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of Chartered  
Accountants  
of India  
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Parliament)

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# The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events



Foundation: Paper 4 Part 2:  
Business and  
Commercial Knowledge  
Intermediate: Paper 6:  
Auditing and Assurance  
Final: Paper 3:  
Advanced Auditing and  
Professional Ethics



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**SWACHH BHARAT - A STEP TOWARDS CLEANLINESS**

## PRESIDENT'S COMMUNICATION



Dear Students,

Warmest Greetings to you all!

On the auspicious occasion of Gandhi Jayanti on 2<sup>nd</sup> October, I extend my heartiest wishes to each one of you. This day marks the birthday of the Father of our Nation Mahatma Gandhi, a remarkable leader and an icon of peace, justice, and resilience. As envisioned by him, let us collectively strive to make our society and nation great.

Being students of Chartered Accountancy, you are the future custodians of financial integrity and ethical practices in our society. I urge you to reflect upon the life and principles of Mahatma Gandhi and consider how his ideals can shape your journey as future professionals. Always remember that as a CA, you have a pivotal role to play in the economic well-being of our nation. Your commitment to ethical practices will not only benefit your professional pursuits but also contribute to building a better society and a stronger nation.

*"The future depends on what we do in the present."*

- Mahatma Gandhi

### Become Global Professionals: Embracing New Scheme & Beyond

Our beloved profession is ever evolving, and it is imperative that you keep pace with these transformations. The New Scheme put in place has been designed with an aim to equip you to become global professionals. I encourage you to embrace it wholeheartedly, for it is your steppingstone to success on the international front.

The Board of Studies (Academic) is diligently working towards developing the Self-paced Online Modules as formulated under the New Scheme. These modules are being crafted to provide you with a truly experiential learning. I am pleased to inform you that these modules will feature video lectures delivered by distinguished subject experts. What makes these modules so invaluable is the insight and expertise that these subject experts will bring to the table.

As the world of finance and accounting becomes increasingly interconnected, it is imperative that you are equipped with the best resources and tools to thrive in this global landscape. These modules are designed precisely to prepare you for the challenges and opportunities of the modern accounting profession.

Remember, the future belongs to those who are willing to adapt, learn, and lead. I have no doubt that you, as students of this esteemed profession, will rise to the occasion and shine on the global stage.

### ICAI Holds Largest Accounting Lesson — Creates Guinness World Record

It is with immense pride I would like to share with you that ICAI successfully organised the world's Largest Accounting Lesson,

an extraordinary achievement commemorating its 75<sup>th</sup> year, and secured a prestigious Guinness World Records title. This remarkable event, hosted by the Committee on Career Counselling of ICAI on 8<sup>th</sup> September in Jaipur witnessed a gathering of over 5,000 participants, including students, teachers, principals, and others. Impressively, the eligible record count of 3,933 students made ICAI the record-breaking holder of this elite title globally.

Guinness World Records officially registered this outstanding accomplishment, and the jury of Guinness World Records honoured our esteemed Institute. The event's central theme revolved around imparting valuable insights of accounting to the young minds who represent the future of our nation. It was indeed a momentous occasion that showcased ICAI's commitment to education and its pioneering spirit in the field of accounting.

### Empowering Your Exam Preparation

I am pleased to inform you that the Board of Studies is all geared towards enhancing your exam preparedness. Last month, the Board conducted Mock Test Paper (MTP) Series-I and 'BoS for Your Success' sessions for Intermediate and Final level students appearing in November 2023 examinations. Mock Test Paper (MTP) Series-II will also be held soon. I am confident that many of you must have availed this valuable opportunity and actively participated and will continue to participate in future. MTPs are designed to provide you with a realistic examination experience, helping you to assess your strengths and identify areas that may need further attention. I strongly encourage all of you to actively participate and make the most of this opportunity to fine-tune your exam strategies.

Furthermore, the Board has also started 'BoS Live Learning Classes' last month for Intermediate and Final level students appearing in May 2024 examinations under the new scheme. These live classes provide you with comprehensive guidance and in-depth subject knowledge. I have full confidence that most of you are certainly attending these classes and harnessing the benefits they offer.

### Signing of MoUs to Enhance Quality of Commerce & Accountancy Education

In order to provide a holistic learning experience to the next generation students of Commerce & Accountancy in the country, ICAI, through the Board of Studies (Academic) is in the process of partnering with various State and Central universities by signing MoUs with respective institutions. Continuing in this direction, recently, MoUs were signed with the Osmania University, Hyderabad, GLS University, Ahmedabad, and Nirma University, Ahmedabad, among others, with an aim to further elevate the quality of Commerce education through academic cooperation.

### Immerse in Festivities and Recharge Your Spirits

I extend my warm wishes to each one of you on the occasion of Dussehra. This joyous festival carries profound significance in our culture, symbolizing the victory of good over evil, light over darkness, and knowledge over ignorance.

In the midst of your rigorous study routines, I encourage you to take a break and immerse yourself in the festivities.

*"The will to win, the desire to succeed, the urge to reach your full potential... these are the keys that will unlock the door to personal excellence." - Confucius*

With best wishes

CA. ANIKET S. TALATI  
PRESIDENT, ICAI



Dear Students,

Dear Students,

On October 2<sup>nd</sup>, as the nation commemorates the birth anniversary of the Father of our Nation, Mahatma Gandhi, it is imperative that we bring together valuable insights from his life upon the significance of his teachings and their application in our contemporary life and the world. He remains an eternal source of inspiration with his principles and values outlined indefinitely into the foundation of our society.

This day is more than a calendar holiday; it is a celebration of the principles that shaped our nation which continue to resonate in our hearts and minds even till today.

### The Gandhian Way of Life and Relevance of His ideologies in today's times

The Gandhian way of life, illustrated by the principles of truth, non-violence, simplicity, and self-sufficiency, stands as an inspiration of moral guidance. Gandhiji always spoke of minimization of wants and advocated a nature-friendly idea. **Mahatma Gandhi believed that "there is enough on earth for human needs but not enough for human greed."** These lines from Mahatma Gandhi show how human behaviour destroys nature, and there is a need for a sustainable lifestyle in our times. The world revolves around global warming, climate change, and resource depletion, and all environmental covenants and sustainable development efforts must implement Gandhi's philosophy.

### G-20 New Delhi Leader's Declaration – A Landmark Achievement for Our Nation towards Skill Development and Education

I am delighted to share with you a remarkable accomplishment that our nation has achieved—the G-20 declaration. This declaration represents a significant milestone in the context of skill development and education. It underscores our nation's commitment to equipping its citizens with the skills and knowledge needed to thrive in a competitive global landscape. The G-20 declaration is not just a mark of accomplishment; it is evidence of commitment to inclusive, equitable, high-quality education and skills training for all, including for those in vulnerable situations. It recognizes the importance of investment in supporting human capital development and preparing our youth for the challenges of the future.

### ICAI Makes History @ 75<sup>th</sup> Year - Guinness World Record-Largest Accounting Lesson

The Institute of Chartered Accountants of India (ICAI), in its 75<sup>th</sup> year, has earned the prestigious Guinness World Records title for conducting the Largest Accounting Lesson globally on September 8<sup>th</sup>, 2023, at JECC, Jaipur. It witnessed the participation of over 5000 students, teachers, principals, and others.

### BoS: Your Partner in Achieving Success

As a student of this esteemed course, periodic self-assessment is important. Critical self-analysis serves as the impetus to nurture your abilities and pursue continuous learning. This, in turn, supports your capacity and capability, propelling you forward fearlessly towards success in all facets of life.

With the November 2023 examinations just a month away, I am sure your studies are in full swing. Remember, meticulous planning and precise execution are your buddies in achieving the desired results. BoS (Academic), the student wing of the Institute, does not leave any stone unturned in providing best-in-class services to its students. It provides an array of resources, both in print and online, to cater to your learning needs.

- **Study Material:** Thoroughly read the study material and other publications from the BoS (A) to gain a comprehensive understanding of the scope and depth of the subjects. Grasp the technical terms in their specific contexts for a genuine comprehension of the underlying principles and their application to various topics.
- **BoS for Your Success:** The BoS (A) faculties conducted subject-wise sessions, which must have been helpful and beneficial in strategizing your study plans. The sessions also provided you with subject-specific tips, cleared your doubts and provided tips to write your exams meticulously.
- **Examiner Comments:** Read the Examiner Comments to observe common mistakes and pitfalls typically made by students and learn how to sidestep them. These insights will offer invaluable guidance for thorough preparation and precise presentation during exams.
- **Saransh:** For last minute quick revision, BoS (A) has come up with 'Saransh'. It is a meticulously crafted compilation of a series of booklets covering key subjects such as Accounting, Auditing, Cost Management, Strategic Decision Making, Law, Financial Management and Strategic Management. These concise capsules serve as a valuable tool for efficient revision of concepts before examinations in each subject.

As this month brings with it a plethora of festivals, I extend my warm wishes for Dussehra and Durga Puja. May the Goddess bestow upon your knowledge, well-being, and peace of the mind, body, and soul. Maintain a positive outlook, have faith in your abilities, and give your best.

Remember, *preparation is not merely about acquiring knowledge; it is about building the confidence to face any challenge that comes your way.*

With Best Wishes

CA. RANJEET KUMAR AGARWAL  
VICE PRESIDENT, ICAI



## My Dear Students

Warm Greetings!!

The month of October evokes the mood of festivities and sets the atmosphere of happiness all around. However, in your journey to become a successful CA, it is time for you to accelerate your preparation and maximise your efforts in preparing for your forthcoming November 2023 examination.

*Most people give up just when they're about to achieve success.*

*- Ross Perot*

### BoS for Your Success

I, along with Vice Chairman CA. Dayaniwas Sharma are delighted to share with you about the heartening response received from all of you for sessions under **BoS for Your Success**. These subject-wise counselling sessions were delivered by the BoS(A) faculties wherein they imparted specific guidance to the students in their respective subjects. The faculties discussed significant examples and highlighted the common mistakes which students make while attempting the papers. For the students who could not attend these sessions live, you can watch these sessions through the BoS Knowledge Portal, or the ICAI-BoS Mobile App, or the ICAI CA Tube/YouTube Channel.

### BoS Live Learning Classes (LLC)

As we are all aware that May 2024 examination shall be the First Intermediate and Final Examination under the New Scheme of Education and Training. The relevant study material of the subjects has already been provided to the students. To further handhold and support the Final and Intermediate Level students appearing for the first time in May 2024 examination, the BoS(A) has commenced its first batch of Free Live Learning Classes from 25<sup>th</sup> September 2023 onwards. These sessions are proposed to be held by our subject experts wherein they will be covering the entire syllabus of respective paper.

You can check the detailed schedule on the Institute's website and attend the relevant sessions in live mode. You may attend these classes through web portal <https://boslive.icai.org/> or ICAI – BoS Mobile App and can also view at ICAI CA Tube/YouTube Channel.

### Mock Test Papers Series II

After the successful conduct of first series of the Mock Test Papers in the month of September, BoS(A) is scheduled to commence another series of MTP from 3<sup>rd</sup> October 2023 for its Intermediate and Final level students appearing in November

2023 examination. These examinations are instrumental in your preparation and therefore I would advise you to appear for these Mock tests at your respective Regional Councils and Branches so that you can overcome the fear of real examination and assess your preparedness for examination. In case you are not able to go to the nearest branch in your location, you may download the Question paper at the following link: [https://boslive.icai.org/education\\_content.php?p=Mock%20Test%20Papers](https://boslive.icai.org/education_content.php?p=Mock%20Test%20Papers).

### Multiple - Choice Questions (MCQ) Paper Practice Dashboard

BoS(A) has provided an online MCQ Paper Practice Dashboard to its students at all the levels – Foundation, Intermediate and Final to help them in self-assessing their understanding and readiness paper-wise. The Login-based Students' Dashboard allows the students to generate their own test based on individual chapter/combination of chapters or entire syllabus. The platform further generates a scorecard for each attempted test thereby providing students a complete summary of their performance question-wise. It can be highly beneficial and play a pivotal role in improving overall performance of the students.

### Suggested Answers

The suggested answers for May 2023 examinations for Intermediate/Final levels and June 2023 examination for Foundation level were hosted on the Institute's website for students' ready reference. I recommend you refer to these suggested answers to grasp a reasonable understanding of the way answers are to be provided in the examination.

### Capsule Insights

- The capsule of **Final Course Paper 1: Financial Reporting** is third in continuation to its August/September 2023 edition and incorporates the remaining significant provisions of Ind AS 110 "Consolidated Financial Statements" through various charts and diagrams. Furthermore, the edition contains the capsule on "Chapter 18: Professional Ethics" of **Final Course Paper 3: Advanced Auditing and Professional Ethics**. The capsule offers crucial insights into ethical principles through the Second Schedule and Council Guidelines 2008 and is provided as ready reference for the students appearing in the forthcoming examination.
- The capsule of **Intermediate Course Paper 6: Auditing and Assurance** covers "Chapter 13: Audit of Different Types of Entities" and is a tool for quick revision of some significant areas of Auditing subject.
- The tabulated capsule of **Foundation Course Paper 4 Part 2: Business and Commercial Knowledge** provides significant changes occurred during the year 2023 w.r.t the companies covered in "Chapter 3: Business Organizations" of the Study Material to facilitate easy understanding.

In the end, I would iterate that all the BoS(A) endeavors are for your betterment and support. I advise you to make best use of these efforts and get maximum benefit out of these.

Wishing all of you success in your future endeavors.

**CA. VISHAL DOSHI**  
CHAIRMAN, BOARD OF STUDIES (ACADEMIC)



**Dear Students,**

In the words of Hon'ble Prime Minister Narendra Modi, "Focus on Skill, Scale, and Speed to compete." These words encapsulate not only the spirit of competition but also the essence of success in the world of Chartered accountancy. As we approach the November 2023 Examinations, I extend my warmest wishes to all of you, our future torchbearers in the field of finance.

Your journey to success is built on strenuous and persistent efforts. This examination is a pivotal moment in your professional career, and I urge you not to be ensnared by overconfidence. Instead, focus on your studies and cultivate an integrated approach to tackle practical challenges. The CA course offers a unique blend of theoretical knowledge and practical training, a fusion that prepares you for the complexities of the real world. At SSEB, we understand that beyond academic excellence, it is crucial to nurture values and instil in our students the aspiration for greater heights. We believe in introducing innovation and dexterity that matter, offering holistic education that balances modernity with traditional values. Accordingly, we have been organising many 'Practical Training Modules' virtually on every alternate Friday and the recording are available on ICAI YouTube channel and Digital Learning Hub. I appeal to all students to make fullest use of it, especially the one on 'Fast Reading' would help you in completing your exam studies in timely and effective manner.

