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THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

ICAI Council Year 2022-23

Reaching New Horizons

भारत 2023 INDIA

वसुधैव कुटुम्बकम्

ONE EARTH • ONE FAMILY • ONE FUTURE

ICAI - SET UP BY AN ACT OF PARLIAMENT

Invitation to Write Articles

Chartered Accountants and other subject experts, with academic passion and flair for writing, are invited to share their expertise through the ICAI Journal – *The Chartered Accountant*. The article may cover any topic relevant to the accounting world covering auditing, finance, laws, strategy, taxation, technology and so on. While submitting articles, please keep following aspects in mind:

- The length of articles should be about 2500 words.
- Articles should be original in nature
- An executive summary of about 100 words should accompany the article.
- Articles should not have been published or sent for publishing in any other print or electronic media.

Please send articles to Journal Section - The Chartered Accountant, The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi 110 002. Attach photograph, editable soft copy of file, declaration of originality and assignment of copyright in the prescribed format along with the article. E-mails may be sent to eb@icai.in.

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The Institute of Chartered Accountants of India

Editorial

Accountancy Profession – Reaching New Horizons

Today India is amongst the fastest growing economies in the world. This journey has been full of determination, dedication, resoluteness and being innovative. During the last seven decades, ICAI and the profession has not only steered the economic development of the country but has also grown to be an institute of prominence and profession par excellence by building an ecosystem of trust promoting transparency and accountability. The profession has tirelessly upheld a triumphant tradition of converting challenges into opportunities by adopting highest standards of financial reporting, by pursuit of best global practices, being trusted advisor to stakeholders and nurturing leaders for the evolving world. In this journey of growth and development the profession has etched its indelible mark with professional panache and perseverance amongst the stakeholders.

Continuing the tradition of turning ambitions into actions the profession has brought new laurels to its glorious history during this Council year 2022-23 by moving forward with the aim of reaching new horizons and contributing to the development of the nation with a focus on sustainable growth and accountability. With its mission of being partner in nation's development the Institute has taken numerous measures during the year to nurture global professionals, being trusted advisor to MSMEs and Startups for development of economy and augmenting the transparency and accountability of financial reporting, improving audit quality and working towards building a more inclusive society.

As we progress, the profession must continue to play a crucial role in promoting economic and social progress by setting standards for governance and regulations that support the functioning of the modern economy and promote trust in sustainable organizations. The profession with its ability to collaborate and work together with all stakeholders is taking all necessary measures to be a change maker and build an ecosystem for sustainability reporting by creating awareness and sensitising industry and institutions though ESG Talks and roundtables, developing standards and frameworks to monitor progress and move towards building investment markets for sustainability projects with fair information disclosure and engaging with the society for taking measures to protect climate change.

Being an educator and enabling institution, ICAI has been working to build the globally competent professional by revitalising the Education and Training to incorporate technological advances and global standards. Similarly the institute organised National Education Summit on Commerce & Accountancy to prepare Future-Ready Commerce Graduates by standardizing the Commerce & Accounting education in schools, colleges, and universities across India. Further, to make education accessible and inclusive ICAI is working with various State Governments to promote commerce education as well as waiving fees and granting scholarships to the students, as education and talent could only lead India to become a Vishwaguru. Similarly, the Institute is working towards Women empowerment and launched first exclusive placement drive for Women providing them with flexi/part time/ Work from Home opportunities to bring them back into professional mainstream. The objective was to build and leverage India's intellectual capital to galvanize the economic growth and become a more inclusive society.

ICAI and the profession is working wholeheartedly towards building Aatmanirbhar India and contributing its professional knowledge and expertise to the agenda of national growth by working together with the various ministries and regulators like RBI, SEBI, CAG and IRDAI. The Institute is providing them technical inputs and offering academic and technical infrastructural support to enhance their capability and competence to serve the public interest. The Institute continues to provide technical input on various policy and regulatory reforms to various ministries for developing citizen-centric policy as well as making the country conducive for doing business and attract investments by undertaking reforms like IBC, GST, Taxation, Social Audit and other policy matters.

During the year ICAI has successfully hosted the 21st edition of The World Congress of Accountants (WCOA) popularly known as the 'Olympics of Accountants' on the theme "Building Trust Enabling Sustainability" which was held first-time in India in more than 118 years history of the Congress. The Congress was an exemplary event that generated new ideas, innovations and strategies on the global economic challenges, economic growth and developments leading towards sustainable economy with 40 sessions which were addressed by over 150 eminent international and national thought leaders and was attended by more than 10000 professionals from over 120 countries of the world. The ICAI and profession has stamped its name in the annals of the World Congress by organising the first ever Carbon neutral event in hybrid mode and with the highest participation.

The strength of the profession is its ability to look ahead and take necessary measures to realise the goals and contribute meaningfully to the growth story of the nation. As India is emerging as a preferred destination of global business, the profession shall strive to lead the growth trajectory and position India as the global hub for accounting professionals.

-Editorial Board ICAI: Partner in Nation Building

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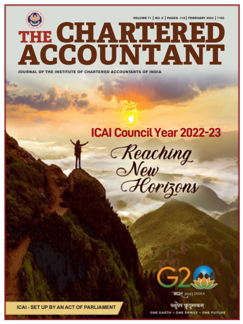

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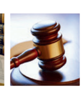

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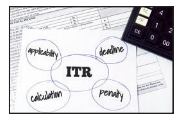

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ICAI Bhawan, Post Box No.7100, Indraprastha Marg,
New Delhi-110002, Tel: +91 (11) 39893989.
E-mail: eboard@icai.in, Website: www.icai.org

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From the President

CA. (Dr.) Debashis Mitra
President, ICAI

Dear Colleagues,

Talent wins games, but teamwork wins Championships.

As we approach the conclusion of the Council year 2022-23, this is my last communication in the journal as the President of the Institute. I am really mesmerized by the strength of the profession, its pursuit of continuous growth, working steadfastly to inspire trust and confidence amongst stakeholders. When I took over as the 70th President of my beloved alma mater, the second largest global accounting body, I was determined to inspire the young talent, meet the aspirations of the profession and build trust, respect & dignity. As I look back, I am filled with pride that the Institute has not only grown leaps and bounds but has also laid the path for a much brighter tomorrow. There has been a remarkable rise in status, prestige and image of ICAI in the public eye consequent to the successful hosting of the World Congress of Accountants.

This journey of accomplishments and progress of taking profession to newer heights, were possible with the active and collective efforts of the Team ICAI i.e. Central Council, Regional Councils, Branches, Foreign Chapters, Representative offices and ICAI employees. I must compliment Vice President, ICAI, CA. Aniket S. Talati, for his support, as we worked towards achieving the mission of ***Empowering the Profession: Building Excellence and Strengthening Stakeholder's Confidence.***

As we celebrate 75 years of Indian independence, The Institute has been constantly undertaking various initiatives to empower profession to ensure that the profession emerges as an enabler of economic growth.

With Climate change emerging as global challenge, the Institute has laid stress on sustainable economic development. Aligning with this objective, ICAI this year has developed "Sustainability Reporting Maturity Model (SRMM) Version 2.0" based on BRSR scoring mechanism as mandated by SEBI and rolled out first ever audit standard on sustainability information i.e. Standard on Sustainability Assurance Engagements (SSAE) 3000 *"Assurance Engagements on Sustainability Information"*. The Institute of Social Auditors of India (ISAI) was formed for regulation and development of Social Auditors in an independent and transparent manner. Also, Standards for Social Audit on 16 thematic issues were developed and issued which will be applicable on social enterprises as envisaged in the Social Audit framework.

ICAI hosted the first ever carbon neutral 21st edition of World Congress of Accountants (WCOA) popularly known as the 'Olympics of Accountants' from 18 - 21 November, 2022 at Jio World Convention Centre, Mumbai in hybrid mode. The Congress was organized for the first time in India in more than 118 years of its history. About 10000 Professionals attended the event from more than 120 countries. The theme 'Building Trust Enabling Sustainability' attracted widespread appreciation.

The Institute continued to forge global collaborations to strengthen the development of accounting ecosystem globally, ICAI renewed its MoU with College of Banking and Financial Studies, Oman and Institute of Chartered Accountants of Nepal. It also signed fresh MoU with Polish Chamber of Statutory Auditors (PIBR); Chamber of Auditors of the Republic of Azerbaijan (CAAR) and Institute of Chartered Accountants of Nigeria during the year. Expanding the profession's global outreach, ICAI inaugurated 6 Representative Offices in the United States of America at Arizona, Austin, Los Angeles, Michigan, North Carolina and Ohio ensuring that ICAI has footprints in 77 cities and 47 countries of the world with 44 Chapters and 33 Representative Offices.

To empower economic development and working towards India@2047, the Institute took various measures to nurture entrepreneurship, MSMEs and Startups. ICAI was inducted into India Book of Records for its initiatives MSME SETU and MSME Yatra which promoted Competitiveness and Capacity building of MSMEs. MoUs were signed to build an enabling ecosystem promoting entrepreneurship, Startups and MSMEs with the Government of Tamil Nadu, IIM Lucknow Enterprise Incubation Centre and Gujarat Student Startup & Innovation Hub (i-Hub). MoUs were also signed for capacity building with NIRD & Panchayati Raj, SCOPE, and Commissioner of Treasuries and Accounts, Government of Tamil Nadu.

The Institute has been consistently working towards augmenting the quality of audit and has taken numerous steps to reinforce trust on financial reporting. During the year many new standards on Internal Audit were issued. Audit Quality Maturity Model Rev V.1.0 that was prepared to enhance audit quality is now being made mandatory from 1st April, 2023 for firms auditing certain types of entities to augment the audit quality and assurance services. The Council has approved the Peer Review Guidelines thereby replacing the Statement on Peer Review.

ICAI has been working in line with the vision of the Government to create awareness regarding Vittiya Saksharta in the country and initiated Financial and Tax Literacy Drive in the form of *Vitiya Gyan - ICAI Ka Abhiyaan*. Thousands of members of ICAI took pledge to make India *'Sone Ki Chidiya.'* The Institute through its network of Branches and Regional Councils spread across India took part in the 'Jan Jagrukata Abhiyaan' during the "Azadi Ka Amrit Mahotsav". ICAI acted as a knowledge partner to Investor Education and Protection Fund Authority (IEPFA) for its 75 tele-series on investor awareness.

The Institute is known for its role as educator and facilitator for knowledge enrichment amongst members, students and stakeholders. This year the Council has approved the New Scheme for Education and Training. The New scheme is aligned to National Education Policy 2020, expectations of the industry, global best practices and technological advancements. The syllabi for the scheme has been finalized and the scheme is pending for final approval from the Ministry. During the year ICAI awarded scholarship to more than 5900 students under various categories. Further promoting commerce education, ICAI entered into MoUs with Departments of Education from Jammu, Kashmir and Mizoram besides organizing Mega Career Counselling Programmes. For the first time the results of the November 2022, Intermediate and Final Examinations were declared on the same day.

The Institute took numerous initiatives like extending the decision of waiving 75% registration course fee for all levels of the CA course for the students of Union Territories of Jammu & Kashmir, Ladakh, North-Eastern India and Andaman & Nicobar Islands.

During the year, the Institute has attained new milestones as the profession has strived to reach new horizons and meet expectations of all stakeholders. As they say development is never ending and the profession shall continue its journey of progress. Significant achievements of the Institute in the Council year 2022-23 have been listed separately in this Journal.

Meanwhile, let's have a look at some of the professional and student related developments that took place in the last one month:

National Education Summit on Commerce & Accountancy

The Institute through its Board of Studies (Academic) organised a National Education Summit on Commerce & Accountancy (NES-CA) on 6th & 7th January 2023 at New Delhi in partnership with the Association of Indian Universities (AIU), the National Council of Educational Research and Training (NCERT), and the National Council for Teacher Education (NCTE). NES-CA's aim was to standardize Commerce & Accounting education at Higher Secondary and Undergraduate levels of schools/colleges/universities across India. The event was inaugurated by Dr. Subhas Sarkar, Hon'ble Minister of State for Education and Dr. Bhagwat Kishanrao Karad, Minister of State for Finance delivered a keynote address. The Summit was attended by Vice Chancellors, Directors, Deans, Principals, HODs, Chairmen & Professors from top Commerce universities & colleges and Secretaries of State Education Boards from over 25 States. With the organization of this Summit, the Institute stamped its presence as the leading Educator catering to about 8 lakh students.

ICAI enters in Asia Book of Records for Maximum Number of Students Participation in Super Mega Career Counselling Programme

I am pleased to inform that the ICAI has set the record for 'Maximum Number of Students Participation in Super Mega Career Counselling Programme'. The First Drive of Programme was organized on October 31, 2022 and the Second Drive was held on November 26, 2022. A total of 1,60,648 students of classes IX till Graduation participated in the programme along with the Principals, Teachers and Career Counsellors. The programmes were conducted by 5 Regional Councils and 124 Branches. The Institute is the first organisation in Asia to set a record for counselling maximum number of students in one go. ICAI was inducted in Asia Book of Records for this feat and the jury of Asia Book of Records felicitated the Institute on 18th January, 2023.

Celebrating Excellence – ICAI Awards

- **16th ICAI Awards**

  ICAI organized 16th ICAI Awards for members in Industry and Business on 10th January, 2023 at Kolkata. The Chief Guest Shri C.V. Ananda Bose, Hon'ble Governor, West Bengal awarded the Chartered Accountants who have excelled in their organisations and have brought glory to the profession. The Hon'ble Governor stated that "It is the Transparency and Accountability which makes the CA profession a great profession."

- **ICAI Awards for Excellence in Financial Reporting 2021-22 & Sustainability Reporting**

  The Institute also organized awards ceremony to recognize organizations following high quality financial reporting and best Sustainability Reporting practices through the annual awards competition titled 'ICAI Awards for Excellence in Financial Reporting' and 'ICAI Sustainability and International Sustainability Awards' in a glittering ceremony held in Varanasi on 20th January, 2023. The Guests of Honour Dr. Daya Shankar Mishra, Hon'ble Minister of State in the Ministry of Ayush (Independent Charge) of Uttar Pradesh and Shri Daya Shankar Singh, Hon'ble Minister of Transport, UP presented the awards to the winners.

Pravasi Bhartiya Divas and Global Investors Summit

The ICAI as partner in Nation's development joined hands with Madhya Pradesh Government and participated in the Pravasi Bhartiya Divas and Global Investors Summit in Indore from 8-12 January, 2023. The ICAI Pavilion provided instant expert advice to the NRIs and delegates. The ICAI showcased robots and AI/VR enabled applications which were a major attraction.

The Institute curated a session on "Access Madhya Pradesh - Complete Business Solution" in the Global Investors Summit where renowned experts shared their knowledge

From the President

about ease of doing business, compliances, infrastructure, accountancy & taxation to promote investment and growth of the state of Madhya Pradesh. The Hon'ble Finance Minister of Madhya Pradesh Shri Jagdish Devda graced the session.

South Asian Federation of Accountants (SAFA)

The meeting of SAFA Board was held in Delhi on 7th January, 2023 wherein Past President ICAI CA. Nihar N. Jambusaria was appointed as President of SAFA for the year 2023. SAFA comprises of 11 accountancy bodies in South-Asian Region and strives to contribute to the development of the accountancy profession in the region.

ICAI Applauded for its Capacity Building Initiatives related to GST

The ICAI with its requisite expertise and knowledge has been working with the State Governments and its various constituents to support their capacity building initiatives. In this direction, the Institute conducted programmes in 10 states relating to GST. During the year more than 2400 officers have been trained in such programmes by ICAI.

ICAI through its GST & Indirect Taxes Committee, hosted a National GST Symposium, 2022 for CGST, SGST and UTGST Officers on 15-16 December, 2022 in Chennai. Dr. Palanivel Thiaga Rajan, Hon'ble Minister for Finance and Human Resources Management, Government of Tamil Nadu, inaugurated the programme.

Convocation - Welcoming the Next Generation

Convocation ceremonies were held in 12 different locations celebrating our students' newly acquired highly coveted status as Chartered Accountant on 24th and 25th January, 2023. In all more than 11000 newly qualified Chartered Accountants were conferred certificates of membership. Hon'ble Union Minister of State for Parliamentary Affairs and Culture Shri Arjun Ram Meghwal was among the many dignitaries present to congratulate the newly qualified students and their parents. I convey my best wishes to all the young members for their success in their future endeavours.

Bidding Adieu

My journey with the Institute has been long and fulfilling. After having served as Chairman of the Guwahati branch and Eastern India Regional Council headquartered in Kolkata, I joined the Central Council in 2016 and eventually reached the highest office in the current Council year 2022-23 with the support and blessings of everyone. Zeal, Passion and Love for the profession have always driven me. Nation First are the two very important words in my vocabulary.

With the approaching end of the Council Year and my presidentship, I take this opportunity to extend my gratitude to Team ICAI for their unflinching trust, support and guidance in taking the profession to newer heights.

The Fearless and Innovative Flight of Garuda, the Eagle amazes me. My eyes glitter and my heart thumps with joy when I visualize the great bird flying all over the globe indicating that our time to be a global leader has arrived.

Our motto, *ya eṣa supte ṣu jāgarti* has inspired generations of Chartered Accountants and makes me stand erect in pride when the Motto song is played.

The National Anthem and National Flag is a strong reminder that we are a Partner in Nation Building and that earning the Trust of the Nation is of paramount importance.

As I bid adieu as the President of ICAI, I wish my professional colleagues and my beloved Institute the very best in pursuit of Excellence, Independence and Integrity. **I salute my Institute — I adore my profession and most importantly I am proud to be an Indian.**

Debashis Mitra

CA. (Dr.) Debashis Mitra
President, ICAI
New Delhi, 28th January, 2023

FROM THE PRESIDENT

Photographs

ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati with the Hon'ble Governor of West Bengal, Dr. C.V. Ananda Bose at the 16th ICAI Awards for Members in Industry & Business held at Kolkata. Also seen in the picture are members of the Central Council and EIRC Regional Council members (10th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra felicitating Chief Guest Shri Arjun Ram Meghwal, Hon'ble Union Minister of State for Parliamentary Affairs and Culture at the 42nd CIRC Regional Conference of ICAI held in Bikaner. Also seen in the picture are CIRC Chairman CA. Atul Mehrotra, CIRC Regional Council Members and Managing Committee Members of Bikaner branch. (14th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati felicitating Dr. Subhas Sarkar, Hon'ble Union Minister of State for Education at the National Education Summit on Commerce & Accountancy (NES-CA) held in New Delhi. Also seen in the picture are ICAI Past President CA. T.N. Manoharan and members of Central Council. (6th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra welcoming Chief Guest Shri Arjun Ram Meghwal, Hon'ble Union Minister of State for Parliamentary Affairs and Culture in the presence of ICAI Vice President CA. Aniket S. Talati at the ICAI Convocation -2023 held in Hyderabad. Also seen in the picture are Central Council Members CA. Sushil Kumar Goyal and CA. Muppala Sridhar. (24th January, 2023)

ICAI Vice President CA. Aniket S. Talati felicitating Chief Guest Shri Bhupendrabhai Patel, Hon'ble Chief Minister of Gujarat during the National Conference for CA Students held in Ahmedabad. Also seen in the picture are Central Council members CA. Sushil Kumar Goyal, CA. Purushottamlal H. Khandelwal and CA. Vishal Doshi. (23rd December, 2022)

ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati meeting with Shri Girish Chandra Murmu, Hon'ble CAG of India. (5th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati along with members of the Central Council releasing publication on "ICAI - A Catalyst in Nurturing the Young Mind for a Bright Tomorrow". (18th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra and Vice President CA. Aniket S. Talati with Shri Jagdish Devda, Hon'ble Finance Minister, MP Govt., in the session on 'Access Madhya Pradesh- Complete Business Solution' at the Global Investors Summit 2023 in Indore. Also seen in the picture is member of Central Council CA. Kemisha Soni. (12th January, 2023)

ICAI President CA.(Dr.) Debashis Mitra addressing the Seminar on Taxation issues in Partnership Firm at Indore Branch. Also seen in the picture are Shri Pushyamitra Bhargav, Hon'ble Mayor of Indore & member of Central Council CA. Kemisha Soni (28th December, 2022)

ICAI President CA.(Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati along with members of Central Council during felicitation of ICAI for being inducted into Asia Book of Records for Maximum Number of Students Participation in Super Mega Career Counselling Programme. (18th January, 2023)

ICAI Vice President CA. Aniket S. Talati being felicitated at the EIRC Regional Conference. Also seen in the picture are ICAI Past President CA. Subodh K Agrawal, members of Central Council CA. Sushil Kumar Goyal & CA. Ranjeet Kumar Agarwal ,EIRC Chairman CA. Ravi Kumar Patwa and members of Regional Council of EIRC. (24th December, 2022)

Shri Pushyamitra Bhargav, Hon'ble Mayor of Indore & ICAI President CA. (Dr.) Debashis Mitra inaugurating the CA Gate at Indore. Also seen in the picture are members of Central Council and Managing Committee of the Indore branch. (28th December, 2022)

ICAI Vice President CA. Aniket S. Talati felicitating Shri Dilip Shanghvi, Managing Director, Sun Pharmaceutical Industries Ltd., Chairman of the Jury for ICAI Awards for Members in Industry & Business during the Jury meet held in Mumbai. Also seen in the picture are members of Central Council CA. Ranjeet Kumar Agarwal, CA. Durgesh Kumar Kabra and CA. Priti Savla. (28th December, 2022)

ICAI President CA.(Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati along with members of Central Council launching initiative of Committee for Members in Practice to provide upgraded Tally Software to the membership (18th January, 2023)

ICAI Vice President CA. Aniket S. Talati seen with Guest of Honour Dr. Abhishek Pallava, IPS, Superintendent of Police at the Mega CA Students Conference held in Bhilai. Central Council member CA. Abhay Chhajed is also seen in the picture (7th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra along with ICAI Vice President CA. Aniket S. Talati visiting the ICAI Pavilion at Pravasi Bhartiya Divas, Indore. Also seen in the picture are Central Council members CA. Kemisha Soni, CA.(Dr.) Raj Chawla and CA. C V Chitale. (12th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra along with ICAI Vice President CA. Aniket S. Talati at the Pravasi Bhartiya Divas, Indore. Also seen in the picture are members of Central Council CA. Kemisha Soni, CA.(Dr.) Raj Chawla and CA. C V Chitale. (12th January,2023)

ICAI President CA. (Dr.) Debashis Mitra, ICAI Vice President CA. Aniket S. Talati, members of Central Council CA. Prakash Sharma, CA. Dayaniwas Sharma, CA. Umesh R Sharma and CA. Rohit Ruwatia Agarwal and Past Central Council member CA. MP Vijay Kumar at the National Conference in Jaipur. (21st January, 2023)

ICAI President CA.(Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati with newly elected SAFA President CA. Nihar N. Jambusaria and SAFA board members at the 77th SAFA Board Meeting held in Delhi. Also seen in the picture are Central Council members CA. Dayaniwas Sharma and CA. Charanjot Singh Nanda. (7th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati at the Bhoomi Poojan ceremony of ICAI Bhawan at Tirupati. Also seen in the picture are ICAI Past President CA. M Devaraja Reddy, Central Council members CA. Prasanna Kumar D., CA. Dayaniwas Sharma, CA. Rajendra Kumar P., CA. Muppala Sridhar, SIRC Chairman CA. China Masthan T., and SIRC Regional Council members & Tirupati Branch Chairman CA. C Narasimhulu and other Mangaing Committee Members of Tirupati Branch . (23rd January, 2023)

ICAI President CA.(Dr.) Debashis Mitra and ICAI Vice President CA. Aniket S. Talati with Shri Bhagirath Choudhary, Hon'ble Member of Parliament, Kishangarh at the inauguration of Kishangarh Branch Building (21st January, 2023)

ICAI President CA. (Dr.) Debashis Mitra inaugurating the ICAI Awards for Excellence in Financial Reporting & Sustainability Reporting in the presence of members of Central Council CA. Anuj Goyal, CA. (Dr.) Sanjeev Kumar Singhal and CA. Priti Savla held in Varanasi. (20th January, 2023)

ICAI President CA. (Dr.) Debashis Mitra unfurling the flag on 74th Republic Day at ICAI Kolkata office. Seen in the picture member of the Central Council CA. Sushil Kumar Goyal and EIRC Chairman CA. Ravi Kumar Patwa. (26th January, 2023)

Flag unfurling ceremony on 74th Republic Day held at ICAI Bhawan, Noida. Seen in the picture members of Central Council CA. Sanjay Kumar Agarwal, CA. Gyan Chandra Misra, CA. Hans Raj Chugh, Government nominee Dr. P C Jain and ICAI Secretary CA. (Dr.) Jai Kumar Batra. (26th January, 2023)

Group photo taken at the occasion of Residential Meet of CA Members in Public Service held at Guwahati. Seen in photograph are ICAI President CA. (Dr.) Debashis Mitra, Shri Ashok Singhal, Hon'ble Minister of Housing & Urban Affairs and Irrigation, Government of Assam, CA. Kirit Somaiya, Justice(Retd.) CA. (Dr.) Vineet Kothari, Justice (CA.) Bhargav D. Karia, and members of Central Council CA. Hans Raj Chugh and CA. Dheeraj Kumar Khandewal. (27th January, 2023)

Know Your Ethics

1. Whether a member in practice owning intellectual property rights of domain names sell these domain names to some entity for earning royalty on the same?

A. No, since the activity of selling domain names for earning Royalty would amount to "other business/occupation", which is prohibited under Clause (11) of Part-I of the First Schedule to the Chartered Accountants Act,1949.

2. Whether a member, who is the statutory auditor of a company, can let out property owned by his Hindu Undivided Family (HUF) to the said Company?

A. Hindu Undivided Family (HUF) is treated as a separate entity for the purposes of assessment under the Income Tax Act,1961; however, since the individual member and the Karta of the HUF are practically the same person, such a transaction should be avoided from an independence perspective.

3. Whether a member in practice is generally permitted to write a script/story for a movie?

A. A script/story for a movie may be based on a Book written by a member in practice. However, merely writing a script/story for a movie would not fall within the general permission provided under the Appendix (9) to the Chartered Accountants Regulations, 1988. Such a member would require prior and specific permission of the Council in this regard.

4. Whether a member in practice can also practice simultaneously as an Actuary?

A. No, the members in practice have not been permitted by the Council to practice as Actuary simultaneously.

5. Whether a member in practice can become Financial Advisor, and receive fees/ commissions from Financial Institutions such as Mutual Funds, Insurance Companies, or NBFCs.?

A. No, it is not permissible for a member in practice to become Financial Advisor and receive fees/commissions from Financial Institutions.

6. Whether a Firm of Chartered Accountants can undertake the assignment of Management Consultancy Services of a company where a partner of the Firm is a Director Simplicitor?

A. Yes, it is permissible for a Firm of Chartered Accountants to undertake the assignment of Management Consultancy Services of a company where a partner of the firm is the Director Simplicitor.

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Know Your Ethics

7. Whether a member in practice is permitted to be an athlete/ play tournaments simultaneously along with holding the certificate of practice?

A. Since the activity of being an athlete/playing tournament is not covered under the Appendix (9) to the Chartered Accountants Regulations,1988, a member in practice may only be an amateur athlete; however, it is not permissible for him to be a professional athlete.

8. Can a practicing Chartered Accountant accept a position as auditor previously held by some other Chartered Accountant in such conditions as to constitute undercutting?

A. Yes, a Chartered Accountant in practice can accept a position as auditor previously held by some other Chartered Accountant in such conditions as to constitute undercutting.

However, when a firm obtains an assurance engagement at a significantly lower fee level than that charged by the predecessor firm or quoted by other firms the threat created will not be reduced to an acceptable level unless:

(a) The firm is able to demonstrate that appropriate time and qualified staff are assigned to the task; and

(b) All applicable assurance standards, guidelines and quality control procedures are being complied with.

9. Whether a member of the Institute shall be deemed to be guilty of professional misconduct, if he does not supply the information called for, or does not comply with the requirements asked for by the Institute?

A. Yes, as per Clause (2) of Part-III of First Schedule to the Chartered Accountants Act,1949, a member of the Institute shall be deemed to be guilty of professional misconduct if he does not supply the information called for, or does not comply with the requirements asked for by the Institute.

10. Can a Chartered Accountant in practice disclose information acquired in the course of his professional engagement?

A. No, as per Clause (1) of Part I of the Second Schedule to the Chartered Accountants Act,1949, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force.

11. Whether an auditor is required to provide to the client or to main auditor of the Head Office of the same enterprise access to his audit working papers?

A. No, working papers are the property of an auditor. An auditor is not required to provide the client access to his audit working papers. The main auditors of an enterprise do not have the right of access to the audit working papers of the branch auditors. The auditor may at his discretion, in cases considered appropriate by him, make portions of, or extracts from his working papers available to the client.

12. Whether Joint Auditors can demand the working papers of one another?

A. No, the working papers are the property of an auditor. Therefore, no Joint Auditor can demand the working papers of the other auditor.

13. Whether a joint auditor will be responsible for the work done by other joint auditors?

A. The Council direction under Paragraph 2.15.1.2(ii) under Clause (2) of Part I of the Second Schedule to the Chartered Accountant Act, 1949, appearing in Volume II of the Code of Ethics, prescribes that in respect of audit work divided among the joint auditors, each joint auditor is responsible only for the work allocated to him including proper execution of the audit procedures. However, on the other hand, all the joint auditors are jointly and severally responsible for the work which is not inter-se divided among the auditors.

14. Can a Chartered Accountant in Service accept or agree to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification?

A. No, Clause (2) of Part II of First Schedule to the Chartered Accountants Act,1949, prohibits a member in service from accepting or agreeing to accept any part of fees, profits, or gains from a lawyer, a Chartered Accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification.

15. Whether a member of the Institute shall be deemed to be guilty of professional misconduct, if he includes in any statement, return or form to be submitted to the Council or any of its committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false?

A. Yes, as per Clause (3) of Part II of the Second Schedule to the Chartered Accountants Act,1949, a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct if he includes in any statement, return or form to be submitted to the Council or any of its committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false.

16. Whether the member in practice can permit his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast?

A. No, as per clause (3) of part-I of Second Schedule to the Chartered Accountants Act,1949, a member in practice will be deemed to be guilty of professional misconduct if he permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transaction in a manner which may lead to the belief that he vouches for the accuracy of the forecast. As per opinion of the Council, a Chartered Accountant can participate in the preparation of profit or financial forecasts and can review them, provided he indicates clearly in his report the sources of information, the basis of forecasts and also the major assumptions made in arriving at the forecasts and so long as he does not vouch for the accuracy of the forecasts. The member has to comply with SAE 3400 while drafting the report for such engagements.

17. Whether the Chartered Accountant who is appointed as a liquidator of a company can do the audit of that company?

A. No, Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act,1949, and the Chartered Accountants Regulations,1988 framed there under may be referred.

18. Whether a Statutory Auditor can engage in the assignment of the compilation of financial statements (conducted under SRS-4410) of the same Company for the same financial year?

A. A Compilation engagement is an engagement in which a member applies accounting and financial reporting expertise to assist management in the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework, and reports as required by the SRS 4410.

The Auditor should not allow a conflict of interest to compromise professional or business judgment. Accepting the assignment of Compilation engagement would create a self-review threat. Accordingly, it would not be permissible for the statutory auditor of an entity to engage in assignment of compilation engagement as per SRS 4410.

Disclosure of changes in inventory of scrap in the Statement of Profit and Loss

A. Facts of the Case

1. A Company (hereinafter referred to as 'the Company') is a listed central public sector company formed under the Ministry of Defence. The Company has been set up with a view to achieve self-reliance in production and supply of various super alloys, titanium alloys, maraging steel and special steel materials to Defence and other strategic sectors for nuclear, aeronautical and space applications. The products manufactured are sold in the form of ingots, forged billets, sheets, plates, strips, rods, rings, etc.

2. The querist has stated that scrap is predominantly generated from the Company's each manufacturing process, i.e., melting, forging and machining, etc. Further, with regard to nature of scrap, 90% of the scrap generated during manufacturing process will be re-usable in the production process of melting and only 10 % of scrap, such as, turnings/end cut scrap, etc. is sold in the open market.

3. The Company's production process starts from primary melting where the Company uses various raw materials purchased as per the required composition/specifications for an end-product in the melting process and the internally generated scrap is also used in majority volume based on requirement.

Existing Practice

4. The querist has further stated that the net accretion/decretion in scrap stock, i.e., difference of closing stock and opening stock of scrap is booked as 'Consumption of raw material-internally generated scrap' and the same is grouped under 'Cost of Material Consumption' in the Statement of Profit and Loss. The closing stock of scrap is disclosed under 'Note 10 – Current Assets (Inventories)' at estimated realisable value of scrap. The sale of scrap is being shown separately under 'Other Operational Income' under revenue from operations in the Statement of Profit and Loss.

5. During the reporting period, if scrap generation is more than the scrap consumption, the 'consumption of raw material – internally generated scrap' shows credit balance thereby reduces the amount of raw material consumption and vice-versa, i.e., if scrap consumption is more than the scrap generation, the consumption of internally generated scrap shows debit balance (net off scrap generation).

6. The querist has given the rationale for the existing practice as follows:

a. Scrap generated during manufacturing process is re-usable as a raw material in the production process of melting.

b. Paragraph 9.5.3 of the Guidance Note on Division II – Ind AS Schedule III to the Companies Act, 2013, issued by the Institute of Chartered Accountants of India (ICAI) requires disclosure of difference in opening and closing inventories of finished goods (FG)/Work-in-Progress (WIP)/Stock-in-trade only in 'changes in inventories of finished goods and work-in-progress'.

c. No guidance is available regarding disclosure of changes in scrap inventory in the Guidance Note or in the Standard.

d. In the absence of any guidance for disclosing the accretion/ decretion of scrap, the same is being consistently shown as part of raw material consumption for the past several years.

7. According to the querist, as per recent opinion given by the Expert Advisory Committee (EAC) of the ICAI dated 07.05.2021 (published in May 2021, ICAI Journal), when scrap generated during manufacturing process is not usable and there is no other use of such items except disposal as scrap, such scrap inventories can be shown as 'Changes in Inventory of Scrap' in the Statement of Profit and Loss.

8. During recent deliberations in the Company, it was discussed that consumption of raw material – internally generated scrap shows credit balance when scrap generation is more than the consumption and this resulted in understatement of raw material consumption for the particular period.

9. It is also submitted by the querist that the materials procured and used in the manufacturing process will be considered as raw material consumption. The raw materials may be basic raw materials required for production process. Further,

any material which is in the form of intermediary product, if purchased, is also being treated as raw material and whenever such material is consumed, the same is shown as raw material consumption. However, in case of intermediary products produced and re-used in the subsequent process, these will always affect the inventory accretion/decretion, i.e., intermediary items in the stock if it is increasing work-in-progress (WIP) over the period, beginning and ending and vice versa.

10. It is also to be noted that the value of scrap generation/consumption clubbing under raw material consumption affecting certain ratios which are required to be calculated for Memorandum of Understanding (MOU) purpose. Department of Public Enterprise (DPE) confirmed that all ratios are to be arrived based on accounts as published. Sometimes certain WIP which is good will be changed to scrap due to rejection or sale as scrap and such adjustments affect the figures of change in inventory and raw material consumption.

11. For easy understanding of the issue, present practice followed in the Company and proposed practice are tabulated by the querist as below:

Present Practice

Description	Journal Entry	Grouping in Statement of P&L
Increase in Scrap Inventory (Scrap generation is more than consumption)	Scrap Inventory A/c Dr. Consumption of Raw Material – Internally generated scrap Cr.	Cost of Raw Material Consumption
Decrease in Scrap Inventory (Scrap consumption is more than generation)	Consumption of Raw Material – Internally generated scrap A/c Dr. Scrap Inventory Cr.	Cost of Raw Material Consumption

Proposed Practice

Description	Journal Entry	Grouping in Statement of P&L
Increase in Scrap Inventory (Scrap generation is more than consumption)	Scrap Inventory A/c Dr. Changes in Scrap Inventory Cr.	Changes in Finished Goods/ Work-in-progress
Decrease in Scrap Inventory (Scrap consumption is more than generation)	Changes in Scrap Inventory A/c Dr. Scrap Inventory Cr.	Changes in Finished Goods/ Work-in-progress

Practical Example for present and proposed practice in the Statement of Profit and Loss

Cost of Raw Material Consumption

Existing		Proposed	
Description	**Amount (Rs.)**	**Description**	**Amount (Rs.)**
Gross Raw Material consumption (Direct purchase from Market)	**1,00,000**	Gross Raw Material Consumption (Direct purchase from market)	**1,00,000**
Add			
(Accretion)/Decretion of Scrap value (Opening – Closing)	**(30,000)**		**-**
Net Raw Material Consumption	**70,000**		**1,00,000**

Changes in Inventory of Finished goods /Work –in-progress

Existing		Proposed	
Description	**Amount (Rs.)**	**Description**	**Amount (Rs.)**
Change in Inventory of FG and WIP (Increase)	**(2,00,000)**	Change in Inventory of FG and WIP	**(2,00,000)**
Add			
(Increase) / Decrease in Scrap	**-**		**(30,000)**
Change in Inventory of FG and WIP	**(2,00,000)**		**(2,30,000)**

It is also informed that there is no change in the total expenses and profit amount under both the practices.

B. Query

12. The querist has sought the opinion of the Expert Advisory Committee as to whether the Company can change the grouping of net scrap generated under 'Change in Inventories of finished goods, work-in-progress and stock-in-trade' instead of 'Cost of Raw Material Consumption' in the Statement of Profit and Loss.

C. Points considered by the Committee

13. The Committee notes that the basic issue raised by the querist relates to presentation of the inventory of items/products (classified as 'scrap'), generated during the manufacturing process and consumed/used in the further production process of the Company, in the Statement of Profit and Loss. The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for scrap sold, impact of presentation of scrap on certain ratios required to be calculated for MoU or other purposes and computation of such ratios, accounting for products (other than scrap) produced and re-used in the subsequent process, accounting for raw materials procured and used in the manufacturing process, accounting for WIP changed to scrap due to rejection or sale as scrap and its consequent adjustments, appropriateness of classification of the items/product generated during the manufacturing process in the extant case as scrap and measurement thereof, etc. The Committee, while expressing its opinion has laid down the accounting principles to be followed and has not examined the appropriateness/accuracy of journal entries and the example furnished by the querist for present and proposed practice in the Statement of Profit and Loss. The Committee wishes to point out that the Accounting Standards referred hereinafter are Indian Accounting Standards, notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended/revised from time to time. Further, the opinion expressed hereinafter is purely from accounting perspective and the Committee has not examined any legal, taxation or financial management issues.

14. At first, the Committee examines the nature of items/products (classified as 'scrap') in the extant case in the context of accounting requirements and notes the following paragraphs of Indian Accounting Standard (Ind AS) 2, 'Inventories':

"6 *Inventories* are assets:

(a) held for sale in the ordinary course of business;

(b) in the process of production for such sale; or

(c) in the form of materials or supplies to be consumed in the production process or in the rendering of services."

"14 A production process may result in more than one product being produced simultaneously. This is the case, for example, when joint products are produced or when there is a main product and a by-product. When the costs of conversion of each product are not separately identifiable, they are allocated between the products on a rational and consistent basis. The allocation may be based, for example, on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production. Most by-products, by their nature, are immaterial.

When this is the case, they are often measured at net realisable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product is not materially different from its cost."

From the above, the Committee notes that during a production process, more than one product may be produced simultaneously which, for example, may either be joint products or a main product and a by-product. Further, although the Standard does not mention about the scrap or waste products; the Committee notes that scrap or waste products are also the result of production process and if these could be sold or used/consumed internally, these can be considered as 'inventories'. In this context, the Committee also notes that the items/products generated/produced during the manufacturing process in the extant case are either used in further production process or sold in the open market. Therefore, the Committee is of the view that materials/items generated in the manufacturing process which would be further used as input in the production process of melting can be considered to be 'in the process of production for sale' and accordingly, can be considered as 'inventories' as per paragraph 6(b) of Ind AS 2. Thus, the disclosure requirements of Schedule III to the Companies Act, 2013 are equally applicable to these items/products (classified as 'scrap' by the Company) as to the inventories of raw materials, finished goods, work-in-progress, etc.

