



JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA



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The Accounting Profession – In It to Win It

ICAI completes 72 years on first of July, 2021, the day celebrated as the Chartered Accountants day every year with much jubilation. The day is a matter of pride for not only the Chartered Accountants but for the nation as a whole. First of July is and shall always remain a day to renew our vows to work in public interest and solemnly maintain the financial decorum of business and industry. Chartered Accountants with their profound multitasking abilities work in the areas of finance, audit, laws, taxes, systems and strategy to charter the businesses to higher growth paths.

The triumph of the profession is not a result of some overnight miracle but is culmination of steady hard work of more than seven decades. It is result of persistent pursuit of independence, integrity and excellence that has placed Indian chartered accountants in an exalted position not only within the country, but across the globe. Right from the initial stages the Institute was focussed on its agenda for which it was constituted. CA. G.P. Kapadia, first President of ICAI during the initial period of its formation stated *“during the period of construction, every new institution has to take care in organising the activities. Human nature is always tempted by speed and whenever a new Institution comes into being, there is a desire to do and achieve everything at the same time. In this respect, it is my firm belief that instead of attempting to do everything which Institutions established for forty or fifty years are doing, a new Institution should believe in a gradual process and try to achieve first a proper working of the Act and the regulations, maintain proper standards of examination and maintain proper standards for disciplinary action.”*

This year, the Chartered Accountant day is different as the humanity is grappling with shocks of second wave of pandemic. Undeterred, the profession remains committed to the Indian economy to provide best of services to mitigate the harmful aftermath of catastrophic Covid-19. Winston S. Churchill once stated *“this is not the end, this is not even the beginning of the end, this is just*

perhaps the end of the beginning.” The profession continues full vigour to the service of nation. In these challenging times, ICAI has taken several initiatives to ease out burden on its members and students. The conduct of examination was postponed and changes were made to accommodate the best interest of students, apart from changes in practical training and soft skill courses. Virtual classes are being provided free of charges to meet the education needs of the students. Members were also provided benefits of extension of Peer Review Certificates, waiving-off of condonation fees due to specific delays and like. Even a simplified system is created under Chartered Accountants Benevolent Fund to provide financial assistance to the members and their families in time of need. ICAI branches and regional councils are coming forward to arrange medical and other facilities for the members, students and their families. ICAI has also imbibed technology in an unprecedented manner in the new normal of work environment to meet the knowledge needs of the members. There are plethora of such actions that have often been covered in the pages of ICAI journal.

Success stands on the foundation of acknowledgment of shortcomings and deriving achievements from lessons learnt. It is imperative to recognise the challenges strewn ahead, foresee the hurdles, target the many milestones ahead and pre-strategise actions to build a better tomorrow. The accountancy profession stands to gain from the momentum of change that envelopes the industry, whether it is the current fast-paced modern era of technology, the catalytic role played by unbounded globalisation and liberalisation or the substantial highlight on profound transparency and accountability, which brings the profession in the very central limelight. The professionals need to evaluate the past, look inward in order to anticipate what lies ahead and ensure continuity of success, whatever the circumstances are. The business environment may be tough or hostile, but the professionals remain deep-rooted and committed. Afterall, they have always been *in it to win it!*

Editorial Board ICAI: Partner in Nation Building

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

ICAI Bhawan, Post Box No.7100, Indraprastha Marg,
New Delhi-110002, Tel: +91 (11) 39893989.
E-mail: eboard@icai.in, Website: www.icai.org

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From the President



CA. Nihar N. Jambusaria
President, ICAI

My Dear Professional Colleagues,

ICAI celebrates 73rd Foundation Day on July 1 every year which is widely celebrated as Chartered Accountants Day (CA Day). A very hearty congratulation to all colleagues!

At the Institute of Chartered Accountants of India, we take immense pride and honour on the successful completion of 72 years of its judicious and efficacious operations - made possible by the cooperation and hard work displayed by our Past Presidents, ICAI Council, office bearers from Regional Councils, Branches, Overseas Chapters and Representative Offices, the employees, fellow CA members and all our aspiring students over the years. We are also thankful to the Government and other stakeholders for their continuous support to the activities of ICAI. We have indeed come a long way from where we started; hence, I would like to thank all our stakeholders who have tremendously contributed to the deepening of ICAI's roots, strengthening its foundation and elaborating its reach. The milestones crossed, laurels earned and achievements realised - discussed periodically in our journal issues- are a collaborative effort of each one of you.

This CA Day brings with it an opportunity to not just reminisce the success attained in the past, but also consider and plan better for the future, so that the accounting profession can continue facilitating the growth of the industry and the economy. Contemporary era of fast technology, automation and robotics has revolutionised business administration and accounting processes. Inclusion of new technologies in all future planning and conception of more efficient auditing processes is imperative for staying in sync with the dynamic environment and retaining ICAI's competitive edge.

Apart from technology, there are many other developments taking place in the profession; one being placing concern for *people* and *planet* over profits. There is an urgent need to recognise the role that green accounting can play in redefining businesses' contribution to sustainable development and rebuilding ecological balance. Mahatma Gandhi said – "*What we are doing to the forests of the world is but a mirror reflection of what we are doing to ourselves and to one another.*" The Institute of Chartered Accountants of India believes that accountancy profession can play a monumental role in coordinating the actions of the industry with the seventeen goals adopted by United Nations in its 2030 Agenda for Sustainable Development. These SDGs hold the promise of not just a cleaner and greener future, but also greater equitable development. Green accounting, by permitting more accurate estimation of expenditure borne on protection of environment as well as costs necessary to compensate for the negative impacts of economic growth, successfully links physical resource accounts with financial statements and ensures a more expedited fulfilment of the SDGs.

Meeting by the Ministry of Finance on New Income Tax e-filing Portal

The Ministry of Finance, Government of India organised a meeting on 22nd June to review the glitches and issues related to the new Income Tax e-filing portal which has been facing issues ever since its launch on 7th June, 2021. The meeting was chaired by Smt. Nirmala Sitharaman, Hon'ble Minister of Finance & Corporate Affairs and graced by Shri Anurag Singh Thakur, Hon'ble Minister of

From the President

State for Finance & Corporate Affairs. Also, present were Shri Tarun Bajaj, Revenue Secretary, Shri Jagannath Mohapatra, CBDT Chairman and top Finance Ministry officials. Earlier, the Ministry of Finance had asked ICAI to constitute a task force of seven representatives to look into the technical glitches / issues being faced on the new Income Tax portal. Accordingly, taking cognizance of the matter, a team of 7 members was constituted to analyse the issues being faced. Considering the sensitivity ICAI made full efforts to identify the challenges and submissions were made on different issues being faced by professionals and assesses. The officials from CBDT and Infosys were very receptive about the issues being conveyed. They assured that the issues will be taken care of and shall be resolved at the earliest. We believe this consultative process will be completed in a phased manner and problems will be resolved on daily basis. Members may note that for tax audit report the utility is expected in the 1st week of July, 2021.

ICAI takes pride in its service to the nation, as during the meeting, we have been asked to provide continuous support and inputs to CBDT and Infosys, in resolving the issues that are being identified. The Income Tax Department said that the new portal is aimed at making compliance more taxpayer-friendly, however, the technical glitches shall be addressed fast, for convenience of all.

Financial and Tax Literacy Drive - VITIYA GYAN

The ICAI has been taking numerous initiatives to update the knowledge of the members of the Institute in the areas of professional relevance. This time, however, the Institute is launching a Financial and Tax Literacy Drive - *Vitiya Gyan – ICAI Ka Abhiyaan*, to educate people on basics of tax laws, accounting and various aspects of the financial system in India and the ways to manage personal finances, financial well-being and tax compliances with the goal of increasing compliance and reducing the knowledge gap in the society. Highlight of the drive is that education will be imparted in different vernacular languages using the lucid language, innovative learning with experiential activities, financial calculators and multilingual site for citizens of our country and it shall go a long way towards educating people of all strata of society.

I urge members and students to come forward and join this drive as volunteers for making it a national drive www.vitiyagyan.icai.org.

Excellence in Sustainability Reporting Awards

In the evolving world, it is essential for the business to imbibe actions favouring sustainability. Sustainability is focused on meeting our present needs without compromising the ability of future generations to meet their needs. For business, the concept of sustainability is built on three pillars: *environmental, social and governance*. ICAI has a strong tradition of service to the public interest and to the Indian economy and is sensitive to emerging needs of ecology. ICAI through Sustainability Reporting Standards Board has a mission to formulate comprehensive, globally comparable, and understandable standards for measuring and disclosing non-financial information about an entity's progress towards United Nations Sustainable Development Goals 2030. In its endeavour to benchmark global best practices in Sustainability Reporting, this year ICAI has instigated Sustainability Reporting Awards. The objectives of this initiative are to recognise, reward and encourage excellence of businesses in integrated reporting and to recognize initiatives of businesses with their transformative contribution.

RBI's New Norms – A Right Step to Enhance Independence and Audit Quality

The new norms issued by the RBI for Appointment of Statutory Central Auditors (SCAs) and Statutory Auditors (SAs) of Commercial Banks, Urban Co-operative Banks (UCBs) and Non-banking Financial Companies (NBFCs) including Housing Finance Companies (HFCs) is a welcome step as they are expected to enhance audit quality, auditor independence and strengthen corporate governance. The norms are aimed to harmonize various entities in the financial sector with respect to the appointment of auditors bringing transparency in the selection and will result in enhanced audit quality. This is more so considering the increased public interest in these entities with their size and spread throughout the nation.

ICAI has always stood for Joint Audit as the concept for improving audit quality and reliability apart

From the President

from having fresh perspective from new firms. Further, the joint audit will ensure due continuity in the audit process during rotation. At the same time rotation of audit firms after three years is already prevalent in Public Sector Banks and it was introduced in large companies on completion of five-year cycle by The Companies Act, 2013 which proved to be effective. Similar rotation of audit firms in other large intermediaries of banking and financial sector, will surely result in improved audit quality apart from having fresh perspective. Now Joint audits are mandatory for RBI-regulated entities with assets size of over ₹15,000 crore. Small and medium practicing CA firms will now have more scope of getting these bank and NBFC audits assignments. Further, new rule that caps the number of audits, mandates for an audit firm, irrespective of the asset size – as clarified by the RBI through its recent Frequently Asked Questions (FAQs) for April 27 circular will also benefit these local SMPs.

The proposed restrictions on audit/non-audit services for related entities are largely aligned with the Code of Ethics of the Institute and the principles in the Companies Act, 2013 in this regard.

Enhancing Audit Quality

In continuation of my previous communication, I wish to inform that the Audit Quality Maturity Model – Version 1.0 (AQMM v1.0) has been finalised. This Model includes the following dimensions of audit maturity organised into three sections:

- a) Practice management – operation,
- b) Human resource management, and
- c) Practice management-strategic/functional.

The AQMM v1.0 is a cross-functional evaluation model for practicing firms covering engagement teams, firm leadership, IT helpdesks, human resources team, administration department, legal cell and the management information systems desk of the firm. The AQMM v1.0 has been developed after deep international research on systems to enhance audit quality and widespread outreach activities to have inputs from stakeholders have been conducted across India. I am hopeful that this capacity building measure of ICAI will significantly empower the firms to be able to improve their audit quality. The Audit Quality Indicators should raise more questions, bring about competition

between audit firms and create market demand for audit quality. The AQMM v1.0 is recommendatory initially and later on ICAI will review the date from which it would become mandatory. ICAI would be releasing AQMM v1.0 on July 1, coinciding with CA Foundation Day as a right step to enhance audit quality.

Amendment in Rule 38A of the Companies (Incorporation) Rules, 2014

The Ministry of Corporate Affairs, as part of its ease of doing business initiatives has amended the Rule 38A of the Companies (Incorporation) Rules, 2014 relating to Application for registration of GSTIN, ESIC registration, EPFO registration, profession tax registration and opening of bank account vide its notification dated June 07, 2021. The Ministry of Corporate Affairs has introduced the facility to take shops and establishment registration at the time of incorporation itself through filing of e-form AGILE-PRO-S (formerly known as AGILE-PRO).

Swami Vivekananda had once correctly remarked, *“Arise, awake, and stop not till the goal is reached.”* It is this determination, perseverance and never-say-die attitude that has allowed the Institute to reach the heights it has attained today. The Institute of Chartered Accountants of India has always propagated the idea that if one falls behind, one must run faster but never surrender or stop. After all, great things take time to manifest. Setting goals and consistently working towards them helps charter one's course in the right direction and inch closer to success. Through ICAI's 72 years of splendid performance, it has learnt the importance of making the most of every opportunity and rising to all odds. I urge all to never forget that the sweet taste of victory will always heal the wounds of the battle; as long as one continues to tirelessly pursue excellence. Follow your passion, work with dedication with the virtues of independence, integrity and excellence.

Stay safe, stay healthy. Best wishes.



CA. Nihar N. Jambusaria
President, ICAI
New Delhi, 25th June, 2021

ICAI in Action

Exposure Draft of the Amendments in the IND AS Taxonomy

Ministry of Corporate Affairs (MCA) has mandated the filing of financial statements in XBRL format for the specified class of companies. XBRL taxonomy covers the requirements of Accounting Standards, Companies Act and MCA specific requirements. XBRL taxonomy, based on the Indian Accounting Standards (Ind AS) and Ind AS compliant Schedule III requirements has already been notified for filing of financial statements in XBRL format and the specified class of companies are successfully filing their financial statements in XBRL format. In view of implementation of Ind AS 116, 'Leases' applicable from the financial year 2019-20, and amendments in other Ind ASs, CSR Rules, etc (applicable from FY 2019-20 & 2020-21), Ind AS XBRL taxonomy has been amended for financial reporting purposes.

In order to endorse transparency, objectivity, independence and participation of stakeholders, the draft amendments in Ind AS taxonomy have been exposed for public comments. The comments are invited on any aspects of the Exposure draft. In addition to the comments on amendments in the Taxonomy, other suggestions for any inclusion/deletion of any element are also invited for overall improvement of the Taxonomy or any area where any difficulty is faced by the Companies while filing.

For details, please visit – <https://www.icaai.org/post/ed-of-the-amendments-in-the-indas-taxonomy>.

Exposure Draft of Definition of Accounting Estimates - Amendments to Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The Indian Accounting Standards (Ind AS) are based on the IFRS Standards issued by the International Accounting Standards Board (IASB). In this regard, it may be noted that IFRS Standards are being issued/revised by the IASB from time to time. As the convergence is a continuous

process, in order to remain converged with IFRS Standards, the Ind AS needs to be issued/ revised corresponding to the IFRS Standards. Accordingly, whenever any amendments are made or new IFRS Standard/IFRIC is issued by the IASB, the Accounting Standards Board of the ICAI considers and issues amendments to Ind AS. While doing so, keeping in view the Indian conditions and circumstances, wherever considered appropriate, necessary changes are also proposed to the Ind AS. In this regard, the Accounting Standards Board has issued the following Exposure Draft corresponding to amendments in IFRS Standards for public comments with the last date of comments being July 1, 2021:

- Definition of Accounting Estimates - Amendments to Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Error

For details, please visit – <https://www.icaai.org/post/ed-of-definition-of-accounting-estimates-amendments-to-indas8>

Exposure Draft for Amendments to the Guidance Note on Accounting for Derivative Contracts w.r.t. IBOR Phase 2 Replacement Issues

Interbank Offered Rates (IBORs), e.g., LIBOR, TIBOR, NIBOR, etc. play an important role in global financial markets and index (benchmark) a variety of financial products including derivatives. Market developments have undermined the reliability of some existing benchmarks. Consequently, some major interest rate benchmarks will cease to be published across the globe after December 2021. The ongoing reform in IBOR, will impact the way financial information is accounted for in the financial statements. Under Accounting Standards (AS), the relevant guidance with regard to hedge accounting is prescribed under the Guidance Note on Accounting for Derivative Contracts issued by the ICAI in year 2015. To address the accounting issues necessary exceptions to the hedge accounting have been prescribed as under:

Developments

- Phase 1 - Pre-replacement issues-deals with issues affecting financial reporting in the period during which there is uncertainty about the timing or the amount of interest rate benchmark-based cash flows.
- Phase 2 - Replacement issues-deals with issues affecting financial reporting when the uncertainty regarding the timing and the amount of interest rate benchmark-based cash flows is resolved and hedging relationships are affected as a result of the reform..

The Accounting Standards Board (ASB) of ICAI invites comments from public on limited aspect of the Exposure Draft.

For details, please visit – <https://www.icai.org/post/ed-for-amendments-to-the-guidance-note-on-accounting-for-derivative-contracts>.

Amendment in Investor Education and Protection Fund Authority (Accounting, Audit, Transfer, and Refund) Rules, 2016

The Ministry of Corporate Affairs vide its notification dated 09 th June 2021 has amended

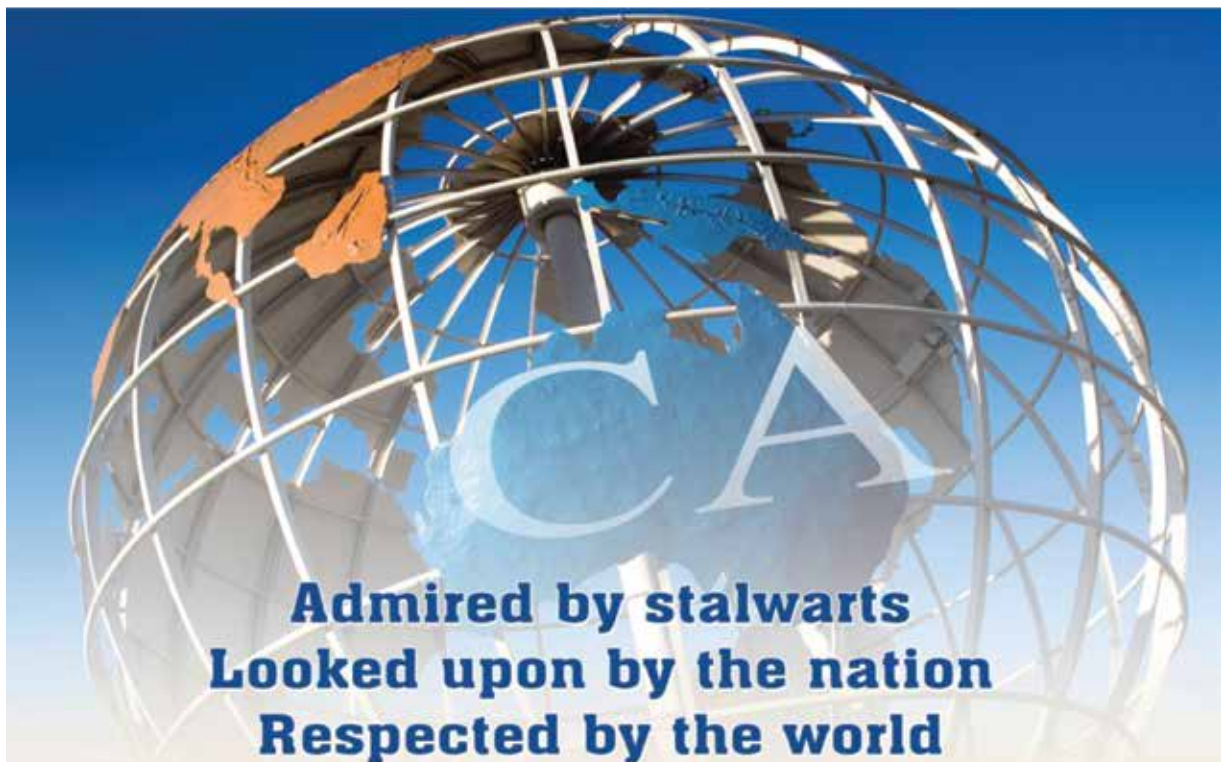
the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 to introduce the manner of transfer of shares under section 90(9) of the Companies Act 2013 to the Investor Education and Protection Fund.

For details, please visit –<https://resource.cdn.icai.org/65096clcg140621.pdf>

Complete virtual MCS/Advanced ITT and become a member - Golden Opportunity for CA Final passed students

In view of the Covid pandemic, it has been decided to provide a once in a lifetime opportunity to students who have qualified CA final exam but are unable to apply for Membership of the Institute due to non completion of MCS/Adv. ITT Course. They can now undergo the MCS/Adv. ITT Course through virtual mode anytime, anywhere through the <https://virtualmcs.icai.org/> portal and apply for membership of ICAI at the earliest.

For details, please visit – <https://www.icai.org/post/one-time-golden-opportunity-for-ca-final-exam-passed-students>.



Photographs



ICAI President CA. Nihar N. Jambusaria and Central Council member CA. Satish Kumar Gupta in a meeting with Hon'ble Union Finance Minister Smt. Nirmala Sitharaman, Revenue Secretary Shri Tarun Bajaj and Secretary, MCA Shri Rajesh Verma to discuss about newly launched Income Tax Portal (22.6.2021)



ICAI President CA. Nihar N. Jambusaria, ICAI Vice-President CA. (Dr.) Debashis Mitra with Shri Pratap Chandra Sarangi, Hon'ble Union Minister of State for MSME, Animal Husbandry and Dairying & Fisheries, during International MSME Day Celebrations at ICAI Bhawan, New Delhi. Also seen in picture Central Council Members CA. Dheeraj Kumar Khandelwal, CA. Hans Raj Chugh, CA. Chandrashekhar Vasant Chitale, CA. Pramod Jain and CA. Rajesh Sharma. (27.06.2021)



ICAI President CA. Nihar N. Jambusaria and ICAI Vice-President CA. (Dr.) Debashis Mitra signing MOU with Qatar Financial Centre. Also seen in picture Central Council Members CA. Dayaniwas Sharma, CA. Aniket S. Talati, Shri Vijay Kumar Jhalani, (Govt Nominee), CA. Anuj Goyal, CA. (Dr.) Sanjeev Singhal, CA. Chandrashekhar Vasant Chitale and CA. Manu Agrawal. Shri Manoj Pandey, Joint Secretary, Ministry of Corporate Affairs, Government of India joined the event virtually as Special Guest. From the QFC Mr. Kamal Naji, Chief Project Officer; Yousuf Mohamed Al-Jaida, Chief Executive Officer, QFC ; Guest of Honour Dr. Deepak Mittal, Hon'ble Ambassador of India to the State of Qatar and CA. Nirlep Bhatt, Chairperson, Doha Chapter of the ICAI joined virtually from Qatar.



ICAI President CA. Nihar N. Jambusaria and ICAI Vice President CA. (Dr.) Debashis Mitra in the kind presence of Hon'ble High Commissioner of India to Ghana, H.E Mr. Sugandh Rajaram and Joint Secretary, Ministry of External Affairs, Government of India CA. Mahaveer Singhvi, at e-Inauguration of 42nd Chapter of ICAI at Accra, Ghana and two Representative Offices at Gabon (Libreville) & Ivory Coast (Abidjan) in Africa (10.06.2021)



ICAI President CA. Nihar N. Jambusaria along with his Council colleagues CA. Rajesh Sharma and CA. Hans Raj Chugh at a Vaccination Camp organised by NIRC. Also seen in picture NIRC Chairman CA. Avinash Gupta (12.06.2021)



Shri M. Venkaiah Naidu, Hon'ble Vice-President of India



भारत के उपराष्ट्रपति
VICE-PRESIDENT OF INDIA

MESSAGE

I am happy to know that the Institute of Chartered Accountants of India (ICAI) is publishing a special issue of its journal "The Chartered Accountant" on the occasion of Chartered Accountants Day on 1st July.

Members of ICAI have built, over the years, a formidable public image for the profession through their competence, outlook and integrity. In their efforts, they have adopted a concerted strategy in improving both their technical competence as well as ethical standards. It is my hope that the Institute will continue to reinvent itself while nurturing professionals who can discharge their duties with dedication and sincerity.

ICAI has indeed always been closely associated with the growth and development of Indian economy, in addition to meeting its regulatory obligations.

I extend my greetings and good wishes to ICAI and the Chartered Accountants' fraternity on the occasion of the Chartered Accountants Day and wish them all success in their future endeavors.


(M. Venkaiah Naidu)

New Delhi
3rd June, 2021.

Shri Om Birla, Hon'ble Speaker, Lok Sabha




अध्यक्ष, लोक सभा
SPEAKER, LOK SABHA
INDIA

संदेश

मुझे यह जानकर बहुत प्रसन्नता हुई है कि ICAI द्वारा अपनी स्थापना के गौरवपूर्ण 72 वर्ष पूर्ण कर लिए गए हैं। प्रत्येक वर्ष की भांति संस्था द्वारा इस वर्ष भी 1 जुलाई को चार्टर्ड अकाउंटेंट्स दिवस मनाया जा रहा है। भारतीय संसद द्वारा वर्ष 1949 में अधिनियम के माध्यम से स्थापित ICAI विश्व की प्रतिष्ठित संस्थाओं में से एक है जो देश की अर्थव्यवस्था के शिल्पकार तैयार करती है। आप सब वित्तीय मामलों के विशेषज्ञ हैं और देश के आर्थिक विकास में महत्वपूर्ण भूमिका निभाते हैं।

मैं ICAI के स्थापना दिवस पर सभी चार्टर्ड अकाउंटेंट बंधुओं को बधाई व अपनी शुभकामनाएं देता हूं। मैं इस अवसर पर प्रकाशित होने वाले ICAI जर्नल- 'द चार्टर्ड अकाउंटेंट' के विशेष अंक के सफल प्रकाशन की भी कामना करता हूं तथा आप सबके उज्ज्वल भविष्य की मंगल कामना करता हूं।


ओम बिरला

Shri Amit Shah, Hon'ble Minister of Home Affairs

अमित शाह



गृह मंत्री
भारत

संदेश

मुझे यह जानकारी प्रसन्नता हो रही है कि भारतीय सनदी लेखाकार संस्थान (ICAI) दिनांक 01 जुलाई, 2021 को अपनी स्थापना का 72वाँ 'चार्टर्ड अकाउंटेंट्स डे' मना रहा है। इस अवसर पर ICAI द्वारा जर्नल 'द चार्टर्ड अकाउंटेंट' का विशेष अंक का भी प्रकाशन किया जा रहा है।

कुशल, सतर्क और जवाबदेह चार्टर्ड एकाउंटेंट राष्ट्र की संपत्ति हैं। भारतीय चार्टर्ड एकाउंटेंट अपने कौशल के लिए दुनिया भर में जाने जाते हैं। आज भारतीय सनदी लेखाकार संस्थान ने समाज का आत्मविश्वास और भरोसा अर्जित किया है जिससे संस्था ने दुनिया में दूसरा सबसे बड़ा लेखा निकाय बनने का गौरव प्राप्त किया है। समाज में ईमानदारी और कुशल कार्पोरेट प्रशासन की संस्कृति को आगे बढ़ाने में हमारे चार्टर्ड अकाउंटेंटों का योगदान महत्वपूर्ण रहा है।

वैश्विक महामारी कोरोना की दूसरी लहर ने अर्थव्यवस्था के हर क्षेत्र को प्रभावित किया है, तथा स्वस्थ और पारदर्शी अर्थव्यवस्था सुनिश्चित करने में चार्टर्ड अकाउंटेंट समुदाय की प्रमुख भूमिका है। मुझे विश्वास है कि चार्टर्ड अकाउंटेंट समुदाय देश को उसके विकास पथ पर आगे बढ़ने में अपना योगदान देते रहेंगे।

मैं, भारतीय सनदी लेखाकार संस्थान के सभी पदाधिकारियों को स्थापना दिवस एवं भविष्य में उनके सभी प्रयासों के लिए अपनी शुभकामनाएँ प्रेषित करते हुए जर्नल 'द चार्टर्ड अकाउंटेंट' के विशेष अंक के सफल प्रकाशन की कामना करता हूँ।

शुभकामनाओं सहित।

(अमित शाह)

कार्यालय : गृह मंत्रालय, नॉर्थ ब्लॉक, नई दिल्ली-110001
दूरभाष : 23092462, 23094686, फैक्स : 23094221

Shri Prakash Javadekar, Hon'ble Minister Environment, Forest & Climate Change and Information & Broadcasting

प्रकाश जावडेकर
Prakash Javadekar



मंत्री
पर्यावरण, वन एवं जलवायु परिवर्तन और
सूचना एवं प्रसारण
भारत सरकार
MINISTER
ENVIRONMENT, FOREST &
CLIMATE CHANGE AND
INFORMATION & BROADCASTING
GOVERNMENT OF INDIA

MESSAGE



I am glad to note that the Institute of Chartered Accountants of India (ICAI) will celebrate 72nd 'Chartered Accountants Day' and its foundation day on 1st July, 2021.

The Chartered Accountants are the conscience keepers of the nation in matters of professional accounting and in keeping the ethical standards of financial transparency in businesses. As a statutory body entrusted with the responsibility of regulating the profession of Chartered Accountancy in the country, ICAI endeavors to maintain the highest standards of professional conduct of its members.

I convey my best wishes to the organizers and wish the event a grand success.


(Prakash Javadekar)



कमरा सं. 560, 'ए' विंग, शास्त्री भवन, नई दिल्ली-110 001
दूरभाष : +91-11-23386748, 23386742, 23384782, फैक्स : +91-11-23782118, ई-मेल : minister.inb@gov.in
Room No. 560, 'A' Wing, Shastri Bhavan, New Delhi-110 001
Tel. : +91-11-23386748, 23386742, 23384782, Fax : +91-11-23782118, E-mail : minister.inb@gov.in

Shri Ramesh Pokhriyal 'Nishank', Hon'ble Minister of Education



रमेश पोखरियाल 'निशंक'
Ramesh Pokhriyal 'Nishank'



सत्यमेव जयते

शिक्षा मंत्री
भारत सरकार
MINISTER OF EDUCATION
GOVERNMENT OF INDIA



MESSAGE

I have immense pleasure that the Institute of Chartered Accountants of India (ICAI) is celebrating its Foundation Day on the auspicious occasion of 'Chartered Accountants Day' on 1st July, 2021, completing 72 years of its remarkable journey.

72 years' journey in the annals of an institution is a major milestone and a solemn occasion for review and reflection. I have great admiration for the Institute for its unstinted support to the Government, to the trade and industry, and especially for preparing regularly a unique cadre of professionally competent accountants who are contributing laudably too good governance through orderly financial management and transparency in accounting. The Institute has a glorious track record of more than seven decades in rendering and administering an internationally acclaimed Indian accounting profession. With symbiotic relationship between the profession and Indian economic growth, ICAI has been playing, and I am optimistic, it shall continue to play a significant role in nation building.

Our government, led by the visionary and inspiring leadership of Shri Narendra Modi, the Hon'ble Prime Minister, is acclaimed for enunciating public policies and implementing them following the principle of 'minimum government, maximum governance'. The promulgation of the long awaited National Education Policy, 2020 is outcome of the visionary leadership of our Prime Minister. Once implemented, conjointly by the Union and the States, the NEP will secure the future of our new generations, meet their aspirational needs and transform India into a global knowledge hub.

I congratulate the ICAI for its glorious journey of 72 years as a true torch bearer in the field of accountancy and wish them every success in their laudable endeavours.

(Ramesh Pokhriyal 'Nishank')

सबको शिक्षा, अच्छी शिक्षा



Room No. 3, 'C' Wing, 3rd Floor, Shastri Bhavan, New Delhi-110 115
Phone : 91-11-23782387, 23782698, Fax : 91-11-23382365
E-mail : minister.hrd@gov.in

Shri Girish Chandra Murmu, Comptroller & Auditor General of India

Girish Chandra Murmu
 भारत के नियंत्रक एवं महालेखापरीक्षक
 COMPTROLLER & AUDITOR GENERAL OF INDIA
**MESSAGE**

I congratulate the Institute of Chartered Accountants of India and its members on the occasion of 'Chartered Accountants Day' being celebrated on 1st July 2021 when the Institute completes 72 years of its existence.

As a regulator of the accountancy and auditing profession in the country, the Institute has a critical role in promoting a sound financial reporting system by maintaining and developing high level standards of accounting and auditing thereby creating a favourable investment climate in the country. The Chartered Accountants have a very important role in nation building through their services in accounting, auditing, taxation, and economic reforms.

Covid-19 has necessitated change in the way in which businesses are being managed or transactions are taking place across the global physical boundaries. Accountancy profession, being akin to the changes in business environment, must adapt itself to the new ways of working. There is also a need that the Chartered Accountants expand their knowledge and enhance their accounting and auditing skills to detect fraud.

With the evolving amendments in the areas of Goods and Service Tax (GST) and Indian Accounting Standards (Ind AS), the role of Chartered Accountants has become more crucial. The Institute has to ensure that its members are professionally equipped and trained to discharge their duties efficiently through seminars, workshops, conferences and training programmes.

I hope that Chartered Accountancy as a profession will rise up to the demands of emerging responsibilities associated with reforms and provide professional services to the corporate sector and all stakeholders diligently.

I extend my best wishes to the Institute and its members for success in its endeavours.

(Girish Chandra Murmu)
 Comptroller and Auditor General of India

Place: New Delhi
 Date: June 10, 2021

9, Deen Dayal Upadhyaya Marg, New Delhi - 110124
 Tel. No. : ++91 11 23235797 • Fax : ++91 11 23233618 • e-mail : cag@cag.gov.in

Shri Santosh Kumar Gangwar, Hon'ble Minister of State (Independent charge), Labour & Employment

संतोष कुमार गंगवार
Santosh Kumar Gangwar



श्रम एवं रोजगार राज्य मंत्री (स्वतंत्र प्रभार)
भारत सरकार
Minister of State Labour & Employment
(Independent Charge)
Government of India

Message

I am glad to know that the Insitute of Chartered Accountants of India (ICAI) is bringing out a special issue of Journal "The Chartered Accountant" in July, 2021 on its Foundation Day. The ICAI has a glorious track record of almost more than seven decades in rendering and administering an international acclaimed Indian accounting profession. I proudly mention here that ICAI is the second largest accountancy body in the world. The ICAI has proudly educated about 3.30 lakh Chartered Accountants and 7 lakh students in the country, which is cementing a bond of relationship between profession and Indian economic growth.

2. As we know that every year ICAI celebrates "Chartered Accountants Day on July 1st that coincides with its Foundation Day. This year, the ICAI completes its 72 years of its existence and showcase before the world the milestones crossed and acheivements made. The CA journal is widely read not in India but also in the world to project its achievements and other education related activities, articles of prominent CAs etc. before the aspirants who are likely to become CA as well as to the world community, which highlight our education system.

3. I wish all the success of this special issue of ICAI Journal "The Chartered Accountant" and do hope that the institute will be rendering high class of education not only to the students of India but also to the world.

