth."

Vice-president ICAI CA Nihar N Jambusaria, Central Council members of ICAI, CA Lalit Kumar Gupta, Chairman J&K Branch, along with other Managing Committee members, Kashmir CPE Chapter members and ICAI members of Union Territory were also present on the occasion.



Sustainability an important decision-making factor in govt, corporate world: Piyush Goyal

Goyal further said the present situation provides a unique opportunity to redesign, reinvent and realign various practices and processes.

Updated: Dec 17, 2020, 18:58 IST, By Press Trust of India | Posted by Srivatsan K C, New Delhi



Sustainable development will further enhance the scale and speed of growth in the years to come, the commerce and industry minister said. (PTI)

Sustainability has become an important element of decision-making both in the government

and the corporate sector of the country, Union Minister Piyush Goyal said on Thursday. Sustainable development will further enhance the scale and speed of growth in the years to come, the commerce and industry minister said.

He was addressing a virtual international conference organised by the Institute of Chartered Accountants of India (ICAI).

Goyal further said the present situation provides a unique opportunity to redesign, reinvent and realign various practices and processes.

"While doing so, sustainability is the restraint that must guide our plans, decisions and actions for the future," Goyal emphasised.

Under the mission of 'Aatmanirbhar Bharat', India is progressing rapidly to become a hub of manufacturing and expand its role in the global economy, he said. This is not possible without strengthening the ecosystem of MSMEs, the minister noted.

"India is going through a series of radical reforms which is changing our mindset to alleviate our actions, ambition and aims," Goyal said.

Echoing the views, Minister of State for Finance Anurag Singh Thakur said, "Prime Minister Narendra Modi's economic strategy of Aatmanirbhar Bharat is not only aimed at self-reliance but also sustainability across sectors."

In 2014, when the Modi government came to power for the first time, it inherited an economy which was part of the 'Fragile Five' global economies and foreign investors were pulling out funds from India, he said.

"However, in the last six years, we have consistently introduced reforms that have brought about significant change and now all indicators from inflation to fiscal deficit, from forex reserves to current account deficit, from GDP growth to financial inclusion, all point to very stable and sustainable economic position," Thakur added.

He further noted that a digital highway has been laid for growth of the banking and financial sector by taking up the task of connecting India's 6 lakh villages with optical fibre network.

"In the past three years, 1.5 lakh gram panchayats have already been connected and rest of the 1 lakh gram panchayats will be connected within next 12 months," Thakur said.

India can achieve double-digit growth through a healthy mix of digital services and manufacturing base expansion in the times ahead, he added.

BusinessLine

New Delhi | December 18, 2020

India has converted Covid crisis into an opportunity: Piyush Goyal

OUR BUREAU

New Delhi, December 17

Indian economy is seeing rapid recovery and with collective effort of 130 crore Indians will soon bounce back to normalcy, Piyush Goyal, Union Minister for Commerce and Industry, Railways, Food and Consumer Affairs and Public Distribution, has said.

Addressing a virtual international conference organised by CA Institute on the theme "Accountancy Profession—Augmenting Economic Sustainability", Goyal said that India has converted the Covid-19 crisis into an opportunity and that he sees a bright future for the economy.

Urges CA fraternity

Stating that chartered accountants are in a unique position to guide corporates effi-



Piyush Goyal

ciently and effectively in post covid-19 world, Goyal urged the CA fraternity to move beyond their confines of financial advisory role to manage the triple bottomline of profit, people and planet for businesses to stay in business and succeed.

"India is progressing rapidly into a hub of manufacturing and expanding our growth in global economy. CAs have to guide the MSMEs and bring practical issues affecting them

to the attention of government and augment efforts for building self-reliant," Goyal said.

He highlighted that sustainability has become an important element of all decision making.

"Sustainable development does not mean we give up on pursuing economic growth. Sustainable development will spur growth and further enhance the scale and speed of growth in the years to come", he said.

International Federation of Accountants (IFAC) President Alan Johnson said that creation of new Sustainability Standards Board to sit along with the International Accounting Standards Board (IASB) would meet the need for better information on sustainability.

युवा . रोजगार . अवसर

दैनिक साप्ताहिक जयपुर, शुक्रवार 24 दिसंबर 2020

• कहीं भी डॉक्यूमेंट्स को एक्सेस कर सकेंगे आईसीआई ने मेंबर्स व छात्रों के लिए लॉन्च किया डिजी लॉकर

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इंस्टीट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया (आईसीआई) ने अपने मेंबर्स और छात्रों के लिए डिजी लॉकर को सुविधा शुरू की है। इस डिजिटल लॉकर के माध्यम से छात्र किसी भी स्थान से अपने डॉक्यूमेंट्स को एक्सेस कर सकेंगे। इंस्टीट्यूट के प्रेसिडेंट सीए अतुल कुमार गुप्ता ने बताया कि डिजी लॉकर होने से छात्रों को फिजिकल डॉक्यूमेंट्स ले जाने की आवश्यकता नहीं होगी। फिजिकल डॉक्यूमेंट्स के खोने का डर भी खत्म हो जाएगा। डिजिटल लॉकर के दस्तावेज पूरी से वैधानिक होंगे। डिजी लॉकर के प्रोजेक्ट हैड मनु अग्रवाल ने बताया कि इससे डिजिटल दस्तावेजों को जारी करने की समस्या का भी समाधान हो जाएगा।



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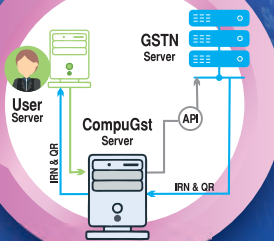
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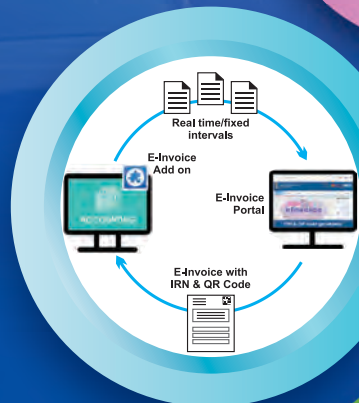
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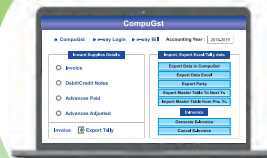
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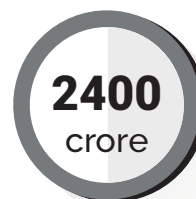
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