15. Now, the Committee examines the issue raised by the querist relating to disclosure of changes in the afore-mentioned inventory of 'scrap' used in the production process in the Statement of Profit and Loss. In this context, the Committee notes that Part II, 'Statement of Profit and Loss' under Division II of Schedule III to the Companies Act, 2013 requires the aggregate of the following expenses to be disclosed on the face of the Statement of Profit and Loss:

- Cost of materials consumed
- Purchases of Stock-in-Trade
- Changes in inventories of finished goods, work in progress and Stock-in-Trade
- Employee benefits expense
- Finance costs
- Depreciation and amortization expense
- Other expenses

The Committee further notes the following paragraphs of Guidance Note on Division II - Ind AS Schedule III to the Companies Act, 2013 (Revised January, 2022 edition), issued by the ICAI (hereinafter referred to as 'the Guidance Note'):

"9.5. Expenses

The aggregate of the following expenses are to be disclosed on the face of the Statement of Profit and Loss:

- *Cost of materials consumed*
- Purchases of Stock-in-Trade
- *Changes in inventories of finished goods, work in progress and stock in trade*
- Employee benefits expense
- Finance costs
- Depreciation and amortization expense
- Other expenses

9.5.1. Cost of materials consumed

This disclosure is applicable for manufacturing companies. Materials consumed would consist of raw materials, packing materials (where classified by the company as raw materials) and other materials such as *purchased* intermediates and components which are 'consumed' in the manufacturing activities of the company. Where packing materials are not classified as raw materials the consumption thereof should be disclosed separately. However, *intermediates and components which are internally manufactured are to be excluded from the classification.*

9.5.1.1. For purpose of classification of inventories, internally manufactured components may be disclosed as below:

(i) where such components are sold without further processing they are to be disclosed as 'finished products'.

(ii) where such components are sold only after further processing, the better course is to disclose them as 'work-in-progress' but they may also be disclosed as 'manufactured components subject to further processing' or with such other suitable description as 'semi-finished products' or 'intermediate products'.

(iii) where such components are sometimes sold without further processing and sometimes after further processing it is better to disclose them as 'manufactured components'."

"**9.5.1.6**. In the case of industries where there are several processes, materials may move from process to process, so that the finished product of one department constitutes the raw materials of the next. The consumption of raw materials for production of such intermediates would have to be accounted as raw materials consumed and so, it follows that *internal transfers from one department to another should be disregarded in determining the consumption figures to be disclosed*."

"**9.5.3. Changes in inventories of finished goods, work-in-progress and stock-in-trade**

This requires disclosure of difference between opening and closing inventories of finished goods, work-in-progress and stock-in-trade. The difference should be disclosed separately for finished goods, work in progress and stock in trade."

(Emphasis supplied by the Committee.)

The Committee notes from the requirements of Guidance Note in the context of disclosure of 'Expenses' in the Statement of Profit and Loss, as reproduced above, that 'materials consumed' would consist of materials, such as *purchased* intermediates and components which are 'consumed' in the manufacturing activities of the company. The cost of intermediates or components which are internally manufactured and transferred from one department to another within the same entity should be excluded from the cost of materials consumed. Thus, only purchased and not internally manufactured and transferred intermediates can be included in the 'cost of materials consumed'.

Accordingly, the Committee is of the view that in the extant case, the inventories of intermediates or items/products, internally manufactured and transferred from one department to another within the Company should be considered as work-in-progress and presented under 'Changes in inventories of finished goods, work-in-progress and stock-in-trade' under 'Expenses' in the Statement of Profit and Loss as per the requirements of Schedule III to the Companies Act, 2013 with appropriate disclosures to explain the nature of inventory. Further, while presenting, the requirements of paragraph 9.5.1.1 of the Guidance Note should also be considered.

D. Opinion

16. On the basis of the above, the Committee is of the opinion that internally generated items/ products (classified as 'scrap'), used in the production process and transferred from one department to another within the Company should not be presented as 'cost of materials consumed'; rather should be considered as work-in-progress and presented under 'Changes in inventories of finished goods, work-in-progress and stock-in-trade' under 'Expenses' in the Statement of Profit and Loss as per the requirements of Schedule III to the Companies Act, 2013 with appropriate disclosures to explain the nature of inventory. Further, while presenting, the requirements of paragraph 9.5.1.1 of the Guidance Note should also be considered, as discussed in paragraph 15 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 May 12, 2022. 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 forty-one volumes. These volumes are available for sale and can be procured online through CDS Portal at https://icai-cds.org/.
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.

Empowering the Profession: Building Excellence and Strengthening Stakeholder's Confidence

Highlights of Accomplishments: 2022-23

Partnering in Nation Building

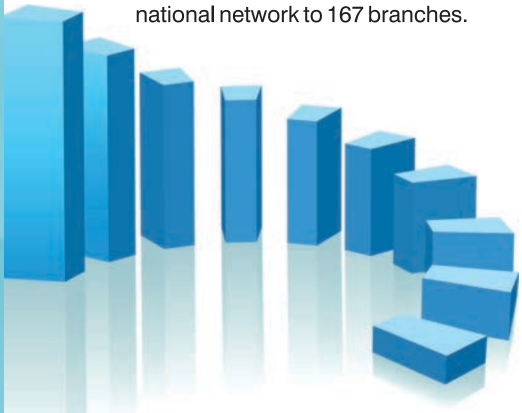
- Incorporated **"Institute of Social Auditors of India"** (ISAI) with the vision to be a leading institution for the regulation and development of independent, ethical, and world-class Social Auditors
- **Social Audit Standards** - Drafted and finalized the framework for Social Audit and the Social Audit Standards on all the 16 thematic focus areas.
- Developed **"Sustainability Reporting Maturity Model (SRMM) Version 2.0"** based on BRSR scoring mechanism as per the new reporting requirements on ESG parameters mandated by SEBI.
- Revised version of **Audit Quality Maturity Model as AQMM rev v1.0** published. Mandating AQMM w.e.f. 1st April 2023 for the firms auditing certain types of entities to enhance quality of audit.
- ICAI inducted in the **India Book of Records for 'ICAI MSME SETU'** and **'ICAI MSME YATRA'** campaigns covering 75 cities across 22 States of the nation in 75 days for promoting MSMEs.
- Startups and MSMEs MoUs were signed with **Government of Tamil Nadu, IIM Lucknow Enterprise Incubation Centre and Gujarat Student Startup and Innovation Hub (i-Hub)**
- ICAI Supporting the MCA in relation to implementation of **MCA 21Version 3** both in respect of LLP and Companies
- Issuance of **New Standards on Internal Audit – SIA 130, 140, 150, 250, 520, 530 and Standard on Sustainability Assurance Engagements** (SSAE) 3000
- MoU signed between **ICAI and NIRD&PR,** Hyderabad, to enhance transparency with accountability in the implementation of rural development projects
- MoU signed with Treasuries and Accounts Department, Government of Tamil Nadu for capacity building and skill development of officers.
- MoU signed with **Standing Conference of Public Enterprises (SCOPE)** for mutual Cooperation in areas of knowledge and skills enhancement
- ICAI acting as **Knowledge partner to Investor Education and Protection Fund Authority (IEPFA)** for its 75 tele-lecturing series on Investor Awareness.
- More than **400 Investor Awareness Programs (IAP)** have been conducted across the country. Further specially curated, more than 20 Investor Awareness Programs (IAP) were held for personnel of Indian Army and Border Security Force
- Amendments in Ind AS were notified by the MCA vide Companies (Indian Accounting Standards) Amendments Rules, 2022.
- Recommendations for applicability of Accounting Standards to Limited Liability Partnerships submitted to NFRA.
- Submitted recommendations on 35 Standards on Auditing to NFRA for their notification under Companies Act, 2013.
- Roadmap for phased implementation of **ASLBs in Municipal Bodies submitted to the Ministry of Housing & Urban Development (MoHUA).**
- Driving Sustainability Agenda with ESG Roundtable and ESG Talkseries

Robust Regulatory Mechanism

- **Dedicated Web Portal** for the Disciplinary Directorate with Online Complaint filing facility and providing all information pertinent to the Disciplinary mechanism at one place.
- Launched initial interface of the **Web portal of the TAQRB** automating various workflows and enabling paperless working environment.
- 96 meetings were held till 31.12.2022 of Board of Disciplinary/Disciplinary Committees wherein as many as **476 PFOs** considered, hearings concluded in **104 cases** and punishment awarded in **91 cases.**
- Launched official Twitter handle of the Board as @Taqrbicai and also launched the 'Did you Know' series, to apprise the members of the compliances to be taken care of.
- Improving Quality of Assurance services - ICAI mandates Peer Review for certain categories of Firms. **The Peer Review Guidelines, 2022 have been made applicable w.e.f. 1st October 2022.**
- Released **23 Forensic Accounting and Investigation Standards** and is in the process of making them mandatory from **1st April, 2023**

Infrastructure for Growth

- Three new Branches of Central India Regional Council (CIRC) at Bhagalpur (Bihar); and Hanumangarh District (Rajasthan) and Satna District (Madhya Pradesh) expanding ICAI national network to 167 branches.



- Approved the New infrastructure proposals at Bengaluru, Ahmedabad, Kolkata, Siliguri, CoE Kolkata and Chennai.
- Purchase of New Land at Jamnagar, Tirupati, Raipur, and Built-up Premises at Shimla.
- 12 new CPE POUs were opened for helping members to undergo CPE activities in their nearby places, resulting in a strong network of 651 CPE POUs spread all over India and Abroad
- Institute has decided to open additional examination center at Thimpu (Bhutan)
- Opening of the Representative Office of ICAI at Mizoram University, Aizwal

Profession for the Global World

- ICAI- proudly hosted the first Carbon neutral 21st edition of **World Congress of Accountants on the theme "Building Trust Enabling Sustainability"** attended by more than 10000 delegates from over 120 countries.
- **Market access offer for UK and Canada** in Accounting, book keeping and auditing services **on reciprocity basis** after fulfilling certain conditions **under FTA negotiations**
- **MoUs** signed with **Polish Chamber of Statutory Auditors (PIBR), Chamber of Auditors of Azerbaijan Republic (CAAR)- Azerbaijan, Institute of Chartered Accountants of Nigeria** for development of accountancy profession and work together in areas of mutual interest.
- **Renewed MoUs** with **College of Banking & Financial Studies, Oman and Institute of Chartered Accountants of Nepal** to promote global mobility of profession.
- Launched 6 **Representative Offices in the United States of America at Arizona, Austin, Los Angeles, Michigan, North Carolina and Ohio** taking ICAI footprints to 47 countries of the world with **44 Chapters and 33 Representative Offices.**
- ICAI representatives got the leadership position at Global forums of **CAPA, SAFA, Edinburgh Group and UNCTAD ISAR Group**
- **Engaging with SAFA** countries like Maldives for the outreach of ICAI Valuation Standards 2018.

Initiatives for Members Development

- Launched 40 under 40 Award programme to recognize Young Business Leaders
- Organised first exclusively placement programme for Women CAs
- **Launched ICAI National Call Sahayata Beta Version** for serving the members and students
- Civil Services Orientation & Mentorship Programme for CA Members and CA Students aspiring to join Civil Services
- **Successful Campus Placement Programme** with expanded reach across the country (9059 young CAs were placed). Reinitiated the International Campus Placement post COVID.
- **Recognitions of CA Course - For Ph.D Programme -** 112 Indian Universities, 7 IIMs and 2 IITs (Madras & Bombay) total 121 institutions.

- **Capacity building** of **members** till 06.01.23 through **7104 CPE programs** generated about **38 lakhs CPE hours.**

- Launch of Mobile App for Members – "ICAI-BOS". About 9000 members are using the mobile app.

- Sensitizing the members on the various aspects of audit quality by launching Quality Cafe– A monthly virtual series on Audit Quality

- Online Panel of Experts were constituted to address Bank Branch Audit and Statutory Audit pertaining to auditing related queries of members.

- To provide guidance on preparation of financial statements of Non-Corporate Entities and Limited Liability Partnerships, separate Publications have been released.

- Supporting Upskilling and knowledge enrichment of members through new certificate Course on Intellectual Property Rights as well as the institute released various guidance notes, publications, educational material etc.

- Forged tie-ups with various software providers and financial services providers to enhance professional competitiveness of members.

Nurturing Talent – Students Initiatives

- **New Scheme of Education and Training** - To develop the next generation of professionals, ICAI has undertaken revision of the Chartered Accountancy course to make it more aligned to the Technological changes, International Developments and National Education Policy.

- **National Education Summit on Commerce & Accountancy (NES-CA)** with an aim to standardize Commerce & Accounting education at Higher Secondary and Undergraduate levels of schools/colleges/universities across India. Vice Chancellors/HoDs/Deans from 25 states attended the summit.

- **ICAI inducted into Asia Book of Records** for Maximum number of students participation in Super Mega Career Counselling Programme

- **Extension of Fee Waiver in Registration Course Fee –** Waived off 75% fee of registration course fee for all level of CA course for the students of Union Territories of Jammu & Kashmir and Ladakh, Andaman and Nicobar Islands and for the North-Eastern States till 31st March, 2025.

- **Revamped BOS Knowledge Portal** - new BoS knowledge portal is providing all educational resources on a single platform. So far 3.26 lakhs plus students have registered in BoS Knowledge Portal.

- Promoting Commerce education MoUs signed with the Directorate of School Education, Government of Jammu, Srinagar and Mizoram

- ICAI awarded scholarship to more than 5900 students till 31.12.2022 under the various categories.

- Nurturing the young talent - More than 2300 Career counselling programs were held across India and 444193 students counselled.

- Result cycle made quicker. Results of Final & Intermediate released simultaneously for the first time.

Technology Driven Initiatives

- Online Process for Formation of Networking of CA Firms launched
- Upgraded search application on the ICAI's website containing all the opinions issued by EAC including 'Recent Opinions'.
- Launched a new dedicated website (asb.icai.org) of Accounting Standards Board
- Launched new portal **(cpgfm.icai.org)** to provide one stop repository of all relevant information relating to Public & Government Financial Management
- Web-Interface on Student Exam Life Cycle Management - where CA students using a single user ID and password, can access various examination related services
- Continuing on the path of **100% Digitalization of Examination** has resulted in faster evaluation, error-free result and as well as ease and convenience for examiners.
- **Observer Web Portal & Mobile App** - A web portal (observers.icaiexam.icai.org) and mobile app was put in place for facilitating all activities relating to observers.
- Online Examination Application Form - **As a part of automation and platform consolidation, all examination forms have been integrated with Self Service portal.**
- Launch of New Version 2.0 of ICAI Mobile App ICAI Now
- Digital Identity to Chartered Accountants and Chartered Accountant Firms with their Unique domain "CA.IN"
- More than **1.85 Million Followers** across **all seven official social platforms** namely Twitter, LinkedIn, YouTube, Facebook, Koo, Telegram and Instagram.

Supporting Societal Development

- **Commemorating and celebrating 75 years of India's Independence ICAI organized Azadi ka Amrit Mahotsav - ICONIC Day on 8th June, 2022 with various activities as under**
  - Jan Jagrukta Abhiyaan- Creating awareness on Financial & Tax Literacy (F&TL) with Padyatra and Street plays
  - Go Green - All India Tree Plantation Drive
  - Mega Career Counselling Drive, 2022 and Lectures on the Freedom Struggle
- Promoting holistic wellbeing - ICAI celebrated **International Day of Yoga**
- To promote ICAI Financial & Tax Literacy thousands of members took pledge to make India "Sone ki Chidiya"
- MoU entered into with FICCI Ladies organisation to promote financial & tax literacy amongst the women.
- **"Take the ICAI Sustainability Challenge"** for school and college students- to sensitise them towards climate crisis and making our planet healthier, happier and safer.
- Launched **ICAI Sustainability Literacy Drive** to encourage stakeholders to contribute towards the attainment of Sustainable Development Goals.

ICAI Reaching New Horizons - Significant Achievements 2022-23

The Accountancy profession has been playing a pivotal role in economic development of the country in terms of formation of Tax policies, facilitating Financial Literacy in the society and assistance in preparing financial roadmap to achieve robust growth. The Profession encourages continuous enrichment of knowledge and exploring emerging best practices to augment economic growth.

Council Year 2022-23 has been a period of achievements and success. While concluding the year of achieving milestones, it is an appropriate time to list our major achievements. The Institute has taken many initiatives to fulfill its role as a partner in Nation's development. Mega success of World Congress of Accountants has put another feather in our cap. The successful event has left unforgettable memories amongst not only national but international accountancy forums.

Working with great zeal, dedication, and hard work, we continue our commitment to professional Excellence. Every year we are achieving newer heights of excellence and professionalism. The major activities and steps taken by ICAI during the Council Year 2022-23 are as under:

1 Partner in Nation Building

ICAI as a partner in the development of the Nation works with all stakeholders i.e. Government, Regulators, Institutions and Society at large. ICAI strives to promote public interest for all through its numerous initiatives like supporting Government and its constituents for better policy making, implementing and creating awareness in Government schemes, knowledge dissemination for enhancing capability of stakeholders and promotes best practices and standards for a strong financial reporting framework.

1.1 Inputs/Suggestions submitted:

- Roadmap for phased implementation of ASLBs in Municipal Bodies has been submitted to the Ministry of Housing & Urban Development (MoHUA) for recommending the same to the State Governments.
- MoU has been signed with NIRD&PR, Hyderabad, to collaborate for development of accounting or auditing standards for rural local bodies, ensuring accountability and transparency through social audit.
- MoU has also been signed with Treasuries and Accounts Department, Government of Tamil Nadu for capacity building and skill development of officers of treasury accounts and finance department.
- Contribution as a member of the Insolvency Law Committee constituted by the Government of India for review of implementation of the Insolvency and Bankruptcy Code, 2016.
- Existing AS, that are applicable to unlisted smaller companies and non- corporate entities are under revision. The new set will comprise total of 32 Standards, out of which, till date 28 revised AS have been submitted to National Financial Reporting Authority (NFRA).
- Recommendations on amendments to Schedule III to the Companies Act, 2013, regarding separate disclosure of regulatory requirements submitted to MCA
- Recommendations submitted on issues received from SEBI in context of Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs).
- The AASB of ICAI submitted its suggestions on SEBI Consultation Paper on "Disclosures for 'Basis of Issue Price' section in offer document under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- The AASB of ICAI submitted response on G20 Background Paper and High-Level Principles on Enhancing the Role of Auditing in Tackling Corruption.
- Helped Ministries and Government Departments in shortlisting CAs as per their requirement and providing them a panel after scrutiny as per the desired criteria.
- ICAI Suggestions/Recommendations on the Report of the Company Law Committee were submitted to MCA
- ICAI was the Designated Authority for National CSR Awards to submit nominations of eligible Companies by MCA
- ICAI submitted a brief note on International Practices for Books of Account under various Countries to MCA. In this regard ICAI had prepared the study on practices followed in UK, US - Delaware Australia and Singapore
- The SRSB of ICAI has submitted its comments to SEBI on Consultation Paper on Environmental,

Social and Governance (ESG) Rating Providers for Securities Markets.

- More than 35 State Level Coordination Committee / Sub-State Level Coordination Committee meetings conducted by the Reserve Bank of India were attended by the representatives of ICAI.
- ICAI agreed to provide support to Ministry of Cooperation in preparing concept paper on issues related to taxation for providing level playing field to Cooperatives as compared to Corporates and FPTs and to prepare a uniform framework for Cooperatives across states.
- Professional Development Committee of ICAI is working with NABARD to bring Common Accounting System for all 63000 Primary Agricultural Cooperative Societies (PACS) and Cooperatives in the country which will comply with extant Accounting Standards as well as will incorporate aspects of Income Tax compliance, and compliance with other taxes that may be applicable to PACS undertaking multi-faceted business activities.

1.2 Training and Capacity Building Programme

- A 4 half day training program was conducted for officers of SFIO engaged in Corporate Fraud Investigation Department from 21st - 24th February, 2022 by ICAI.
- ICAI conducted training programs for ICLS Academy (Ministry of Corporate Affairs) and Directorate General of GST Intelligence on Big Data Analytics using CAAT Tools and Forensic Accounting & Fraud Detection from 28th July to 10th August 2022 and 11th to 23rd August 2022 respectively at Manesar.
- ICAI conducted 2 days International Conclave on Forensic Accounting & Fraud Investigation (ICFAFI) 2022 jointly with National Forensic Sciences University, MHA on 2nd & 3rd September 2022 at Gandhinagar.
- 29 Capacity Building Programmes on GST were conducted by ICAI for the officers of State GST, Central GST, other Government Departments and PSUs. More than 2400 officers were trained in such programmes
- ICAI organised two days virtual training programme for the officials of Punjab Municipal Infrastructure Development Company (PMIDC) and ULBs of Punjab on "Financial Transparency and Accountability in Urban Local Bodies" on 9th & 10th June, 2022 which was joined by more than 150 ULB officials.
- We organised two day virtual training programme for the officials of Urban Local Bodies (ULBs) of Tripura on "Implementation of Double Entry Accrual System of Accounting and Financial Management Reforms in ULBs" on 23rd & 24th November, 2022.
- Training programmes for the officials of Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB) on 'Provisions of GST and Direct Tax' and 'Accounting Standards' was organised at Chennai
- ICAI organized Two days' Capacity Building Programme on Goods and Service Tax (GST) for the officers of Treasuries and Accounts Department, Tamil Nadu on 22nd & 23rd December, 2022 at Chennai.
- ICAI jointly with the Department of Public Enterprises, Ministry of Finance has organized various Capacity Building programme for Directors of Central Public Sector Enterprises in the area of "Audit Committee Effectiveness".

1.3 Helping Government and other Regulatory Bodies

ICAI endeavors to support the Government and its constituents by providing inputs and suggestions in various areas of corporate law, direct & indirect taxes, international taxation etc.

- The panels of Chartered Accountants/ Firms were provided to Government bodies, Regulators and other authorities as per there requirement.
- ICAI organised various programmes supporting the initiatives of the Government for effective implementation in various parts of the Country through its 651 CPE Program Organising Units:
  - ✓ 1167 programmes on GST including 37 programmes specifically on GST Audit were organised
  - ✓ 151 programmes on Companies Act
  - ✓ 285 programmes on Ethical Standards/ Code of Ethics/Professional Ethics
  - ✓ 257 programmes on MSME
  - ✓ 105 programmes on Standards on Auditing
  - ✓ 124 programmes on Investor Awareness
  - ✓ 148 programmes on RERA (Real Estate Regulatory Act)
  - ✓ 16 programmes on Foreign Languages in online mode – French, Spanish and Japanese
  - ✓ 87 Programmes on AQMM
- Comments on the following draft Standards/ documents of Government Accounting

Standards Advisory Board (GASAB) were formulated and submitted to GASAB:

- ✓ Draft Standard on Reserve Funds
- ✓ Draft IGAS 10 on 'Public Debt and Other Liabilities of Governments: Disclosure Requirements'

- Submitted views on the various issues referred by various Regulators such as Ministry of Finance, Ministry of Commerce & Industry, Ministry of Cooperation, Ministry of Corporate Affairs, Reserve Bank of India, Insurance and Regulatory Development Authority of India.
- ICAI submitted its suggestions to Insolvency and Bankruptcy Board of India (IBBI) on various Discussion Papers/ Consultation Paper as brought out by IBBI such as:
    - ✓ Discussion Paper on Engagement and appointment of "Professionals" in a corporate Insolvency Resolution Process
    - ✓ Discussion Paper on "Review of Redressal and Enforcement Mechanism"
    - ✓ Discussion Paper on "Enhancing effectiveness of Information Utility"
    - ✓ Consultation Paper on issues related to reducing delays in the corporate insolvency resolution process
    - ✓ Discussion Paper on "Remuneration of an Insolvency Professional"
    - ✓ Discussion Paper on enabling entities to become Insolvency Professional
    - ✓ Discussion Paper on Streamlining the Liquidation Process
    - ✓ Paper on issues related to effective and expeditious resolution of Real Estate Projects
    - ✓ Discussion Paper on "Financial Self-Sufficiency of the Insolvency and Bankruptcy Board of India"
    - ✓ Discussion Paper on changes in the Corporate Insolvency Resolution Process to reduce delays and improve the resolution value
- Worked on 11 ICAI's Schemes to enhance export of Accounting and related services under Champion Sector.
- Representations/Technical inputs were given to Government in matters such as:-
    - ✓ India-US Trade Policy Forum 2022, India Canada Comprehensive Economic Cooperation WTO Partnership (CEPA) negotiations – Trade in Services, India – UK FTA negotiations on Trade in services – barriers faced by Indian professionals.
    - ✓ Formation of dedicated cell for possible reform measures under OECD – Services Trade Restrictiveness Index.
    - ✓ India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)
    - ✓ G-20 ACWG Questionnaire- Public Participation and Anti-Corruption Education Programmes
    - ✓ Professional bodies on India- AUS and India- Canada FTAs
    - ✓ ICAI inputs for Mutual Recognition of Qualification/MRAs with counterpart professional bodies in US.
    - ✓ ICAI inputs for Digital Trade Chapter for ongoing India-UK FTA negotiations.
    - ✓ ICAI Contact point for India -UAE FTA and India Australia FTA.
    - ✓ India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)- inclusion of GEC and an Automatic Trigger Safeguard Mechanism (ATSM)
    - ✓ India – Mauritius High Powered Joint Trade Commission (HPJTC)
    - ✓ India-Russia Joint Working Group on Trade and Economic Cooperation

- ✓ India's preferential treatment to Least Developed Countries (LDCs) in trade in services at the WTO
- ✓ EU's proposed text - Article X.36 on Professional Qualifications along with Guidelines for Mutual Recognition Arrangements
- ✓ MRA/MOU in accountancy services with Japan
- ✓ India's trade in services with New Zealand for India-NZ Joint Trade Committee

1.4 National Leadership Encouraging ICAI

- The historic World Congress of Accountants (WCOA) was inaugurated by Shri Om Birla, Hon'ble Lok Sabha Speaker and keynote address was delivered by Smt. Nirmala Sitharaman Hon'ble Finance and Coporate Affairs Minister, 2022 on 18 November, 2022. Shri Piyush Goyal, Hon'ble Union Minister addressed the WCOA on 20th November, 2022. Further Shri Devendra Fadnavis Hon'ble Dy. Chief Minister , Maharashtra graced the valedictory session of WCOA.
- ICAI Convocation – 2022 held in October, 2022 was graced by Shri Piyush Goyal, Hon'ble Union Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution as Chief Guest at Delhi. The Convocation was held in a magnificent manner across 14 locations in the country. The distinguished Guests at various locations were Dr. Bhagwat Kishanrao Karad, Hon'ble Minister of State for Finance, Shri G Kishan Reddy, Hon'ble Union Minister of Tourism and Culture, Justice Shri M R Shah, Hon'ble Judge, Supreme Court of India, Shri Shankar Lalwani, Hon'ble Member of Parliament, CA. Sushil Agarwal, CFO Aditya Birla Group, Shri Deepak Karandikar, President MCCIA and Shri Siddharth Shirole Hon'ble MLA.
- ICAI Convocation 2023 held on 24th-25th January, 2023 was graced by Shri Arjun Ram Meghwal, Hon'ble Union Minister of State for Parliamentary Affairs and Culture as Chief Guest at Hyderabad. The Convocation ceremonies were held in 12 different locations and more than 11000 newly qualified Chartered Accountants were conferred certificates of membership.
- ICAI organised National Education Summit on Commerce & Accountancy (NES-CA) on 6th & 7th January 2023 at New Delhi. The event was inaugurated by Dr. Subhas Sarkar, Hon'ble Minister of State for Education and Dr. Bhagwat Kishanrao Karad, Minister of State for Finance delivered a keynote address.
- State Level Conference on Investor Education and Awareness held on 29th March, 2022 at Guwahati wherein Hon`ble Governor of Assam, Prof. Jagdish Mukhi graced the event.
- Workshop on Financial Market held on 14th May, 2022 was inaugurated by the Hon`ble Raksha Mantri, Shri. Rajnath Singh in Lucknow.
- Smt. Dr. Tamilisai Soundarajan, Hon'ble Governor of Telangana and Lt. Governor Puducherry, inaugurated the Mega Student International Conference.
- ICAI ICONIC Day – Celebrating Azadi Ka Amrit Mahotsav was inaugurated by Chief Guest Shri Arun Singh , Hon'ble Member of Parliament and Guest of Honour Shri Rajesh Verma, IAS, the then Secretary MCA, at Delhi on 8th June, 2022
- International MSME Day was held on 27th June, 2022. Chief Guest was Shri Bhanu Pratap Singh Verma, Hon'ble MoS, MSME, and Guest of Honour was Shri B B Swain, Secretary, MSME .
- 74th CA Day Celebrations was graced by Shri Girish Chandra Murmu Hon'ble CAG as Chief Guest and Shri Rajesh Verma, the then Secretary, MCA as guest of Honour on 1st July, 2022
- Shri Bhupendrabhai Patel, Hon'ble Chief Minister of Gujarat graced the Ahmedabad Members meet as Chief Guest.
- Shri Pramod Sawant, Hon'ble Chief Minister of Goa addressed the Capacity Building Programme on GST on 20th September, 2022 as Chief Guest.
- Tree plantation on CA Day was graced by Shri Kailash Choudhary Hon'ble Minister of State for Agriculture and Farmers' Welfare at ICAI Head Office on 1st July, 2022
- Bhoomi Pujan Ceremony of Centre of Excellence, Kolkata was graced by Shri La Ganesan, the then Hon'ble Governor, West Bengal and Manipur at Kolkata on 4th September, 2022
- Dr. C.V. Ananda Bose, Hon'ble Governor, West Bengal presented awards to successful members in Industry & Business as Chief Guest at 16th ICAI Awards Ceremony on 10th January, 2023
- ICAI MSME Yatra was flagged off by Shri Narayan Rane, Hon'ble Union Minister of MSME at the flag off programme in Mumbai on 18th August, 2022
- Shri Rajendra Vishwanath Arlekar, Hon'ble Governor of Himachal Pradesh also graced the ICAI MSME YATRA in Himachal Pradesh in the month of September.

- ICAI MSME Yatra was flagged off by Smt. Chandrima Bhattacharya, Minister of State for Finance (Independent Charge), Government of West Bengal in Kolkata on 14th October, 2022
- Ms. Sashi Panja, Cabinet Minister for Industries, Commerce & Enterprises, Government of West Bengal was the Chief Guest at CFO Meet, Kolkata held on 14th October, 2022
- Shri Ashok Singhal, Hon'ble Minister of Housing and Urban Affairs, Govt. of Assam attended the National Conference in Guwahati on 16th December, 2022 as Chief Guest.
- ICAI signed MoU with the 'Facilitating MSMEs Tamil Nadu', Government of Tamil Nadu in the presence of Shri M. K. Stalin, Hon'ble Chief Minister, Tamil Nadu on 26th August, 2022
- Civil Services Orientation & Mentorship Programme for CA Members and CA Students aspiring to join Civil Services (Online 1st Batch) held in April 2022 - May 2022, was inaugurated by CA Suresh Prabhu, Former Hon'ble Member of Parliament, Rajya Sabha & Founding Chancellor of Rishihood University.
- MoU was signed with Govt. of Tamil Nadu in the presence of Dr. Palanivel Thiaga Rajan, Hon'ble Minister for Finance and Human Resources Management, GoTN on 20th December, 2022
- Residential Meet of ICAI Members in Public Services held from 24th-26th June 2022 at Ooty (Tamil Nadu) was graced by CA. K Rahman Khan, Hon'ble Former Deputy Chairman, Rajya Sabha and Former Union Ministry of Minority Affairs, CA. Suresh Prabhu, Former Hon'ble Union Minister and Member of Parliament, Rajya Sabha & Founding Chancellor of Rishihood University, Justice (CA.) Anil R Dave, Hon'ble Retired Judge, Supreme Court of India, Justice CA. (Dr.) Vineet Kothari, Hon'ble Advocate Supreme Court of India, Retired Acting Justice of Gujarat High Court, Justice (CA.) Dinesh Mehta, Hon'ble Judge, Rajasthan High Court, Jodhpur, CA.(Dr.) Ashok Kumar Mishra, Hon'ble Technical Member, National Company Law Appellate Tribunal, CA. Rajesh Sharma, Hon'ble Member (Technical), National Company Law Tribunal.
- Regional Meet of ICAI Members in Public Service was held on 8th September 2022 at New Delhi. It was inaugurated by CA. Suresh P Prabhu, Hon'ble Former Union Minister and Founding Chancellor of Rishihood University in the presence CA. N D Gupta, Hon'ble Member of Parliament (Rajya Sabha) and CA. (Dr.) Ashok Kumar Mishra, Hon'ble Member, Technical (NCLAT).
- Regional Meet of ICAI Members in Public Service was held on 7th October 2022 at Mumbai. The meet was attended by CA. Nagendraa Parakh, Executive Director, SEBI, CA. S Rifaur Rahman, Accountant Member, ITAT and CA. Prashant Mahrishi, Accountant Member, ITAT.
- Webcast on "Engaging CAs in Social Leadership" was held on 14th July 2022. The webcast was addressed by CA. Suresh P. Prabhu, Hon'ble Former Union Minister, Founding Chancellor of Rishihood University, CA. Sat Paul Sharma, Former Hon'ble MLA (Jammu West) and CA. Shiv Kumar Arora, Hon'ble MLA (Rudrapur).
- Smt. Chandrima Bhattacharya, Minister of State for Finance (Independent Charge), Government of West Bengal, inaugurated the Platinum Jubilee Celebration of Accountants' Library in Kolkata held on 28th May,2022)
- National Talent Search Competition 2022, was inaugurated by Shri Rahul Kaswan, Hon'ble Member of Parliament on 8th June, 2022 at New Delhi.
- ICAI organised Five-Day Capacity Building Programme in April, 2022 for the officers of the Commercial Taxes Department, Bihar which was inaugurated by Hon'ble Deputy Chief Minister of Bihar, Mr. Tarakishore Prasad.
- ICAI organised National GST Symposium 2022 at Chennai on 15th & 16th December, 2022 which was inaugurated by Hon'ble Minister for

Finance and Human Resources Management, Government of Tamil Nadu, Dr. Palanivel Thiaga Rajan.

- ICAI has signed - MoU with School Education Department, Government of Mizoram in the presence of Chief Guest Dr. Lalzirmawia Chhangte, IAS, Secretary, School Education, Mizoram
- MoU signed with Directorate of School Education, Kashmir (DSEK) in the presence of Chief Guest Dr. Tassaduq Hussain Mir, Director of School Education, Kashmir.

1.5 Meeting with National Leadership, dignitaries

- A meeting was held with Dr. Bhagwat Karad, Hon'ble Minister of State for Finance to discuss the matter of proposed reduction in coverage of bank branch audits and also other matters affecting the profession like the role ICAI and profession could play in development of economy.
- Chairman, GST & Indirect Taxes Committee met Hon'ble Finance Minister, Government of Odisha, Mr. Niranjan Pujari, on 27th July 2022.
- A meeting was held with DGM, Reserve Bank of India in September 2022 in Mumbai to discuss about Valuation to be undertaken by Registered Valuers and compliance with ICAI Valuation Standard 2018.
- A Pre-Budget meeting was held on 23.11.2022 with Chairman CBDT & other CBDT officials wherein major suggestions pertaining to Direct Tax and International taxation were discussed in view of the upcoming budget.
- As a knowledge partner, ICAI has conducted an Interactive workshop on Preparation of Financial Statements as per Best Financial Reporting along with SCOPE (Standing Conference of Public Enterprises) for the professionals in Public Sector enterprises on 29th July, 2022 at SCOPE Complex. The programme witnessed the presence of Shri Pradeep Kumar Das, CMD, IREDA.
- A meeting with Shri G C Murmu, Hon'ble Comptroller and Auditor General of India was held in the month of March 2022 to discuss the matters related to mutual professional interest including increase in audit fees for the auditors of PSUs and organizing training programme for the officers of O/o C&AG in area of Ind AS.
- A meeting was held with Shri R G Viswanathan, Dy. C&AG on 25th March 2022 wherein detailed discussion was held on CAG Empanelment process which includes 360-degree qualitative review of empaneled firms by considering various factors like compliance of accounting, auditing, Ethical Standards and Notes to accounts, auditors report etc.
- A meeting was held with Mr. M.K. Jain, Deputy Governor, RBI in the month of March 2022 to discuss various concerns regarding proposed reduction in the audit coverage of funded and non-funded exposure of banks.
- Meetings were held with Shri Darpan Jain, Joint Secretary, Ministry of Commerce & Industry regarding Canada FTA & Australia FTA and India –UK & India Canada FTA in the month of March and April 2022.
- Meeting was held with Shri Manoj Pandey, Joint Secretary, MCA for review of implementation of Champion Services Sector Scheme (CSSS) on 14th March, 2022.
- Meeting was held with Shri. Jayesh Ranjan, IAS, Principal Secretary, Industries & Commerce (I&C) Department, & Information Technology and Shri Sandeep Sultania, IAS, Panchayat Raj Department, Government of Telangana on 29th July, 2022
- Meeting was held on 1st August, 2022 with Ms. Kim Guite, General Manager, Department of Supervision and Shri Subhendu Bhattacharyya, General Manager, Department of Supervision regarding the eligibility norms of Statutory Branch Auditors in Public Sector Banks and other matters.

- ICAI leadership attended the meeting of "Audit Board for Central Public Sector Undertakings'' organized by the O/o C&AG on 6th September 2022 regarding (i) Revision of Policy for empanelment of Chartered Accountants' firms by Office of the C&AG for allotment of audit (ii) Audit fee/remuneration of statutory auditors of PSEs wherein the various regulatory counterparts had attended the meeting and provided suggestions on various issues.

- ICAI leadership met Shri Suresh N. Patel, Hon'ble CVC on 8th April 2022 and provided suggestions for issuance of suitable guidelines so that minimum fee of professional assignments be mentioned in the tenders issued by PSUs and govt bodies and also that statutory audit services be assigned using the Quality & Cost Based selection instead of least cost method.

2 Evolving Standards

The Institute constantly endeavours to keep on strengthening financial reporting framework and continues by coming out with new standards and practices, so as to enhance credibility, transparency and good governance in the reporting ecosystem for the growth of economy:

- Amendments in Ind AS were notified by the MCA vide Companies (Indian Accounting Standards) Amendments Rules, 2022, dated March 23, 2022.

- Certain amendments were recommended to National Financial Reporting Authority, such as, amendments to Ind AS 117, *Insurance Contract*, Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* Ind AS 1, *Presentation of Financial Statements,* Ind AS 12, *Income Taxes*.

- Recommendations for applicability of Accounting Standards to Limited Liability Partnerships were also submitted to NFRA.

- The DAAB has developed Technical Guide on Digital Assurance jointly with to provide guidance to auditors wrt otaining audit evidence from external sources.

- The Sustainability Reporting and Standards Board has developed "Sustainability Reporting Maturity Model (SRMM) Version 2.0" based on BRSR scoring mechanism as per the new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (BRSR)as mandated by SEBI.

- The Sustainability Reporting and Standards Board has developed and issued Standard on Sustainability Assurance Engagements (SSAE) 3000 "Assurance Engagements on Sustainability Information" which would be applicable for assurance of sustainability information.

- The Sustainability Reporting and Standards Board has developed and issued 16 Social Audit Standards on the 16 thematic areas under Social audit.

- The draft ASLB 40, 'Entity Combination' has been submitted to the Ministry of Panchayati Raj (MoPR) and Ministry of Housing & Urban Development (MoHUA) for further consideration by their respective Technical Committees and recommending the same to the State Government for their implementation.

3 ICAI Towards a Global Footprint – Enhancing Brand CA Globally

With a view to nurture professionals for the global world ICAI continues to enhance brand CA on global scale by forging global alliances for knowledge sharing and creating professional opportunities from global perspective to promote global opportunities and mobility of professionals.

ICAI Hosted Historical 21st Edition of WCOA 2022

The World Congress of Accountants (WCOA) popularly known as the 'Olympics of Accountants' 21st edition on the theme "Building Trust Enabling Sustainability" was successfully hosted by the Institute in partnership with the International Federation of Accountants (IFAC) from 18 - 21 November, 2022 at Jio World Convention Centre, Mumbai in hybrid mode. ICAI strived to make this a unique learning and engaging experience for all our participants. The event was held for the first time in India in more than 118 years history of the Congress. In total about 10000 Professionals attended the event from more than 120 countries of the world. This was the largest attendance in the history of the Congress. The World Congress had 40 sessions which were addressed by over 150 eminent international and national thought leaders.

- Interactive Meeting with Shri Piyush Goyal, Hon'ble Union Minister for Commerce & Industry and the leaders from global professional accounting bodies was organised during the WCOA to discuss about how the global accountancy profession can play a pivotal role in galvanizing economic development as India takes up the presidency of G-20 with the vision "One Earth, One Family, One Future". The meeting was attended by more than 70 Global Accounting Professionals.