Our mission is to build your physical, intellectual, emotional, psychological, and spiritual strengths so that you are prepared to face the real-world challenges that lie ahead. Our journey has always been driven by a desire to contribute to the growth and development of our society through education. SSEB embodies this vision by providing a platform for budding CAs to express their creativity and knowledge.

I am pleased to share that we recently celebrated Teachers' Day jointly with the BoS-Academic which was hosted by NIRC of ICAI, where our Honourable President and Vice President of ICAI addressed CA students through a Live Webinar. This event brought together around 300 students physically and connected thousands of students from Regional Councils and 95 branches. We all humbly salute our teachers, which in our Profession includes our Principal who have taught us practical aspects of the profession.

Furthermore, in honour of Teachers' Day, SSEB organized an Elocution Contest on the theme "Learning from My Principal – My Teacher" across branches and Regional Councils nationwide.

In September 2023, SSEB successfully organized National Conferences in Chennai and Hyderabad, followed by a Mega CA Students Conference in Ghaziabad. These exceptional events not only enriched the skills and knowledge of our students but also heightened their preparedness for the dynamic professional world. Furthermore, I am delighted to announce that this year, we are gearing up for the International CA Students Conference, scheduled to take place in Ahmedabad on the 29<sup>th</sup> and 30<sup>th</sup> of December 2023. The anticipation for this international gathering is palpable, and we are eager to extend this unique opportunity to our esteemed students.

The registration process for the conference will be opening shortly, and I encourage each of you to mark these significant dates on your calendars. This is your chance to actively participate, whether as a paper presenter, a dedicated volunteer, or an engaged delegate. Stay vigilant for updates and be ready to seize this enriching experience.

As we conclude, let us remember that our vision and mission are founded on hard work, sincerity, teamwork, and responsibility. We urge our students to excel in all aspects of technical and accountancy education, providing real-life solutions and applying their knowledge with focus and dedication.

The accounting profession stands for honesty, integrity, transparency, and ethical practices. On the 155<sup>th</sup> birth anniversary of Mahatma Gandhi, let us solemnly pledge to rid our nation of all forms of unethical practices.

I wish each and every one of you a successful and fulfilling journey ahead.

With warm professional regards,

Forever, yours in service

A handwritten signature in black ink, appearing to read "M Kinare", written over a horizontal line.

**(CA MANGESH PANDURANG KINARE)**  
**CHAIRMAN, SSEB**

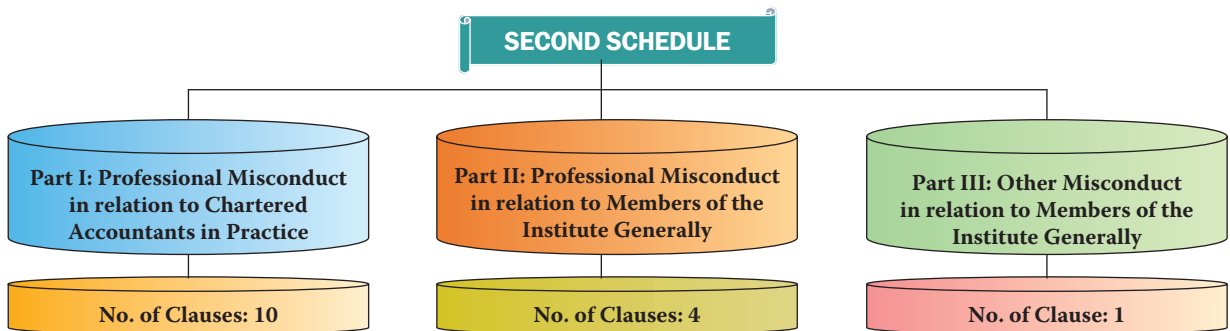
## CA FINAL - PAPER-3: ADVANCED AUDITING AND PROFESSIONAL ETHICS

This capsule on Paper 3: Advanced Auditing & Professional Ethics at the Final Level provides an overview of select topics from Chapter 18 on Professional Ethics. However, it should not be considered a replacement for intensive study of the chapter. We strongly advise students to refer to the Study Material, MCQs & Case Scenarios Booklet, and RTP (Revision Test Papers) for comprehensive and detailed study and revision. Additionally, for a comprehensive preparation, students can also make use of the “Saransh: Last Mile Referencer for Auditing” booklet. This resource covers Standards on Auditing and serves as a valuable reference for quick revision. Furthermore, there is a compilation of earlier capsules relevant to your examinations, offering a consolidated review of key concepts. Utilising these additional resources alongside your study materials will enhance your readiness for the Final Level examinations.

Acts or omissions that comprise professional misconduct are defined in two Schedules viz. the First Schedule and the Second Schedule.

The Second Schedule is further divided into three parts.

Where the Director (Discipline) is of the opinion that a member is guilty of any professional or other misconduct mentioned in the Second Schedule or in both the Schedule, he shall place the matter before the Disciplinary Committee.



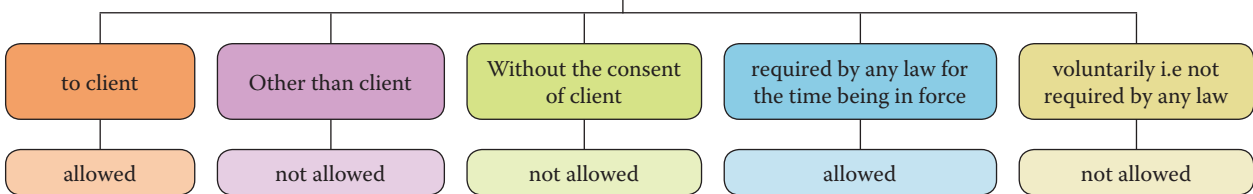
### PART I - PROFESSIONAL MISCONDUCT IN RELATION TO CHARTERED ACCOUNTANTS IN PRACTICE

A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he-

**Clause (1) 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.**

There is a difference between sharing of working papers and sharing of information. So far as the information is concerned, he can provide the same to the client or to a Regulatory Body after obtaining the consent of the client.

#### Disclosure of Information acquired in the course of Professional Engagements



**Clause (2) Certifies or submits in his name or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice.**

This clause restrains a member from subscribing to the report on a FS so long as it has not been examined by him or by a partner or an employee of his firm or by another CA in practice. It has been introduced to ensure that the work entrusted to him has been carried out by the member either directly or under his supervision before he renders his report.

An exception however has been made in respect of an examination carried out by another CA in practice. This enables two or more members to accept a joint assignment or enables a member also to carry out the examination of financial statements (FS) by or with the assistance of another CA in practice.

Where the joint auditors are appointed, the work is normally divided among themselves in terms of identifiable units or areas, or with reference to the items of liabilities, or income or expenditure or to the period of time etc. Such division should be adequately documented and communicated to the auditee.

# ADVANCED AUDITING AND PROFESSIONAL ETHICS

**Clause (3) Permits 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 Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he permits:

use of his name

use of the name of his firm

estimate of earnings contingent upon future transactions

vouching for the accuracy of the forecast of the future transactions

**Clause (4) Expresses his opinion on financial statements of any business or enterprise in which he, his firm, or a partner in his firm has a substantial interest.**

If the opinions of auditors are **to command respect and the confidence** of the public, it is essential that it must be **free of any interest** that is likely to affect their **independence**.

- As per this clause, an auditor should not express his opinion on FS of any business or enterprise wherein he has a substantial interest.
- This is intended to assure the public as regards the faith and confidence that could be reposed on the independent opinion expressed by the auditors.

The words **“financial statements”** used in this clause would **cover both reports and certificates** usually given after an examination of the accounts or the financial statement or any attest function under any statutory enactment or for purposes of income-tax assessments.

This would **not apply** in case such statements are prepared by members in employment purely for the information of their respective employers in the normal course of their duties and not meant to be submitted to any outside authority.

**Members must take care to see that they do not land themselves in situations where there could be a conflict of interest and duty.**

CA in employment is not permitted to certify the FS of the concern in which he is employed, or of a concern under the same management as the concern in which he is employed, even though he holds COP and such certification can be done by any Chartered Accountant in practice. This restriction would not, however, apply where the certification is permitted by any law

**The Council has also decided that a Chartered Accountant should not by himself or in his firm name:-**

accept the Auditorship of a college, if he is working as a part-time lecturer in the college.

accept the Auditorship of a Trust where his partner is either an employee or a trustee of the Trust.

**Requirements of Clause 4 is applicable to all Attest Functions by the members.**

**Where the member, his firm or his partner or his relative has substantial interest in the business or enterprise (not being a company).**

The independence of mind is a fundamental concept of audit and/or expression of opinion on financial statements in any form and, therefore, must always be maintained.

Nothing can substitute for the essential and fundamental requirements of independence.

An enterprise/concern of which a member is either an owner or a partner

Where the partner or relative of a member has substantial interest

holding of interest in the business or enterprise by a member himself whether as sole-proprietor or partner in a firm would affect his independence of mind in the performance of professional duties in conducting the audit and/or expressing an opinion on financial statements of such enterprise.

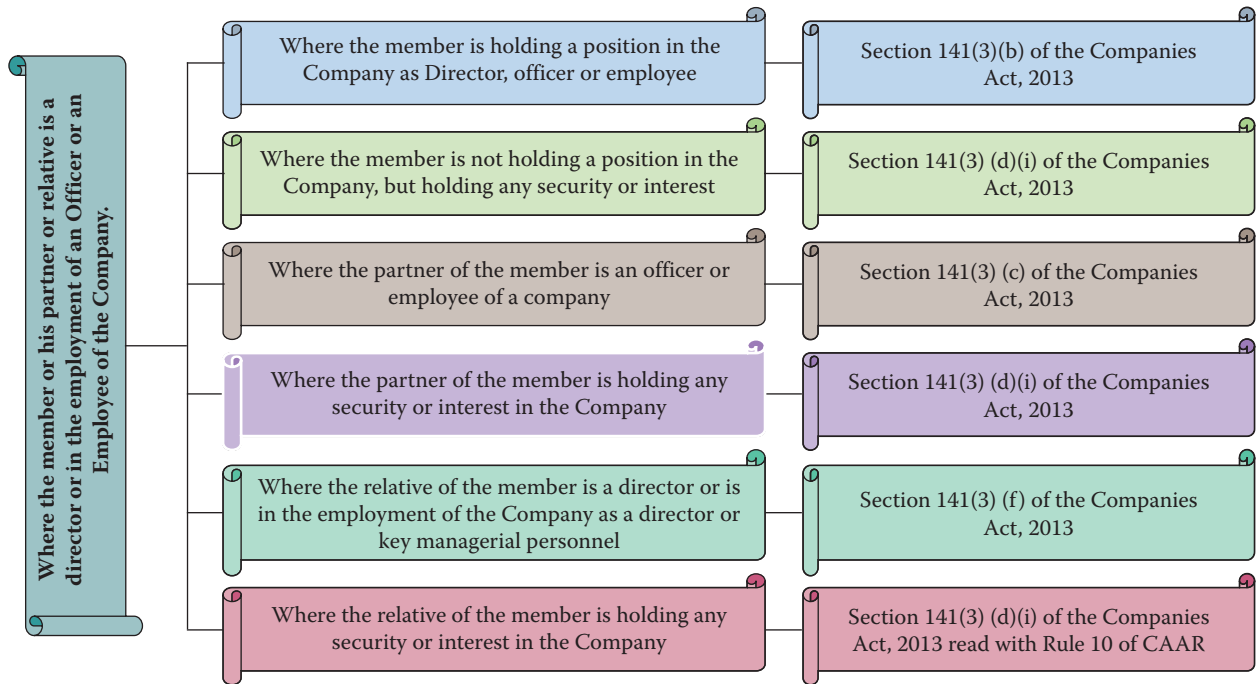
holding of substantial interest by the partner or relative of the member in the business or enterprise of which the audit is to be carried out and opinion is to be expressed on the financial statement, may also affect the independence of mind of the member, in the performance of professional duties.

Member shall not audit financial statements of such business or enterprise.

Member may desist from undertaking the audit of financial statements of such business or enterprise if his independence is compromised.



# ADVANCED AUDITING AND PROFESSIONAL ETHICS



It is **not permissible for a member to undertake the assignment of certification, wherein the client is relative** (as defined in AS 18) of the member.

**An accountant is expected to be no less independent in the discharge of his duties** as a tax consultant or as a financial adviser than as an auditor (should bear the same degree of integrity and independence of mind in all spheres of his work).

Members not to write Books of Account for auditee clients

Statutory auditor not to be the Internal Auditor simultaneously

Internal auditor not to be the Tax auditor simultaneously

Internal Auditor not to be the GST Auditor simultaneously

**Cooling off period after completion of tenure as Director:** A member shall not accept the assignment of audit of a Company for a period of two years from the date of completion of his tenure as Director or resignation as Director of the said Company.

**Members to satisfy whether appointment is as per the statute governing the entity:**

In case Entity is constituted under a trust deed/instrument

member should ensure that his appointment is valid as per instrument constituting the entity and rules and regulations made thereunder.

**Appointment is to be authorised by the Regulatory Authorities:**

**In case of Co-operative Societies, trusts etc.:**

- member must satisfy whether such regulatory authorities have authorised the managing committee of the society/trust for appointment of the auditors.

**In case entity is managed by Managing Committee or Board of Trustees or Board of Governors:**

- Member should ensure that his appointment is duly made by a resolution passed by such Managing Committee or Board of Trustees or Board of Governors.

**In case of Partnership or sole Proprietary Concerns:**

- member must ensure that a letter of appointment/engagement is given by the firm/sole proprietor before he accepts the appointment/engagement.

# ADVANCED AUDITING AND PROFESSIONAL ETHICS

**Clause (5) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity.**

Before a member could be held guilty of misconduct, materiality has to be established as per SA 320, "Materiality in Planning and Performing an Audit".

Care should be taken to ensure that aspect of materiality should be judged in relation to both Balance Sheet and P&L Account.