(Santosh Kumar Gangwar)

Sadhvi Niranjana Jyoti, Hon'ble Minister of State for Rural Development

D.O. No. 545/NIP/MoS/RD/2021

साध्वी निरंजन ज्योति
SADHVI NIRANJANA JYOTI

संदेश

ग्रामीण विकास राज्य मंत्री
भारत सरकार
MINISTER OF STATE
FOR
RURAL DEVELOPMENT
GOVERNMENT OF INDIA

07/06/2021

1 जुलाई, 2021 को चार्टर्ड एकाउंटेंट्स दिवस के इस विशेष अवसर पर, मैं आईसीएआई के प्रत्येक सदस्य को अपनी हार्दिक शुभकामनाएं देना चाहती हूं। सीए समुदाय ने भारतीय अर्थव्यवस्था के विकास और स्थिरता में काफी योगदान दिया है।

इस वर्तमान कोरोना संकट और वैश्विक समुदाय के सामने आने वाली आर्थिक चुनौतियों के दौरान, रणनीति बनाने वाले और सूत्रधार के रूप में लेखांकन पेशेवरों की भूमिका पहले से कहीं अधिक महत्वपूर्ण हो गई है। सीए अपनी विशेषज्ञता, जवाबदेही, पारदर्शिता और सुशासन के साथ निरंतर विकास का प्रतीक हो सकते हैं। अपने दूरदर्शी दृष्टिकोण के साथ और व्यापार समाधान प्रदाताओं के रूप में, आप सभी इस स्थिति से भी देश को निपटने में मदद करेंगे।

इस महत्वपूर्ण अवसर पर आईसीएआई और उसके सभी सदस्यों को मेरी शुभकामनाएं।

(साध्वी निरंजन ज्योति)
(साध्वी निरंजन ज्योति)

कार्यालय: कमरा नं 199, कृषि भवन, डॉ० आर.पी. रोड, नई दिल्ली-110001
Office: Room No. 199, Krishi Bhawan, Dr. R.P. Road, New Delhi - 110001
दूरभाष: 011-23388823, 23388859 • फैक्स: 011-23388827

CA. Suresh Prabhu, Hon'ble Member of Parliament, Rajya Sabha and Prime Minister's Sherpa to G 7 and G 20

SURESH PRABHU

MEMBER OF PARLIAMENT
(RAJYA SABHA)



78, Lodhi Estate
New Delhi 110 003
Phone : +91.11.24640476; 24610478

Message for Chartered Accountants Day – July 1st 2021

Dear Colleagues,

This past year has been a difficult one for each of us in one or the other way due to the COVID-19 pandemic. The recent second wave of covid-19 in India has again posed many challenges for our country. But the unwavering commitment of the government with the help of non-profits and private sector has helped us to overcome these challenges. The fast pace of vaccination drive in India and across the globe has given us a new hope to return to normalcy.

I want to congratulate ICAI for its 72 years of glorious existence and for bringing out a special issue of ICAI Journal - *The Chartered Accountant* which will be widely read by Chartered Accountants and other stakeholders. I am happy to note that on July 1st ICAI is set to celebrate the 'Chartered Accountants Day' which also coincides with its Foundation Day.

I am proud to note that, with 3.30 lakh Chartered Accountants and 7 lakh students, ICAI holds the record of being the 'second largest accountancy body in the world'. Chartered Accountants play a big role in the Nation Building process. Any business without the presence of CA is unthinkable. CAs perform a diverse set of roles from handling simple accounting procedures to complex financial systems from corporate to non-profit world.

ICAI plays a pivotal role in regulating the profession of Accountancy in India along with conducting exams and courses for CAs. ICAI has also played an important part in supporting the country during the pandemic by forming Covid-19 Task Forces for helping people in need by arranging oxygen, hospital beds, food, testing, medicines etc.

I am confident that the CA community in India through ICAI will keep working towards the financial and economic development of our country as well as keep providing its support to deal with the pandemic and will be a role model to others.

I wish you and your loved ones good health and appreciate your efforts towards our Nation building.

CA Suresh P Prabhu

B-21, Sadhna, 16th Cross Road, Khar West, Mumbai 400 052, Maharashtra
Phone : +91.22.26496040; Email: sureshprabhu@gov.in

Lal Kitab Khata to Computerised Accounting



Ancient records show accounting and business tracking existed in the most basic forms from thousands of years back in history. Early references of accounting are found in Babylonia and Egypt around 4000 BC confirming that maintenance of accounts is as old as civilization. Initially clay tablets were used to record the transaction. Egyptians used accounts to record the safe keeping of gold and the valuables in treasures. In Babylonia accounts were used by businessmen to uncover losses due to fraud and inefficiency. In India, 230 BC, Kautilya a minister in Chandragupta's dynasty wrote a book titled "*Arthashastra*" explaining how account records are to be

maintained. The Book included a chapter "*the business of keeping up accounts in the office of accountants.*" Over centuries the system of accounting evolved in India to reach *Lal kitab Khata* system used by the Indian merchants across India.

Today there is a metamorphic change as there is no need to write accounts by hand. In modern times accounting involves using technology on computers and accounting software programs to systematize financial system. Technological tools are leveraged to automate processes as modern accounting software programs create checks and balances. Account finalisation has become simpler and faster.

In the digital accounting there is electronic capture, formation, and transmission of financial information of business. There is big transformation in the way accounts are maintained and finalised in comparison to what was a few decades back. The modern accounting systems automate the calculations making the basic tasks simpler and reducing the chances of errors. There is also gradual shift to triple entry system of bookkeeping which presents a framework for a new and complex way to do accounting. In the triple-entry accounting system, all accounting entries are cryptographically sealed by a third entry and thus, it works as a deterrent towards manipulations and financial frauds.



In Conversation

Chartered Accountants ensure the discipline of transparency and accountability, which are indispensable for the health and growth of any business : Shri Mukesh Ambani

Mukesh Dhirubhai Ambani, Chairman and Managing Director of the most valuable Indian company Reliance Industries Ltd. shares his thoughts with ICAI Journal – The Chartered Accountant. Mukesh Ambani, epitome of success, is a Chemical Engineer from the Institute of Chemical Technology, Mumbai and MBA from Stanford University in the US. He initiated Reliance's backward integration journey – from textiles to polyester fibres and further onto petrochemicals and petroleum refining, and going upstream into oil and gas exploration and production. He created multiple new world-class manufacturing facilities involving diverse technologies that have raised Reliance's petrochemicals manufacturing capacities from less than a million tonnes to about 21 million tonnes per year.

He also led Reliance's development of infrastructure facilities and implementation of a pan-India organized retail network spanning multiple formats and supply chain infrastructure. He led and established one of the world's most expansive 4G broadband wireless network offering end-to-end solutions that address the entire value chain across various digital services in key domains of national interest, such as education, healthcare, security, financial services, government-citizen interfaces, and entertainment.

His success stories are vast and many, and any attempt to write them in these pages will fall short for want of space. We take pride to having conversed with him and have his most intrigue thoughts and vision on Indian economy and accountancy profession. Following is the interview...

Q1. Moving from petrochemicals to digital sphere to retail must have been a complex and intriguing experience. What was the driving thought behind Reliance's entry into telecom, digital and retail business?

A. My father Dhirubhai Ambani founded Reliance on the principles of investing in transformational businesses of the future, investing in future technologies, and investing in Indian talent. Creating wealth for the nation and improving the quality of life for all Indians were the foundational ideals of Reliance. And we have followed these evergreen principles while growing Reliance as a world-class enterprise.

We realised very early that the Fourth Industrial Revolution would be the greatest driver of change in the 21st century; that data-driven technologies such as AI, Blockchain, AR, VR, Cloud Computing and Robotics would transform lives, livelihoods and lifestyles across the planet in ways unimagined. We were convinced that by leveraging these technologies, we could build

businesses that could enable India to become an economic powerhouse and reclaim its rightful position in the league of global powers.

It is this belief, this conviction, this commitment to transforming India that went into the creation of our Retail business and Jio.

Through Reliance Retail, we are in an inclusive partnership with small merchants to bring enormous benefits to both consumers and producers. Through Jio, we have laid the foundation for India's digital transformation by building an advanced digital infrastructure capable of providing the most affordable digital services to Indians.

Q2. Micro, small medium enterprises are being seen as a cure to the pandemic related economic challenges. What are your views on the potential of the sector? How do you compare and contrast the competitiveness of the sector with presence of large corporations?

In Conversation

If India aspires to become an economic superpower, it is important that its MSMEs thrive and flourish. And, the one factor that can enable them to unlock their full potential is comprehensive digitisation.

A. The Micro, Small and Medium Enterprises (MSME) sector is a key pillar of the nation's economy. It has the highest potential to generate jobs in our country. The sector also contributes significantly to the national GDP and exports. I therefore expect it to play a pivotal role in India's post-COVID recovery and realising our vision of becoming a \$5 trillion economy.

If India aspires to become an economic superpower, it is important that its MSMEs thrive and flourish. And, the one factor that can enable them to unlock their full potential is comprehensive digitisation. Digital technologies can help them reboot themselves to produce a new array of products for fast-changing domestic and global markets while moving up the ladder of price and quality competitiveness.

That is why we at Jio are continuously looking at creating easy-to-use and highly affordable integrated digital services for MSMEs in India. The ultimate objective is to enable entrepreneurs across India to run their businesses with unprecedented efficiency.

Q3. In the present scenario, what are the opportunities available to Indian entrepreneurs? How can they open up and compete in the global markets?

A. If there is one thing, I am absolutely confident about the future, it is that there will be a profusion of opportunities for Indian entrepreneurs in the post-Covid era. The Indian economy will rebound very fast and transition from recovery to resurgence at a pace that will surprise the world. India has the largest population of young people in the world. No other country has this unique demographic advantage. Moreover, today's young

Indian entrepreneurs are far more ambitious and capable than people of my generation.

My message to entrepreneurs is that the time has come to widen your perspectives and start thinking beyond the boundaries of our nation. While formulating a new concept, don't just think about the last man in India; also think about the last man on earth. While designing an innovative solution to address a local challenge, spare a thought on whether it could be scaled up to address similar challenges elsewhere in the world. Now, the time has come for you to compete with your peers around the world and become world class.

Q4. From providing medical oxygen to setting up a free Covid-19 care facility, Reliance is taking a number of steps to provide relief to needy during ongoing pandemic. How do you see these benevolent steps of the company?

A. Right now, the number one priority for everybody at Reliance is to strengthen the nation's fight against COVID-19 and to enable it to put the pandemic behind us. And we have deployed our best resources towards this end.

From supplying medical oxygen to hospitals to creating high-quality COVID care infrastructure; from providing meals support to marginalised communities to equipping frontline workers with PPEs; from spreading awareness about COVID-appropriate behaviour to safeguarding rural lives and livelihoods; from making available free fuel to COVID response vehicles to contributing to various COVID relief funds; our efforts have been consistent, robust and multi-pronged.

All that we are doing is guided by our philosophy of WE CARE. What you call 'benevolence' is 'duty' for us a caring and empathetic corporate citizen.

I am particularly overwhelmed by the committed efforts of our frontline workers across the country who are risking their own lives to keep us safe and secure. As a society, we owe a lot to them.

I am confident that India will ultimately win the battle against COVID. Because the entire nation is united in this battle. All of us are fighting hard. And the human spirit to fight and survive is greater than any disease or pandemic.



Shri Mukesh Ambani,
Chairman, Reliance
Industries Limited

In Conversation

 I am particularly overwhelmed by the committed efforts of our frontline workers across the country who are risking their own lives to keep us safe and secure. As a society, we owe a lot to them. 

Q5. Reliance commenced annual triple-bottom line performance reporting from the Financial Year 2004-05 onwards. More recently, in the year 2015 United Nations General Assembly has finalised 17 Sustainable Development Goals to promote prosperity while protecting the planet. How important it is for corporates to work towards sustainability? How sustainability issues are dealt with in Reliance?

A. I mentioned that WE CARE is the overarching philosophy for everything we do at Reliance. WE CARE for our employees and their families. WE CARE for our customers, our shareholders, and our partners. WE CARE for the country and the community. Also, at the broadest level, WE CARE for the planet and the people.

The climate crisis reminds us that Planet Earth is the most important stakeholder for all businesses and economic activities. Focus on short-term gains and neglect of the long-term health and survival of the environment that nurtures life is a recipe for disaster.

Fortunately, a global consensus is emerging for action against climate change. The world is now closing ranks for a strong, effective and time-bound global action on climate change. This gives Reliance the right opportunity to accelerate our New Energy business wedded to the vision of clean and green development.

We have now embarked on our most ambitious new initiative in making India a world leader in Clean, Green and Renewable Energy. Towards this end, we will establish the Dhirubhai Ambani Green Energy Giga Complex over 5,000 acres in Jamnagar. This will comprise four Giga Factories — Solar Energy Factory; Energy Storage Battery Factory; Green Hydrogen Factory; and Fuel Cell Factory. All our products will proudly proclaim: Made in India, by India, for India and Made for the world! Reliance will establish and enable at least 100GW of solar energy by 2030.

Q6. The present turmoil emanating out of Global pandemic has created unprecedented economic challenges. How do you foresee Indian economy after five years? Do you think, we would be able to achieve dream of being \$ 5 trillion economy anytime soon? What role do you foresee for the finance professionals like chartered accountants in achieving this phenomenal target?

A. India's economy will bounce back from the COVID-19 pandemic and prove cynics, who doubt the country's growth story, wrong by becoming a \$5 trillion economy. The economy will not only rebound but will also grow with unprecedented acceleration.

Jio, our high-speed 4G connectivity infrastructure, has proved to be India's Digital Lifeline during the pandemic. India is still working, studying, receiving healthcare, shopping and socialising online. Simply put, India is thriving online.

This underscores the phenomenal evolution of Digital Technology in India. From being a means of limited engagement and entertainment, it has evolved into a platform of unlimited enablement and empowerment of all sections of society and all sectors of the economy.

Now, at the threshold of the 5G revolution, I firmly believe that India has the historic opportunity to become the world's pre-eminent Digital Society with Ease of Living for all, even at the middle and the bottom of the economic pyramid. And my conviction comes from the enormous transformative power of the Digital Technologies, as well as the tremendous talent of the Indian youth who are propelling this new India.

Q7. Chartered Accountants on account of their knowledge in finance, accounting, taxation are readily absorbed in companies. How do you find them in business matters? What are their skills that best serve the requirements of industry?

 The world is now closing ranks for a strong, effective and time-bound global action on climate change. 

In Conversation



To build the foundation for a sustained leadership in the digital age for India it will be necessary for the CAs to imbibe new skills. I call them the four Cs: Critical thinking, Communication, Collaboration and Creativity.



A. The contribution of Chartered Accountants in our nation's growth is well acknowledged. As a profession, you are entrusted with the responsibility to ensure financial integrity and propriety of every commercial activity.

A talented mind is the greatest asset to a company. And the ICAI has certainly nurtured a large number of talented minds over the years, who are playing important roles across the industry.

I have seen that when the Chartered Accountants are able to build upon their knowledge of finance and infuse it with entrepreneurial spirits, they can become great business leaders.

However, the world of tomorrow will be quite different from that of today. To build the foundation for a sustained leadership in the digital age for India it will be necessary for the CAs to imbibe new skills. I call them the four Cs: Critical thinking, Communication, Collaboration and Creativity.

Q8. Being Chairman of the largest corporate conglomerate in India, how do you see the current regulatory and governance environment in India? How do you rate the situation of regulation for Corporates? What are your suggestions for improvements, if any?

A. The regulatory and governance environment in India today is certainly progressive and conducive for growth. The Indian government has provided a sustained policy impetus with structural reforms and pivotal legislations in investments, taxation and infrastructure in last few years, with an aim to reach \$5 trillion in coming years.

India has made rapid strides in the 'Ease of Doing Business' ranking in last few years thanks to a number of such reforms. 'Make in India' and 'Atmanirbhar Bharat' initiatives are aimed at boosting domestic manufacturing sector. The PLI

schemes across sectors have provided the right impetus to domestic manufacturing at the right time.

Rationalization of taxes has taken India's corporate tax rate to one of the lowest among emerging economies in the world.

Digital India initiative has given a push for universal connectivity, which will play a key role in making India a Digital Society.

In addition, the Government has done commendable work in ensuring basic income, insurance, healthcare access, access to energy, banking, electricity and sanitation for millions living in rural India.

Q9. Managing an industrial behemoth must be very demanding and tiring. How do you maintain work-life balance? How is it important for Reliance to provide life balancing opportunities to its managers?

A. When you love your work, and when that work has a lofty societal purpose, that love, and that purpose become the sources of inexhaustible energy and inspiration. In that situation, maintaining work-life balance becomes easy.

Q10. Any concluding remarks that you would like to share with Chartered Accountant fraternity?

A. I have great respect for the profession of Chartered Accountants. They ensure the discipline of transparency and accountability, which are indispensable for the health and growth of any business.

I personally believe every individual; every institution needs to constantly keep expanding horizons to keep growing in life. Innovation is not something which you do once and forget about. It is a constant process that one needs to inculcate in the culture.

All the Chartered Accountants and the ICAI as an institution must aim to become the world leaders of your profession. To achieve that, it is necessary not just to dream big, but also to execute successfully the small and not-so-small tasks every day with passion and innovation. I have no doubt that the enormously talented and hard-working Chartered Accounts of India, under the guidance of a great institution like the ICAI, are already on their way to achieving this and winning global laurels.

Manual verification to Audit tools



In olden times the key purpose of audits was to gain information about the financial system and records of the business. Auditing is as old as accounting, and there are signs of its existence in ancient cultures. The exploration of counting process began thousands of years back with counting manually on fingers, pebbles, marks on sticks, knots on a rope and other such techniques. Interestingly, humans in different parts of world developed different numeral systems but the basis of counting was the same, i.e., when a certain number say a base is reached, a different mark is made representing all of them. But manual counting suffered from both accidental and intentional errors.

In the early stages of civilization with unrefined methods of maintaining accounts a person use to listen to the accounts read over by an accountant to check them. In India, “Arthashastra”, a treatise by Kautilya explains the process of accounting and auditing in medieval times.

The motives and methodology of auditing, outpacing the time have forged ahead rapidly, from vouching to Computer aided auditing techniques. In the last decade or so there has been rapid transition to digital, electronic and virtual modes of auditing. Using drones for physical verification in these times of pandemic is also not uncommon. Incidentally, the commercial world benefitted the most from incredible inventions and boons of science. The accounting professionals in their insatiable thirst to develop and deliver a higher quality audit and serve the business world in a more ethical manner are using a nexus of advanced techniques to amass financial information and mine the large volume of data and provide assurance beyond accounting books.

The ICAI is continually engaged in the process of review of the existing and emerging auditing practices worldwide and identify areas in which standards and statements need to be developed. ICAI formulates Engagement Standards, Standards on Quality Control and Statements on Auditing so that these may be issued under the authority of the Council of the Institute.



Continuing to Develop a Successful & Vibrant Profession

Never have we been so challenged globally to think about our future while being cognizant that the pandemic is not over, and our situations continue to change. We want and hope that we will get back to a sense of normalcy. But we have been shown how much life can change in a short period of time and even a return to normalcy will look significantly different for everyone. Read on...

In addressing previous and current adversity, the global accountancy profession has not only remained steadfast and committed, it has also quickly adapted for members' and society's benefit. And we must continue to champion adaptability to identify and seize opportunities as we discover them. Although this pandemic presents unprecedented challenges for professional accountancy organizations (PAOs), it has not stopped our efforts to serve members and stakeholders in the public interest and the greater good.

For all of us at the Advisory Group, our work also continues

Jelena Misita

The author is Chair, PAO Development Advisory Group, International Federation of Accountants. She can be reached at jelena.misita@revicon.info and eboard@icai.in



to go on, even if done virtually. The pandemic has especially highlighted the importance of strong collaboration among our profession.

IFAC PAO Development & Advisory Group's Role

The Advisory Group has significantly evolved since it was first established in 2005. Today, we help IFAC support strong, sustainable PAOs—the most effective, efficient, and sustainable source for advancing the accountancy profession—around the world.

We actively contribute to IFAC's strategic objectives, especially in preparing a future-ready profession in four key areas:

1. **Advise** IFAC and provide insights on trends and opportunities relevant to capacity building for PAOs, as well as implications for development of the accountancy profession.
2. **Advocate** for strengthening PAOs to support of the profession, including through outreach activities and speaking engagements.
3. Provide **assistance** and mentoring to developing PAOs as they strive to improve and meet IFAC's membership requirements and global best practices.



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4. Enable **access** to resources and expertise from IFAC member organizations and partners, including international development partners, to support PAO development.

Advisory Group members are from both developed and emerging economies and represent a variety of different sectors—private and public sector, academia, firms, PAOs, and small businesses. This diversity means we have a breath of experiences and knowledge to call on to shape our advice and assistance.

Despite going virtual in 2020, the Advisory Group accomplished a great deal thanks to members' commitment to keep carrying out our responsibilities.

year we have built upon the lessons from 2020 and are focusing on **PAO resiliency** and continuing our work to **strengthen membership quality**. We are working to help PAOs thrive by addressing topics such as digital transformation, mental wellbeing, and stakeholder engagement, to name a few.

In focusing on strengthening membership quality, we will continue raising awareness of the international standards—especially the International Education Standards, new audit quality management standards, and the *International Code of Ethics for Professional Accountants*—as well as investigation & discipline systems and support developing PAOs with resources and best

PAO Digital Readiness Assessment Tool;

- Contributing to articles and videos for IFAC's Knowledge Gateway;
- Forming a dedicated PAO Sustainability Working Group to address strategies for PAO development and recovery;
- Representing IFAC at various webinars and events;
- Publishing a new article: *New Quality Management Standards: A Tremendous Opportunity for PAOs*;
- Supporting PAOs with technical assistance and sharing of best practices for international standards' adoption and implementation; and

FULFILLING OUR REMIT IN 2020: THE IFAC PAO DEVELOPMENT & ADVISORY GROUP 2020 HIGHLIGHTS

The Advisory Group helps IFAC support strong, sustainable professional accountancy organizations—the most effective, efficient, and sustainable source for advancing the accountancy profession. The Advisory Group actively contributes to IFAC's strategic objectives, especially in preparing a future-ready profession, and its remit includes 4 specific responsibilities.



We are proud of our achievements from 2020 under very challenging circumstances. If your PAO has a specific request for assistance, please reach out.

2021 Priorities

We know a crucial issue for IFAC's member organizations, including the Institute of Chartered Accountants, is remaining relevant and sustainable for the long term—and ensuring all stakeholders understand our relevance and sustainability. That is why this

practices. Our Advisory Group works with IFAC staff to connect directly with PAOs to provide guidance, advise and resources.

Examples of the Advisory Group's activities either completed or ongoing in 2021 include:

- Supporting PAOs to navigate and complete IFAC's

- Mentoring and answering questions for organizations interested in IFAC membership.

The Advisory Group's ultimate purpose is to be of service to PAOs and ensure wide ranging support for the global accountancy profession, which

in turn serves and supports national, regional, and the global economy. Each of our volunteer members are passionate about our work, and we look forward to advancing our plans for 2021.

Accountants' Role in Economic Development

IFAC has recently published new data linking the accountancy profession and economic development. The analysis reviewed the accountancy profession in the G20 countries (including each individual country of the European Union), and the results highlight how professional accountants make a significant contribution to the different economies at the local, national, and global levels.

In each measure reviewed, a greater number of accountants correlates to better economic performance. Moreover, professional accountants who are members of an IFAC PAO correlate to even stronger performance on the economic indicators. It is because of dedicated and committed IFAC member organizations such as ICAI that such an impact is felt.

Based on this data and our experience working with PAOs, we not only want to recognize the impact of ICAI and the other PAOs globally, but we also want to acknowledge the volunteers and practitioners that make this profession vibrant and successful. If you are reading this and want to get involved with the profession, I encourage you to contact ICAI to seek out further opportunities!

Building Relationships & Partnership

IFAC Network Partners play an important role in sharing views



and trends from across the world. One such Network Partner is the South Asian Federation of Accountants (SAFA) and on behalf of IFAC and the Advisory Group, we would like to thank them and other Network Partners, such as the Confederation of Asian and Pacific Accountants (CAPA) and the ASEAN

advisor, Mr. Farrukh Rehman, for their active contributions to the Advisory Group's work. I would also like to acknowledge my predecessor Mr. Arjuna Herath, from the Institute of Chartered Accountants of Sri Lanka, for his enthusiasm, energy, and commitment to stewarding the Group to where it is now.



PAO Development & Advisory Group, February 2020

Federation of Accountants (AFA), for supporting our work and regularly attending our meetings as observers.

I would like to make special mention of current Advisory Group members, such as Mr. Prafulla Chhajed, nominated by ICAI, along with his technical advisor Mr. Rajendra Kumar; and Mr. Naeem Akhtar Sheikh, nominated by the Institute of Chartered Accountants of Pakistan, along with his technical

In closing, it is quite positive that the profession continues to progress onward and upward. I know that our Advisory Group stands ready to support and advance the profession. We look forward to engaging further with PAOs, our members, and our IFAC Network Partners.

Readers interested to know more about IFAC's work and the Advisory Group's activities may visit the IFAC website (www.ifac.org), including the Global Knowledge Gateway (www.ifac.org/gateway). ○○○

Accountants and Climate Change

A low-carbon transition is underway and will change how economies operate creating both uncertainty and significant opportunities. Politicians, regulators, and institutional investors, and asset managers are all maneuvering towards a world with net-zero emissions. The International Federation of Accountant's Point of View on climate action outlines the enormous influence on IFAC's 180 member organizations and on over 3.5 million professional accountants yield in driving climate change transition and adaptation. Read on...

Sanjay Rughani

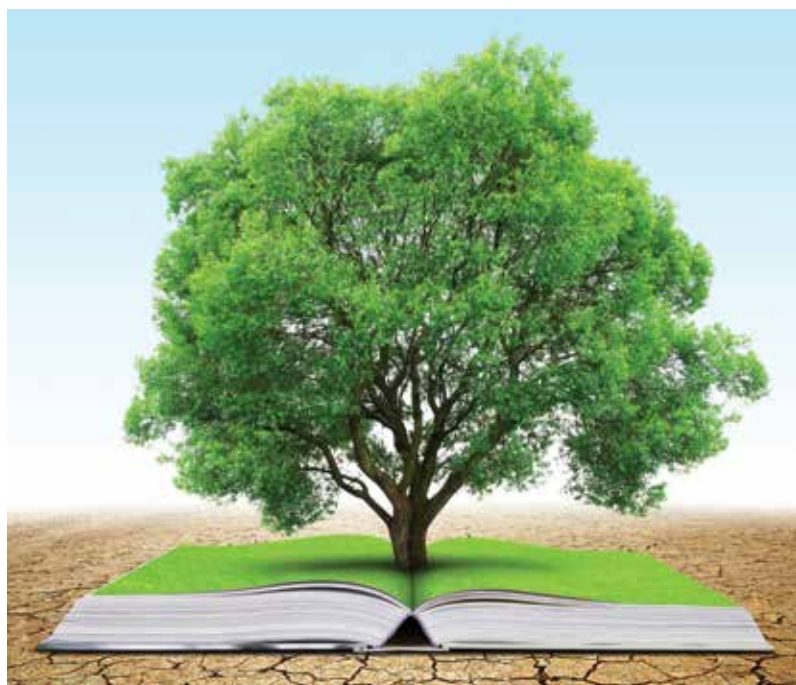
The author is Chair, PAIB Advisory Group, International Federation of Accountants. He can be reached at sanjay.c.rughani@sc.com and board@icai.in



As Mark Carney, COP26 Finance Adviser and UN Special Envoy, put it at the 2020 IFAC and ACCA Climate Week event, the accountancy profession is essential in achieving a low-carbon transition. The contribution of an individual accountant will of course depend on their role but there are few roles that accountants undertake which do not require thinking about climate impacts and their financial consequences.

The transition to a below 2-degree Celsius net-zero world really needs climate-literate accountants who can:

- advise their clients and employers on the risks, liability and reputational damage arising from corporate activity that negatively contributes to climate change;
- support the strategic, operational and financial assessment of climate



change and steering an organization toward the opportunities that decarbonization brings; and

- provide investors the information they need to understand the current and prospective impact of climate-related matters on an organization and its financial position and prospects.

Net-zero emissions will be achieved when all anthropogenic GHG emissions are counterbalanced by removing GHGs from the atmosphere by carbon removal. The net-zero premise is that emissions from human activities based on fossil fuels are reduced to as close to zero as possible, and remaining emissions are balanced with an equivalent amount of carbon removal. In scenarios limiting global warming to 1.5 degrees Celsius, GHG emissions need to reach net-zero between 2063-2068 (and carbon dioxide much sooner by around mid-century). Although not all countries need to reach net-zero at the same time, the likelihood of attaining the Paris Agreement and a 1.5 degrees Celsius warming scenario depends on high emitting countries acting sooner.

Net-zero emissions commitments are a clear signal of the intent to achieving the International Climate “Paris Agreement”. About 60% of global emissions are now subject to such targets. Undoubtedly, there is

significant work to be done to meet such long-term ambitions not least companies putting in place clear strategies and robust short- and medium-term targets, and ensuring where possible future investments are clearly aligned. Climate Action 100+ has put in place a net-zero company benchmark to help track business alignment with the Paris Agreement.

Governments and businesses are setting net-zero emissions targets with about 120 governments and a fifth of the world’s 2,000 biggest listed companies having made net-zero commitments. In India, which is on a trajectory to meet its current Paris climate commitments, Indian Railways has committed to achieve net-zero emissions by 2030 in addition to various large companies (e.g., Reliance Industry net carbon zero by 2035, Mahindra Group carbon neutral by 2040, and Wipro net-zero GHG emissions by 2040).

More than 40 asset managers including Vanguard and BlackRock, signed up to the Net Zero Asset Managers Initiative pledging to make their portfolios net-zero by 2050 or earlier. The CEO of BlackRock, Larry Fink’s annual letter calls on all companies

“to disclose a plan for how their business model will be compatible with a net-zero economy”.

The significant threat of climate-related stranded assets is also driving central banks and financial supervisors to assess their role in ensuring the resiliency of the financial system and solvency of financial institutions.

Capital markets have started to make decisions about the transition to renewable and sustainable energy with the cost of capital for fossil fuel options increasing. Financial capital is seeking solutions to reduce GHG emissions. The World Resources Institute highlights 10 key solutions to reduce emissions.

10 Key Solutions Needed to Reduce Greenhouse Gas Emissions



A major challenge for investors and the capital markets is that climate risk disclosure globally is inadequate. For climate risk to be fully reflected in company valuations every company,

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every bank, every insurer and investor needs to disclose their climate-related risks on a standardized basis. Company valuations in a 2-degree Celsius or lower world will likely be very different given the potentially significant implications on future cash flows.

Climate change can only be fully taken into account in valuations when companies have incorporated climate-related risks in their financial position and performance. As climate is increasingly integrated into corporate decision making and reporting, valuations will better reflect the actual and potential climate impacts.

A significant challenge in climate-risk assessments and disclosures is that climate impacts are not quantified and monetized. Quantification helps to drive medium and long-term planning, and is where accountants involved in financial planning and analysis, can significantly contribute by providing financial-related information about profits and valuations that reflect climate-related risks and events. Without quantification of climate risks and opportunities, companies will find it hard to compare climate change against their wider enterprise risks, and investors are unable to make informed decisions about the allocation of their capital.

Effective climate risk reporting also requires significantly better disclosure around key

accounting estimates and judgements in assessing and reporting on financial position and performance. Investors and regulators, and subsequently auditors, have started to ask questions of companies, particularly those with large carbon footprints, challenging their assumptions and risk disclosures in their financial reporting. Reflecting climate risk in financial reporting is ultimately the same as dealing with other risks. Climate risk may well lead to asset impairment, and provisions and contingent liabilities. Property, plant and equipment can have useful economic lives spanning long periods with significant assumptions about future cash flows taken into perpetuity. Climate-related financial risk and opportunity both largely arise from the need to retire and replace carbon-intensive assets on an expedited basis.

With climate being a significant financial concern and threat to business resilience and long-term value creation, accountants need to provide actionable information and insights on its opportunities, risks and potential financial impacts.

There are four key areas of focus for accountants in becoming climate-literate:

1. Know your emissions

Emissions arise from products, services, and fixed assets. Both absolute emissions reduction and carbon intensity provide a benchmark for targeted decarbonization actions.

Capital markets have started to make decisions about the transition to renewable and sustainable energy with the cost of capital for fossil fuel options increasing. Financial capital is seeking solutions to reduce GHG emissions.

Establishing a reliable carbon footprint (or GHG emissions inventory) for an organization, or for a product, can be a complex but critical task to measure the energy consumption of activities and the emissions associated with the business model.

This requires understanding the absolute emissions across value chains (i.e., beyond Scope 1 direct emissions and Scope 2 electricity indirect emissions). Collecting robust data of Scope 3 or other indirect emissions is challenging but important to understand emissions in the supply chain, how customers use products, and the significant risks and opportunities related to operation licensing. Consequently, more companies are working with customers and suppliers to help address emissions in the

consumption and supply parts of the value chain.

Setting key performance indicators (KPIs) that improve performance and link to incentives is critical. For example, an airline might reduce emissions per passenger mile traveled, but higher passenger numbers could still increase overall emissions. Accountants need to ensure GHG management plans are in place to prioritize carbon reduction projects and quantify cost savings, carbon savings, and implementation costs.

Accountants need to address the emissions data quality challenge through implementing an effective system of internal control over such data and ensuring it is subject to investor-grade assurance.

2. Integrate climate information into strategy and risk management

Comprehensive understanding of climate risk assessments and scenario modeling supports robust analysis of opportunities and risks of different transition pathways and reveals the resilience of strategies and business models to physical and transition climate risks. Scenario analysis to prepare The Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) recommendations for disclosure will likely include significant assumptions and estimates about the future.

Many of these will be important for financial planning and financial statement preparation to underpin balance sheet items.

Scenario analysis and risk assessments help quantify potential financial impacts on revenues, expenditures, assets, and liabilities under various climate scenarios. The adaptive capacity of business models in different scenarios is highlighted by the extent to which weather events and increasing carbon costs impact expected cash flows and asset valuations.

Climate risks must be embedded in strategic decisions such as capital investment. Existing assets including buildings, machinery, equipment, and vehicles are stores of future emissions which will continue over their remaining use. Asset impairment and replacement costs, and appraisal of new assets, is a fundamental part of achieving net-zero.

3. Understand your decarbonization options

This includes options for permanent carbon reduction and removal. Businesses with a decarbonization strategy and plan can respond and adapt to different approaches to achieving net-zero emissions.

Investments in low-carbon solutions can often appear economically unviable because of high up-front capital costs. So measuring economic returns, and other potential

benefits over longer periods become important. Investments in R&D include resource and energy efficiency, migration to circular business models, avoiding use or production of virgin materials (e.g., using bio-based raw materials like mycelium leather), and diversification into other energy forms.