- ICAI organised a Round Table meeting on Collaborative approach amongst Professional Accounting Organisations (PAOs) for strengthening the profession globally on 18th November, 2022. The initiative was applauded by the PAOs and about 30 of them attended the event and agreed to collaborate in areas of mutual interest.

- ICAI has inaugurated 6 Representative Offices in the United States of America at Arizona, Austin, Los Angeles, Michigan, North Carolina and Ohio taking ICAI footprints to 47 countries of the world with 44 Chapters and 33 Representative Offices.
- ICAI representatives got leadership position as President, SAFA, Vice Chair Edinburgh Group and Chairman, ISAR UNCTAD Group

3.1 Supporting Overseas Professional Bodies IFAC, CAPA, SAFA)

- Comments submitted to the International Accounting Standards Board (IASB) on the following Exposure Drafts:
  - (i) Supplier Finance Arrangements- Proposed amendments to IAS 7 and IFRS 7
  - (ii) Non-current Liabilities with Covenants- Proposed amendments to IAS 1.
- Comments submitted to IFRS Interpretation Committee on various Tentative Agenda Decisions such as:-
  - (i) Multicurrency Groups of Insurance Contracts (IFRS 17 and IAS 21)
  - (ii) Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32)
  - (iii) Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)
  - (iv) Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition
  - (v) Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)
  - (vi) Principal versus Agent: Software Reseller IFRS 15
- Contributed as a member to Working Group of IFASS on Separate Financial Statements (SFS) and presented identified issues on SFS at the global forum.
- The comments on the following documents/ Exposure Drafts (EDs) of the International Public Sector Accounting Standards Board (IPSASB) of IFAC were submitted:
  - ✓ Exposure Draft 81, Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements
  - ✓ Exposure Draft 82, Retirement Benefit Plans
  - ✓ Consultation Paper (CP) on Advancing Public Sector Sustainability Reporting
  - ✓ Consultation Paper on 'Natural Resources'.
- Submitted inputs to OECD on various public consultation documents issued by OECD in respect of Pillar one and Pillar two.
- Engaging with SAFA countries for the outreach of ICAI Valuation Standards 2018 as issued by ICAI
- Chairman, SRSB, chaired the 39th session of The United Nations Conference on Trade and Development (UNCTAD) Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.
- ICAI participated in Consultative Group meeting on national infrastructure for high quality sustainability reporting organised by The United Nations Conference on Trade and Development (UNCTAD) from 2nd to 3rd March 2022 and proposed roadmap for building national sustainability infrastructure.
- ICAI got a seat on the table at 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) held in November 2022.

3.2 Collaborations with Foreign Accounting Bodies

- **Renewal of MoU with College of Banking & Financial Studies, Oman**

  The MoU between ICAI & College of Banking & Financial Studies, Oman was renewed on March 31, 2022. The objective of the MoU is to work together for strengthening the accounting, financial and audit knowledge base within Oman. Having run successfully since 2008; the MoU between ICAI and CBFS has played a very important role in spreading the global footprints of Indian Chartered Accountants in Oman and Gulf region with the presence of more than 500 Chartered Accountants in Oman.

- **MoU between ICAI & PIBR**

  ICAI has signed a Memorandum of Understanding with the Polish Chamber of Statutory Auditors (PIBR), on August 10, 2022. The MoU aims to establish mutual co-operation in the areas of Member Management, Professional Ethics, Technical Research, CPD, Professional Accountancy Training, Audit Quality Monitoring, Advancement of Accounting Knowledge, Professional and Intellectual Development.

- **MoU with Chamber of Auditors of the Republic of Azerbaijan**

  ICAI has signed an MoU with Chamber of Auditors of the Republic of Azerbaijan (CAAR) which was exchanged on September 16, 2022 at Baku, Azerbaijan. The MoU shall strengthen cooperation in areas of mutual interest promoting accounting profession by way of knowledge transfer through joint programs and research initiatives.

- **Signing of MoU with Institute of Chartered Accountants of Nigeria and renewal of MoU with the Institute of Chartered Accountants of Nepal**

  During the World Congress, ICAI entered into MoU with the Institute of Chartered Accountants of Nigeria and renewed existing MoU with the Institute of Chartered Accountants of Nepal (ICAN). Both the MoUs were signed on side-lines of the WCOA 2022 and were exchanged in the presence of Shri Devendra Fadnavis, Hon'ble Dy. Chief Minister, Maharashtra. The MoUs will establish mutual co-operation for the advancement of accounting knowledge, professional and intellectual development, advancing the interests of the membership and positively contributing to the development of the accounting profession in Nigeria and Nepal.

- Conducted batches of Post qualification Course on Information Systems Audit for the Members of the Institute of Chartered Accountants of Srilanka and Institute of Chartered Accountants of Nepal

- Conducted Certificate Course on Forensic Accounting & Fraud Detection for the Members of the Institute of Chartered Accountants of Nepal

3.3 Important International Meetings and Conclaves

- During the sidelines of the WCOA 2022, ICAI hosted and supported various other international meetings from November 14, 2022 onwards of IFAC, CAPA, SAFA, XBRL International, Edinburgh Group and PAFA.

- A delegation led by Mr. Hussain Niyazy, the Auditor General of Maldives & President of CA Maldives visited ICAI on March 8, 2022 to get an in-depth introduction on the working of ICAI in the areas of examination, course structuring, disciplinary mechanism, peer review, Members & students services, Professional development etc. besides the various important initiatives taken by ICAI especially with regard to Sustainability, Forensic accounting, Valuation Standards, Digital Learning Hub.

- India regularly participates at various international forums for financial reporting such as Asian-Oceania Standard-Setters Group (AOSSG), Emerging Economies Group (EEG) and International Forum of Accounting Standard Setters (IFASS) wherein technical projects of IASB and research work related to financial reporting are discussed. ICAI shared its views on Agenda items to raise its concerns at an early stage of standards setting. During the period following international meetings were attended:

  - ✓ Virtual IFASS meeting on March 7-8, 2022 wherein ICAI's comments on Post-implementation review (PIR) of IFRS 9 – Classification and measurement issued by IASB were presented at IFASS meeting held in March 2022. ICAI led one of the four subgroups in the Break-out session on PIR of IFRS 9.
  - ✓ Emerging Economies Group (EEG) held on May 16-17, 2022, at London.
  - ✓ 14th Annual AOSSG meeting held on November 15-16, 2022 attended virtually
  - ✓ Emerging Economies Group (EEG) meeting held on December 5-6, 2022 which was attended virtually
  - ✓ IFASS meeting held on September 27-28, 2022

- Meeting of Ethical Standards Board (ESB) with Ms Gabriella Dias, Chairperson of International Ethics Standards Board for Accountants (IESBA) was held on 20th November, 2022 at the side-lines of WCOA 2022, Mumbai.
- ICAI attended virtually IAASB NSS meeting held in May 2022.
- AASB represented ICAI at the Conference on Audits of Less Complex Entities held in May 2022.
- On the sidelines of WCOA, Women Members Empowerment Committee of ICAI organised Networking Meet on Lead to Empower with Automation and Passion (LEAP) on 16th November, 2022 at ICAI, BKC, Mumbai as part of its initiatives to encourage and empower women members. Ms. Kate Boorer, President CA ANZ, Ms. Gladeys Jill A. Santos, National President, ACPAPP and CA. Sandhya Sharma, CFO, Schindler India Pvt. Ltd addressed the members during the meet.
- A Webinar on Professional Opportunities for ICAI Members in Ireland was organized in association with CPA Ireland on May 4, 2022 to create awareness amongst ICAI members on the various professional opportunities in Ireland under the MRA signed between ICAI and CPA Ireland. The event was graced with the august presence of H.E. Mr. Akhilesh Mishra and Mr. Eamonn Siggins, Chief Executive, CPA Ireland, amongst others.
- A meeting was held with the President of the Institute of Chartered Accountants of Maldives (ICAM) and his team on 19th November 2022 in Mumbai. Discussions were held on providing support by ICAI for introducing Valuation Guidelines in the Maldives.
- ICAI organised Four Days Mega Conclave on "Valuation and ICAI Valuation Standards 2018" for the members of the Institute of Chartered Accountants of Nepal from 9th June 2022 to 12th June 2022.
- Committee on Economic. Commercial laws and Economic Advisory of ICAI celebrated World International Intellectual Property Day on 26th April, 2022 in virtual mode in which special address was given by Ms. Allison Mages, Head of the IP Commercialization Section at the World Intellectual Property Organization (WIPO)
- ICAI-SAFA CMIB-WBIDC CFO Meet on "Sustainability, Scalability & Strategy" was held in Kolkata on 14th October, 2022
- Joint CFO Meet was held between PAIB, IFAC & CMIB, ICAI on "Transition from CFO to CEO", in Mumbai on 19th November, 2022.
- Organisation of 'Certificate Course on UAE Corporate Tax' by the Committee on International Taxation and Direct Taxes Committee of ICAI along with UAE Chapters.
- ICAI representative attended the IFA Congress held from 4 to 8 September 2022 at Berlin, Germany.
- ICAI representative attended "Public consultation meeting on Amount A of Pillar One" organised by OECD Secretariat on 12 September 2022.
- Live webinar was organized jointly with the Muscat Chapter of ICAI on "Panel Discussion Tax treatment and challenges for Indian investment in Oman – Key areas to be kept in mind and Tax incentives by India for foreign investments and areas to be kept in mind while making investment abroad – special reference to the DTAA between India and Oman" on 27th July, 2022. The webcast was attended by approximately 300 members.
- The GST & Indirect Taxes Committee organised a webinar on "Progressive VAT" on 9th June 2022 which was attended by 556 members. The Webinar was addressed by Professor Rita de la Feria, Chair in Tax Law, School of Law, University of Leeds, UK.

ICAI International Research Awards – 2022

ICAI under the aegis of the Research Committee organised an Award Presentation Ceremony for the "ICAI International Research Awards 2022" on

20th October, 2022 in Kanpur. The awards ceremony was graced by Mr. Alan Johnson the then President IFAC who addressed the awardees through virtual mode. A total of 13 Research papers were awarded during the ceremony out of 148 entries received from 18 countries.

ICAI International Sustainability Reporting Awards 2021-22

In its endeavor to benchmark global best practices in Sustainability Reporting, ICAI had launched "ICAI International Sustainability Reporting Awards" with an objective to recognize and award exemplary entities for outstanding contribution to Sustainable Development Goals which have led in initiatives undertaken towards Gender Equality and Climate Change and have implemented efficient and innovative sustainable practices. The awards presentation ceremony for the year 2021- 22 was held on January 20, 2023.

Pravasi Bharitya Divas and Global Investor Summit

The ICAI as partner in Nation's development joined hands with Madhya Pradesh Government and participated in the Pravasi Bharitya Divas and Global Investor Summit in Indore, Madhya Pradesh. The ICAI Pavilion through its three expert zones viz. Taxation, MSMEs & START-Up and Compliances provided instant expert advice to the NRIs and delegates through its domain experts. The ICAI showcased India's technological capital and prowess by putting up the robots and AI/VR enabled applications which were a major attraction.

4 Robust Regulatory Mechanism

Over the years, ICAI has built a cohesive oversight mechanism by way of robust Disciplinary mechanism, supported by Disciplinary Directorate, Ethical Standards Board, Financial Reporting Review Board, Peer Review Board and Taxation Audit Quality Review Board. As a regulator, ICAI actively engages with it members to keep them aware about the best governance practices.

- Web Portal for the Disciplinary Directorate providing all information pertinent to the Disciplinary mechanism at one place. Complaints can be filed online on the portal.
- The Disciplinary Directorate of ICAI has been successful in conducting regular E-hearings with the effective participation of the members of the Board of Discipline/ Disciplinary Committee including the Government Nominees. It has acted as a boon besides being time and cost-effective, it has ensured that parties to the case effectively present their case before the authorities. The details about the cases that has been disposed off in the meetings of the Board of Discipline and Disciplinary Committee held during Council Year 2022-23 (i.e., from 12.02.2022 to 31.12.2022) as stated hereunder :-
- Applicability of certain deferred provisions of Volume-I of Code of Ethics, 2019 such as Responding to Non-Compliance with Laws and Regulations (Sections 260 and 360), Fees-Relative Size (Paragraphs 410.3 to R410.6) and Tax Services to the Audit Clients (Subsection 604) contained in Volume-I of Code of Ethics, 2019 which have been deferred from 1st July, 2020 till 30th September, 2022, were made applicable from 1st October 2022 with certain amendments.
- Ethical Standards Board of ICAI has organized programmes for bringing awareness of the provisions of Revised Code of Ethics and applicability of revised provisions of Volume-I of Code of Ethics.
- More than 150 queries of members on various professional ethical issues were addressed and resolved in the given period. Reply to various enquiries as made by the Government Agency like Central Bureau of Investigation (CBI), RBI, Economic Offences Wing(EOW), SEBI, CDSL etc. were provided.
- Ethical Standards Board has issued clarifications and FAQs on the queries raised frequently by the members.
- Ethical Standards Board through presence on Twitter regularly shares important topics/ matter covering the Revised Code of Ethics for awareness of members.
- The FRRB of ICAI has completed review of 81 financial statements among other agendas. Out of these 81 cases, 8 cases have been referred to relevant regulators and Director (Discipline) for further action and in 50 cases, Board decided to issue advisory to the auditor of the enterprise.

Name of the Committee	Number of meetings held	PFOs considered	Hearings concluded	Punishment awarded
Board of Discipline	57	311	44	12
Disciplinary Committee	39	165	60	79
Total	96	476	104	91

- During the year, FRRB has undertaken, as special cases, review of 28 general purpose Financial Statement and Auditor's Reports thereon of various enterprises as referred by regulators, based on media reports and other references received, which are on different stages of review.
- Based on the Review of Tax audit report by TAQRB advisories are being issued to the Tax auditors wherever required. Suggestions have been made to CBDT for changes in the Tax Audit Report e-filing utility as well as for inclusion in the revised edition of the Guidance Note on Tax Audit (2022 edition).
- ICAI launched the initial interface of the Web portal of the TAQRB to automate the various workflows of the activities of the TAQRB and to enable paperless working environment.
- ICAI launched official Twitter handle of the Board as @Taqrbicai and also launched the 'Did you Know' series on it, to apprise the members of the compliances to be taken care of.
- The Peer Review Guidelines, 2022 which retains most of the existing provisions of the Statement on Peer Review as well as incorporates certain other matters related to policy matters related to the functioning of the Board where a consistent decision was required was approved by the Council and have been made applicable w.e.f. 1st October 2022.
- Firm Registration Number (FRN) was made a compulsory field for generating UDIN from 1st February 2022. The purpose of mandating the FRN is to enable the firms to consolidate the total UDINs generated by its partners on its behalf for its clients, prospectively
- Members are now required to provide the value of the MoC while generating UDIN for the Audit Report in respect of the Statutory Audit of Bank Branch under the category Audit & Assurance Functions through the UDIN portal. The provision on the portal, however, ensures that the detail of the client remains protected. The information provided at the UDIN portal regarding MOC is mandatory and totally encrypted.

5 Empowering Members

The Accounting Profession needs to be continuously updated about the latest trends and developments to serve the stakeholders in an efficient and effective manner. The Institute strives to promote knowledge enrichment and profesional excellence through various ways of learnings' and developments empowering the members. Few of the measures are summarized below:

5.1 Skill Development/Empowerment

- ICAI Call Sahayata – National Call Centre beta version was launched to provide prompt services to the expanding base of members and students.
- Online process for formation of Networking of CA Firms as per new networking guidelines was launched. The networking tab is available under Firm Module in SSP and members can directly apply through Portal for approval and registration of Network.
- Self Service Portal (SSP) in its frame work of automation of Students and Members related activities added lot of services with a single sign-in features.
- Examinations Admit Card process was added in SSP.
- In order to make sure that student's authenticity prevails, about 3.5 lakhs photographs and signatures were got updated in the system within a record time of about 30 days.
- ICAI strengthened the Process for issuance of Goodstanding Certificates to applicant Members on fast-track basis.
- During Financial year 2022-23 (April 2022 to January 2023) about Rs. 2.74 Crores has been released to from CABF to members or their dependents for one time Ex-gratia/Monthly financial assistance & medical assistance.
- More than 100 S Vaidyanath Aiyar Memorial Fund Lectures on topic of professional interest were organised all over India by Regional councils & branches during the year.

- Digital Identity is provided to Chartered Accountants and Chartered Accountant Firms with their Unique domain "CA.IN"
  - ✓ ICAI as the Registrar for the "CA.IN" domain.
  - ✓ To provide Firmname.CA.IN domain to CA Firms.
  - ✓ The yourname@mail.ca.in Mailbox for Members and Students
- 12 more CPE POUs were opened for helping members to undergo CPE activities in their nearby places, reaching to a strong network base of 651 CPE POUs spread in all over India and Abroad
- 7146 CPE programmes were organized for members across the country, by the POUs on various topics of interests through physical/ virtual mode till 6th January, 2023.
- 35 Batches of Post Qualification Courses and 171 batches of various Certifcate courses were organised for Members by the Central Committees of ICAI through physical/virtual mode.
- 6 batches of Pre-registration Education Course organised jointly by Committee on IBC with IIIPI.
- Awareness sessions with MoU/ MRA partners were held in association with ICAEW, CPA Australia to encourage the Indian Chartered Accountants to take up recognition of ICAEW's and CPA Australia professional designation to further strengthen their global professional opportunities.
- The AASB of ICAI submitted representation to IBA regarding ICAI suggestions to deal with practical difficulties being faced by auditors in obtaining account balance confirmations directly from various banks in India.
- The AASB jointly with DAAB of ICAI submitted a representation to SEBI requesting them to provide access of various portals e.g. GSTN, DGFT, EPFO to auditors.
- The Board of Studies (A) has launched its mobile application "ICAI BOS" with limited feature access to members on 1st July, 2022 wherein members can access recorded lectures, educational contents, reference for quick revision, important exam and BoS announcement etc. As of now 9000 plus Members are using the ICAI BOS Mobile App.

5.2 Professional Issue/Representation

- Representations submitted to CBDT:
  - ✓ Process for receiving Orders of Appeals under Faceless Appeals Scheme 2020 - It was suggested that statistics of age wise pendency of appeals with the CIT(A) be released. Further, expeditious measures for receipt of appellate orders from office of the CIT(A) should be initiated. Mechanism for issuing orders by the CIT(A) in a timely manner be decided and implemented.
  - ✓ We requested to enable rectification/ revision window on the e filing portal for Orders issued by CIT(Appeals)
  - ✓ We requested to enable rectification/ revision window on the e-filing portal for Orders issued by National Faceless Appeal Centre/CIT(Appeals)
  - ✓ We submitted Inputs on Form No. 3CD
  - ✓ We requested to rectify online efiling utility of Form No. 3CD wherein a particular clause 35 is not in line with Notified Form 3CD
  - ✓ Concerns of ICAI on applicability of clause 30C and clause 44 of Form No. 3CD for Assessment Year 2022-23 was submitted.
  - ✓ We requested to consider hardships faced by taxpayers in furnishing return of income for AY 2022-23 and to provide adequate

relief by proactively taking all possible & suitable steps for protecting taxpayers/ stakeholder's interest

- ✓ We requested to address the concerns arising from automatic processing under section 143(1) of the Act by the CPC considering solely information provided in Clause 16 of Form 3CD while ignoring income computation which is causing double addition of same income
- ✓ We requested to address the issue of apparent incorrect calculation of interest under section 234C of the Income-tax Act, 1961 as employed by the Income-tax e filing utilities of ITR forms
- ✓ We requested to consider thorough revision of Form No. 10B (Audit report under section 12A(1)(b)(ii) of the Income-tax Act, 1961, in the case of charitable or religious trusts or institutions)
- ✓ We requested to rectify certain errors in official e-filing utility of ITR Form No. 7 applicable for AY 2022-23
- ✓ We requested to rectify the apparent processing error made by CPC in ITR Form 5 in a case where there is a retiring partner and salary is paid/payable to him
- ✓ We requested to address certain concerns in filing of Form No. 10B and Form ITR-7

- Owing to several instances of invalidated UDINs on the e-filing portal of Income Tax Department, certain technological changes were made on the UDIN portal for AY 2021-2022. Accordingly, the validation parameters (AY and Form ID) were pulled down on the UDIN portal so that UDINs on the e-filing portal can be seamlessly verified. This relaxation has enabled Income Tax Assesses to get the process of validation completed by filing with the corresponding UDINs on the e-filing portal.
- Inclusion of Five Income Tax forms namely 10-IJ (Certificate to be issued by accountant under clause (23FF) of section 10 of the Income-tax Act, 1961), 10-IL , 3CT (for the Income attributable to assets located in India under section 9 of the Income-tax Act, 1961), 5BA (Certificate of an accountant under sub-rule (6) of rule 8B) and Audit Report SWF were incorporated on the UDIN portal for UDIN generation.
- The GST and Indirect Taxes Committee has been regularly submitting suggestions/ providing inputs and representations to the Government on various issues with a view to make Goods and Services Tax implementation effective
  - Submitted suggestions on Draft Form GSTR-3B issued by the Central Board of Indirect Taxes and Customs (CBIC). Suggestions on how to account for the mismatches in Form GSTR-1 & Form GSTR-3B and changes that may be required in Form GSTR -9 and Form GSTR-9C to align them with the amended Form GSTR-3B, were submitted.
  - The Committee examined the term "aggregate turnover" under the GST/ VAT legislations of various countries and summarised its findings and recommendations in a 'Concept Note on Aggregate Turnover' and the same was submitted to the Government.
  - Suggestions' regarding Removal of Difficulties Order, 2022 - Section 172 of the Central GST Act empowers the Central Government to make such provisions, by issuing a general or special order, as may be necessary for the purpose of removing the difficulty arising in giving effect to any provisions of this Act. Suggestions highlighting certain matters for which removal of difficulty orders may be issued were submitted to the Government.
  - Representation for late fee waiver payable on GST Annual Return and GST Reconciliation Statement for the

Financial Year 2020-21, filed on or before 31st March, 2022 was submitted

- Representation to issue a circular on the lines of Internal Circular issued by the Office of Commissioner of State Tax, Maharashtra providing guidelines on legal issues pertaining to return scrutiny for tax periods 2017-18 and 2018-19 was submitted.
- Representation to include Chartered Accountants as Technical Member of GST Appellate Tribunal was submitted
- Representation to GSTN - A representation for configuring the new formula for refund of input tax credit under inverted rate structure as provided under the amended rule 89(5) of the CGST Rules, 2017, at GST portal was submitted to the Goods and Services Tax Network (GSTN).

- Independent Audit allotment Software for Regulatory Bodies like NABARD, Tendering Organisations, Gram Panchayats, others: In an effort to streamline the audit allotment mechanism on PAN India basis across the different sectors wherein the audit and assurance functions are being extended by the fraternity, PDC of ICAI has introduced an Automated Auditors Allotment System (AAAS) through which the allotment of Auditors can now be made taking into consideration the location, experience, seniority, rotation, waiting list etc without manual intervention.
- A representation was sent to RBI to suggest that coverage of expenses of Rs. 20 Crore & above and 1/3rd of the remaining branches covering a representative cross section of rural/semi-urban/urban and metropolitan branches would ensure a comprehensive statutory audit.
- Rerpesentations were submitted to MCA,SEBI, RBI and CBDT to mandate valuation by Registered valuer as per ICAI Valuation Standards 2018 for valuation purpose.

5.3 Post Qualification Courses – Certificate Courses

- As a part of Ind AS Implementation initiatives during the Council year 2022-23, 11 batches of Online course on Ind AS were conducted through the Digital Learning Hub (DLH) platform of ICAI wherein 1695 members were trained.
- Fifteen Batches of Virtual Certificates Course of Concurrent Audit of Banks and 1 Batch of the Certificate Course on Internal Audit were conducted.
- During the year 19 batches of Diploma in Information Systems Audit were held for the members in physical/virtual mode.
- 23 batches of Certificate Course on Forensic Accounting & Fraud Detection were held to build capacity of members in physical/virtual mode.
- Members were trained for capital markets with 2 batches of Certificate course on FATA and FMSL, 2 batches of Certificate Course on Forex and Treasury Management and a batch of Certificate Course on Derivatives.
- Committee on IBC conducted two batches of Online Certificate Course on The Insolvency & Bankruptcy Code, 2016 in association with Insolvency and Bankruptcy Board of India.
- Three online batches of Certificate Course on Anti Money Laundering Laws, 2 online batch of Certificate Course on ADR (Arbitration, Mediation & Conciliation) and Online Certificate Course on IPR Laws through DLH, ICAI.
- Five Eligibility Test Papers were organized online to enable the DIRM registered members to complete the requirement of Course to be eligible to appear in the Technical Examination
- One Online Batch of the Certificate Course on Wealth Management & Financial Planning was conducted during the year.
- Two batches of Post Qualification Diploma in International Taxation through online mode which were concluded in June, 2022 and September, 2022 respectively.
- 6 batches of Certificate Course on Executive Master program – New Age Auditors in online mode with enrollment of more than 300 participants were conducted during the year.
- Sustainability Reporting and Standards Board has successfully conducted 14 batches of its Certificate Course on BRSR with participation of more than 1100 members during the year.
- 3rd batch of Post Qualification Course on Diploma on Management and Business Finance (DMBF) through online mode across India and 2nd batch of DMBF course under Transitional Provision Scheme through online mode for the qualified participants of Certificate Course on Master in Business Finance (MBFCC) was completed during the year.
- Five online batches and five online examinations of the Certificate Course on Public Finance

& Government Accounting were organised during the year.

- During the year, two batches of the Certificate Course on GST were organised. Further two Assessment Tests for the Certificate Course on GST were conducted.

6 Towards Better Education and Training

- New Scheme of Education and Training - The Proposed Scheme of Education and Training, as finalised and approved by the Council, was submitted to the MCA on 17th September, 2022, along with the corresponding amendments in regulations, for its final approval. The Syllabi of New Scheme of Education and Training is under finalization. The Content development process of all subjects under New Scheme of Education and Training is under progress.

- National Education Summit on Commerce & Accountancy (NES-CA) - The Board of Studies (Academic) has organised 2-Day National Education Summit on Commerce & Accountancy (NES-CA) on 6th & 7th January, 2023 at New Delhi in partnership with Association of Indian Universities (AIU), the National Council of Educational Research and Training (NCERT), and the National Council for Teacher Education (NCTE). NES-CA's aim was to standardize Commerce & Accounting education at Higher Secondary and Undergraduate levels of schools/colleges/ universities across India.

- BoS knowledge portal has been upgraded to provide a single platform for all learning resources. So far 3.26 lakhs plus students have registered in BoS Knowledge portal.

- Free Live Coaching Classes (LCC) are being conducted from July 2020 targeting ensuing CA examinations for the students of Foundation, Intermediate and Final courses. So far 3.23 lakhs plus students have benefited from these classes.

- During the year Board of Studies (A) has conducted Two Series of Mock Test Papers in physical/Virtual mode(s) for students appeared in CA Intermediate & Final for May/ November 2022 examinations.

- Home-based practical training assessment tests are being conducted from October, 2020 onwards and twelve such tests have been conducted so far wherein around 1,72,000 students had appeared at both levels.

International Conference of CA Student, 2022

The International Conference for CA Students on the theme "FACING THE FUTURE – INNOVATE, INTEGRATE, MOTIVATE" was organised by SSEB on 2nd & 3rd December, 2022 at Shilpakala Vedika, Hyderabad. The International Conference for CA Students provided an excellent platform to Chartered Accountancy students across the country. Students from Sri Lanka and Nepal also participated to present Papers in the Conference. Around 2,800 CA Students participated in the International Conference.

- Till 31st December, 2022, more than 5900 students were awarded Scholarship based on three categories - (1) Merit based, (2) Merit-cum-Need Based, and Need based for economically weaker section of society.

- CA Students National Talent, 2022 - With a view to improve the communication, presentation

skills and extra-curricular activities & for overall developments of Chartered Accountancy Students, Students Skills Enrichment Board (Board of Studies-Operations) successfully organized the Elocution Contest, Quiz Contest and Best Presenter, Essay Competition, Drama, Debate and Chess Competition across the country under the banner of CA Students National Talent, 2022.

- Faculty Development Programme - With a view to standardize and ensure uniform delivery of the sessions of Orientation Course (OC) and Management and Communication Skills (MCS) being conducted for the CA Students across the country Faculty Development Programmes were conducted by SSEB (BoS-Operations) at various places such as Vadodara, Ahmedabad, Faridabad, Hyderabad, Aurangabad, Chandigarh, Nagpur, and Lucknow.

- ICAI Commerce QUIZ - More than 91,000 students registered in ICAI Quiz held on 19th June, 2022.

- ICAI enters in Asia Book of Records for Maximum Number of Students Participation in Super Mega Career Counselling Programme. A total of 1,60,648 students from classes IX till Graduation participated in the programme along with the Principals, Teachers and Career Counsellors.

  The objective of this drive was to reach the nook and corner of the country and provide career guidance and increase awareness about the Institute and Chartered Accountancy Course. The jury of Asia Book of Records felicitated The Institute of Chartered Accountants of India, New Delhi on 18th January,2023 for this attempt.

- ICAI released a Policy Document "ICAI- A Catalyst in Nurturing the Young Mind for a Bright Tomorrow". The policy document pertains to Opening of Career Counselling Centers PAN India. These Career Counselling Centers will be opened in districts where ICAI has no branches.

7 Developing Infrastructure – New Branches, Chapters, Etc

ICAI continues to expand its infrastructure across the country to meet its futuristic requirements

- The new Branches of Central India Regional Council (CIRC) at Bhagalpur (Bihar) and Hanumangarh District (Rajasthan) & Satna (Madhya Pradesh) were setup expanding our national network to 167 branches

- Opening of representative office of ICAI at Mizoram University, so as to spread the awareness about the Chartered Accountancy Course as well as facilitate better services to existing members and students in the North-East Region.

- Approved the New Construction Proposals at following locations during the year:
  - ICAI Bhawan – Bengaluru
  - ICAI Bhawan – Ahmedabad
  - ICAI Bhawan – Kolkata (Kasba)
  - ICAI Bhawan - Latur
  - ICAI Bhawan - Siliguri
  - COE Kolkata Building Project
  - COE Chennai Project

- Process for Construction/Civil Works, Interior & Furnishing works was initiated at following locations during the year:
  - ICAI Bhawan – Ahmedabad
  - ICAI Bhawan – Guntur

- Purchase of New Land at Jamnagar, Tirpuati, Raipur and Built-up Premises at Shimla

- Modifications of Infrastructure Policy of Branches, Regional Councils/offices.

- Process initiated for establishment of Centre of Excellences at Guwahati & Sonepat

APPEAL FOR CONTRIBUTION TO THE C.A. BENEVOLENT FUND (CABF)

CHARTERED ACCOUNTANTS' BENEVOLENT FUND (CABF)

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

The Chartered Accountants' Benevolent Fund (CABF) was established in December, 1962 with the objective to provide financial assistance for maintenance, and other similar purposes to needy members of our Institute, their wives, widows, children and dependent parent(s).

During Covid pandemic, hundreds of our members have lost their battle and many others are struggling hard to pass through this difficult time. The impact is deep and has certainly shattered their dreams. The Institute through the CABF has tried to help our members in distress.

Since September 2020, about Rs. 17 Crores have been released as Financial Assistance for Treatment of CORONA Disease and also through one-time Ex-gratia/Monthly/Medical financial assistance to Members or their dependents.

With a view to provide better financial support to our needy members or to their dependents, our humble appeal to members to kindly enroll themselves as Life Members of the Fund by making one-time payment of Rs. 10,000/- and those who are already life Members can further contribute voluntarily any amount for the noble cause. The Contribution is eligible for tax exemption under Section 80G of the Income Tax Act.

Links for Contribution

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A/C No.	:	913010046844303
IFS code	:	UTIB0000055

Voluntary contributions/ donations are also accepted from the Family Trusts of Chartered Accountants, which are managed and regulated by the members of the ICAI, for meeting the expenditure in connection with grant of financial assistance to the members of the ICAI and to their dependent(s) as per criteria laid down by the CABF.

A small contribution with a big heart from each member would facilitate grant of a good amount of financial assistance to needy and suffering members/ dependents of members of the profession to mitigate their hardship during unfortunate circumstances.

LET'S BE A PART OF THIS NOBLE MISSION FOR EXTENDING HELPING HAND TO OUR MORE AND MORE PROFESSIONAL COLLEAGUES DURING UNFORTUNATE CIRCUMSTANCES

TAXATION

The Saga of Reassessment

CA. Shubham Agarwal

Author is member of the Institute. He may be reached at shubhamvimal473@gmail.com and eboard@icai.in

The Apex Court in its recent judgment of Union of India vs Ashish Agarwal overruled the order of various High Courts in setting aside the reassessment notice issued u/s. 148 after 01.04.2021. This order will decide the fate of approximately 90,000 reassessment notices issued after 01.04.2021 out of which about 9,000 notices are subject to litigation before various High Courts. The Apex court held that revenue cannot be made remediless, and object and purpose of reassessment cannot be defeated. It was held that it was bonafide mistake on part of revenue to issue the impugned notices under the unamended law. Therefore, High Courts instead of quashing the impugned notices ought to pass the order constructing them as the notice is issued under the amended law. This also allows the revenue to precede with the reassessment proceedings as per the substituted law.

Introduction

Reassessment Provisions (Sec. 147 to 153 of IT Act 1961) gives extensive power to revenue to tax any income chargeable to tax which has escaped assessment. Thus, it was like a Bhramashtra with revenue to tax the escaped income. However, reassessment proceedings were always subject to litigation, since the very inception and there is plethora of litigation pending at various appellate forums. Some of the reasons as to why the reassessment proceedings were subject to litigation is as follows:

i. No valid reason to believe.

ii. No tangible information/material in possession of revenue to show that income chargeable to tax has escaped assessment.

iii. Change in opinion of assessing officer.

iv. No inquiry is conducted by Assessing officer before initiation of reassessment proceedings.

v. Mandatory Procedure as laid down by the Apex Court in case of ***GKN Driveshaft*** was not being followed.

Twist to reassessment: Finance Act 2021

Vide Finance Act 2021, Parliament made radical and reformative changes in the reassessment procedure and substituted section 147 to 153 of the Act in order to simplify the administration ease compliance and reduce the litigation. Salient provisions of the substituted provisions are as follows-

a. **Procedure to be followed**

Under the **pre amended law**, judgment of the Apex court in case of ***GKN Driveshaft (259 ITR 19/1 SSC 72)*** provides a detailed guidance as to the procedure to be followed for the reassessment viz, providing copy of reasons recorded, raising of objections against the reasons recorded by an assessee and passing a speaking order to dispose the objections by the assessing officer.

Under the amended law, procedure as given u/s 148A (newly added section) to be followed before issuing any notice u/s. 148.

- Assessing officer shall conduct the inquiry after obtaining necessary approval about the information available with him/ her that suggests that income chargeable to tax has escaped assessment.

- Provide an opportunity of being heard to assessee by issuing notice to show cause as to why notice u/s. 148 should not be issued on the basis of information available and results of inquiry.
- Pass an order after necessary approvals and considering submissions of the assessee by deciding whether it is a fit case for issuance of notice u/s 148.
- Notice issued u/s. 148 shall be accompanied (if required) by the copy of an order passed u/s. 148A.

b. **Time Period for issuance of notice**

Unamended Law	Amended Law
Four years from the end of relevant Assessment Year.	**Three years** from the end of relevant assessment year.
Six years from the end of relevant assessment year where the income escaping assessment exceeds ₹ 1 lakh.	**Ten years** from the end of relevant assessment year where; - Income is represented in the from of an asset - Amount of Income escaped is ₹ 50 lakhs or more. - Assessing officer is in possession of books, documents or other evidence.
Sixteen years from the end of relevant assessment year where, income in relation to any asset located outside India has escaped assessment.	Meaning of Asset: Immovable Property being land and buildings, shares and securities, loans and advances, and deposit in Bank Account.

c. **Information with Assessing Officer/ Reasons to believe**

Under the **previous law,** assessing officer could proceed to reassessment proceedings if he has the reasons to believe that any income chargeable to tax has escaped the assessment. The Phrase "reasons to believe" has always been subject to litigation and various high courts held that there must be existence of tangible material to safeguard the arbitrary exercise of power. *[Aventis Pharma Ltd vs ACIT] [323 ITR 570 Bom HC].*

Under the **amended law** there is no requirement of reasons to believe. The only requirement is that assessing officer should have information in his possession that suggests that income chargeable to tax has escaped assessment and following the procedure as laid down u/s, 148A.

However, on the very first instance, Parliament's intention to substitute reassessment provisions did not serve the purpose of reduction of litigation as the issuance of reassessment notice after 01.04.2021 under the unamended provisions gave rise to new dispute. As many as 90,000 reassessment notices have been issued by the revenue after the date out of which 9,000 notices were subject to writ petition before various High Courts.

Why Dispute?

In March 2020 India has witnessed the outbreak of Covid 19 pandemic followed by nationwide lockdown, making it difficult for citizen and the government to comply the statutory compliance. Government of India in order to provide the time to both the parties to comply the statutory provisions enacted the ***Taxation and Other Laws (Relaxation of certain Provisions) Ordinance 2020*** and issued various notifications under the said Act to extend the time limits under various statutes. **In exercise of the power conferred by the said Act, the revenue has extended the time limit for issuance of notice u/s. 148 (Original Time limit of which was 31.03.2020 and 31.03.2021) to 30.06.2021.**

Simultaneously, parliament has also amended the Law of reassessment vide Finance Act 2021, which was applicable from 01.04.2021.

However, Parliament has issued the notification on 27.04.2021, whose explanation states that provisions of section 148,149 and 150 as they stood as on 31.03.2021 before the commencement of the Finance Act 2021 (Unamended law) shall apply to the proceedings initiated under the said notification.

Therefore, in exercise of the power conferred by above explanation, revenue has issued the notice u/s. 148 to assessee by following the earlier procedure. As stated above, 90,000 such reassessment notices have been issued. **Assessee contented that since the Finance Act 2021 has substituted the reassessment law, the new procedure should be followed.**

So the dispute can be summarised as ***"Whether the Substituted Procedure of reassessment is required to be followed by revenue in respect of notices issued after 01.04.2021 within the extended time limit."***

For Example: For the Assessment Year 2013-14, time limit of issuance of notice u/s. 148 [assuming amount of income escaped assessment exceeds ₹ 1 lakh] is 31.03.2020. The time limit for said AY has been extended to 30.06.2021. Therefore in instance case, the dispute is regarding the procedure to be followed: Earlier Law or the Amended Law.

Contention of Assessee

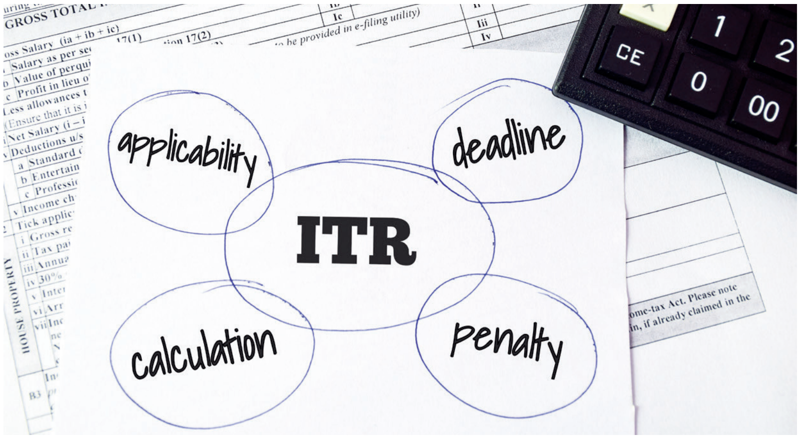
Aggrieved by the issuance of notices issued u/s. 148 in exercise of Explanation to notification dated 27.04.2021, assessee filed writ petition challenging the legality and the validity of the said explanation and the reassessment notice issued pursuant thereto. As many as 9000 writ petitions were filed before the various High Courts of different parts of the country. Assessee Contented the following:

a. The Finance Act 2021 is applicable from 01.04.2021 and therefore the revenue should proceed to reassessment in compliance with provisions as they stood as per the Finance Act 2021 (Amended Law).

b. Assessing officer ought to have followed the procedure as laid down by the Finance Act 2021 while issuing the notice u/s. 148 viz- Conducting the inquiry, providing the opportunity of being heard and passing the order u/s, 148A.

c. **Assessee contended that Relaxation Act confers very specific and limited power upon the government i.e. issuance of notification only for the purpose of extension of time limits under the statues**. It does not delegate power to the revenue to issue notification with respect to procedure to be followed for initiation of reassessment proceedings.

d. Assessee further contended that the impugned notification ultra vires the provisions of Finance Act 2021 and thus it is illegal and bad in law. Therefore, the assessee contended that such reassessment notices are liable to be quashed.