**Clause (6) Fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity.**

failure on the part of a member to point out in his report a material misstatement appearing in a financial statement and he has knowledge of the same.

before a member could be held guilty of misconduct, materiality has to be established and the observations made under the preceding Clause (5), in this connection, will equally apply to this clause.

**Clause (7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.**

It is a vital clause which unusually gets attracted whenever it is necessary to judge whether the accountant has honestly and reasonably discharged his duties. The expression negligence covers a wide field and extends from the frontiers of fraud to collateral minor negligence.

- It is the duty of an auditor that he carried out the work with skill, care and caution which a reasonably competent, careful, and cautious auditor would use.

- What is reasonable skill, care and caution must depend on the particular circumstances of each case.

- An auditor is not bound to be a detective, or to approach his work with suspicion or with a foregone conclusion that there is something wrong.

- He is a watchdog but not a bloodhound.

**Clause (8) Fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion.**

It is expected of a Chartered Accountant to express his opinion on the truth and fairness of statements of accounts after examining their authenticity with reference to information and explanations given to him.

A Chartered Accountant must determine the extent of information which should be obtained by him before he expresses an opinion on the financial statements submitted to him for report.

The chartered accountant should not express an opinion before obtaining the required data and information.

Where due to inadequacy of information or data the report has to be circumscribed to an extent that it would cease to be of any expression of a categorical opinion, the auditor should clearly express his disclaimer in no uncertain terms in accordance with SA 705.

**Clause (9) Fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances.**

audit should be performed in accordance with "generally accepted procedure of audit applicable to the circumstances"

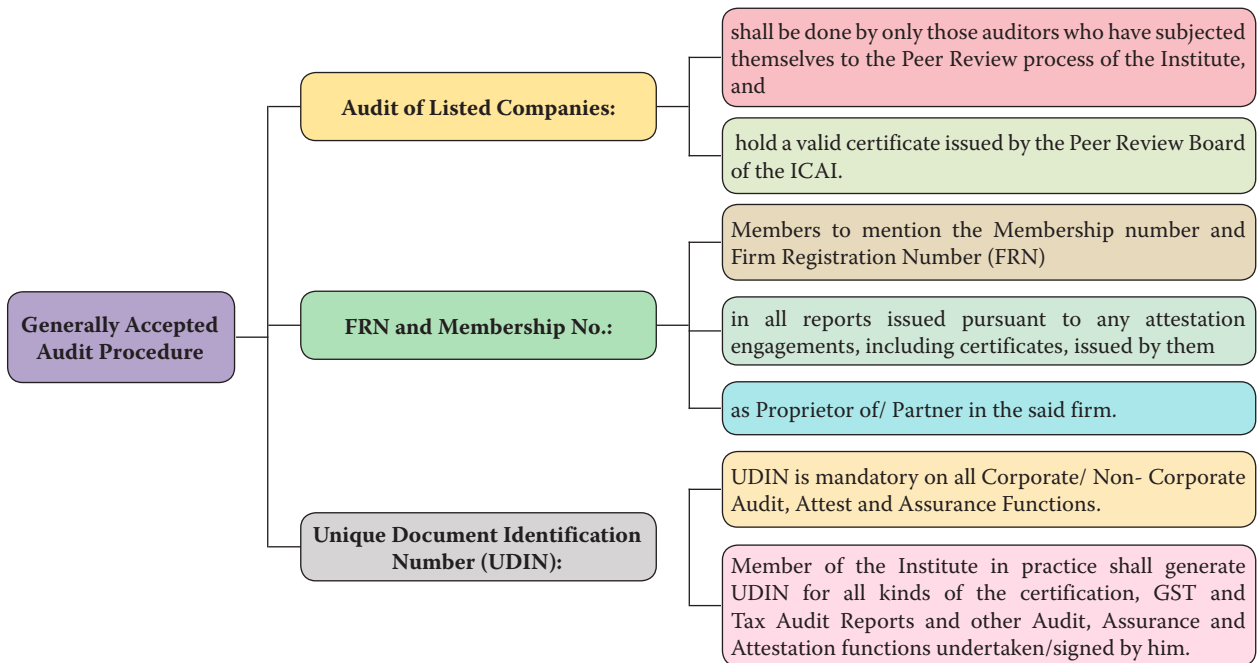
if for any reason the auditor has not been able to perform the audit in accordance with such procedure, his report should draw attention to the material departures from such procedures.

The failure to perform a statutory duty in the manner required is not excused merely by giving a qualification or reservation in auditor's report.

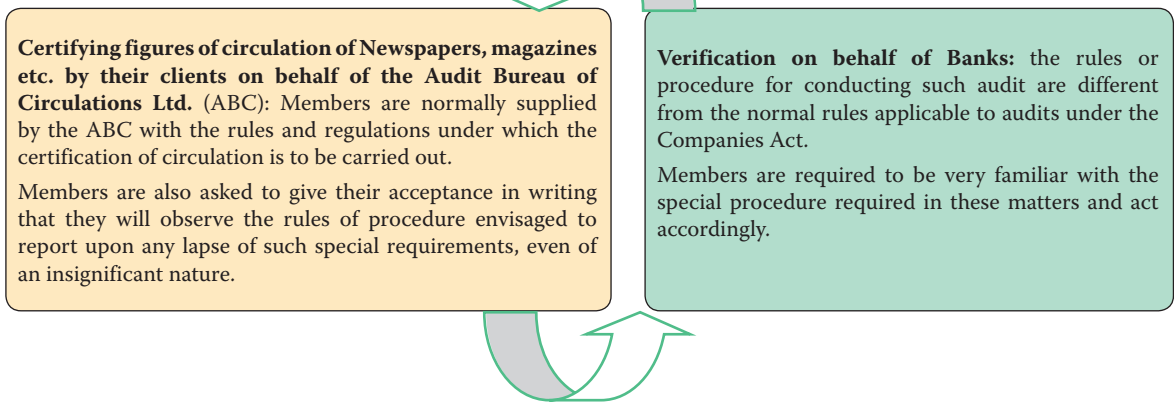
**"Generally Accepted Audit Procedure" may be construed from the various pronouncements of the Institute is issued by way of:**

Engagement and Quality Control Standards	Statements	General Clarifications	Guidance Notes	Technical Guides	Practice Manuals	Studies & Other Papers
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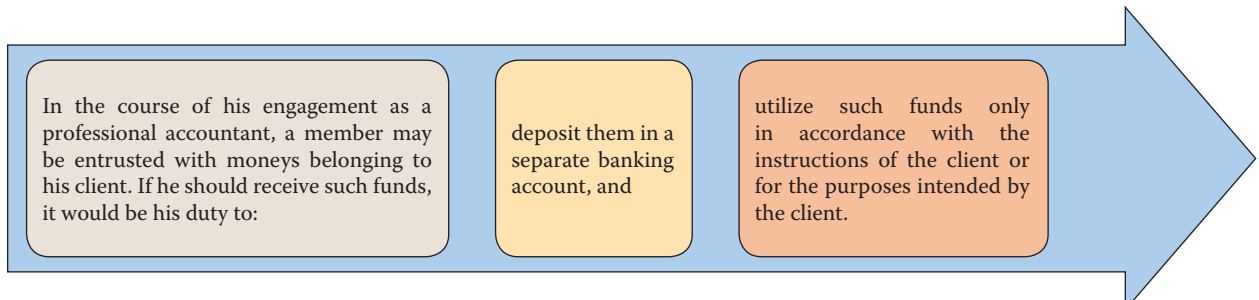
# ADVANCED AUDITING AND PROFESSIONAL ETHICS



It is not possible to exhaustively deal with instances or accepted procedures of audit applicable to special cases. **Two instances** of an audit requiring a special procedure are given below:



**Clause (10) fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or to use such moneys for purposes for which they are intended within a reasonable time.**



An advance received by a CA against services to be rendered does not fall under Clause (10) of Part I of the Second Schedule.

Moneys received for expenses to be incurred, for example, payment of prescribed statutory fees, purchase of stamp paper etc., which are intended to be spent within a reasonably short time need not be put in a separate bank account.

Moneys received for expenses to be incurred which are not intended to be spent within a reasonably short time as aforesaid, should be put in a separate bank account immediately.

Moneys received by a CA in his capacity as trustee, executor, liquidator, etc. must be put in a separate bank account immediately.

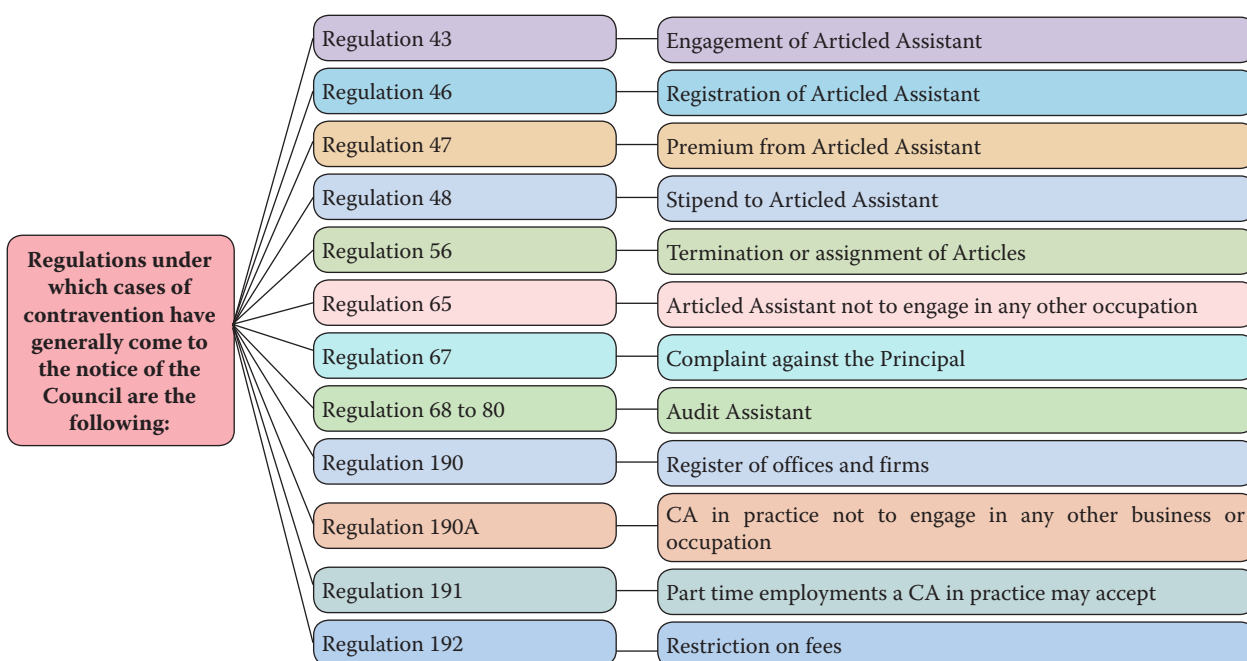
## PART II - PROFESSIONAL MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE GENERALLY

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he -

**Clause (1) contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council.**

This clause requires every member of the Institute to act within the framework of the Chartered Accountants Act and the Regulations and Guidelines made by Council thereunder.

Any violation either of these Guidelines or the Act or the Regulations by a member would amount to misconduct under this part.



**Clause (2)**  
being an employee of any company, firm, or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer.

**Clause (3)** Includes in any information, statement, return or form to be submitted to the Institute, 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.

**Clause (4)**  
Defalcates or embezzles money received in his professional capacity.

## PART III - OTHER MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE GENERALLY

**Clause (1)**

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding six months.

Imprisonment awarded for a term exceeding six months in any civil/criminal matter treated as a major offence under 'other misconduct' is included in this Schedule.

## COUNCIL GENERAL GUIDELINES

The relevant extracts of the Council General Guidelines, 2008 (issued under Clause (1) of Part-II of Second Schedule to the Chartered Accountants Act, 1949) are given below:

These Guidelines have been issued by the Council of the ICAI under the provisions of the Chartered Accountants Act, 1949, as amended by the Chartered Accountants (Amendment) Act 2006, known as 'Council General Guidelines, 2008'

These guidelines shall be applicable to all the Members of the Institute whether in practice or not wherever the context so requires.

## CHAPTER II: CONDUCT OF A MEMBER BEING AN EMPLOYEE

Conduct of a Member being an employee

A member of the Institute who is an employee shall exercise due diligence and shall not be grossly negligent in the conduct of his duties.

## CHAPTER V: MAINTENANCE OF BOOKS OF ACCOUNT

A member of the Institute in practice or the firm of Chartered Accountants of which he is a partner, shall maintain and keep in respect of his / its professional practice, proper books of account including the following-

(i) a Cash Book;

(ii) a Ledger.

## CHAPTER VI: TAX AUDIT ASSIGNMENTS UNDER SECTION 44 AB OF THE INCOME-TAX ACT, 1961

A member of the Institute in practice shall not accept, in a financial year, more than the "specified number of tax audit assignments" under Section 44AB of the Income-tax Act, 1961.

"the specified number of tax audit assignments" means -

- in the case of a CA in practice or a proprietary firm of CA, 60 tax audit assignments, in a FY, whether in respect of corporate or non-corporate assesses.
- in the case of firm of CA in practice, 60 tax audit assignments per partner in the firm, in a FY, whether in respect of corporate or non-corporate assesses

It may be noted that the audits conducted under Section 44AD, 44ADA and 44AE of the Income Tax Act, 1961 shall not be taken into account for the purpose of reckoning the "specified number of tax audit assignments".

The limit on number of tax audit assignments per partner in a CA Firm may be distributed between the partners in any manner whatsoever. However, it should be in accordance with the Standard on Quality Control (SQC) 1.

## CHAPTER VII : APPOINTMENT OF AN AUDITOR IN CASE OF NON-PAYMENT OF UNDISPUTED FEES

A member of the Institute in practice shall not accept the appointment as auditor of an entity in case the undisputed audit fee of another Chartered Accountant for carrying out the statutory audit under the Companies Act, 2013 or various other statutes has not been paid.

It may be noted that for sick unit, the above prohibition of acceptance shall not apply.

"sick unit" shall mean a unit registered for not less than five years, which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

For this purpose, the provision for audit fee in accounts signed by both - the auditee and the auditor along with other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as "undisputed audit fees".

## CHAPTER VIII : SPECIFIED NUMBER OF AUDIT ASSIGNMENTS

A member of the Institute in practice shall not hold at any time appointment of more than the "specified number of audit assignments" of Companies under Section 141 of the Companies Act 2013.