A credible transition plan is needed to access finance for low-carbon investments and products, such as electric fleets or renewable energy generation. Mobilizing equity or debt finance to support new technologies and processes is usually critical. Options for green finance have significantly increased over recent years through green bonds such as the bond and sukuk issuances used at Standard Chartered, and sustainability-linked loans.

4. Tell the story

Communicating how your company is becoming net-zero compatible will be part of any finance leader's conversations with boards, investors and other stakeholders--explaining risks and opportunities, targets and KPIs, prioritization of capital investment, and financial impacts, including how climate change relates to accounting estimates and judgements used in the preparation of financial statements and reports. For climate reporting to move beyond a marketing exercise to one providing information that boards and investors need to enable decarbonization, accountants need to be part of the equation and rise to the occasion. ○○○

Small and Medium Practice Transformation During a Crisis

There have been many lessons from the pandemic, and small- and medium-sized practices (SMPs) have had to evolve their practices to fit the changing needs of their clients. In some cases, this has meant assisting them with debt covenant waivers, obtaining new sources of financing, navigating cash flow issues, advising them on technology needs, and so much more than they may have been asked to do in the past. It has also changed the way that the firms themselves do business, as many firms, like their clients, have had to shift to a fully virtual working environment. In many cases, it has even changed the way firms try to retain key staff and plan for their future. Read on...

Monica Foerster

The author is Chair, SMP Advisory Group, International Federation of Accountants. She can be reached at monica@confidor.net and eboard@icai.in



New Service Offerings and Digitalization

The pandemic has fostered innovation for many firms. Businesses and individuals that are struggling financially are seeking ways they can operate more efficiently. Because of this, accounting and advisory expertise is needed more than ever. From questions about government stimulus packages, to adjusting business models, to needing general insights on financial health and resilience, accountants are helping current and new clients navigate these challenges.

The global health and financial challenges have propelled many

professionals and firms further into advisory services, and this need will continue - offering a great opportunity for the industry. The trend towards offering more advisory services is not new, but the pandemic seems to have accelerated the rate at which this work is being undertaken by firms.

SMPs need to embrace technology to better serve clients and attract and retain top talent. A survey of 3,300+ Gen Z'ers across G20 countries examined this generation's views on public policy and the workplace. It showed that Gen Z expects digitalization and emerging technology will be a double-edged sword, both bringing new



ways of doing things (meaning new and more interesting jobs) but also driving the decline of traditional job roles and responsibilities.

According to industry data, SMPs that embark on diversification (before digitalization) tend to have lower productivity. One pointer, noted in the Association of Chartered Certified Accountants and Singapore Commission report and quick guide, is to digitalize first—before diversification.

The Virtual Office

One major challenge for many SMPs in 2020 was converting to

a fully virtual work environment. Many firms were not prepared to work in a virtual office setting. With stay-at-home orders and many office locations around the globe being closed even well into 2021, firms have had to figure out how to continue to provide high quality services to their clients, while not being able to be on site.

Google's CEO Sundar Pichai said recently that the future of work involves a "hybrid model." A March article from IFAC on the virtual environment and the hybrid office notes that as with other trends in technology in the workplace, companies will thoroughly understand the benefits and challenges of a hybrid office model only after it has become a common practice.

Onboarding remote staff also comes with challenges. A January IFAC article notes the following measures should be considered:

- Getting the technology and environment right.
- Communication between the employer and employee and setting work expectations.
- Staff interaction.

A 2020 Succession Planning Survey conducted by the AICPA noted that the majority of firms surveyed expected that more of their staff would work from home after the pandemic ends than they did before it. Almost three-quarters of multi-owner firms (71%) and nearly half of sole owners (47%) said that more of their staff would work remotely once the pandemic is over. In some cases, respondents expected the shift to remote work to be considerable. Eighteen percent of respondents from multi-owner firms and 17% of

sole owners estimated that their employees would work remotely 40% or more of the time than they did before COVID-19.

Effective selection, implementation, and management of technologies, as well as training employees to use software solutions, have become fundamental to the success of any firm. When introducing or reviewing a technology strategy, a firm needs to first define its goals, then find and embrace a system that will achieve most, if not all, of those goals. IFAC has developed a Practice Management Guide, which covers leveraging technology to assist SMPs in developing an effective technology strategy.

Staffing Trends

More work and tighter tax and other reporting deadlines have caused widespread staff burnout. Firms will have to be strategic and creative in attracting and keeping talented people as we continue to navigate what seems to be a never-ending busy season.

Firms also may need to think outside the box regarding the skills they are seeking to perform new services and how those services are staffed. Firms may also be able to leverage technology tools in order to reduce staff hours spent on projects, allowing them to focus more on the big picture and advising their clients.

In a 2019 report by AICPA, the recruitment of non-accountants as a percentage of all new graduate hires are up from %11 to %31, whereas there has been an approximate %30 decline in the hiring of accounting graduates since 2017. The marketplace continues to demand different

The global health and financial challenges have propelled many professionals and firms further into advisory services, and this need will continue - offering a great opportunity for the industry. The trend towards offering more advisory services is not new, but the pandemic seems to have accelerated the rate at which this work is being undertaken by firms.

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competencies and, while accounting graduates are still being hired, firms are also seeking other skill sets to expand their services. There is further anecdotal evidence to suggest that some of the technology-specific hiring is occurring at the “experienced hire” level—not just the entry level.

IFAC has developed a Practice Transformation Action Plan that focuses on how SMPs can embrace change, leverage technology, manage talent, and have a renewed emphasis on providing relevant and value-added services.

Succession Planning

A December 2020 Journal of Accountancy article notes that many CPA firms are now grappling with succession planning issues, according to the results of the AICPA's

2020 Succession Planning Survey. More than half of multi-owner firms (55%) said they are currently experiencing succession challenges, up from 26% in 2016, the last time the survey was conducted.

However, the survey results indicate the COVID-19 pandemic has not affected most firms' plans for succession. More than three-quarters (76%) of single owners and sole practitioners said the pandemic has not changed their time frame for retirement, while the vast majority of respondents from multi-owner firms (88%) said it has not changed their senior partners' time frame for retirement. Most single-owner firms and sole practitioners (72%) also said the pandemic had not changed their plans for merging or selling their firms.

Firms will have to be strategic and creative in attracting and keeping talented people as we continue to navigate what seems to be a never-ending busy season.

Conclusion

The pandemic has shown that the pace of change will be faster tomorrow than it is today. Firms will need to continue to adapt and adjust their business models to keep up with their clients' needs. ○○○



Farsighted Approaches to Auditor Independence: Responding to Global Challenges

Auditor Independence is a major component of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). The International Ethics Standards Board for Accountants (IESBA) has recently issued revisions to its standards of auditor independence with an effective date of December 15, 2022. Read on..

The revised standards address pivotal issues - limits, conditions and prohibitions on the provision of non-assurance services (NAS) to audit clients; principles for the transparency and the distinct separation of fees charged for audit and non-audit services; and restrictions directed to limitation or

Stavros Thomadakis

The author is Chair, International Ethics Standards Board for Accountants. He can be reached at thomadakis@econ.uoa.gr and board@icai.in



elimination of fee dependency of the auditor on a single client. All this is viewed by the new standards through the lens of their positive impact upon “independence in fact” and “independence in appearance”, to use the language of the Code.

These new provisions are path-breaking in several ways. Their greatest advantage is that they are future-focused as explained below.

Project initiation

Concerns among stakeholders, especially from the regulatory

and investor communities, have been lingering for quite some time about the impact of the provision of NAS to audit clients on auditor independence.



The extant Code includes prohibitions on the provision of NAS, in many cases subject to a materiality threshold. It also requires the use of a “reasonable and informed third party” test implying that outsiders’ perceptions about independence have to be considered in auditor judgments.



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The occurrence of corporate failures and the pressures of persistent crises led many around the world to question whether independence could be maintained when NAS were becoming both a significant source of revenue to audit firms. The deeper issue has been one of possible distortion of incentives, or, in the language of the Code, emergence of serious threats to independence: Can a firm conduct an independent audit when the provision of NAS to the audit client is becoming a serious business relationship that can influence auditor judgments and objectivity? Are there not situations when safeguards do not suffice and prohibitions must be put in place?

Confronted with such questions, the IESBA conducted outreach on the basis of a paper issued in May 2018 and titled “Non-assurance

 The occurrence of corporate failures and the pressures of persistent crises led many around the world to question whether independence could be maintained when NAS were becoming both a significant source of revenue to audit firms. 

Services: Exploring Issues to Determine a Way Forward”. We also commissioned a review of academic literature on impact of fees on market perceptions about auditor independence.

Further, we studied the steps that some advanced jurisdictions took to reinforce independence. “Black lists” of prohibited NAS or “white lists” of allowed NAS to be provided to audit clients have surfaced in national regulations. Fee disclosures and caps on types of fees have also been established in some jurisdictions as a constraint to NAS provision to audit clients. These initiatives furnished a guidepost to the deliberations of the Ethics Board as to the direction of travel. Audit firms themselves, sensitive to perceptions and regulatory pressure, had also been taking steps to reduce in fact and appearance the mixing of audit and non-audit services by instituting various forms of separating walls among various business lines. Thus, both regulatory evidence and wide perceptions pointed to the need for the global standard-setter to step in; and so we did with simultaneous projects on NAS and on fees.

The objectives

The overarching objective of the projects has been to strengthen the IIS, addressing public interest concerns about independence when firms provide NAS to their audit clients and in certain fee-related situations.

An important supplementary objective, common to all Code provisions, is that the standards have to be applicable and operable globally, not being fashioned for a few select jurisdictions. By and large, this “applicability” objective implies the advancement of principles-based provisions with some flexibility to meet local needs.

More specifically, the work, consultations and deliberations of IESBA looked for conditions, limits, and targeted prohibitions of the provision of NAS to audit clients; they also viewed mandating transparency of related fees paid by the audit client for both audit services and NAS, and to possible threats to independence that fee correlation between the two categories of services or fee dependency may create.

It was clear in the specification of project objectives that the new independence provisions would be differentiated, depending on whether the client entity is a public interest entity (PIE) or not. This distinction rests on the premise that, by definition, independence requirements need to be more stringent for PIEs, as their financial condition is more relevant to a broad set of stakeholders with higher impact on the public interest. The critical distinction between PIEs and non-PIEs already exists in the Code and provides an important and socially meaningful canon for scalability of provisions. It would be disproportionate if SMEs and SMPs were, for

example, subjected to strictures as burdensome as for large and more complex entities.

IESBA Solution - NAS: Key features

The “IESBA Solution” responds to all these queries and concerns. Here, the focus will be on key provisions, discussing their broad significance. Those who would like to see the complete provisions for NAS and fees, can visit our webpage (ethicsboard.org) for full details, including responses to consultation and justification of IESBA's choices of standard content and architecture.

The structural elements on which the Code is premised are the list of five fundamental principles and a conceptual framework that specifies threats to compliance and how to address them. The five threats are worth repeating here: self interest, self-review, advocacy, familiarity, and intimidation. All these threats may affect independence. And all, or most, become entwined with the provision of NAS and the payment by the audit client of fees to the audit firm for these services.

Examining the black lists in jurisdictions that have regulated this matter, we find a common – and powerful – denominator in the prohibited NAS: the distinct possibility that their provision creates a self-review threat (SRT). Self-review means reviewing your own

previous work in the course of an audit; and this is the most evident and most damaging circumstance to both the substance and the appearance of independence. Reflecting about it, review of own work cancels the critical perspective or scepticism – it undermines, or even leads to disappearance of independence. Of all threats, SRT is the most damaging to independence, both in fact and in perception.

So IESBA's global solution has not been yet another black list. It has gone to the heart of the issue mandating for PIEs, a prohibition of any service that might give rise to a SRT. This is a novel approach both in the Code itself and in relation to various national regulatory regimes.

It is important to emphasise here that the new standard prohibiting the risk of SRT is efficient, stringent and objective. It is efficient because with one principles-based prohibition, it, in fact, prevents the provision of a whole set of NAS to audit clients. It is stringent because it eliminates not simply all NAS that give

rise to a SRT but all NAS that might give rise to a SRT, i.e. not just the fact but even the mere possibility of a SRT occurring. It is objective because the prohibition does not depend on a materiality threshold. So it is not a matter of judgment whether the prohibition will bite or not. It will bite for PIEs.

Besides being efficient, stringent and objective, the SRT prohibition has another more powerful advantage: it covers possible future services, embedding new technologies that may present new forms and opportunities for the SRT to surface. In a world of technology-driven innovation, this is a clear advantage as compared to lists of presently defined and known NAS that may well change: The SRT prohibition is farsighted and future-proof.

The centerpiece prohibition of services that might give rise to a SRT is complemented by a series of other provisions that enhance independence. For one, the new standards elevate very significantly the role of those charged with Governance within the client entity. They



have to concur to the provision of any NAS not otherwise prohibited and they approve the fees, as well. Communication of the auditor with those charged with governance (TCWG) is an important feature because it empowers these parties to play a very significant role in the process, to express an opinion on the question of independence and to act on this opinion. This too is a significant novelty.

By virtue of the Code's "related entity" provision, the SRT prohibition of NAS extends to cover related entities of the PIE client. For a listed client in particular, this will include related entities under direct or indirect control of the listed entity, its parent entity as well as its sister entities. A noteworthy supplement to the standard is that the provision of

NAS, not otherwise subject to the SRT prohibition, to certain members of the PIE's corporate family, especially the parent entity, must also be disclosed to TCWG of the PIE by the audit firm. These will be taken into account when assessing independence and concurring with (or rejecting) the provision of the NAS.

Core provisions prohibiting the SRT apply to PIEs, as already explained. In the case of non-PIEs, the provisions are scaled down but still involve a strengthening of evaluation and review of the SRT and the application of appropriate safeguards by the auditor. So, on the whole, the new standard represents a general strengthening and clarification of independence requirements with respect to the SRT. This does not mean that other threats are disregarded or omitted. There is ample consideration, requirements or application material for the management and reduction of other threats. Singling out IESBA's focus on the advocacy threat can also seriously undermine independence. The new standard places limitations on provision of NAS such as legal services or tax-planning services, for example, precisely in order to prevent the erosion of confidence in the auditor's skepticism and independent judgement.

The IESBA Solution - Fees: Key features



The Board and the extant Code recognize the wide acceptance of the audit client payer model.

Yet, the payment of fees on the basis of that model may give rise to threats to independence, especially the self-interest threat and the intimidation threat. A clear project objective is to raise the awareness of audit firms about these threats and to make provisions addressing those threats.

Approaching the question of fees, the Board stayed away from any attempt to determine what the proper level of fees should be, as this is a business decision and depends on a variety of real-life factors. However, the new provisions flag important elements of principle. First, that the audit fee should be sufficient for the provision of audit services as required by the principle of competence and due care. Second, the audit fee should be determined on a stand-alone basis and not be correlated to fees paid for non-audit services. Third, very high or very low fees might affect adversely perceptions of independence or quality.

Audit committees of PIEs must be fully informed on the determination of fees and services involved on the basis of requirements of the Code. The new provisions go further: for PIEs, they mandate public disclosure of fees paid by the client to the audit firm and network firms separately and distinctly for the audit and the non-audit services. Thus, market participants will be able to make comparisons and draw

A noteworthy supplement to the standard is that the provision of NAS, not otherwise subject to the SRT prohibition, to certain members of the PIE's corporate family, especially the parent entity, must also be disclosed to TCWG of the PIE by the audit firm.

 The new provisions banish fee dependency by flagging that, in the case of PIEs, the appearance of revenue concentration of more than 15 percent from a single client must be corrected 

their own conclusions about the trustworthiness of audits.

A last important provision relates to “fee dependency”. Already described in the Code, this relates to situations of an audit firm receiving substantial revenue from a single client. This is a situation where “self-interest” and “intimidation” threats come to play. The new provisions banish fee dependency by flagging that, in the case of PIEs, the appearance of revenue concentration of more than 15 percent from a single client must be corrected: measures to reduce concentration, public disclosure of the dependency if it occurs for two consecutive years and disengagement from the client if dependency persists for five years. In the case of non-PIEs, the Code now prescribes a less stringent but still robust use of safeguards.

Complementary projects

Two ongoing projects have a bearing on how the NAS and Fees provisions are applied around the world: the revision of the definition of PIE and the work on technology and ethics.

The current definition of PIE includes “listed entities” and accepts additional entities that local laws and regulations may specify. This extant specification leads to significant variety across jurisdictions. IESBA is now specifying steering indications of what features PIEs should have so that local definitions are more globally consistent. We are considering consultation results at this point. The project is closely coordinated with the IAASB so that we can work towards a common definition.

Our technology initiatives are looking at the impact of innovations on ethical behaviour. A comprehensive review of the Code’s fundamental principles, taking into account current technological inroads, has shown the Code’s fundamental principles to be solid, comprehensive and clear in their coverage of new configurations of technologically-supported human judgment and practice. Nevertheless, we are actively studying potential enhancements to the Code that would enable professional accountants to appropriately respond to threats to ethical

behaviour when they are involved in the development, implementation or use of technology. Additionally, in the case of NAS, we plan to offer additional guidance to the implementation of the new NAS provisions, in the context of dense technological applications.

Conclusions

A principle-based Code with clear guidance for application continues to be the best option for globally consistent practice of ethical precepts and requirements.

Code pronouncements must be comprehensive and remain relevant not only in the context of new technologies but also in another context: the pressing needs for more informative and more standardised non-financial reporting, which will require an extension of the system of external examination in the form of audits, reviews and assurance.

Lastly, advancements in ethical codes – analogous to the IESBA’s International Code – across the entire eco-system of corporate professions, both within and around corporate organisations should be promoted by the accounting profession, corporate organisations and policy makers. I remain a very strong proponent of a generalised elevation of ethical cultures and behaviours across the actors who move and energise our economies. The International Code of Ethics for professional accountants furnishes an excellent prototype. ○○○

CA Profession and Professional Standards

The profession of chartered accountancy is based on code of professionalism and ethics. Often termed as a partner in the process of national development, the Institute of Chartered Accountants of India' has been playing a crucial role in Indian economy by successful implementation of various financial and accounting standards. Running on the basis of professional ethics, ICAI is responsible for drafting accounting, auditing and other standards. Considering the amount of challenges in this area, it is advisable that Chartered Accountants must adhere to quality consciousness and professional standards in order to sustain the confidence of all the stakeholders. Read on..

CA. (Dr.) Shiwaji Bhikaji Zaware

The author is Chair, Asian-Oceanian Standard-Setters Group and a member of the Institute. He can be reached at sbzaware@icai.org and eboard@icai.in



A 'Profession' is a disciplined group of professionals who adhere to professional standards and who hold themselves out as and are accepted by stakeholders to repose the confidence for possessing special knowledge and skills for.

'Professionals' are governed by codes of ethics and professional commitment to competence, integrity, morality, altruism and promotion of the public good within their expert domain and are quality conscious. 'Professionalism' is defined as the personally held beliefs of a professional

about their own conduct as a member of a profession.

The CA profession can be traced all the way back to pre-independence times. The Companies Act, passed by the British administration in India in 1913, required a list of books that a company incorporated under the Act had to maintain. The Act also provided for the appointment of an auditor, who had the power to audit these books. Later, the Government introduced a Diploma in Accountancy course in Bombay (now Mumbai). This course followed a pattern similar to a smaller version of today's



CA course with a three-year training period. Those who completed the course and training could practice as an auditor in India. In 1930, the then Government decided to maintain a 'Register of Accountants' and preferred the title as 'Registered Accountant'. However, even with all these practices, the accountancy profession remained under-regulated until the formation of an expert committee in 1948, which suggested that an autonomous body should be formed for enhanced regulation. By then, many Indians had already become members of the Institute of Chartered Accountants in England and Wales (ICAEW) and were known as Chartered Accountants at that time. An 'Expert Committee' was formed in independent India to advocate the formation of an autonomous institution of accountants to govern the accountancy profession. In 1949, soon before India became Republic, the Parliament accepted the Expert Committee's report and passed "The Chartered Accountants Act". This Act came into effect from July 1, 1949 and the Institute of Chartered Accountants of India (ICAI) was established as the regulator of the esteemed profession. Since then, July 1 has been commemorated as the CA Day in India. The term "Chartered Accountant" became the preferred title instead of the previously used "Registered Accountant". However, unlike in other Commonwealth

countries, the word 'Chartered' when used for Indian Accountants, has no relation to the royal charter of the British (as India is a republic)!

The traditional role of a Chartered Accountant as an accountant and auditor has undergone sea changes since 1949 as in today's commercial world, he/she is recognised as 'Business Solution Provider'.



Hon'ble Prime Minister of India, Shri Narendra Modi while addressing during CA day on July 1, 2017 stated that ***"Chartered Accountants are like Ambassadors of any country's economic system. Your signature is more powerful than that of a Prime Minister. Your signature is a testimony to the trust in the truth."***

ICAI – Partner In Nation Building

The ICAI is often termed as a "partner in nation building" as it has played and continues to play a vital role in the Indian economy by successful implementation of various financial reporting standards viz. formulation of accounting standards, convergence with International Financial Reporting Standards (IFRS), implementation of auditing and assurance standards, and so on. The list is endless.

ICAI has achieved recognition as a premier accounting body not only in the country but also globally. At a macro level, the ICAI prescribes accounting/financial reporting standards, thus ensuring uniformity in the accounting and financial reporting and helping the stakeholders to assimilate how the financial performance, financial position and cash flow is displayed

on historical facts. ICAI, as a regulator, works closely with the Ministry of Corporate affairs and while executing its leadership responsibilities, has intensified its interactions with the Ministry of Finance, Ministry of Human Resource Development, Reserve Bank of India, Ministry of Commerce, Ministry of Railway, Securities and Exchange Board of India and Insurance Regulatory and Development Authority besides a host of other number of government departments.

These initiatives by ICAI are a part of the special drive to augment stakeholders' trust and established professional leadership and influence in all the emerging fiscal arenas with global orientation.

Code Of Ethics

Ethics is knowing the difference between what you have a right to do and what is right to do

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In today's ever-changing commercial environment, ethics is not a domain that must be kept distinct from the practical world, but rather is an integral part of it. It must be imparted in the individual's habits and temperament in order to create an overall culture of ethics. This force must be dominant enough to keep pace with the changing dynamics and quality consciousness of the profession. As a result, it was felt necessary for ICAI to frame ethical framework for Chartered Accountants. The provisions of the Code of Ethics has to be followed by all the members of

the Institute, whether in practise or in service. The latest Code has been derived from the International Ethics Standards Board for Accountants (IESBA) as Code of Ethics, 2018 issued by the International Federation of Accountants (IFAC) subject to the required changes that have been made to make it compatible with Indian laws.

The Code of Ethics establishes fundamental ethical principles for professional accountants, reflecting the profession's recognition of its public interest responsibility. These principles define the expected conduct of a professional accountant.

- Ethics are vital to encourage Chartered Accountants to maintain rightful professional demeanour. The approach and conduct of professional accountants in providing services have a bearing on the economic well-being of their profession and country.
- The ethical aspects of carrying profession are becoming just as imperative as the financial ones, and a well-considered code of ethics is an indispensable prerequisite for qualitative output.

The ICAI played and continues to play a vital role in the Indian economy by successful implementation of various financial reporting standards viz., formulation of Accounting Standards, Convergence with International Financial Reporting Standards (IFRS), implementation of Auditing and Assurance Standards, and so on.



Importance of Code of Ethics

- The Code of Ethics serves as a guide for members of the profession.
- A unique mark of a profession is acceptance of its accountability to the stakeholders. A professional accountant's responsibility is not limited to meeting the needs of a single client or employer. Professional accountants are trusted by investors, banks, financial institutions, insurers, the government, tax authorities, collaborators, the business and financial community, and other stakeholders.

Apart from the Code of Ethics, a professional accountant should also act diligently and in accordance with applicable professional standards while providing services.

Professional Standards

Professional Standards are a set of laws, principles, practices and behaviour that members of a respective professional group have to follow.

As a premier professional body, ICAI is responsible for drafting accounting, auditing and other standards. These professional standards are described as follows:

I. Accounting Standards (AS) and Indian Accounting Standards (Ind AS)

In the present era of liberalisation and globalisation, the world has become a global village. Financial reporting plays a very important role in the economic growth of any country. It is a business communication language in which summarised business transactions are reported to the primary and secondary users in the form of 'General Purpose Financial Statements'. With improving technology and logistics, businesses have the opportunities to expand at an international level. However, different accounting frameworks are observed in different countries for the same transaction. This results in confusion in the minds of the users of financial statements which has resulted in the need to adopting unified international standards that can help economy, industry and accounting professionals.

Apart from the Code of Ethics, a professional accountant should also act diligently and in accordance with applicable professional standards while providing services.

The Accounting Standards Board of the ICAI established in the year 1977 issues the accounting standards to establish uniform standards for preparation of financial statements in accordance with the Indian GAAP, for better understanding of the users. These accounting standards are expected to be implemented by non-corporate entities including small and medium sized enterprises (SMEs). The auditors must ensure compliance of the accounting standards while certifying general purpose financial statements. Otherwise audit report needs qualification.

ICAI prepares and recommends AS/Ind AS through National Financial Reporting Authority (NAFRA), which subsequently gets notified by MCA vide Companies (Accounting Standards) Rules, 2006, Companies (Indian Accounting Standards) Rules, 2015 and related amendments thereto, which are applicable to companies.

India decided to converge with IFRS for public interest entities and accordingly, IFRS-converged Indian Accounting Standards (Ind AS) were introduced. The Indian Government issued a roadmap for the implementation of Ind AS in a phased manner. Under phase I, all companies are permitted to follow Ind AS on voluntary basis for the accounting period beginning on or after April 1, 2015. All domestic public companies (Listed or Non-Listed) having a

net worth of INR 500 crore or more are required to follow Ind AS on mandatory basis for the accounting period beginning on or after April 1, 2016. Under Phase II, remaining listed companies (irrespective of net worth) and non-listed companies having net worth of INR 250 crore or more are required to follow Ind AS for the accounting period beginning on or after April 1, 2017. Besides, all holding, subsidiary, joint venture or associate companies of companies which are covered by the roadmap are also required to follow Ind AS in all phases. In the similar fashion, the roadmap has also been made applicable for the Non-Banking Finance Companies (NBFCs) by now.

However, for banks and insurance companies, Ind AS framework will be applicable from a future date as may be decided by the regulator.

The IFRS are principle-based standards issued by the International Accounting Standards Board (IASB) of IFRS Foundation that set common rules so that the financial statements can be consistent, transparent, and comparable globally.

The ASB of the ICAI has been a critical wheel in the accounting standard-setting chariot of this nation since its formation. Since then, the ASB has been working in public interest to enable the nation based on high quality globally

accepted financial reporting standards. The ASB has successfully implemented the IFRS converged Ind AS with few essential carve-outs with reference to national laws and practices.

Opportunities in implementation of Ind AS in India

With the implementation of Ind AS, immense opportunities are available to the members of CA professional. The knowledge and experience in IFRS has opened doors for such professionals at the domestic and international forums.

1. Opportunities to the accounting profession

Though the initial phase of implementation was challenging, however, it provided many opportunities to the practising professionals and non-practising members of the industry. In this huge transition, CA has a significant role to play to guide and hand hold the entities for smooth and trouble-free transition to IFRS converged Ind AS. It required complete overhaul of the policies, processes, operating structures, and IT systems. CAs have an opportunity to demonstrate their talent and expertise not only in India but across the globe as these standards were adopted in more than 140 countries as on today. The application of these standards requires

a substantial amount of judgement and efforts which determines the significance of CAs. CAs can explore opportunities related to Ind AS accounting, advisory, training services.

2. Opportunities to the industry

Indian conglomerates are spread across the globe. The adoption of single set of high quality globally accepted accounting standards, helped in reducing the cost of preparing the financial statements, which were earlier prepared using different sets of accounting principles/ standards. It streamlines the process of preparing the individual and group consolidated financial statements with better quality. Further, it also enhances the confidence in the minds of stakeholders.

3. Opportunities to the economy

Convergence with IFRS has helped industrial growth and has benefitted the corporate entities manifold. Moreover, international comparability has also benefitted the industrial and capital markets in the country which led to better economy across the country.

4. Opportunities to the investors

The adoption of IFRS

converged standards have increased the confidence of investors and helped better understanding of financial statements across the world with due comparability. Foreign investors prefer their entities in India to follow the IND AS, as it brings closer to IFRS.

Ind AS Implementation Challenges

1. First time adoption

First time adoption has its own challenges for any jurisdiction adopting or converging with IFRS as it must change many of the old policies and adopt new ones.

2. Issues in reclassification and/ or regrouping

Adopting or converging with IFRS also leads to reclassification and regrouping of the current items. Under Ind AS, the reclassification needs to be separately disclosed. These may be challenging for entities as they require knowledgeable professionals to execute this task.

3. Management's training and transition plans

For any jurisdiction, adoption or conversion to IFRS may become challenging if there is lack of training and adequate knowledge. Hence, immense importance

should be given to the management training for the smooth transition to Ind AS. It may also be noted that at all stages, active involvement of auditors and trained professionals are required for planning, development and implementation of the new standards. ICAI through Certificate Course on IFRS/Ind AS has taken considerable efforts to train the members and other preparers of financial statements

4. Effective transition audit

Implementation of Ind AS results in fundamental shift in the financial reporting of the entities in any jurisdiction. Changes in the application of new policies, the configuration of systems and maintenance of internal controls will all influence audit risk, significantly increasing the risk of misstatements and fraud. In turn, this will have a considerable impact on how audits are conducted. That is why it is important to properly plan the engagement, a step that everyone agrees is the key to a successful transition. Planning should focus on two major areas: assessing and updating the knowledge of professionals; and participating in the company's conversion process.

5. Audit risk

Auditors, during their audit assessments, may have to be vigilant of any misrepresentations or manipulations by the management. There are high chances that entities may try to conceal previous undetected errors thereby tampering the opening balances. It is important that auditors timely plan the assignment and identify the files and workings that consist of greater risk on account of the involved complexities.

6. Fair value measurement base

As per Ind AS, principally assets and liabilities are recognised at fair value. This accounting may bring a lot of volatility and subjectivity in the financial statements. Also, in India, the initial transition to Ind AS was tough, as entities prepared the financials predominantly on Historical Cost basis.

7. Concerns of applicability of two sets of accounting standards–

Application of two sets of accounting standards i.e., rule-based AS and principle-based Ind AS at national level is a challenge to follow for preparers/makers as well as auditors. Hence, keeping this in mind, the ASB of ICAI has initiated to develop

AS in conformity with Ind AS principles, subject to simplification, minimal use of fair value, minimal use of time value of money and with least disclosure requirement especially for use by SMEs.

8. Change in IT Systems -

Financial reporting systems must be able to produce robust and consistent data for reporting. The system must be capable of capturing new information required for disclosure such as fair values of financial instruments, related party transactions, segmental information, etc. The effective implementation of Ind AS requires professional

Auditors, during their audit assessments, may have to be vigilant of any misrepresentations or manipulations by the management. There are high chances that entities may try to conceal previous undetected errors thereby tampering the opening balances.

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judgement, however, there are challenges in aligning the IT system with Ind AS.

II. Engagement And Quality Control Standards

The information provided by the management in financial statements is of utmost importance to investors, bankers and other stakeholders. Hence, it is important that the entity's annual report provide qualitative information. Auditor plays a very important role in ensuring that the financial statements are acceptable worldwide. Taking these points into consideration, the ICAI has formulated Engagement and Quality Control Standards.

The Companies Act of 2013 (erstwhile 1956) state that auditing standards issued by the ICAI are mandatory for the audit of financial statements of companies in India. Standards of the following nature issued by the Auditing and Assurance Standards Board (AASB) shall be collectively known as 'the Engagement Standards':

Opportunities of these standards in India

1. Guidance to auditors in performing audits

Auditing standards provide guidance to the auditor that helps determine the extent of audit steps and procedures to be applied to fulfil the audit objectives. These standards act as the yardstick against which the quality of the audit results is evaluated.

2. Enhance quality and relevance of auditing

The primary responsibility of preparing the financial statements is on the management and auditors while certifying financial statements are supposed to obtain relevant information to ensure reasonable assurance that the financial statements are free from material misstatements and reflect the true and fair view.

3. Standardised audit practices

These standards guide the auditors to execute the audit assignments and lays out the standard practices to be followed by the auditors.

4. Improved credibility

Following the auditing standards in a requisite manner ensures that the financial statements have uniformity and present true and fair presentation of the entity's financial performance and position. This provides invaluable credibility and confidence to investors, bankers, and other stakeholders of the entity.

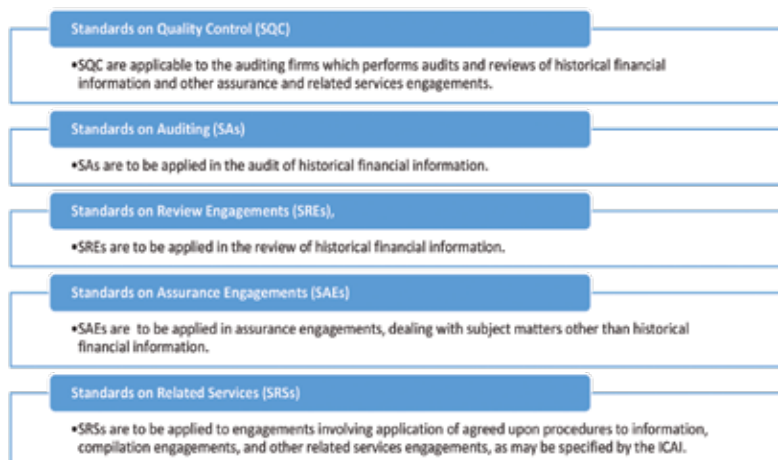
5. Detect and prevent fraud

Even though, it is said that auditor is a watchdog, not a bloodhound, an audit or investigation can be an effective tool for identifying and preventing the fraud. Auditors are experts at identifying weaknesses in an organisation's systems.

Challenges:

1. Documentation –

These standards ensure that the audit procedures and compliance are duly documented. Documentation of audit queries is also a crucial requirement, as it helps the auditors to track the status of the queries raised during audit. However, excess documentation is



time-consuming and delays the audit procedures at times. This results in losing track on auditing in few instances.

2. Time management and deadlines

There are strict timelines laid for the listed entities for publishing their audited financial statements. It is challenging for the auditors to timely complete the audit taking into consideration requirements of these standards which includes documentation and query resolution.

3. Covid-19 challenges

The outbreak of the pandemic has brought various challenges to the auditing profession due to increasing restrictions on travel, meetings, access to client locations and thus auditors face practical limitations to obtain the required inputs with the help of information technology.