Conflicting Judgments of High Courts

Honorable **Delhi High Court and Chhattisgarh High Court** while dealing the subject matter provided the conflicting ruling in the matter. **Delhi High Court ruled in favour of assesse while Chhattisgarh High Court ruled in favour of revenue.**

Findings of Delhi HC: Mon Mohan Kohli Vs ACIT [WP(C) 6176/2021]

Honorable Delhi High Court in its order cited, supra has held that explanation to the said notification ultra vires the relaxation Act and Finance Act 2021. Therefore they were bad in law and illegal. **It therefore quashed the impugned notices issued by the revenue in exercise of the said notification. It held that:**

i. Power of reassessment as it existed before 31.03.2021 shall be extended till 30.06.2021. The Finance Act 2021 has changed the procedure for reassessment to be followed.

ii. Section 3(1) of the relaxation Act merely confers the power to the government to extend the time limit of any compliance and not the power to defer the applicability of any provisions (Amended Reassessment provisions in this case). There is difference between the extension of time limit of any compliance getting time barred and applicability of any provisions enacted by any legislature.

iii. Revenue cannot rely on covid 19 to contend that, section 147 to 151 as amended by the Finance Act 2021, do not operate between 01.04.2021 to 30.06.2021The Parliament was fully aware of the covid 19 situation at the time of passing of the Finance Act 2021.

iv. Revenue (Executive of Government) cannot use the administrative power conferred by the Relaxation Act to issue the notification undermining the parliament's supremacy in form of enacted Law Finance Act 2021.

v. High Court also allowed revenue to take further steps in the matter if the law permits so.

Similar orders and judgments were passed in other cases by different High Courts say, Bombay High Court, Calcutta High Court, Rajasthan High Court and Madras High Court.

Findings of Chhattisgarh High Court: Palak Khatuja vs UOI [W.P (T) 149 of 2021]/ 438 ITR 622 / 284 Taxman 27

High Court of Chhattisgarh has conflicting view if compared with the ruling of Delhi High Court (*in the case of Mon Mohan Kohli referred above*) and it decided the matter in favor of revenue thereby holding the reassessment notices good. The findings of Court are as follows:

a. Covid 19 pandemic has resulted in the nationwide lockdown due to which people could not comply to the statutory requirements. Considering the hardships of people, Government has extended the time limit under various laws. Certain rights were also reserved unto the Income Tax Department and therefore time limit for issuing reassessment notice u/s. 148 has been extended. Individual identity of Section 148 which was prevailing prior to amendment and insertion of section 148A was insulated and saved up till 30.06.2021.

b. In view of the pandemic, government has delegated the Ministry of Finance, the date of applicability of amended section. The delegation was made to ensure necessary flexibility and sound administrative efficiency.

c. Therefore the High Court held that there are no reasons to interfere the ongoing reassessment proceedings and accordingly dismissed the writ petitions filed.

The Apex Court : Balancing the interest of all stakeholders

The Apex court in its combined order in case of ***Union of India vs Ashish Agarwal [Civil Appeal no. 3005 of 2022]*** / **444 ITR 1 / 286 Taxman 183 (SC)** exercised the power under Article 142 of the Constitution in order to balance the interest of all the stakeholders. Article 142 empowers the Supreme Court to pass such order and decree as may be necessary in doing complete justice in respect of any matter. This order will strike the balance between rights of assessee and the revenue. It was held that:

a. All the safeguards have been provided under the amended law, say, conducting the inquiry, obtaining prior approval at every stage and providing opportunity of being heard. Section 149 has also reduced the time limit for reopening the assessment to 3 years and 10 years in exceptional cases.

b. Thus, substituted law is remedial in nature and enacted with specific object of protecting the rights of assessee and public interest.

c. High Court has rightly held that benefit of newly substituted law shall be made available in respect of reassessment proceedings initiated after 01.04.2021.

d. However, the order of High Court in quashing the reassessment notices issued after 01.04.2021 would lead to no assessment at all, due to which revenue being public authority would suffer.

e. The Apex court held that revenue cannot be made remediless, and object and purpose of reassessment proceedings could not be proceedings could not be frustrated.

f. Court held that it was bonafied mistake on part of revenue in non-application of substituted provisions and issuance of notice under the unamended law.

g. Therefore, the court held that High Court instead of quashing the impugned reassessment notices ought to pass the appropriate order constructing the notices issued under unamended law to be the notices issued as per the substituted law and therefore allow the revenue to proceed with the reassessment proceedings.

h. Honorable Court also issued the guidelines for the revenue to be followed for proceeding with the reassessment.

i. Order of the Apex court is applicable to the **PAN India** and all the orders passed by different High Courts involving similar issues will be modified as per the order of Supreme Court.

Way Forward: Modification made by the Apex Court

The Apex court further held that the order of High Court shall be modified in the following manner:

a. The impugned reassessment notice issued by the assessing officer under the unamended law, which was **subject to writ petition before any High Court will be deemed to be notice issued u/s. 148A** (Show Cause issued by the Assessee to show cause as to why reassessment proceedings should not be initiated)

b. Assessing officer within 30 days of the order of the Apex Court will provide the information and material relied upon by him.

c. The requirement of conducting the inquiry u/s 148A with prior approval of specified authority has been waived off as a one-time measure.

d. Assessing officer will pass the order u/s. 148A determining whether it is a fit case of issuance of reassessment notice.

e. Thereafter, the Assessing officer may issue the reassessment notice u/s. 148 of the Act.

f. All the defenses as available under section 149 and other provisions of the Finance Act 2021 will be continuing to be available with the assessee.

CBDT Instruction no 1/2022

In exercise of Power conferred u/s. 119 of the Income Tax Act, CBDT on 11.05.2022 has issued an instruction to guide the revenue about the implementation of the order of the Apex Court.

CBDT states that **"Order of Supreme Court will be applicable in all cases where such reassessment notice issued whether the same is challenged or not".**

Further the CBDT States that the time limit as per section 149 as amended by the Finance Act 2021 as on 01.04.2021 will be applicable to determine that whether the reassessment notice can be issued or not.

Conclusion

Series of Amendment in reassessment law vide the Finance Act 2021 has been introduced with the specific purpose of reducing the litigation. It's also done away with the dual assessment regime by providing that the separate framework of assessment in the cases where search and seizure has been initiated as it would not be applicable in respect of search and seizure conducted after 01.04.2021.

These amendments were made clearly with an aim to reduce the tax litigation and introduce certainty in taxation laws. However, the introduction of same in the advent of ongoing pandemic and extension of timelines has added new line of litigation. the Apex court vide its order attempts to balance the interest of all the stakeholders.

However, said order has opened new chapter of conflicting interpretations and potential litigation, debates and discussion.

References:

- Order of Apex Court in case of ***Union of India vs Ashish Agarwal [Civil Appeal no. 3005 of 2022].***
- Order of Delhi High Court in Case of ***Mon Mohan Kohli vs ACIT [WP(C) 6176/2021].***
- Order of Chhattisgarh High Court in case of ***Palak Khatuja vs UOI [WP(T) 149 of 2021]***
- CBDT instruction no. 1 of 2022 dated 11.05.2022.

BEPS 2.0 – Two Pillar Inclusive Framework

CA. Vivek Raju P

Author is member of the Institute. He may be reached at vivekrajup@yahoo.co.in and eboard@icai.in

The advent of internet and globalisation enabled large Multi-National Companies (MNCs) to devise innovative structures for minimising tax liabilities. Currently all the functions from starting a business to selling products/services and remittances, are digitally managed without any need for physical presence. Thus, it is imperative that the current international tax laws be reformed to address how the digital economy is taxed.

Nations across the globe worked on the inclusive framework. On 12 October 2020, issued a blueprint on the two-pillar approach to address the current gaps. In July 2021 approximately 130 nations signified their consent to the approach. Though a lot of work is still pending on these pillars on how they can be made operational, we can have a broad overview on what they address. In this article an attempt has been made to explain the two-pillar inclusive framework approach…

BEPS 2.0 – Pillar One

The current international tax framework is built over rules conceptualised nearly a hundred years ago.[1] The business models have evolved over time, and with the advent of internet and consequent digitalisation, avenues have opened up for large Multi-National Enterprises (MNEs) to devise innovative structures for minimising tax liabilities.

Today all the functions right from starting a business to selling products/services and repatriation of sales proceeds, are digitally managed without any need for physical presence. Thus, it is imperative that the current international tax laws be reformed to address the taxation of this digital economy which is here to stay.

In 2015 the Organisation for Economic Cooperation and Development (OECD) , issued its first set of reports containing various Action Plans (AP) on Base Erosion and Profit Shifting (BEPS). Action Plan -1 Addressing the Tax Challenges of the Digital Economy" to deal with the digital economy tax aspects.

The OECD on 12 October 2020, issued a blueprint on addressing the issue of tax aspects of the digital economy and to address profit shifting concerns, A two-pillar approach to fix the current gaps has been proposed. In July 2021 approximately 130 nations consented to these proposals.

The framework on two pillars aims to curb the current practises adopted and ensure fair taxing rights to the jurisdictions.

Pillar One

Pillar One is intended to apply to about 100 of the biggest and most profitable MNEs in the world and it re-allocates part of their profit to the countries where they sell their products and provide their services, the pillar is based on the nexus principle that 'aims' to provide a 'fair' share of tax revenues to the nations where their consumers are located, recognising the importance of market jurisdiction's right to tax profits. The intention is to allocate taxing rights to market countries which hitherto are unable to get any tax under the current rules.

This brings into its ambit MNEs having annual turnover of €20 billion and a profitability threshold of atleast 10% profitability. It seeks to modify the current international income tax system to capture newer business models through changes in the profit allocation rights.

Finally the aim has shifted to arrive at a nexus-based approach in taxing profits earned by the MNEs as against the current practice which is based on the existence of Permanent Establishment (PE)

1. *It has been nearly 100 years since The League of Nations (predecessor organization to the current United Nations) worked on a model and published a draft model for international tax treaties. This was used as the base for both the OECD and US tax model treaties.*

> The framework on two pillars aims to curb the current practises adopted and ensure fair taxing rights to the jurisdictions.

and rules thereon, that have outlived their utility.

The pillar expands the taxing rights of market jurisdictions where an MNC has active participation of a business in the economy of that jurisdiction through activities either in, or conducted virtually in that jurisdiction. These jurisdictions which are mostly developing countries have hitherto been denied taxing rights in the current international taxation framework.

Pillar Two

Pillar Two aims to get a level playing field across jurisdictions by ensuring a Global Minimum Tax (GMT). The intention is to ensure that large MNEs pay atleast a minimum threshold tax (around 15%), regardless of where they are headquartered and how they structure their business operations. This in theory eliminates the unhealthy practice of countries in lowering tax rates and providing gaps to ensure investment moves to their countries at the detriment of others. This pillar addresses a larger group of MNEs as it operates on a much lower threshold of the annual revenue of the MNE group being at € 750 million. Under this rule, companies which aim at organising their business in a way that their profits in a given jurisdiction are subject to an effective tax rate lower than the global minimum rate, those profits would still be taxed at a minimum rate of 15%, by ensuring that these profits are available for taxation in other jurisdictions. Certain new concepts are being worked upon like Income Inclusion Rule (IIR), Untaxed Payments Rule (UTPR) and Subject To Tax Rule (STTR).

Currently a lot of work is still pending on operationalising the approach. In this article an attempt is made to go through, some of the aspects of Pillar 1.

Pillar One explained

As mentioned earlier in the article this pillar addresses the tax challenges arising from extremely large business groups who have the ability to create complex structures and use the current international tax rules to avoid / defer payment of taxes.

Pillar one proposes two new concepts

Amount A – Profits that can be allocated to the market jurisdictions (which currently could not be taxed in those jurisdictions) from the consolidated profits of the company.

Amount B – Safe Harbours and aim to standardise the remuneration payable to related parties for "Baseline Marketing and Distribution Activities"

The fundamental principles on which Pillar one is based are

- Taxable profits are determined at a group level for the MNE as against the entity level approach currently being followed. The aim is to eliminate the distortions due to transfer pricing policies of the group internally.
- Taxing rights to market jurisdictions (source states) irrespective of the existence of Permanent Establishment.
- Nexus and revenue linked to where the end customer is situated and not the payer.
- "Amount A" for allocation among jurisdictions based on formula and the other part of the income based on traditional transfer pricing rules currently in existence.
- Mandatory inbuilt dispute resolution mechanism, with limited opt out flexibility for developing nations.

Determination of Amount A comprises of 5 steps

- Determine the size of the business based on revenue threshold
- Nexus and sourcing to determine countries and shares of Amount A
- Profit determination
- Allocation of Amount A profits to countries
- Elimination of double tax and identification of countries that will not tax

> Pillar One is intended to apply to about 100 of the biggest and most profitable MNEs in the world and it re-allocates part of their profit to the countries where they sell their products and provide their services.

> Pillar Two aims to get a level playing field across jurisdictions by ensuring a Global Minimum Tax (GMT).

Scope

An MNE group is filtered through two tests before it falls within the scope of pillar one.

Activity test – The business of the group should fall either in either of the two categories. Automated Digital Services (ADS) or Customer Facing Business (CFB)

ADS mostly comprise of services like Online advertising, social medial, search engine, digital content provision like OTT platforms etc.

CFB has a larger scope and could include various goods and services not linked to digitalisation. However, the scope is still under deliberation and there is no consensus as yet on this.

Groups engaged in exploration / extraction activities and regulated financial services are excluded.

A lot of traditional businesses have also benefited significantly through digitalization. They are now able to conduct a significant portion of their supply chain activities remotely which provide additional profits to the MNE group, however such additional profits are not taxable in the source country/ market jurisdiction under the existing tax treaty rules. A number of critical activities to which a portion of profit can be attributed in the case of existence of permanent establishment are now conducted digitally and hence reducing the profits that could be attributed if the activities have not been conducted by the PE in the absence of digitalisation.

While there is a lot of literature in the blueprint on what constitutes a CFB, for the purpose of this article, that is not covered in the scope.

Threshold test

The framework is broadly identifying the MNE companies using two main criteria, both of which have to be met to proceed to the next steps. It is expected that taxing rights on USD 125 billion of profit will be allocated to the market jurisdictions each year.

Scope Determination

The criteria to be satisfied for the MNEs to fall within scope of Amount A are.

- Gross revenues exceed € 20 billion. (AND)
- Profitability exceeds 10% (Profit before tax / Revenue).

The group should also meet the conditions in at least two of the four immediately preceding periods and on average across the four preceding periods.

Once the set of companies are identified, the next step would be to determine the allocable profit that is available to be shared among the market jurisdictions where the company operates and generates revenue. This amount is referred in the proposal as ***"Amount A"***

The threshold of € 20 billion is proposed to be revised downwards to € 10 billion after 7 years of implementation based on the tax certainty on "Amount A". This is expected to happen around 2030.

Nexus and revenue sourcing

Nexus: *"Amount A"* is allocated among the market jurisdictions only based on nexus. Quantitative threshold has been specified for what constitutes nexus, certain de minimis thresholds have to be met. Nexus is established if the revenue sourced by the group from a jurisdiction is more than € 1million per annum in case of where Gross Domestic Product (GDP) of the jurisdiction is more than € 40 billion and € 250,000 in other cases.

Revenue sourcing rule: Revenue will be sourced to the end market jurisdictions, where the goods or services are consumed ultimately. To facilitate the application of this principle, detailed rules will be developed during 2022 for specific categories of transactions. Application of this rule should be based on specific facts and circumstances in which the MNE operates.

Different categories of revenues are specified and each of them have specific sourcing rules. A specified allocation key must be used to approximate the source countries, where a reliable indicator is not available. Rules have been developed to exclude countries where revenue did not arise, and also to ensure that no revenue is left un allocated to a source jurisdiction (back-stop rule).

A transition phase of 3 years is specified where groups are not required to apply specific sourcing rules and may apply allocation keys.

> Revenue will be sourced to the end market jurisdictions, where the goods or services are consumed ultimately.

Determination of Amount A

Amount A will be derived from the published consolidated financial statements of the group, using an adjusted Profit Before Tax (PBT) measure. This measure will then be subject to certain book to tax adjustments. Adjustments are made for certain items like dividends, gains, prior period errors, accounting principle changes etc.

Losses carried forward subject to certain time limitations can be carried forward and deducted while arriving at the adjusted profit. Losses arising after implementation of Amount A and three years before such implementation can be carried forward for a period of 10 years.

Allocation of Amount A

Two new concepts of "Routine profits" and "Non-routine profits" are agreed. Routine profit percentage is set at 10% and belong completely to the residence jurisdiction. The profitability percentage in excess of 10% forms "Non-routine profits" and Amount A is determined as a percentage of this.

A formula has been arrived at to split the profits. The market jurisdictions will then have access to a portion of the "Non–routine"/residual profits based on the formula determined.

- Arrive at profitability percentage
- Profit to the extent of 10% of the revenue is not considered for allocation. – This is the normal / routine profit.
- The profit in excess of the normal / routine profit is the residual profit, and a part of this profit is allocated to market jurisdictions for taxation.
- 25% of such residual profit will be allocated among the market jurisdictions with nexus, using a revenue-based allocation as driver for apportionment.
- Amount A will be shared among all the market jurisdictions based on the revenue derived from them.

The below table illustrates the manner in which the allocable profits are arrived at.

Consolidated financial information for MNE group

Particulars		USD Bn	%	Remarks
Revenue		40		Revenue exceeds EUR 20Bn (USD 22Bn)
Profit before Tax (PBT)	(A)	9	23%	Profitability exceeds 10%
Split of profits				
Routine Profits %	(B)	4	10%	Exclusively for residence jurisdiction
Non Routine Profits %	(C)	5	13%	Part for determining "Amount A"

Elimination of Double Tax

Guidance has been prescribed on the method of elimination of double tax by the countries sharing the Amount A. In the interest of brevity this has not been discussed at length in this article.

Dispute resolution

Pillar one proposes establishment of an inbuilt dispute resolution mechanism, however a lot of work is yet to be done on this get member jurisdictions onboard.

Below is the broad scope and rules for dispute resolution mechanism.

- Mandatory prevention and resolution model for Amount A;
- It will cover issues related to Amount A (e.g., revenue sourcing, identification of receiving jurisdictions, etc.)
- Also applicable for issues relating to transfer pricing (TP) and permanent establishment disputes;
- Limited opt-out flexibility for certain developing countries from the on issues related to TP and PE aspects
- The above opt out mechanism is not applicable to issues related to Amount A.

The MNC may request for early certainty like an advance ruling, with the lead tax

> Amount A will be derived from the published consolidated financial statements of the group, using an adjusted Profit Before Tax (PBT) measure.

administration, which normally is the jurisdiction of the ultimate parent of the group. The lead tax administration may determine if there is a need for a further review of such a request by a panel. If it is deemed appropriate a review panel comprising six to eight tax administrations in which the MNC group operates and who are interested in the Amount A re-allocation will be formed to review the case.

The intention is to ensure that all affected jurisdictions abide the result of the panel review, details of the panel process are not yet finalised.

The blueprint mentions that if the review panel mentioned above cannot agree on the outcome of the review, a second 'determination' panel will be formed and this panel is obligated to reach a decision. If after the second panel review the conclusions are agreed, which may include revisions to the determination of Amount A originally proposed by the MNE, the outcome is considered binding for all affected jurisdictions

If the panel and the MNE do not agree on the outcome, the MNE withdraws its request for early certainty / advance ruling and rely on domestic procedures in each affected jurisdiction or seek relief through mutual agreement procedures (MAP), where available.

Amount B

Amount B aims to standardize the remuneration of related party distributors that perform "Baseline Marketing and Distribution Activities" (BMDA) in an MNC group. It is proposed to be in a manner that is aligned with the arm's length principle.

The main objective is to improve tax certainty and avoid disputes.

The main aims of "Amount B" are:

- Simplify the administration of transfer pricing rules
- Reduce compliance costs for taxpayers.
- Deliver a result that approximates results determined through traditional ALP calculation.

Pillar One assumes that distribution and marketing activities would be identified as functions that fall in-scope for "Amount B". Quantitative indicators would then be applied to the functions to identify entities which fall in-scope as distributors.

It can be expected that "Amount B" could be based on certain parameters like return on sales, adjusted for fixed returns to account for geographic locations and industries of the in-scope distributors.

The TNMM is set forth in the Blueprint as the most appropriate TP method for remunerating the BMDA activities performed by distribution entities for "Amount B". It is believed that net profit indicators are less affected by transactional differences and also reliable even if there exist some functional differences between the transactions being compared.

Amount B however would not supersede advance pricing agreements or mutual agreement proceeding settlements agreed before the implementation of Amount B.

There is still no consensus among the OECD members to provide a standardized remuneration model for commissionaires or sales agents, or for distribution entities whose profile differs from the baseline marketing and distribution activities.

Amount B if agreed and implemented in a uniform fashion will reduce the risk of double taxation. Narrowing the scope of Amount B may facilitate consensus across the OECD members to agree on the appropriate set of baseline marketing and distribution activities.

Amount B may also help jurisdictions where transfer pricing administrations are not yet evolved and robust enough, it helps the tax departments focus attention on more priority areas.

Points for consideration for India

- India currently gets approx. Rs 4,000 cr. in tax revenues through Equalisation Levy, which will be forgone after implementation of pillar one. The tax revenue that may accrue under pillar one is currently unclear and may fluctuate after implementation.
- 25% of the residual profits to market jurisdictions may not be remunerative to the countries that currently have a unilateral digital services tax (like Equalisation levy) and are forgoing this tax as a part of the new convention. The percentage may need to

be relooked in the absence of comprehensive data for decision making. For example, Amazon has a PBT ratio 19.6% for FY 2021 which means the residual profits would be 9.6% (excess over 10% normal profit) and the Amount A comes to 2.4% of its revenues to be shared across all the market jurisdictions which qualify under nexus rules.

- The 10% profit threshold for determining MNEs for determining "Amount A" is unreasonably high, for example based on the consolidated financials Amazon which is one of the largest companies in the world with a market cap of $1.7 trillion doesn't satisfy these criteria for FY 2021, though it makes significant profits from operations in India or other developing countries.
- Certain developing countries like Nigeria, Kenya, Pakistan and Sri Lanka have withdrawn from the inclusive framework citing unfairness in the allocation of profits among member jurisdictions.[2] The concerns of these nations appear genuine given the complexity of the proposals and the amount allocated to the member jurisdictions.

"India currently gets approx. Rs 4,000 cr. in tax revenues through Equalisation Levy, which will be forgone after implementation of pillar one."

- Emerging economies like India have to push for the review period for reduction of threshold from 7 years to something like 3 years to ensure tax base is protected. 2030 is too far away to warrant a review, appears beyond reasonable a time limit.
- The timelines for implementation of pillar one is being hurried and 2023 timeline for a start is very aggressive, given the clarity on the framework now and the fact that a lot of work still remains to ensure fairness to the participating countries of the inclusive framework. Hurrying into the framework without safeguards will not achieve desired outcomes for India.
- The residual profit and consequently "Amount A" are based on accounting numbers of the consolidated financial statements. A reduction in profit can occur due to the business strategies adopted by the group, its entry into unprofitable markets or products etc and this impacts the tax revenues to which India is entitled to though the operations of India are profitable.
- Amount B will also be critical for countries like India, and it is imperative that this has to be deliberated in detail before sign off.

Next steps and timelines

There are some further steps to be completed before the framework can come into force, along with the tentative timelines, these are as below.

- Text of Multilateral Convention (MLC) and explanatory statement to implement Amount A. – This document will contain the provisions relating to Amount A and modified as a convention for signatures – November 2022.
- Formal signatures to the convention, by member countries, which will be a precursor to enable them to pass local legislations – Expected in first half or 2023
- Entry into force – 2024

  The model rules for Amount A to serve as the basis for the multilateral convention are expected by the first half of 2023 for consent by the member countries and once a majority of the countries have ratified the convention.

Conclusion

While the initiative of bringing a certainty to tax challenges in the digital economy is a commendable move, the complexities involved and the determination and allocation of profits to the member jurisdictions appears to be questionable. Given that the unilateral measures like Equalisation Levy have to be removed, it is only fair that there is no loss to India due to the new convention.

2. *Source : OECD publications : Further information avalailable at https://www.oecd.org/tax/international-community-strikes-a-ground-breaking-tax-deal-for-the-digital-age.htm*

Critical Success Factors of Risk Management in Banks: An Analysis in light of best Risk Management Practices

Dr. D. D. Chaturvedi and Dr. Arun Mittal

Authors are Academicians. They may be reached at eboard@icai.in

The banking sector is exposed to an array of risks; therefore lessening these risks is a serious concern for the banking industry. The banking sector needs a properly laid-out risk management strategy for achieving its organisational goals while eradicating the risk factors. Successful risk management is possible when a well-drafted plan is implemented. In the era of competitiveness, Financial Institutions (FIs) also want to play aggressively to generate wealth for their stakeholders. Hence, to maintain higher earnings they must expose themselves to higher risks. At the same time, safety, solvency and financial soundness of the banks can never be compromised. As a result, effective risk management is the only way out which can help banks to earn efficiently, and minimises various types of risks that they are exposed to. There is a wide variety of risk management services that the banking industry in India has been following.

Concept of risk and Risk Management

The general definition of risk states that any organisation could face undesirable occurrences based on the actions taken with respect to the business processes. In the banking sector, it's believed if the firm is taking more risks than expected, it may lead itself into difficult and undesirable situations. There are different kinds of risks associated with banks such as credit risk, market risk, liquidity risk and operational risk. Each of them requires a specific and customizable risk management strategy.

Risk management is an umbrella term that imbibes a wide variety of strategies that banks implement to minimize their risk. The basic function of banks is to accept deposits and give loans to those individuals and businesses who need them. Hence, the most important strategy for minimizing risk for banks is to choose an appropriate buyer.

Types of risks and risk management strategies

Credit Risk: It is one of the most common forms of risk that banks are exposed to. The banks give hefty loans to businesses that might turn out to be Non – Performing Assets (NPAs) and later these may not be recovered because of different reasons. Such instances have generated a heavy loss for the banks and pushed the banks toward insolvency. Other types of losses that fall under this category such as deterioration in the quality of investments, delayed payments, etc. The creditworthiness is decided based on the debt quality of the financial institutions which is again impacted by such credit risks that banks are taking. Therefore, to maintain an appropriate distribution concerning credit and liquidity, banks must decide on the creditworthiness of their customers before giving hefty loans.

Liquidity Risk: Liquidity means the ability of the FIs to pay back their debts. The capital markets are dependent on liquidity management ratios for investing or dealing in any kind. If the banks are unable to overcome their debt obligations, they are said to be trapped in a liquidity risk scenario. The external environment might compel the FIs to use their capital income when they have insufficient money to meet their obligations. The banks are mostly

> **Risk management is an umbrella term that imbibes a wide variety of strategies that banks implement to minimize their risk.**

working on borrowed money. Therefore, they are responsible to keep up with the compliance, laws and guidelines. In financial crises or recessions, banks must be able to keep high-quality assets that have the potential to be converted into cash in a shorter period. The banks must have a regular inflow of cash to abstain from hedging against the liquidity risk condition.

Market Risk: The stock market goes through several deviations and fluctuations, affecting the banks which hold equity in some organisations. Currently, a trend is seen in the banking sector, where the banking firms are investing largely in equity funds and have exceptional trading portfolios which suscepts them to market risks. The banks might face losses during the period of investment or liquidation. This kind of risk has two parts, connecting with instability and liquidity. Even though the liquidation period is somewhat short, deviations can be huge in an unstable market. In a different situation, the equity and stock markets with a low volume trading might be challenging to sell without experiencing enormous concessions in the funds. Apart from the period of liquidation, the inability of banks to monitor their market portfolio can be considered an operational risk rather than a market risk.

Interest Rate Risk: The assets and liabilities can be impacted by the interest rates at which banks deal. The balance sheets of the financial institutions seldom match which is the reason behind varying interest rates to meet the compliances. The predictability of interest rates can help banks position themselves in the market. For instance, if the interest rates go higher, they can have it to their advantage by investing in high profit-yielding funds. On the contrary, if the interest goes down, more amount of loans can be given which can be recovered later. The game of varying interests can be used as an advantage if strategically played. The effect of changes or variability in the loan interests has a great amount of impact on the macroeconomy for the investors and controllers. For example, a money-related situation might create volatility, which thereafter creates instability in the bank. Since banks take part in a development change and transformation in maturity, the changes in the market interest rate might prompt an inadmissible number of banks and other monetary organisations to experience troubles or even become insolvent in due course of time. There is a need for different assessment strategy options in such exchanges. Simultaneously, the banks need to comprehend and deal with their own openness to loan interests and risks associated with them.

Country Risk: The country risk is the ability of borrowers who are lending money within the country to fulfill their said obligations in due course of time. Country risks can be sorted under two headings. The principal sub-class of the country risk is a kind of sovereign risk, which alludes to both the associated risks of default by a sovereign government on its unfamiliar cash commitments. Other risks are , immediate or regular activities by the sovereign government might influence the capacity of different firms in that country to utilise their accessible assets to meet unfamiliar liability-obligation commitments. In the first case, the sovereign risk tends to consider the credit risk of public state-run administrations. However, these are not the default risks that are entailed in the list of other issuers who are providing loans.

Solvency Risk: The risks mentioned above might be inevitable even after Strategising and planning for mitigation. In this situation, the financial institutions might have appropriate funds or assets to be converted to recover all such losses. In case a bank does not have sufficient capital to rectify the losses which have been incurred, it is then said to be a solvency risk. The stability of a bank is highly necessary and if a bank does not hold enough capital, it might be at risk of losing its stability by falling prey to solvency risk situations. A financial institution must be exposed to several risks while it is operating. Thus, a good amount of capital can be supportive of the risks that the organisation is taking. It is already clear that risks invite losses, and a bank must be prepared to face such situations. The go-to fund for banks when there is no option is their capital. The risks must be aligned with the losses that it could possibly generate based on which funds must be

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allocated to cover the risks that are ahead of the investments.

Risk Management

Every business has the possibility of facing risky situations in any instance. The factors which supposedly contribute to the risky circumstances can be closely monitored and minimized with the help of certain strategic moves that can help the businesses to save themselves from cost overruns. The process of risk management entails determining the aspects which are the main reasons behind such risks, evaluating or analysis of the risk factors and finally responding to those factors by the best course of action. The best way to mitigate risks is by strategizing proactively towards the risk factors and not reactively. The hazardous impact can be reduced by means of proactive strategic measures in the organisation. Business organization must analyse their tolerance level for deciding whether to accept or reject the risks coming forth. Proactive measures in risk management benefit the organisation in several ways, because of which the enterprises do not have to face surprise risks and they would have the ability to tackle those risks at the appropriate time.

Decision-making plays a huge role in any firm and the risk management system builds its foundation. . There are certain approaches that businesses might incorporate in dealing with risks. These best practices are described further. *Muller and Ralf (2009)* highlighted some critical success factors for risk management namely - Commitment and Support from Top Management, Communication, Culture, Information Technology (IT), Organisation Structure, Training and Trust.

Best practices in risk management

The risk management system in banks has changed considerably in recent years. The guidelines that arose out of the worldwide financial emergency and the fines that were imposed afterward set off a rush of progress in the risk capacities of the financial institutions. These included more prominent and detailed capital, liquidity and financing prerequisites, as well as better expectations for formulating the risks. The organisations were pushed towards following the laws and fulfilling all levels of compliance required. The banks were asked to present their risk-appetite statements for analysis of wealth and their credit lending status in the market. Some of the best practices in risk management in FIs and organisations include evaluation of the information source regularly , consistent validation of the scorecard model, analysing and monitoring the model which is being used to lend money, optimisation of the data which is available, additional usage of AI (Artificial Intelligence) and ML (Machine Learning) in the banking system to catch frauds and other criminal activities in the financial aspects, and finally using the tools and technologies to fight financial crime in the best possible way.

Critical success factors for managing risks effectively

The pertinent step in risk management includes the implementation of Critical Success Factors (CSF) in banks and financial enterprises. It not only supports the organisational objectives but also helps in dealing with short-term and long-term potential risks. The CSF is typically a set of prominent key result areas which is beneficial to the organisation in achieving the goals as well as in managing risks effectively. Different scholars have articulated their views with regard to CSF so that the firms can accomplish their goals using CSFs. This is nothing but a list of required actions to be taken for creating a sustainable risk culture. The decisions which are made considering the CSFs are based on sound and strategic administration, with an effective performance management system, and finally suitable investment decisions on behalf of the

> The factors which supposedly contribute to the risky circumstances can be closely monitored and minimized with the help of certain strategic moves that can help the businesses to save themselves from cost overruns.

company. The first step asks enterprises to define their risk appetite in simple terms at the top management level. The next step is to mention the accountabilities so that business decisions can be made by taking the risks into account. The risk appetite can be grown and promoted within financial organisations with the help of incentive programmes and rewards whenever necessary.

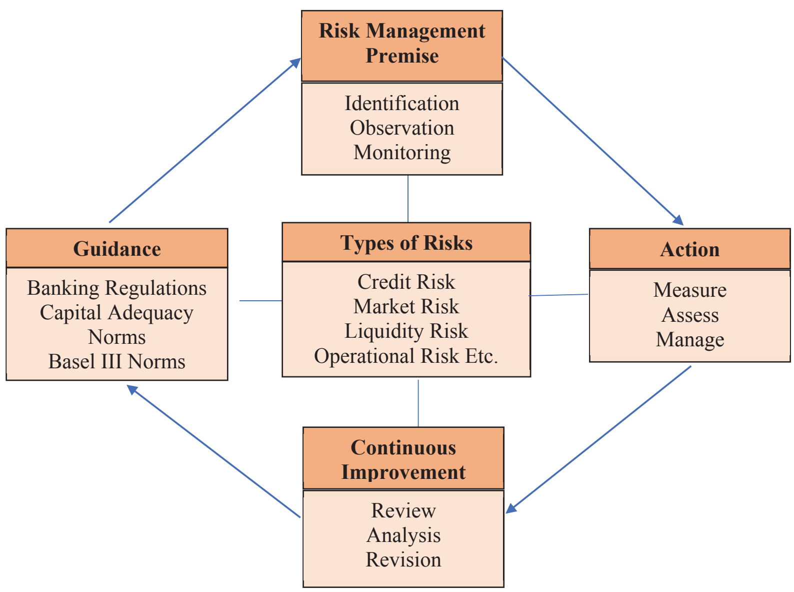
The administrative processes can be clubbed with the risk management system within the firm so as to create the desired risk culture. The frameworks used in the organisation can be designed based on the risk appetite which can be used to scale the current risk appetite to the desired level. The most important step would be to invest in the capabilities and skills required to effectively manage risks. The entire system must collaborate in different work units and regular monitoring of the system shall take banks and financial firms to the next level in giving their customers the best experience.

Comprehensive Risk Management Model for banking industry

To control the risk, the banks need to be vigilant and take necessary steps on regular basis. Figure 1 shows a comprehensive model containing the various aspects of the risk management spectrum in the banking industry. Banks must follow the risk management compliances as issued by RBI and Banking regulations in the context of risk management. The second most important step is to establish a risk management premise, which contains identification, observation and monitoring of the risk. The third step reflects the actions to respond to the continuous updates and changes in the business environment. The bank's exposure to different categories of borrowers, investments, use of technology for service, infusion of new technology, new marketing and customer service strategies, etc. depends upon how the micro and macro environment is responding. This step requires measuring the risk in the changing environment, assessing it and managing it.

> **The pertinent step in risk management includes the implementation of Critical Success Factors (CSF) in banks and financial enterprises.**

Figure 1: Comprehensive Risk Management Model for banking industry



Source: Authors

> **To control the risk, the banks need to be vigilant and take necessary steps on regular basis.**

The last step of the model contains review, analysis, and revision.. Hence, banks keep on revising their strategies for risk management. For example, during the Covid19 pandemic, the State Bank of India took many important steps to provide uninterrupted banking services by ensuring the availability of ATMs functioning, net banking, YONO app, mobile banking, etc. to minimise operational risk[1] Similarly, the Bank of Baroda monitors interest rate risk in its trading book Value at Risk (VaR) on daily basis[2].. Risk management is a continuous process. As and when the regulatory institutions realise that there is a need to make the rules stringent, they act accordingly. Hence, the framework given in Figure 1 is a continuous process.

The Basel norms have been instrumental in providing guidelines for risk mitigation in addition to the other regulations. Basel norms have evolved from Basel 1 to Basel 3. Basel 1 included the norms regarding minimum capital adequacy, whereas Basel 2 is related to supervisory review and lastly, Basel 3 covers the market discipline. Overall, the Basel norms cover a wide range of risks which include credit risk, market risk, operational risk, and liquidity risk. Capital by itself does not guarantee a bank's financial security. These regulations are to ensure that the best practices of risk management are implemented. The ICAAP (Internal Capital Adequacy Assessment Process) requirements under Pillar 2 and the more recent stress-testing guidelines are good examples of how The Basel Committee on banking system (BCBS) aims to achieve this objective *(Moody's Analytics, 2019).*

Conclusion

Risk management in banking is a wide concept, though highly critical. One must go by books and be vigilant and agile in uncertain times to ensure that banks are not badly affected by this risk and maintain an appropriate and sustainable risk-return level. Accomplishing a compelling risk management culture is not an impossible task. It is fundamentally a continuous and iterative cycle that helps organisations deal with internal and external risks that may come during their operation. The banking sector ought to persistently look at developing and reshaping the risk-appetite culture in a proactive and strategic way that perceives the two important steps necessary. These steps are generating a good value as well as providing the required security to its customers and the organisation itself. This initiative can be taken within the business sphere in different operational units to ensure that the risk culture is consistent and proactive throughout. The CSFs can assist the banks to manage the risks in the most profitable manner by leveraging the already existing resources. The financial sector can grow in a sustainable manner by avoiding the unnecessary threats that are coming in the way or by accepting some of the risks that are tolerable. The last option is to mitigate the risks after identifying them through the updated technologies widely used in other sectors to assess the external environment.

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Framework for Export Promotion Capital Goods- EPCG

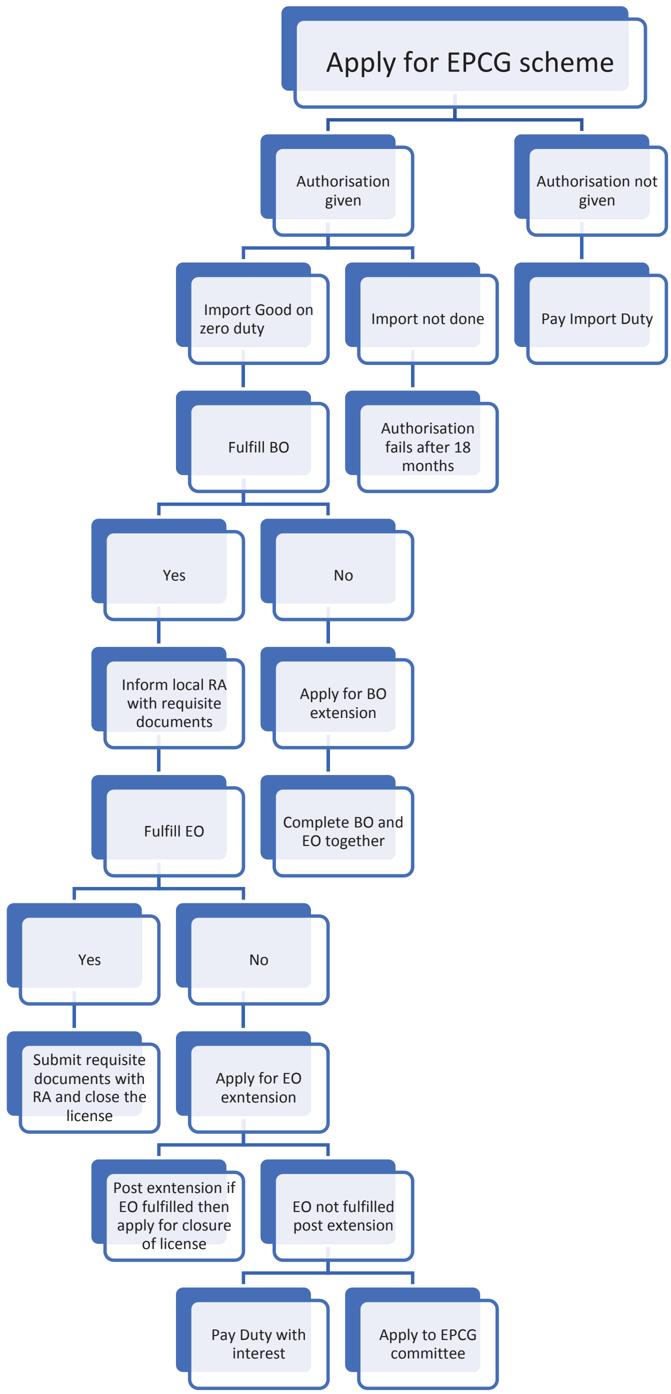
CA. Neeraj Agarwal

Author is member of the Institute. He may be reached at agarwalneeraj22@gmail.com and eboard@icai.in

Govt of India, to increase export of services/goods from India to foreign countries, has started this scheme in which the custom duty to be paid on import of certain capital goods shall be charged at zero rate if the importer of such goods manages to fulfil certain export obligations. Directorate General of Foreign Trade (DGFT) vide Public Notice No. 47/2015-2020 issued on 6th December 2017 have put certain capital goods on the negative list i.e., these goods cannot be imported under the EPCG scheme. Examples being construction materials, airport ground handling equipment etc.