# ADVANCED AUDITING AND PROFESSIONAL ETHICS

## “SPECIFIED NUMBER OF AUDIT ASSIGNMENTS” MEANS -

In the case of a CA in practice or a Proprietary firm of Chartered Accountant, 30 audit assignments whether in respect of private Companies or other Companies, with the exception of one person Companies and dormant companies.

In the case of Chartered Accountants in practice, 30 audit assignments per partner in the firm, whether in respect of private Companies or other Companies, with the exception of One person Companies and dormant companies.

## “SPECIFIED NUMBER OF AUDIT ASSIGNMENTS” MEANS -

(a) The number of audit of such Companies, which he or any partner of his firm has accepted whether singly or in combination with any other CA in practice or firm of such Chartered Accountants, shall be taken into account.

(b) The audit of the H.O. and branch offices of a Company by one Chartered Accountant or firm of such CA in practice shall be regarded as one audit assignment.

(c) The audit of one or more branches of the same Company by one CA in practice or by firm of CA in practice in which he is a partner shall be construed as one audit assignment only.

(d) The number of partners of a firm on the date of acceptance of audit assignment shall be taken into account.

## CHAPTER IX: APPOINTMENT AS STATUTORY AUDITOR

A member of the Institute in practice shall not accept the appointment as statutory auditor of Public Sector Undertaking(s) / Government Company(ies)/ Listed Company(ies) and other Public Company(ies) having turnover of ₹ 50 crores or more in a year where he accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/ regulatory body(ies) specify(ies) more stringent condition(s)/ restriction(s), the same shall apply instead of the conditions/ restrictions specified under these Guidelines.

The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together.

## CHAPTER X: APPOINTMENT OF AN AUDITOR WHEN HE IS INDEBTED TO A CONCERN

A member of the Institute in practice or a partner of a firm in practice or a firm or a relative of such member or partner shall not accept appointment as auditor of a concern while indebted to the concern or given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for amount exceeding ₹ 100,000/-.

## CHAPTER XI: DIRECTIONS IN CASE OF UNJUSTIFIED REMOVAL OF AUDITORS

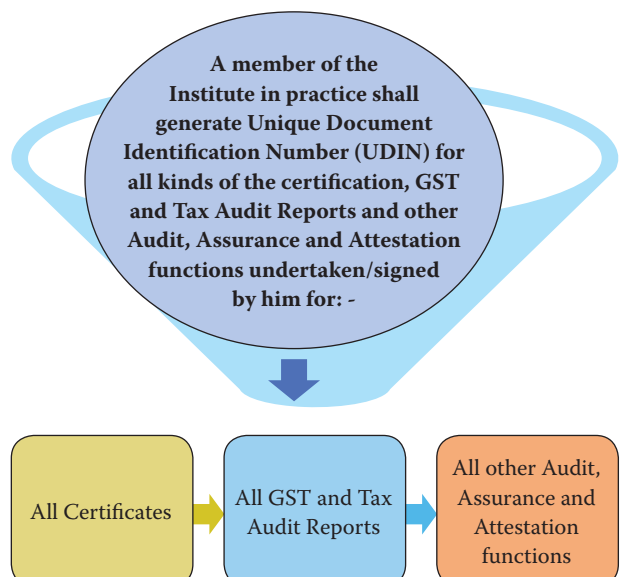
A member of the Institute in practice shall follow the direction given, by the Council or an appropriate Committee or on behalf of any of them, to him being the incoming auditor(s) not to accept the appointment as auditor(s), in the case of unjustified removal of the earlier auditor(s).

## CHAPTER XIII: GUIDELINES ON TENDERS

A member of the Institute in practice shall not respond to any tender issued by an organisation or user of professional services in areas of services which are exclusively reserved for chartered accountants, such as audit and attestation services.

Such restriction shall not be applicable where minimum fee of the assignment is prescribed in the tender document itself or where the areas are open to other professionals along with the CAs.

## CHAPTER XIV: UNIQUE DOCUMENT IDENTIFICATION NUMBER (UDIN) GUIDELINES



## CHAPTER XV: GUIDELINES FOR NETWORKING

**Concept:** To enhance their ability to provide professional services, firms frequently form larger structures with other firms and entities. Whether these larger structures create a network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct.

### Professional Resources include:

Common systems that enable firms to exchange information such as client data, billing and time records.

Partners and staff.

Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements.

Audit methodology or audit manuals.

Training courses and facilities.

### FORMS OF THE NETWORK

A network can be constituted as a mutual entity which will act as a facilitator for the constituents of the Network. In such a case the Network itself will not carry out any professional practice.

A network can be constituted as a partnership firm subject to the condition that the total number of partners does not exceed twenty.

A network can be constituted as a Limited Liability Partnership subject to the provision of the Chartered Accountant Act and Rules and such other laws as may be applicable.

A network can be constituted as a company subject to the guidelines prescribed by Institute for corporate form of practice and formation of management consultancy services company.

Network Firms shall consist of sole Practitioner/proprietor, partnership or any such entity of professional accountants as may be permitted by the Act.

A firm is allowed to join only one network.

Firms having common partners shall join only one Network.

### ETHICAL COMPLIANCE

If one firm of the network is the statutory auditor of an entity then the associate [including the networked firm(s)] or the said firm directly/indirectly shall not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm.

The guidelines of ceiling on Non-audit fees is applicable in relation to a Network as follows:-

For a Network firm who is doing statutory audit (including its associate concern and/or firm(s) having common partnership), it shall be the same as mentioned in the said notification; and

For other firms of the same Network collectively, it shall be 3 times of the fee payable for carrying out the statutory audit of the same undertaking / company.

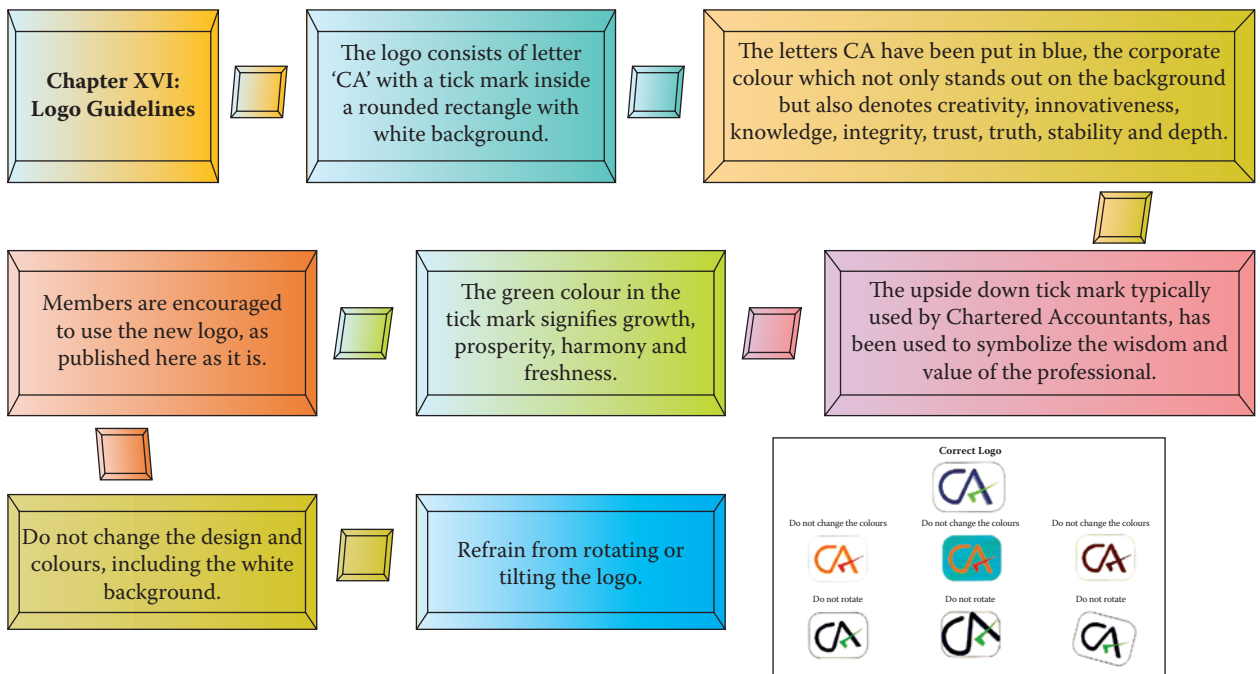
In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring.

The Network may advertise the Network to the extent permitted by the Advertisement Guidelines issued by Institute. The firms constituting the network are permitted to use the words "Network Firms" on their professional stationery.

## Framework of Internal Bye-laws of Network:

To streamline the networking, a network shall formulate operational bye-laws. Bye-laws may contain the following clauses on which the affiliates of the network may enter into a written agreement among themselves:

- (i) Appointment of a Managing Committee, from among the managing partners of the member firms of the network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon
- (ii) Administration of the network
- (iii) Contribution of membership fees to meet the cost of the administration of the network
- (iv) Identifying a partner of any of the member firms of the network to be responsible for the assignment (engagement partner)
- (v) Dispute settlement procedures through arbitration and conciliation
- (vi) Development of training materials for members of the network
- (vii) Issue of News-letters for staff and clients
- (viii) Development of software for different types of assignments
- (ix) Development and maintenance of data bases relevant for different types of assignments
- (x) Library
- (xi) Appointment of a technical director to whom references can be made
- (xii) Determining the methodology for drawing resources from each member firm
- (xiii) Determining compensation to member firms for resources to be drawn from them
- (xiv) Peer review of the member firms



## CHAPTER XVII: GUIDELINES FOR CORPORATE FORM OF PRACTICE

Members in practice to hold the office of Managing Director, Whole-time Director or Manager of a body corporate within the meaning of the Companies Act provided that the body corporate is engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council in pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 and complies with the condition(s) as specified by the Council from time to time in this regard.

The members can retain full time Certificate of Practice besides being the Managing Director, Whole-time Director or Manager of such Management Consultancy Company.

There will be no restriction on the quantum of the equity holding of the members, either individually and/ or along with the relatives, in such Company.

Such members shall be regarded as being in full-time practice and therefore can continue to do attest function either in individual capacity or in Proprietorship/Partnership firm in which capacity they practice and wherein they are also entitled to train articled/audit assistants.

The name of the Management Consultancy Company is required to be approved by the Institute and such Company has to be registered with the Institute.

No audit practice can be done in Corporate Form. The consultancy practice hitherto done in Individual or Firm Status alone is now intended to be permitted in Corporate Form also.



## CA INTERMEDIATE – PAPER 6: AUDITING AND ASSURANCE

It has always been the endeavour of Board of Studies to provide quality academic inputs to the students of Chartered Accountancy Course. Keeping in mind this objective, BoS has decided to come out with a Crisp & Concise Capsule of each subject to facilitate students in quick revision before examination. This series of capsules is on Paper 6: Auditing and Assurance of Intermediate Course. In this capsule we are covering select topics of Chapter 13- Audit of Different Types of Entities. It may be mentioned that this capsule is a tool for quick revision of some significant areas of Auditing subject and this should not be taken as a substitute for the detailed study of the subject. Students are advised to refer to the relevant Study Material, Auditing Pronouncements and RTP for comprehensive study and revision.

### SELECT TOPICS OF CHAPTER 13:- AUDIT OF DIFFERENT TYPES OF ENTITIES

#### GOVERNMENT AUDIT

##### Government auditing is

- the objective, systematic, professional and independent examination of financial, administrative and other operations
- of a public entity
- made subsequently to their execution
- for the purpose of evaluating and verifying them,
- presenting a report containing explanatory comments on audit findings
- together with conclusions and recommendations for future actions by the responsible officials
- and in the case of examination of financial statements, expressing the appropriate professional opinion regarding the fairness of the presentation.

#### OBJECTIVES OF GOVERNMENT AUDIT

##### Accounting for Public Funds

- Government audit serves as a mechanism or process for public accounting of government funds.

##### Appraisal of Government policies

- It also provides public accounting of the operational, management, programme and policy aspects of public administration as well as accountability of the officials administering them.

##### Base for Corrective actions

- Audit observations based on factual data collection also serve to highlight the lapses of the lower hierarchy, thus helping supervisory level officers to take corrective measures.

#### LEGAL FRAMEWORK AND COMPTROLLER & AUDITOR GENERAL

The Constitution of India contains specific provisions regarding the appointment, salary and duties and powers of the C&AG.

##### APPOINTMENT & REMOVAL

Appointed by the President of India. CAG shall not be removed from office except on the ground of proven misbehaviour or incapacity. As in the case of a Judge of the Supreme Court, he can be removed only when each House of Parliament decides to do so by a majority of not less than 2/3rd of the members of the House present and voting. The Parliament is competent to make laws to determine salary and other conditions of service.

##### TENURE

The Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 passed in pursuance of the provisions of the Constitution lays down a fixed tenure of the office prescribing that he shall be paid a salary which is equal to the salary of the Judge of the Supreme Court thereby further strengthening his independence

##### VARIOUS CONSTITUTIONAL PROVISIONS

**Article 149** states that the C&AG shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by the Parliament.

**Article 150** of the Constitution provides that the accounts of the Union and of the States shall be kept in such form as the President may on the advice of the C&AG prescribe.

**Article 151** requires that the reports of the C&AG relating to the accounts of the Union/State shall be submitted to the President/Governor who shall cause them to be laid before House of Parliament/ State Legislature.

# AUDITING AND ASSURANCE

## COMPTROLLER AND AUDITOR GENERAL'S – DUTIES AND POWERS

### Duties

Audit of Grants or Loans

General Provisions Relating to Audit

(a) to audit and report on all expenditure from the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly

(b) to audit and report all transactions of the Union and of the States relating to Contingency Funds and Public Accounts

(c) to audit and report on all trading, manufacturing and profit and loss accounts and balance-sheets and other subsidiary accounts in any department of government

Audit of Government Companies and Corporations

Audit of Receipts of Union or States

### POWERS

To inspect any office of accounts under the control of the Union or a State Government including office responsible for the creation of the initial or subsidiary accounts.

To require that any accounts, books, papers and other documents which deal with or are otherwise relevant to the transactions under audit, be sent to specified places.

To put such questions or make such observations as he may consider necessary to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which is his duty to prepare.

To dispense with any part of detailed audit of any accounts or class of transactions and to apply such limited checks in relation to such accounts or transactions as he may determine.