III. Valuation Standards

With the commencement of the concept of registered valuers under the Companies Act, 2013 and with the notification of Companies (Registered Valuers and Valuation) Rules, 2017 and amendments thereto, the requirements place a tremendous responsibility on the members of profession in carrying out the valuation. The Government has reposed confidence in CAs to furnish

the valuation report. Further, acknowledging the necessity to have consistent, uniform and transparent valuation policies and synchronise varied practices followed by the members undertaking the valuation assignments, ICAI issued Valuation Standards.

Applicability of Valuation Standards:

- The ICAI Valuation Standards 2018, are applicable for all the valuation engagements undertaken by the members of ICAI RVO (Registered Valuer Organisation) on the mandatory basis under the Companies Act 2013.
- These Standards are applicable on recommendatory basis in respect of Valuation engagements under other Statutes like Income Tax, SEBI, FEMA etc for the members of the Institute.
- These Valuation Standards are effective for the valuation reports issued on or after 1st July, 2018.

The ICAI has also formed Registered Valuers Organisation, which is Section 8 Company, to enrol and regulate registered valuers as its members in accordance with the Companies (Registered Valuers and Valuation) Rules, 2017.

The rules notified by the MCA have created a new avenue for professionals called RVs.

Opportunities/Scope of Valuation Standards in India

- Valuation is required in many contexts including investment analysis, capital budgeting, merger/acquisition transactions and financial reporting.
- Under provisions of the Companies Act, a RV's report on valuation of equity shares is mandatory in the following situations:
 - ◆ Issue of new shares to shareholders except in case of rights issue
- Certain other laws such as Foreign Exchange Laws, Tax Laws also require the management to acquire independent fair valuation reports.
- Valuation reports may be utilised by investors, employees, lenders, suppliers and trade creditors, customers, and governments. The requirements may vary depending on their intended use.

- ◆ Merger, amalgamation or restructuring require valuation of assets or shares, or a swap ratio to be calculated for a share swap on merger of two companies
- ◆ Acquisition of minority shareholding

by existing shareholders who hold over 90% of the company's shares

- ◆ Allotment of shares for consideration other than cash and issue of sweat equity
- ◆ Buy-back of shares from some or all shareholders
- ◆ Liquidation of a company under the Insolvency and Bankruptcy Code, 2016

Challenges

- The valuation of companies and assets is derived basis the available facts and circumstances. The inferences arrived at in several cases can be subjective and may depend on the exercise of individual judgment. Even though every method has been employed systematically in arriving at the value, there is no undisputed single value.
- Valuation requires reliance on representations of owners/clients, their management and other third parties. Thus, report may suffer from losses, damages, costs or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies' management viz. directors, employee or agents.
- Buyers and sellers are considering qualitative factors in business transactions. The valuers are facing challenges in quantifying the qualitative aspects in valuation because these qualitative factors are not tangible in nature.
- Due to the COVID-19 crisis, the stock markets are dealing with enormous volatility on daily basis. Most investors, financial institutions, corporates, etc., are dealing with apprehensions around

the valuation of business in such difficult times, where businesses of all sizes are facing substantial challenges in several ways.

IV. Forensic Accounting And Investigation Standards (FAIS)

Business ecosystem has become increasingly complex due to rise in white collar crimes, frauds and scams observed recently in public as well as private sectors. Recognising the pressing necessity for proactive action in this area, ICAI has developed a full set of Forensic Accounting and Investigations Standards for its forensic professionals. The FAIS establish uniform performance and evaluation criteria, methods, processes, and practices. These standards are pronouncements, which form the foundation for conducting all forensic accounting and investigation engagements. These standards ensure raising the quality benchmark of such engagements and are intended to support the professionals to discharge their responsibilities.

Further, the Council of the ICAI, recognizing the need for forensic accounting and fraud detection, in the emerging economic scenario, has also launched "Certificate Course on Forensic Accounting and Fraud Detection".

Opportunities of Forensic Accounting in India

- Opportunities for forensic accountants are increasing rapidly in recent years due to rise in cases of money laundering, tax evasion, window dressing, financial manipulations, and frauds.
- Forensic accountants are often hired by companies when litigation is anticipated or suspected. In this area, CAs are responsible to analyse the financial documents to identify inaccuracies, scrutinise financial data and trace discrepancies, identify, and prevent financial frauds, report on damages from contract breaches, examine complex business cases to minimise

Forensic accounting

- Forensic Accounting is discovery and evaluation of evidence by a professional to interpret and communicate findings suitable for a Court of law.

Investigation

- Investigation is systematic and critical examination of facts, records and documents for a specific purpose.



These standards are intended to be principle-based rather than rule-based, thereby providing adequate scope for professional judgment when applying such principles to unique situations and under specific circumstances.

The spirit of law should prevail over the letter of law

These standards are a minimum set of requirements that apply to all members of ICAI when conducting assignments in forensic accounting and investigation of any entity.

risk, provide litigation support and findings to be used as trial evidence, execute regular financial record audits to warrant compliance with the law.

- Forensic accountant or auditor may act as an advisor to the audit committee.
- Forensic professionals are in increasing demand considering rising incidents of cybercrimes and fraud detection. It is the practice of utilising accounting, auditing, data mining tools, and investigative skills to detect fraud/mistakes.
- Forensic accounting helps in research activities required during the due diligence in case of mergers and acquisitions.
- Professionals may also be able to contribute

efficiently to judicial proceedings as an expert with the help of FAIS.

- Law enforcement agencies, banks, corporates, regulatory bodies, and other stakeholders achieve more confidence in their investigations by involving CAs having profound experience and supremacy in the areas of audit, financial analysis and moreover with understanding of FAIS.
- In recent times, the banking sector provides a vast opportunity for forensic auditors. The forensic auditing is required for all the public sector banks to identify the loss or wilful default and system loopholes.
- Forensic accounting is consistently used by the insurance industry to quantify the economic damages arising from a claim.

Challenges

- In India, forensic accounting is an emerging field in fraud detection. Therefore, there is a shortage of expert accountants with adequate technical knowledge.
- Due to globalisation and rapidly growing economy,

foreign direct investment (FDI) in India has grown tremendously in recent times, as a result it is challenging to take legal actions on financial fraudsters from other countries.

- COVID-19 has affected nearly every class of professionals, including those involved in court systems. Many forensic accountants work with attorneys to investigate or defend individuals accused of tax fraud, misappropriation, or other forms of white-collar crimes. While court systems have limited operations, the accountants have discovered that these types of engagements have number of challenges as at present.

V. Accounting Standards For Local Bodies

The Local Bodies play a very important role in the planning and development of local areas that include villages, towns and/ or cities. Local Bodies play a role of an agent to implement various government schemes to the local people contributing to the economic development of any country. The AS and Ind AS are not applicable and do not govern the financial statements for Local Bodies. The ICAI formed a Committee on Accounting Standards

Internal Audit Standards have a key role in strengthening Internal Checks and Controls of an organisation, apart from statutory compliance in case of large corporates.

There are challenges in every profession and we CAs must ensure adherence to quality consciousness and professional standards in order to sustain the confidence of all the stakeholders, who rely on certified financial statements.

for Local Bodies (CASLB) with the primary objective of formulating accounting standards that would be made applicable for the Local Bodies.

While formulating the Accounting Standards for Local Bodies (ASLBs), CASLB gives due consideration to the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) of IFAC and has integrated them, to the extent possible, in the light of the conditions and practices prevailing in India.

Currently, most of the local bodies follow cash basis of accounting and hence standards based on

accrual basis are yet to be implemented for its effective use.

VI. Other Standards

Internal Audit Standards have a key role in strengthening internal checks and controls of an organisation, apart from statutory compliance in case of large corporates.

Income Computation and Disclosure Standards mandated by Ministry of Finance are also required to be adhered as a part of due compliance.

Recently, ICAI is in the process of developing Sustainability Reporting Standards that will result into reporting vital issues of environment and other issues to ensure sustainability and stability to the corporates.

Conclusion

There are challenges in every profession and we CAs must ensure adherence to quality consciousness and professional standards in order to sustain the confidence of all the stakeholders, who rely on certified financial statements.

Hon'ble Prime Minister of India, Shri Narendra Modi had said ***"We know that we will be more successful when we pursue our goals in partnership with the world"***.

At an international level, to help the jurisdictions adopting or converging with IFRS, many international groups and forums have been formed. These organisations and forums exchange ideas and have a joint voice in matters relating to the IFRS. For the IASB, it is important that they get to know clear message from various regions like Europe, Asia, Oceania, and such others given its significant importance in the world economy. Such established groups and forums also help smaller jurisdictions that lack direct IFRS experience at operational levels.

Asian-Oceanian Standard-Setters Group (AOSSG) is one such forum consisting of 27 member jurisdictions across the Asian-Oceanian (AO) Region. The most important objective of this group is to bring national standard-setting bodies together from around the AO region to establish a platform to discuss problems and share experiences in the adoption/convergence process and make contributions to a single set of high quality global accounting standards. Other such forums and groups include World Standard-Setters (WSS), International Forum of Accounting Standard-Setters (IFASS).



Financial Reporting to Integrated Reporting



way to describe and understand the financial performance and financial position of the entity.

To standardize the accounting information presented in the financial statements, there is a requirement to establish certain accounting policies based on Generally Accepted Accounting Principles (GAAP). GAAP is a common set of accounting principles, standards and procedures that are used to record financial information and compile financial statements. ICAI since its inception has always endeavoured to have sound financial reporting framework within the country. With increasing importance of transparency through better financial disclosures, disclosure of financial as well as non-financial information under financial reporting is gaining importance. This has led to development of inclusion of non-financial information. Integrated reporting demonstrates how organisations create value connecting strategic objectives, risk and performance. It brings together material information about the business strategy, governance, performance and prospects in a manner that reflects the commercial, social and environmental context. The process of integrated reporting underpins integrated thinking and benefits the management and governing bodies. It is useful to all those who are interested in business ability to create value, viz, providers of financial capital, employees, customers, suppliers, business partners, local communities, legislators, regulators and policy makers.

Traditionally reporting is consisted of financial reporting that provides information about the status, performance and changes in financial position of an entity. Financial reporting involves the disclosure of financial information to the various stakeholders about the financial performance and financial position of the organization over a specified period of time. The main components of financial reporting are the financial statements, notes and it also include various reports required by the different regulators in compliance with the laws, such as, Report of Board of Directors, Auditors report, etc. Financial Statements are useful for the organisation, its investors, regulators and others with a standardised



Brand Building by a Chartered Accountant

The general perception is that the terms 'Brand' and 'Goodwill' are associated with business enterprises and their products and services. In reality, these terms are equally relevant even for an individual's life. By one's conduct and behaviour, a person's image is built over a period of time in the eyes of society. Every word uttered and every act performed on a day-to-day basis contributes to the image and perceptions about an individual, either positive or negative. If it is positive then it adds to the reputation of the individual and if it is negative, then it adversely impacts the image of the person. These positive perceptions cumulatively build as the 'Brand' of the individual which is nothing but goodwill and reputation in personal, professional and social network. Read on...

CA. T. N. Manoharan

The author is a Padma Shri Awardee and Past President of ICAI. He can be reached at tnmanoharan@gmail.com and eboard@icai.in



What applies to the shaping up of the 'Brand' of an individual equally applies to a Chartered Accountant (CA). In fact, for a CA it assumes greater relevance because the profession's reputation depends on the collective reputation of all its members. If a CA is pronounced as guilty of any misconduct or is arrested in a financial scam or caught in a fraudulent transaction, it affects the image of entire profession. Chartered Accountants (CAs) are considered as elite class of citizens in the country. The

profession is regulated by the ICAI with participation of the nominees of the Government in the Council and its committees at the helm of affairs. CAs are considered as partners in nation building due to the relevance of their functioning with the credibility of the Economy. Therefore, personal brand of every CA is important in the larger interest of the profession and the Nation.

In this article some of the critical ingredients of such brand building are discussed.



Respectability - *Quality in thought and action*

Every CA should be proud of the profession to which he belongs, having qualified after education on a vast curriculum, undergoing a rigorous training and a robust examination process. Every CA must begin his career by remembering that “Work is worship and talent is capital.” A CA should be conscious of the sanctity of his signature affixed on a financial statement or a certificate issued by him. A CA must realise that the world believes that the qualification he possesses brings along superior and more reliable competence and capability than a non-CA service provider. To meet with such expectation, a CA needs to constantly sharpen the knowledge and skills that enable delivery of quality services. He must harness analytical and critical thinking so that the resultant action adds to his qualitative functioning.

He must expand his horizon by continuous learning about the worldwide happenings, especially in the field of accounting, audit, tax, law and finance. He should stay abreast of the evolving business models and innovative trends in execution of transactions. He must look for role models in his field and embrace their best practices. He must not forget the close nexus the financial sector has to the Indian Economy. As a member of the profession perceived as a partner in nation building,

he must bear in mind nation's interest in every facet of the service rendered. Competence backed by macro level vision and micro level proficiency should govern the approach of a CA.

Credibility - *Adoption of Ethical values*

Ours is a profession created by an Act of Parliament and we are regulated by a well laid down Code of Ethics under that enactment. We can be tried under the ethical framework by invoking disciplinary action not only for specific omissions and commissions but also for any other misconduct. Thus, as CAs we are expected to maintain dignity and integrity in anything we do. We should not be lured to do anything unethical or unprofessional, whatever be the rewards promised. When someone approaches to engage us for any work that appears to compromise on values, our ability to say ‘no’ should stem from a solid ethical foundation embedded within us. We must hold ourselves responsible for a higher standard than anyone expects. If functioning within the ethical framework becomes the culture among CAs, then that would become the hallmark of the profession

Adherence to values, no doubt, is a challenging task in a corrupt environment. Desire to become rich in the shortest possible time can be the root cause for deviation from established principles and ethical values. History

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tells us that Gautama Buddha deserted his crown, palace and prosperity in search of peace. On the contrary, many in today's world are abandoning peace by plunging in pursuit of material prospects. Prosperity is welcome but not by compromising on values leading to deprivation of peace of mind. Aspiration is essential but greed should be avoided. Whatever we aspire must be achieved through proper means. Earning money should not be the primary goal while carrying on the profession. Delivering quality service to our fullest satisfaction and matching with the expectations of the client, within the ethical parameters, must be the focus. Money should be a by-product of such services and if this philosophy is followed, rewards would flow in abundant measure in the long run.

Contentment is a virtue that would help us to prevent greed from influencing our decision. Besides, by sheer hard work, vision and competence, we

may reach the top but we can stay there only if we possess integrity. It is true that in the modern era we need to be adaptive to many changes happening around us in terms of knowledge, skills, infrastructure, communication, technology, etc. But what remain static and does not undergo any change are the ethical principles underlying human life and the CA profession. This would determine the credibility of the CA profession.

Responsibility - Adhering to time schedules

Professionalism is also in valuing time which is a precious resource for everyone. Every CA should value others' time and maintain punctuality in meetings. Punctuality is

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an essential ingredient that demonstrates the attitude and the responsible behaviour of a person. Adhering to self-imposed time schedules in the day-to-day life is a virtue that reflects on the discipline of an individual. When that discipline is imbibed by a CA there will be no procrastination. Consequently, there will be no stress due to postponement of work execution. A CA must always believe that he will be busier on the following day than today and therefore, each day's obligations must be fulfilled on the same day. A CA must be habituated to do right things at the right time. Time is a created thing. To say 'I don't have time to do something' is equivalent to saying 'I don't want to do it'.

If this attitude of adhering to time schedule gets engrained within us, then several magical things would happen around us. First, all the CPE programs and meetings of ICAI would start on time and end on time. Second, even dignitaries who are invited to grace the events would be punctual knowing that we would not delay commencement waiting for anyone. Third, even if any of them turn up late, they would be accommodated to join as they come. Still, when they go back, they would not only carry the memories of the quality program they attended but they would remember never to be late for ICAI events in future.

Similarly, CAs must plan their affairs and educate their clients such that all the statutory timelines are adhered to without any need for extension of time. No request should go from ICAI

Adhering to self-imposed time schedules in the day-to-day life is a virtue that reflects on the discipline of an individual. When that discipline is imbibed by a CA there will be no procrastination.

for extension of any statutory timeline which, when made, reflects upon our inability to execute responsibilities entrusted to us in a timely manner. Under exceptional circumstances like the pandemic situation or natural calamities, the Government itself would extend the due dates for filing audit reports, returns etc. In some specific situations, industry forums and chambers of commerce may requisition the Government. But we as professionals must be well organised to deliver services promptly and in a planned manner within the prescribed timelines. This would prompt Central and State Governments and the Regulators to repose faith and confidence on us and entrust additional responsibilities.

Reliability - Honouring of commitments

Every commitment made by a CA, irrespective of whether it is small or big, must be duly honoured. It could be a promise to respond to a query, attend a meeting or event, complete an assignment entrusted, return a book borrowed or a debt to be repaid. Everything stands on the same footing. The concept of materiality doesn't

apply. Breach of any promise makes a dent on the image of a CA. In the unfortunate and unavoidable situation of inability to fulfil any such promise, it must be foreseen and proactively modified on mutual consent so that the commitment is restructured and honoured at a later date without default. A CA must be sensitive to feel ashamed even to imagine any such failure to perform.

When anyone associates with a CA, he must find him to be absolutely reliable and dignified. Every CA must also be proud to acknowledge with gratitude and a sense of pride, that it is the profession of Chartered Accountancy that made him a person of such a stature in the society. Therefore, even under the most compelling circumstances, the community would believe that a CA would refrain from breaching his commitments.

Every CA who renders services backed by knowledge, values and competence should rightly price his services with absolute confidence, unmindful of even losing the client. Such a CA would not only sustain quality of services, but would also command respect for self and the profession in the long run.

Sustainability - Right valuation of services

Branding also depends on pricing of the services. The knowledge, experience, efforts and time invested in rendering a service must be duly evaluated and factored in pricing the services rendered to clients. Unless the CA himself values his services correctly, the client will not understand and appreciate the value. Underselling of services should be avoided because that would gradually erode the ability of a CA to hire talented team and invest in infrastructure including modern tools, software and gadgets which in turn would impact adversely on the quality of the services rendered. A CA should also aim to build his brand as a best trainer and employer by moulding and grooming the CA students and employee CAs associated with him. For this necessary infrastructure and work ambience must be created. In the case of a CA rendering specialised services, there has to be a premium loaded in the billing because of the high-end nature of services. Besides, for a specialist, unlike a generalist, the number of clients to be serviced would be limited and more importantly, the delivery of services would be directly by the specialist and not by a team.

Components of service rendered, in many cases, is not properly identified and added on to the billing. Invariably when a CA follows the practice of annual billing or lumpsum fee package for various services without adequately defining the scope of services, it may lead to under-selling of services. A CA must properly document and consider the man-hours spent on every assignment. Of course, in certain deserving cases, rendering of

CAs must elevate themselves from mere number crunching to strategic thinking. Entrepreneurs and corporates expect CAs to be part of the decision-making process instead of merely providing inputs for decision making.

services for a low cost or free of charge in a conscious manner may be warranted, especially from client affordability angle. But that approach should be an exception.

Sometimes, a CA may charge less on the apprehension that he may lose the client. Proper discussion with the client to explain about the various components of billing should allay this apprehension. Besides, every CA who renders services backed by knowledge, values and competence should rightly price his services with absolute confidence, unmindful of even losing the client. Such a CA would not only sustain quality of services, but would also command respect for self and the profession in the long run. Even the client will not mind paying for the true worth of services if quality is guaranteed. Everyone must understand that the bitterness of poor-quality lasts longer than the taste of cheaper pricing.

Capability - Adapt and stay relevant

The routine services hitherto rendered by a CA such as return filing have been mechanised. Under specific legislation such as GST, even audit requirement has been done away. Digital era and technology evolution have changed the way the businesses are done and correspondingly even CAs have to reorient the way they operate and render services. We need to embrace technology in every facet of our functioning and that is bound to bring about accuracy, quality, speed, scaling and cost optimisation. There are many sunrise services for which we must gear up and adapt to stay relevant.

CAs must become proficient in Digital transformation services, Virtual CFO and Business Support Services. Sizable number of CAs can transform their operations from compliance to value addition services. CAs must elevate

themselves from mere number crunching to strategic thinking. Entrepreneurs and corporates expect CAs to be part of the decision-making process instead of merely providing inputs for decision making. Earlier CAs in employment ultimately reach the level of CFO whereas in current times, it is a matter of pride that some CAs have attained the position of CEO. Emerging opportunities on investment advisory, wealth management, funding options for businesses, family arrangements, succession planning for HNIs are potential areas for engagement. CAs can explore new avenues in the field of Insolvency and Bankruptcy Code (IBC), particularly as Resolution Professionals. There is scope for more CAs to specialise in Forensic Accounting and Investigation, Risk based Audit and Systems Audit on account of increase in Frauds and cybercrimes.

While the statutorily prescribed audits are likely to continue, CAs who have established firms of reasonable size and relevant competence can gear up for broader opportunity given the new guidelines issued by the Reserve Bank of India in the sphere of audit of Banks, Urban Co-operative Banks and NBFCs. Restrictions in the maximum number of entities one firm can audit, introduction of appointment of Joint Auditors, rotation of Auditors once in three years recently introduced by the RBI has opened up this arena for distribution of such audits among larger number of audit firms. Even a mid-size firm meeting the eligibility criteria, as per the RBI guidelines, should be able to undertake and do audit of 4 Banks (including one public sector bank), 8 NBFCs and 8 Urban Co-operative Banks, simultaneously.

With the liberalisation of FDI norms during the past few years coupled with phenomenal improvement in the Ease of Doing Business (from 142nd Rank to 63rd Rank during the last 7 years), India is clearly emerging as the most potential investment hub for global investors. Similarly, Indian companies are expanding their operations by organic and inorganic growth strategically positioning across the globe. Looking at these trends, advisory role of CAs on inbound and outbound investments, international taxation, FEMA related matters, DTAA, Transfer Pricing and GAAR is gaining significance.

Being capable of partaking, participating and partnering in all the happening sectors of the economy and staying relevant to be reckoned for rendering services is yet another way of building brand by a CA. When large number of CAs demonstrate this capability, the profession's branding gets enhanced and sustained.

Conclusion

As of date, about 27.5 per cent of the members (91603 out of 333,882) are women. About 54% of the members (180,610) do not hold Certificate of Practice. Everything written here applies to both men and women. It also substantially applies to CAs in employment. Past President CA. Y.H. Malegam has made a profound statement "Important thing for a profession is not the brilliance of the few, but the competence of the many". Every member is the ambassador of the profession. If each CA builds brand diligently as discussed above, then we need not worry about the future of our profession as it would certainly emerge as the profession of the future. ○○○

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Improving Audit Quality: Significance of Independence and Capacity Building

In the last 20 years, a series of spectacular scams namely Satyam, Global Trust Bank, ILFS, King Fisher, Yes Bank, Dewan Housing Finance Ltd., CG Power Systems etc. hit the economy, disrupting the financial ecosystem. Amongst the trending stories was the Punjab and Maharashtra Cooperative (PMC) Bank, which drew social media attention and ire. Nevertheless, it appears that the voices of the ill-fated depositors are still unheard in the corridors of power. Even Twenty-One months later, the crisis remains unresolved. Read on...



Though Chanakya primarily espoused the idea of economic governance in India in Kautilya's Arthashastra, it went through a series of evolution over the last few decades. Each scam contributed to strengthening the corporate governance framework of the respective nation. Although it's practically impossible to eliminate all the threat factors, mitigation strategies are provided both in the statute(s) and the individual organizations. Technology, on the other hand, is acting as a double-edged

sword. With the advent of sophisticated detection tool and technique, the scandals are also carried out with the same high-end technology posing unprecedented challenges to enforcement agencies.

The government and investors demand more transparency in the overall conduct of affairs. An element of skepticism has become a default factor during the business performance evaluation. The more robust the governance mechanism, the better is the reliance

Ioy Thomas, Managing Director of the beleaguered bank, in his five-page letter to the Reserve Bank of India dated 21st September 2019, confessed the role of top management, including a few board members, in hiding the actual NPA numbers and the real exposure to the bankrupt HDIL. He also blamed the auditors for "superficially auditing" the lender's books due to time constraints.



quotient reposed in the management. It's in this context, the role of independent auditors and directors assumes significance. While the Auditor plays a watchdog role, the Independent Director (ID) acts as a trustee for the shareholders. Both challenge the management responsible for the day-to-day affairs on governance-related matters. While this looks simple on paper, its execution is not that easy due to internal and external factors.

We now get down to dwell upon the threats and safeguards to the independence of the Auditor. Threats to independence and safeguard measures of auditors are enshrined in the ICAI guidelines. According to the International Federation of Accountants (IFAC), there are five threats: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats. These factors are common to all geographies and capable of

being adopted without country-specific customization. These threats are unfortunately not easy to safeguard. Theoretically an auditor is appointed by shareholders. However, practically auditors are appointed by a dominant group. Intimidation threat impairs the independence of the auditor to an extent.

Notably an auditor has the responsibility to remain independent. ICAI has recommended the following guiding principles.

1. For the public to have confidence in audit quality, auditors must appear to be independent of the auditing entities.
2. The Auditor should possess integrity, objectivity and professional skepticism, all of which are prerequisites to independence.
3. Before taking on any work, he must conscientiously consider whether it would involve threats to his independence. If he finds any, he should either desist from the task or, at the very least, put in place safeguards that eliminate those threats. All such precaution measures need to be recorded in a form that can serve as evidence of compliance with due process. *If the Auditor cannot fully implement reasonable and adequate safeguards, he must not accept the work.*

Apart from the Chartered Accountants Act and Regulations, the Companies Act provides prescriptive measures to ensure independence by laying down disqualifications on the appointment of an auditor (Sec 141). Companies Act also attempts to enhance independence of auditors by prescribing certain non-audit services which an auditor may not be able to undertake in respect of an audit client (Sec 144). This would eliminate/mitigate risk of conflict of interest. Companies Act also lays down for removal of existing auditors with the prior approval of Regional Director. Sometimes the law puts third parties on guard against the possibility of an abridgement of freedom by requiring certain additional disclosures to be made. Naturally Code of Ethics and the Provisions under these Acts are complementing in their nature.

Against this backdrop, there are adequate legal provisions, guidelines and code of conduct for safeguarding independence. Independence being a state of mind, is not affected by a relationship. However, appearing independent is as crucial as being independent. According to ICAI, in any case, where there is a feeling in the public mind that the close relationship of the Auditor with the management would affect the independence of Auditor, the auditor should use his good sense and refrain

 The government and investors demand more transparency in the overall conduct of affairs. An element of skepticism has become a default factor during the business performance evaluation. 

To improve the quality of reporting there is a need to free the Auditor from the intimidation of removal and to ensure all such measures to eliminate risk of conflict of interest.

from accepting the appointment. If an auditor wishes to command respect and confidence from the public, he must ensure his independence and assure the people of the faith and trust that could be reposed on him. The CA should ensure its independence in all assurance services, including concurrent audit, tax audit, and internal audit. Needless to say that independence ensures free and frank expression of opinion/reporting.

We are of the opinion that to improve the quality of reporting there is a need to free the Auditor from the intimidation of removal and to ensure all such measures to eliminate risk of conflict of interest. Laying down a process to ensure appointment of Auditors by an independent agency other than the management, at least in case of Public Interest Entities (PIEs), is key to provide independence to Auditors. We in no way are trying to belittle the performance of Auditors so far. But what we are trying to advocate is a process which is likely to improve the quality of audit and consequently the reporting by Auditors. Appointments of Auditors in PIEs be made by any of the regulators viz. SEBI/

MCA/RBI/IRDA depending upon the entities being regulated by each one of them. It is a bit disappointing that none of the regulators is willing to take up this responsibility. *In our opinion irrespective of practices worldwide, India may take the lead in this to enhance quality of audit and consequently the credibility of auditing profession.*

In the recent times it is being generally perceived that there is a need to restrict non audit services being rendered to an audit client by Auditors. Rather, there has been a sense of feeling that there is a need to ensure this control to operate at network level rather at firm level alone. UK has already taken a lead in this matter by requiring bigger firms to segregate audit and non-audit services effective 2024.

Also, in India a view has been emerging that probably it would be better to have more than one pair of eyes to scrutinize the financial statements as Auditors. Though there is no empirical evidence to prove that Joint Audit concept is more efficient, yet it is believed that having more than one auditing firm could provide an opportunity for auditing matters to be discussed and concluded by representatives of more than one firm. There has been opposition to the concept of Joint Audit from certain quarters for lack of empirical evidence to prove its superiority. According to them, it may even lead to situations wherein different auditors may not be able to come to unanimity on certain issues. However, it may not be out of place to mention that concept of Joint Audit has worked very well in

audit of public sector banks (PSBs) and other public sector undertakings (PSUs).

It is also felt that monopolies in general are bad in any sector and our profession is no exception to this. The need for reduction in concentration of audits and other professional work in few hands is well recognized. We are of the opinion that there must be level playing field for all players in profession. We do recognize that profession cannot be run on socialistic pattern of society. But at the same time, it needs to be recognized that tenders floated by government departments and various entities should not be tailor made and skewed heavily in favour of certain firms alone. This has certainly hampered the development of Indian firms. Time is ripe to speak up for small and medium sized firms willing to move to next stage. *Reduction in concentration of audit work will certainly encourage Indian firms to invest in technology and to prove that these are second to none in performance.*

The RBI's new norms for appointment of auditors have created a buzz in the financial circles. We appreciate the regulator for its commendable measures. RBI has brought far reaching changes in the rules with regard to capping of number of audit appointments in entities regulated by it. Period for which an Auditor can continue has been reduced to three years. It has also introduced cooling period of six years after a term of three year's audit of an entity. It has also restricted auditors from accepting any non-audit services in any regulated entity of the same group. Most importantly all these new

norms have been introduced at network level rather than the firm level. New norms also stipulate Joint Audit in regulated entities beyond a threshold limit. New norms also prescribe certain factors like exposure of regulated entities to certain clients of proposed auditors to be considered by Audit Committees while determining independence of Auditors for recommending their appointment.

In our view, the implementation of the new norms could throw a few challenges. First, the audit committee will have to select the auditors, ensuring auditor's independence appropriately. To our mind, they may have to lay down criteria for ascertaining the same. Another challenge could be related to the time the entities have to comply with the regulator's mandate with regard to change of Auditors due to cessation of their term after three years compared to earlier period of five years in certain regulated entities. Also capping on the number of appointments that a firm and firms in the same network can accept will cause vacancies for Auditors. It is good news for medium sized Indian firms but may cause some hardship to certain firms whose tenure gets reduced or must vacate office due to capping mandate. Recently, SEBI has made it mandatory for an auditor who resign as auditor to give reason for his resignation. MCA is also looking at making it mandatory for the resigning auditor to give the correct reason for his resignation. This is one more step to ensure independence of auditors.

The new rules are applicable from the current financial year, i.e. 2021-22. While the non-bank lenders can adopt the norms from the second half of the financial year, the challenge

could be for the banks, which have not been given such relaxation.

RBI has done its job bringing in the concept of Joint Audit. In our view, this needs to be extended to all PIEs. While a Joint Audit by itself may not do a miracle in addressing all the issues concerning the audit process and its usefulness, there is inbuilt merit when there is a second pair of eyes deployed to enhance the objectivity and quality of the opinion-making process. Besides, in the event of disagreement between joint Auditors, it would be incumbent upon both the Auditors to come to a common point which both subscribe.

It hardly needs be emphasised that there is a need build capacities of Indian firms. ICAI has been making efforts to enhance technical skills of members through continuing education programmes. Also various specialised post qualification courses have been introduced to promote specialisation in areas like Forensic Audit, Concurrent Audit of Banks, Ind As, International Taxation, Valuation Services and so on. Recently, networking guidelines have been revised. ICAI needs to create opportunities for the members to ensure utilisation of specialised skills of members appropriately. For this it may be important to have a dialogue with government agencies and various regulators to allow tendering by networks of small and medium sized firms. This would allow these firms to come together and pool their resources and invest in resources including technology which ultimately will improve the quality of audit and other professional work undertaken by such firms.

But at the same time, it needs to be recognized that tenders floated by government departments and various entities should not be tailor made and skewed heavily in favour of certain firms alone.

A vital takeaway is that this is a step towards providing a level playing field between Indian origin and other firms having global networks. For several reasons, Indian firms have been marginalized in having their share of the pie in the profession by losing grounds to the Indian arms of large MNC firms. The widely advocated argument is Indian firms lack techno-investment. This charge may be partially true, but the solution lies in giving them opportunities they deserve on merits rather than sidelining through systematic approaches. Often the government agencies play a crucial role in such act of skepticism antagonism. This practice must stop in the more considerable interest concerning all stakeholders. Many accomplished and astute members are practicing through Indian firms who have demonstrated skills par excellence. We appeal to all Indian firms to consolidate, infuse technology, and improve overall audit infrastructure to achieve the profession's aspiration.

Whatever RBI has done is commendable. But as they say "Yeh Dil Maange More" ○○○

New-Age Technologies to Overcome the Pandemic Challenges

The COVID-19 crisis has impacted the global economy and many economies are yet to recover from the multiple waves of Covid and lockdowns. Many of the countries are on the brink of recession and are struggling with rising unemployment. Like other countries, India also witnessed a sharp deterioration in overall business confidence and there is a need for another fiscal package to restart the economy. Today, organisations are quickly adapting to the changing environment to overcome the challenges faced by them due to the pandemic. Read on...

Chartered Accountants have an important role to play in helping business navigate through the long lasting impact of the pandemic. The accountancy profession must remain resilient in times of crisis and the profession should take the lead in helping the economy recover soon.

Impact of Covid on various Sectors of the Economy

Manufacturing Sector

Countries across the globe were heavily dependent on China for manufacture of

CA. K. Raghu
The author is past President, ICAI and former Board Member, International Federation of Accountants. He can be reached at kraghuandco@gmail.com and eboard@icai.in



goods which contributed 28% of the global manufacturing output. With the Covid disruption, India will emerge as a favoured destination for manufacturers to set up their operations. Manufacturers are aware that when the pandemic ends, the focus would be on greater automation, setting up smaller manufacturing units and sourcing raw materials from local sources. Vietnam, Indonesia, Cambodia and Singapore will also be favoured destinations for manufacturing.

IT Sector

IT industry's revenue is estimated at around US\$ 191

billion for FY 20-21. The IT industry, as compared to other industries, has witnessed an enormous market boom due to this disruption. The industry has been most successful in thriving this crisis by continuing to work remotely. The pandemic has proved to be a catalyst to speed up technological changes.

Healthcare Sector

The Healthcare sector comprises of hospitals, medical equipment manufacturers, diagnostics, pharmaceuticals, etc. The COVID-19 pandemic has created a severe strain on healthcare resources across the globe. It has highlighted the



weaknesses in the healthcare infrastructure in well-developed countries like USA, Italy, Spain, etc. During the second wave, India witnessed an acute shortage in supply of oxygen, ventilators, hospital beds, etc.