The importer of capital goods shall have to commit to a revenue generation in foreign currency at least 6 times of the Duty saved within a span of 6 years from the issue of the EPCG license. In case license holders are not able to fulfil their obligations (both Block Obligation (BO) or Export Obligation (EO)) then they have the option of applying of extension also.

The entire process has also been shown through a diagram below:



What is EPCG?

As the name suggests it's a scheme to promote export but what is the meaning of the next two words i.e Capital Goods in relation to Export promotion? Well the Govt of India, to increase export of services/ goods from India to foreign countries has started this scheme in which the custom duty to be paid on import of certain capital goods shall be waived off if the importer of such goods manages to fulfil certain export obligations. The scheme is formulated and maintained by DGFT under the aegis of Union Ministry of Commerce. EPCG authorization shall be valid for import for 24 months from the date of issue of authorization i.e post the authorisation to import the goods under EPCG scheme the applicant needs to purchase the same within 24 months of the authorisation.

How does the scheme work?

The importer of capital goods shall have to commit to a revenue generation in foreign currency at least 6 times of the Duty saved within a span of 6 years from the issue of the EPCG license. This 6 times obligation is called Export Obligation (EO). The importer also has to atleast satisfy 50 percent of the EO by the end of 4th year. This first period of 4 years is called the first block and hence this 50 percent obligation is called Block Obligation(BO). The remaining two years are called the second block. The importer at the end of first block need to submit necessary documents to support his claim of fulfilling the BO. Similarly, he has to submit necessary documentation for fulfilment of EO at the end of 6 years.

The central government has in recent years provided many benefits to the North Eastern regions/states of India to promote and aid their development. In line with that vision, the requirement for fulfilment of specific EO has been reduced to 25 percent for all north eastern states. The same has also been made applicable for all units situated in the Union Territory of Jammu and Kashmir.

Pre- Requisites and Process for Applying EPCG

The primary document requirement for applying EPCG licenses is the holding of Import Export Code(IEC) issued by the DGFTto the importer. After the issuance of IEC to an importer, his profile is created in DGFT portal through which he can make application for EPCG licenses.

All the submissions have to be made via the DGFT portal (https://www.dgft.gov.in) through login credentials which are created at the time of application of IEC.

The application is processed by the local Regional Authorities(RA).

The application process has been simplified to a great extent through online filing. It requires input of keys details along with submission of certain documents, some of which are given below:

- Permanent Account Number (PAN) card (Self certified copy)
- Digital Signature Certificate (DSC)/ Aadhar OTP can also be used
- Import Export Code (IEC)
- GST registration certificate
- Registration cum Membership Certificate (RCMC)
- Proforma invoice
- Company brochure
- Chartered accountant certificate (along with original for verification)
- Chartered engineer certificate (along with original for verification)

Submission of the application shall be done via E-Form Ayat Niryat Form 5B (ANF 5B)

How the schemes benefit the importer

EPCG is a boon for those who are in the business which requires heavy or large numbers capital goods which are not available in the domestic market or which are more feasible to be bought/import from outside India(mostly the manufacturing industries but even trading and service industry some time rely on imports of heavy machineries) and most or a large volume of its sales are going to be export. This is because with the application of EPCG these entities can get a waiver on the custom duty on imports of capital goods which is sometimes quite high.

Most of the time the businesses require capital goods at the inception of their lives and this is the time that most of the entities are short of liquid funds and require constant funds infusion from their promoters to tide over these fund crises. By waiving of the custom duty, a huge amount is saved which can be utilised to fulfil the working capital requirements of the entities.

How does the scheme benefit the Indian Government?

The Indian government wants inflow of foreign currencies to help in payment of key imports like Oil and defence equipment etc. With the incentive of complete waiver of Custom Duty, the importer is required to generate 6 times the duty saved in revenues in foreign currencies. This facilitates inflow of foreign currency for the government.

In case the importer fails to meet the EO then he has to pay the duty earlier saved along with necessary interests. Hence if the applicant fails to fulfil his EO then at least the government receives the duty saved and there is no loss of revenue for the government in such cases.

Methods through which foreign income is realised

There are different types of routes through which international payments are done against the exporter's invoices:

1) Direct Bank Credit: This is the most desired way to receive the funds as this entails getting Foreign Inward Remittance Certificates (FIRC)/ BRC and other documents from bank which can be produced to the department when applying for closure of EPCG license.

2) Forex Credit Card: Sometimes the recipient of service/goods may be in India and makes the payment of invoice of the exporter through forex cards. For example, in cases where international patients are travelling to India for medical tourism. In such cases Patients are directly swiping their cards in the hospitals. In such types of payment while we are not getting direct Forex Realisation Certificate from banks, we can still procure certificate from bank which will show that forex inward transaction has occurred. This may be sufficient in getting our claim approved with DGFT/Local RA.

3) Payment via Cash/ INR: In case where the importer of goods or services (the foreign debtors) are making payments in INR we will need documents supporting that the said INR was exchanged with authorised dealer before making the payment to the exporter. Proving this type of transaction with the authorities is quite difficult as most of the time the authorised dealer through which the currency has been exchanged are also taking benefits of other licenses provided by DGFT and hence DGFT shall generally not provide benefits twice for the same transaction. Hence it is prudent that in case of EPCG we should not take directly cash from the foreign importer.

4) Payment getting transferred via local agents/ relatives or other acquaintances: Just like in the case of cash receipts these should be generally avoided as it is almost impossible to prove there was any foreign inward against the invoice issued and hence these transactions won't be counted in the EO fulfilment.

Suggestions in cases a lot of foreign debtors wish to pay via cash or local dealers

For units which are having high volume of forex transactions in which the foreign importer is paying via cash or transferring through local channels(this may be common in case of hospitals treating foreign patients), the entity can think about taking FULL FLEDGED MONEY CHANGER (FFMC) LICENSE.

A FFMC is an authorized entity that may purchase foreign exchange from the NRIs/ foreign nationals while providing them with the Indian currency and also may sell the foreign exchange for travelling purposes and other purposes, whether private or business, but only to the people visiting from abroad. For this purpose, a license from the Reserve Bank of India is needed.

Entities can take FFMC license directly or associate themselves with an Authorised Dealer(AD) who is having this license, so as to facilitate the receipt of foreign currency directly at the premises of the entity.

EO and BO extensions

In case license holders are not able to fulfil their obligations (both BO or EO) then they have the option of applying of extensions. This can be better understood through the below example:

For Example, Mr Anant, a big businessman in Surat, Gujarat has imported a Machinery worth Rs 10 crores on Sept 4,2015. He is supposed to pay a duty of 7.5 percent on the value of machine amounting toRs.75 lacs. Mr Anant deals primarily in leather products which are generally exported to foreign countries like Bangladesh, Vietnam etc.

Mr Anant applies for zero duty EPCG license and is allotted the same through RA Ahmedabad. As per rule he is supposed to fulfil a BO of RS 2.25crores (half of total EO) by the end of 4th year of the authorisation of the license i.e Sept 3,2019 and total EO of 4.5 crores (Duty saved *6 times) by the end of 6th year i.e by Sept 3,2021.

At the end of 4th year Mr Anant is only able to generate 1.5 crores in foreign revenue and thus not able to fulfil his BO. He applies for an extension of BO and after payment of requisite composite fees (2 percent of the unfulfilled duty saved), is allotted the BO extension. This means that now his BO which was supposed to be fulfilled by the end of 4th year is extended to the end of 6th year at which he shall have to go for complete redemption of the EPCG license by fulfilling the EO.

Scenario in Sept 2021

Due to ensuing market conditions hugely impacted by the corona virus Mr Anant manages to earn an overall foreign revenue of Rs 3.5crores in 6 years since the EPCG license was issued to him.

Now since he is unable to fulfil his EO he has two options:

1) Make payment of the Duty saved i.e 75 lacs plus requisite interest
2) Appy for EO extension

Mr Anant a smart and determined businessmen knows that the market conditions will pick up as the number of persons infected by Covid is reducing and thinks he can meet his EO if he is given some more time. So, he decides to go with option 2 and applies for EO extension.

He submits all requisite documents like:

a) Bill of Entry of the machine imported
b) Copy of original EPCG license issued
c) Installation certificate issued by the Chartered Engineer

Mr Anant also has the options to choose whether he wants to apply for 1 year or 2 years Extension.

Mr Anant can pay composition fee equal to 2% of proportionate duty saved amount on unfulfilled export obligation or an enhancement in export obligation imposed to the extent of 10% of total export obligation imposed under authorization, as the case may be, at his choice, for each year of extension sought. The option for this choice is given in the application form itself. (The structure of composite fees was amended with Public Notice No. 3/2015-20 dt 13th April 2022).

If he chooses to make the payment then that can be done online via the Bharatkosh payment portal (Receipt Portal) maintained by Govt of India.

Post all the submission and payment(if applicable) the RA if convince will approve his extension request.

Request for extension in EO Period shall be made to RA within six months from the date of expiry of original EO Period. However, RA may consider the request for extension received after 6 months but within 8 years of date of expiry of expiry of original EO with a late fee of Rs.10,000. This fee is in addition to the composition fees that may be payable on account of shortfall in EO.

Penalties for non-compliance

Even after completion of EO extensions if the importer thinks that he won't be able to fulfil the EO even if he gets extension then the overall amount of duty saved +15 percent interest p.a has to be paid to the customs authorities which shall be chargeable from the date the duty was supposed to be paid i.e the time of the import of capital goods.

Redemption of EPCG license

Post the completion of 6th year(7th/8th if extension sought) the importer has to go for redemption of the licenses. This can be done by providing the concerned RA with the details of foreign revenue earned during the period of license. In general cases a list of foreign revenue earned is submitted along with supporting documents to prove the receipt. Please note that the scheme works on revenue realised and not revenue booked i.e in case of bad debts or non-realisation of funds from the foreign debtor till the time of completion of the period of EPCG then that amount won't be considered in fulfilment of EPCG license.

The documents for redemption are processed by the local RA. E form ANF-5B has to be filled for the same. Some of the documents needed for redemption are:

1) Installation Certificate: The license holder has to submit the Original Certificate or if already submitted then acknowledgment received of the same stating that the capital goods against whose import the EPCG license was taken was installed in the facility of the entity.
2) Bill of Entry: Imported capital goods details are mentioned in the Bill of Entry.
3) Shipping Bills: The Authorisation holder has to maintain the shipping bills with E-Bank Realisation Certificate(E-BRC) from the license issued date. BRC's are issued by Banks based on realisation of payment against export by an Exporter.
4) Copy of Invoices, Bill of Lading / Airway Bill, and Packaging List.
5) Any other documents proving realisation of foreign currency

The dealing hand (DH) in the Local RA when satisfied with all the documents shall proceed with the closure of the EPCG license.

EPCG Policy Relaxation committee (PRC)

The name is self-explanatory. This committee is also called the Exemption from Policy/ Procedures (EPP). DGFT may in public interest pass such orders or grant such exemption relaxation or relief, as he may deem fit and proper, on grounds of genuine hardship and adverse impact on trade to any person or class or category of persons from any provision of Foreign Trade Policy (FTP) or any Procedures.

While granting such exemption, DGFT may impose such conditions as he may deem fit afterconsulting the PRC on matters related to "Capital Goods (CG) and benefits under Export Promotion Capital Goods (EPCG) Schemes ". The committee shall be based in DGFT headquarters (New Delhi) and shall advice on any specific requests or matter of general public interest related to EPCG.

The application to EPCG committee can be done online through form Ayaat Niryaat Form -2D (ANF-2D). The committee if satisfied with the importer request can pass an affirmative order and inform to the local RA who will allow the relaxation provided by the order of EPCG committee.

If an applicant is not satisfied with the order of the committee, they can file for a review application and the committee will take a relook at the case and pass final order. An applicant can apply for a review infinite time as no limit has been set.

In the process of both fresh and review application the applicant can opt for personal hearing of its matter, if they feel that a personal hearing shall be beneficial to their cause as they shall be a in better position to explain their matter. Please keep in mind personal hearing is optional and in no way mandatory.

Fees for application to EPCGcommittee are:

1. Fresh Application: Rs 2000

2. Review Application: Rs 5000

Fees payment has to be done each time a review application is filed.

Application can be made for any relaxation of policy/rule like clubbing of different licenses so as to meet the EO. As per the data of the Directorate General of Foreign Trade (DGFT) Policy clubbing simply means just combining two or more EPCG authorisations that are issued to an authorisation holder via a proper process.

Conclusion

EPCG licenses is one of the most beneficial licenses issued by the GOI in order to promote export and foreign trade in general. It is expected that there shall be quite a few changes when the governments come out with its long overdue Foreign Trade Policy (FTP). The earlier FTP was valid from 2015-2020 but was extended till 31st March 2022 in light of Covid and other external factors.

Non-financial Information -A Journey towards Integrated Reporting

CA. Ashim Kumar Ghosh

Author is member of the Institute. He may be reached at ashim742@yahoo.co.in and eboard@icai.in

Integrated Reporting is making of a wholesome report combining both financial information as well as non-financial information of a company. In other words, reporting of non-financial information along with financial information gives birth to the model of 'Integrated Reporting'. Financial information is the data about the monetary transactions of a company that demonstrate the financial performance and financial position of a company. Financial statements generally include the Balance sheet or Statement of affairs, Statement of profit and loss or Income statement, and Cash flow statement. On the other hand, non-financial information is the data about some things which are generally not recorded in the books of account, or it is impossible to quantify them but is very much present in and around the company that exhibit the manner in which a company operates its business activities.

What is Non-financial Information (NFI)

NFI speaks about other relationship issues in qualitative term regarding how the company is running and will run. Company's activities have significant impact on the life of general public of the present as well as future generation. NFI is often defined as Environmental, Social, and Governance (ESG) information, referring to the three central components in measuring the sustainability and societal impact of a company. It is referred to as the information about society and the environment and is considered by stakeholders relevant to evaluating the company's long-term ability to survive and succeed. NFI may be Social information as regards contributions to the betterment of society, customer/supplier satisfaction or so, environmental information as regards energy and emissions, water consumption, resource efficiency, combating climate change, preservation of biodiversity, environmental pollution or so. Corporate social responsibility information as regards contributions towards social programmes/projects towards poverty, health, education, environmental sustainability, rural/community development or so, Sustainability information as regards product/service sustainability, sustainable procurement, natural resources sustainability or so, Governance information as regards transparency, integrity, discipline and commitment, internal control, shareholders' right, business outlook, future plan or so, employee related information regarding employee satisfaction, occupational safety and health protection, employee development, equal opportunities or so, human rights information, business ethics information regarding anti-corruption and bribery, payment of Government tax or so, Research and Development (R&D) information, etc.

What is the significance of Integrated Reporting?

When an annual report of a company includes both financial information as well as non-financial information, we may address the same as an Integrated Report. Integrated Reporting is a process of data collection and formal disclosure on non-financial aspects of corporate activities along with its financial aspects that helps the company measure, understand and communicate its impacts. Non-financial reporting is a way to improve risk management and long term social, environmental and financial performance and competitiveness. Disclosure of non-financial information enables the communities and citizens affected by the activities of

> **When an annual report of a company includes both financial information as well as non-financial information, we may address the same as an integrated report.**

the corporation to assert their rights and restore their trust in businesses, in other words, it empowers the citizens to hold the company accountable and insisting for change. This is essential for building trust in society and helps value creation that improves reputation and brand loyalty. Non-financial reporting helps understanding in more effective ways the risks and opportunities of a company for sustainable development. In present days we realise the need for a fundamental change in reporting where the focus is not only on financial capital providers, but also on other stakeholders who have interest in a company and can affect or be affected by the business operation of the company, like communities, employees, suppliers, customers, regulators, Government, people at large, etc. Non-financial reporting makes sense for a company as it is responsive to present-day circumstances which are equally responsible with financial factors for development of sustainable value addition for a company. The demand for greater accountability and legitimacy has been commanding in recent decades, which has implied greater information disclosure about the actions carried out by a company and their impacts. The emergence of these new reporting models has led to traditional financial information no longer being sufficient in present circumstances, but also to include the non-financial information in order to provide a more holistic overview of business performance.

Global Scenario towards Integrated Reporting

Several reporting standards/ frameworks have emerged globally for integrated reporting by companies worldwide. The companies may use any such standards/frameworks or a mix to produce their non-financial information. Some are like UN Global Compact, the UN Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development (OECD) guidelines for multinational enterprises, the Global Reporting Initiative (GRI), the ISO 26000, the International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), the Task Force on Climate-related Financial Disclosures (TCFD), the Carbon Disclosure Project (CDP), Carbon Disclosure Standards Board (CDSB), etc.

Here only three guidelines/ frameworks/ standards that are mostly used by companies globally for integrated reporting are taken into consideration for brief discussion, and these are issued by Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB).

Global Reporting Initiative (GRI): The GRI was formed by the United States-based non-profits Ceres (formerly the Coalition for Environmentally Responsible Economies) and Tellus Institute, with the support of the United Nations Environment Programme (UNEP) in 1997. It is an independent, international organisation that helps businesses take responsibility for their impacts, by providing them the global common language to communicate those impacts. It puts out the Standards which provide guidance across environment, social and economic factors for all stakeholders. It helps organisations understand their outward impacts on the economy, environment, and society. The GRI framework aims to enable third parties to assess environmental impact from the activities of the company and its supply chain. The GRI Standards are divided into two principal areas like (a) Universal standards,

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which include Foundation, General disclosures, and Management approach and (b) Topic-specified standards, which include Economic, Environmental and Social disclosures. The standardised reporting guidelines concerning the environment are contained within the GRI Indicator Protocol Set. GRI reporting protocols aim to cover a wide range of ESG issues, from employee safety and human rights to environmental management. The GRI offers thirty number of environmental performance indicators that should be used as part of environmental sustainability report. These performance indicators are divided into nine primary categories as Materials, Energy, Water, Biodiversity, Emissions, Effluents, & Waste, Products and Services, Compliance, Transport, and Overall.

International Integrated Reporting Council (IIRC): The IIRC was found in 2009 by the Prince of Wales Accounting for Sustainability Project, the Global Reporting Initiative, International Federation of Accountants, and others. It puts out the Integrated Reporting (IR) Framework in 2013 which seeks to better communicate how a company's strategy, governance, performance and prospects, in the context of its external environment, help it create short, medium and long-term value, and it urges companies to issue concise integrated report combining traditional annual financial information with ESG data. It is a holistic representation of financial and non-financial performance of a company. The framework has seven Guiding Principles such as Strategic focus & future orientation, Connectivity to information, Stakeholder relationship, Materiality, Conciseness, Reliability & completeness and Consistency & comparability and eight key Content Elements such as Organisational overview and external environment, Governance, Business model, Risks and opportunities, Strategy and resource allocation, Performance, Outlook and Basis of preparation and presentation. These Guiding Principles and Content Elements govern the overall content of an integrated report. It recognises six distinct but interrelated capitals such as Financial, Manufactured, Natural, Human, Intellectual and Social & Relationship. By taking these capitals into account when reporting on performance, a company provides a fuller picture of the way in which it creates value. Integrated Reporting brings together material information about a company's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how the organisation demonstrates stewardship and how it creates value, now and in the future. In fact, the <IR> Framework works well through a process that starts with integrated thinking which aligns organisational functions in communicating value creation.

Sustainability Accounting Standards Board (SASB): The SASB is a non-profit organisation, founded in 2011 to develop sustainability accounting standards. It has developed the unique standards for seventy-seven industries across eleven sectors. This is due to the fact that sustainability issues manifest differently from one industry to another due to differences in business models, resource dependencies, and other factors. It is an ESG guidance framework that sets standards for the disclosure of financially material sustainability information by companies to their investors. It uses standards to identify the sustainability issues that are financially material, or reasonably likely to impact the financial performance of a company. It uses the word sustainability to refer to corporate activities that maintain or enhance the ability of a company to create long-term shareholder value. It groups such activities into five sustainability dimensions like environment, human capital, social capital, business model & innovation, and leadership & governance. These standards are based on recognition and disclosure of environmental, social and governance

INTEGRATED REPORTING

> Integrated Reporting brings together material information about a company's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates.

impacts of companies. These standards connect business and investors on the financial impacts of sustainability by way of disclosure of financially material sustainability information to their investors. The standards integrate sustainability reporting with financial reporting and give companies the tools to identify sustainability issues that are relevant to them and that they can report on. And that the investors will have a well-rounded view of a company's financial and non-financial risks and opportunities.

There might be a challenge for the organisations to decide on what to communicate and to whom, and which standard/ framework to use for integrated reporting. The company's own judgment may be appropriate for choosing the tool(s) for reporting and that to be based on relevant decisive approaches within which it operates and what is necessary for reporting the company's impact on the world and the measures taken to uphold its sustainability. As all the above three standards /frameworks are principle based there are much freedom to adjust the reporting requirements in accordance with their respective prominence.

Indian Scenario towards Integrated Reporting

In fact, non-financial reporting being a part of integrated reporting by companies in India was started a long time ago when the companies, public or private, were under the obligation to include Directors Report, Management Discussion & Analysis Report, Corporate Governance Report, etc. in their Annual Reports. Apart from these, many companies had been voluntarily publishing/disclosing non-financial information in one way or others along with their annual reports. However, to give a regulatory shape in the matter of publishing/ disclosing the non-financial information related to ESG and sustainability parameters by companies in India, the Ministry of Corporate Affairs (MCA), Government of India had already started an endeavour more than a decade ago in this direction, and which is being continuously improved keeping pace with the demand of stakeholders under present circumstances and international practices.

In July 2011, the Ministry of Corporate Affairs, first issued the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) with a view to make business socially responsible and partake in the development of the nation through its expertise and efficiency and be internationally relevant. These Guidelines are a refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the Ministry of Corporate Affairs in December 2009. The national framework on Business Responsibility is essentially a set of nine principles with respective core elements that offer businesses an Indian understanding and approach to inculcating responsible business conduct. The Securities and Exchanges Board of India (SEBI) in August 2012 on the basis of these guidelines mandated the top 100 listed companies by market capitalisation to furnish annual Business Responsibility Report (BRR) providing an impetus to the uptake of NVGs by business along with their annual reports.

In 2014, came the revamped Companies Act, 2013 with many new provisions including Corporate Social Responsibility (CSR), repealing the earlier Companies Act, 1956. Here started the reporting on CSR spending by corporate entities that are intended for meeting

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> The purpose of integrated reporting is to provide shareholders and interested stakeholders with relevant information that is useful for making investment decisions.

the Sustainable Development Goals (SDGs).

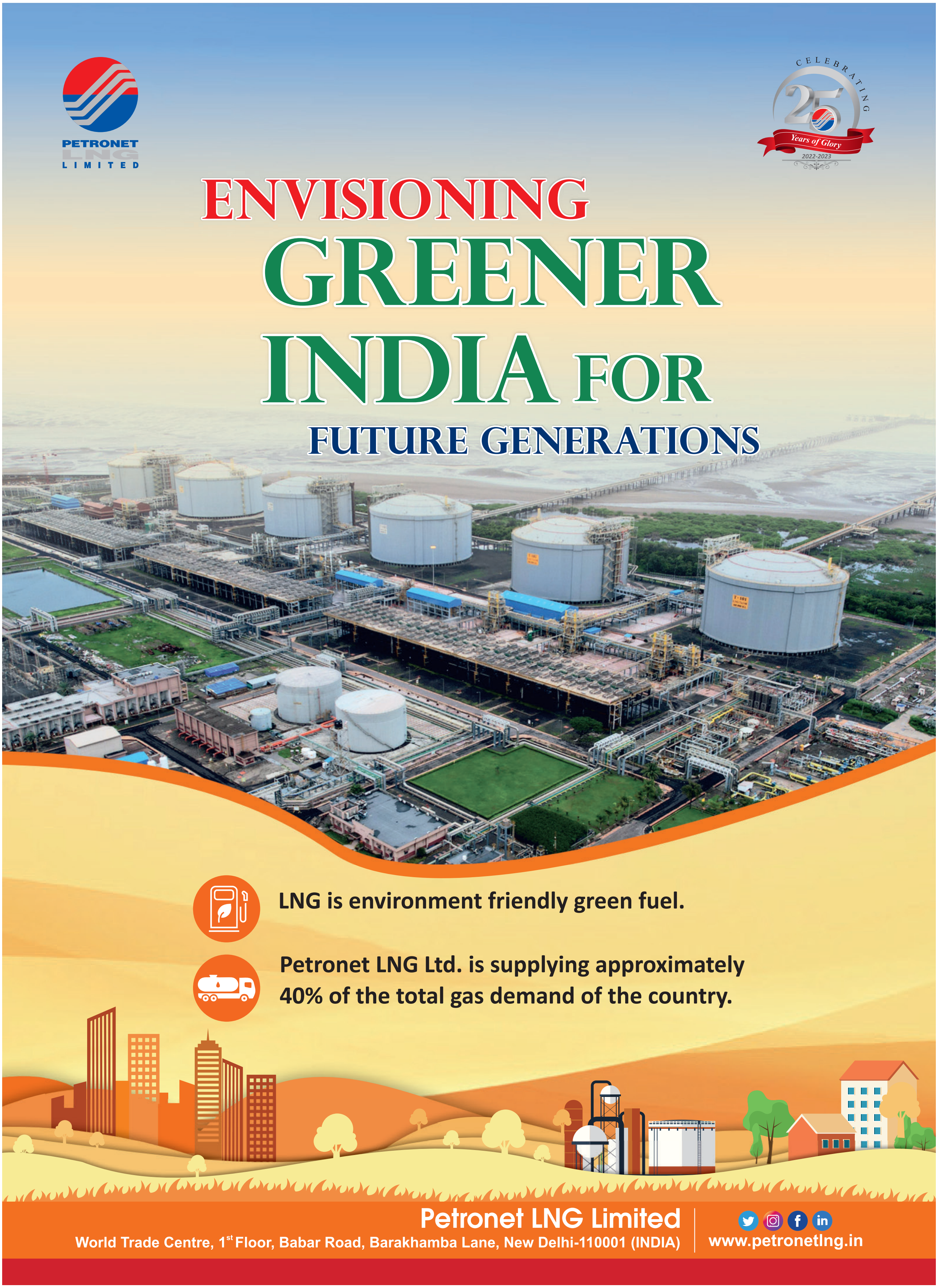
In November 2015, the Securities and Exchanges Board of India (SEBI) expanded the coverage of filing of Business Responsibility Report (BRR) to the top 500 listed companies by market capitalisation from an environmental, social and governance (ESG) perspective.

Meanwhile in February 2017, the Securities and Exchanges Board of India (SEBI) advised the top 500 listed companies by market capitalisation who are required to prepare Business Responsibility Report (BRR) to adopt on a voluntary basis the Integrated Reporting <IR> Framework as prescribed by the International Integrated Reporting Council (IIRC) for improving disclosure standards which is most popular and used by many companies globally. An Integrated Report aims to provide a concise communication about how an organisation's strategy, governance, performance and prospects create value over time. The purpose of integrated reporting is to provide shareholders and interested stakeholders with relevant information that is useful for making investment decisions. The information related to Integrated Reporting may be provided in the annual report separately or by incorporating in Management Discussion & Analysis or by preparing a separate report prepared as per IR framework.

In March 2019, the Ministry of Corporate Affairs again issued the National Guidelines on Responsible Business Conduct (NGRBC) in order to keep pace with global developments viz. the UN Sustainable Development Goals (SDGs), Paris Agreement on Climate Change and the United Nations Guiding Principles on Business and Human Rights (UNGPs) by way of revising the earlier nine principles NVGs. The Securities and Exchanges Board of India (SEBI) introduced the new reporting requirements on ESG parameters called Business Responsibility and Sustainability Report (BRSR) in May 2021 on the basis of these guidelines. SEBI has mandated the top 1000 listed companies by market capitalisation to file annual Business Responsibility and Sustainability Report (BRSR) from FY 2022-23. It is voluntary to disclose the required information according to the new standards in FY 2021-2022. The BRSR is structured around disclosures on the nine principles laid down by the NGRBCs accompanied with a guidance note to enable the companies to interpret the scope of disclosures under each principle. The disclosure requirement under each of the nine principles is also divided into two sections: Essential (mandatory) and leadership (voluntary).

Conclusion

Disclosure of non-financial information in integrated reporting by the companies in India has been increased over the time. In fact, it is a journey, and it will continue to be developed in line with the emerging circumstances and international practices to make Indian business increasingly responsible towards achieving the UN Sustainable Development Goals (SDGs).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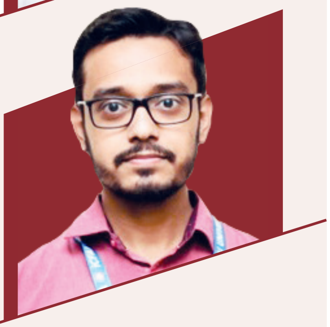
The weak-form efficiency of the Indian stock market: Fresh Evidence



Animesh Bhattacharjee and Kuntal Dutta

Authors are Academicians. They may be reached at eboard@icai.in

The primary goal of the present research initiative is to determine if the Indian stock market follows a random walk or not. The data on eight nifty sectoral indices' daily opening, closing, high and low values are taken from a website. The Augmented Dickey–Fuller test and the Phillips–Perron test is used to assessing the stationarity of the selected eight sectoral indices. The Variance ratio test is used to check for auto-correlation between the returns and the Runs test is performed to examine if the stock market followed a random walk or not. The unit root tests show that the returns from the eight selected sectoral indices are integrated into order 1. According to the variance ratio test future stock prices can be forecasted by prior stock prices in the Indian stock market. The Runs test results indicate the returns are not random throughout the studied time frame.

Introduction

The Efficient Market Hypothesis (EMH) was first proposed in the financial literature by Samuelson (1965) and Fama (1965). According to the EMH, share prices adjust swiftly in reaction to new information, therefore current prices should fully reflect all available information and follow a random walk, which means that subsequent stock price changes (returns) should be distributed independently and equally. EMH described an efficient market as one in which prices always entirely reflect available information.

Three levels of financial market efficiency are defined by EMH-weak, semi-strong, and strong by Fama (1970). Current stock prices, according to the EMH's Weak-Form, represent all securities market information, including past price movements, investment returns, trading volumes, and other market-related information. As a result, any trading strategies to either buy or sell a stock based on prior rates of return or any other historical market data, should yield no benefit. The semi-strong form of the EMH, on the other hand, claims that security prices react immediately to the revelation of all publicly available information. As a result, investors who make decisions based on significant new information after it becomes public should not expect to make above-average risk-adjusted returns from their trades. The EMH's strong form, on the other hand, is the most stringent. It asserts that the stock price accurately reflects all publicly and privately available information. It implies that no investor has exclusive access to key information for price formation. As a result, no investor will ever be able to consistently achieve above-average risk-adjusted returns.

Numerous types of research have been done ever since the efficient market hypothesis notion was created to support or, in some cases, refute the theory. It is practically hard to predict future prices and turn a profit from them when it is clear that prices do, move randomly or drunkenly. On the other hand, if the outcome is the opposite of what was said above, there is a potential to profit simply by looking at a security price's historical behaviour. Because of this, economists and the general investing community are particularly interested in this topic.

In this study, we focus on the stock market efficiency in its weak form. Prior literature (Chavannavar and Patel, 2016; Jain and Jain, 2013; Asiri and Asiri, 2008) found the Indian stock market to be efficient in its weak form. On the other hand, (Sarkar, 2019; Patel et al., 2018) found the Indian stock market to be weak form inefficient. The literature survey shows a contradictory picture which motivates us to do detailed research in this area. We seek to investigate the Indian stock market's weak-form market efficiency from 2012 to 2021 in this study. The Indian financial market has changed significantly throughout the study.

India's GDP increased from 1.83 trillion USD to 2.66 trillion USD (World Bank, 2022), as did foreign institutional investment and domestic institutional investment. For a rapidly growing economy, the Indian stock market has risen sharply. During our period of study, the Nifty Broad Index has increased by more than three times. Share market participation of Retail Investors of India has increased exponentially as the overall number of Demat accounts increased from 16.8 million to 39.3 million from 2009 to 2019. The internet has become considerably less expensive than previously and all information is reaching everyone in less time. Online trading has been introduced so that anyone can buy and sell shares from anywhere in the world.

We would like to test if there is a weak form of market efficiency or not because the Indian economy has changed significantly in the recent decade. The detailed investigation is carried out by using different unit root tests, Runs test and variance ratio tests.

Literature Review

The weak form market efficiency is supported and refuted by empirical evidence. Hong (1978), Panas (1990), and Chan et al. (1992) found evidence that stock markets are weak efficient. Hong (1978) used daily data from September 1973 to March 1976 to evaluate market efficiency in Australia, Japan, Hong Kong and Singapore. In comparison to other stock markets, the author discovered that Japanese stocks were more efficient. He went on to say the efficiency of larger stock exchanges was higher. Panas (1990) investigated the weak form market efficiency of the Athens stock market using the autocorrelation function, Kolmogorov Smirnov statistics, runs test, and Von Neumann ratio test. He based his findings on the stock prices of ten companies listed on the Athens stock exchange, concluding that the stock market was inefficient. Chan et al. (1992) investigated the weak-form efficiency in 18 national stock markets both individually and collectively. Their findings supported that the selected stock markets were weak-form efficient. The authors also reported the presence of a contagion effect.

Several studies found the stock markets to be inefficient in their weak form. Previous studies by Worthington and Higgs (2003), Gupta and Basu (2007), Mishra (2009), Srinivasan (2010), Sarkar (2019) and Ahmed (2021) provided evidence relating to the weak form inefficiency of the stock market from European nations, India, Bangladesh and Saudi, respectively.

Worthington and Higgs (2003) investigated the random walk and weak from market efficiency in European equity markets and found that only Hungary meets the strictest requirements for a random walk-in daily stock returns among emerging countries. While Germany, Ireland, Portugal, Sweden and developed markets, only the United Kingdom meets the strictest random walk criteria. Using monthly closing values of stock market indexes for 14 Asia-Pacific nations, Hamid et al. (2010) conclude that none of the markets perfectly follows the random walk, and hence these markets remained inefficient from January 2004 to December 2009. Rahman et al.(2021) used the DSE General Index (DSEG) and DSE Broad Index (DSEX) to investigate the Random Walk hypothesis of the Bangladesh stock market from 1 January 1993 to 22 November 2001. Throughout the study period, they discovered that the stock market in Bangladesh did not follow a random walk. Li and Li (2016) looked into stock market efficiency and random walk in India, China, Malaysia and Korea, and found mixed results. The Runs test indicated that these markets are random walk, but the variance ratio test rejected the conclusion which implied that all the four markets are inefficient in weak form. Khoj and Akeel (2020) examined the market efficiency of the Saudi Tadawul All Share Index (TASI) and found that it was inefficient from 1 January 2012 to 9 January 2019.

In the Indian context, Gupta and Basu (2007) examined the Sensex and Nifty of India's weak form efficiency and concluded that the Indian stock market was weak form inefficient across the studied time. Mishra (2009) examined the Sensex for weak form efficiency during 18 years, from January 1991 to January 2009, and found that BSE was weak form inefficient throughout that time. Elangovan et al. (2022) checked the weak form market efficiency of the Indian stock market using the broad market index. They employed tools such as unit root tests, Runs test and autocorrelation tests. The authors' findings also supported the results of Gupta and Basu (2007) and Mishra (2009).

According to the aforementioned literature review, empirical evidence on weak-form stock market efficiency is inconclusive. Furthermore, most of the studies mentioned above used broad stock market indices to detect the characteristics of weak form efficiency. This study deviates from the previous literature as it has used data on sectoral indices of the Indian stock market.

Data and Methodology

Data sample

The study's purpose is to look into the weak form market efficiency of the Indian stock market. NIFTY Auto, NIFTY Financial Services, NIFTY FMCG, NIFTY IT, NIFTY Media, NIFTY Metal, NIFTY Pharma and NIFTY Realty are the eight sectoral indices examined in the study. The analysis uses daily open, high, low and closing values of chosen sectoral indices from 3 January 2012 to 31 December 2021. For the analysis, we used the average of these four values rather than the closing prices of individual sectoral indices. All the data have been gathered from the website. The average of four prices was chosen because it removes variations and helps to control volatility.

Methods

The Jarque-Bera test, the Augmented Dickey Fuller test, the Phillips-Perron test, the Runs test, and the Variance ratio test have been used in this study. Khan and Vieito (2012), Bouri et al. (2017) and Angelovska (2018) have used these tools in the past.

The Jarque-Bera (JB) test checks whether a series has the kurtosis and skewness of a normal distribution and is a goodness-of-fit test. The Jarque-Bera test statistic is always positive, and a value that is far from zero indicates that the series does not have a normal distribution. The JB test statistic can be defined with equation 1:

$$JB = \frac{n}{6}\left[S^2 + \frac{1}{4}(k-3)^2\right] \quad \text{(Equation 1)}$$

Where, n= number of observations/degree of freedom; S = sample skewness; K = sample kurtosis.

We have used the JB to test the hypothesis "the series follows normal distribution".

To determine if the sectoral indices' series are stationary, we used the Augmented Dickey Fuller (ADF) unit root test and the Phillips-Perron (PP) unit root test. The null hypothesis is that the series follows a random walk. It is critical to choose the suitable lag duration in both the ADF and PP tests by including enough terms. The Schwarz information criterion (SIC) is used to determine the lag length in this study.

The Runs test is a statistical procedure to decide if a data series is generated from a random process. The test statistic can be computed with the help of the following equation:

$$Z = \frac{R-\bar{R}}{\delta_R} \quad \text{(Equation 2)}$$

Where, R = number of observed runs; $\bar{R}$ = number of expected runs and δ_R = standard deviation of number of runs.

Number of expected runs and standard deviation of number of runs can be defined with the help of equation 3 and equation4:

$$\bar{R} = \frac{2n_1n_2}{n_1n_2} + 1 \quad \text{(Equation 3)}$$

$$\delta_R = \sqrt{\frac{(2n_1n_2)(2n_1n_2-n_1-n_2)}{(n_1+n_2)^2(n_1+n_2-1)}} \quad \text{(Equation 4)}$$

Where, n_1 and n_2= the number of negative and positive values in the series. We set the null hypothesis of the Runs test as the data series was generated in a random manner.

The variance ratio test helps to determines whether differences in a time series follow a random walk.Lo and MacKinlay(1987) developed the variance ratio test to evaluate the market efficiency hypothesis by determining whether security prices are autocorrelated. If stocks have a high degree of correlation, historical prices can be used to forecast future prices. This situation violates the weak-form market efficiency hypothesis.Thus, the present study sets three hypotheses:

$H_0 1$= the indices flows normal distribution.

$H_0 2$= the indices has unit root.

$H_0 3$= the indices are generated in a random manner.

Findings

Table 1 Summary Statistics

	NIFTY Auto	NIFTY Financial Services	NIFTY FMCG	NIFTY IT	NIFTY Media	NIFTY Metal	NIFTY Pharma	NIFTY Realty
Mean	4.605642	4.605830	4.605696	4.605912	4.605447	4.605491	4.605628	4.605562
Maximum	4.678504	4.695831	4.663530	4.671236	4.707923	4.681303	4.697768	4.692914
Minimum	4.504085	4.494494	4.533239	4.514328	4.513863	4.515734	4.534105	4.468306
Skewness	-0.597523	-0.314476	-0.098561	-0.791404	-0.201148	-0.278971	0.050117	-0.542413
Kurtosis	10.94469	11.99347	11.01797	12.18418	8.740368	5.270998	9.124951	6.769017
Jarque-Bera	6656.334	8381.807	6633.693	8956.857	3414.846	563.9631	3869.773	1586.304
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	2475	2475	2475	2475	2475	2475	2475	2475

Source: Authors' Calculation

Table 1 reports the summary statistics of the indices' returns. From the table, it can be observed that all the indices except the NIFTY Pharma index are negatively skewed. Analysing the kurtosis values indicates that all the return series follow the platykurtic distribution.