## EXPENDITURE AUDIT

- The expenditure incurred conforms to the relevant provisions of the statutory enactment and in accordance with the Financial Rules and Regulations framed by the competent authority. Such an audit is called as the **audit against 'rules and orders'**.
- There is sanction, either special or general, accorded by competent authority authorising the expenditure. Such an audit is called as the **audit of sanctions**.
- There is a provision of funds out of which expenditure can be incurred and the same has been authorised by competent authority. Such an audit is called as **audit against provision of funds**.
- The expenditure is incurred with due regard to broad and general principles of financial propriety. Such an audit is also called as **propriety audit**.
- The various programs, schemes and projects where large financial expenditure has been incurred are being run economically and are yielding results expected of them. Such an audit is termed as the **performance audit**.

## AUDIT OF RECEIPTS

- whether all revenues or other debts due to government have been correctly assessed, realised and credited to government account by the designated authorities.
- whether adequate regulations and procedures have been framed by the department/agency concerned to secure an effective check on assessment, collection and proper allocation of cases.
- whether such regulations and procedures are actually being carried out.
- whether adequate checks are imposed to ensure the prompt detection and investigation of irregularities, double refunds, fraudulent or forged refund vouchers or other loss of revenue through fraud or willful omission or negligence to levy or collect taxes or to issue refunds.
- review of systems and procedures to see that the internal procedures adequately secure correct and regular accounting of demands collection and refunds and pursuance of dues up to final settlement and to suggest improvements.

## AUDIT OF STORES AND INVENTORIES

To ascertain whether the Regulations governing purchase, receipt and issue, custody, sale and inventory taking of stores are well devised

To bring to the notice of the government any deficiencies in quantities of stores held

To verify that the purchases are properly sanctioned

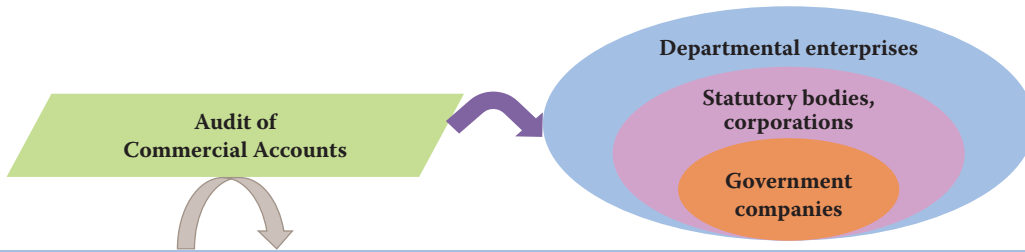
The valuation of the inventories is seen carefully so that the value accounts tally with the physical accounts

To check the accounts of receipts, issues and balances regarding accuracy, correctness and reasonableness of balances in inventories with particular reference to the specified norms.

to ensure that the prices paid are reasonable and are in agreement with those shown in the contract for the supply of stores.

The certificates of quality and quantity are furnished by the inspecting and receiving units

When priced accounts are maintained, the auditor should see that the prices charged are reasonable and have been reviewed from time to time.



## Departmental concerns

- Audit is undertaken in the same manner as any department of government where commercial accounts are kept

## Statutory bodies or corporations

- Audit depends on the nature and type of the statute governing the bodies or corporations.

## Government companies

- Audit is conducted by their own auditors, under the statute, appointed by C&AG. In addition, the C&AG conducts a supplementary test audit of the accounts, as well as periodical financial audit and appraisal of performance.

### Role of C&AG is prescribed under sub section (5), (6) and (7) of section 143 of the Companies Act, 2013.

#### Power to appoint Government Company Auditor

- Section 143(5) of the Act states that, in the case of a Government company or any other company owned or controlled by the Central Government or by any State Government or Governments, the Comptroller and Auditor-General of India shall appoint the auditor

#### Power to conduct Supplementary Audit & comment thereupon within 60 days

The Comptroller and Auditor-General of India shall within 60 days from the date of receipt of the audit report have a right to,

- conduct a supplementary audit under section 143(6)(a)
- comment upon or supplement such audit report under section 143(6)(b).

#### Test Audit under section 143(7)

In the case of a government company, audit is conducted by professional auditors appointed on the advice of the C&AG and the latter is authorized under section 143 of the Companies Act, 2013 to conduct supplementary or test audit.

The C&AG shall direct the manner in which the company's accounts shall be audited.

## REPORTING PROCEDURES

The effectiveness of an audit depends on reporting results to the proper authority so that appropriate action may be taken to rectify the irregularities or impropriety where possible or to prevent re-occurrence. Article 151 of the Indian Constitution enjoins that the C&AG shall report on the accounts of the Union and of each of the States to the President or the Governor concerned and the latter shall cause the report to be laid before the legislatures. The reports should not only be presented to the legislatures but thereafter also publicised adequately in order to create a proper climate of public opinion for taking remedial action where necessary, on the findings of the Auditor General. This may also constitute a more effective safeguard in the future.

## AUDIT OF LOCAL BODIES

Municipal government in India covers five distinct types of urban local authorities

The municipal corporations

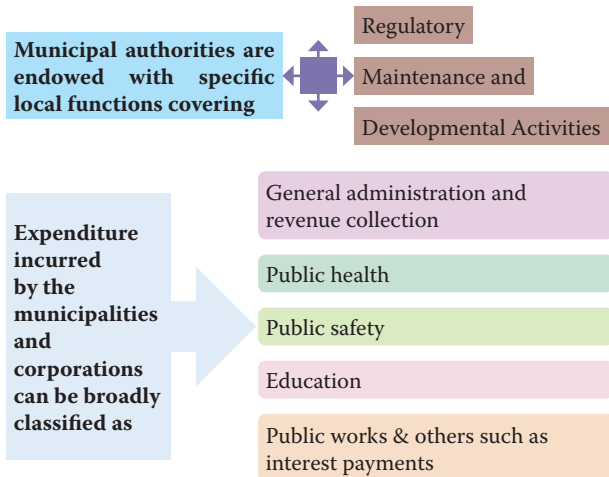
The municipal councils

The notified area committees

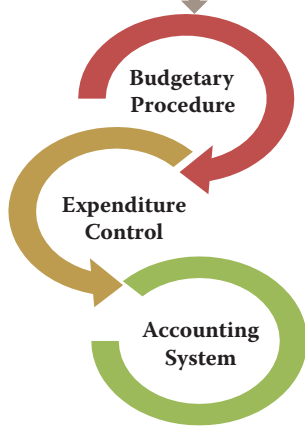
The town area committees

The cantonment committees

# AUDITING AND ASSURANCE



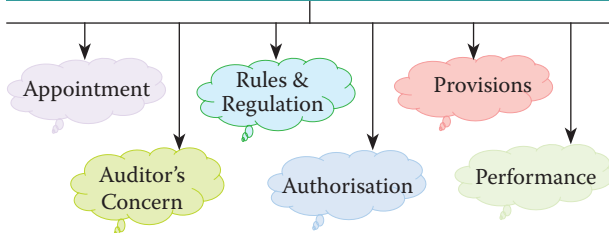
## FINANCIAL ADMINISTRATION



## OBJECTIVE OF AUDIT OF LOCAL BODIES

- reporting on the fairness of the content and presentation of financial statements
- reporting upon the strengths and weaknesses of systems of financial control
- reporting on the adherence to legal and/or administrative requirements
- reporting upon whether value is being fully received on money spent
- detection and prevention of error, fraud and misuse of resources

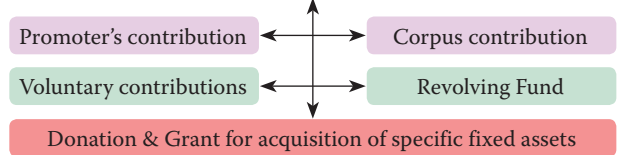
## AUDIT PROGRAMME FOR LOCAL BODIES



## AUDIT OF NON-GOVERNMENT ORGANISATIONS



## SOURCES AND APPLICATIONS OF FUNDS



## Areas of Application of Funds

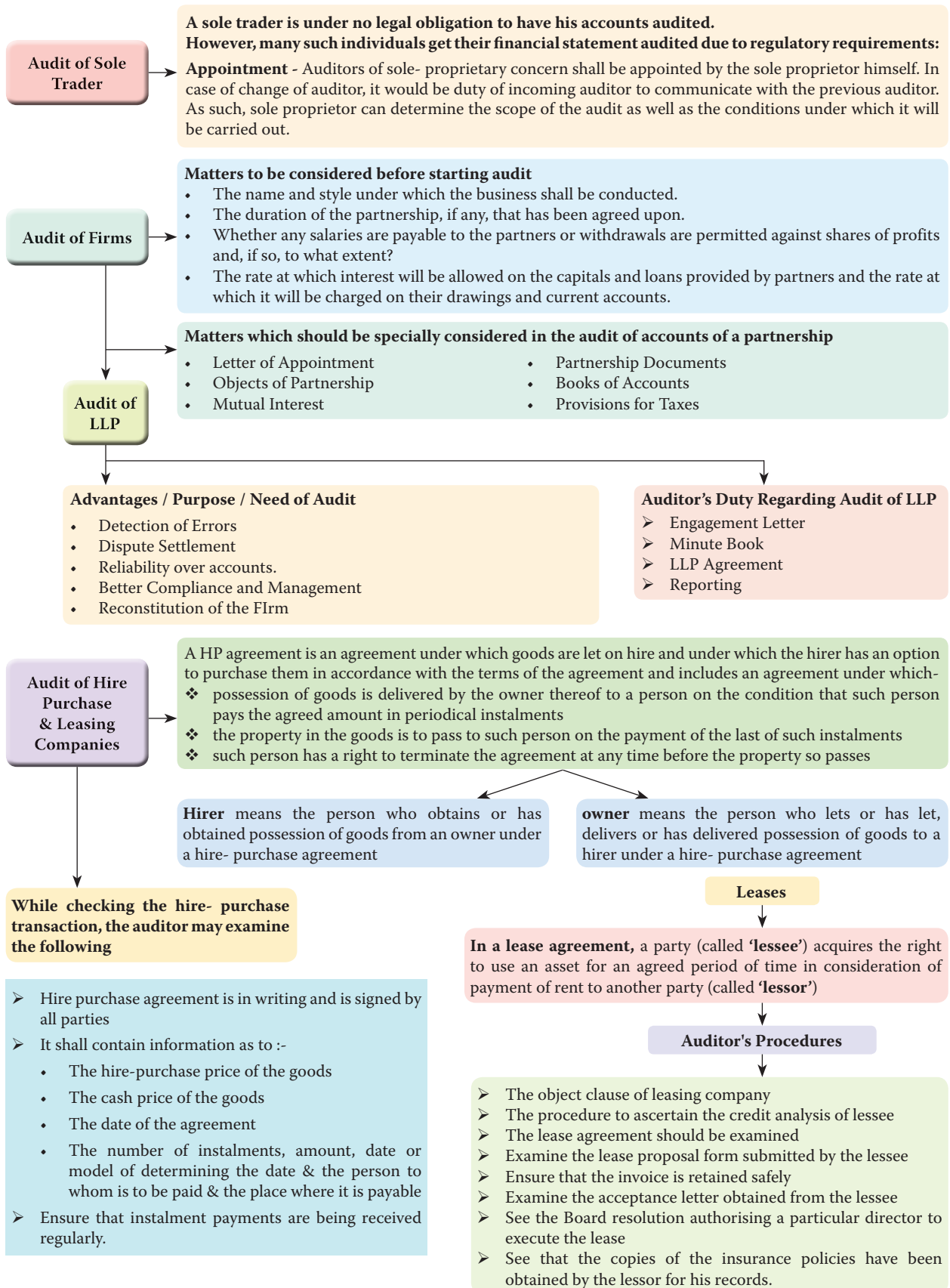
Establishment Costs, Office and Administrative Expenses, Maintenance Expenses, Programme / Project Expenses, Charity, Donations and Contributions given

The audit programme should include in a sequential order all assets, liabilities, income and expenditure ensuring that no material item is omitted :-

- Corpus Fund
- Reserves
- Ear-marked Funds
- Project / Agency Balances
- Loans
- Establishment Expenses
- Programme and Project Expenses
- Inventory
- Bank Balance
- Cash in Hand
- Investments
- Fixed Assets

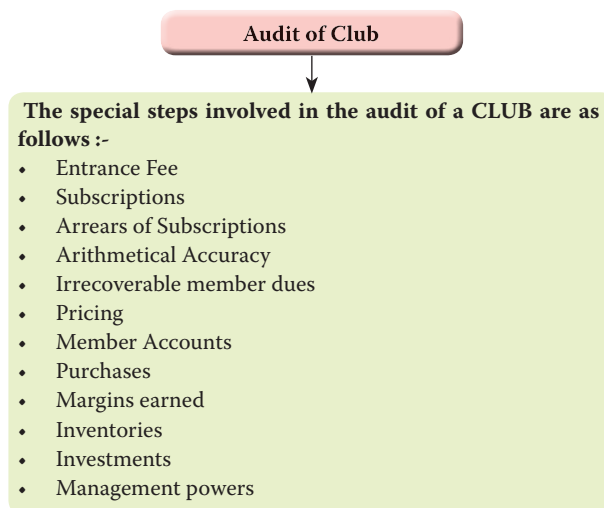
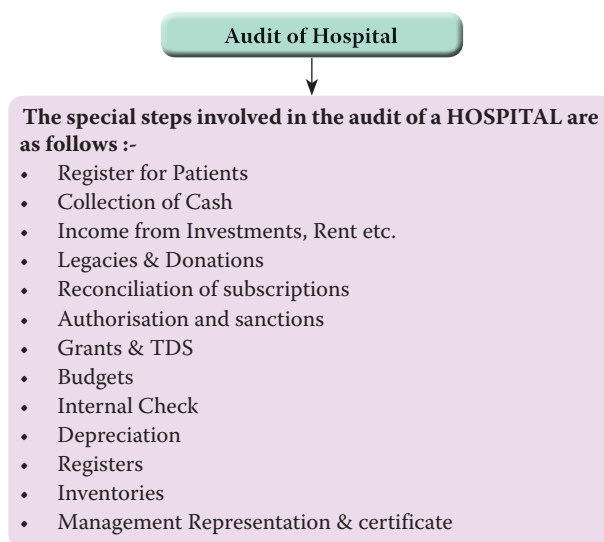
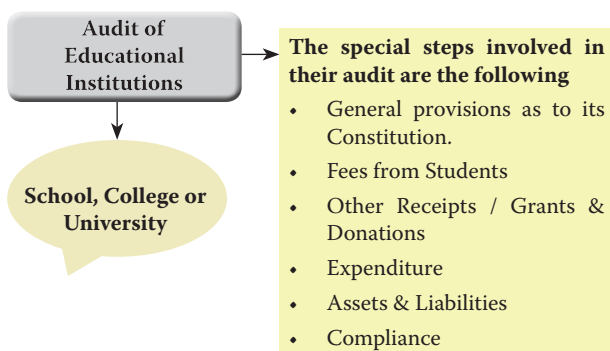
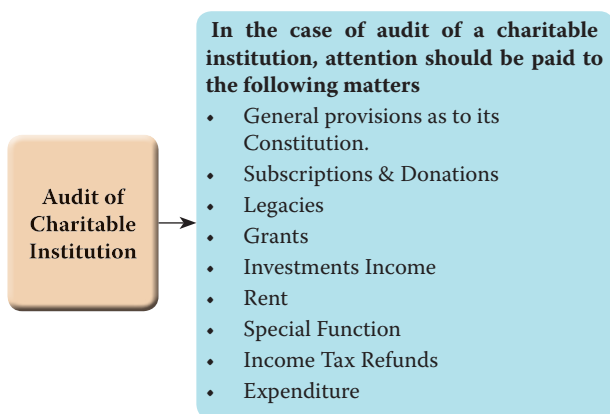
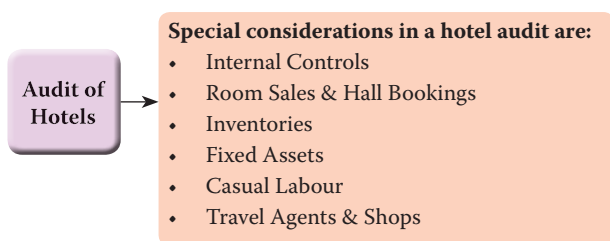
The receipt of income of NGO may be checked on the following lines