The disruption has created new opportunities in the wellness industry by providing nutrition and wellness products, fitness equipments, online medicine delivery services, etc. Online consultations have increased manifold in the back drop of the pandemic. There has been a dramatic rise in the online sales of immunity-related products, masks and sanitisers. The Indian Pharmaceutical industry which is popularly known as “Pharma of the World” was highly benefitted in this disruption due to its huge production capacity.

Telecommunication Sector

With increasing restrictions, people are spending more time at home for both work and leisure in countries across the globe. This has led to increased voice calls, video calls, etc. and network usage has witnessed a huge spike in the last 2 years which augurs well for the telecommunication sector.

Education Sector

Virtual classes have now become the new norm as teacher-student interaction is happening through online platforms such as Zoom, Google Meet, Microsoft Teams, etc. and due to this the telecommunication industry has witnessed

a boom. Approximately 825 million learners are currently affected due to school closures in response to the pandemic. According to UNICEF monitoring, 23 countries are currently implementing nationwide closures and 40 countries are implementing local closures, impacting about 47% of the world's student population.

Aviation Sector

As compared to 2019, more than half the passenger traffic was lost in 2020. Thus, about 4.8 million jobs were affected, i.e., a 43% reduction from pre-covid levels. Significant reductions in passenger numbers have resulted in flights being cancelled or planes flying empty between airports, which in turn massively reduced revenues for airlines and forced many airlines to lay off employees or declare bankruptcy. As passenger flights were cancelled, the cost of sending cargo by air changed rapidly.

Insurance Sector

While the insurance industry, like every other industry, has taken a major hit during this pandemic, the future prospects of the industry look bright. Since the onset of the pandemic, people are rushing to insure their lives and there seems to be a boost in demand for insurance. India has been an under-insured country and with Government initiatives, such as Ayushman Bharat which aims to insure the poor and vulnerable, the gap is

now being bridged. However, Insurance Schemes from Private Insurance Companies cover only 18% of the urban population and a little over 14% of the rural population.

Agricultural Sector

As compared to the Manufacturing and Service sectors, the Agricultural sector is under dual pressure of COVID-19 and climate change. Agrarian economies such as India, Bangladesh, Vietnam for which agricultural sector accounts for 12-16% of their GDP, have been affected the most. The agricultural sector has been suffering despite the government launching relief schemes and packages for the benefit of small farmers.

Adoption of Technology by Businesses – Role of our profession

The Corporates in India are using new age technologies to capture, record and mine information in their organisations and have invested huge resources to build Cloud based infrastructure. Due to multiple lockdowns put in place by various governments, the pandemic has speeded up the process of technology adoption manifold and these changes are here to stay.

To remain competitive in this new business and economic environment, businesses – both big and small - have no choice but to recognise the

importance of technology. Technology adoption and implementation has become the need of the hour.

In this scenario, Chartered Accountants must have the skill sets to assist companies in implementing new age technologies and also provide support services in developing a robust Information System (IS) Controls and a strong Cyber Security framework.

Emerging Technologies that can help business to be innovative during the pandemic times

Artificial Intelligence (AI)

Artificial Intelligence aims to replicate human intelligence in machines and AI applications are revolutionising all sectors of the economy, be it manufacturing or service organisations, both in the private and the public sector. AI tools are being used in the banking, insurance, retail, healthcare and manufacturing sectors extensively.

Robotics Process Automation (RPA)

RPA has the potential ability to disrupt the entire business functions across all companies and sectors. Where humans were once the sole resource to perform functions such as customer service, transactional activities and generating insights, RPA technology has advanced to a level where robots can perform these same tasks, with greater efficiency and accuracy.

Today's RPA technology uses software robots to offer improved business efficiency, data security and effectiveness by mimicking human actions and automating repetitive tasks across multiple business applications without altering existing infrastructure and systems.

Cloud Accounting

Storing data on remote servers opens up opportunities by making geography unimportant. Once data is entered in the cloud, you can work on it anywhere - in your office, at the airport, in your home 500 miles away. Cloud Computing is now evolving like never before, with companies of all shapes and sizes adapting to this new technology. While Cloud Computing is undoubtedly beneficial for mid-size to large companies, it is not without its downsides, especially for smaller businesses.

Big Data and Analytics

It has the potential to transform almost every aspect of business – from research and development to sales and marketing and to provide new opportunities for growth. Big Data and Analytics help businesses in descriptive analytics, predictive analytics and prescriptive analytics.

The availability of online real-time information will assist in quick decision making and will improve the quality and accuracy of financial reporting.

Cyber Risk Consulting

Cyber Risk services which include Cyber Strategy and Management, Cyber Intelligence and Cyber Analytics are gaining ground due to the advent of mobile technology, cloud computing and social media. Chartered Accountants, as Technology Consultants, can help businessmen in re-aligning their business to the dynamic economic conditions.

Block Chain Technology

Block chain is a distributed ledger system that allows each participant (or node) to see clearly where information has come from and gone to - in essence, block chain is an innovation in record keeping, a cryptographic chain of proofs.

To alter the Block chain without being obvious, anyone wanting to create a false record would supposedly have to modify every subsequent block, which generally requires everyone using the block chain to agree to the fraudulent transaction. Therefore, in a Block chain environment it is extremely difficult to alter data or insert false information.

Block chain alters the conventional techniques for invoicing, reconciliation, documentation, contract preparation and mechanises the physically performed assignments. Block chain

Cyber Risk and Cyber Security present new opportunities and challenges to the Accountants. Every corporate using sophisticated IT systems are vulnerable to Cyber-attacks. It is assessed that a large cyber security breach currently represents one of the world's most serious risks, and that it will also trigger an explosion in corporate expenses.

can streamline financial reporting and audit processes. Chartered Accountants can also assist organisations in help implementing Block chain solutions effectively.

Cyber Security

Cyber Attacks are becoming a growing reality in the digital world, and today, top banks, financial institutions and corporates are giving a lot of importance for Cyber Security in their organisations and investing heavily on cyber security infrastructure.

Chartered Accountants can offer their services to the Cyber

Security strategy of a company and help them create a strong cyber security infrastructure that is robust and sophisticated. Cyber Security allows companies to detect frauds and other vulnerabilities in the ERP systems in their organisation and prevent cyber attacks on real time basis across the enterprise.

Cyber Risk and Cyber Security present new opportunities and challenges to the Accountants. Every corporate using sophisticated IT systems are vulnerable to Cyber-attacks. It is assessed that a large cyber security breach currently represents one of the world's most serious risks, and that it will also trigger an explosion in corporate expenses. That is unfortunate in a social perspective, but from a commercial perspective, it offers opportunities for new advisory services, risk assessments and assurance engagements. Cyber-attack is an entirely new threat arising in the wake of digitisation.

An enhanced role in Cyber Security requires relevant knowledge, skills and experience. For businesses to effectively undertake Cyber Security Risk management, key areas of knowledge and skills include:

- Relevant IT systems and technology, as well as the ability to be updated about changes in the technology and systems environment.
- Understanding IT processes and controls and their evaluation.
- Awareness and relevant experience with Cyber security frameworks.
- Understanding an entity's industry and business

and whether it is subject to specific types of Cyber security risks.

- Establishing and engaging multi-disciplinary teams, for example, including information security professionals and auditors.

Digital Commerce

Digital Commerce uses the Internet, mobile networks and commerce infrastructure to execute transactions with customers or businesses. Today, we find that new business models are driving growth and creating value by disrupting many existing businesses. For example, Amazon, Flipkart, Snapdeal, Big Basket are

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successful enterprises in the digital commerce space. Aggregators in the travel, food, hospitality, transport, housing, fashion has created many success stories. Example, Uber, Ola, Zomato have created huge valuations. The Government of India is also driving digital commerce and many traditional business houses have ventured into e-commerce in a big way.

In this scenario, it is essential for CA's to study the developments in the digital commerce space. CA's can offer pre-funding consulting services, due-diligence, valuation, negotiation and post funding reviews to such digital commerce companies where huge investments are flowing into these companies. We can offer our services as a trusted advisor by providing strategic inputs over and above contributions in core areas of accounting, finance, tax and audit.

Adoption of Technology by our profession

1. Invest in Technology

Every crisis demands difficult decisions to be made. Chartered Accountants need to analyse the size and nature of their organisations to decide the level of investment in technology. For instance, smaller firms having smaller teams require basic VPN and firewall facilities to enable remote working. Applications like Google Meet, Microsoft Teams, WebEx, etc. can be used for holding virtual meetings. However, larger organisations require a larger amount of investment in technology.

2. Engage with IT Companies and Professionals

Once the organisation's tech appetite has been decided, we need to engage IT companies or professionals who can provide their expertise after carefully evaluating the needs of our profession. Professionals need to work closely with Business Process Consultants to create a detailed blue-print and build a suitable digital infrastructure.

3. Up skilling and training of staff

Once the digital infrastructure is implemented, the next most important step is to train and up skill the staff with the emerging technologies and this can be achieved by conducting continuous training programmes.

4. Implementation of a Hybrid workspace

The most visible impact of the pandemic was the shift from "Work from Office" to "Work from Home". Remote working and virtual meetings are here to stay, although less intensely. Offices have started working with less than 100% workforce while continuing to practice working remotely. Chartered Accountants need to adopt a hybrid system of working so as to significantly reduce the cost of workspaces.

5. Building broader client base

During the pandemic, there has been a dramatic shift by consumers towards online channels, and businesses have succeeded in responding digitally. Businesses have refocused

An important step is to train and up skill the staff with the emerging technologies and this can be achieved by conducting continuous training programmes.

their attention to existing business processes and industries have witnessed a dramatic change in their operations. Professionals need to look at this shift as an opportunity and seek to broaden their client base beyond geographical boundaries. Ex: The Start-up ecosystem provides an excellent opportunity for our profession to broaden our client base and work with the Next Generation businesses.

Conclusion

Currently, economies and societies around the world are trying to find a way to move forward from this crisis-laden period. As strategic partners, our profession has a pivotal role to play in helping governments and businesses navigate efficiently in these troubled times. Chartered Accountants can support businesses in expanding and enhancing their digital infrastructure, and in doing so, must innovate and embrace technology.

Our profession is future- ready and can meet the pandemic challenges in these testing times.



ICAI Code of Ethics- Marching Ahead of Times

The basic human instinct is to place personal gains above service. Therefore, persons who as individuals and as a class, are willing to place public good above their personal gain have enjoyed respect and honour. But such a relationship can be maintained or enhanced only if the professional body to which they belong would interpret the concept of public interest as broadly as possible. The respect and confidence enjoyed by a profession, to a great extent, is dependent on the strictness and scrupulousness with which such a code is adhered to by self-discipline. Read on...

CA Manoj Fadnis

The author is Past President, ICAI and Past President, Confederation of Asian and Pacific Accountants. He can be reached at manojfadnis@icai.org and eboard@icai.in.



it has changed to the shared regulations, as happened all over the globe. However, the importance of laying down the Code of Ethics is still a duty which the profession should retain with itself. This can be done only if the Code marches ahead of the times. The Council of the Institute of Chartered Accountants of India (the Council) has always placed importance in keeping the Code ahead of the legal requirements. For instance, Peer Review was introduced in the profession much before the Chartered Accountants (Amendment) Act 2006 brought in Quality Review. Similarly, various pronouncements of the ICAI became applicable before

the concept of non-assurance services got codified in section 144 of the Companies Act, 2013.

The law regarding the disciplining the profession has also evolved over time. The scams which hit the global profession at the turn of the century and our country in the first decade have forced the change from the self-regulations to the shared regulations. Prior to 2006, there was no concept of monetary penalties being imposed on an erring member when found guilty of professional misconduct. Even reprimand had been considered as an effective deterrent to prevent a professional from doing what is prohibited. Removal of name

A Chartered Accountant, whether in public practice or in service, should both be, and appear to be, free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity and objectivity.

Self-discipline requires complying with the Ethics not only in letter but also in spirit. The fabric of disciplining the profession was originally woven on the basis of the self-regulations. Today



from the Register of Members had been the severe punishment with permanent removal as the extreme form of punishment. With changing times, monetary penalties have become part of the law. The concept of the monetary penalties has become more pronounced after the Companies Act, 2013 has been implemented.

In such fast-changing times, the Council has done well to keep pace with the global ethical standards. The International Ethics Standards Board for Accountants (IESBA) lays down the ethical standards to be complied with by professional accountants. In 2009 ICAI Council adopted for the first time the IESBA Code, popularly referred to as the IFAC Code of Ethics. They were introduced in the Code of Ethics as Part A. The provisions of the Chartered Accountants Act, the Regulations and the Council decisions were retained as Part B. Since 2006, the powers of the Council to issue notifications have been changed to issuing guidelines.

The global ethical standards underwent significant revision in the last 10 years. In 2018, IESBA issued the revised Code of Ethics. The ICAI has been quick to adopt these standards. The same were introduced in our Code of Ethics in 2019 and made applicable in a staggered manner from 1st July 2020.

The significant changes which have come in the revised Code of Ethics can be summed up as:

- (a) Prohibition of Management Responsibilities to audit clients,
- (b) Duty of Accountant in case of breach of independence standards, (c) Responding to Non-compliance of Laws and Regulations (NOCLAR),

(d) Restriction on fees from a single client exceeding fifteen percent, and

(e) Restriction on Taxation Services to Audit clients.

The first two have been implemented with effect from 1st July 2020. The remaining three have been deferred for the time being.

In respect of the first two set of changes, it will be seen that the corresponding provisions were by and large already in place in Code of Ethics 2009. It is also, not to deny that some of these new provisions are more detailed and therefore will require better compliance. There are some issues which will naturally emerge which require more deliberations in the profession.

The revised IESBA Code of Ethics as adopted by us, uses the term Management Responsibilities. It rightly points out that an audit firm should not take up any management responsibilities with respect to an audit client. Obviously, such responsibilities will lead to conflict of interest with the role as an auditor. It creates self-review and self-interest threats. But the Code clarifies that providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming management responsibilities. Thus, certain non-assurance services can be rendered to an audit client if the auditor does not take up the management responsibilities. However, section 144 of the Companies Act does not permit taking up the Management Services and no distinction is made in the law whether such services are rendered with or without taking up the Management Responsibilities. It

is well known that the Companies Act, 2013 made the conduct of the business too stiff. Hence, various Removal of Difficulties Orders were issued and later the law was significantly amended, in 2015, 2017, 2018 and 2020. The motto of the Government of India since 2014 has been 'ease of doing businesses'. In line with this thinking, section 144 of the Companies Act, to the extent of management services needs re-consideration to calibrate the Indian profession to meet the global challenges.

Similarly, some of the provisions of the IESBA Code now incorporated in our Code will create practical difficulties for the Indian profession. The IESBA Code requires Rotation of Partners. This was implemented in the ICAI Code of Ethics in 2009. However, with Rotation of Firms becoming applicable under the Companies Act 2013, the rotation of partners has lost its significance. The global ethics still do not require rotation of firms and hence the concept of rotation of partners is justified in that Code. Since India has stricter legal provisions i.e. rotation of firms, one wonders what is the use of rotation of partners. The rotation of partners requires a cooling period not only for the engagement partner

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but also for the entire audit team. When the firm itself will retire in a period of ten years at the most, the requirement of rotation of partners is not required. This aspect needs to be reconsidered by the Council.

Responding to Non-compliance of Laws and Regulations (NOCLAR) is an important global development. The IESBA Code envisages that if a professional accountant comes across an instance of non-compliance of laws, compliance of which is of critical importance, then a professional accountant cannot keep his eyes closed. He needs to escalate the issue within the organisation up to the level of Those Charged With Governance (TCWG). If at that level also, there is no satisfactory response, then the professional accountant needs to report to the concerned regulatory authority. The laws which are of critical importance will include the Fraud Corruption and Bribery Laws, Money Laundering, Terrorists Financing and Proceeds of Crime, Data Protection, Tax and Pension Liabilities, Environmental Protection and Public Health and Safety etc.

Reporting of frauds directly to the regulator has been prescribed in India for a long time. The Reserve Bank of India requires this in the audits of banks and non-banking finance companies. Sub-section (12) of section 143 of the Companies Act, 2013 requires a fraud to be reported directly to the Secretary Ministry of Corporate Affairs, Government of India. Now such requirement has become part of the Ethics. The proper implementation of this provision rightly needs more engagement with all the stakeholders so that the ultimate objective of bringing in this onerous responsibility is achieved. Hence, the provision has not been implemented as of now.



The Code of Ethics, 2009 contained a self-regulatory provision that the fees from one client, with some exceptions, should not exceed forty percent

of the total fees. The rationale has been that an excessive dependence on one single client will create a threat. The revised Code of Ethics now require that where the fees exceed more than fifteen percent from one client for two consecutive years, the audit firm needs to demonstrate its independence. Thus, against a blanket ban, the new proposal seeks to provide a gateway to demonstrate the independence even if the fees exceed the threshold levels. But this concept needs to be limited to those entities where TCWG are different from the management. A strong and independent Audit Committee is a pre-requisite. Therefore, whenever introduced, it will be advisable to make it applicable to the listed companies or those companies which have established Audit Committees.

The tax services rendered to an audit client are also to be restricted from a date to be notified by the Council. Tax services comprise a broad range of services, including activities such as:

- Tax return preparation.
- Tax calculations for the purpose of preparing the accounting entries.
- Tax planning and other tax advisory services.
- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

Amongst all the above types of services, tax planning and tax services involving valuations may create threats in terms of an audit client. Therefore, the proposed restrictions will only enhance the credibility of the audit services. However, tax return preparation and representation services do not create a threat. India is probably the only country to

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have the concept of tax audit, as prescribed under section 44AB of the Income Tax Act. The Council has issued Guidance Note on Tax Audit which is a rich literature bringing out the requirements of the audit. Once the financial statements are audited, then preparation of the tax return does not result in a conflict. Also the Tax laws have evolved over a period of time. In the case of Rajkot Engineering Association¹, the Government of India filed an affidavit to the effect that the views of the tax auditor will not be binding on the assessee. Thus, on an issue where the tax auditor qualifies his report, it is still open to an assessee to take a different position in the tax litigation and under such circumstances if he is being defended by his tax auditor, there cannot be said to be a conflict. Hence, the Indian position is different from the global position. These matters

¹162 ITR 28 (Guj)

need to be kept in mind as and when the Council decides to implement the above restrictions.

The revised IESBA Code has also introduced the concept of Key Audit Partner. The ethical requirements are now more clearly extended to the entire audit team and the said Key Audit Partner. Also the extent of documentation has increased. These are inevitable in the modern society.

As mentioned before, significant amendments were brought in by the Chartered Accountants (Amendment) Act, 2006 which became effective from 17th November 2006. One such amendment was to empower the Council to lay down guidelines for advertisements by a Chartered Accountants in practice. The Council issued the guidelines in this regard in 2008 which have been substantially amended by way of Council Guidelines 2020. The issues relating to social media have also been aptly covered in the revised guidelines. I personally hold the view that for a professional the best advertisement is a satisfied client who speaks well of his auditor/ advisor. But in the complex world that we live in, limited advertisement is the need of the day. This has been properly recognised and permitted by the Council.

Coupled with the empowerment to advertise, the law since 2006 also made competition healthier by doing away with some of the restrictions such as under-cutting to be a professional misconduct. This is based on the premises that once all the members are to adhere to the same technical and ethical standards, the service recipients should be allowed the benefit of cost optimisation and profession should become more competitive. Participation

in tenders is permitted with some restrictions. However, the unfortunate reality is that the tenders have seen the fees going down to abnormally low levels. This is for us as individuals to introspect. The Institute as a regulator cannot decide the minimum levels of professional fees. At best it can recommend the same for us to consider. What fees is to be charged is ultimately for each one of us to decide. *But as a professional we should strive to see that the client gets more in value than what money he pays.* With this principle in mind, members should increase their fees.

Contingent fees are not a desirable way of charging fees for a professional, more so in case of assurance services. However, the position is completely different in the case of management consultancy services. It is necessary to ensure level playing field between the professional firms and those rendering services in the form of corporate entities. Regulation 192 of the Chartered Accountants Regulations, 1988 permits certain specific services where contingent fees can be charged. Also, the Council is authorised to decide other services where fees can be charged on success basis. Acting as Insolvency Professional has been recently included in this list. The 'Non-Assurance Services to Non-Audit Client' can be a basis for Council to decide in future.

Keeping the tradition of bringing in Ethical requirements before they become part of the law, the Council has decided that upon laying down the office as director of an entity, one cannot accept the office of auditor of the same entity for a period of two years. This cooling period is necessary to install confidence of the society in the role of the auditor. This is a laudable decision of the Council.

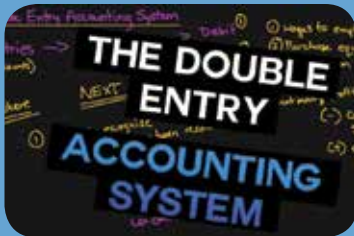
Schedule I Part IV sub -clause (2) provides that where in the opinion

Keeping the tradition of bringing in Ethical requirements before they become part of the law, the Council has decided that upon laying down the office as director of an entity, one cannot accept the office of auditor of the same entity for a period of two years.

of the Council, a member brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work, such an action will be regarded as a professional misconduct. Interpreting these provisions, the Hon'ble Supreme Court in a recent case held that where a complaint was made against a Chartered Accountant relating to sale of certain shares the High Court was not justified in reversing the decision of the Disciplinary Committee which had held him guilty. The Hon'ble High Court had concluded that the said Chartered Accountant was not acting as a Chartered Accountant and was not discharging any functions in relation to his practice. This decision has been reversed and the decision of the Disciplinary Committee has been restored by the Hon'ble Supreme Court. This case demonstrates the robustness of the Institute's disciplinary mechanism. At the same time it is essential to remind ourselves that all our actions should be in accordance with the highest professional standards.

To conclude, we need to be proud of the robust professional Code of Ethics given to us. It is our bounden duty to ensure proper compliance. I am always confident and optimist that the profession will continue to grow and prosper in the times to come. ○○○

Single entry to Double entry accounting system



Transparent financial reporting is essential for good governance and establishing accountability in any organisation. It is necessary that the financial reporting be accurate in capturing the underlying transactions, enhance transparency and be user friendly to facilitate understanding of the financial statements by the users. The single entry accounting system lacks on the dimensions of transparency and user-friendliness as there is no completeness of records that leads to non-availability of complete information about assets and liabilities. Here, double entry accounting system comes into picture that helps in

disseminating desired financial information to users and other relevant stakeholders and are more helpful for decision making purpose. In the double entry accounting system, financial statements can be prepared with accuracy that depicts complete information about financial position and financial performance of the organisation. It records two aspects of transaction (debit and credit).

Double Entry Accounting System has substantial advantages as it emphasizes the dual nature of every business transaction – for every debit entry there must be a corresponding credit entry. It provides the basis for the comprehensive and orderly recording of the financial aspects of the transactions of a business, provides a means of proof of accurate accounting through the equality of total debit and credit entries, and by the integration in the ledger of personal, real and nominal accounts, provides material for the development of statements of profit and loss, and of equity, assets, and liabilities.

ICAI believes in a comprehensive ecosystem where accounts of all organisations are maintained under double entry accrual basis. As a partner in nation building, ICAI is extending support to a number of governmental bodies at local to national level to move to double entry system. Double entry accounting system not only induces transparency in reflecting financial transactions but also the financial performance and financial position including income, assets and liabilities.



What the Leaders Said About ICAI and Indian Accountancy Profession since July 2020

The Institute of Chartered Accountants of India completes its 72 magnificent years of service on July 1, 2021. Leading from the front, ever since 1949, ICAI has been instrumental in the growth of the Indian accountancy profession, and has witnessed its members & students base grow by leaps and bounds. ICAI has not only marked a commanding presence in the accounting arena, but has also proven its mettle in service to the nation. Through professional excellence, ICAI has marked a distinguished presence and is trusted by the society, government, the Indian polity and policy makers alike. The Institute marches on further in its continuous journey of embracing best global practices. The founding fathers of the nation and succeeding leaders of Indian polity, have time and again abundantly acknowledged and highly commended, ICAI and Indian accountancy profession's potential, in social and economic well-being of the nation. A glimpse of the views of the noted personalities, on various occasions of ICAI, as reported in the journal and as tweeted by them during the Journal Volume Year starting July 2020, is presented to you.

Shri Narendra Modi, Hon'ble Prime Minister of India



Hon'ble Prime Minister's message – Global Level Indian Audit Firms : “Friends, along with Doctors Day, Chartered Accountants Day is also celebrated on the 1st of July. A few years ago, I had asked for global level Indian audit firms as a gift from Chartered Accountants of the country. Today I want to remind them of that. Chartered Accountants can play a very worthy and positive role in bringing transparency to the economy. I extend my best wishes to all Chartered Accountants and their family members.”

(78th edition of Mann Ki Baat delivered on June 27, 2021)

“It would not be an exaggeration to say that the organization is one of India's most illustrious and industrious bodies. Some of the brightest young minds have been honed under its leadership.

I have had the opportunity to address the community of Chartered Accountants many times and each time, I feel elated, with their enthusiasm for India's consistent push towards greater corporate transparency as well as Ease of Doing Business.

...As Chartered Accountants, you work in an important position where governance and citizens meet. You facilitate the interaction between the two with your expertise. Every citizen of the country values your honesty, integrity and commitment to your profession. As book-keepers, you also play the role of conscience keepers.”

(In a message published in The Chartered Accountant journal July 2020 issue)

Shri Om Birla, Hon'ble Speaker of Lok Sabha



"Today, first of all, I want to congratulate ICAI on its 72nd Foundation Day. Best wishes and many congratulations to ICAI President CA. Atul Gupta. I am delighted to be a part of this momentous occasion and very unique occasion. I am also like a member of your family. I have also seen how much hard work one has to put in order to earn the meritorious degree of Chartered Accountancy. I have always maintained whenever I visited at ICAI events that all these years your organisation has been conducting the CA examinations and there has never been a time where questions have been raised on the examination systems and this is the speciality and creditability of your organisation. And even today, the same standards of speciality and creditability have been maintained by your organisation.

.... today is the day celebrated as CA day and today also happens to be Doctors' Day. We see where doctors are the ones who serve the humanity; Chartered Accountants are also, like doctors, since they play a vital role in ensuring the economic health of the country..."

(In a special address on the occasion of 72nd Foundation Day of The Institute of Chartered Accountants day of India, report published in The Chartered Accountant journal August 2020 issue)

Shri Amit Shah, Home Minister of India



"Hon'ble Home Minister of India, in his message to ICAI on the occasion of 1st July 2020, mentioned about the significant role of Chartered Accountants in promoting the culture of honesty and good governance in the corporate arena.

He further added that mission Aatmanirbhar Bharat will bring an era of newer opportunities for all and that chartered accountants will be playing an important and decisive role in this historic journey of self-reliant India."

(In a message published in The Chartered Accountant journal July 2020 issue)

Smt. Nirmala Sitharaman, Minister of Finance and Corporate Affairs



Finance Ministry interaction with tax professionals : "During the meeting, Smt. Nirmala Sitharaman emphasised that enhanced taxpayer service is an important priority for the present Government and every effort should be made to amplify the same. While appreciating the role of ICAI and its president Shri Jambusaria and the ICAI's positive contribution in giving shape to today's meeting, the Finance Minister complimented them for providing specific nuanced inputs lying between the intersection of technology and taxation. Smt. Sitharaman also expressed her gratitude to the people who sent inputs through email and assured them that their suggestions would be taken up in all earnestness and would be addressed on priority."

(Excerpts from press release issued by Ministry of Finance on 22 June 2021)

Greetings to all CA professionals today on #CharteredAccountantsDay. Your role in building an #AtmaNirbharBharat is crucial. You have been contributing with inputs for #EaseofDoingBusiness in India. Wishes for your positive and growing role in the service of the nation. @theicai.

(On Twitter on July 01, 2020)

CA. Piyush Goyal, Union Minister of Railways, and Commerce and Industry

“The minister in his address on the occasion of ICAI’s virtual international conference 2020 on the theme Accountancy Profession: Augmenting Economic Sustainability said that he appreciates the fact 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, reinvent, 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.”

(In a report published in The Chartered Accountant journal January 2021 issue)

Shri Nitin Gadkari, Hon’ble Minister for Road Transport and Highways and MSME

“The Chartered Accountancy profession has a proud history of rendering selfless service to the nation. ICAI is an institution that has been constantly evolving, innovating and inspiring its members to adapt the global business needs and to achieve the highest standards of professional excellence. I am convinced that it would continue to do so.”

(In a message published in The Chartered Accountant journal July 2020 issue)

Shri Ravi Shankar Prasad, Hon’ble Minister of Law and Justice, Communications, Electronics and Information Technology

“Since its inception in 1949, ICAI has been an integral partner in nation-building. The Institute has played a significant role in establishing financial discipline, transparency, accountability and propriety in every sphere of financial activities.

During the current times when COVID-19 crisis has hit, every sector of the economy, CA fraternity has to shoulder the responsibility of bringing India back to its growth trajectory. The nation looks forward towards your selfless contribution to Indian economy. I am confident that our country would emerge victorious and CA fraternity that is well versed to handle critical situations would have significantly contributed.”

(In a message published in The Chartered Accountant journal July 2020 issue)

Shri Dharmendra Pradhan Minister of Petroleum & Natural Gas and Minister of Steel

“Greetings and best wishes to India’s CA fraternity on Chartered Accountants Day. A vital element in nation building, the CA community is assiduously working to ensure better corporate governance and is propelling India towards economic growth.”

(On twitter on July 01, 2020)

Shri Thaawarchand Gehlot, Hon'ble Minister of Social Justice and Empowerment



"I have been informed that ICAI. Set up by an Act of Parliament to regulate the profession of Chartered Accountancy has a glorious track record of more than seven decades in rendering and administering an internationally renowned Indian profession."

(In a message published in The Chartered Accountant journal July 2020 issue)

Shri Anurag Singh Thakur, Minister of State-Finance and Corporate Affairs



"The journey of ICAI right from its inception till now has been exemplary and Chartered Accountants have played a stellar role in the growth story of our nation. I firmly believe that the CA profession will continue to play a dynamic role in ensuring stability and sustainability to the national growth, as was being done in the past.

The Institute of Chartered Accountants of India and the entire fraternity have earned applause worldwide for their efficiency, integrity and financial acumen and ICAI has done some remarkable work in exporting sort power in this form and manner to other nations.

Chartered Accountants are a crucial cog in the economic system of this country and they ensure a smooth segue and transition of any policy measure announced by the Government. It is also imperative to spread the knowledge and ethics amongst the lakhs of young students who are undergoing the journey to become a Chartered Accountant."

(In a message published in The Chartered Accountant journal July 2020 issue)

The minister in his address on the occasion of ICAI's virtual international conference 2020, felt that 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.

(In a report published in The Chartered Accountant journal January 2021 issue)

Shri Pratap Chandra Sarangi, Hon'ble MoS for MSME, Fishries, Animal Husbandry and Dairying



"The role of the ICAI in the country's socio-economic growth has been indeed praiseworthy. In the exponential growth and stability of Indian economy, the Chartered Accountants have a fair share of credit. At a time when the whole economy is devastated by COVID-19, the ICAI and the learned fraternity of Chartered Accountants have an onerous role to play in providing the professional accounting services to the industries and businesses to help them sustain and grow."

(In a message published in The Chartered Accountant journal July 2020 issue)

CA. Suresh Prabhu, Hon'ble Member of Parliament, Rajya Sabha and Prime Minister's Sherpa to G7 and G20



"It is a proud moment for me to wish my fraternity from the chartered accountancy profession, especially on the Foundation Day of ICAI, who are celebrating the glorious service of ICAI which has been synonymous with the growth and development of our nation all these days. Through their dedicated service, members of ICAI have left an indelible mark in the minds of people to take up this profession as one of the most respected career options to serve the country. It will not be out of place to say that members of ICAI are doing exceedingly well in their profession as well as in other walks of life, bringing laurels to the Institution."

(In a message published in The Chartered Accountant journal July 2020 issue)

CA. Prabhu, in his address on the occasion of 71st Annual Function on February 9, 2021, struck a comparison between a doctor and an accountant. He further said that we cannot think about revival of the 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 added that here is where our chartered accountants can play a vital role and help the economy grow.

(In a report published in The Chartered Accountant journal January 2021 issue)

CA. Arun Singh, Hon'ble Member of Parliament (Rajya Sabha)



"CA profession has played a true role of Partner in Nation building and has always been at the forefront promoting various initiatives of the Government. In the time of COVID-19 pandemic, the CA profession remain at forefront and supported Government & society and contributed in COVID fund, distributed kits for the needy etc. throughout the country.

...for reaching the dream of becoming dollar five trillion economy, we need to have good health of individuals and of society." Hon'ble Member of Parliament further added "Innovation & ICAI are synonymous to each other, as ICAI always keep innovating in every field, i.e., curriculum, implementing new global practices, technological reforms, issuing new guidelines etc. to be at the forefront of economic development."

... This noble profession has taught me time management and sharpened by Managerial skills. I am proud to be a part of this profession."

(In a report published in The Chartered Accountant journal January 2021 issue)

CA. K. Rahman Khan, former Union Minister of Minority Affairs and also Ex-Deputy Chairman of Rajya Sabha



CA. Khan addressed the international conference participants on augmenting inbound investment in 'Make in India'. 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 also added 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.

(In a report published in The Chartered Accountant journal January 2021 issue)

Shri Tejasvi Surya, Hon'ble Member of Parliament



The hon'ble Member of Parliament laid emphasis on how India has the world's youngest population is aspirational, ambitious, and 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.

(In a report published in The Chartered Accountant journal January 2021 issue)

Accounting Profession moving from local to Global



Over the years, Accounting as a profession has been reshaped by a combination of various forces like market volatility, globalization and technological innovation. The accounting professionals are no longer concerned with the traditional bookkeeping, internal checks, reconciliations, reporting and authentications but are under increasing pressure to move beyond the tasks of reporting their company's results and protecting its assets to assuming the roles of trusted business advisor and an enabler of their organization strategies. Professional accountants need the skills to provide all-inclusive corporate reporting

for effective decision making for the top management with smart software systems in the emerging technological milieu.

Continued globalization is creating more opportunities and challenges for members of the accounting profession. Globalization is encouraging the free flow of resources within the nations, enhanced overseas outsourcing activities and the transfer of technical and professional skills with exchange of language and cultural systems. Accounting firms in various foreign nations like Australia, UK, Canada, Europe are outsourcing services to India, thereby creating a shift in employment within the accounting industry.

Indian accounting professionals are known for their high intellectual, financial, technical and analytical skills across the globe and around 12000 members of ICAI had been instrumental in bringing brand value to this profession globally. Indian business abroad look for Indians for handling their business and with increased FDIs and lucrative investment schemes in India by Government of India, we are sure that foreign clients will soon see the competencies of Indian accounting professionals and India will become one of the top destination for finance professionals, just like IT professionals. ICAI is also signing various MOUs and MRAs with other foreign institutes in order to facilitate the cross-border movement of people and services which provides avenues to professionals to grow their global footprints.