Jarque-Bera test examines the variables and whether the series follow a normal distribution. Thus, a p-value of less than 0.05 will indicate the series is not normally distributed at the 5% significance level. Analysing the Jarque-Bera statistics reveals that none of the return series are normally distributed. The results of the skewness, kurtosis and Jarque-Bera test suggest that the returns of the selected sectoral indices are distributed asymmetrically.

Table 2 Unit Root Tests

	ADF		PP	
Variables	Constant (at level)	Constant + Trend (at level)	Constant (at level)	Constant + Trend (at level)
NIFTY Auto	-31.7076*	-31.7271*	-36.5958*	-36.5864*
NITY Financial Services	-11.3633*	-11.3590*	-38.4550*	-38.4474*
NIFTY FMCG	-13.9775*	-14.0172*	-37.5352*	-37.5428*
NIFTY IT	-26.3877*	-26.4283*	-38.1131*	-38.1168*
NIFTY Media	-12.6184*	-12.6441*	-35.0492*	-35.0567*
NIFTY Metal	-14.3538*	-14.3995*	-36.6527*	-36.5838*
NIFTY Pharma	-24.7461*	-24.7501*	-35.2525*	-35.2497*
NIFTY Realty	-25.3372*	-25.3453*	-33.9717*	-34.3440*

Source: Authors' Calculation

Note: *represents significance at the 1% level

The output of the ADF test and PP test are summarised in Table 2. We have performed the unit root tests with both constant and constant + trend in the equation. If a series is non-stationary then the mean, variance and co-variance of the returns are not constant over time. However, a stationary series' mean, variance and co-variance do not change over time. The output of the ADF test reveals that the selected NIFTY sectoral indices are stationary at level series (the test statistic is significant at the 1 per cent level indicating the computed test statistic is more negative than the critical values). The output of the PP test supports the results of the ADF test and shows that the sectoral indices are integrated into order 1. The presence of the stationarity property in the sectoral indices suggests that the Indian stock market is inefficient in its weak form.

Table 3 Runs Test

	Mean	n_0	n_1	n_0+n_1	Number of Runs	Expected Runs	Z statistic
Nifty Auto Index	4.605642344	1199	1276	2475	955	1237.302	-11.362*
Nifty financial services index	4.605829977	1215	1260	2475	953	1238.090	-11.467*
Nifty FMCG Index	4.605696286	1221	1254	2475	973	1238.28	-10.668*
Nifty IT Index	4.605911804	1218	1257	2475	969	1238.192	-10.826*
Nifty Media Index	4.605447334	1220	1255	2475	947	1238.252	-11.713*
Nifty Metal Index	4.605491194	1223	1252	2475	939	1238.3301	-12.037*
Nifty Pharma Index	4.605627868	1196	1279	2475	937	1237.108	-12.080*
Nifty Realty Index	4.605561983	1166	1309	2475	895	1234.368	-13.691*

Source: Authors' Computation

n_0= Cases < Mean value, n_1= Cases≥ Mean value and n_0+ n_1 = Total number of cases.

*represents statistically significant at the 1% level

The returns of the selected Nifty sectoral Indices are subjected to the Runs test. Table 3 summarises the results of the Runs test based on the Mean. The actual number of runs is lower than the expected number of runs, and the difference is significant across all sectoral indices (computed z-statistic is statistically significant at the 1 percent level). Thus, at the 1% significance level, the null hypothesis of randomness is rejected, indicating that these sector returns from January 2012 to December 2021 are not random. As a result, the Alternative Hypothesis "No randomness in Nifty sectoral Indices returns" can be accepted. The output of the Runs test shows that the Indian stock market is inefficient in its weak form.

Table 4 Variance Ratio Test of NIFTY Auto index returns

	Period	Var. Ratio	Std. Error	z-Statistic	Probability
NIFTY Auto	2	0.694805	0.050407	-6.054591	0.0000
	4	0.348964	0.087459	-7.443935	0.0000
	8	0.167209	0.127321	-6.540863	0.0000
	16	0.087152	0.179133	-5.095925	0.0000
NIFTY Financial services	2	0.683415	0.053586	-5.908031	0.0000
	4	0.328281	0.092384	-7.270909	0.0000
	8	0.156902	0.136190	-6.190614	0.0000
	16	0.084363	0.192835	-4.748295	0.0000
NIFTY FMCG	2	0.674431	0.066712	-4.880197	0.0000
	4	0.333729	0.110485	-6.030425	0.0000
	8	0.172468	0.149749	-5.526113	0.0000
	16	0.089940	0.198970	-4.573860	0.0000

NIFTY IT	2	0.674004	0.056075	-5.813550	0.0000
	4	0.333777	0.093216	-7.147091	0.0000
	8	0.170296	0.125491	-6.611665	0.0000
	16	0.083725	0.166586	-5.500301	0.0000
NIFTY Media	2	0.674004	0.056075	-5.813550	0.0000
	4	0.333777	0.093216	-7.147091	0.0000
	8	0.170296	0.125491	-6.611665	0.0000
	16	0.083725	0.166586	-5.500301	0.0000
NIFTY Metal	2	0.741403	0.039309	-6.578596	0.0000
	4	0.373448	0.069291	-9.042347	0.0000
	8	0.183463	0.101275	-8.062605	0.0000
	16	0.094028	0.140654	-6.441126	0.0000
NIFTY Pharma	2	0.697493	0.038135	-7.932508	0.0000
	4	0.351637	0.065310	-9.927541	0.0000
	8	0.168811	0.092991	-8.938344	0.0000
	16	0.089111	0.130718	-6.968339	0.0000
NIFTY Realty	2	0.712179	0.045345	-6.347315	0.0000
	4	0.367637	0.078010	-8.106157	0.0000
	8	0.182512	0.114054	-7.167568	0.0000
	16	0.096686	0.159495	-5.663569	0.0000

Source: Authors' Computation

The results of the variance ratio test are presented in Table 4. It can be observed that the computed z-statistics for period 2, period 4, period 8 and period 16 for all NIFTY sectoral indices are negative and statistically significant at the 1 per cent level. The significant z-statistics show that the computed z-statistics are more than the critical values. Thus, the null hypothesis of the random walk can be rejected. The results show that the returns of the NIFTY sectoral indices are correlated. This further validates that the Indian stock market is weak form inefficient which supports the results of unit root tests and Runs tests.

Discussion and Conclusion

The study's main goal is to see if the Indian stock market contains characteristics of a weakly efficient market. In addition, the distribution of sectoral returns is studied to see if there is any asymmetry in the returns. We examined the years

2012-2021, which were marked by economic changes and substantial improvements in the Indian stock market. The study's findings reveal that the skewness and kurtosis of the selected sectoral returns deviate from the skewness and kurtosis of a normal distribution. The findings reveal that the returns are asymmetrical. As a result, the study's null hypothesis $H_0 1$ is rejected.

> **Technical analysis, which examines previous stock price movements and volume patterns to predict future price patterns, may be a significant technique for Indian stock market investors to create consistent excess returns.**

The returns of the selected sectoral indexes are stationary, according to the ADF and PP unit root tests. The unit root test results reveal that the future returns of the sectoral indices can be predicted based on past returns. Thus, the null hypothesis $H_0 2$ is rejected. The output of the Runs test and variance ratio test supports the proposition of weak form inefficiency. Thus, $H_0 3$ of the study can also be rejected. The findings of the study are consistent with the previous study of Gupta and Basu (2007), Mishra (2009) and Elangovan et al. (2022). The overall results show that there is asymmetry as well as the absence of randomness in the sectoral returns indicating that the Indian stock market is weak form inefficient. We may offer a few plausible reasons why the Indian stock market exhibits weak-form inefficiency. Behavioural finance asserts that investors are guided more by psychology rather than rationality and efficiency. Thus, the Indian stock market's weak-form inefficiency is due to investor emotions, cognitive errors, market shocks illiquidity and speculative economic bubbles.

The findings of this study provide useful investment techniques for Indian stock market investors. Technical analysis, which examines previous stock price movements and volume patterns to predict future price patterns, may be a significant technique for Indian stock market investors to create consistent excess returns. Future research endeavours can divide the total period time into sub-periods to investigate the time-varying nature of the weak form efficiency of the Indian stock market. Furthermore, researchers can employ advanced techniques like wavelet analysis in their research work. The use of high frequency data on stock price movement can also be used for testing the weakform market efficiency of the Indian stock market.

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Earnings before Interest, Taxes, Depreciation, and Amortisation (EBITDA): An Overview

CA. Ishan Tulsian

Author is member of the Institute. He may be reached at eboard@icai.in

This article provides the meaning and significance of Earning before Interest, Taxes, Depreciation and Amortisation (EBITDA) and its Normalisation, from the practical perspective of business valuation. The Normalisation of EBITDA is a process of streamlining historical EBITDA by eliminating non-recurring and extraordinary nature of income and expenses to ensure that the resulting Normalised EBITDA metric shall be an adequate representation of the future earning capacity of the business. Further, a comprehensive analysis of significant Normalisation Adjustments have been provided along with references being made to short practical case studies and examples. Lastly, a practical illustration is provided, wherein Business Valuation is derived using EBITDA Multiple Relative Valuation methodology by using the Normalised/ Adjusted EBITDA, which has been computed by taking into consideration the effect of and adjusting 22 different Normalisation Adjustments to Historical EBITDA.

Meaning and significance of EBITDA

EBITDA means *Earnings Before Interest, Taxes, Depreciation and Amortisation* and is a useful measure of operating performance by allowing evaluation of **productivity, efficiency and return on capital**, without considering the impacts of **interest expenses, asset base, tax expenses**, and other operating costs. EBITDA is used by analysts and other professionals to compare companies across and within the same industry.

The most widely used and comparable measure of cash flow is EBITDA as it represents a business's cash-generating ability before the impact of burden by capital assets, debt and taxes. Therefore, businesses with varying levels of debt, capital assets or even subject to different tax rates may be compared with each other since there are no such impacts on EBITDA.

Meaning and significance of Normalisation of EBITDA

Normalisation of EBITDA is the process of eliminating **non-recurring, extraordinary, and irregular or non-core expenses or income** which after adjustments represent the future earning capacity which may be expected from the business by the buyer.

Normalised or Adjusted EBITDA is an effective valuation tool which may prove to be useful during acquisition of a business since it **eliminates deviations and irregularities** and regularises historical streams of cash flows.

It is suggested to calculate the EBITDA from the most recent trailing 12 months financial statements. Thereafter, the buyer and seller shall apply several normalising adjustments and "add-backs" to EBITDA to calculate the Adjusted EBITDA.

It is imperative to determine the underlying earning capability of the business and it is advisable for the buyer to **estimate the negative adjustments** to historical EBITDA as well, which may be in the nature of new expense items, post-acquisition that may reduce the going-forward EBITDA.

Amongst other popular valuation methods to value a business, multiple of the company's normalised EBITDA is an easy and effective method for valuing a company (i.e., 6x TTM EBITDA). Usually, normalising EBITDA leads to a **higher post-acquisition**

EBITDA by adding back non-recurring and extraordinary expenses and therefore, the **sellers** and their engaged investment bankers are motivated to obtain such a higher EBITDA which would lead to a higher valuation of business by the EBITDA Multiple method.

On the contrary, the **buyers** are alert to ensure that such normalisation adjustments **do not lead to an overstated EBITDA** and they do not pay for such value of business which may not be realised in the future.

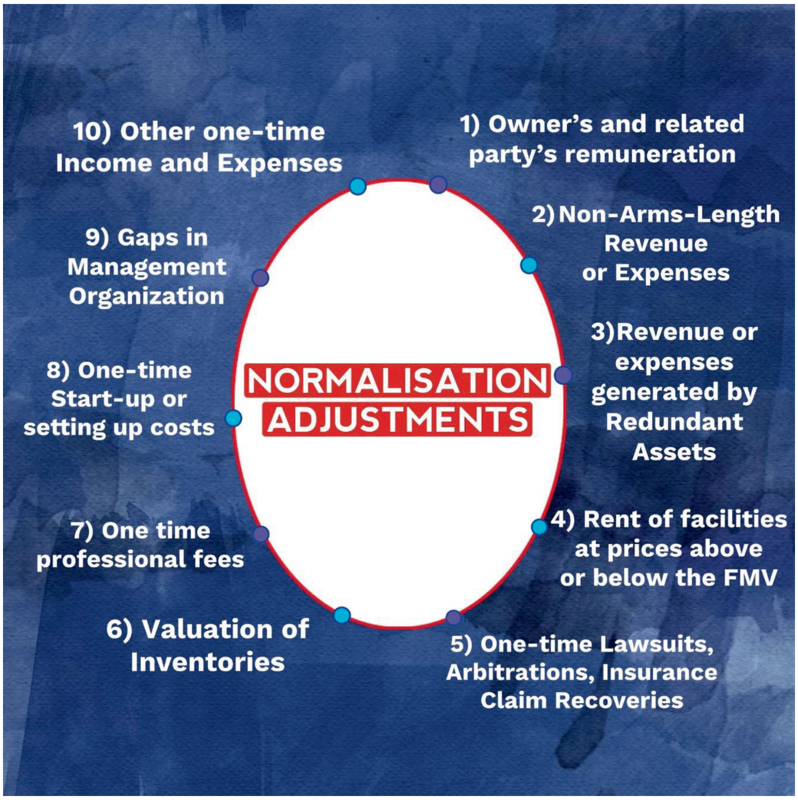
Formula for EBITDA and Normalised/Adjusted EBITDA

Standard EBITDA= net income + income tax + interest expense + depreciation and amortisation

Normalised EBITDA= Standard EBITDA +/- Adjustments

Below are some of the most common adjustments found in small to mid-size companies grouped under non-recurring and non-core revenues and expenses. These adjustments that are made to EBITDA can vary widely by industry, company, time, and case by case:

> **The most widely used and comparable measure of cash flow is EBITDA as it represents a business's cash-generating ability before the impact of burden by capital assets, debt and taxes.**



Source: Self

Detailed analysis of Normalising Adjustments

1) **Owner's and related party's remuneration and Compensation**

A. Business owners, usually of private limited companies, having control over the amount of remuneration to be paid to self, often may remunerate themselves with a **higher or a lower salary** than as compared to that of an **independent third-party manager.**

B. Therefore, their remuneration **may not be marked-to-market** and may reek of **owner's bias** since they may provide for a higher remuneration as a tax mitigation strategy in a certain financial year or may provide for a lower salary than fair market value in order to record a higher net income for a certain financial year.

C. Also, the owner may declare **extraordinary bonuses** at the end of the year to the managerial personnel in order to **save income tax** for the business entity.

D. Therefore, in order to remove the owner's bias, the valuer may **add back such superfluous or understated remuneration and subtract the remuneration paid to a third-party manager for similar services** towards either operational management, intellectual engagement or business

> **Normalised or Adjusted EBITDA is an effective valuation tool which may prove to be useful during acquisition of a business since it eliminates deviations and irregularities.**

development paid in similar organisations in alike circumstances, to the recurring EBITDA to obtain a normalised EBITDA.

E. Specific owner-related business and personal expenses debited to the income statement which may not continue to incur after the business acquisition transaction may be added back to the historical EBITDA. Example of such expenses may be expenses related to **personal vehicles, health or life or auto insurance, Keyman Insurance, inordinately high travelling and accommodation expenses, entertainment expenses and club and association memberships.**

F. Higher salaries and other remuneration paid to certain **family members** who **may not be actively involved** in the operations of the business may be added back and salary of third-party manager at fair market value or at a market-based salary may be subtracted to obtain the recurring EBITDA.

2) **Non-Arms-Length Revenue or Expenses**

A. **Related party transactions** of the business entity with its related parties may be at a price which is higher or lower than the market rates and requires modification in the historical EBITDA by eliminating such revenue or expenses and taking into consideration such revenues or expenses which are at **Arms-Length pricing** and are between two unrelated and independent parties.

B. Few examples of sales or expenses that are not at an arm's-length transaction are (a) **Related entities selling products or services to each other at marked-up rates and/or (b) Cross use of employees at no or inadequate remuneration which is not in tandem with the market rates of similar labour input.**

C. In case the company under valuation is a **subsidiary company** and majority of its sales are made to its holding company at non-arm's length pricing which may for instance be at a higher rate than the market rate, then the valuer is required to normalise the EBITDA by eliminating the effect of such inflated profit due to such inflated sales to a related party and instead ensure that EBITDA reflects the fair market value of these supplies.

D. In case the company under valuation, purchases supplies from a supplier company in which a **director of the former company is interested** or a major shareholder and the purchases are made at a price higher than the market value, then the valuer is required to normalise the EBITDA by eliminating the effect of such understated profit due to such inflated purchases from a related party and instead ensure that EBITDA reflects the FMV of these supplies.

E. There may be certain **rebates or discounts** of which the benefits may not pass on to a new owner and such transactions may also be categorised as at being at non-arm's-length and the valuer should consider reducing such amounts from the historical EBITDA.

3) **Revenue or expenses generated by Redundant Assets**

A. **Expenses incurred on** redundant assets or non-productive assets i.e., assets owned by the company that don't contribute to revenue-generating activities or towards the operation of the business, may be added back to the historical EBITDA to normalise the recurring EBITDA.

B. **Income from redundant assets or non-productive assets** i.e., assets owned by the company that don't contribute to revenue-generating activities or towards the operation of the business, are subtracted

> **It is imperative to determine the underlying earning capability of the business and it is advisable for the buyer to estimate the negative adjustments to historical EBITDA as well.**

from the historical EBITDA to normalise the recurring EBITDA.

C. Say for example, a guest house is maintained for the use and welfare of the employees of the company and such use was provided as an incentive for good performance of such employees or such a guest house was excessively used during COVID times. Since **the guest house is not directly related to the operation of the business** and therefore, expenses incurred on its maintenance may be added back to the EBITDA to normalise it.

4) **Rent of facilities at prices above or below the Fair Market Value**

A. The seller may own real estate properties in a separate legal entity and may have an existing lease/rental contract with the company under valuation, wherein the latter company may be paying **rent above or below the market rent** and necessary adjustments are required to be carried out in the historical EBITDA to reflect the **fair market rent** level.

B. Say for example, in case the office property is given out on rent by the owner-director of a company or the shareholder-director of its holding company and such rent amount is **higher than the market rates of rent of similar properties in similar location**, then upward adjustments may be required in EBITDA by adding back the arbitrary and non-arm's length rent and reducing the true market rent.

C. Say for example, usually **Public Sector Undertakings (PSUs)** maintain offices occupied on **rent which may be much lower than the market value of rent of similar commercial properties in the same location**. Therefore, the EBITDA may be normalised by subtracting the market rent and adding back the actual lower rent. Additionally, the valuer may have to review such rental/lease contracts for the expiry period and other clauses too.

5) **Lawsuits, Arbitrations, Insurance Claim Recoveries and One-time disputes**

A. In case, the entity is undergoing any **one-time or inordinately high and unusual lawsuit** which shall not recur in the future, then, it would be appropriate to add back such expenses to the historical EBITDA. It is pertinent to note that **regular ongoing legal expenses** for which provisioning has been made **shall not be considered** to be added back to EBITDA.

B. Say for example, making provisions for the expected credit loss on trade receivables is a regular exercise and may not be considered as a one-time event. However, in regard to any **extraordinary income or expense in the nature of lawsuits, arbitrations, Insurance Claim recoveries and one-time disputes** that may have been settled during the review period and may

> **"In case, the entity is undergoing any one-time or inordinately high and unusual lawsuit which shall not recur in the future, then, it would be appropriate to add back such expenses to the historical EBITDA."**

not recur may require either adding back or subtracting, as the case may be, from EBITDA to normalise it.

C. In case of an insurance recovery on the death of the managing director by virtue of a **Keyman Insurance Policy** undertaken by the company or **insurance claim recovery on loss of stocks due to cyclone or insurance recovery on demolition of immovable property due to any natural calamity**, such extraordinary incomes would be deducted from EBITDA to normalise it.

6) **Valuation of Inventories**

A. During COVID-19 times, the demand for certain FMCG goods had spiked and the suppliers maintained multiple times of the volume of stock to meet the increase in demand, however as soon as the lockdowns were lifted, the demand regularised and resulted in piling up of high volume of closing stock for such suppliers. Therefore, normalisation in stock may be required in case of **non-recurrent spells of such unexpected stock movement due to unavoidable factors.**

B. In certain cases, due to the **innate nature of the inventory**, the value of the inventory may rise or fall substantially, which may affect the valuation of the business as is in the case of **jewellery, gold and other precious metals and stones** inventory for jewellers and in computing the normalised EBITDA, the valuer may have to take into consideration the **future forecasted prices** of such precious metals during the forecasted period.

C. The management should identify the value of **slow-moving inventory or obsolete inventory** which is required to be written off or sold as scrap. The valuer should ensure normalisation in inventory by eliminating such type of stock from the closing balance of inventory so that the valuation of business is not affected.

7) **One-time professional fees**

A. There may be one-time professional fees paid in regard to setting up a **new service vertical or a business unit or a branch** and additionally other related costs may be incurred such as **research and development costs, marketing costs, training costs and other setting up costs**, which are non-recurring in nature and are specific to the new service vertical. Such non-recurring expenses should be added back to the EBITDA to normalise it.

B. In case the business is currently subject to the exposure of a one-time or inordinately and unusually high amount of payout due to a lawsuit which further involves the **payout of a non-recurring third-party professional legal fees, consulting fees, accounting fees and/or engineering fees**, then such amounts of professional fees should be considered to be added back to the historical EBITDA.

C. However, **regular legal expenses** which is a part and parcel of the operation of the business and for which a provision may also have been created, **would not be considered** to be added back to EBITDA since such expenses are due to the innate nature of the business and shall be expected to be continued in the future as well.

D. Once the buyout transaction goes through, the buyer's existing support infrastructure including the **accounting department, engineering staff, legal staff, Human Resource department or other professional departments would continue and such professional third-party expenses for similar services** would no longer be required to be incurred, therefore, such expenses are to be added back to the Historical EBITDA.

8) **One-time Start-up or setting up costs**

A. Such start-up costs and related setting up costs are non-recurring and considered sunk costs that will not be incurred going forward and in case the same has been incurred in relation to the **launch of a new business vertical** in the same period, then it should be added back to the historical EBITDA.

B. Say for Example, in case of valuation of a food-delivery start-up, wherein the core business model is that of food delivery, the said start-up may launch a **new service vertical of grocery delivery as well**. While considering the historical results of such a start-up, the set-up costs and other associated costs in regard to the new vertical being a one-time expenditure which shall not recur, may be added back to the historical EBITDA for its normalisation, unless the incidence of introduction of new service verticals is frequent.

9) **Gaps in Management Organisation**

A. In case the organisation is primarily **owner-driven** or post acquisition by the buyer, **existing key managerial personnel may exit** the organisation and the buyer may be required to **hire new talent** to fill the gaps in the top line and the functional level of the management. There

> **"The management should identify the value of slow-moving inventory or obsolete inventory which is required to be written off or sold as scrap."**

would likely be a negative adjustment to EBITDA for remuneration, benefits and other items related to the new hires.

B. Also, a simple bookkeeper may be required to be **replaced with a more experienced financial executive or a virtual CFO, financial controller or a Chartered Accountant** as per the growing requirement of the organisation by the buyer and such additional remuneration may have a negative impact on the historical EBITDA.

10) **Other one-time Income and Expenses**

A. In case of excessive amount or a meagre amount of **repair and maintenance expenses** have been incurred in certain years, then **forecasting** of adequate amount of repair and maintenance costs should be made with regard to the **age and condition of the fixed assets** which shall be incurred in the future.

B. In certain cases, business owners may have **aggressively expensed the purchase price of capital assets instead of capitalising** the same and to claim depreciation expense over time on the balance sheet. The valuer should ensure that the historical EBITDA has not been negatively impacted by such accounting practice of the seller.

C. The valuer should evaluate and be aware of other extraordinary items such as **changes in amount of upcoming insurance (positive or negative), upcoming wage rates increases (negative), a one-time major building renovation or repair cost (positive), non-IND-AS or non-Indian GAAP or unusual accounting practices adopted by the seller (positive or negative), and deferred capital expenditures/ maintenance on equipment (negative).**

D. Additionally, the valuer should be alert and sift out other non-recurring and one-time expenses such as **loss due to fraud, misfeasance, theft or siphoning off funds, loss caused due to labour strike or lockouts, unusual amount of gain or losses on disposal of assets, one-time movement and relocation of office expenses, goodwill impairment, and unusual gain or loss due to Foreign Exchange fluctuations** and carry out necessary normalisation adjustments to the historical EBITDA.

The process of Normalisation of historical EBITDA may be illustrated using the following example:

S. No.	Particulars	Effect on EBITDA	Amount (in Rs.)
	Historical EBITDA		10,50,75,250
a)	Incremental remuneration paid to owner versus marked-to-market remuneration of third-party manager i.e., adjustment for owner's bias	(+)	15,75,000
b)	Incremental remuneration paid to inactive owner's relatives versus marked-to-market remuneration of similar third-party manager i.e., adjustment for owner's bias	(+)	6,45,000
c)	Inordinately high owner-specific expenses including health, auto and life insurance, club memberships and travelling expenses not to be incurred post acquisition transaction by the buyer.	(+)	7,15,000
d)	Incremental income due to related party transactions at Non-Arms-Length prices.	(-)	25,75,000
e)	Remuneration not charged to group entities on cross-use of manpower services	(+)	5,85,000
f)	Expenses incurred on Redundant Assets	(+)	5,25,000

CAPITAL MARKET

g)	Incremental rental expenditure due to Rent of facilities at prices above the Fair Market Value	(+)	8,85,000
h)	Lawsuits, Arbitrations and One-time disputes	(+)	12,45,250
i)	One-time professional fees	(+)	3,50,000
j)	One-time Start-up or setting up costs	(+)	17,89,000
k)	Remuneration of new key managerial personnel hired to fill the role of the owner	(-)	25,85,000
l)	One-time extraordinary bonus to KMPs	(+)	7,75,000
m)	Loss on damage to P&M due to *Amphan* cyclone	(+)	4,25,000
n)	Non-recurring Insurance claim received on loss of inventory due to fire- breakout	(-)	2,50,000
o)	One-time Special donation expense	(+)	1,50,000
p)	Expensing of acquisition of fixed asset instead of capitalisation (Adjustment net of depreciation)	(+)	12,75,000
q)	Loss due to non-recurring fraud and misfeasance by company staff	(+)	3,50,000
r)	Unusual gain on disposal of fixed asset	(-)	4,50,000
s)	EBITDA overstated due to adoption of inappropriate accounting policies and practices now adjusted	(-)	3,65,000
t)	One-time expenses on relocation of registered office	(+)	4,25,000
u)	Unusual gain due to foreign exchange fluctuations.	(-)	6,45,000
v)	No requirement of expenses of third-party professional services due to presence of buyer's support infrastructure.	(+)	9,65,000
	Normalised EBITDA		**11,08,84,500**

Source: *Self*

In case the Registered Valuer adopts EBITDA multiple of 8x as the valuation methodology, then it is notable that the Valuation of the business, considering Standard EBITDA before normalisation adjustments, is Rs. 84,06,02,000 and the Valuation of the business, considering Adjusted/Normalised EBITDA after normalisation adjustments, is Rs. 88,70,76,000. **The incremental EBITDA due to normalisation adjustments is Rs. 58,09,250 and the incremental valuation of the business is Rs. 4,64,74,000 (i.e., Rs. 58,09,250 x 8), therefore, an amount of Rs. 4,64,74,000 is to be paid more by the buyer,** since the valuer while adopting any valuation methodology including the EBITDA multiple method of relative valuation of business, would consider the parameter of Normalised EBITDA instead of Standard EBITDA being more reflective of the true value of the business.

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TECHNOLOGY

Technology - Preparing for the Next Wave

CA. Raghuvir Mukherji

Author is member of the Institute. He may be reached at raghuvir.mukherji@gmail.com and eboard@icai.in

The history of human civilisation is often marked by technological milestones. Whether it be individuals, economies or participants in warfare, those with access to the latest / more advanced technology are usually the winners. If we look at the march of human civilisation, there have been four great technological revolutions: the first was mechanical: where we learnt to use leverage and other tools (like wheels and catapults) to make our lives easier. The second great wave started with power: it started with steam power in the 18th century, and ended with machines run on internal combustion engines, that we call motor cars. This was a quantum leap, since it made industrial scale production of goods possible and thus, reduced the cost of production manifold. The third wave came at the dawn of the 20th century with electrification, which revolutionised human life and society. Almost everything we do: from using computers to watching films requires electric power. The fourth wave came with computers and the internet, at the dawn of the 21st Century. This revolution can be summarised with the pithy line "Geography is History".

Now people could do certain jobs virtually from anywhere. It gave rise to the IT and IT Services industries which have lifted millions of people out of poverty. It also coincided with mobile phone technology that combined computer, internet and voice communication devices and made them accessible on the go. Everything from share trading to watching films to playing games to listening to music has moved online. Now what we are witnessing is Industrial Revolution 4.5: the digitisation of content and services.

This article seeks to map out the emerging technologies that India should focus on in order to benefit from these technological trends.

Emerging Technologies

- **Big Data and AI:** Some are calling this the 5th industrial revolution which is already upon us. While this creates visions of a dystopian future (the "Rise of the Machines") the fact is that Algorithms and robotics are being used in everything: from stock market analysis and trading, to credit decisions in Fintech firms, to mobile phones and search engines that correct spellings and help you with searches with helpful cues, to cybernetic (self-correcting) systems installed in power plants that balance loads automatically, to taxation systems that generate alerts when a person's lifestyle does not match his reported income, to cars that tell you how far you will go with the current stock of petroleum that you have, to the Social Media feeds that you see, to the targeted advertisements that appear when you visit websites or watch online videos, all have powerful AI systems and algorithms running them. Machine Learning systems and Neural Networks look for patterns and are able to learn from past experience to improve their algorithms (which in turn provide predictions and take actions) quite like humans do. When Al- Khwarizmi solved his first quadratic equations, little did he know that mathematical routines named after him (algorithms) would transform the world 1200 years later!

  Combined with IoT (internet of Things – the use of web-based technologies in things like domestic white goods and automobiles) creates powerful diagnostic and self-correcting systems.

  What these systems essentially do is sift through vast amounts of past data to predict certain responses / outcomes. Ultimately, we all learn from experience, but AI systems do that much more quickly.

  However, what needs to be understood is that prediction systems tend to reinforce biases based on their analysis of past data, quite like humans. An example I had read was that left to itself, an AI system would only hire white male candidates, predicting their future success, since so many CEOs of Fortune 500 companies are white men because of various socio-economic reasons, and obviously not because white men have some gift that others don't. Accepting this without correcting the bias will only make the system more unfair. Social media feeds that show you content that you like reading create biases because you are caught in an echo chamber of similar views. So AI/ML is a tool that must be used carefully and not blindly and one must be willing to question whether the conclusions drawn are logical, rounded and fair.

> **"Machine Learning systems and Neural Networks look for patterns and are able to learn from past experience to improve their algorithms quite like humans do."**

- **Quantum Computing:** Given the vast amounts of data that is being processed to gain insights, predict probabilistic outcomes and behaviours, and run sophisticated systems, a massive increase in computing power is required. Quantum computing is the way out, since it is much faster than a traditional computer[1]. But before we get there, India has to at least start fabricating chips (integrated circuits).
- **AR and VR:** On a related note, in entertainment and video games, AI powered computer animated games that create augmented / virtual reality worlds are gaining ground. They also enable players dispersed globally to play with each other. AR /VR also have a big role to play in training simulations and as teaching aids. Imagine if students could actually experience the Dandi march or the Revolt of 1857 around them! The Metaverse (from Facebook) is a promising initiative in this area, and companies have started to buy "virtual" experiential "real estate" on the Metaverse.
- **Cyber-Security and Data Protection:** As more data is collected through social media sites and even personal devices like mobile phones and wearable devices, and this data moves online to web servers, there will be more emphasis on protecting this data and not letting it fall into the wrong hands. Financial transactions will also increasingly move online, for which data protection is vital, creating a demand for robust security solutions. It is heartening to see that India is moving to pass data protection laws, though these currently leave Government out of their ambit, which in the author's opinion, is neither fair nor desirable.

> **"Financial transactions will also increasingly move online, for which data protection is vital, creating a demand for robust security solutions."**

- **Communication and bandwidth:** The COVID19 pandemic has underlined the importance of bandwidth, with more people working remotely and meetings and calls taking place through teleconferencing apps like MS Teams and Zoom; as internet usage grows in India, and more and more activities are digitised, the need for bandwidth is going to only increase. 5G spectrum / Fibre Optic cables need to be put in place for quick data transmission and providing large bandwidth. In 2019 in Germany, Fibre optic cables achieved a data transfer speed of 500 GBs / second. Normal internet bandwidth speed in India is about 12MBPS[2]
- **Healthcare Systems: Wonderdrugs, Gene Therapy, Bionics and Vaccines:** Predictably, AI is also being leveraged to create new drugs that target specific diseases and problems. A lot is being done in the realm of chronic, non-communicable diseases like Hypertension, Diabetes, Depression, Cancer and Alzheimer's. Gene therapies using gene editing tech like CASPER CAS-9 can be used to treat genetic diseases in unborn children and help to improve humanity's gene pool. The importance of research on and development of vaccines against existing and new diseases has come to the fore with the global COVID19 pandemic. But

1. *https://edition.cnn.com/ 2019/10/23/tech/google-quantum-supremacy-scn/index.html*
2. *https://economictimes.indiatimes.com/industry/telecom/telecom-news/india-ranks-131-out-of-138-countries-in-mobile-internet-speed-ranking-even-lower-than-iraq/articleshow/78873643.cms?from=mdr*

perhaps the greatest potential is in the area of bionics: this has three parts: wearable technologies that monitor various vital signs, implants augmenting failing human capabilities: e.g. the pacemaker; and artificial organs, like electronic eyes for the blind. The potential for developing "natural" organs using stem cell research is also massive.

> 5G spectrum / Fibre Optic cables need to be put in place for quick data transmission and providing large bandwidth.

- **Uber-isation:** It is a testament to the pioneering impact of the company that like 'Xerox', 'Coke' and 'Google', the brand has become a word (One can now "Uber it to office"). The world's largest taxi service does not own its own taxis, and neither does the world's largest hotel room provider (Air-BnB) own its hotels: the age of the aggregator – an online marketplace selling niche products and services - is here. Amazon is of course, the world's largest aggregator across categories.

  This whole category can be summed up in the line "Why buy the cow when you can just buy the milk?"
- **Cloud Technologies:** In line with aggregation, corporations have realised that instead of having server farms to store databases, and owning costly software systems to run them, they can hire storage space and pay for software based on time used, or on a per transaction basis.
- **Blockchain:** Blockchain is a distributed, self-validating ledger system that has a lot of potential to reduce the cost of maintaining and updating records. This is a lot like the Cloud Service of the ledger: instead of maintaining a dedicated ledger, one can share it with others in a secure environment, reducing the cost of ownership. It is also a very good solution for scenarios like accounting for Government and large banks where entries are made by dispersed functionaries. As a Chartered Accountant, this is especially close to the author's heart.
- **Cryptocurrencies:** Crypto currencies like Bitcoin and Ethereum are alternatives to Central Bank fiat currencies and are being used for internet transactions. The RBI banned the use of Bitcoin in India, which was later lifted by the Supreme Court. However, the Government now appears to be getting a bill to prohibit their use in India. While this may thwart their use in India for domestic transactions, the fact is that they will still continue to be used globally. The Author believes that given their varying values and potential to disrupt monetary policy, we should limit their use to an investment asset (not as currency), and not ban them altogether.

> Blockchain is a distributed, self-validating ledger system that has a lot of potential to reduce the cost of maintaining and updating records.

- **Renewable Energy:** As mankind has progressed, our need for cheap energy has grown manifold. We have also realised that fossil fuels are both polluting and finite, so they need to be replaced with renewable energy like solar, wind and hydro energy. Especially, the potential for solar energy is huge: the sun is a virtually inexhaustible source of energy. While the government has been focusing on this, a lot more can be done to create solar energy farms and power stations. Currently, around 24.2% of India's installed power capacity is renewable. Out of this solar power forms just around 10%[3], amounting to 37.4GW. Apart from this, there is vast potential to tap rooftop solar panels to generate power for domestic needs.
- **Battery Operated Cars and Other Mobility Solutions:** On a related note, the end of the road for the fossil fuel powered internal combustion engine is in sight. Battery operated / hydrogen powered cars that run on rechargeable batteries and possibly, at some point of time in the future, recharged on solar power will take over. There are also other high speed mobility solutions like Hyperloop. We need to move public transport like buses to battery power, and train tracks need to be completely electrified. The introduction of bullet (high speed) trains is also welcome and will help to

3. *https://mercomindia.com/solar-share-in-india-2/*

revolutionise inter-city transport in the decades to come.

- **Water Conservation and Purification:** While 70% of the Earth's surface is covered with water, only 3.5% of it is potable[4]. Rainwater harvesting, groundwater conservation, desalination and recycling technologies will gain prominence as the demand for water increases and global warming reduces the amount of ice on land.
- **Space:** Elon Musk has spoken about his grand vision of making humanity a multi-planetary species by setting up a colony on Mars. After decades of minimal activity, interest in outer space has spiked again. This time, it is not so much to prove technological prowess, but to genuinely increase our scientific understanding of our closest neighbours, explore minerals and also, develop a Plan B for humanity if a great calamity were to strike Earth (e.g. a massive meteor, like the one that wiped out the dinosaurs). The good news is that India has a well-developed space programme. We need to build on this.
- **Defence:** While the author dreams of a borderless subcontinent administered by different nations, and some day perhaps in the distant future, a borderless world, that day is still far away. As the largest importer of armaments in the world, defence technology and its indigenisation obviously has to be an area of focus for us. We need to reverse engineer / transfer technologies and develop these capabilities in the private sector among players. Government should encourage these capabilities to be developed in the IITs and pay remunerative market linked salaries to scientists who work on these technologies in mission mode.
- **Intelligence and Policing:** **A** National Crime Reporting Network that integrates all Police Stations and Intelligence agencies, backed by a common database, is acutely needed. This needs to be integrated with street CCTVs and face recognition technologies. However, this requires proper legal and judicial safeguards, otherwise it brings to the fore visions of an Orwellian State. Advanced countries are also letting people who have served out some part of their sentences or those who are suspects, to walk free, provided they agree to be tracked through wearable devices. In a country like India, where there are a large number of undertrials, this can be experimented with for lesser crimes.

> **"We need to reverse engineer / transfer technologies and develop these capabilities in the private sector among players."**

Paving the Way to the Future

Innovation requires more than just a mission or project in the aforementioned areas; it needs an ecosystem of good education, public funding of research, private capital for development of research findings and taking them to market and a stable socio-political environment to attract capital. India's elite engineering colleges (IITs/ BITS/ DCE/ NITs) need to recruit the best global teaching talent in areas like AI/ data science / materials science/ communication technology to be able to emerge as a leader in these areas. The study of General Science in Colleges and IITs should also be encouraged, since a lot of innovation comes out of that. India's top corporates should also fund fundamental research in some of these areas.

Finally, we must heed the words of Historian Yuval Noah Harari in his book ***21 Ideas for the 21st Century.*** He has said that as the pace of technological change quickens, and longevity increases, it is virtually impossible to train our children for the all the skills that they will require. Some of them might have to change careers mid-way through their professional careers. Computer languages of today would become obsolete by the time they join the workforce. So what they need are skill sets, that he has called the 4 Cs: Critical Thinking, Communication, the ability to Collaborate and Creativity. "Imagination is more important than knowledge" Einstein had said. These technologies will affect the lives of Chartered Accountants in different ways. Some people might need to work with Blockchain; some people with Crypto currencies; others might need to work with databases that are cloud-based. Chartered Accountants, as members of an elite profession which plays a critical role in business and finance, would need to keep themselves updated in order to remain relevant and at the forefront of these changes.

4 *https://www.usgs.gov/special-topic/water-science-school/science/how-much-water-there-earth?qt-science_center_objects=0#*

Why Do We Need One More Form of Digital Money- e₹ in Financial Markets?