- Contributions and Grants for projects and programmes
- Subscriptions
- Membership Fees
- Receipts from fund raising programmes
- Interest and Dividends



## DIFFERENCE BETWEEN OPERATING & FINANCE LEASE

	Operating Lease	Financial Lease
<b>Common examples</b>	Lease of Projector, Computers, Laptops, Coffee Dispensers etc	Lease of Plant and Machinery, Land, Office Building etc
➤ Ownership	Ownership of the asset remains with the lessor for the entire period of lease.	Ownership transfer option at the end of the lease period is with the lessee.
➤ Accounting treatment	Operating lease is generally treated like a renting arrangement.	Financial lease is treated like loan arrangement.
➤ Purchase Option	Under operating lease, the lessee does not have any option to buy the asset during the lease period.	Financial lease allows the lessee to have a purchase option at less than the fair market value of the asset.
➤ Lease Term	Lease term generally extends to less than 75% of the projected useful life of the leased asset.	Lease term is generally more than or equal to estimated economic life of the asset under the lease arrangement.
➤ Operating / running expenses	Lessee pays only the monthly lease payments. No running or administration costs are to be borne for example: registration, repairs etc.	Lessee generally bears insurance, maintenance and taxes.
➤ Tax benefit	Since operating lease is as good as renting, lease payment is considered as expense. No depreciation can be claimed by the lessee.	Lessee can claim both interest and depreciation expense as financial lease is treated like a loan.



## Audit of Cinema

## Audit of Co-operative Societies

The special steps involved in the audit of a CINEMA are as follows :-

- Verify the **internal control mechanism**.
- Confirm that at the end of show, a **statement of tickets sold** is prepared and cash collected is agreed with it.
- Verify that a record is kept of the **'free passes'** and that these are issued under proper authority
- Vouch the entries in the Cash Book in respect of cash collected on **sale of tickets** for different shows on a reference to Daily Statements which have been test checked as aforementioned with record of tickets issued for the different shows held.
- Verify the charges collected for **advertisement** slides and shorts by reference to the Register of Slides and Shorts Exhibited kept at the cinema as well with the agreements entered into with advertisers in this regard.
- Vouch the **expenditure** incurred on advertisement, repairs and maintenance. No part of such expenditure should be capitalized.

The following points should be kept in mind in connection with the audit of a co- operative society:

- Qualifications of Auditors
- Appointment of the Auditor
- Books, Accounts and other records of Co- operative Societies
- Restrictions on share holdings
- Restrictions on loans
- Restrictions on borrowings
- Investment of funds
- Appropriation of profits
- Contributions to Charitable Purposes
- Investment of Reserve Fund outside the business or utilisation as working capital
- Contribution to Education Fund

### Audit of Multi-State Co-operative Society

- Qualifications of Auditors
- Appointment of the Auditor
- Power and duties of Auditors
- Content of Auditor's Report
- Power of Central Government to direct special audit in certain cases



ICAI President CA. Aniket Sunil Talati; Chairman, Board of Studies (Academic), CA. Vishal Doshi; ICAI Central Council Member CA. Purushottam Khandelwal; Director, Board of Studies (Academic), CA. Vandana D. Nagpal; Chairperson Ahmedabad Branch, CA. (Dr.) Anjali Choksi; Dr. Sudhir Nanavati, President, GLS University, Dr. Marzun Johki, Dean, Faculty of Commerce, GLS University during the MoU Exchange ceremony between ICAI and GLS University organized by Board of Studies (Academic) at GLS University, Ahmedabad (15.9.2023).

ICAI President. CA. Aniket Sunil Talati; Chairman Board of Studies (Academic), CA. Vishal Doshi; ICAI Central Council Member, CA. Purushottam Khandelwal; Director, Board of Studies (Academic), CA. Vandana D. Nagpal; Chairperson Ahmedabad Branch, CA. (Dr.) Anjali Choksi; Shri K K Patel, Vice-President, Nirma University, Prof Anup K. Singh, Director General, Nirma University, Dr. Udai Paliwal, Director, Institute of Commerce, Nirma University, Shri G. Ramachandran Nair, Executive Registrar, Nirma University during the MoU Exchange ceremony between ICAI and Nirma University organized by Board of Studies (Academic) at Nirma University, Ahmedabad (15.9.2023).

## CROSSWORD SOLUTION – SEPTEMBER 2023

<sup>1</sup> G	L	O	<sup>2</sup> B	<sup>3</sup> A	L		<sup>4</sup> B	<sup>5</sup> A	R	<sup>6</sup> T	<sup>7</sup> E	<sup>8</sup> R
A			<sup>9</sup> O	M		<sup>10</sup> C	A	T		<sup>11</sup> L	B	O
<sup>12</sup> M	<sup>13</sup> I	N	T		<sup>14</sup> D	A	T	A		<sup>15</sup> L	I	C
<sup>16</sup> E	R	P				<sup>17</sup> P	A	T	<sup>18</sup> E	N	T	
T			<sup>19</sup> F	<sup>20</sup> E	M	A			A		<sup>21</sup> D	A
<sup>22</sup> H	<sup>23</sup> E	<sup>24</sup> D	G	E		C		<sup>25</sup> I	R	<sup>26</sup> M	A	
<sup>27</sup> E	I	U		G		I		<sup>28</sup> C	N	N		<sup>29</sup> C
<sup>30</sup> O	T	T			<sup>31</sup> C	T	<sup>32</sup> C		<sup>33</sup> I	C	<sup>34</sup> S	I
R		Y			<sup>35</sup> K	Y	C		N		<sup>36</sup> L	R
Y	<sup>37</sup> C			<sup>38</sup> G			<sup>39</sup> M	S	G		<sup>40</sup> U	P
	<sup>41</sup> E	<sup>42</sup> C		<sup>43</sup> B	<sup>44</sup> I	<sup>45</sup> S			<sup>46</sup> S	<sup>47</sup> U	M	
<sup>48</sup> B	O	O	M		<sup>49</sup> B	U	L	L		<sup>50</sup> C	P	I



# BUSINESS AND COMMERCIAL KNOWLEDGE

## FOUNDATION COURSE PAPER 4 - BUSINESS AND COMMERCIAL KNOWLEDGE

This capsule on Foundation Paper 4 (Part II): Business and Commercial Knowledge broadly covers the companies discussed in detail in Chapter 3 of the Study Material. To facilitate easy understanding of the significant changes in the year 2023, an attempt has been made to give an overview of the significant changes in the companies in tabulated form.













It may be kept in mind that the capsule is not the replacement of the Study Material. Reading of Study Material is absolute essential. This capsule is intended to assist you in the process of quick revision.

### A. AN OVERVIEW OF SELECTED INDIAN COMPANIES



S. No.	Company's Name	Incorporation year	Headquarters	Chairman	Present Managing Director	Chief Executive Officer	Chief Financial Officer	Ranking in Forbes World's Largest Public Corporations List 2023
1	 Adani Ports and Special Economic Zone Ltd.	1998	Ahmedabad, Gujarat, India	Gautam Adani	Gautambhai Shantilal Adani	Karan Gautambhai Adani	Muthukumar Doraiswami	1598 <sup>th</sup>
2	 Asian Paints Ltd.	1942	Mumbai, Maharashtra, India	-	Amit Syngle	Amit Syngle	R J Jeyamurugan	1600 <sup>th</sup>
3	 AXIS BANK Axis Bank Ltd.	1993	Mumbai, Maharashtra, India	-	Amitabh Chaudhry	Amitabh Chaudhry	Puneet Sharma	423 <sup>rd</sup>
4	 Bajaj Auto Ltd.	1945	Pune, Maharashtra, India	Rahul Bajaj	Rajiv Bajaj	Rajiv Bajaj	Dinesh Thapar	1562 <sup>nd</sup>
5	 Bharti Airtel Ltd.	1995	New Delhi, India	Sunil Bharti Mittal	Gopal Vittal	Gopal Vittal	Soumen Ray	477 <sup>th</sup>
6	 Bharat Petroleum Corporation Ltd.	1952	Mumbai, Maharashtra, India	G Krishna Kumar	G Krishna Kumar	-	Vetsa Ramakrishna Gupta	1052 <sup>nd</sup>
7	 Cipla Ltd.	1935	Mumbai, Maharashtra, India	Y K Hamied	Umang Vohra	Umang Vohra	Ashish Adukia	-
8	 Coal India Ltd.	1975	Kolkata, West Bengal, India	P M Prasad	P M Prasad	-	Sunil Kumar Mehta	591 <sup>st</sup>
9	 Dr. Reddy's Lab. Ltd.	1984	Hyderabad, Telangana, India	Kallam Satish Reddy	G V Prasad	Erez Israeli	Parag Agarwal	-
10	 Flipkart	2007	Singapore (legal domicile), Bengaluru, Karnataka, India (Operational Headquarters)	-	Kalyan Krishnamurthy	Kalyan Krishnamurthy	Sriram Venkataraman	-












## BUSINESS AND COMMERCIAL KNOWLEDGE

S. No.	Company's Name	Incorporation year	Headquarters	Chairman	Present Managing Director	Chief Executive Officer	Chief Financial Officer	Ranking in Forbes World's Largest Public Corporations List 2023
11	 GAIL (India) Limited GAIL (India) Ltd.	1984	New Delhi, India	Sandeep Kumar Gupta	Sandeep Kumar Gupta	Goutom Chakraborty	Rakesh Kumar Jain	1156 <sup>th</sup>
12	 <b>HDFC BANK</b> We understand your world HDFC Bank Ltd.	1994	Mumbai, Maharashtra, India	Atanu Chakraborty	Sashidhar Jagdishan	Sashidhar Jagdishan	Srinivasan Vaidyanathan	128 <sup>th</sup>
13	 <b>ICICI Bank</b> ICICI Bank Ltd.	1994	Mumbai, Maharashtra, India	Girish Chandra Chaturvedi	Sandeep Bakhshi	Sandeep Bakhshi	Anindya Banerjee	163 <sup>rd</sup>
14	 Indian Oil Corporation Ltd.	1959	New Delhi, India	Shrikant Madhav Vaidya	-	-	Sanjay Kaushal	540 <sup>th</sup>
15	 <b>Infosys</b> Infosys Ltd.	1981	Bengaluru, Karnataka, India	Nandan Nilekani	Salil Parekh	Salil Parekh	Nilanjan Roy	555 <sup>th</sup>
16	 <b>ITC</b> ITC Limited	1910	Kolkata, West Bengal, India	Sanjiv Puri	Sanjiv Puri	Sanjiv Puri	Supratim Dutta	752 <sup>nd</sup>
17	 <b>Larsen &amp; Toubro</b> Ltd.	1938	Mumbai, Maharashtra, India	Anil Manibhai Naik	S.N. Subrahmanyam	S.N. Subrahmanyam	Shankar Raman	449 <sup>th</sup>
18	 <b>एनटीपीसी</b> NTPC Ltd.	1975	New Delhi, India	Gurdeep Singh	Gurdeep Singh	-	Renu Narang	433 <sup>rd</sup>
19	 <b>ओएनजीसी</b> ONGC Oil & Natural Gas Corporation Ltd.	1956	Uttarakhand, India	Arun Kumar Singh	Arun Kumar Singh	-	Pomila Jaspal	226 <sup>th</sup>
20	 <b>पावरग्रिड</b> Power Grid Corporation of India Ltd.	1989	Gurugram, Haryana, India	Sreekant Kandikuppa	Sreekant Kandikuppa	-	Ravisankar Ganesan	855 <sup>th</sup>
21	 <b>Reliance Industries</b> Limited	1973	Mumbai, Maharashtra, India	Mukesh Ambani	Mukesh Ambani	Mukesh Ambani	Srikanth Venkatchari and Alok Agarwal	45 <sup>th</sup>
22	 <b>SBI</b> State Bank of India	1806	Mumbai, Maharashtra, India	Dinesh Kumar Khara	C.S. Setty, Alok Kumar Choudhary, Swaminathan J., Ashwini Kumar Tewari	-	Kameshwar Rao Kodavanti	77 <sup>th</sup>