ICAI – Contributing to Societal Goals

The Institute of Chartered Accountants of India firmly believes in the incomparable importance of fulfilling duties and meeting social responsibilities so as to transform stakeholders into benefactors. The impactful role that communities can play in facilitating and broadening the horizons of impoverished areas in modern competitive world needs excessive consideration. After all, prosperity is best achieved in an inclusive society where gains are shared equitably. In such times, it is imperative to move away from the narrow personal gains to take assertive and strong steps towards redefining the record and aspire for greater balance and deeper meaning to human existence; this is only possible through the collective fulfilment of our corporate social responsibilities.

The ambit of CSR (Corporate Social Responsibility) activities has grown manifold. Even a few years ago, before the Companies Act 2013 came into effect, businesses used to contribute to the development of the society as a benevolent and generous act. There was no compulsion to spend for the social cause. However, with the coming into effect of the Companies Act, 2013, India has seen CSR spending becoming compulsory by law and non-fulfilment of the provisions is punishable offence. CSR is playing an important part in achieving the sustainable development goals. Government of India seeks to achieve the SDG Goals through CSR and through private-public partnership in nation building. During the Covid-19 pandemic also, CSR has played a very important role in supporting the social and economic development of the country where the Corporate Sector joined hands with Government in boosting up health infrastructure to fight the pandemic.

Being a partner in Nation Building, ICAI's motto is to take several steps as part of its responsibility to the society. ICAI has also submitted views on Frequently Asked Questions on Companies (CSR Policy) Amendment Rules, 2021 being framed by the MCA. ICAI through the CSR Committee puts

its best efforts to create, maintain, and improve awareness and compliances of CSR Regulations; undertake meaningful and quality initiatives; such activities that capture the true essence of social responsibility in such a way that leads to value creation for the society, promote sustained growth in harmony with the environment through transparency and effective governance. ICAI educates, conducts events and takes focussed initiatives directed towards overall wellbeing of the society.

1. Task Force for Covid-19

As a vigilant leader, we all are aware how the 2nd wave of Covid-19 pandemic impacted the society. The 2nd wave of pandemic had a devastating effect on the Indian society and also the Indian economy. The severity of the situation caught India unprepared for the onslaught. To minimise the spread of the virus, lockdown had to be imposed in several states. Jobs, and as a result, the household incomes have also been impacted. The health system also came under pressure due to the rapid spread of the virus.

To mitigate the issues ICAI branches formed Special Covid Task Force and helped the members, students and their family and society at large to arrange for hospital beds, oxygen, medicines, plasma, food etc. The Branches worked at the ground level and were in direct contact with the needy. Members of the Task Forces were readily available on call to provide support and comfort to the sick.



Contributed by CSR Committee of ICAI.

2. Blood Donation

To support the members and students, the Branches of ICAI were requested to organize Blood Donation / Plasma Donation Camps since blood was in short supply during the peak of the second wave of the Covid-19 pandemic. A grant for reimbursement of expenses upto Rs. 7,500/- was declared by the CSR Committee, for organizing the Blood Donation Camp. During the last quarter, reports have been received from 25 branches where **more than 1000 units of blood** was collected. Members and students had actively taken part in the initiative.

3. Vaccination of Members, Students and their family

Vaccination Camps were organized by the Branches since April, 2021, in various phases, for the benefit of members, students and their families. In the initial phase, senior citizens and individuals with co-morbidities were vaccinated. Since May, 2021 vaccination camps have been organized by various branches for members

and students above 18 years of age. A grant for reimbursement of expenses upto Rs. 7,500/- was declared by the CSR Committee. During the last quarter due to the efforts of the branches of ICAI, facilities have been provided at more than 83 vaccination camps at various places all over the country for the vaccination of **more than 15,454** members and students and their family members. Other branches have also submitted their willingness to facilitate the vaccination of members and students once the vaccines are made available.

4. Supply of Oxygen

Task Forces for Covid-19 were formed at the Branches where the members of the Task Forces provided support to members and students of the branch, during the Covid-19 pandemic, by arranging for hospital beds, oxygen cylinders and oxygen concentrators, medicines, ambulance and also took care of the ailing family by providing free / subsidized food. Some branches of ICAI have donated Oxygen Cylinders, kits and other medical equipment to Hospitals and with the



Indore Branch of CIRC of ICAI



CSR Committee urges CA family to be vaccinated on the occasion of World Immunization Week, 2021



Vaccination Camp organised by Pune Branch of WIRC of ICAI



Vaccination Camp organised by Guwahati Branch of EIRC of ICAI



Vaccination camp organised by Bhiwar Branch of CIRC of ICAI



Vaccination Camp organised by Alwar Branch of CIRC of ICAI

understanding that the priority treatment will be given to Chartered Accountants.



Oxygen Concentrators arranged by Kishangarh Branch of CIRC of ICAI

5. Tree Plantation

The CSR Committee of ICAI is organizing Mega Tree Plantation Drive which will be flagged off on CA Day, 2021 by the august hands of Shri Prakash Javadekar, Minister of Environment, Forest and Climate Change (confirmation awaited). There is a target of planting 10 lakh trees during the current year. The committee invites all members and students to be a part of the Mega Tree Plantation drive. Each member and student has to plant at least 1 tree during the current season. He also should pledge to nurture the tree for a minimum period of 3 years.



Tree Plantation by Sonapat Branch



Tree Plantation by Ernakulam Branch

This small contribution from you towards the environment will go a long way to preserve the green cover of the earth and make the earth a better and healthier place to live.

CSR - ICAI Mega Tree Plantation Drive

through Branches and Individual Members and Students

1 tree per member and per student = 10 lakh trees

Trees help to combat Global Warming by absorbing Carbon Dioxide from the environment

CSR Committee of ICAI requests members and students to come forward and be a part of the Mega Tree Plantation Drive on 1st July, 2021

Voluntary pledge:

- I pledge to plant a tree this season for the health of our planet and all living creatures
- I will nurture the tree for 3 years
- You are requested to send details and photo of plantation to csr.isr@icai.in

CSR Committee
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

Follow ICAI on Social Media – <https://www.icai.org/followus>

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Website - <https://csr.icai.org>, www.icai.org

Inauguration of Mega Tree Plantation Drive on the occasion of CA Day, 2021

6. International Yoga Day Celebrations

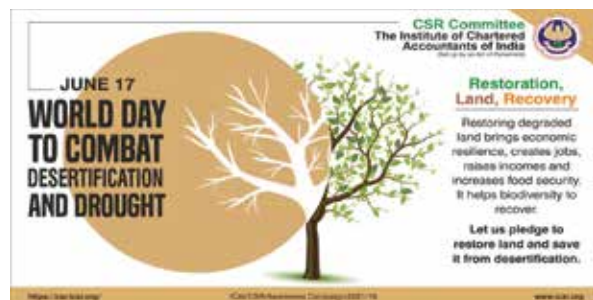
For the general health and well being of the society, International Yoga Day celebrations were organized on 21.06.2021. Two webinars were organized during the day. Guru Maa Chaitanya Meera took the session on Be with Yoga, Empower Yourself, where she discussed various asanas and yogic exercises for good health. The afternoon session was taken by Padmashree Gurudev Swami Bharat Bhusan on the topic : Yoga in Today's Context where basic exercises were discussed which could be followed in our everyday life. The session was ended with a discourse by Brahma Kumari Yeshu. The sessions received good response from the members.

7. Being in Touch for the Society

ICAI encourages members and students to work for the social cause. Flyers have been circulated on important days like International Day of Forests, World Environment Day, World Wildlife Day,



Awareness Campaign: World Day against Child Labour - 12th June, 2021



Awareness Campaign: World Day to combat Desertification and Drought - 17th June, 2021

World Health Day, to name a few. The purpose of the same is to make the CA fraternity aware of important Sustainable Development Goals which were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy



Members of Tirupur branch have donated 20 benches of chairs consisting of three chairs in a row worth Rs.1.50 lakhs, for accommodating 60 patients at a time to Government Medical College and Hospital, Tirupur

peace and prosperity and to align the individual social activities so as to fulfill the sustainable goals.

8. Individual Social Responsibility

A ISR Community Hub has been created in DLH platform where individual members and students can showcase the social activities done by them so that others will also be motivated for the social cause. All such efforts are appreciated by the Committee. At individual level one such Chartered Accountant CA Gaurang Parikh has been serving the society with great humility. At the age of 63, when most people think of spending their retired life relaxing at home, he has been out on the streets helping the needy and the destitute. Education being a big casualty among children of workers he motivates their parents to get the admission in the local municipal schools or in their village and assist them logistically. He also encourages them to shun bad habits and adopt healthy lifestyle. There are many other members who are doing their bit in helping the community. It is the need of hour that we should come forward to help others.



Awareness Campaign: International Day of Biological Diversity- 22nd May, 2021



Feeding of Stray Animals by
CA Students



Recycling of waste



Chartered Accountants in Morbi contributed an ICU on wheels



Sewing Machine donated by individual Chartered Accountant



Donation of food by individual Chartered Accountant



Teaching Children living near railway stations by CA Student

Indian CA honoured with Uganda's Highest Civilian Award

As a matter of great national pride, CA Rajesh Chaplot, an Udaipur-born Ugandan business leader was honoured with the Uganda's Highest Civilian Award at a ceremony in Kampala. The honours were done by Yoweri Museveni, His Excellency Hon'ble President of Uganda in the year 2020. The accolade was conferred upon Rajesh Chaplot for his determined efforts and excellence in the field of Business & Commerce, Social Service and for furthering the ties between India and Uganda.



Pathshala to Internationally benchmarked education



to e-learning. Indian education might have evolved to a great extent but one thing which is common from Vedic days to modern times is the ability of our country to churn out world class professionals.

ICAI has adopted most modern technological tools to impart education. Today ICAI is providing education through a state of art platform - digital learning hub to both members and students. Classes are being delivered electronically free of charges to the students to assist them in their learning efforts. ICAI believes that the role of a Chartered Accountant has been evolving continually to assume newer responsibilities in a dynamic environment. There has been a notable shift towards strategic decision making and entrepreneurial roles that add value beyond traditional accounting and auditing. The ICAI education pedagogy is benchmarked to the best of global systems and follows International Education Standards of IFAC.

Recently, ICAI released International CA curriculum wherein three levels of examination have been retained. In the system, education would continue to be imparted through distance learning by providing study materials and other educational inputs. In addition, greater emphasis would be laid on e-learning modes, like e-books, e-lectures, e-journal and virtual coaching classes to bridge the distance learning gap.

In ancient India, education was imparted in temples, pathshalas and gurukuls. Indigenous education was imparted in small institutions called pathshalas consisting of few students following a flexible curriculum with no fixed fee, no benches or chairs and no printed books either. From conducting classes under a tree or a guru's residence Indian education has come a long way from vernacular education to international curriculum, from no roll calls to regular timetable and from slate and chalk to bounded books and note books and now



Know Your Ethics

FAQs on Communication and changes in professional appointments

Q. Whether a Chartered Accountant in practice can accept a position as auditor previously held by another Chartered Accountant without first communicating with him in writing?

A. No, a Chartered Accountant in practice cannot accept a position as auditor previously held by another Chartered Accountant without first communicating with him in writing. It will be in violation of Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949.

Q. What is the intention behind communicating with the retiring auditor?

A. As per Council directions under Paragraph 2.14.1.8(i) under Clause (8) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 appearing in Volume-II of the Code of Ethics, 2020, professional courtesy alone is not the major reason for requiring a member to communicate with the existing accountant. The underlying objective is that the member may have an opportunity to know the reasons for the change in order to be able to safeguard his own interest, the legitimate interest of the public and the independence of the existing accountant. When making the enquiry from the retiring auditor, the one proposed to be appointed or already appointed should primarily find out whether there are any professional or other reasons why he should not accept the appointment.

Q. Whether posting of a letter under "Certificate of Posting" is sufficient to establish communication with retiring auditor?

A. No, a mere posting of a letter "Under Certificate of Posting" is not sufficient to



establish effective communication with the retiring auditor unless there is some evidence to show that the letter has in fact reached the person communicated with. Members should therefore communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council, the following would in the normal course provide such evidence:-

- Communication by a letter sent through "Registered Acknowledgement due", or
- By hand against a written acknowledgement, or
- Acknowledgement of the communication from retiring auditor's vide email address registered with the Institute or his last known official email address, or
- Unique Identification Number (UDIN) generated on UDIN portal (subject to separate guidelines to be issued by the Council in this regard)

Q. Whether a Chartered Accountant can accept appointment as an auditor after sending communication to the previous auditor through registered post without acknowledgment due?

A. No, a Chartered Accountant cannot accept an appointment as an auditor after

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Know Your Ethics

sending communication to the previous auditor through registered post without acknowledgment due, as this may tantamount to professional misconduct under clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949.

Q. Whether a member of the Institute will be deemed to be guilty of professional misconduct if he accepts his appointment as an auditor immediately after intimating his appointment over the phone to the previous auditor?

A. Yes, the member would be held guilty of professional misconduct for the following reasons:

- a) That he had failed to communicate with the retiring auditor in writing; and
- b) That he did not wait for a reasonable length of time for a reply to be received from him.

Q. Who is “previous auditor” (or retiring auditor) for the purposes of communication to be made in terms of clause (8) of Part I of First Schedule to the Act?

A. The term “previous auditor” (or retiring auditor) refers to the immediately preceding auditor who held the same or similar assignment comprising same/ similar scope of work.

Q. Whether communication by the Incoming auditor is mandatory with the previous auditor in respect of various audit assignments, like the concurrent audit, revenue audit, tax audit and special audits etc.?

A. Yes, the requirement for communicating with the previous auditor would apply to all types of audits viz., statutory audit, tax audit, GST audit, internal audit, concurrent audit or any other kind of audit. The Council has laid down detailed guidelines in this regard and the same are appearing in Paragraph 2.14.1.8(xiv) to 2.14.1.8(xvii) under Clause (8) of Part I of First Schedule to the Chartered Accountants Act,

1949 appearing in Volume-II of the Code of Ethics, 2020.

However, in case of assignments done by other professionals not being Chartered Accountants, it would also be a healthy practice to communicate.

Q. Whether a Chartered Accountant who is appointed as tax auditor for conducting special audit under the Income-tax Act by the IT Authorities is required to communicate with statutory auditor?

A. Yes, Council direction mentioned under Clause (8) of Part I of First Schedule to the Chartered Accountants Act 1949, appearing in Volume-II of the Code of Ethics, 2020, prescribes that it would be a healthy practice if a tax auditor appointed for conducting special audit under the Income-tax Act, 1961 communicates with the members who has conducted the statutory/tax audit.

Q. Whether a Chartered Accountant in practice can accept audit in case the audit fee of the previous auditor remains unpaid?

A. No, in case the undisputed audit fees for carrying out the statutory audit under the Companies Act, 2013 or various other statutes have not been paid, the incoming auditor should not accept the appointment unless such fees are paid. In respect of other dues, the incoming auditor should in appropriate circumstances use his influence in favour of his predecessor to have the dispute as regards the fees settled.

The Council has taken the view that the provisions of audit fee made in accounts signed by both- the auditor and the auditee along with other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as ‘undisputed’ audit fees.

Members may like to access the Video on “FAQs on Communication and changes in professional appointments” at <http://esb.icai.org/esb-videos/>

Accounting Treatment of Expenditure Incurred for Configuration Design Study of Integrated Refinery Cum Petrochemical Project

A. Facts of the Case

1. A company (hereinafter referred to as 'the Company'), which is a joint venture of public sector oil marketing companies, is scouting for suitable land for setting up an integrated refinery cum petrochemicals complex. Meanwhile, as a part of project implementation, the Company has engaged various consultants for carrying out different studies including the pre-feasibility and configuration design study of the project.
2. The objective of configuration study carried out is to arrive at a most optimum configuration (essentially deciding the different products, quantities, process units and their capacities) of refinery and petrochemical process units while achieving best economics and meeting the domestic consumption of different products in future. The configuration thus finalised forms the basis on which further stages of Project implementation follow.

This base configuration, after carrying out a fine tuning, detailing and re-optimisation, the extent and scope of which depending on the time lapse and based on the significant changes, if any, on the product demands and cracks, will define the specifications for the selection of different licensors. The licensors thus selected will generate the design packages, which form the basis for Front End Engineering Design (FEED), Detailed Feasibility Report (DFR) and Detailed Engineering. The Plants will be constructed based on the detailed engineering, which will be commissioned with the assistance of licensors and operated thereafter.

Therefore, a configuration study is a starting point of the journey culminating with construction of refinery and petrochemical complex.



Further, the site of the refinery and petrochemicals complex is not a parameter for ascertaining the optimal configuration and the same configuration can be implemented on any land allotted for the project.

3. The querist has referred to the guidance under Indian Accounting Standard (Ind AS) and Educational Material, issued by the Institute of Chartered Accountants of the India (ICAI) as follows:

Paragraph 7 of Ind AS 16, 'Property Plant and Equipment' states the following:

"The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and**
- (b) the cost of the item can be measured reliably"**

Paragraph 16 of Ind AS 16 on 'Elements of cost' states the following:

"The cost of an item of property, plant and equipment comprises:

- a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.**

- b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.”

Question No. 16 along with the Response as given in Educational Material on Ind AS 16, issued by the erstwhile Ind AS Implementation Committee of the ICAI is reproduced below:

“A public sector company is engaged in refining and marketing of petroleum products. The company has entered into engineering agreements with a foreign licensor for transfer of know-how for installation of petrochemical plant at one of its refineries. The know-how can be used only for the company’s own use and cannot be sold or transferred or leased to others. As per the agreement, the licensor will provide engineering and technical services in connection with the design of the plant. Whether the cost of technical know-how fee related to plant design incurred under the engineering agreement is to be capitalised as intangible asset or as a part of the relevant plant?”

Response

In the given situation, to determine whether know-how should be capitalised as an intangible asset or as a part of relevant plant, judgement needs to be exercised as to which element is more significant, the property, plant or equipment element or intangible element. The entity should evaluate whether any intangible part is actually integral to the larger asset or whether it is really a separate asset in its own right. In the present case, the technical know-how is integral to the plant which is required for installation of the petrochemical plant. The know-how can be used only for the company’s own use and

cannot be sold or transferred or leased to others.

Further paragraph 16 of Ind AS 16, *inter alia*, states that any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management should be included in the costs of an item of property, plant and equipment.

The cost of a self-constructed asset is also determined using the same principles as for an acquired asset.

Since know-how has been acquired for installation of the plant and considering it will be used for installation of this plant only, the cost of know-how should be capitalised as part of cost of relevant plant as directly attributable cost.”

4. Accounting treatment by the Company:

The configuration design study is fundamental for construction of integrated refinery cum petrochemical project and being used as a basis for preparation of feasibility report. The study analyses existing technologies and materials to determine the best fit for the project, i.e., the configuration study helps in deciding the specifications of the project. As explained in paragraph 2 above that configuration finalised forms the basis on which further stages of Project implementation follow. The cost incurred is specific to the complex the Company is planning to construct and not generic. Therefore, the cost is integral part of the project, which is required for setting up the refinery cum petrochemical project. Further, paragraph 16 of Ind AS 16, states that any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management should be included in the cost of an item of property, plant and equipment. Since, the study done will be used for setting up the project only, the consultancy expenditure incurred for configuration design study has been capitalized under ‘Capital Work in Progress’ as part of directly attributable cost.

5. Comptroller and Auditor General (CAG) Observation:

As per paragraph 5 of Indian Accounting Standard (Ind AS) 38, 'Intangible Assets', the Standard applies to, among other things, expenditure on start-up, research and development activities. Research and development activities are directed to the development of knowledge. Therefore, although these activities may result in an asset with physical substance (eg a prototype), the physical element of the asset is secondary to its intangible component, ie, the knowledge embodied in it.

As per paragraph 56 of Ind AS 38, examples of research activities are: (a) activities aimed at obtaining new knowledge; (b) the search for, evaluation and final selection of, applications of research findings or other knowledge; (c) the search for alternatives for materials, devices, products, processes, systems or services; and (d) the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

Since the scope of the work of the consultant relates to search for alternative configuration/system, the work comes under the scope of 'Research Activities' as described under subparagraphs (c) and (d) of paragraph 56 of Ind AS 38.

Further, as per paragraph 54 and paragraph 55 of Ind AS 38 respectively:

"No intangible asset arising from research (or from the research phase of an internal project) shall be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred."

"In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore, this expenditure is recognised as an expense when it is incurred."

Thus, as per paragraph 54 of Ind AS 38, the payments made to the consultant relating to study of alternative configurations should be recognised as expenses.

6. Views of the Company to CAG Observation:

Definition of 'Research' and 'Development' under Ind AS 38 is as under:

"Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding."

"Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use."

(Emphasis supplied by the querist.)

The configuration design study does not satisfy the definition of research and development in Ind AS 38 based on the following:

- i. The study has not been done with an intention of gaining new scientific or technical knowledge and understanding. Existing methods available have been used to perform the configuration study. Also, the technologies considered by the consultant are tried and tested and commercially feasible technologies.
- ii. The configuration will define the specifications for the selection of different licensors, who will generate the design packages, which form the basis for FEED, DFR and detailed engineering. The Plants will be constructed based on the detailed engineering thus effected, which will be commissioned with the assistance of licensors and operated thereafter. Therefore, configuration study will not create an identifiable intangible asset as the same cannot be separated from the entity and sold, transferred, licensed, rented or exchanged by itself.
- iii. It is the refinery and petrochemical complex which will be generating future economic benefits and not the configuration study by itself. Thus, study is not a precursor for creation of any intangible asset, as the results of the study are not intended for use elsewhere to generate economic benefits.

Accordingly, it may be inferred that the Company is not undertaking any research and development activity. The configuration finalised is fundamental to the construction of refinery and petrochemical complex; and forms the basis for further stages

of project implementation. Therefore, the expenditure incurred for the configuration design study, being part of the overall construction of the project, should be treated as capital work in progress in accordance with Ind AS 16; and further since the expenditure is neither research nor development, it doesn't fall within the scope of Ind AS 38.

However, CAG desired that the Company should obtain views of the Expert Advisory Committee of the ICAI on accounting treatment of consultancy cost incurred on configuration design study.

B. Query

7. In view of the above, the querist has sought the opinion of the Expert Advisory Committee as to whether the accounting treatment done by the Company for expenditure incurred for the configuration design study by classifying it as Capital Work in Progress as per Ind AS 16 is correct.

C. Points considered by the Committee

8. The Committee notes that the basic issue raised by the querist relates to the accounting treatment of expenditure incurred by the Company for configuration design study under Ind AS. The Committee has, therefore, considered only this issue and has not examined any other issues that may arise from the Facts of the Case, such as, subsequent accounting under Ind AS 16 or Ind AS 38, including impairment of assets, the exact scope and nature of configuration design study carried out and any other incidental issues.
9. The Committee notes that Ind AS 16 states the following:

“16 The cost of an item of property, plant and equipment comprises:

 - a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
 - b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be

capable of operating in the manner intended by management.

- c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

17 Examples of directly attributable costs are:

- a) costs of employee benefits (as defined in Ind AS 19, *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant and equipment;
- (b) costs of site preparation;
- (c) initial delivery and handling costs;
- (d) installation and assembly costs;
- (e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
- (f) professional fees.”

Ind AS 38, paragraph 8 states as follows:

“Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.”

“Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.”

The Committee notes that the querist has stated that configuration design study for the refinery/plant has not been carried out with an intention of

Opinion

gaining new scientific or technical knowledge and understanding and that existing methods available have been used to perform the configuration study. Further, the querist has also stated that the technologies considered by the consultant are tried and tested and commercially feasible technologies; and that the configuration study is intended to lay out the specifications for the selection of different licensors.

Considering this, the Committee is of the view that the configuration study does not appear to have been undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Further, the Committee notes that development under Ind AS 38 is an application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services. However, the configuration study in the extant case does not entail an application of research findings or other knowledge, as per the facts provided by the querist. Therefore, the cost of such configuration study should neither be treated as research nor as development cost under Ind AS 38.

As far as capitalisation of such costs with the refinery cum petrochemical plant is concerned, the Committee further notes that paragraph 16 of Ind AS 16 states that any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management should be included in the costs of an item of property, plant and equipment. Any costs that are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management is expensed in Statement of Profit and Loss as incurred.

The Committee is of the view that in case of self-constructed assets, directly attributable costs are generally such costs which are necessary to enable the construction activity, i.e. these costs are directly related to the construction activity and without the incurrence of which the asset cannot be brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Accordingly, the Committee is of the view that in the extant case, the costs of the configuration design study,

which as per the querist, is required for setting up the refinery cum petrochemical project, can be capitalised as a part of cost of property, plant and equipment (refinery cum petrochemical plant) only if such study is directly attributable to bringing the plant to the location and condition necessary for it to be capable of operating in the manner intended by the management.

D. Opinion

10. On the basis of above, the Committee is of the opinion on the issues raised in paragraph 7 above that the cost of the configuration design study should neither be considered as research nor as development costs under Ind AS 38, as discussed in paragraph 9 above. Further, such cost can be capitalised as a part of property, plant and equipment (refinery cum petrochemical plant) only if such study is directly attributable to bringing the plant to the location and condition necessary for it to be capable of operating in the manner intended by the management, as discussed in paragraph 9 above.

1.	The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute.
2.	The Opinion is based on the facts supplied and in the specific circumstances of the querist. The Committee finalised the Opinion on January 18-20, 2021. 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 nine volumes. This is 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 .

Ind AS Alert

I. Indian Accounting Standards: Update

- **Notification of Amendments to Ind AS by Ministry of Corporate Affairs (MCA)**

The MCA vide Notification dated June 18, 2021, has notified the following amendments to Ind AS as recommended by the ICAI and examined and recommended by National Financial Reporting Authority:

- i) COVID-19 Rent Related Concession beyond June 30, 2021 - Amendment to Ind AS 116, Leases, to extend the availability of the practical expedient in paragraph 46A so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.
- ii) Interest rate Benchmark Reform- Phase II - Amendment to Ind AS (Ind AS 104, Ind AS 107, Ind AS 109 and Ind AS 116) - The amendments focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The amendments relate to specific requirements of these Ind AS to assist companies to provide investors with useful information about the effects of the reform on the financial statements.
- iii) Amendments to Ind AS consequential to Conceptual Framework under Ind AS – Amendments to Ind AS 102, Share-based Payment; Ind AS 103, Business Combinations; Ind AS 106, Exploration for and Evaluation of Mineral Resources; Ind AS 114, Regulatory Deferral Accounts; Ind AS 1, Presentation of Financial Statements; Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Ind AS 34, Interim Financial Reporting; Ind AS

37, Provisions, Contingent Liabilities and Contingent Assets; Ind AS 38, Intangible Assets, relate to change of reference to Conceptual Framework under Ind AS.

- iv) Editorial Corrections in Ind AS - Editorial Corrections include minor inaccuracies such as, punctuations, misspellings, font (Bold Italics), grammatical errors etc. Keeping in view editorial corrections in IFRS Standards issued by the IASB and editorial errors identified in Ind AS from time to time, editorial changes in Ind AS were made. These changes are minor corrections in the text of notified Ind AS, having no impact on its principles.

II. IFRS Foundation & IASB: Stakeholder Consultations

- (A) Discussion Paper: Business Combinations under Common Control - IFRS 3 Business Combinations set outs 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 these combinations in different ways. In some cases, they use the acquisition method. That method measures the assets and liabilities received in the combination at fair value and recognises goodwill. In other cases, companies use a book-value method. That method measures those assets and liabilities at their existing book values. There is a variety of book-value methods used in practice. Furthermore, companies often provide little information about these combinations. 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 undertake similar transactions.

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

The Discussion Paper Business Combinations under Common Control sets out the IASB's preliminary views on how to fill this gap in IFRS Standards. The IASB's aim is to explore possible reporting requirements that would reduce diversity in practice and provide users of the receiving company's financial statements with better information about these combinations. Specifically, the IASB is suggesting that the acquisition method should be used when a business combination under common control affects non-controlling shareholders. That method is required by IFRS 3 for mergers and acquisitions between unrelated companies. In all other cases, the IASB is suggesting that a book-value method should be used. A single form of a book-value method would be specified in IFRS Standards. The Discussion Paper seeks feedback on the IASB's preliminary views on when and how each method should be applied.

- (B) Request For Information: Third Agenda Consultation - The IASB has published a consultation document to seek views on what the IASB's priorities should be over the next five years. The IASB is asking for views on the strategic direction and balance of its activities—for example, how much time it should spend on developing new IFRS Standards compared with that spent on its other activities, such as supporting consistent application of the Standards. The

IASB is also seeking views on which financial reporting issues it should prioritise and on the criteria for adding projects to its work plan. The feedback received will help the IASB to determine its activities and work plan for 2022 to 2026. The responses on the Request for Information can be submitted in one of two ways: (i) a comment letter; or (ii) the survey.

- (C) IFRS Interpretation Committee (IFRS IC) Agenda Decision: The IFRS IC from time-to-time issues Tentative Agenda Decisions for public comments across the globe on various issues considered by it. In this regard, the following Tentative Agenda Decisions are open for comments by August 16, 2021:

- Tentative Agenda Decision and comment letters: Economic Benefits from Use of a Windfarm (IFRS 16)
- Tentative Agenda Decision and comment letters: TLTRO III Transactions (IFRS 9 and IAS 20)

The ASB of ICAI, in May 2021, had submitted the comments to IFRS IC on Tentative Agenda Decisions on Non-refundable Value Added Tax on Lease Payments (IFRS 16) and Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32) and the same can be assessed at https://www.icaai.org/post.html?post_id=10209

FORTHCOMING EVENTS

S.No.	Title of the Seminar/ Conference	Date	Place	CPE Hours
CSR Committee				
Programme Chairman: Chairman, CSR Committee				
1.	Certificate Course on CSR	06.07.2021	Online through DLH	Upto 30 CPE Hours
Topic	Certificate Course on CSR			
Fees	Rs. 5,500/- + GST			
Contact Person	For Registration & Further Details: Secretary, CSR Committee, 0120- 3045993			

For more details about the forthcoming events please refer the detailed announcements hosted on the ICAI website www.icaai.org

National Update

SEBI asks Companies to Disclose Loans and Guarantees given by them

Markets regulator Sebi has asked listed companies to make disclosure about loans and guarantees provided by them to promoter or any other entity controlled by them on a half-yearly basis in the compliance report on corporate governance. According to the SEBI, the decision has been taken to bring transparency and strengthening disclosures about such loans and guarantees.

The regulator has come out with a new disclosure format in this regard which will be effective from financial year 2021-22. Under the new format, any loan or any other form of debt advanced by the listed entity directly or indirectly to promoter, promoter group directors including relatives, key management personnels or any other entity controlled by them need to be disclosed, along with aggregate amount advanced during six months and balance outstanding at the end of six months.

According to Sebi, in case of any guarantee or comfort letter provided by the listed entity in connection with any loan(s) or any other form of debt, the listed entity needs to make disclosure about aggregate amount of issuance during six months and balance outstanding at the end of six months, taking into account any invocation. With regard to any security provided by the listed entity, they need to disclose about type of security, whether its cash or shares; aggregate value of security provided during six months and balance outstanding at the end of six months.

Source: <https://economictimes.indiatimes.com/>

Life after LIBOR: MCA shows the way on Corporate Financial Reporting

The Ministry of Corporate Affairs (MCA) has effected amendments to several accounting standards to cover the International Accounting Standards Board's amendments, Interest Rate Benchmark Reform finalised in August last year. Covering the existing Indian accounting standards, these changes are expected to smoothen financial reporting under the replacements for LIBOR (London Interbank Offered Rate). LIBOR was a favourite benchmark and an estimate of the rate at which big banks in London lent to each other. Several candidates recommended by the central banks of the US, Japan, Switzerland, UK and the EU are going to replace LIBOR as the benchmark rates now in the financial sector. A major issue in the transition is that LIBOR is based on an average of bank lending rate. However, the

replacement rates are based on the actual overnight money market transactions. Central banks around the world have established their own replacement rates. In case of the dollar, it is the secured overnight financing (SOFR), while it is the sterling overnight index average (SONIA) for the pound; the Tokyo overnight average rate (TONAR) for the yen; the Swiss average rate overnight (SARON) for the Swiss franc and the Euro short term rate (ESTR) for the euro. It is assumed that some of these Guidance/disclosures will enable users of financial statements to understand the effect of these changes.

Source: <https://www.thehindubusinessline.com/>

MCA removes Restrictions on Board Meetings via Video Conferencing

The Ministry of Corporate Affairs has issued a notification to allow board meetings through video conferencing for activities that were earlier restricted for the digital medium. This move will ease the burden on companies to hold physical meetings even beyond the pandemic. Some of the activities that were not allowed to be dealt with through video conferencing included the approval of the annual financial statements, Board's report, approval of the prospectus. Likewise, companies were not allowed to hold the audit committee meetings for consideration of accounts through video conferencing earlier. Apart from this, approval of matters related to merger, demerger, acquisition and takeover also required physical meeting. Due to the Covid-19 pandemic government had allowed video conferencing even for restricted business in March last year but that was for a limited time. With the latest notification, the provision restricting video conferencing or other audio visual means has been removed permanently. Industries believe that this step will help overall ease of doing business.

Source: <https://www.business-standard.com/>

SEBI notifies Minimum Public Holding Norms for Insolvent Firms

Sebi has notified its minimum public shareholding norms for listed companies. In December last year, SEBI laid down a minimum 5% public shareholding requirement for listed companies post the insolvency process. This move may encourage successful bidders to delist the company after cancelling all of the existing equity shares which is permissible in

insolvency proceedings. In addition to mandating a compulsory minimum public float immediately after insolvency, SEBI has also crunched timelines to achieve a higher public shareholding. So far, post insolvency resolution, a company had 18 months to achieve public shareholding of 10%. This has been reduced now to 12 months. And the statutory public shareholding of 25% will have to be achieved in 36 months.

<https://www.bloomberqint.com/>

SEBI bets on AI Machine Learning, Plans Data Analytics Project to Track Market Manipulations

Markets regulator Sebi is looking to take services of an agency to implement a “data analytics project” to track possible market manipulations like insider trading and front running. The step has been taken as a part of Sebi’s effort to address and handle challenges arising out of technological advancements in the markets. Sebi is trying to address and handle challenges arising out of technological advancements in the markets. In its notice, the regulator has invited expression of interest (EoI) from reputed and reliable solution providers for implementation of data analytics project and building of data models at Sebi. The regulator is looking to leverage artificial intelligence, machine learning and deep learning to address critical challenges for data analytics impacted by the processing of a vast amount of data, either structured or unstructured. The agency is expected to build analytical models, including machine learning and artificial intelligence.