Sunil Dasari

Author is an expert in Banking and Finance services. He may be reached at sunildasari755@gmail.com and eboard@icai.in

There are various 'Digital Forms of Money' available to the public today for 'Store of Value and for Payments', including Regular Bank Deposits of Commercial Banks accessed through Banking Apps and also through Debit Cards etc.

Another arrangement using money or payments transaction through 'Credit Cards' or 'Closed Systems' such as: PhonePe, Google Pay, Paytm, Amazon Pay, BHIM, FreeCharge, JioMoney, Mobikwik, Airtel Money, Pockets By ICICI Bank.

Big or Small Commercial Banks, Financial Market Utilities, and others who have Accounts at the Central Bank of the Country have access to their Reserves (Like Cash Reserve Ratio Account Maintenance with RBI), which are also Digital.

One purpose of a Central Bank Digital Currency (CBDC) is to provide a Method of Speedy of Digital Payments with 'Central Bank Money', fitting the current methods of Commerce and Trade Transactions, which is progressively through Online Payment Systems. There is no Equivalent Form of the 'Digital Money' available to the Public.

Present Payment Systems

The Payment Network Effects increase the Value of the Network Exponentially for the Participants / Public with increased adoption. Network effects have resulted in **Consolidation of Payment Networks** by creating a barrier to the entry for the Newer Participants (Payment Network Entities), even though they are having Better Technology. This results Merging of Payment Networks Creates **Monopoly Power in the Country**, thereby Higher Cost Per Transaction especially for Smaller Merchants / Individuals of the Country. Concentration of the Payment Function in a Few Enterprises increases **"Systemic Risk"** i.e., once they failed or insolvent, then it creates problem to the Merchants / Individuals. Central Bank Digital Currency (CBDC) can provide an alternate to the **Retail or Wholesale Payments System**. This is independent of any 'Private System' whose failure could impact Citizens. A Central Bank Digital Currency Run by a Central Bank (Reserve Bank of India) and provides a Public Payment Alternative System in Times of Stress and Crisis as well as provides Competition to **Curb Monopolies of Closed Payment Systems in the Country**.

Commerce in India has grown due to the Globalization of Supply Chains. Remittances from abroad keep many Economies flooded. These are some of the reasons for the growth in **Cross Border Payments of the Country**. Cross Border Payments include Wholesale, Large Value Payments, and Smaller Retail Payments. Cross Border Payments today use a System of Correspondent Banks (through Nostro Accounts) and many messages, leading to the Delays and Costs. Cross Border Payments can be Simplified by using the Central Bank Digital Currency of the Country.

Payments Vision 2025	Payment Systems substitute the Economic Development and the Financial Stability as well as support to the Financial Inclusion. It will Ensuring Safe, Secure, Reliable, Accessible, Affordable and for Efficient Payment Systems has been one of the important Strategic Objectives and the Goals of the Reserve Bank of India (RBI). Towards the achievement of these objectives, India has developed one of the most Modern Payment Systems in the World, whether it may be the large value, retail or fast. For the past decade has witnessed the Prospering of quite a few payment systems, all for the convenience to the common man with enhanced level of confidence through various Safety and Security measures. The Role of RBI has transformed from being a Regulator, Operator and Facilitator to Creator of an Environment for the Structured Development of the Payments Ecosystem in India.

The Central Bank Digital Currency (CBDC) is meant to exist alongside all other forms of '**Fiat'** for the Short to Medium Term. Payments using Central Bank Digital Currency (CBDC) will exist alongside all other Existing Payment barriers through Innovation in Central Bank Digital Currency and Payment Systems will happen if the **Right Technology** is chosen. Dynamic **Interest Rate** setting and other **Smart Features** require Programmable Money.

As per the Central Bank of India, there are **Two Types** of Digital Rupee will be launched in India, namely:

≈ **Retail** or General Purpose (CBDC-Retail-e₹(R)) and

≈ **Wholesale** (CBDC-Wholesale-e₹(W)).

Non-financial Consumers, Private Sectors, Businessmen, etc., can use CBDC-R, while the Use of CBDC-W is restricted to the Selected Financial Institutions such as Interbank Transfers particularly in Call Money Markets, Money Markets, Government Securities Market etc.

Hence, the Reserve Bank of India launched the Digital Rupee in India to offer a Safe and Hazardless Digital Experience during Monetary Transactions.

Besides, it does not come with a Risk of Volatility etc. It is just a Digital Form of the Physical Money/Currency. Reserve Bank of India has selected **Eight Banks** to take part in phase-wise e-₹ (R) pilot program w.e.f. 1st December, 2022 in the following Banks.

- State Bank of India
- ICICI Bank
- Yes Bank
- IDFC First Bank

And it will comprise the First Phase in the Four Cities, to the Residents of:

- Mumbai.
- Bengaluru.
- New Delhi and
- Bhubaneswar.

Process of Central Bank Digital Currency-CBDC

People can used 'Digital Wallets' provided by the 'Partnering Banks' to exchange 'Digital Rupees'. Another Four Banks will join the pilot for the Second Phase soon.

These 'Participating Banks' have launched their Digital Rupee e₹ (R) App to make Transactions more accessible.

The following are for '**Buying or Making**' transactions with the Digital Rupee (e₹-R) during Pilot Launch of Reserve Bank of India:

- A Closed User Group (CUG) consists of Participating 'Merchants and the Customers'. The e-pilot cover in the selected locations in CUG.
- The e-rupee will be issued in the 'Same Denominations' as followed by 'Paper Currency or Coins' of the Country i.e., (₹1 to ₹ 2000 Notes + Coins). It is a Digital Token of the prevailing money that will be distributed through 'Banks as an Intermediary Point'.
- The identified Banks will offer a 'Digital Wallet' that use through 'Smartphones or Laptops' for the Online Transactions of e-Rupee.
- Public may opt for both 'Person-to-Person (P2P)' and 'Person-to-Merchant (P2M)' Transactions by using 'QR Codes' displayed at Malls or Shops.
- Though Digital, the e₹-R comes with all features of 'Physical Cash' like:
- Safety.
- Settlement Finality and
- Trust, etc.
- Convert the Digital Rupee into the other Forms of Money like Commercial Bank Deposits, but it will not Earn any Interest.
- The e-Rupee Pilot will conduct a Real-time Assessment of the Retail use of Digital Rupees, Distribution, and the Stability of complete creation. Furthermore, the Reserve Bank of India will evaluate different Uses and Aspects of the 'Digital Token' according to this Assessment.

Benefits to the Public

- CBDC can easily **Convert** Digital Money into Cash or Commercial Bank Money.
- As the Digital Rupee is a Flexible Legal Tender, it can use it even if **don't** hold a Bank Account to the user.
- It **cannot** be destroyed by tearing apart, burning or any other physical damage.
- Any other Digital Form of money **Cannot** replace e-rupees i.e., CBDC.
- Digital Money is equal to the Paper Currency. Hence, it will **last as long** as Paper Money last.
- **Unlike the Cryptocurrency**, the Digital Rupee is Governed by the Central Authority. Thus, it has a Low Risk of being Volatile and provides the Security to its User.

Risks Associated with Central Bank Digital Currency

Privacy Concerns: The first issue to tackle is the heightened Risk to the privacy of users-given that the

Central Bank could Potentially end up handling an enormous amount of data regarding user transactions. This has the serious implications given that the digital currencies will not offer users the level of privacy and anonymity offered by transacting in cash.

- Compromise of Credentials is another major issue.

Disintermediation of Banks: If sufficiently large and broad-based, the shift to CBDC can impinge upon the Bank's ability to plough back the funds into credit intermediation.

- If e-cash becomes popular and the Reserve Bank of India (RBI) places no limit on the amount that can be stored in mobile wallets, Weaker Banks may struggle to retain low-Cost Deposits.

Other Risks

- Faster Obsolescence of the Technology could pose a threat to the CBDC ecosystem calling for Higher Costs of upgradation.
- Operational Risks of intermediaries as the staff will have to be retrained and groomed to work in the CBDC environment.
- Elevated Cyber Security Risks, Vulnerability Testing and Costs of protecting the Firewalls.
- Operational burden and Costs for the Central Bank in managing CBDC.

Efficacy of Monetary Policy Implementation

The Migration of most of the Citizens to Private Money, including Stablecoins (The Stablecoins are Cryptocurrencies that attempt to Peg their Market Value to some External Reference) or other Forms of Money, may cause the Central Bank to **Lose Control of Monetary Policy**. The provision of Central Bank Digital Currency (CBDC) by the Central Bank allows Transmission of Monetary Policy through One more Channel. The Central Bank can break through the 'Zero' Lower Bound of Cash to stimulate the Economy. The Central Bank Can Curb Inflation through positive **Interest Rates**.

According to **BIS CPMI-MC** Report (2018), Central Bank Digital Currency does not alter the Basic System of Monetary Policy; rather, it has the possible to enable Timely Spread of Monetary Policy.

The Consequences of Central Bank Digital Currency (CBDC) for the Monetary Policy is basically depends on the way it is Designed and its Degree of Usage etc.

In particular, it would depend on the following Policy Decisions of the Central Bank:

i. Whether Central Bank Digital Currency will be Non-remunerated (Without Interest) or Remunerated (With Interest);

ii. Whether it would be extensively reachable just like Physical Currency, or Limited to Wholesale Customers such as Banks (as in the Case of Central Bank Reserves etc.); and

iii. Whether it will be Unnamed like Physical Currency or Ownership will be Identifiable, which leaves the Track of Different Entries.

If the Central Bank Digital Currency could function like the Physical Cash and realize no interest income, in normal times, "Economic Agents" (There are four main types of economic agents: Households or Individuals, Businesses, Governments, and Central banks) would prefer to keep their money in interest bearing bank deposits as Opposed to Central Bank Digital Currency.

However, in the tail-risk event of Economic Instability or a System-wide Bank Run, Central Bank Digital Currency (CBDC) could be viewed as a Safer Substitute of Bank Deposits. It is fully Guaranteed by the Central Bank with 'No Risk' of losing its face value and easily stored in large amounts.

This easy switch to Central Bank Digital Currency can possibly Speed up a Bank Run. The Consequent damage to financial intermediation would directly weaken the 'Efficacy of Monetary Policy'.

> **"The provision of Central Bank Digital Currency (CBDC) by the Central Bank allows Transmission of Monetary Policy through One more Channel. The Central Bank can break through the 'Zero' Lower Bound of Cash to stimulate the Economy."**

An associated Reduction in the availability, and/or an increase in the 'Cost of Credit' from the Banking Sector would likely to have important Consequences for both Aggregate Supply and Demand in the Economy.

Any fall in the Total amount of Bank Lending would also lessen the importance of Bank Lending in the overall Transmission of Monetary Policy.

However, such issues can be addressed by ensuring limits on Central Bank Digital Currency (CBDC) holdings and transactions.

Another School of Thought advocates that Interest Bearing Central Bank Digital Currency could transmit 'Monetary Policy' actions directly to Economic Agents, increasing the efficiency of Monetary Policy. Under this Modality, Economic Agents could also switch to Central Bank Digital Currency from Bank Deposits, which could lead to a Deposit Outflow. This Outflow of Deposits (or Banks' Durable Liquidity) to Central Bank Digital Currency (CBDC) could Motivate Banks to Compete for Deposits, which in turn could Increase Deposit Rates and thus also Retail Lending Rates, despite no increase in the Policy Rate.

> **Reserve Bank of India has been exploring the Pros and Cons of during Pilot launch of the Central Bank Digital Currency.**

To avert this Risk, the Central Bank (Reserve Bank of India) may have to pro-actively inject larger durable liquidity to the Banking System more regularly.

The Impact of CBDC on key Monetary Variables can be Summarised as:

> **While the intent of Central Bank Digital Currency and the expected benefits are well understood, it is important to identify Innovative Methods and compelling use cases that will make Central Bank Digital Currency as Attractive as Cash if not More.**

Impact on	Non-remunerated CBDCs	Remunerated CBDCs
Reserve Money	Yes/No	Yes
Money Supply	No	Yes
Velocity	No	Yes
Money Multiplier	Yes/No	Yes
Liquidity Conditions/LAF	Yes/No	Yes
Monetary Policy (Repo Rate)	No	Yes

Conclusion

Reserve Bank of India has been exploring the Pros and Cons of during Pilot launch of the Central Bank Digital Currency. CBDC, the Central Bank Digital Currency, holds a lot of promises by way of ensuring Transparency, and Low Cost of Operation among other benefits and the potential to expand the existing payment systems to address the needs of a wider category of users.

Central Bank Digital Currency, across the World, is in Conceptual, Development, or at Pilot Stages. Therefore, in the absence of a precedence, extensive stakeholder consultation along with iterative Technology Design must take place to develop a Solution that meets the requirements. While the intent of Central Bank Digital Currency and the expected benefits are well understood, it is important to identify **Innovative Methods** and compelling use cases that will make Central Bank Digital Currency as Attractive as Cash if not More.

References:

1. Reserve Bank of India Concept Note on CBDC.
2. Guidelines on CBDC - Bank for International Settlements.

Non-compliances observed in the Ind AS Financial Statements pertaining to CARO, 2016

Contributed by the Financial Reporting Review Board of the ICAI.
Comments may be sent to frrb@icai.in and eboard@icai.in

Financial Statements are the paramount source in hands of the stakeholders to understand the financial well-being of an enterprise. The users are highly reliant on the information presented in the financial statements and therefore the preparers ought to ensure that it is correct, complete, relevant and adhere to the applicable regulatory requirements. Financial Reporting Review Board (FRRB) reviews the General Purpose Financial Statements (GPFS) of enterprises with the view to identify the non-compliances with Accounting Standards/ Ind AS and Standards of Auditing, CARO, Companies Act, and other applicable statutory requirements. The non-compliances observed by the Board are compiled and published under the name of ''Study on Compliance with Financial Reporting Requirement''. Till date three volumes of the aforesaid publication have been released by the Board. Further, two more publication on "Study on Compliance of Financial Reporting Requirements (Ind AS Framework)" has been released for preparers and auditors of the Ind AS financial statements. In addition, the Board publishes such non compliances observed by way of articles in the 'Journal' of the Institute.

This article is in furtherance of the FRRB's endeavour to update the members and other stakeholders in the field of financial reporting. It may be noted that in the article, the observations related to Ind AS framework have been classified on the basis of components of financial statements i.e. Assets, Equity, Liabilities for Balance Sheet and revenue, interest income, employee benefits etc. for Statement of Profit and Loss and likewise. This article deals with the non-compliances, observed by the Board, with regard to CARO, 2016 which is an important element for Ind AS financial statements.

Observations related to CARO, 2016

Security Provided

Case:

The relevant abstract of paragraph (iv) of Annexure A to the Independent Auditor's Report (reporting under CARO, 2016) reads as follows:

"According to the information and explanation given to us, the Company has not made any loan, investment, and guarantees to any person specified under section 185 and section 186 of the Companies Act, 2013. Therefore, the provisions of paragraph 3(iv) of the Order are not applicable to the Company."

Principle: Companies (Auditor's Report) Order, 2016

Paragraph 3 (iv)

"In respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof."

Observation:

The Board noted from the paragraph (iv) of Annexure A to the Auditor's Report wherein the auditor reported that the company has not made any loan, investment, and guarantees to any person specified under section 185 and section 186 of the Companies Act, 2013. **It was viewed that although the auditor has reported about loans, investments and guarantees under said paragraph but the auditor has not reported on 'security', as required under clause 3 (iv) of CARO, 2016**.

Accordingly, it was viewed that the auditor has not appropriately reported on paragraph 3 (iv) of CARO, 2016.

Compliance of the Companies Act, 2013

Case:

The relevant abstract of the paragraph (iv) of Annexure A to the

Independent Auditor's Report (reporting under CARO, 2016) is reproduced below:

"In our opinion, in respect of loans, investments, guarantees and security the provisions of section 185 has been complied & section 186 has not been complied."

Principle: Companies (Auditor's Report) Order, 2016

Paragraph 3 (iv)

"In respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof"

Paragraph 39 (B) (c) of Guidance Note on CARO, 2016

"B. Compliance of Section 186 of the Companies Act, 2013: Loan and investment by company

Relevant Provisions…

c) …Non-compliance may be reported incorporating following details: -"

S. No	Non-compliance of Section 186				
		Name of Company/ Party	Amount Involved	Balance as at Balance Sheet	Remarks, if any
1.	Investment through more than two layers of investment companies				
2.	Loan given or guarantee given, or security provided or acquisition of securities exceeding the limits without prior approval by means of a special resolution				
3.	Loan given at rate of interest lower than prescribed				
4.	Any other default				

Observation:

The Board noted from the paragraph (iv) of Annexure A to the Independent Auditor's Report that **the auditor has, although, reported the fact that there has been non-compliance of section 186 of the Companies Act, 2013, however, the details of such non-compliance have not been reported**. It was viewed that details of such non-compliance should have been reported by the auditor in the manner specified under paragraph 39 (B) (c) of Guidance Note on CARO, 2016 as given above.

Accordingly, it was viewed that the requirements of paragraph 3 (iv) of CARO, 2016 read with paragraph 39 (B) (c) of Guidance Note on CARO, 2016 have not been complied with by the auditor.

Loans granted

Case:

The relevant abstract of the paragraph (iv) of Annexure A to the Independent Auditor's Report (reporting under CARO, 2016) reads as follows:

"In our opinion and according to information and explanations given to us, the company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable."

Principle:- Companies (Auditor's Report) Order, 2016

Paragraph 3 (iv)

"In respect of loans, investments, guarantees and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof."

Observation:

It was noted from the paragraph (iv) of Annexure A to the Independent Auditor's Report that the auditor has stated that the company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013. However, it was observed from the financials that the company has neither granted loans nor does it have any investments. The Board was of the view that auditor should have reported under the paragraph 3 (iv) of CARO, 2016 based on the factual position.

Accordingly, it was viewed that the auditor has not properly reported on paragraph 3 (iv) of CARO, 2016.

Undisputed Statutory dues

Case:

The relevant abstract of the Auditor's Report under CARO, 2016 reads as below:

"vii. a) The Company is generally regular in depositing undisputed statutory dues, including Provident fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Value Added Tax, Cess, and other material statutory dues applicable to it to the appropriate authorities except GST."

Principle:- Companies (Auditor's Report) Order, 2016

Paragraph 3 (vii) (a)

"whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated."

Observation:

The Board noted from the paragraph (vii) (a) as reproduced above that the auditor has reported that the company is regular in depositing statutory dues except GST. **It was viewed that the auditor's comment under paragraph (vii)(a) of CARO, 2016 is not complete as he has not commented on other part relating to the extent of the arrears of statutory dues (GST) outstanding as on the last day of the financial year for a period of more than six months from the date, they became payable**.

Accordingly, it was viewed that the requirements of CARO, 2016 have not been complied with.

Defaults in Repayment

Case:

In one of the financial statements abstract of the paragraph (viii) of report under CARO, 2016 reads as follows:

"In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks, and debenture holders."

Principle: Companies (Auditor's Report) Order, 2016

Paragraph 3 (viii)

"Whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and Government, lender wise details to be provided)".

Observation:

The Board noted from the financial statements that the company had not borrowed any fund from Banks, Financial Institutions (FIs), and Government. **Only borrowing, as per the financial statements, that company raised was in form of debentures which were issued to the holding company. Therefore, reporting made by auditor as to "no defaults" has been made by company in repayment of dues to FIs, banks is not correct.**

Accordingly, it was viewed that the reporting done by auditor is not appropriate as per the requirements of CARO, 2016.

Utilization of fund raised

Case:

The relevant abstract of paragraph (ix) of Annexure 1 to the Independent Auditor's Report under CARO, 2016 is reproduced below:

"In our opinion and according to the information and explanations given by the management and on an overall examination of the balance sheet, the monies raised by way of debt instruments in the nature of foreign currency bonds and term loans were applied for the purposes for which those were raised, though idle/surplus funds which were not required for immediate utilization have been temporarily invested in fixed deposits / mutual funds."

Principle: Guidance Note on Companies (Auditor's Report) Order, 2016:

Paragraph 45(s) of Guidance Note on CARO, 2016 prescribed following reporting format under paragraph 3 (ix) of CARO, 2016:

In our opinion and according to the information and explanations given to us, the Company has utilized the money raised by way of initial public offer/ further public offer (including debt instruments) and the term loans during the year for the purposes for which they were raised, except for:

Nature of the fund raised	Details of default (Reason /Delay)	Amount (Rs.)	Subsequently rectified (Yes/No) and details
....	....	---	.........."

Observation:

The Board noted from the auditor's comment in reproduced paragraph of CARO reporting that monies were raised by the company through debt instruments and term loans and some of these funds were applied for the purpose for which they were raised, however, there were certain idle funds which were not so utilized and have been temporarily invested in fixed deposits / mutual funds. **It was viewed that though auditor has reported on funds not utilized for intended purposes which they were raised for, in line with paragraph 3 (ix) of CARO, 2016, however, he has not adhered to the suggested reporting format as prescribed under 45(s) of Guidance Note on CARO, 2016.**

Accordingly, it was viewed that the requirements of Guidance Note on CARO, 2016 have not been complied with by the auditor.

Related Party Transactions

Case:

The relevant abstract of the paragraph (xiii) of Annexure A to the Independent Auditor's Report (reporting under CARO, 2016) reads as follows:

"In our opinion and according to the information and explanation given to us, the related party transactions are in compliance with section 177 and 188."

Principle: Companies (Auditor's Report) Order, 2016

Paragraph 3 (xiii)

Whether all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable, and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards"

Observation:

It was noted from the paragraph (xiii) of Annexure A to the Independent Auditor's Report that **auditor has stated that transactions with related parties are in compliance with the section 177 and 188 of the Companies Act, 2013, however, he has not reported as to whether these transactions with the related parties were disclosed in the financial statement in compliance with the applicable accounting standard i.e., Ind AS 24.**

Accordingly, it was viewed that the requirements of paragraph 3 (xiii) of CARO, 2016 have not been complied with by the auditor.

■■■

Reference

ACCOUNTANT'S BROWSER

PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during December 2022 – January 2023 for the reference of Faculty/ Students & Members of the Institute.

1. Accountancy

How accountants can save the world: We ask how accountants can use their superpowers to save the world – and the ten areas they should focus on by Peter Ellington. *International Accountant,* November/December 2022, pp.16-19.

Sustainability reporting and assurance by Deepa Agarwal. *Bombay Chartered Accountant*, December 2022, pp.33-38.

2. Audit

Ensuring accountability & transparency in MGNREGS: Status of action on social audit findings by C. Dheeraja, Papi Reddy Kanthala and Arif Mohd. *Chartered Secretary*, December 2022, pp.40-45.

Restoring trust in audit: Steve collings explains the importance of audit and how the profession is striving to improve levels of confidence in its findings by Steve Colings *International Accountant*, November/December 2022, pp.26-28.

Social auditing – a paradigm shift in wake of emerging corporate governance by S. Badri Narayanan and Garima Shahi. *Chartered Secretary*, December 2022, pp.55-58.

Will technology replace skilled auditors? by Nilanjan Paul. *Bombay Chartered Accountant*, December 2022, pp.19-22.

3. Economics

Anatomy of inflation's ascent in India by Michael Debabrata Patra, Asish Thomas George, G V Nadhanael and Joice John. *RBI Bulletin*, December 2022, pp.79-96.

Import surge and domestic competitiveness: The case of Indian incense sticks industry by Tamanna Chatuurvedi. *Economic & Political Weekly*, December 24, 2022, pp.56-63.

4. Investment

Assessing efficacy of association rules for predicting global stock indices by J. Kaur and K. Dharni. *Decision*, vol.49, No.3, pp.329-339.

5. Management

Goal-boundary typology of nonprofit organizations: a proposal by N. Jammulamadaka. *Decision*, vol.49, No.3, pp.265-282.

How financial accounting screws up HR it distorts hiring, training, and benefits practices by Peter Cappelli. *Harvard Business Review*, January/February 2023, pp.39-44.

Knowing who your client really is: Verification, checks for suspicious activity and discrepancy reporting are all crucial steps in client due diligence, says by David Potts. *International Accountant*, November/December 2022, pp.22-25.

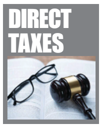
6. Taxation and Finance

GSTR 9 and 9C – Optional to mandatory reporting in FY 2021-22 by Ritesh Jain. *Goods & Services Tax*, vol.94, issue 09, pp.30-32.

Recent developments in GST by G.G. Goyal and C.B. Thakar. *Bombay Chartered Accountant*, December 2022, pp.94-99.

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

Legal Decisions



Income Tax

LD/71/79 Calcutta High Court: M.A.T. No. 1930/ of 2022 Green Valliey Industries Limited Vs. The Assessment Unit 21st November 2022

Calcutta High Court held that assessment order can be set aside in case of violation of natural justice irrespective of the fact that appellate remedy exists against the said order; Assessee was issued a show cause notice u/s 144B alleging mismatch of Rs.58.74 Cr in return of income and form GSTR-1 in response to which assessee filed certain details and asked for additional time to file detailed response and also sought relevant documents which formed basis of alleged mismatch for reconciliation; High Court observed that on perusal of assessment order it was manifest that interim reply of the Assessee was rejected in cryptic manner and merely on the premise that 5 days' time was afforded to file response, however, only 2 effective days were granted.

LD/71/80 Bombay High Court: W. P. No. 38718 of 2022 Sodexo India Services Private Limited Vs. Centralised Processing Centre and Ors 16th November 2022

Assessee-Company, was issued intimation under Section 143(1)(a) proposing adjustment with respect to contingent liability of Rs.42.94 Crores against which the assessee had filed a rectification application u/s 154 to correctly reflect the amount under the head 'Amount in Income Tax Returns' in the said intimation at Rs.42.94 Cr. instead of 0, however, no relief was granted; The said proposed adjustment with respect to contingent liability was incorrect since it was already disclosed in Form 3CD [Clause 21(g)] and disallowed in the computation of income by assessee and thus this was an ex-facie error which deserved to be rectified.

LD/71/81 Supreme Court: SLP No. 7379 of 2019 Jt. Commissioner of Income Tax Vs. Chambal Fertilizers and Chemicals Ltd. 14th December 2022

Supreme Court ruled in favor of assessee on the matter of disallowance of education cess u/s 40(a)(ii); High Court noted that in view of the amendment by the Finance Act, 2022 with retrospective effect from 01/04/2005 to Section 40(a)(ii), the present appeal has to be allowed and thus Education cess paid by the respondent-assessee would not be allowed as an expenditure under Section 37 read with 40 (a) (ii) of the Income Tax Act, 1961; Supreme Court also noted that assessee has paid the tax applicable thereon already.

LD/71/82 Bombay High Court: W.P. 32925 OF 2022 CS and Sons Vs. The National Faceless Assessment Centre, Delhi 08th December 2022

Bombay High Court set aside the assessment order and remanded the matter back to Revenue; Assessee, for the AY 2020-21 was issued a show cause notice under Section 144B(6)(vii) on Sept 13, 2022, requiring Assessee to file the response by Sept 15, 2022, thereby giving Assessee less than two days' time to file the response; High Court noted that the Revenue violated the mandate of National Faceless Assessment Centre, Circular dt. Aug 3, 2022, which prescribes a minimum of seven days period that is required to be given; Grievance of the assessee was registered on the official portal too, which also the Revenue failed to consider while passing the order of assessment.

LD/71/83 ITAT Mumbai: ITA No. 2376/ Mum/2022 P R Packaging Service Vs. The Asst. Commissioner of Income Tax 07th November 2022

ITAT ruled in favour of assessee and deleted the addition made by CPC towards employees' contribution to Provident Fund (PF) on the basis of the statement of tax auditor reporting the delay in remittances of employees' contribution; Section 143(1)(a)(iv) held to be not applicable since the auditor merely recorded the facts and had not stated in the instant case to disallow employees' contribution to PF wherever it is remitted beyond the due date under the Provident Fund Act; Supreme Court ruling in Checkmate Services was rendered in the context where assessment was framed under section 143(3) and the current disallowance would not fall within the ambit of prima facie adjustments u/s 143(1);

Contributed by CA. Sahil Garud, 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.

Legal Updates

LD/71/84 The Supreme Court: Civil Appeal No. 3612/2012 S. M. Overseas Pvt Ltd Vs. Commissioner of Income Tax 07th November 2022

Supreme Court held reassessment proceedings invalid as the Assessee was also subject to rectification proceedings which were not withdrawn by the Revenue; Pursuant to initiation of reassessment proceedings, the reassessment order was passed by the Revenue which was set aside by ITAT due to parallel pendency of rectification proceedings whereas HC remanded the matter back to ITAT by observing that rectification proceedings were time-barred as per Section 154(7); When reassessment notice was issued, the notice u/s 154 was already issued and there was no specific withdrawal of the proceedings under Section 154.

LD/71/85 ITAT Raipur: ITA No. 123/RPR/2022 Rahul Cold Storage Vs. The Income Tax Officer 29th November 2022

ITAT deleted addition of Rs. 46.55 lacs made u/s 68 on account of cash deposited in the bank accounts during demonetisation period holding that assessee sufficiently substantiated its claim that the said cash deposits in the bank accounts, which were made out of the duly accounted rental receipts of cold storage business; ITAT noted that Assessee submitted the cash books, rent details etc. during the course of appellate proceedings before the CIT(A) and concurred with Assessee that Revenue had failed to afford a reasonable opportunity to the Assessee to produce supporting documents, i.e. cash book, rent receipts, registers etc.; ITAT noted that AO had not rejected the books of accounts.

LD/71/86 Delhi High Court: W.P. 16090/2022 Usha Rani Girdhar Vs. The Income Tax Officer 25th November 2022

High Court set aside order u/s Section 148A(d) by holding that Section 148A(b) show cause notice and Section 148A(d) order were based on distinct grounds; Notice u/s 148A(b) for AY 2017-18 was issued alleging escapement of income due to non-reporting of capital gain of Rs.35 Lac arising from the sale of a property; Subsequently, Revenue passed order u/s 148A(d) making addition alleging non reporting of capital gain of Rs.10 Lac on sale of property with different address; Order passed u/s 148A(d) and the notice u/s 148A(b) were on different and separate grounds.

LD/71/87 ITAT Pune: ITA No.816/PUN/2018 Abhishek Ashok Lohade Vs. The Income Tax Officer 22nd November 2022

ITAT denies exemption claimed u/s 10(38) and confirms the addition u/s 68 observing the concerned share transaction of sale of shares of one SRK Industries, to be nothing but sham, make believe and colourful device adopted with excellent paper work with the intention of bringing the undisclosed income into books of account; A statement of the Kolkata-based entry provider was recorded during a search operation, wherein he admitted to have provided the accommodation entries in respect of scrips of SRK Limited and the assessee, despite the adequate opportunity afforded by Revenue, failed to rebut the findings of the Revenue

Disciplinary Case

Issuance of two turnover certificates on same date for same period not in consonance with each other to cause wrongful gain to the Company.- Held, Respondent is GUILTY of professional misconduct falling within the meaning Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

In the instant case, the charge against the Respondent is that he has issued two certificates to the **"Company"** which are not in consonance with each other and were issued by the Respondent to cause wrongful gain to the Company. The Committee noted that as per documents available on record, the Respondent had issued two certificates both dated 20th September, 2015. In the first certificate he has certified that average turnover of the Company for the three financial years i.e. 2012-13, 2013-14 and 2014-15 was ₹ 20,44,82,047.71/-. However, in the second certificate the Respondent had certified that the total turnover for the aforesaid three financial years of the Company was ₹ 37,19,21,846.53/-. The Committee noted that as per the first certificate total turnover of the Company for the three financial years would be more than 60 crores whereas the second certificate shows turnover of 37.19 crores only. The Respondent pleaded that the certificate containing average turnover of ₹

12 crore was originally signed by the Respondent but Certificate showing average turnover of ₹ 20 crores was not signed at all by the Respondent. The Committee noted that the complaint against the Respondent was filed in 2018 whereas he chose to file FIR in 2021 that too against the Complainant whereas he was expected to file complaint against his client that too in reasonable time. The Committee further noted that signature and stamp of the Respondent on both the certificates were same. The Committee noted that books of accounts for the Financial Year 2014-15 were signed on 25th November 2015 i.e. 2 months after the date of the certificate. The Committee also noted that the Respondent himself accepted that for financial year 2014-15 books were not audited and figure was taken on provisional basis. The Committee in this regard viewed that the Respondent should have mentioned in his certificate the fact that turnover figure for financial year 2014-15 was taken from provisional balance sheet. The Committee further noted that Para 2.2 of Guidance Note on Audit Reports and Certificates for Special Purposes provides as under:"*………when a reporting auditor issues a certificate, he is responsible for the factual accuracy of what is stated therein. On the other hand, when a reporting auditor gives a report, he is responsible for ensuring that the report is based on factual data, that his opinion is in due accordance with facts, and that it is arrived at by the application of due care and skill."*

The erroneous certificate issued by Respondent helped his client to get the tender. Thus in light of above noted facts, the Committee held him guilty of professional misconduct falling within the meaning Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 for issuing the alleged certificates without applying professional skepticism and due diligence.

File No. : [PR/231/2018/-DD/255/18 & PR 254/2018(CLUBBED)/DC/1145/2019] Sh. Sushil Agarwal V. CA. Pramod Agarwal.

Circulars/Notifications

Given below are summarised important Circulars and Notifications issued by the CBDT, CBIC-GST 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. Government notifies Special Courts in Odisha u/s 280A - Notification No. 127/2022, dated 26-12-2022

In exercise of the powers conferred by section 280A(1), the Central Government, in consultation with the Chief Justice of the High Court of Orissa, has designated 3 Courts as specified in this notification in the State of Odisha for the areas as specified, as Special Courts for the purposes of section 280A(1).

The detailed Notification can be downloaded from the link below:

https://incometaxindia.gov.in/communications/notification/notification-127-2022.pdf

2. Government notifies the pension fund '1000242244 Ontario Inc.' u/s 10(23FE) - Notification No. 128/2022, dated 28-12-2022

In exercise of the powers conferred by sub-clause (iv) of clause (c) of the Explanation 1 to section 10(23FE), the Central Government has specified the pension fund, namely, 1000242244 Ontario Inc. (PAN: AACCZ0457B), as the specified person for the purposes of the said clause in respect of the eligible investment made by it in India on or after 28.12.2022 but on or before 31.03.2024 subject to the fulfillment of the conditions specified therein.

The detailed Notification can be downloaded from the link below:

https://incometaxindia.gov.in/communications/notification/notification-128-2022.pdf

3. Addendum to Notification 2/2021 - Format, Procedure and Guidelines for submission of Statement of Financial Transactions (SFT) for Interest income (Abolishing of limit of Rs 5,000) - Notification No. 01/2023, dated 05-01-2023

Section 285BA and Rule 114E requires specified reporting persons to furnish SFT. For the purposes of prefilling the return of income, CBDT has issued Notification No. 16/2021 dated 12.03.2021 to include reporting of information relating to interest income. The Format, Procedure and Guidelines for submission of SFT for Interest income was notified via Notification 2/2021 dated 20.04.2021. Vide this notification, for the purpose of reporting interest income, limit of Rs 5,000 has been abolished except Jan Dhan Accounts w.e.f. 05.01.2023.

The detailed Notification can be downloaded from the link below:

https://incometaxindia.gov.in/communications/notification/notification-1-2023-systems.pdf

II. CIRCULARS

1. Clarification for the purposes of clause (c) of Section 269ST of the Income-tax Act, 1961 in respect of dealership/distributorship contract in case of Co-operative Societies - Circular No. 25/2022, dated 30-12-2022

Vide this Circular, the CBDT has clarified that in respect of Co-operative Societies, a dealership/distributorship contract by itself may not constitute an event or occasion for the purposes of clause (c) of Section 269ST. Receipt related to such a dealership/distributorship contract by the Co-operative Society on any day in a previous year, which is within 'the prescribed limit' and complies with clause (a) as well as clause (b) of Section 269ST, may not be aggregated across multiple days for purposes of clause (c) of section 269ST for that previous year.

The detailed Circular can be downloaded from the link below:

https://incometaxindia.gov.in/communications/circular/circular-25-2022.pdf

2. Extension of time limit for compliance to be made for claiming any exemption under Section 54 to 54GB in view of the then-Covid-19 pandemic - Circular No. 01/2023, dated 06-01-2023

In view of the representations received and on further consideration of the then prevailing COVID-19 pandemic and resultant restrictions imposed, causing genuine hardship faced by taxpayers in making the specified compliances under the Act, the CBDT, in exercise of its power u/s 119, has provided that the compliances to be made by the taxpayers such as investment, deposit, payment, acquisition, purchase, construction or such other action, by whatever name called, for the purpose of claiming any exemption under the provisions contained in Section 54 to 54GB, for which the last date of such compliance falls between 01.04.2021 to 28.02.2022 (both days inclusive), may be completed on or before 31.03.2023.

The detailed Circular can be downloaded from the link below:

https://incometaxindia.gov.in/communications/circular/circular-1-2023.pdf

III. PRESS RELEASES/INSTRUCTIONS/ OFFICE MEMORANDUM/ORDER

1. Gross Direct Tax collections for the Financial Year (FY) 2022-23 register a growth of 25.90% - Press Release, dated 18-12-2022

Net Direct Tax collections for the FY 2022-23 have grown at over 19.81%. Advance Tax collections for the FY 2022-23 stand at Rs. 5,21,302 crore as on 17.12.2022 which shows a growth of 12.83%. Refunds aggregating to Rs. 2,27,896 crore have been issued in the current fiscal. There has been a remarkable increase in the speed of processing of income tax returns filed during the current fiscal, with almost 96.5% of the duly verified ITRs having been processed till 17.12.2022.

The complete text of the above Press Release can be downloaded from the link below:

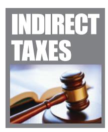
https://incometaxindia.gov.in/Lists/Press%20Releases/Attachments/1123/Press-Release-Gross-DTC-for-the-FY-2022-23-register-a-growth-of-25.9-dated-18-12-2022.pdf

2. Direct Tax Collections for F.Y. 2022-23 up to 10.01.202 - Press Release, dated 11-01-2023

The provisional figures of Direct Tax collections up to 10.01.2023 continue to register steady growth. Direct Tax collections up to 10.01.2023 show that gross collections are at Rs. 14.71 lakh crore which is 24.58% higher than the gross collections for the corresponding period of last year. Direct Tax collection, net of refunds, stands at Rs. 12.31 lakh crore which is 19.55 % higher than the net collections for the corresponding period of last year. This collection is 86.68% of the total Budget Estimates of Direct Taxes for F.Y. 2022-23.

The complete text of the above Press Release can be downloaded from the link below:

https://incometaxindia.gov.in/Lists/Press%20Releases/Attachments/1124/PressRelease-Direct-Tax-Collections-for-FY2022-23-up-to-10-01-2023.pdf



GST

NOTIFICATIONS

1. Amendments in Central Goods and Services Tax Rules:

In order to give effect to the recommendations made at the 48th GST Council meeting, following rules of the CGST Rules, 2017 have been amended vide ***Notification No. 26/2022-CT dt. 26.12.2022*** :

(i) Amendments in rule 8 (Application for registration)
(ii) Amendments in rule 9 (Verification of the application and approval)
(iii) Amendment in rule 12 (Grant of registration to persons required to deduct tax at source or to collect tax at source)
(iv) Amendment in rule 37 (Reversal of input tax credit in the case of non-payment of consideration)
(v) New rule 37A (Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof)
(vi) Amendment in rule 46 (Tax invoice)
(vii) Amendment in rule 46A (Invoice cum bill of supply)
(viii) Amendment in rule 87 (Electronic cash ledger)
(ix) New rule 88C (Manner of dealing with

difference in liability reported in statement of outward supplies and that reported in return) and amendment in rule 59 (Form and manner of furnishing details of outward supplies)

(x) Amendment in rule 89 (Application for refund)

(xi) Amendment in rule 108 (Appeal to the Appellate Authority)

(xii) Substitution of rule 109 (Application to the Appellate Authority)

(xiii) New rule 109C (Withdrawal of Appeal)

(xiv) Amendment in rule 138 (Information to be furnished prior to commencement of movement of goods and generation of e-way bill)

(xv) Amendment in rule 161 (Continuation of certain recovery proceedings)

(xvi) Amendments in certain Forms

The detailed amendments can be referred to from *Notification No. 26/2022-CT dt. 26.12.2022*

2. **Changes in rates of GST pursuant to 48th GST Council meeting held on 17.12.2022**

The 48th GST Council meeting held on 17.12.2022 recommended changes in rates of GST on certain goods. Further, it also recommended changes in respect of goods under reverse charge and changes in relation to exemption on goods as well as services.