## BUSINESS AND COMMERCIAL KNOWLEDGE

S. No.	Company's Name	Incorporation year	Headquarters	Chairman	Present Managing Director	Chief Executive Officer	Chief Financial Officer	Ranking in Forbes World's Largest Public Corporations List 2023
23	 Tata Sons Private Ltd.	1868	Bombay House, Mumbai, Maharashtra, India	Natarajan Chandrasekaran	Natarajan Chandrasekaran	-	Saurabh Agrawal	Tata Motors - 725 <sup>th</sup> TCS - 386 <sup>th</sup> Tata Steel - 591 <sup>st</sup>
24	 Wipro Ltd.	1945	Bengaluru, Karnataka, India	Rishad Premji	Thierry Delaporte	Thierry Delaporte	Aparna Iyer	860 <sup>th</sup>

### B. AN OVERVIEW OF SELECTED GLOBAL COMPANIES

S. No.	Company's Name	Incorporation year	Headquarters	Chairman	Chief Executive Officer	Chief Financial Officer	Ranking in Fortune 500 Companies List 2023	Ranking in Forbes World's Largest Public Corporations List 2023
1	 Amazon	1994	Seattle, Washington, U.S.	Jeff Bezos	Andy Jassy	Brian T. Olsavsky	2 <sup>nd</sup>	36 <sup>th</sup>
2	 American Express	1850	New York, United States of America	Stephen Squeri	Stephen Squeri	Jeffery C Campbell	83 <sup>rd</sup>	63 <sup>rd</sup>
3	 Apple	1977	California, United States of America	Arthur D. Levinson	Tim Cook	Luca Maestri	3 <sup>rd</sup>	10 <sup>th</sup>
4	 Goldman Sachs	1869	New York, United States of America	David M. Solomon	David M. Solomon	Denis Coleman	59 <sup>th</sup>	33 <sup>rd</sup>
5	 HP Inc.	1939	California, United States of America	Enrique Lores	Enrique Lores	Marie Myers	56 <sup>th</sup>	355 <sup>th</sup>
6	 IBM Corporation	1911	New York, United States of America	Arvind Krishna	Arvind Krishna	James J. Kovnaugh	42 <sup>nd</sup>	175 <sup>th</sup>
7	 Intel Corporation	1968	California, United States of America	Omar Ishrak	Patrick Paul Gelsinger	David Zinsner	40 <sup>th</sup>	422 <sup>nd</sup>
8	 Microsoft Corporation	1975	Washington, U.S.	Satya Nadella	Satya Nadella	Amy Hood	15 <sup>th</sup>	9 <sup>th</sup>
9	 Nestlé	1866	Vevey, Switzerland	Paul Bulcke	Ulf Mark Schneider	Anna Manz	-	50 <sup>th</sup>
10	 Walmart	1969	Arkansas, United States of America	Gregory B. Penner	Dough McMillon	John Rainey	1 <sup>st</sup>	23 <sup>rd</sup>

CA FINAL - PAPER-1: FINANCIAL REPORTING

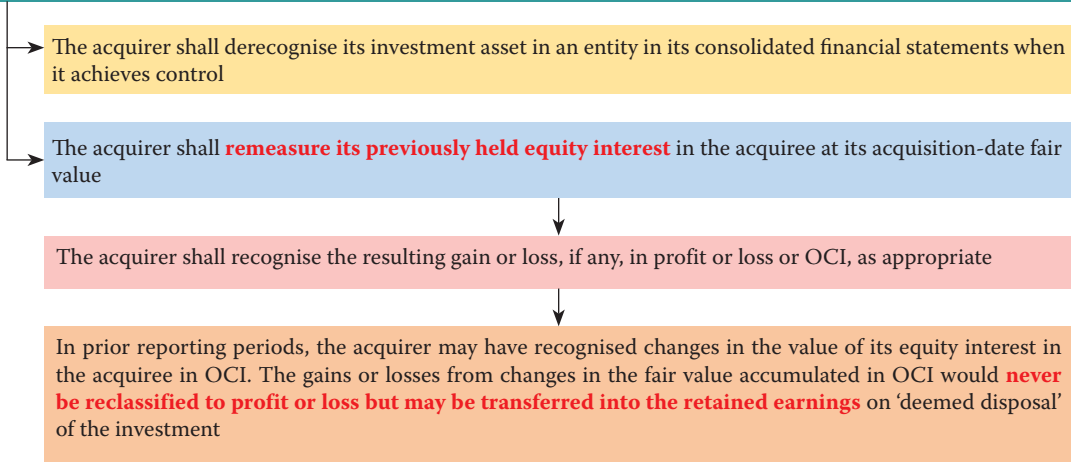
This capsule in Final Paper 1 Financial Reporting is twelfth in the series (published in three parts). Many of the Ind AS have already been covered in the capsules on Financial Reporting published in July, 2018, May, 2019, August, 2019, October, 2019, November, 2020, July/August, 2021, October, 2021, June, 2022, December, 2022, February, 2023, May, 2023 and August/September, 2023 issues of this Journal. For a comprehensive revision of Ind AS, students should also refer to these capsules along with the amendments notified after their release, if any. All the earlier published capsules are also available on the BOS knowledge portal at <https://resource.cdn.icaai.org/59892bos48771finalp1.pdf>

This month Journal also covers capsule on significant provisions of Ind AS 110 Consolidated Financial Statements through pictorial/tabular presentations for better understanding and quick revision. However, Ind AS 110 is a big standard, hence its capsule has been published in three parts. The capsule covered in this issue of the Journal is Part 3 of Ind AS 110. Part 1 and Part 2 of the twelfth capsule on Ind AS 110 were published in August, 2023 and September, 2023 issues of this Journal.

Students are advised to refer the study material and bare text of this standard for comprehensive study and revision. Under no circumstances, this capsule substitutes the detailed study of the material provided by the Board of Studies. Further, students are advised to enhance their ability to address the issues and solve the problems based on Ind AS by working out the examples, illustrations and questions given in the study material, revision test papers and mock test papers.

INDIAN ACCOUNTING STANDARDS (IND AS) 110: CONSOLIDATED FINANCIAL STATEMENTS (PART - 3)

CALCULATION OF GOODWILL / CAPITAL RESERVE WHEN THE INTEREST IN SUBSIDIARY IS ACQUIRED ON DIFFERENT DATES (I.E. STEP ACQUISITION)



The amount of goodwill in such a case is calculated as follows:

Determination of goodwill	Amount
Fair value of consideration transferred	X
Fair value of previously held equity interest	<u>X</u>
	XX
Value of subsidiary's identifiable net assets as per Ind AS 103	<u>X</u>
<b>Goodwill / Gain on Bargain Purchase</b>	<b><u>XX</u></b>

Journal Entry

		Amount	
		Dr.	Cr.
Net identifiable assets	Dr	X	
Goodwill	Dr	X	
To Cash			X
To Investment in associate			X
To Gain on fair valuation of previously held equity interest			X

Chart 61

## CONTROL OBTAINED OVER A SUBSIDIARY WITHOUT TRANSFER OF CONSIDERATION

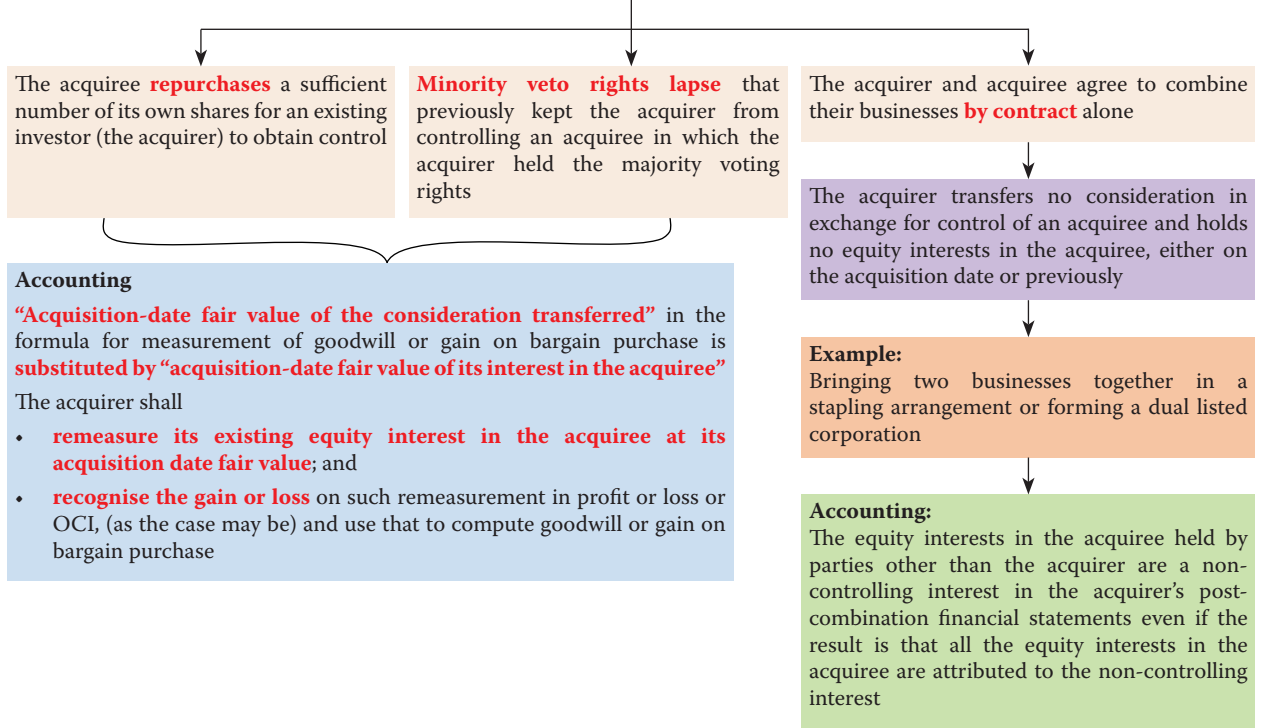


Chart 62

## CONSOLIDATION PROCEDURES FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CFS)

S. No.	Heading	Treatment
1.	<b>Uniform Accounting Policies</b>	<ul style="list-style-type: none"> <li>Follow uniform accounting policies for <b>like transactions and other events in similar circumstances</b></li> <li>If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances <b>appropriate adjustments are made</b> to that group member's financial statements in preparing the consolidated financial statements to <b>ensure conformity with the group's accounting policies</b></li> </ul>
2.	<b>Measurement of income and expense of subsidiary</b>	<ul style="list-style-type: none"> <li>Include the income and expenses of a subsidiary <b>from the date it gains control</b> until the date when the entity ceases to control the subsidiary.</li> <li>Income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.</li> </ul>
3.	<b>Accounting of potential voting rights held in subsidiary</b>	<ul style="list-style-type: none"> <li>The proportion of profit or loss and changes in equity allocated to the parent and NCI is determined solely on the basis of existing ownership interests and <b>does not reflect the possible exercise or conversion of potential voting rights</b> and other derivatives.</li> <li>Such instruments with potential voting rights are <b>accounted as per Ind AS 109</b>.</li> <li>If an entity has, in substance, an existing ownership interest as a result of a transaction that currently gives the entity access to the returns associated with an ownership interest, the proportion allocated to the parent and NCI in CFS is <b>determined by taking into account the eventual exercise of those potential voting rights and other derivatives that currently give the entity access to the returns. Accordingly, Ind AS 109 is not applied</b> to instruments containing potential voting rights in such circumstances.</li> </ul>

S. No.	Heading	Treatment
4.	Reporting period of parent and subsidiary	<ul style="list-style-type: none"> <li>The financial statements of the parent and its subsidiaries used in the preparation of CFS shall have the <b>same reporting date</b></li> <li>When the reporting period of the parent and subsidiary is different, the subsidiary prepares, <b>for consolidation purposes</b>, additional financial information till reporting date as of the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, <b>unless it is impracticable to do so</b></li> <li>If it is impracticable to do so, the parent shall consolidate the financial information of the subsidiary using the <b>most recent financial statements</b> of the subsidiary adjusted for the <b>effects of significant transactions or events</b> that occur between the date of those financial statements and the date of the consolidated financial statements</li> <li>In any case, the difference between the date of the subsidiary's financial statements and that of the consolidated financial statements <b>shall be no more than three months</b></li> <li>The length of the reporting periods and any difference between the dates of the financial statements shall be the same from period to period</li> </ul> <p><b>For Example:</b> If the financial statements of a subsidiary used for consolidation in previous periods were ending on different dates than that of the parent whereas the financial statements used for current period end on the same date as that of the parent then the comparatives for previous period should be restated to have comparison of equivalent periods</p>
5.	Accounting of dividend from subsidiary and its impact on NCI	<ul style="list-style-type: none"> <li>As per para 5.7.1A of Ind AS 109, dividends are recognized in profit or loss by an investor entity only when: <ul style="list-style-type: none"> <li>The entity's <b>right to receive</b> payment of the dividend is established</li> <li>It is <b>probable</b> that the economic benefits associated with the dividend will flow to the entity, and</li> <li>The amount of the dividend can be <b>measured reliably</b></li> </ul> </li> <li>As per para 12 of Ind AS 27, an entity shall recognize a dividend from a subsidiary <b>in its separate financial statements</b> when its <b>right to receive the dividend is established</b></li> <li>As per the Companies Act, 2013, the entity's right to receive the dividend is established <b>when it is declared by the shareholders in the AGM</b> of the company</li> <li>An investor should <b>recognise a dividend</b> from a subsidiary, a joint venture or an associate <b>as income in its separate financial statements</b></li> <li>As per Ind AS 36, declaration of dividend by a subsidiary, associate or joint venture coupled with a few more evidences is an indication of impairment of investment</li> </ul>