Moreover, the analytics/model development would be done as per the SEBI’s requirements. This will include implementing analytics project, developing new models, enhancement of a model in terms of adding new data sources in existing models, among others.

Source: <https://www.livemint.com/>

SEBI comes out with New Guidelines on Mutual Fund Investment in Interest Rate Swap

Markets regulator Sebi has floated fresh guidelines for participation of mutual fund schemes in interest rate swap, a derivative product. Mutual funds can enter into plain vanilla Interest Rate Swaps (IRS) for hedging purposes. The value of the notional

principal in such cases must not exceed the value of respective existing assets being hedged by the scheme.

According to SEBI, in case participation in IRS is through over the counter transactions, the counterparty has to be an entity recognized as a market maker by RBI and exposure to a single counterparty in such transactions should not exceed 10 per cent of the net assets of the scheme. However, if mutual funds are transacting in IRS through an electronic trading platform offered by the Clearing Corporation of India Ltd (CCIL), the single counterparty limit of 10 per cent will not be applicable.

Source: <https://economictimes.indiatimes.com/>

Household Financial Savings Moderated to 8.2 pc of GDP in Q3FY21: RBI

COVID pandemic has shown a higher impact on financial savings in country’s household. According to RBI data the first wave of COVID-19 last year impacted households as their financial savings moderated to 8.2 per cent of GDP in December quarter from 10.4 per cent in the previous three-month period. The preliminary estimate of household financial savings is placed at 8.2 per cent of GDP in October-December 2020-21, exhibiting a sequential moderation for the second consecutive quarter after having spiked in the pandemic-hit June quarter. The moderation was driven by a significant weakening in the flow of household financial assets, which more than offset the moderation in the flow of household financial liabilities. The ratio of household (bank) deposits to GDP declined to 3 per cent in the third quarter from 7.7 per cent in July-September. RBI has also stated that household debt to GDP ratio, which is based on select financial instruments, has been increasing steadily since end-March 2019. As per the data, financial assets, including deposits, life insurance funds, provident and pension funds, currency, investments in mutual funds and equity, and small savings, stood at ₹ 6,93,001.8 crore in the third quarter. It was at ₹ 7,46,821.4 crore in July-September 2020

Source: <https://economictimes.indiatimes.com/>

Legal Decisions



Income Tax

LD/70/01, [ITAT Delhi: ITA No.4418/Del/2016], Dy. Commissioner of Income Tax Vs. M/s Sucon India Limited, 27/05/2021,

Penalty under section 271(1)(c) levied for treating speculative loss as business loss and setting it off against business income, deleted by ITAT. CIT(A) had deleted the penalty by noting that assessee had disclosed and explained its transaction and that the genuineness of the transactions and the loss incurred had been accepted in the assessment proceedings. Merely because the AO has treated the business loss claimed by assessee as a speculation loss, the same cannot tantamount to concealment of income warranting levy of penalty under section 271(1)(c). Also the notice issued under section 274 r.w.s 271 by the AO without striking off the inappropriate words in the said notice was held to be bad in law.

LD/70/02, [ITAT Mumbai: ITA No. 2361/Mum/2018], Galaxy Surfactants Limited Vs. Asst. Commissioner of Income Tax, 27/05/2021

AO dropped/reduced certain disallowances proposed in the draft assessment order while passing the final assessment wherein the AO for AY 2011-12 passed the draft order by assessing the income at ₹ 56.24 Cr. which was reduced to ₹42.47 Cr. while passing the final assessment order under section 144C(3). Revision of assessment order under section 263 was upheld by the ITAT. AO is required to pass a final assessment order 'on the basis' of the draft order where an assessee does not raise the matter before DRP.

LD/70/03, [ITAT Mumbai: ITA No. 6228/Mum/2017], Batliboi Limited Vs. The Dy. Commissioner of Income Tax, 21/05/2021

Sale consideration towards additional Floor Space Index (FSI) received by assessee held as non-exigible to capital gains tax under

normal provisions as well as while computing book profit under section 115JB for AY 2013-14. Assessee had sold land and building along with the additional FSI as a single deal to a single purchaser and it was pursuant to change brought in by DCR in Coimbatore which had conferred additional benefit on the assessee by way of additional FSI. As per ITAT, assessee could not have pre-empted any change in the DCR at the time of purchase or before the sale and also no cost was incurred by assessee for receiving such benefit. For this assessee engaged in the business of manufacturing, ITAT held that the said sum is a capital receipt since its inception and that the same does not form part of assessee's operational working results.

LD/70/04, [Delhi High Court: W.P. (C) 5418/2021], Blue Square Infrastructure LLP Vs. National Faceless Assessment Centre, Delhi, 20/05/2021

Assessment order passed under faceless assessment scheme without dealing with the adjournment request made by assessee, set aside by the Delhi High Court. Assessee sought adjournment on April 23, 2021 at 12:59 hours through the e-portal, however, Revenue passed the assessment order on April 23, 2021 without dealing with the request for adjournment and without waiting for the timeframe given in the show cause notice-cum-draft assessment order to expire. High Court gave assessee the liberty to file its response/objections, to the Show cause notice within one week from the date of the receipt of a copy of the this order passed by High Court. Further directs Revenue to grant a personal hearing through video conferencing.

LD/70/05, [ITAT Pune: I.T.A. No.699/PUN/2016], The Income Tax Officer Vs. Amit Murlidhar Kamthe, 17/05/2021

ITAT held that no transfer of land, with disputed title, took place under development agreements with the builder which were later cancelled. ITAT

Contributed by CA. Sahil Garud, GST & Indirect Taxes Committee (CA. Mandar Telang), Disciplinary Directorate and ICAI's Editorial Board Secretariat. 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.

observes that under development agreements, the builder was allowed to enter into the property as a licensee (not owner) and further a part of such piece of land was declared as excess land under the Urban Land Ceiling & Regulation Act, 1976 at the material time which was later repealed and led to reversion of land that was acquired by the State Government. ITAT analysed the definition of "transfer" under section 2(47)(v) and Sec. 53A of Transfer of Property Act and remarked that since title to a part of such property itself was disputed and vested with the State Government at the time of entering into the development agreements there was no transfer of possession at the material time.

LD/70/06, [ITAT Mumbai: I.T.A. No.4472/Mum/2019], Aditya Balkrishna Shroff Vs. The Income Tax Officer, 17/05/2021

ITAT deleted the addition made on account of forex gains for AY 2013-14 arising from repayment of personal forex loan and held it as a capital receipt not chargeable to tax for the assessee. The assessee had advanced personal loan of USD 2 lakhs [equivalent to approx INR 90 lacs] and received back the said in INR equivalent of ₹1.12 crores. Forex gain of 22 lacs was taxed as Income from Other Sources by the AO. ITAT observed that the said loan was given on capital account and was not given in the course of business of the assessee. ITAT remarked that Revenue decided the head of income without even deciding whether it is in the nature of income or not, and by mixing up the concept of 'income' with the concept of 'gains'.

LD/70/07, [ITAT Visakhapatnam: I.T.A. No. 253/Viz/2020], The Asst. Commissioner of Income Tax Vs. M/s Hirapanna Jewellers, 12/05/2021

ITAT deleted the addition made under section 68 r.w.s. 115BBE wherein tax was levied at 60%, made on account of sales recorded on 08.11.2016 after announcement of demonetisation. ITAT noted that purchase/ sales matched with inflow/ outflow of stock. An amount of 5.72 Crores in cash was deposited by assessee in cash in demonetised notes recording that the same was out of cash sales and advances on 08.11.2016. Revenue had conducted survey on the assessee and had noted that no proper KYC of customers was provided by the assessee and that the one day sale was against past pattern. ITAT found force in assessee's submission

that due to demonetisation, the public panicked as the cash available with them in old denomination notes became illegal from 09.11.2016 leading to investment in jewellery.

LD/70/08, [Delhi High Court: W.P.(C) 5234/2021], KBB Nuts P. Ltd. Vs. National Faceless Assessment Centre, 10/05/2021

Assessee's writ petition filed against faceless assessment order passed against the assessee without considering its objections to the draft assessment order, set aside by the High Court. A draft assessment order was passed on 19.04.2021 which was received by the assessee on 20.04.2021, requiring the assessee to respond by 21.04.2021. Assessee filed response on 22.04.2021 and the assessment order was passed on the same day without considering assessee's submission / objections. High Court directed the Revenue to pass fresh assessment order after taking into account assessee's objections of 22.04.2021, and also asked Revenue to grant a personal hearing to the assessee.

LD/70/09, [ITAT Chennai: ITA No. 2074/Chny/2018], The Asst. Commissioner of Income Tax Vs. Ramcharan Tej Konidala, 28/04/2021

ITAT directed deletion of addition which was merely based on chargesheet filed by CBI before special court without any corroborative evidence of payment of on-money by the assessee to Emaar Hills Township P. Ltd. CIT(A) had noted that the conclusion arrived by the AO that assessee has paid on-money for purchase of flat, was not based on any document or independent enquiry carried out during the course of the assessment proceedings. As per ITAT, Revenue failed to bring on record any evidence to prove that findings of fact recorded by Ld. CIT(A) were incorrect.



GST

LD/70/10, [2021-TIOL-1326-HC-MUM-GST], Dharmendra M Jani Vs. UOI, 16/06/2021

Held: Per Abhay Ahuja, J.

The Ld. Judge recorded a dissenting view to the conclusions drawn by Ujjal Bhuyan, J holding that Section 13(8)(b) of the IGST Act would be

constitutionally valid and operative for all purposes. He held that there is no doubt that the power to stipulate the place of supply as contained in Sections 13 (8)(b) of the IGST Act is pursuant to the provisions of Article 269A (5) read with Article 246A and Article 286 of the Constitution. He further held that just because the import into India has been deemed to be inter-state trade or commerce, that under Article 269A, in no way would take away the power of the Parliament to stipulate any other type of supply to be a supply in the course of inter-State trade or commerce. The legislature keeping in mind the peculiar exigencies of fiscal affairs and underlying concerns of public revenue enacts provisions. Hence, If the Parliament pursuant to powers invested in it by the Constitution has in its wisdom dealt with Intermediary Services as that rendered by Petitioner, that is a matter within the Parliament's domain. As regards to the linking of section 13(8)(b) with Sections 7 and 8 of the IGST Act, the Ld. Judge held that both the sections have different purposes, the former dealing with the place of supply and the latter dealing with the nature of supply (i.e. Inter/ Intra supplies) and that the impugned provision does not in any manner deem an export of service to be a local apply whereas Section 13. The Ld. Judge further observed that the petitioner's supply is admittedly the same is supplied in the course of inter-state trade or commerce pursuant to the provisions of Section 7 of IGST Act. Relying upon the decision in the case of GVK Industries (supra), the court held that it's not a case of extraterritorial legislation as it imposes the levy only when the intermediary service provider is the location in India. It further held that the inter-State levy is on supply within the taxable territory i.e. within the boundaries of India and not extraterritorial in accordance with Article 245 of the constitution of India. As regards the challenge to the Constitutional validity on the ground of Article 14, the Ld. Judge held that "the intermediary" has been specifically defined and does not include a person who renders the service for himself. Therefore, between Petitioner and others, there is no discrimination. Section 13(8)(b) would not be hit by Article 14 and there is a reasonable classification founded on intelligible differentia which has a rational relation/nexus to the object sought to be achieved. As regards the challenge on the ground of Article 19(1)(g), the Ld. The judge expressed unwillingness to accept the contention of the Petitioner that the provision would lead to the

closure of Petitioner's business. He stated that if the submission of Petitioner was to be considered, then any tax levied by the Central or State Government would be a restriction to carry on trade under Article 19(1)(g) of the Constitution of India. The Ld. Judge also did not entertain the contention of the Petitioner that there will be double taxation on the ground that in the petitioner's case two distinctly identifiable supplies involved, i.e., (i) supply of services by the intermediary to the overseas supplier of goods and (ii) supply of goods by overseas supplier to the Indian importer, both being subjected to tax differently.

LD/70/11, [2021-TIOL-1297-HC-MUM-GST] Dharmendra M Jani Vs. UOI, 09/06/2021

Per Ujjal Bhuyan, J.: Export of services (as understood in the ordinary common parlance) are treated as inter-state supplies. However, by artificially creating a deeming provision in the form of section 13(8)(b) of the IGST Act, where the location of the recipient of service provided by an intermediary is outside India, the place of supply has been treated as the location of the supplier i.e., in India, the said provision runs contrary to the scheme of the CGST Act as well as the IGST Act by Hence Section 13(8)(b) is ultra vires the IGST Act besides being unconstitutional.

Per Abhay Ahuja, J: The power to stipulate the place of supply as contained in Sections 13 (8)(b) of the IGST Act is pursuant to the provisions of Article 269A (5) read with Article 246A and Article 286 of the Constitution and hence is constitutionally valid and is a fiscal legislation within the domain of the parliament. The petitioner's supply is admittedly the same is supply in the course of inter-state trade or commerce pursuant to the provisions of Section 7 of IGST Act. The provisions are not violative of Article 14 and Article 19(1)(g) of the Constitution of India and do not suffer from extra-territorial jurisdiction.

LD/70/12, [2021-TIOL-179-SC-GST], M/s Radha Krishan Industries vs. State of Himachal Pradesh and Ors, 20/04/2021

The power to order a provisional attachment of the property of the taxable person including a bank account is draconian in nature and the conditions which are prescribed by the statute for a valid exercise of the power must be strictly fulfilled. The exercise of the power for ordering a provisional attachment must be preceded by the

formation of an opinion by the Commissioner that “it is necessary so to do” for the purpose of protecting the interest of the government revenue. Before ordering a provisional attachment the Commissioner must form an opinion on the basis of tangible material that the assessee is likely to defeat the demand if any, and that therefore, it is necessary so to do for the purpose of protecting the interest of the government revenue. The expression “necessary so to do for protecting the government revenue” implicates that the interests of the government revenue cannot be protected without ordering a provisional attachment. Where the taxable person sets up the plea that the extent of the attachment is excessive or where the taxable person offers an alternative form of security, these are also matters which ought to be determined by the Commissioner in the exercise of powers under Rule 159(5). No appeal under section 107 of the Act can lie against the order

of provisional attachment and hence writ can be entertained. Under the provisions of Rule 159(5), the person whose property is attached is entitled to dual procedural safeguards – (i) An entitlement to submit objections and (ii) An opportunity of being heard. The Commissioner is duty-bound to deal with the objections to the attachment by passing a reasoned order. Initiation of proceedings under section 62, 63, 64, 6, 73, or 74 is a must for invoking powers under section 83 and once the final order under section 74(9) is passed the proceedings under Section 74 are no longer pending as a result of which the provisional attachment must come to an end. Once the first order of provisional attachment was withdrawn by the department, passing of the subsequent order of the same nature on the same ground and without there being any change in the circumstances is not permissible

Disciplinary Case



Misuse of digital signatures by Respondent on E-form 32 -- Held, Respondent is guilty of Professional misconduct under Clause (2) of Part IV of First Schedule and Clause (7) of Part I the Second Schedule to the Chartered Accountants Act 1949.

Held:

In the instant case, the charge against the Respondent is that he had certified Form 32 wherein Mr. X and Mr. Y were shown as having been appointed as Directors and two existing directors (Complainant & another) were removed from the Directorship of the company. On perusal of said Form -32 the Committee observed that form was digitally signed by the Complainant and verified by the Respondent. The Complainant had lodged Complaint with TCSSA to have the name of the person who got the certificate in his name. The

Committee further noted that the Respondent in his defence submitted that digital signatures were used without his knowledge and the person who had used his signature had accepted this fact before the Court and in the Police Station as to misuse of the signature. The Committee further perused letter (brought on record by Respondent) dated 02.01.2015 from one Mr. AK wherein he stated that by mistake, he had used the digital signature of the Respondent. The Committee noted that the Respondent could not produce any evidence of acceptance of his fault by Mr. AK before the Court and Police Authority. Looking into the seriousness of the matter and failure of the Respondent in submitting any corroborative evidence which may establish that his digital signature were misused by Mr. AK, the Committee was not convinced by the version of the Respondent. The Committee noted that the sequence of events indicates that the letters dated 18.12.2013 and 02.01.2015 of Mr. AK could have been only an after-thought and seems to have been procured to hide the negligence on the part of the Respondent. In view of above noted facts, the Committee held that the Respondent failed to exercise due diligence and he is guilty of professional misconduct falling within the meaning of Clause (2) of Part IV of First Schedule and Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Circulars/ Notifications

Given below are summarised important Circulars and Notifications issued by the CBDT, CBIC-GST 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. NOTIFICATIONS

1. Central Government specifies the Indo-Infra Inc u/s 10(23E) - Notification No. 67/2021, dated 17-05-2021

Vide this notification, the Central Government has specified the pension fund, namely, the Indo-Infra Inc as the specified person for the purposes of section 10(23FE) in respect of the eligible investment made by it in India on or after 17.05.2021 but on or before 31.03.2024 subject to the fulfilment of conditions specified therein.

Refer: https://www.incometaxindia.gov.in/communications/notification/notification_67_2021.pdf

2. Procedure for exercise of option under section 245M(1) and intimation thereof by furnishing and upload of Form No. 34BB under rule 44DA(1) – Notification No. 05/2021, dated 24-05-2021

Vide this notification, the CBDT has specified procedure for furnishing and upload of Form No. 34BB thereby exercising option u/s 245M(1) i.e. withdrawing pending application before Settlement Commission (u/s 245C) as provided vide the Finance Act 2021.

Refer: https://www.incometaxindia.gov.in/communications/notification/notification_no_5_2021.pdf

3. New Rule 11UAE notified providing for computation mechanism of Fair Market Value of Capital Assets for the purposes of section 50B vide the Income-tax (16th Amendment) Rules, 2021 – Notification No. 68/2021, dated 24-05-2021

Vide this notification, the CBDT has inserted a new Rule 11UAE pertaining to computation of FMV of Capital Assets for the purposes of slump sale u/s 50B. The Finance Act 2021 amended the

provisions relating to the taxation of capital gains arising in respect of Slump Sale. The rules provide for two methods to determine FMV of the capital assets wherein higher value would be considered for the purposes of computation of capital gains under section 50B.

Refer: https://www.incometaxindia.gov.in/communications/notification/notification_68_2021.pdf

4. M/s Indian Institute of Technology, Bhilai approved for the purposes of clauses (ii) and (iii) of section 35(1) – Notification No. 70/2021, dated 08-06-2021

In exercise of the powers conferred by clauses (ii) and (iii) of section 35(1), read with rules 5C and 5E, the Central Government has approved M/s Indian Institute of Technology, Bhilai (PAN: AABA10415K) under the category of 'University, College or other institution' for Scientific Research and Research in Social Science and Statistical Research. This Notification shall be applicable from AY 2021-2022 to 2025-2026.

Refer: https://www.incometaxindia.gov.in/communications/notification/notification_70_2021.pdf

5. Amendment in Rule 31A vide the Income-tax (17th Amendment) Rules, 2021 – Notification No. 71/2021, dated 08-06-2021

Vide this notification, Rule 31A pertaining to statement of deduction of tax, Form No. 26A (Form for furnishing accountant certificate under the first proviso to of section 201(1)) and Form No. 26Q (Quarterly statement of deduction of tax in respect of payments other than salary), Form No. 27EQ and Form No. 27Q have been amended. Various new particulars have been prescribed to be furnished in the aforesaid Forms like furnishing particulars of amount paid or credited on which

(Matter on Direct and Indirect Taxes, is contributed by Direct Taxes Committee, GST & Indirect Taxes Committee and Corporate Laws and Corporate Governance Committee of ICAI respectively. FEMA updates by CA. Manoj Shah, CA Hinesh Doshi and CA. Sudha G. Bhushan)

tax was not deducted in view of section 194Q(5) w.e.f. 01.07.2021.

Refer: https://www.incometaxindia.gov.in/communications/notification/notification_71_2021.pdf

6. 'Competition Commission of India' notified under section 10(46) – Notification No. 72/2021, dated 09-06-2021

In exercise of the powers conferred by section 10(46), the Central Government has notified 'Competition Commission of India' (PAN AAAGC0012M), a Commission established under Section 7(1) of the Competition Act, 2002, in respect of the specified income and subject to conditions specified. This notification shall apply from FY 2021-2022 to 2025-2026.

Refer: https://www.incometaxindia.gov.in/communications/notification/notification_72_2021.pdf

7. Cost Inflation Index for Financial Year 2021-22 notified - Notification No. 73/2021, dated 15-06-2021

Clause (v) of Explanation to section 48 defines "Cost Inflation Index", in relation to a previous year, to mean such Index as the Central Government may, by notification in the Official Gazette, specify in this behalf, having regard to 75% of average rise in the Consumer Price Index (Urban) for the immediately preceding previous year to such previous year. The CBDT, has vide this notification, notified Cost inflation index for Financial Year 2021-22 as 317.

Refer: https://www.incometaxindia.gov.in/communications/notification/notification_72_2021.pdf

II. CIRCULARS

1. Clarification regarding the limitation time for filing of appeals before the CIT (Appeals) under the Income-tax Act, 1961 - Circular No. 10/2021, dated 25-05-2021

Vide this Circular, the CBDT had clarified that if different relaxations are available to the taxpayers for a particular compliance, the taxpayer is entitled to the relaxation which is more beneficial to him. Thus, for the purpose of counting the period(s) of limitation for filing of appeals before the CIT(Appeals), the said limitation (31.05.2021) stands extended till further orders as ordered by the Hon'ble Supreme Court in Suo Motu

Writ Petition (Civil) No. 3/2020 vide order dated 27.04.2021.

Refer: https://www.incometaxindia.gov.in/communications/circular/circular_10_2021.pdf

III. PRESS RELEASES/INSTRUCTIONS/OFFICE MEMORANDUM/ORDER

1. New, Taxpayer-friendly e-filing Portal of the Income Tax Department launched on 07.06.2021 – Press Release, dated 05-06-2021

The Income Tax Department has launched its new e-filing portal www.incometax.gov.in on 07.06.2021. The new e-filing portal is aimed at providing taxpayer convenience and a modern, seamless experience to taxpayers. Several New Features Introduced are Free of cost ITR Preparation Interactive Software available, New Call Centre for Taxpayer Assistance etc. It was also clarified that the new tax payment system was launched on 18.06.2021 after the advance tax instalment date to avoid any taxpayer inconvenience. Refer: https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/937/PressRelease_New_Taxpayer_friendly_efiling_Portal_of_ITD_To_Be_Launched_on_7th_June_2021_5_6_21.pdf

2. Guidelines for compulsory selection of returns for Complete Scrutiny during the Financial Year 2021-22 - Conduct of assessment proceedings in such cases – F.No.225/61/2021/ITA-II, dated 10-06-2021

The parameters for compulsory selection of returns for Complete Scrutiny during Financial Year 2021-22 and conduct of assessment proceedings in such cases are prescribed vide this document by the CBDT. The exercise of selection of cases for compulsory scrutiny on the basis of the parameters prescribed and service of notice u/s 143(2) of the Act will have to be completed by 30.06.2021. Refer: https://www.incometaxindia.gov.in/Lists/Latest%20News/Attachments/451/Guidelines_for_compulsory_selection_MiscComm_10_6_21.pdf

3. Relaxation in electronic filing of Income Tax Forms 15CA/15CB – Press Release, dated 14-06-2021

In view of the difficulties reported by taxpayers in electronic filing of Income Tax Forms 15CA/15CB on the portal www.incometax.gov.in, it has been decided that taxpayers can

submit the aforesaid Forms in manual format to the authorized dealers till 30.06.2021. Authorized dealers are advised to accept such Forms till 30.06.2021 for the purpose of foreign remittances. Refer: https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/938/PressRelease_Relaxation_in_electronic_filing_of_Income_Tax_Forms_15CA_15CB.pdf

4. Finance Ministry held meeting on 22.06.2021 with Infosys on issues in the new Income Tax Portal – Press Release, dated 15-06-2021

Senior officials of the Ministry of Finance, held an interactive meeting on the 22.06.2021 with Infosys (the vendor and its team) on issues/glitches in the recently launched e-filing portal of the Income Tax Department. Other stakeholders including members from ICAI, auditors, consultants and taxpayers were also be a part of the interaction. Refer: <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/939/Press-Release-Finance-Ministry-to-hold-meeting-on-22nd-June-2021-dated-16-06-2021.pdf>

5. Net Direct Tax collections for the Financial Year 2021-22 have grown at over 100% – Press Release, dated 16-06-2021

Advance Tax collections for F.Y. 2021-22 stand at ₹ 28,780 crore which shows a growth of approximately 146%. Net Direct Tax collections for the F.Y. 2021-22 have grown at a robust pace despite the disruption caused by the COVID-19 pandemic on the economy. Refunds amounting to ₹30,731 crore have been issued in the F.Y. 2021-22.

Refer: https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/940/PressRelease_Net_DTC_for_FY2021_22_have_grown_at_over_100percent_16_6_21.pdf



1. Amendments in CGST Rules, 2017

CBIC has amended various CGST Rules, 2017 vide **Notification No. 15/2021 Central Tax, dated 18th May, 2021** and **Notification No. 27/2021- Central Tax dated, 1st June 2021** as under:

a) Rule 23-Revocation of cancellation of registration:

The amendment in section 30 made vide the Finance Act, 2021 has been made

effective from 01.01.2021. The amended provision provides for extension of time limit for applying for revocation of cancellation of registration on sufficient cause being shown and for reasons to be recorded in writing. Consequential amendment has been made in rule 23(1) to provide that the time period of 30 days available for submission of an application for revocation of cancellation of registration in Form GST REG-21 can be extended by the Additional Commissioner or the Joint Commissioner or the Commissioner, as the case may be, in exercise of the powers provided under the proviso to sub-section (1) of section 30 of the CGST Act, 2017.

Till the time an independent functionality for extension of time limit for applying in Form GST REG-21 is developed on the GSTN portal, Circular No. 148/04/2021 GST dated 18th May, 2021 has been issued to prescribe the SOP for implementation of the provisions of above rule across the field formations.

b) Rule 90-Acknowledgement of refund application:

• Insertion of proviso in sub-rule (3)

The time period of 2 years for filing a fresh refund application after rectification of deficiencies as communicated by proper officer shall now be computed after excluding the time period between the date of filing of the refund claim in Form GST RFD-01 and the date of communication of the deficiencies in Form GST RFD-03 by the proper officer.

• Insertion of new sub-rules (5) and (6)

The applicants are now allowed to withdraw refund application in Form GST RFD-01W at any time before issuance of provisional refund order or final refund order or payment order or refund withhold order or notice, in respect of any refund application filed in Form GST RFD-01. The new Form RFD-01W has been inserted in Part B of the CGST Rules, 2017.

On such withdrawal, amount debited by the applicant from electronic credit ledger or electronic cash ledger, as the case may be, while filing application for refund in Form GST RFD-01, shall be credited back to the ledger from which such debit was made.

c) Rule 92-Order sanctioning refund

- **Omission of proviso in sub-rule (1)**

The proviso requiring the issue of order giving details of the adjustment in Part A of Form GST RFD-07 when the amount of refund is completely adjusted against any outstanding demand, has been omitted.

- **Substitution of words “Part B” in sub-rule (2) with “Part A”**

The proper officer or the commissioner will now pass the order in Part A of Form GST RFD 07 instead of Part B for withholding the refund in case he is of the opinion that the amount of refund is liable to be withheld under the provisions of section 54(10) or as the case may be, section 54(11).

- **Insertion of proviso in sub-rule (2)**

The proper officer or the commissioner, on being satisfied that the refund is no longer liable to be withheld, may pass an order for release of withheld refund in Part B of Form GST RFD- 07.

d) Rule 96- Refund of IGST paid on goods (or services) exported out of India

- **Substitution of words “Part B” with “Part A” in sub-rule (6)**

The proper officer shall now pass the order in Part A of Form GST RFD-07 instead of earlier Part B upon transmission of the intimation for withholding refund.

- **Amendment in sub-rule (7)**

The jurisdictional officer shall now proceed to release the withheld refund amount in Form GST RFD 06 after passing an order for release of withheld refund in Part B of Form GST RFD-07. Form GST RFD-07 has been amended accordingly.

e) Rule 138E - Restriction on furnishing of information in Part A of Form GST EWB-01

Rule 138E restricts a person (including a consignor, consignee, transporter, an e-commerce operator or a courier agency)

from furnishing information in Part A of Form GST EWB-01 “in respect of a registered person, whether as a supplier or a recipient” in certain specified cases. The rule has been amended to specify that the information in Part A of Form GST EWB-01 cannot be furnished by a person “in respect of any outward movement of goods of a registered person” in the specified cases.

The amendments from (a) to (e) have been made vide Notification No. 15/2021 Central Tax, dated 18th May, 2021

f) Amendment in Rule 26

Companies have been permitted to furnish the return under section 39 in Form GSTR-3B and the details of outward supplies under section 37 in Form GSTR-1 or using invoice furnishing facility (IFF), verified through electronic verification code (EVC) instead of DSC during the period 27th April, 2021 to 31st August, 2021.

g) Amendment in Rule 36(4)

The restriction of availing 105% of eligible ITC (i.e., ITC reflecting in GSTR-2A) shall apply cumulatively for the period April, May and June, 2021 while taking credit in Form GSTR-3B for the tax period of June, 2021.

h) Amendment in Rule 59(2)

A registered person under QRMP scheme may furnish details of outward supplies for the month of May, 2021 using IFF from 1st June, 2021 till 28th June, 2021. The amendments from (f) to (h) have been made vide Notification No. 27/2021-Central Tax dated, 1st June 2021

IV. Retrospective amendment in section 50 of the CGST Act, 2017 providing for interest on net tax dues notified from 1st June, 2021

A proviso was inserted in Section 50(1) of the CGST Act, 2017 vide the Finance Act, 2021 to

lay down that interest shall be payable on net tax dues (i.e., after adjusting the available ITC) where such tax dues are declared in the returns filed after the due date (except where the returns are filed after the commencement of proceedings under sections 73 or 74 of the CGST Act, 2017). Such proviso has been added with retrospective effect from 1st July, 2017. Now **Notification No. 16/2021 – Central Tax, dated 1st June, 2021** has been issued to appoint 1st June, 2021 as the date from which such amendment shall come into force.

V. Extension of due date for filing of GSTR-1

Notification No. 83/2020-Central Tax, dated 10th November, 2020 has been amended vide **Notification No. 17/2021- Central Tax, dated 1st June, 2021** to extend the time limit for furnishing the details of outward supplies in Form GSTR-1 for the month of May, 2021 from June 11, 2021 to June 26, 2021.

VI. Lowering of interest rates for delayed payment of tax

The Central Government vide **Notification No. 18/2021-Central Tax dated 1st June, 2021** has reduced the rate of interest for delayed payment of CGST (u/s 50 of the CGST Act, 2017) for the month of May, 2021 as under:

Class of registered persons	Rate of interest
Taxpayers whose aggregate turnover in the preceding FY > ₹ 5 crores	9% for the first 15 days from the due date and 18% thereafter
Taxpayers whose aggregate turnover in the preceding FY ≤ ₹ 5 crores [Both taxpayers filing monthly returns and taxpayers filing quarterly returns under QRMP scheme]	Nil for the first 15 days from the due date, 9% for the next 15 days, and 18% thereafter

The above amendment shall be deemed to be effective from 18th May, 2021.

Interest rate for delayed payment of IGST has also been lowered parallelly vide **Notification No. 2/2021 – Integrated Tax dated 1st June, 2021**.

VII. Waiver of late fees on delayed filing of GSTR-3B

Notification No. 76/2018-Central Tax dated 31st December, 2018 has been further amended vide **Notification No. 19/2021- Central Tax dated 1st June, 2021** to waive off late fees payable on belated furnishing of GSTR-3B for the months of March 2021, April 2021, May, 2021 and for the quarter January-March 2021 as under:

Class of registered persons	Applicable tax period	Period for which late fee waived
Taxpayers whose aggregate turnover in the preceding FY > ₹ 5 crores	May, 2021	15 days from the due date of furnishing return
Taxpayers whose aggregate turnover in the preceding FY ≤ ₹ 5 crores and who have opted to file monthly returns	March, 2021	60 days from the due date of furnishing return
	April, 2021	45 days from the due date of furnishing return
	May, 2021	30 days from the due date of furnishing return
Taxpayers whose aggregate turnover in the preceding FY ≤ ₹ 5 crores and who have opted to file quarterly returns	January – March, 2021	60 days from the due date of furnishing return

The above amendment shall be deemed to be effective from 20th May, 2021.

VIII. Amnesty Scheme regarding late fee for pending Forms GSTR-3B

An amnesty scheme has been introduced vide **Notification No. 19/2021– Central Tax dated 1st June, 2021** by way of capping the late fees for non-furnishing of Form GSTR-3B for the tax periods from July 2017 to April 2021 as under:

Taxpayer	Maximum late fees
Nil liability	Rs 250/- (plus ₹ 250/- for SGST)
Other than Nil liability	Rs 500/- (plus ₹ 500/- for SGST)

The reduced rate of the late fee would apply if GSTR-3B returns for these tax periods are furnished between 01.06.2021 to 31.08.2021.

IX. Reduction in late fee in case of delayed filing of Form GSTR-3B

The CBIC has issued Notification No. 19/2021 – Central Tax dated 1st June, 2021 to reduce the late fee payable on delay in furnishing of Form GSTR-3B for June, 2021 onwards or quarterly returns from the quarter ending June, 2021 onwards as below:

- For taxpayers having nil tax liability in GSTR-3B, the late fee shall be capped at Rs 250 (plus ₹ 250 for SGST)
- For other taxpayers:

Annual aggregate turnover in previous year	Maximum late fee
Upto ₹ 1.5 Crore	₹ 1,000 (plus ₹ 1,000 for SGST)
₹ 1.5 Crore to ₹ 5 Crore	₹ 2,500 (plus ₹ 2,500 for SGST)

X. Reduction in late fee in case of delayed filing of Form GSTR-1

The CBIC vide Notification No. 20/2021-Central Tax, dated 1st June, 2021 has amended Notification No. 4/2018– Central Tax, dated the 23rd January, 2018 to reduce the late fee payable on delay in furnishing of Form GSTR-1 for the tax period June, 2021 onwards or quarter ending June, 2021 onwards as under:

S. No.	Class of registered persons	Maximum late fee
1.	Registered persons who have Nil outward supplies in the tax period	₹ 250 (plus ₹ 250/- for SGST)
2.	Registered persons having an aggregate turnover of up to ₹ 1.5 crores in the preceding financial year, other than those covered under S. No. 1.	₹ 1,000 (plus ₹ 1000/- for SGST)
3.	Registered persons having an aggregate turnover of more than ₹ 1.5 crores and up to ₹ 5 crores in the preceding financial year, other than those covered under S. No. 1.	₹ 2,500 (plus ₹ 2,500/- for SGST)

XI. Reduction in late fee in case of delayed filing of Form GSTR-4 (Annual Return filed by Composition taxpayers)

Notification No. 73/2017-Central Tax dated 29th December, 2017 has further been amended vide

Notification No. 21/2021- Central Tax dated 1st June, 2021 to reduce the late fees for delay in furnishing of Form GSTR-4 for financial year 2021-22 onwards as under:

Composition taxpayer	Maximum late fees
Having Nil liability	₹ 250/- (plus ₹ 250/- for SGST)
Other than Nil liability	₹ 1,000/- (plus ₹ 1,000/- for SGST)

XII. Reduction in late fees in case of delayed filing of Form GSTR-7

The CBIC vide Notification No. 22/2021- Central Tax dated 1st June, 2021 has reduced the amount of late fees payable on delay in furnishing the return in Form GSTR-7 (TDS return) for the month of June, 2021 onwards, to ₹ 25 (plus ₹ 25/- for SGST) subject to maximum of Rs 1000 (plus ₹ 1000/- for SGST).