(i) In order to give effect to the rate changes on goods, *Notification No. 01/2017-CT(R) dt. 28.06.2017* and *Notification No. 02/2017-CT(R) dt. 28.06.2017* have been amended vide *Notification No. 12/2022-CT(R) dt. 30.12.2022* and *Notification No. 13/2022-CT(R) dt. 30.12.2022* respectively.

Changes in rates and exemption include:

α) Ethyl alcohol supplied to petroleum refineries for blending with motor spirit (petrol) [9% CGST to 2.5% CGST]

β) Husk of pulses including Chilka, Concentrates including chuni or churi, khanda [2.5% CGST to Nil CGST]

(ii) *Notification No. 14/2022-CT(R) dt. 30.12.2022* has been issued to amend reverse charge *Notification No. 04/2017-CT(R) dt. 28.06.2017* to include supply of Mentha arvensis under reverse charge mechanism as has been done for Mentha Oil.

(iii) *Notification No. 15/2022-CT(R) dt. 30.12.2022* has been issued to amend *Notification No. 12/2017-CT(R) dt. 28.06.2017* to –

a) clarify that 'services by way of renting of residential dwelling' shall be exempt where the registered person is proprietor of a proprietorship concern and he rents the residential dwelling in his personal capacity for use as his own residence and such renting is on his own account and not that of the proprietorship concern.

b) omit entry 23A exempting service by way of access to a road or a bridge on payment of annuity.

CIRCULARS

3. **Clarification to deal with difference in Input Tax Credit (ITC) availed in FORM GSTR-3B as compared to that detailed in FORM GSTR-2A for FY 2017-18 and 2018-19**

Circular No. 183/15/2022-GST dt. 27.12.2022 has been issued to provide clarification regarding the manner of dealing with discrepancies between the amount of ITC availed by the registered persons in their FORM GSTR-3B and the amount as available in their FORM GSTR-2A during FY 2017-18 and FY 2018-19.

4. **Clarification on the entitlement of input tax credit where the place of supply is determined in terms of the proviso to sub-section (8) of section 12 of the IGST Act, 2017**

Proviso inserted in sub-section (8) of section 12 of the IGST Act, w.e.f. 01.02.2019, provides that where the transportation of goods is to a place outside India, the place of supply of the said service shall be the place of destination of such goods.

As the place of supply of services in the above proviso, is the concerned foreign destination and not the State where the recipient is registered under GST, doubts have been raised regarding the availability of input tax credit of the said services to the recipient located in India.

Circular No. 184/16/2022-GST dt. 27.12.2022 has been issued to clarify the said issue.

5. **Clarification with regard to applicability of provisions of section 75(2) of CGST, 2017 and its effect on limitation**

Circular No. 185/17/2022-GST dt. 27.12.2022 has been issued to clarify issues with regard to applicability of provisions of section 75(2).

6. **Clarification on various issues pertaining to GST**

Circular No. 186/18/2022-GST-dt. 27.12.2022 has been issued to clarify that no claim bonus cannot be considered as a consideration for any supply provided by the insured to the insurance company. Further, it has been clarified that GST shall be leviable on actual insurance premium amount, payable by the policy holders to the insurer, after deduction of No claim bonus mentioned on the invoice. Further, it has been clarified that the exemption from mandatory generation of e-invoices in terms of *Notification No. 13/2020-CT, dated 21st March, 2020* from generation of e-invoices is for the entity as a whole and is not restricted by the nature of supply being made by the said entity.

7. **Clarification regarding the treatment of statutory dues under GST law in respect of the taxpayers for whom the proceedings have been finalised under Insolvency and Bankruptcy Code, 2016 (IBC)**

As per *Circular No.134/04/2020-GST dated 23rd March, 2020,* no coercive action can be taken against the corporate debtor with respect to the dues of the period prior to the commencement of Corporate Insolvency Resolution Process (CIRP). Such dues will be treated as 'operational debt' and the claims may be filed by the proper officer before the NCLT in accordance with the provisions of the IBC.

Circular No. 187/19/2022-GST dt. 27.12.2022 has been issued to clarify on the modalities for implementation of the order of the adjudicating authority under IBC, with respect to demand for recovery against such corporate debtor under the CGST Act as well as under the existing laws and the treatment of such statutory dues under the CGST Act and existing laws, after finalization of the proceedings under IBC.

As per section 84 of CGST Act, if the government dues against any person under CGST Act are reduced as a result of any appeal, revision or other proceedings in respect of such government dues, then an intimation for such reduction of government dues has to be given by the Commissioner to such person and to the appropriate authority with whom the recovery proceedings are pending. Further, recovery proceedings can be continued in relation to such reduced amount of government dues.

The word 'other proceedings' is not defined in the CGST Act. It is to be mentioned that the adjudicating authorities and appellate authorities under IBC are quasi-judicial authorities constituted to deal with civil disputes pertaining to insolvency and bankruptcy. For instance, under IBC, NCLT serves as an adjudicating authority for proceedings which are initiated on application from any stakeholder of the entity like the firm, creditors, debtors, employees etc. and passes an order approving the resolution plan. As the proceedings conducted under IBC also adjudicate the government dues pending under the CGST Act or under existing laws against the corporate debtor, the same appear to be covered under the term 'other proceedings' in section 84.

Rule 161 of CGST Rules, 2017 prescribes FORM GST DRC-25 for issuing intimation for such reduction of demand specified under section 84. Accordingly, in cases where a confirmed demand for recovery has been issued by the tax authorities for which a summary has been issued in FORM GST DRC-07/DRC 07A against the corporate debtor, and where the proceedings have been finalised against the corporate debtor under IBC reducing the amount of statutory dues payable by the corporate debtor to the government under CGST Act or under existing laws, the jurisdictional Commissioner shall issue an intimation in FORM GST DRC-25 reducing such demand, to the taxable person or any other person as well as the appropriate authority with whom recovery proceedings are pending.

8. **Manner of filing an application for refund by unregistered persons**

Circular No. 188/20/2022-GST dt. 27.12.2022 has been issued to prescribe the procedure for filing of refund application by an unregistered person.

In order to enable unregistered persons to file application for refund under sub-section (1) of section 54, in cases where the contract/ agreement for supply of services of construction of flat/ building has been cancelled or where long-term insurance policy has been terminated, and the time period for issuance of credit note has already expired, a new functionality has been made available on the common portal which allows unregistered persons to take a temporary registration and apply for refund under the category 'Refund for Unregistered person'. Further, sub-rule (2) of rule 89 of CGST Rules has been amended and statement 8 has been inserted in FORM GST RFD-01 vide *Notification No. 26/2022-CT dt. 26.12.2022* to provide for the documents required to be furnished along with the application of refund by the unregistered persons and the statement to be uploaded along with the said refund application.

For the purpose of determining relevant date in terms of clause (g) of Explanation (2) under section 54 of the CGST Act, date of issuance of letter of cancellation of the contract/ agreement for supply by the supplier will be considered as the date of receipt of the services by the applicant.

No refund shall be claimed if the amount is less than one thousand rupees.

Further, in cases, where the amount paid back by the supplier to the unregistered person on cancellation/termination of agreement/contract for supply of services is less than amount paid by such unregistered person to the supplier, only the proportionate amount of tax involved in such amount paid back shall be refunded to the unregistered person.

Matter on Direct and Indirect Taxes is contributed by Direct Taxes Committee, GST & Indirect Taxes Committee of ICAI respectively.

IMPORTANT ANNOUNCEMENT - EXAMINATION DEPARTMENT

10th January 2023

No. 13-CA (EXAM)/MAY - JUNE/2023: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to announce that the next Chartered Accountants Foundation, Intermediate and Final Examinations will be held on the dates and places which are given below provided that sufficient number of candidates offer themselves to appear from each of the below mentioned places.

Similarly, Examination in Post Qualification Course under Regulation 204, viz.: International Taxation – Assessment Test (INTT – AT) (which is open to the members of the Institute) will be held on the dates and places (centres in India only) which are given below provided that sufficient number of candidates offer themselves to appear from each of the below mentioned places.

FOUNDATION COURSE EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 25 F (3) of the Chartered Accountants Regulations, 1988.]

24th, 26th, 28th & 30th June 2023

INTERMEDIATE COURSE EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 28 G (4) of the Chartered Accountants Regulations, 1988.]

Group-I:	**3rd, 6th, 8th & 10th May 2023**
Group-II:	**12th, 14th, 16th & 18th May 2023**

FINAL COURSE EXAMINATION

[As per syllabus contained in the scheme notified by the Council under Regulation 31 (iv) of the Chartered Accountants Regulations, 1988.]

Group -I:	**2nd, 4th, 7th & 9th May 2023**
Group -II:	**11th, 13th, 15th & 17th May 2023**

MEMBERS' EXAMINATION

INTERNATIONAL TAXATION – ASSESSMENT TEST (INTT – AT)

11th & 13th May 2023

No examination is scheduled on 5th May 2023 (Friday) on account of Budha Purnima, being a compulsory (gazetted) Central Government holiday as per F. No. 12/5/2022-JCA-2 dated 16.06.2022 issued by Ministry of Personnel, Public Grievance and Pensions, Government of India.

It may be emphasized that there would be no change in the examination schedule in the event of any day of the examination schedule being declared a Public Holiday by the Central Government or any State Government / Local Bodies.

Paper(s) 3 & 4 of Foundation Examination are of 2 hours duration. Similarly, Elective Paper - 6 of Final Examination and all papers of International Taxation – Assessment Test are of 4 hours duration. However, all other examinations are of 3 hours duration, and the examination wise timing(s) are given below:

Examination	Paper(s)	Exam. Timings (IST)	Duration
Foundation	Paper 1 & 2	2 PM to 5 PM	3 Hours
	Paper 3 & 4*	2 PM to 4 PM	**2 Hours**
Intermediate	All Papers	2 PM to 5 PM	3 Hours
Final	Paper 1 to 5 & Paper 7 & 8.	2 PM to 5 PM	3 Hours
	Paper 6 (Elective)	2 PM to 6 PM	**4 Hours**
Post Qualification Course Examination i.e., International Taxation (INTT – AT)	ALL	2 PM to 6 PM	**4 Hours**

*In Paper 3 and 4 of Foundation Examination and all papers of Post Qualification Course Examination there will not be any advance reading time, whereas in all other papers / exams mentioned above, an advance reading time of 15 minutes will be given from 1.45 PM (IST) to 2 PM (IST).

Further, in case of composite papers having both MCQs based & Descriptive Question Papers, seal of MCQs based Question Paper shall be opened at 2 PM (IST), in other words there will be no prior reading time for MCQs based Question Papers

3. PLACES OF EXAMINATION CENTRES:

The Chartered Accountants Examinations, May / June 2023 will be held in the following Indian cities:

Name of the State	No. of Cities	Name of the Examination City
Andaman and Nicobar Islands	1	Port Blair
Andhra Pradesh	14	Anantapur, Eluru, Guntur, Kadapa, Kakinada, Kurnool, Nellore, Ongole, Rajamahendravaram, Srikakulam, Tirupati, Vijayawada, Visakhapatnam and Vizianagaram
Assam	5	Dibrugarh, Guwahati, Jorhat, Silchar and Tinsukia
Bihar	12	Begusarai, Bhagalpur, Darbhanga, Gaya, Madhubani, Motihari, Muzaffarpur, Patna, Purnea, Samastipur, Sitamarhi and Siwan
Chattisgarh	5	Bilaspur, Durg, Raigarh, Raipur and Rajnandgaon
Chandigarh	1	Chandigarh
Delhi / New Delhi	1	Delhi / New Delhi
Goa	2	Mapusa and Margao
Gujarat	20	Ahmedabad, Anand, Bharuch, Bhavnagar, Bhuj, Gandhidham, Gandhinagar, Himatnagar, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Palanpur, Porbandar, Rajkot, Surat, Surendranagar, Vadodara and Vapi
Haryana	18	Ambala, Bahadurgarh, Bhiwani, Faridabad, Fatehabad, Gurgaon (Gurugram), Hisar, Jind, Kaithal, Karnal, Kurukshetra, Narnaul, Panipat, Rewari, Rohtak, Sirsa, Sonepat and Yamuna Nagar
Himachal Pradesh	1	Shimla
Jammu & Kashmir	2	Jammu and Srinagar
Jharkhand	7	Bokaro Steel City, Deoghar, Dhanbad, Hazaribagh, Jamshedpur, Ramgarh and Ranchi
Karnataka	23	Bagalkot, Belgaum, Bellary, Bengaluru, Chikkaballapur, Chitradurga, Davangere, Gadag, Hassan, Haveri, Hubli, Kalaburgi (Gulbarga), Kolar, Koppal, Mandya, Mangalore, Mysore, Raichur, Shimoga, Sirsi, Tumakuru, Udupi and Vijayapura
Kerala	14	Adoor, Alappuzha, Ernakulam, Idukki, Kalpetta, Kannur, Kasaragod, Kollam (Quilon), Kottayam, Kozhikode, Malappuram, Palakkad, Thiruvananthapuram and Thrissur
Madhya Pradesh	15	Bhopal, Burhanpur, Chhindwara Gwalior, Indore, Jabalpur, Katni, Khandwa, Mandsaur, Neemuch, Ratlam, Rewa, Sagar, Satna and Ujjain
Maharashtra	36	Ahmednagar, Akola, Amravati, Aurangabad, Badlapur, Beed, Bhiwandi, Khamgaon (Buldhana), Chandrapur, Dhule, Gondia, Ichalkaranji, Jalgaon, Jalna, Kolhapur, Latur, Mumbai, Nagpur, Nanded, Nandurbar, Nashik, Navi Mumbai, Palghar, Panvel, Parbhani, Pimpri-Chinchwad, Pune, Ratnagiri, Sangli, Satara, Sindhudurg, Solapur, Thane, Vasai, Wardha and Yavatmal
Meghalaya	1	Shillong

Name of the State	No. of Cities	Name of the Examination City
Odisha	8	Balangir, Berhampur (Brahmapur), Bhubaneswar, Cuttack, Jharsuguda, Rayagada, Rourkela and Sambalpur
Puducherry	1	Puducherry
Punjab	8	Amritsar, Bathinda, Jalandhar, Ludhiana, Mandi Gobindgarh, Pathankot, Patiala and Sangrur
Rajasthan	22	Ajmer, Alwar, Banswara, Beawar, Bharatpur, Bhilwara, Bikaner, Bundi Chittorgarh, Churu, Jaipur, Jhunjhunu, Jodhpur, Kishangarh, Kota, Nagaur, Pali - Marwar, Rajsamand, Sikar, Sirohi, Sri Ganganagar and Udaipur
Sikkim	1	Gangtok
Tamil Nadu	27	Chennai, Coimbatore, Cuddalore, Dharmapuri, Dindigul, Erode, Hosur, Kancheepuram, Karaikudi, Karur, Kumbakonam, Madurai, Nagapattinam, Nagercoil, Namakkal, Pudukkottai, Salem, Sivakasi, Theni, Tiruchirapalli, Tirunelveli, Tirupur, Tiruvallur, Tiruvannamalai, Tuticorin, Vellore and Villupuram
Telangana	8	Adilabad, Hyderabad, Karimnagar, Khammam, Mahabubnagar, Nalgonda, Nizamabad and Warangal
Tripura	1	Agartala
Uttar Pradesh	18	Agra, Aligarh, Allahabad (Prayagraj), Bareilly, Bulandshahr, Firozabad, Ghaziabad, Gorakhpur, Jhansi, Kanpur, Lucknow, Mathura, Meerut, Moradabad, Muzaffarnagar, Noida, Saharanpur and Varanasi
Uttarakhand	4	Dehradun, Haldwani, Haridwar and Kashipur
West Bengal	7	Asansol, Durgapur, Hooghly, Kharagpur, Kolkata, Raniganj and Siliguri

PLACES OF EXAMINATION CENTRES OVERSEAS:

[FOR FOUNDATION, INTERMEDIATE AND FINAL EXAMINATIONS ONLY]

The May / June 2023 Examinations will also be held at 8 (Eight) overseas examination centres, namely

Overseas	Abu Dhabi, Bahrain, Thimpu (Bhutan), Doha, Dubai, Kathmandu (Nepal), Kuwait and Muscat

The Examination commencement timings at Abu Dhabi, Dubai and Muscat Centres will be 12.30 PM i.e. Abu Dhabi, Dubai and Muscat local time corresponding / equivalent to 2 PM. (IST). The Examination commencement timing at Bahrain, Doha, and Kuwait Centre will be 11.30 AM i.e. Bahrain / Doha / Kuwait local time corresponding / equivalent to 2 PM (IST). The Examination commencement Timing at Kathmandu (Nepal) Centre will be 2.15 PM Nepal local time corresponding / equivalent to 2 PM (IST). The Examination commencement Timing at Thimpu (Bhutan) Centre will be 2.30 PM Bhutan local time corresponding / equivalent to 2 PM (IST).

The Council reserves the right to withdraw any city / centre at any stage without assigning any reason.

Online filling up of examination forms:

As a part of automation and platform consolidation, ICAI is pleased to announce that all candidates in respect of Foundation, Intermediate & Final Examinations will be required to apply online at https://eservices.icai.org (Self Service Portal - SSP) for May / June 2023 Exam and also pay the requisite examination fee online. These forms are based on your eligibility of your course based on announcements and regulations. These forms will be available on SSP, and you are requested to login with your credentials (Username <SRN@icai.org> and password). These Exam forms will be available in SSP effective designated dates as would be announced on www.icai.org.

Kindly Note: If you have never registered as a user in SSP, Kindly open the following URL:https://eservices.icai.org/EForms/configuredHtml/1666/57499/Registration.html?action=existing

Please use forgot password option in case you have forgotten or lost your password. Students are also requested to Create User Name, Register Course, Convert Course, Revalidate, Update Photo, Signature and Address on SSP only.

Members desirous to apply for Post Qualification Course Examinations i.e., International Taxation – Assessment Test (INTT – AT) (which is open to the members of the Institute) are required to apply on-line at **pqc.icaiexam.icai.org** and also pay the applicable examination fee online only.

Examination fee can be remitted on-line by using VISA or MASTER or MAESTRO Credit / Debit Card / Rupay Card / Net Banking / Bhim UPI.

Opening and Closing of online window for submission of examination application forms.

The following dates(s) may be noted:

Details	For Main & PQC Exams [May 2023]	For Foundation Exam [June 2023]
Commencement of submission of online examination application forms	**3rd February 2023** [Friday]	**3rd February 2023** [Friday]
Last date for submission of online examination application forms (without late fees)	**24th February 2023** [Friday]	**24th February 2023** [Friday]
Last date for submission of online examination application forms (with late fees of ₹ 600/- or US $ 10)	**3rd March 2023** [Friday]	**3rd March 2023** [Friday]

Furthermore, for students seeking change of examination city / medium for the Chartered Accountants Foundation Examination – May / June 2023, the correction window for the examination forms already filled shall be available during 4th March 2023 [Saturday] to 10th March 2023 [Friday].

Examination Fee

The examination fee(s) for various courses are as under: -

Intermediate Course Examination	
For Indian Centre(s)	
Single Group / Unit 4A to 10 (except Unit 8A & 9A)	₹ 1500/-
Both Groups / Unit 8A / Unit 9A	₹ 2700/-
For Overseas Centre(s) – Excluding Kathmandu & Bhutan Centre	
Single Group / Unit 4A to 10 (except Unit 8A & 9A)	US$ 325
Both Groups / Unit 8A / Unit 9A	US$ 500
For Kathmandu & Bhutan Centre	
Single Group / Unit 4A to 10 (except Unit 8A & 9A)	INR ₹ 2200
Both Groups / Unit 8A / Unit 9A	INR ₹ 3400
Final Course Examination	
For Indian Centre(s)	
Single Group	₹ 1800/-
Both Groups	₹ 3300/-

For Overseas Centre(s) – Excluding Kathmandu & Bhutan Centre	
Single Group	US$ 325
Both Groups	US$ 550
For Kathmandu & Bhutan Centre	
Single Group	INR ₹ 2200
Both Groups	INR ₹ 4000
INTERNATIONAL TAXATION – ASSESSMENT TEST	₹ 2000/-
Foundation Course Examination	
For Indian Centre(s)	₹ 1500/-
For Overseas Centre(s) – Excluding Kathmandu & Bhutan Centre	US$ 325
For Kathmandu & Bhutan Centre	INR ₹ 2200

The late fee for submission of examination application form after the scheduled last date would be ₹ 600/- (for Indian / Kathmandu / Bhutan Centres) and US $ 10 (for Abroad Centres) as decided by the Council.

OPTION TO ANSWER PAPERS IN HINDI:

Candidates of Foundation, Intermediate and Final Examinations will be allowed to opt for English / Hindi medium for answering papers. Detailed information will be found in guidance notes hosted at **https://icaiexam.icai.org**. However, the medium of Examinations will be only English in respect of Post Qualification Course viz.: International Taxation – Assessment Test (INTT – AT).

The Candidates are advised to note the above and stay in touch with the website of the Institute, www.icai.org.

(S. K. GARG)

ADDITIONAL SECRETARY
(EXAMINATIONS)

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

9, DEEN DAYAL UPADHYAYA MARG, NEW DELHI – 110 002

Empanelment of Chartered Accountant firms/LLPs for the year 2023-2024

Online Applications are invited from Chartered Accountant firms/LLPs who desire to be empanelled with the office of the Comptroller and Auditor General of India for the year 2023-2024 for considering for appointment as auditors of Companies as per Sections 139(5) and 139(7) of the Companies Act 2013 and of Statutory Corporations/Autonomous Bodies as per the provisions of their respective Acts. Online application form along with detailed instructions in this regard will be available on the website www.cag.gov.in from 06 January 2023 to 15 February 2023. The applicant firms/LLPs will have to fill/update the data showing the status of their firm as on 1 January 2023. After filling/updating the data, the firms/LLPs will be required to generate online acknowledgement letter for the year. If the firms/LLPs fail to generate online acknowledgment letter, their application would not be considered for empanelment. The firms/LLPs will be required to submit a print out of the acknowledgement letter generated online and also hard copies of the documents in support of their online application to this office by 28 February 2023.

Sd/-

Sr. Administrative Officer/CA-V

Result of Chartered Accountants Final Examination Held in November - 2022

The result of the Chartered Accountants Final Examination was declared recently.

The details of percentage of candidates passed in the above said examinations are given below:

	Group(s)	No. of candidates appeared	No. of candidates passed	% of pass
I	**Group-I**	65291	13969	21.39
II	**Group-II**	64775	12053	18.61
III	**Both Groups**	29242	3243	11.09

Consequent to declaration of result as mentioned above, 12825 candidates qualified as Chartered Accountants.

The details of top three rank holders on the all-India basis for the FINAL Examination held in November - 2022 with the marks secured by them are also given herewith.

Toppers of Chartered Accountants Final Examination November - 2022

	ALL INDIA TOPPER FIRST RANK	ALL INDIA SECOND RANK	ALL INDIA SECOND RANK	ALL INDIA THIRD RANK
				
Name	**Harsh Choudhary**	**Shikha Jain**	**Ramyashree**	**Mansi Agarwal**
City	New Delhi	Indore	Mangaluru	New Delhi
Marks	618/800	617/800	617/800	613/800
%	77.25	77.13	77.13	76.63

Result of Chartered Accountants Intermediate Examination Held in November - 2022

The result of the Chartered Accountants Intermediate Examination was declared recently.

The details of percentage of candidates passed in the above said examinations are given below:

	Group(s)	No. of candidates appeared	No. of candidates passed	% of pass
I	**Group-I**	100265	21244	21.19
II	**Group-II**	79292	19380	24.44
III	**Both Groups**	37428	4759	12.72

The details of top three rank holders on the all-India basis for the INTERMEDIATE Examination held in November - 2022 with the marks secured by them are also given herewith.

Toppers of Chartered Accountants Intermediate Examination November - 2022

	ALL INDIA TOPPER FIRST RANK	ALL INDIA SECOND RANK	ALL INDIA THIRD RANK
			
Name	**Diksha Goyal**	**Tulika Shrawan Jalan**	**Saksham Jain**
City	Karnal	Mumbai	Jaipur
Marks	693/800	677/800	672/800
%	86.63	84.63	84.00

ICAI in Media

Glimpses of Press Clippings published in December 2022 -January 2023

नव भारत इंदौर, रविवार 15 जनवरी, 2023

मध्यप्रदेश फ्यूचर रेडी स्टेट के रूप में तैयार : केसरी

आईसीएआई के द्वारा एक्सेस मध्यप्रदेश; कम्पलीट बिज़नेस सोल्यूशनक्ष परिचर्चा का आयोजन

इंदौर. आईसीएआई के द्वारा ग्लोबल इंवेस्टर समिट में आए निवेशकों के लिए एक्सेस मध्यप्रदेशॉ– कम्पलीट बिज़नेस सोल्यूशन परिचर्चा का आयोजन किया गया. इसमें मुख्य अतिथि वित्त मंत्री जगदीश देवड़ा और विशेष अतिथि अतिरिक्त मुख्य सचिव अजीत केसरी उपस्थित थे.

विशेष अतिथि आईएएस अजीत केसरी ने कहा कि प्रदेश में सरकार निवेश को बढ़ावा देने के लिए हर संभव प्रयास कर रही है. 48000 करोड़ का कैपिटल एक्सपेंडिचर करने जा रहे हैं जो कि इंफ्रास्ट्रक्चरल फेसिलिटी पर खर्चा किया जाएगा. मध्य प्रदेश एक फ्यूचर रेडी स्टेट के रूप मे तैयार हो चुका है. हेल्थ, इंफ्रा, कनेक्टिविटी, नेटवर्क, एजुकेशन आदि के मामलों मे सभी सुविधाओं से भरपूर है.

आईसीएआई सरकार के साथ खड़ा है

आईसीएआई के नेशनल प्रेसिडेंट सीए देबाशीष मित्रा ने कहा कि इंदौर शहर में पॉज़िटिव वाइब्रेशन है जो कि अच्छा संकेत दे रहे हैं. मप्र देश की सबसे यंगेस्ट पॉपुलेशन वाला स्टेट है जहां मेनपॉवर अपेक्षाकृत कम कॉस्ट पर उपलब्ध है. आईसीएआई प्रदेश की प्रगति के लिए सरकार के साथ कंधे से कंधा मिलाकर खड़ा है. आईसीएआई के नेशनल वाइस प्रेसिडेंट सीए अनिकेत तलाटी ने कहा कि फ़ूड प्रोसेसिंग क्षेत्र में मध्यप्रदेश आने वाले कुछ सालों में देश में नंबर वन बनने जा रहा है. सीए सदस्य निवेशकों के लिए कंप्लायंस सर्विस देने को तत्पर हैं अत: निवेशक सेफ़ हैंड में हैंय एडवोकेट मनोज मुंशी ने कहा कि लेबर एवं ट्रेड लॉ के संबंध में मध्यप्रदेश में पूरे देश में सबसे कम विवाद हैं. कार्यक्रम का संचालन सीए डफ़रिया ने किया.

निवेशकों की शंका का समाधान किया

इंदौर सीए शाखा के चेयरमेन सीए आनंद जैन ने बताया कि मध्यप्रदेश में आईसीएआई के 12000 सदस्य हैं तथा वे निवेशकों तथा उद्योगपतियों को उद्योग स्थापित करने हेतु सिंगल पॉइंट सोल्यूशन देने हेतु तत्पर हैं. इस हेतु आईसीएआई ने समिट में एक पवेलियन भी लगाई थी जिससे निवेशकों तथा उद्योगपतियों की किसी भी प्रकार की शंका का समाधान हो सके. आभार सेंट्रल काउंसिल मेम्बर सीए केमिशा सोनी ने माना. इस अवसर पर सीए राज चावला, सीए चन्द्रशेखर चीतले, सीए राजकुमार जी, सीए रजत धानुका, सीए अभय शर्मा, सीए सोम सिंहल सहित बड़ी संख्या में निवेशक और सीए उपस्थित थे.

आसान प्रशासन स्वीकृति की व्यवस्था

मुंबई से आए सीए टीपी ओस्तवाल ने कहा कि सबसे कम इंडस्ट्रियल लिटीगेशन मध्यप्रदेश में है. प्रदेश में निवेश के लिए सबसे आसान प्रशासनिक स्वीकृति की व्यवस्था है. कृषि एवं कृषि आधारित प्रसंस्करण क्षेत्र और देश का लॉजिस्टिक सेंटर बनने की अपार संभावना है. मॉरीशस के एन पुन्नुस्वामी ने कहा कि मध्यप्रदेश देश में इज ऑफ डूइंग बिज़नेस में दूसरा स्थान है । मॉरीशस एवं मध्यप्रदेश में व्यापार की असीम संभावनाएँ हैं.

The Economic Times, Jan 11, 2023

Women Dominate CA Final, Inter Exams Held in Nov 22

Our Bureau

Bengaluru: Women have dominated the Chartered Accountants final and intermediate examinations held in November, the results of which were announced on Tuesday by the Institute of Chartered Accountants of India (ICAI).

Two of the top three ranks in the final exam have been taken by women. While Harsh Choudhary from New Delhi topped the final exam, scoring 618/800, Shikha Jain from Indore and Ramyashree from Mangaluru tied for second place scoring 617/800. Mansi Agarwal from New Delhi came in at third place, scoring 613/800.

"This is a sign of good things to come. Hopefully, this will encourage more women to come into the field and make their mark," said Shikha Jain, one of the toppers. Jain, who is 21 years old, is currently pursuing her articleship from Preeti Shinde & Associates, and is now considering sitting for the UPSC and CAT exams.

Two of the top three rank holders for the intermediate examination are women, too. Diksha Goyal from Karnal and Tulika Shrawan Jalan from Mumbai came in at first and second place, scoring 693 and 677 respectively, out of 800. Saksham Jain from Jaipur came in third place, scoring 672.

The intermediate and final exams were held in November last year.

A total of 65,291 candidates appeared for Group I of the final exam, out of which 13,969 passed, and a total of 64,775 candidates appeared for Group II of the final exam, out of which 12,053 passed.

A total of 100,265 candidates appeared for Group 1 of the intermediate exam, out of which 21,244 passed, and a total of 79,292 candidates appeared for Group II of the intermediate exam, out of which 19,380 passed.

The Financial Express January 17, 2023

Thrust on ESG reporting by India Inc : ICAI president

SURABHI
New Delhi, January 16

SUSTAINABILITY REPORTING BY India Inc firms is set to see a huge boost with the Securities and Exchange Board of India (Sebi) making it mandatory for top 1,000 listed companies to report on Business Responsibility and Sustainability, said ICAI president Debashis Mitra, adding that the institute is working to prepare professionals for such non-financial reporting.

"I see a huge thrust on reporting in areas such as environmental, social and governance norms. Sebi has mandated the top 1,000 listed companies to report on Business Responsibility and Sustainability. Because of this, we believe that in the future there will be lot of stress on non-financial reporting as compared to the financial reporting," Mitra told *FE*.

Mandatory reporting on Business Responsibility and Sustainability by top 1,000 listed companies will be a part of the annual reports for the fiscal 2022-23.

ICAI, which is the national accounting rule making and standard setting body, has also started a course on Business Responsibility and Sustainability Reporting (BSRS) and nine batches have already completed the training.

"What we are doing is giving a nudge to the profession to go into newer areas in which we believe that there is lot of potential and a lot of possibilities," Mitra said, adding that chartered accountants have been adaptable to newer developments & changes and will take up non-financial reporting areas such as carbon emissions.

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DEBASHIS MITRA, PRESIDENT, ICAI

In a first of its kind move, the ICAI has also released social audit standards for sustainability information.

"This social audit standard relates to the thematic area of 'eradicating hunger, poverty, malnutrition and inequality'," it said, adding that it would provide the social auditor with the necessary guidance of social enterprises engaged in eradicating hunger, poverty, malnutrition & inequality and the audit steps & procedures that should be applied while conducting the social impact assessment.

In all, the institute has also developed 16 social audit standards that will apply to social enterprises listed on social stock exchanges.

ICAI has also formed a Section Eight company by the name of Institute of Social Auditors of India to regulate the profession of social audit.

"The Institute has been a leader in sustainability reporting. We set up our Sustainability Reporting Standards Board way back in 2020. We have developed sustainability standards and standards on ESG. We believe that we are a leader in this," Mitra said.

The ICAI is working with National Institute of Securities Management (NISM) for developing the course curriculum and the study material for the social auditor's certification programme. A social auditor is defined as an individual registered with a self-regulatory organisation under the ICAI and can be chartered accountant or a cost accountant.

NAVODAYA TIMES
नवोदय टाइम्स

7 January, 2023

आईसीएआई करेगा पाठ्यक्रम में बदलाव

नई दिल्ली, 6 जनवरी (नवोदय टाइम्स) : भारतीय सनदी लेखाकार संस्थान (आईसीएआई) अपने विद्यार्थियों को वैश्विक स्तर के पेशेवर बनाने के लिए नये पाठ्यक्रम तैयार कर रहा है जिसमें अन्य क्षेत्रों के साथ-साथ नयी प्रौद्योगिकी पर सर्वाधिक जोर दिया जाएगा। दुनिया के दूसरे सबसे बड़े लेखाकार शिक्षा संस्थान आईसीएआई के अध्यक्ष देबाशीष मित्रा ने शुक्रवार को यहां संवाददाताओं को बताया कि वैश्विक स्तर पर काम करने में सक्षम लेखाकार तैयार करने के लिए संस्थान चार्टर्ड एकाउंटेंट (सीए) के पाठ्यक्रम में बदलाव लाने की तैयारी कर रहा है। उन्होंने कहा कि आईसीएआई का वर्तमान पाठ्यक्रम भी अनुकरणीय है जिसे और अधिक परिष्कृत किया जा रहा है। हाल ही में उच्चतम न्यायालय ने अपनी एक टिप्पणी में कहा है कि परीक्षा व्यवस्था आईसीएआई जैसी उत्कृष्ट होनी चाहिए।

इसे संस्थान एक चुनौती के रूप में ले रहा है और अपने तंत्र को और अधिक जिम्मेदारी के साथ कार्य करने के लिए प्रेरित कर रहा है। उन्होंने कहा कि आईसीएआई से प्रमाणित सीए की घरेलू और वैश्विक स्तर पर बहुत मांग है, इसे पूरा नहीं किया जा पा रहा है लेकिन संस्थान अपने मानकों से किसी तरह का समझौता करने को कतई तैयार नहीं हैं। मित्रा ने बताया कि आईसीएआई पूरे देश के वाणिज्य और लेखा संबंधी शैक्षणिक संस्थानों के प्रतिनिधियों का छह और सात जनवरी को यहां दो दिवसीय सम्मेलन आयोजित कर रहा है जिसमें पाठ्यक्रम और अन्य विषयों पर गहन विचार-विमर्श किया जा रहा है। इसमें करीब 220 से अधिक डेलीगेट शामिल हो रहे हैं।

ICAI in Media

businessline.
TUESDAY - JANUARY 17 - 2023

In a first, ICAI rolls out audit standard for sustainability info

KR Srivats
New Delhi

The Institute of Chartered Accountants of India's (ICAI) has come out with an audit standard for sustainability information, the first such effort in the world to help its members provide "reasonable or limited" assurance on such information by the reporting entities.

This move is significant as it comes at a time when market regulator SEBI is contemplating a "mandatory audit" of the Business Responsibility and Sustainability Reporting (BRSR) reports that the top 1,000 listed companies are already mandated to furnish as part of their annual reports for FY22-23.

Sustainability reporting has gathered pace in India in recent years with SEBI taking various measures since December 2019.

"Sustainability reporting standards board of ICAI has taken a proactive step and has issued the first-ever assurance standard on sustainability information which also incorporates BRSR, SDG etc. It enables an auditor to give limited as well as reasonable assurance. I am sure that the standard (SSAE 3000) will go a long way in enhancing the quality of BRSR reports," Debasish Mitra, President, ICAI, told *businessline*.

SEBI had in December 2019 extended the Business Responsibility Reporting (BRR) requirement to the top 1,000 listed companies by market capitalisation, from the financial year 2019-20.

'PATH-BREAKING'

Aniket Talati, Vice-President, ICAI, said the sustainability reporting standards board of ICAI has been taking path-breaking steps and is leading initiatives like sustainability reporting maturity model, social audit standards, certificate course of BRSR, etc.

Sanjeev Singhal, Chairman of the Sustainability Reporting Standards Board, ICAI, said that assurance of sustainability information will instil confidence in sustainability information reported by the corporate sector and, at the same time, the audit fraternity will have another opportunity to contribute towards nation-building through this move.

"It's also pertinent to note that usually there are limited assurance that was provided on sustainability information. With the SSAE 3000, we are ushering into a new era of reasonable assurance which is a higher threshold of information," Singhal said.

SOCIAL AUDIT NORMS

The CA Institute has now issued 16 social audit standards (SAS) that will be applicable to social enterprises that will get listed on the social stock exchange.

These social audit standards cover themes such as hunger, poverty, malnutrition, inequality, healthcare, education, gender equality and environmental sustainability.

Times of India, January 8, 2023

New CA curriculum to focus on tech and diverse approach

Manash.Gohain@timesgroup.com

The new curriculum is awaiting the Centre's approval

New Delhi: The chartered accountancy course will have a new look and a multidisciplinary approach with future CAs studying diverse subjects right from psychology to AI, from blockchain technology to data science and Indian Constitution, including traditional knowledge, as envisaged in the National Education Policy 2020. Announcing the new curriculum, which is awaiting the Centre's approval, the Institute of Chartered Accountants of India (ICAI) on the side-lines of its two-day National Education Summit on Commerce said it is also looking at possibility of offering its exams in computer-based mode and in Indian languages in the future.

At present, there are eight lakh students preparing for the CA exams in the country.

In association with the Association of Indian Universities, the National Council of Educational Research and Training (NCERT), and the National Council for Teachers Education (NCTE), ICAI has also come out with a model curriculum for commerce students right from school level to undergraduate studies.

Set up in 1949, ICAI has grown to be the second-largest accounting body in the world with around 3.65 lakh chartered accountants (CAs) and 44 overseas chapters. Debashis Mitra, president, ICAI said that as an educator the focus of the institution is to prepare "global professionals." "So in that direction, we developed a new course curriculum with a lot of stress on the application of mind, technology, ethics, the new NEP. The curriculum is pending approval of the government of India at present."

Speaking on the proposed curriculum, Mitra said that if you don't do technology, you are not going to go very far ahead. "What is happening globally is something we cannot remain out of it. And accounting if you keep it within the boundaries of the ICAI, then we are not doing justice to accounting. Accounting should not only be opened up to the whole of the country by way of uniformity and the same accounting should be there for the world.

"So the focus is on technology to make our professionals global professionals. He should not be just an Indian accountant, the global best practices must be embedded in the curriculum. We cannot turn a blind eye to NEP 2020 which says to lay more stress on the application of the mind and move away from rote learning. So with technology and global best practices, unless you have ethics, nothing is going to happen. Any curriculum without ethics is of no use. Today our examination system is pen and paper. Can we in the future think of an online exam examination system? In the future, maybe we should have online."

SUNDAY TIMES OF INDIA, BENGALURU
JANUARY 8, 2023

Psychology, AI, Constitution: CAs of future to study diverse subjects

8L Students Are Preparing For Accountancy Exams In The Country

Manash.Gohain@timesgroup.com

Getty Images

NEW-LOOK

New Delhi: The new-look chartered accountancy course has been framed with a multi-disciplinary focus that will vastly widen the scope of learning of future CAs who will be studying diverse subjects — from psychology to AI, from blockchain technology to data science, and Indian Constitution and traditional knowledge, as envisaged in the National Education Policy 2020.

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Mitra said that the new curriculum has a multidisciplinary approach and also the credits earned during a CA course would be a part of the Academic Bank of Credit.

ICAI also came up with a model curriculum — 'ICAI Exemplar: Preparing Future Ready Commerce Graduates' — incorporating the competence-based approach through well-designed syllabi with objective statements, learning outcomes, and course curriculum, for commerce education at senior secondary level and graduate courses.

The Telegraph 27 December, 2022

ICAI MSME Yatra finds place in India Book of Records

In order to cover MSME programmes in the greatest number of cities during the ICAI MSME Yatra & Setu, the Committee on MSME & Start-up of the Institute of Chartered Accountants of India (ICAI) entered this achievement into the INDIA BOOK OF RECORDS. This accomplishment was made possible by the ICAI's statewide "ICAI MSME SETU" and "ICAI MSME YATRA" campaign, which was carried out in 75 cities across 22 states over the course of 75 days in support of entrepreneurship, employment growth, and economic development. From August 18 through November 18, 2022, the election was held.

Azadi Ka Amrit Mahotsav

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