XIII. No e-invoicing for Government department & local authority

Notification No. 13/2020-Central Tax, dated 1st June, 2020 has been amended vide Notification No. 23/2021- Central Tax, dated 1st June, 2021 to exempt Government department and local authority from the requirement of issuing e-invoice.

XIV. Due date of filing Form GSTR 4 extended upto 31st July, 2021

The due date of filing of Form GSTR 4 for the financial year 2020-21 has been extended up to 31st July, 2021 vide Notification No. 25/2021 – Central Tax, dated 1st June, 2021. This amendment shall be deemed to have come into force with effect from 31st May, 2021.

XV. Extension of due date for furnishing declaration in Form GST ITC-04

Notification No. 11/2021- Central Tax, dated 1st May, 2021 has been amended vide Notification No. 26/2021- Central Tax, dated 1st June, 2021 to extend the time period for furnishing the declaration in Form GST ITC-04 (Job work movements) for the period January 2021 to March, 2021, up to 30th June, 2021. This amendment shall be deemed to have come into force with effect from 31st May, 2021.

XVI. Extension granted for specified compliances falling due between 15.04.2021 to 29.06.2021 till 30.06.2021

Notification No. 14/2021- Central Tax, dated 1st May, 2021 has been amended vide Notification

No. 24/2021- Central Tax, dated 1st June, 2021 to extend the time limit for completion or compliance of any action, by any authority or by any person which falls due during the period from the 15th April, 2021 to 29th June, 2021, up to 30th June, 2021 subject to some exceptions specified in the notification.

Detailed notification can be accessed at: <https://www.cbic.gov.in/resources/htdocs-cbec/gst/notfctn-24-central-tax-english-2021.pdf>

XVII. Place of supply of B2B supply of maintenance, repair & overhaul services in respect of ships/vessels notified

The CBIC vide Notification No. 03/2021-Integrated Tax dated June 02, 2021 has amended Notification No. 04/2019- Integrated tax dated September 30, 2019 to notify place of supply for the following service under section 13(13) of the IGST Act, 2017:

Description of services or circumstances	Place of Supply
Supply of maintenance, repair or overhaul service in respect of ships and other vessels, their engines and other components or parts supplied to a person for use in the course or furtherance of business	The place of supply of services shall be the location of the recipient of service.

XVIII. Time of payment of tax for a builder promoter in case of a joint development agreement (JDA)

The CBIC vide Notification No. 03/2021-Central Tax (Rate), dated 2nd June, 2021 has amended Notification No.06/2019- Central Tax (Rate), dated the 29th March, 2019 to make the following amendments in the said notification:

- for the words “in whose case the liability to”, the words “, who shall” shall be substituted;
- for the words “shall arise on the date of issuance of completion certificate for the project, where required, by the competent authority or on its first occupation, whichever is earlier”, the words “in a tax period not later than the tax period in which the date of issuance of the completion certificate for the project, where required, by the competent authority, or the date of

its first occupation, whichever is earlier, falls” shall be substituted.

Parallel amendment has been made for IGST vide Notification No. 03/2021- Integrated Tax (Rate), dated 2nd June, 2021

As per GST Council recommendation, the above amendment will allow the developer promotor to pay GST relating to such apartments any time before or at the time of issuance of completion certificate.

Circular/Guidelines

1. Guidelines regarding cancellation of registration

The CBIC has issued guidelines for its officers with regard to cancellation of registration under rule 22(3) of the CGST Rules, 2017. It has been instructed that since the legal provision stipulates passing of order in respect of the application of cancellation of registration within 30 days of the date of the application and cancellation of registration has no effect on the liability of the taxpayer for any acts of commission/omission committed before or after the date of cancellation, the proper officer should act as per prescribed legal process within the stipulated time in order to avoid any delay. Hence, all the Principal Chief Commissioners / Chief Commissioners of Central Tax have been requested to suitably instruct all the officers under their jurisdiction to scrupulously follow the due process as envisaged in the law in time bound manner and issue the requisite order in respect of all such applications within a period of 30 days from the date of the application.

[CBEC-20/16/34/2019-GST/802 dated May 24, 2021]

CUSTOMS

Notifications

1. Exemption from custom duty and IGST on imports of specified COVID-19 related relief materials and other related changes

The exemption from basic customs duty and health cess granted vide Notification No. 28/2021-Customs dated 24.04.21 on import of oxygen, oxygen related equipment and COVID-19 vaccines, has been extended up to 31st August, 2021. Further, exemption has also been granted on import of Amphotericin B up to 31st August, 2021.

[Notification No. 31/2021-Customs dated 31st May, 2021]

Further, the exemption from IGST granted vide Ad hoc Exemption Order No. 4/2021-Customs dated 3rd May, 2021 on specified COVID-19 relief material imported free of cost by a State Government or any entity/relief agency/statutory body authorised in this regard by any State Government for free distribution, has been extended up to 31st August, 2021.

[Ad hoc Exemption Order No. 5/2021-Customs dated 31st May, 2021]

IGST has been exempted on import of specified COVID-19 relief material donated to the Central Government or State Government or, on recommendation of State authority, to any relief agency, entity or statutory body for free distribution, up to 31st August, 2021. Such exemption shall also apply to goods which are already imported but lying uncleared on the date of issuance of this exemption notification.

[Notification No. 32/2021-Customs dated 31-05-2021]

Notification No. 30/2021- Customs, dated 1st May, 2021 which provided for the reduction of rate of IGST on import of oxygen concentrator for personal use from 28% to 12%, has been rescinded.

[Notification No. 33/2021-Customs date 14th May, 2021]



A.P. (DIR Series) Circular No. 04 dated May 12, 2021

Sponsor Contribution to an AIF set up in overseas jurisdiction including

IFSCs:

It has been decided that any sponsor contribution

from a sponsor Indian Party (IP) to an Alternative Investment Fund (AIF) set up in an overseas jurisdiction, including International Financial Services Centre (IFSC) in India, as per the laws of host jurisdiction, will be treated as Overseas Direct Investment (ODI).

Accordingly, IP as defined in Regulation 2(k) of Notification FEMA 120 can set up AIF in overseas jurisdictions including IFSCs under the automatic route provided it complies with Regulation 7 of Notification FEMA 120.

A.P. (DIR Series) Circular No. 05 dated May 31, 2021

Investment by Foreign Portfolio Investors (FPI) in Government Securities: Medium Term Framework (MTF):

Investment Limits for FY 2021-22:

- The limits of FPI investment in Government Securities (G-Secs) and State Development Loans (SLIs) shall remain unchanged at 6% and 2% respectively of outstanding stocks of securities for FY 2021-22.
- All investments by eligible investors in "specified securities" shall be reckoned under the Fully Accessible Route.
- The allocation of incremental changes in the G-sec limit (in absolute terms) over the two sub-categories – 'General' and 'Long-term' – shall be retained at 50:50 for FY 2021-22.
- The entire increase in limits for SDLs (in absolute terms) has been added to the 'General' sub-category of SDLs.

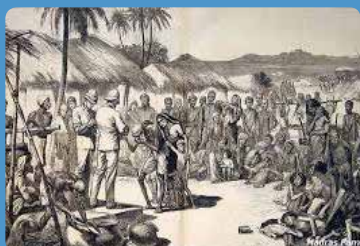
The revised limits for all categories shall be as under:

Table I – Investment Limits for FY 2021-22

All figures in ₹ Crore

	G-Sec General	G-Sec Long Term	SDL General	SDL Long Term	Corporate Bonds	Total Debt
Current FPI Limits ^	2,34,531	1,03,531	67,630	7,100	5,41,488	9,54,280
Revised Limit for HY Apr 2021-Sept 2021	2,43,914	1,12,914	76,766	7,100	5,74,263	10,14,957
Revised Limit for HY Oct 2021-Mar 2022	2,53,928	1,22,298	85,902	7,100	6,07,039	10,75,637

Lagaan to International Taxation



Taxation in India goes back to the ancient times. We come across the word “kara” in Srimad Bhagvatam and ‘bhgadugha’ (the tax collector) in the Vedas. The first specific mention of tax in the written history in India is in the Arthasastra, which mentions both direct and indirect taxes. It emphasises that the king is only a trustee of the land. During those days land revenue was the major source of revenue for a king. The precursor of “lagaan” was the system introduced by Emperor Krishnadevaraya (1509–1529) where the amount of tax levied depended upon the income of the farmer and was increased only if the income increased.

In modern India, for the first time Income Tax Act was introduced in 1860. Paradigm shift in the annals of taxation happened when based on the experiences and reports of various committees, revised Income Tax Act, 1922 was introduced. It was used to frame Income Tax Act, 1961. Direct taxes moved and with more and more cross border transactions, international taxation has become very important. Now income can be generated in a location without physical presence. Today, we are observing a new wave of changes in tax laws with emphasis on fight against Base Erosion and Profit Shifting. On the global platform, India is taking lead in improving the tax rules and their implementation – both for combating capital and profit flight and improving dispute resolution mechanisms.

Taxes have existed in all ages, only its character and ways of implementation have changed. Like scientific discoveries, nature of business, or income, has changed more rapidly in the last couple of decades rather than during centuries earlier. Nearly 2000 years ago there was a decree from Augustus Caesar that “all the world should be taxed”. In ancient Greece, Germany and the Roman Empires taxes were levied on the basis of occupation. In Northern England taxes were levied on land and movable properties.





SCHOLARSHIP FOR CA STUDENTS

ICAI invites applications for the award of Scholarships to the selected candidates under following categories:

1 NEED BASED FOR ECONOMICALLY WEAKER INTERMEDIATE STUDENTS

Scholarship Amount	Rs. 1500/- per month
Eligibility	<p>a. Students who are registered for Intermediate Course either through Foundation Route or through Direct Entry Route</p> <p>b. Income of Parents should not be more than Rs. 3,00,000/- per annum.</p>
Period of Scholarship	<p>a. 9 months commencing from the following month of registration for Intermediate Course.</p> <p>b. Additional 3 months if the Student has completed Orientation Course and IT within first 9 months of registration for Intermediate Course.</p> <p>c. Additional 3 months if the Student has passed any one Group in Intermediate Examination within 12 months of registration for Intermediate Course.</p>

(Note: Students who passes both Groups of Intermediate can apply for Scholarship as Final registered students)

2 NEED BASED FOR ECONOMICALLY WEAKER FINAL STUDENTS

Scholarship Amount	Rs. 1500/- per month
Eligibility	<p>a. Students who are registered for Final Course.</p> <p>b. Income of Parents should not be more than Rs. 3,00,000/- per annum.</p>
Period of Scholarship	30 Months or remaining period of Articleship, whichever is less.

3 MERIT-CUM-NEED BASED SCHOLARSHIP

Scholarship Amount	Rs. 2000/- per month
Eligibility	<p>a. Rank holders of Intermediate Examinations other than those covered under Merit Scholarship.</p> <p>b. Student must register for Final Course before making application</p> <p>c. Income of Parents should not be more than Rs. 3,00,000/- per annum.</p>
Period of Scholarship	30 Months or remaining period of Articleship, whichever is less.

4 MERIT SCHOLARSHIP

Scholarship Amount	Rs. 2500/- per month
Eligibility	<p>a. Rank holders of Intermediate Examinations, whose names appear at Sl. No. 1 to 10 and in case the rank at Sl. No. 10 continues to further ranks i.e. to Sl. No. 11 or to Sl. No. 12 or so on, then all such Rank holders.</p> <p>b. Student must register for Final Course before making application</p>
Period of Scholarship	30 Months or remaining period of Articleship, whichever is less.

Students can apply online anytime for the Scholarship by login at Self Service Portal (SSP) at <https://eservices.icaai.org>. In case of any clarification, please contact at Ph: 0120-3045914; email: chatur.negi@icaai.in, Please visit our website at www.icaai.org

Research Committee of the ICAI Presents ICAI AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

**LAST DATE FOR
RECEIPT OF ENTRIES**
30TH SEPTEMBER 2021

*Unique opportunity to participate in
the Competition for the year 2020-21*

➤ OBJECTIVE OF ICAI AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

To recognise and encourage excellence in preparation and presentation of financial information.

➤ PROCESS FOR DECIDING AWARDEES

Selection of awardees in specified categories are made through a robust three tier process:

- ⊙ Review by Technical Reviewers
- ⊙ Review of short-listed annual reports by Shield Panel and
- ⊙ Selection by External Jury consisting of representatives from regulatory bodies, professionals, academicians etc.

➤ PROCEDURE FOR PARTICIPATION

- ⊙ There is **no fee for participation** in the competition.
- ⊙ Annual Report relating to the financial year ending on any day between April 1, 2020 and March 31, 2021 (both days inclusive) is eligible for participation in this competition.
- ⊙ Decisions of the Panel of Judges in all the matters relating to the Competition will be final.
- ⊙ An entity awarded '**Hall of Fame**' may again participate in the competition after the cooling period of three years of receiving the award of 'Hall of Fame'.
- ⊙ Fill in the Entry Form and submit with requisite documents on or **before September 30, 2021** to Secretary, Research Committee.

Note: The documents submitted by the entities for the competition will not be utilized for any other purpose.

➤ AWARD CATEGORIES

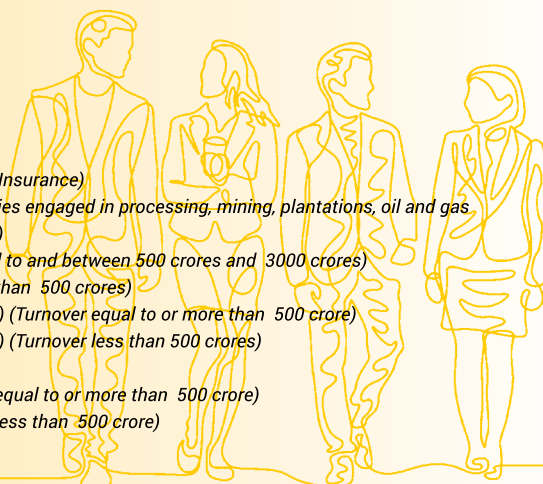
- ⊙ Hall of Fame awarded to the entity that has been winning the first prize under the same category continuously **for five years**.
- ⊙ One Gold Shield in each category for the best entry.
- ⊙ One Silver Shield in each category for the next best entry.
- ⊙ Plaques to be awarded to the entities who are following better financial reporting practices as is decided by the Jury.

➤ AWARD CATEGORIES OF THE COMPETITION 'ICAI AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING' FOR THE YEAR 2020-21

- | | | |
|------------------|---|---|
| Category I | : | Public Sector Banks |
| Category II | : | Private Sector Banks (including Foreign Banks) |
| Category III | : | Co-operative Banks |
| Category IV | : | Life Insurance |
| Category V | : | Non-Life Insurance |
| Category VI | : | Financial Services Sector (other than Banking and Insurance) |
| Category VII(a) | : | Manufacturing and Trading Sector (including entities engaged in processing, mining, plantations, oil and gas enterprises) (Turnover equal to 3000 crores or more) |
| Category VII(b) | : | Manufacturing and Trading Sector (Turnover equal to and between 500 crores and 3000 crores) |
| Category VII(c) | : | Manufacturing and Trading Sector (Turnover less than 500 crores) |
| Category VIII(a) | : | Service Sector (Other than financial services sector) (Turnover equal to or more than 500 crore) |
| Category VIII(b) | : | Service Sector (Other than financial services sector) (Turnover less than 500 crores) |
| Category IX | : | Not-for-Profit Sector |
| Category X(a) | : | Infrastructure and Construction Sector (Turnover equal to or more than 500 crore) |
| Category X(b) | : | Infrastructure and Construction Sector (Turnover less than 500 crore) |
| Category XI | : | Public Sector Entities |
| Category XII | : | Municipal Body |



For further information please write at research@icai.in or visit our website www.icai.org or Mobile: +918299735462
Secretary, Research Committee
The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi-110002





Board of Studies-Operations (SSEB)
The Institute of Chartered Accountants of India

Take pride in using
the prefix CA- The
two alphabet of
TRUST.

ONE TIME GOLDEN OPPORTUNITY FOR CA FINAL QUALIFIED STUDENTS - BECOME A MEMBER OF ICAI

The students who have qualified CA Final but cannot apply for Membership of the Institute due to non completion of MCS /Advanced ITT course can undergo the same through virtual mode.

The qualification of
ACA and use of prefix
CA is allowed only for
the members of ICAI
and not for CA Final
qualified students.

FEATURES OF VIRTUAL COURSE

- » The student can complete the course through online mode anytime anywhere (Flexible Time).
- » The course can be attended session wise in seriatim.
- » Not required to attend any Physical /Online Classes.

Students can complete
the course by
31st December, 2021.

If opportunity missed, students
will have to attend regular
classes for MCS/Advanced ITT.

Students who want to undergo the course can register online at <https://virtualmcs.icai.org/>

The last date of registration - 30th September, 2021.

Invitation for Expression of Interest for Empanelment as Technical Reviewer/ Resource Person in the Sustainability Domain

The Institute of Chartered Accountants of India (ICAI), expanding its role as partner in nation building, has established Sustainability Reporting Standards Board (SRSB) in 2020 with the objectives to develop reporting metrics for Sustainable Development Goals, benchmarking sustainability disclosures, strengthening assurance frameworks for Non-Financial Information (NFI), and capacity building of the profession in this emerging area.

The Board is launching ICAI Sustainability Reporting Awards, both at International and National level, to benchmark global best practices vis a vis sustainability disclosure, developing Social Audit Standards to strengthen assurance frameworks for non-financial information and taking initiatives to spread awareness and develop interest amongst stakeholders towards Sustainable Development Goals (SDGs). We are pleased to invite expression of interest for empanelment as –

- Technical Reviewer for **ICAI International Sustainability Reporting Awards and ICAI Sustainability Reporting Awards** for the year 2020-21 for first stage review of reports received from participating entities.
- Resource Person to develop draft of **Social Audit Standard** for Impact Reporting and specific Social Audit Standards with respect to sub – themes of social impact, for example, poverty, nutrition etc covering aspects such as scope, engagement acceptance, basic principles, audit procedures, assurance report, documentation etc.
- Resource Person for **Sustainability Literacy Drive** to be conducted via corporate films/video films for MSME and households, webinars, posters, consultations with stakeholders with the objective to widespread the awareness on importance and adoption of SDGs and Sustainability Reporting.
- Resource Person to develop eLearning content, such as e-books, e-lectures, covering 17 **Sustainable Development Goals** (SDGs) focusing on developing understanding and awareness of members and other stakeholders towards SDGs and also suggesting ways in which they can contribute towards achievement of SDG targets.

Persons interested are requested to fill in the form and upload their resume at <https://forms.gle/xYbQrKMCWsusHSbz5> latest by July 15, 2021.

The Board will evaluate the responses and the shortlisted ones will be contacted for further discussion. It may be noted that the decision of the Board will be final in this regard.

For any further information email us at srsb@icai.in or sustainability@icai.in

We look forward to your active participation in this initiative.

Chairman
Sustainability Reporting Standards Board of ICAI

Classifieds

5854 We are 40 year old CA firm in Mumbai, looking for firms having Tax practice to merge with us. Please contact 9821665900 or hmshah07@yahoo.com

5855 R D N A and Co. LLP, a 33 year old CA firm, offices at Mumbai, Raipur, Raigarh looking for senior professionals to onboard as partners. Please e-mail at info@rdnaca.in

5856 A CA Firm with a 50 years experience looking for Professionals to join as partners in Goa, Jammu, Leh and Ladakh, Daman & Diu, Ranchi, Chhattisgarh, Bhopal, Patna, Mumbai, Ahmedabad, Chandigarh, Shimla and Bhubaneshwar. Kindly contact on - 9828095549 or drop email at resumeaug2019@gmail.com

ICAI in Media : Glimpses of May - June, 2021

BusinessLine

New Delhi, June 7, 2021

LEARNING CURVE

CA exams in pandemic times

If Covid-19 cases continue to fall, the atmosphere will be conducive to holding exams on July 5, says ICAI president Nihar Jambusaria

AN EXPOSURE

A number of candidates of the second CA exam of October 2020 were not able to appear for the exam on July 5, due to the ongoing virus, the CA Institute has decided to go ahead with the exam on July 5, but might be with some adjustments.

There is still uncertainty as to whether the CA Institute will hold the exam on July 5, as the government has not yet decided on the lockdown.

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Nihar Jambusaria, President of ICAI

the pioneer

NEW DELHI | WEDNESDAY | JUNE 23, 2021

Sitharaman meets Infosys officials

REVIEWS TECH GLITCHES ON NEW I-T E-FILING PORTAL

PTI ■ NEW DELHI

Finance Minister Nirmala Sitharaman on Tuesday reviewed with Infosys officials the technical glitches that continue to mar the new income tax e-filing portal.

Sitharaman, along with Minister of State for Finance Anurag Thakur, Revenue Secretary Tarun Bajaj, CBDT Chairman Jagannath Mohapatra and other senior ministry officials, went point by point on the issues facing the new portal with officials of Infosys - the vendor which developed the site.

While there was no official word on what transpired at the meeting, a statement issued by the Institute of Chartered Accountants of India (ICAI)



Nirmala Sitharaman, Finance Minister

said "the technical glitches shall be addressed fast".

ICAI representatives attended the meeting on Tuesday.

The portal launched on June 7 continued to face glitches, including longer logging in time, inability to generate OTP for Aadhaar validation, non-availability of ITRs for past years.

Several stakeholders have

submitted written inputs highlighting the issues facing the portal as well as areas that need to be fixed.

The stakeholders have also highlighted weak user interface, inability to view old demand, grievances and intimation orders as the issues that need to be fixed. The ICAI in a statement issued after the meeting said that it has been asked to provide its continuous support and inputs to CBDT and Infosys, in resolving the issues, as early as possible.

"The Income Tax Department said the new portal was aimed at making compliance more taxpayer-friendly, however the technical glitches shall be addressed fast, for convenience of all," the ICAI statement

BusinessLine

New Delhi, June 4, 2021

To improve audit quality of firms, draft of self-evaluation matrix rolled out

CA Institute expected to issue final version on July 1

KR SRIVATS

New Delhi, June 3

The CA Institute has now set the ball rolling on its much-anticipated Audit Quality Maturity Model (AQMM), which is intended to improve the audit quality of firms and audit companies with substantial stakeholders.

The Institute has come out with an exposure draft on this evaluation matrix for public comments. This model will be tested through a collaborative approach between the ICAI's Centre for Audit Quality and the Peer Review Board. The objective of this evaluation matrix is for sole propri-



etors and audit firms to be able to self-evaluate their current level of audit maturity, identify areas where competencies are good/lacking and then develop a roadmap for upgrading.

Soon after taking over as the President of the Institute of Chartered Accountants of India (ICAI), Nihar Jambusaria had in March said the Institute will roll out an audit quality maturity model for its members to self-assess the

audit quality in their firms. Jambusaria had said that they will be asked to take a self-proficiency test around quality aspects of their audit work and will be assigned the score.

AQMM will be recommended initially and after one year the Central Council will review the date from which it would become mandatory. Firms auditing a listed entity, banks other than cooperative banks (except multi-State cooperative banks) and insurance companies will be covered in AQMM v1.0. However, firms doing only branch audits are not covered for this exercise.

Seeking public views

The exposure draft of the AQMM version 1.0 has been shared with various stake-

holders and will be available for public comments for 15 days. The Centre for Audit Quality (CAQ) will release the final AQMM version 1.0 on July 1, after incorporating the comments received from stakeholders, sources close to the development said.

A series of fraud events in Corporate India such as Nirav Modiscam in Punjab National Bank, the blowout of IL&FS, collapse of DHFL had shocked the nation and raised concerns over audit quality and the ability of statutory auditors to highlight corporate misconduct when they attest financial statements.

This has prompted the Institute to focus attention on audit quality and now introduce self-evaluation matrix for the audit firms.

THE ECONOMIC TIMES

New Delhi, May 27, 2021

CAs Welcome RBI's New Audit Rules

ICAI says move important due to public interest in banks and NBFCs, will enhance audit quality

Our Bureau

New Delhi: The Reserve Bank of India's latest audit rules for banks and non-banking finance companies (NBFCs) are a step "in the right direction", the apex body for chartered accountants has said. The Institute of Chartered Accountants of India (ICAI) also said these would enhance audit quality.

The move is all the more important considering the increased public interest in such entities, given their size and spread through the nation, ICAI said in a statement on Wednesday.

"The new norms issued by RBI are in the right direction and will enhance audit quality, auditor independence and strengthen corporate governance," said Nihar Jambusaria, president, ICAI.

It will also result in more transparency in the selection of auditors, Jambusaria added.

Large multinational audit firms have opposed RBI's decision, saying it would curtail growth opportunities for MNCs and cause complications in transitioning to the new guidelines.

Industry body CII has also said these norms may not appreciably enhance audit quality or governance. RBI, in a circular dated April 27, mandated that auditors must be rotated every three years, with a six-year cooling-off period before the next appointment.

It also mandated joint audits for NBFCs with assets of Rs 15,000 crore or more. A joint audit provides fresh perspective from new firms along with the advantage of pooled expertise by allowing audit partners to focus on their areas of expertise while mitigating systemic risks, ICAI said.

The reduction in the audit tenure and the limit on the number of audits that a firm can conduct in the banking and financial sector would lead to capacity building in the industry, it added.



FINANCIAL EXPRESS

ICAI hails Reserve Bank's new auditor norms

New Delhi, May 27, 2021

CHARTERED ACCOUNTANTS' APEX body ICAI on Wednesday said Reserve Bank's new norms for appointment of auditors will help bring in a large number of capable audit firms into the banking and financial sector auditing works as well as enhance audit quality. Noting that the norms are in the "right direction", ICAI president Nihar N Jambusaria said apart from the audit quality, the norms will enhance "auditor independence and strengthen corporate governance".

BusinessLine

New Delhi, June 8, 2021

CA Foundation exams put off to July 24

OUR BUREAU

New Delhi, June 7

Playing it safe, the CA Institute has postponed its Foundation exams by a month and set the new date as July 24 as against the earlier planned date of June 24.

This postponement has been done in view of the ongoing Covid-19 situation and given the fact that some States are looking to open their lockdowns little slowly than what was anticipated, Nihar Jambusaria, President, Institute of Chartered Accountants of India (ICAI), told BusinessLine.

However, both Intermediate and Final level exams will be held from July 5 as planned earlier, he added.

"We postponed it (Foundation exams) only because some governments may like to go slow on opening the States. The Governments of Karnataka and Tamil Nadu may not open up to June 30. Then it will be cutting it too fine for us," he said.

As per the revised schedule, the CA Foundation exams will now be held on July 24, 26, 28 and 30.

"Since we are starting inter and final exams as scheduled on July 5, we decided to keep the Foundation exams on July 24 immediately after the Final exams are over," Jambusaria said.

earlyTIMES

JAMMU

FRIDAY, JUNE 04, 2021

10

Mass COVID-19 Vaccination Programme by NIRC of ICAI for CA members their families & students

EARLY TIMES REPORT

JAMMU, Jun 3: NIRC of ICAI COVID CARE vaccination drive offer solidarity with its stakeholders and is extending all possible support through these trying times.

Taking institutional social responsibility to the next level, NIRC of ICAI today completed COVID Care Vaccination Drive for the benefit of CA members their families and students.

NIRC of ICAI Covid task force untiringly and with dedication concluded a mass vaccination drive at Anuvrat, Deen Dayal Upadhyaya Marg, New Delhi for the CA members their families & students in coordination with NGO and team of doctors from Aakash Healthcare Hospital, New Delhi.

While participating in the launch ceremony of Covid Vaccination Drive Manish Sisodia, Deputy Chief Minister NCT of Delhi said, "We have



Dignitaries pose group photograph.

seen that there are unverified opinions available about COVID Treatment. Medicines to be used, tests to be conducted on the various social media platforms. Self-medication can prove fatal in case you have critical illness due to COVID-19." "One should be in-touch with medical expert or family physician under whose prescription and

care critical medicines like steroids should be taken, and thanked the Aakash Healthcare Hospital, Every infant counts NGO for the effort in concurrence with NIRC of ICAI in providing the solidarity to the stakeholders to such a large Chartered Accountant Community.

While giving his opinion on the vaccination, Chairman

NIRC of ICAI Emphasised on the importance of vaccination and informed the masses that one should ensure to take both the doses of the same vaccine and that too within the stipulated time-gap between the doses. "It is important here to understand that vaccination will take a minimum of 2 weeks after second dose to offer proper immunity to them and till then one has to adhere to all the precautionary protocols announced by the Government," he added. COVID-19 vaccination drive, arrangement of beds in the hospital, oxygen supplies, and medicines has been the hall mark of NIRC of ICAI's efforts to provide extensive assistance to the members and their family members. A massive vaccination drive has also been completed at various locations of Delhi and NIRC of ICAI has evolved in obtaining the successful vaccination of nearly 2000 members and their families as of now.



ICAI
**SUSTAINABILITY
REPORTING**
Awards
2020-21

**For
Excellence
in Integrated
Reporting
and
Reporting
on SDGs**

Last Date of Receipt of Entries
October 31st, 2021

ICAI Sustainability Reporting Awards brochure
2020-21 is available on ICAI website at
<https://resource.cdn.icai.org/65064srsb52340.pdf>

Recognising and Encouraging Excellence in Sustainability Reporting

OBJECTIVES

A To Recognize, Reward and Encourage Excellence of Businesses in Integrated Reporting

B To Recognize initiatives of Businesses with a transformative contribution to the 2030 Agenda for Sustainable Development

PROCESS FOR DECIDING AWARDEES

Selection of awardees in specified categories will be through a robust three tier process:

1. Review by Technical Reviewers on defined parameters.
2. Review of short-listed Sustainability Reports/ Integrated Reports by Shield Panel.
3. Selection by External Jury consisting of representatives from regulatory bodies, professionals, academicians, industrialists, philanthropists etc.

PROCEDURE FOR PARTICIPATION

1. There is no Participation Fees.
2. Sustainability Report/Integrated Report relating to the financial year ending on any day between April 1, 2020 and March 31, 2021 (both days inclusive) is eligible for participation.
3. Decision of the Panel of Judges in all the matters relating to the Awards will be final.
4. Fill in the Entry Form available at <https://forms.gle/XmknH4p65XFXtyTGA> and mail the soft copies of the requisite enclosures as per the entry form at sustainability@icai.in on or before October 31st, 2021.

AWARDS

1. One Gold Shield in each category and sub-category for the best entry.
2. One Silver Shield in each category and sub-category for the next best entry.
3. Plaques to be awarded to the entities who are following better integrated reporting practices as is decided by the Jury.

CATEGORIES OF THE COMPETITION

- Category 1 : Integrated Reporting (6 Awards)**
With sub-categories:
(A) Manufacturing Sector (3 Awards)
(B) Service Sector (3 Awards)
- Category 2 : New Entrants in Integrated Reporting (2 Awards)**
- Category 3 : Reporting on Sustainable Development Goals (2 Awards)**



For further information please write to us at sustainability@icai.in or visit our website www.icai.org or Call 011-30110474/456
Sustainability Reporting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi-110002



RESEARCH COMMITTEE
THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF INDIA
(Setup by an Act of Parliament)

ICAI - DOCTORAL SCHOLARSHIP SCHEME 2021



Last Date for submission of application:
31st August 2021



ABOUT THE SCHOLARSHIP

Doctoral scholarship will be awarded to members of the Institute who are registered as Ph.D. Scholars in UGC recognized Indian Universities/ Deemed Universities/ Colleges, IIMs having University/ IIMs approved Ph.D. Programme to pursue and complete their Doctoral Research in Auditing, Taxation, Commerce, Management and Accounting Discipline. The candidates must have confirmed Ph.D. Registration at any of the institutions mentioned above on the last date of application.

ELIGIBILITY CRITERIA

- Member of the ICAI.
- Minimum of 75% marks in 10th and 12th standard.
- Candidate should not be more than 40 years of age on the last date of application.
- NET/SLET and M.Phil. from a recognized university will carry weightage in the assessment of research proposal.
- Candidates who have already availed any other doctoral fellowship awards are not eligible to apply.

HOW TO APPLY

- Applications are invited through ICAI website, ICAI journal, Mass email to members and should be received before 31st August 2021.
- The application along with research proposal, abstract (3000 and 300 words respectively) along with all the enclosures must be sent to Research Committee at the given address before the last date mentioned in the advertisement duly signed and stamped by the Ph.D. Registered institution.

PROCEDURE FOR THE AWARD OF SCHOLARSHIP

- Applications are initially scrutinized by the Research Committee Secretariat.
- Thereafter, Shortlisting Committee will short-list region wise meritorious proposals from the eligible applications.
- Such candidates may also be invited for a presentation before Shortlisting Committee.
- The recommendations of the Shortlisting Committee will then be placed before the Research Committee for its final approval.

SCHOLARSHIP

The scholarship of Rs 50,000 per month for maximum period of 36 months will be given to maximum 5 scholars annually.

CONTINGENCY GRANT

Yearly grant not exceeding Rs. 50000/- per year.

SCHOLARSHIP TOPICS

The following topics are suggested:

1. Human Resource Accounting
2. Simplification of Human Resource Laws
3. Government Sector Accounting
4. Integrated Reporting
5. International Taxation Laws
6. Water Audit

The Research Committee will decide the suitability of the topics from time to time.



For further details please write to:
Secretary, Research Committee
The Institute of Chartered Accountants of India (ICAI)
(Set up by an Act of Parliament)

ICAI Bhawan, 8th Floor, Administrative Building, A-29, Sector-62, Noida-20 1309
Tel.: 0120-387 6877, Mob.: +91 7836040914, Email: doctoral.research@icai.in, website: www.icai.org

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<https://icai.org/post/icai-doctoral-scholarship-scheme-2021>