Chart 63

**ELIMINATION OF INTRA-GROUP TRANSACTIONS**

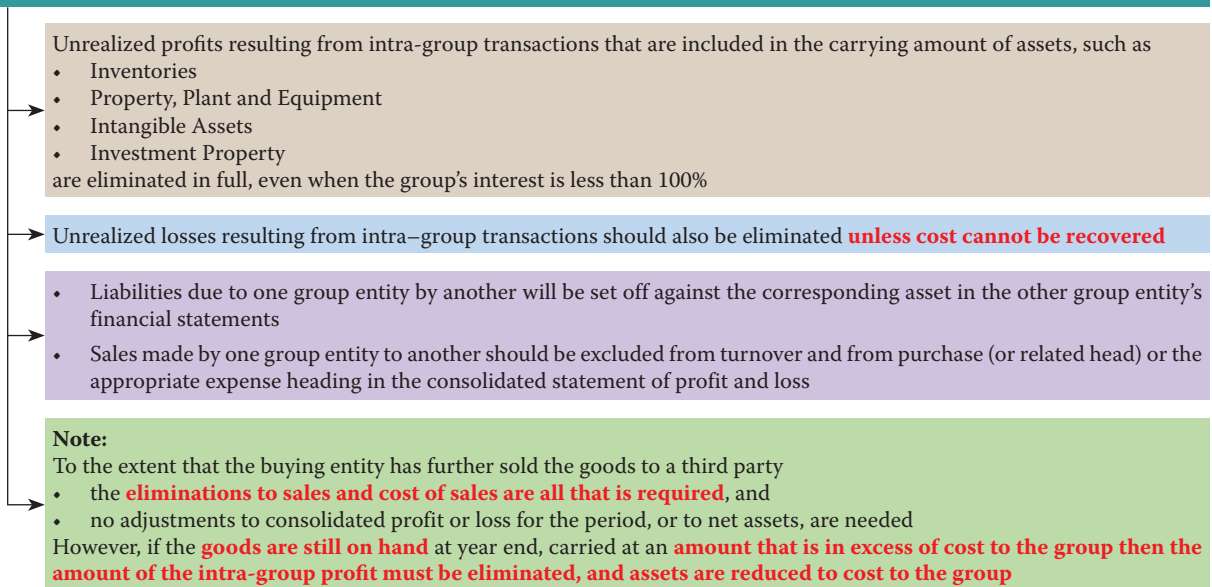


Chart 64

## ALLOCATING SHARE IN PROFIT / LOSS TO NCI AND CHANGE IN THE PROPORTION HELD BY CONTROLLING AND NON-CONTROLLING INTEREST (NCI)

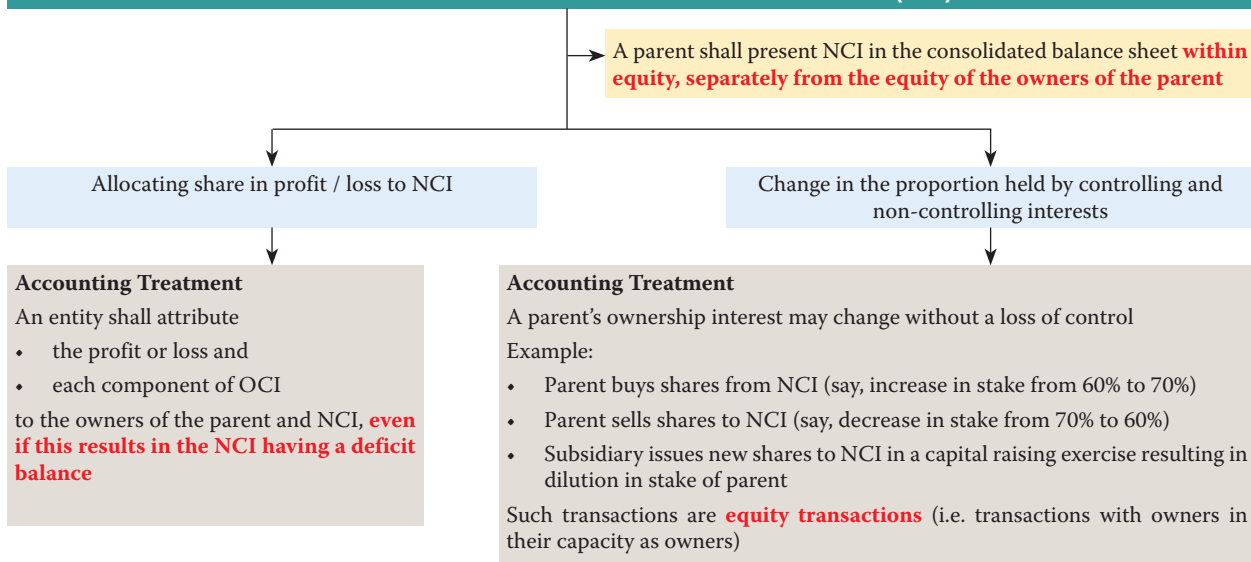


Chart 65

## LOSS OF CONTROL OVER A SUBSIDIARY

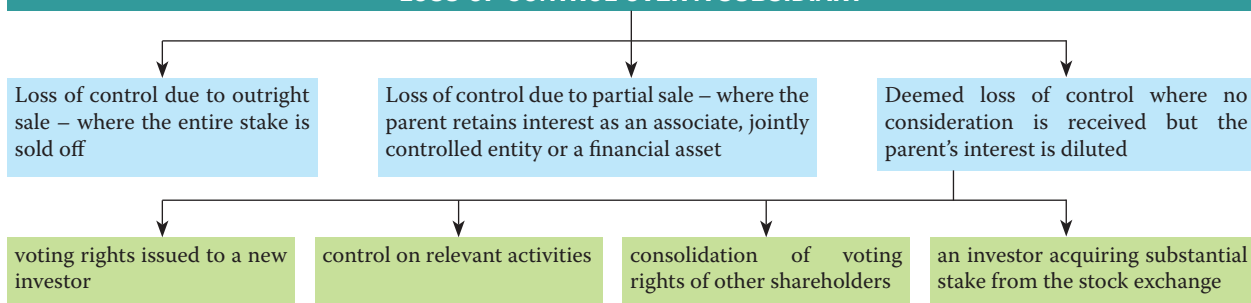


Chart 66

## ACCOUNTING TREATMENT ON LOSS OF CONTROL OF A SUBSIDIARY

### If a parent loses control of a subsidiary, it shall

Derecognise:	Recognise:	Reclassify:	Recognises gain / loss:
<ul style="list-style-type: none"> <li>the assets (including any goodwill) and liabilities of the subsidiary</li> <li>the carrying amount of any NCI in the former subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>the fair value of the consideration received</li> <li>if loss of control involves a distribution of shares of the subsidiary to owners, then that distribution; and</li> <li>any investment retained in the former subsidiary at its fair value at the date when control is lost (refer note 1 below)</li> </ul>	<ul style="list-style-type: none"> <li>to profit or loss, or transfer directly to retained earnings if required by other Ind AS, the amounts recognised in OCI in relation to the subsidiary (refer note 2 below)</li> </ul>	<ul style="list-style-type: none"> <li>recognise any resulting difference as a gain or loss in profit or loss attributable to the parent</li> </ul>

**Note 1:** The fair value at which the retained interest is recognized shall be regarded as the fair value on initial recognition of a financial asset in accordance with Ind AS 109 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

**Note 2:** If a parent loses control of a subsidiary, the parent shall account for all amounts previously recognized in OCI in relation to that subsidiary on the same basis as would be required if the parent had directly disposed of the related assets or liabilities.

Chart 67

## LOSS OF CONTROL OF A SUBSIDIARY IN TWO OR MORE ARRANGEMENTS (TRANSACTIONS)

In determining whether to account for the arrangements as a single transaction, a parent shall consider all the terms and conditions of the arrangements and their economic effects. One or more of the followings indicate that the parent should account for the multiple arrangements as a single transaction:

They are entered into at the **same time or in contemplation of each other**.

They form a single transaction designed to **achieve an overall commercial effect**

The occurrence of one arrangement is **dependent** on the occurrence of at least one other arrangement.

One arrangement considered on its own is **not economically justified, unless it is considered together** with other arrangements. (e.g. when a disposal of shares is priced below market and is compensated for by a subsequent disposal priced above market)

Chart 68

## EXEMPTION FROM PREPARING CFS

A parent need not present Consolidated Financial Statements, if **ALL** the following conditions are met:

1. Entity is a subsidiary (wholly owned or, partially owned) and no owners object to non-consolidation
2. No debt or equity instrument traded in public market
3. Did not file and is not in the process of filing its financial statements with a regulatory organization – to issue any class of instruments in a public market
4. The ultimate parent (or, any intermediate parent of the parent) produces a CFS that comply with Ind AS and the same is available for public use

**Note:** There is mandatory consolidation exception for an investment entity

Chart 69

## DISCLOSURES RELATED TO INTERESTS IN SUBSIDIARIES

An entity shall disclose information that enables users of its consolidated financial statements

### to understand

- the composition of the group; and
- the interest that NCI have in the group's activities and cash flows

### to evaluate

- the **nature and extent of significant restrictions** on its ability to access or use assets, and settle liabilities, of the group
- the **nature of, and changes in, the risks associated** with its interests in consolidated structured entities
- the **consequences of changes in its ownership interest** in a subsidiary that do not result in a loss of control; and
- the **consequences of losing control** of a subsidiary during the reporting period

When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements, an entity shall disclose:

- the date of the end of the reporting period of the financial statements of that subsidiary; and
- the reason for using a different date or period

Chart 70

# FINANCIAL REPORTING

## INTEREST THAT NON-CONTROLLING INTERESTS HAVE IN THE GROUP'S ACTIVITIES AND CASH FLOWS

An entity shall disclose for each of its subsidiaries that have NCI that are material to the reporting entity:

the name of the subsidiary

the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary

the proportion of ownership interests held by non-controlling interests

the proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held

the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period

accumulated non-controlling interests of the subsidiary at the end of the reporting period

summarised financial information about the subsidiary

### Chart 71

## NATURE AND EXTENT OF SIGNIFICANT RESTRICTIONS

An entity shall disclose following:

**Significant restrictions** (eg statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as:

- those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group.
- guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.

The **nature and extent** to which protective rights of NCI can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of NCI is required either to access the assets or to settle the liabilities of a subsidiary).

The **carrying amounts** in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

### Chart 72

## ECONOMIC UPDATE

- Despite the economic growth rebound from 2020 and much higher-than-expected inflation, public debt remained stubbornly high. Fiscal deficits kept public debt levels elevated, as many governments spent more to boost growth and respond to food and energy price spikes even as they ended pandemic-related fiscal support.

Source: <https://www.imf.org/en/Blogs/Articles/2023/09/13/global-debt-is-returning-to-its-rising-trend>

- The global trade finance gap grew to a record \$2.5 trillion in 2022 from \$1.7 trillion two years earlier, as rising interest rates, flagging economic prospects, inflation, and geopolitical volatility reduced the capacity of banks to deliver trade financing, according to the 2023 Trade Finance Gaps, Growth and Jobs Survey by Asian Development Bank.

Source: <https://www.adb.org/news/global-trade-finance-gap-expands-25-trillion-2022>

- Wholesale price inflation remained in the negative territory for the fifth straight month in August at -0.52%. In July, the

WPI inflation was at -1.36%. The negative rate of inflation in August this year is due to fall in prices of mineral oils, basic metals, chemical products, textiles, and food products as compared to the corresponding month of previous year, according to the data by the Ministry of Commerce & Industry.

Source: <https://www.livemint.com/economy/wpi-inflation-stays-in-negative-for-5th-month-at-0-52-in-august-11694674656676.html>

- India's presidency of the G20 forum that represents 85 per cent of global GDP and 75 per cent of international trade is hugely important as it comes at an inflection point, when a confident India Inc. is looking to flex its muscles globally after it breezed past the years of the pandemic and emerged relatively unscathed.

Source : <https://www.businesstoday.in/magazine/deep-dive/story/indias-g20-presidency-heres-what-it-means-for-key-sectors-of-the-countrys-economy-395764-2023-08-26>



## LIST OF EDUCATIONAL INSTITUTIONS IN PARTNERSHIP WITH ICAI VIA MOUS

S. NO	Name of University / Institute/ State Education Board	City	State	Name of the Coordinating Person	Phone Number
1	S.S. Dempo College of Commerce & Economics	Cujira	Goa	Dr S Kamat	9422415010
2	Department of Higher Education, Government of Goa	Panaji	Goa	Prof Niyan Marchon	9822589307
3	Hyderabad (Sind) National Collegiate Board	Mumbai	Maharashtra	Prof. Kishore S. Peshori	9324350028
4	Chitkara University	Patilala	Punjab	Dr. Rashmi Aggarwal	9501105684
5	Institute of Professional Excellence and Management (IPEM)	Ghaziabad	Uttar Pradesh	Preeti varshney	9716218081
6	Jai Narain Vyas (JNV) University	Jodpur	Rajasthan	Krishn Awatar Goyal	7597293666
7	Institute of Commerce - Nirma University	Ahmedabad	Gujarat	Udai Paliwal	9057204426
8	Pacific Academy of Higher Education and Research University	Udiapur	Rajasthan	Lakshita Parihar	9672970255
9	VVM's Shree Damodar College of Commerce & Economics (SDCCE)	Margao	Goa	Mr Gaajanan Haldankar	9405587377
10	Sanjay Rungta Group of Institutions (SRGI)	Bhilai	Chhattisgarh	Mr Abhishek Soni Rungata/ Dr Preeti Naveen	9893134918 / 9960436784 / 6268118688
11	Swami Shri Swaroopanand Saraswati Mahavidyalaya (SSSSMV)	Bhilai	Chhattisgarh	Dr. Hansa Shukla	9685789815
12	MJ College (MJC)	Bhilai	Chhattisgarh	Dr. Shreelekha Virulkar	9893402536
13	Shyam Lal College Delhi University (SLC)	Delhi	Delhi	Dr Ruchika Ramakrishna	9910991840
14	Uttranchal University	Dehradun	Uttarnchal	Mr. Farman Ali	9837232150
15	Poddar International College(PIC)	Jaipur	Rajasthan	Dr. Reema Singh	7742208911
16	Osmania University	Hyderabad	Telangana	Prof D Chennappa	9440360149
17	Manav Rachna University	Faridabad	Haryana	Dr Parul Jhajharia	9871758691
18	GLS University	Ahmedabad	Gujarat	Dr Chandni Kapadia	9769946369
19	Lingaya's Lalita Devi Institute of Management & Sciences	Delhi	New Delhi	Prof. ( Dr. ) Pranav Mishra	9831133606
20	Dnyanprassarak Mandal's College & Research Centre	Assagao	Goa	Prof. D. B. Arolkar	9422393340

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**COMMITTEE ON CAREER COUNSELLING OF ICAI**



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**NO FEES**

**TEST DATE**  
**3<sup>rd</sup> December, 2023**

Last  
Date for  
Registration  
**27<sup>th</sup> Nov., 2023**

Class	Subjects	Mode	Pattern	Max. Duration	No. of Questions	Max. Marks	Negative Marking
VIII, IX & X	<ul style="list-style-type: none"> <li>Social Studies</li> <li>Mathematics</li> <li>Business Awareness</li> <li>Aptitude</li> </ul>	Online	MCQ	60 Minutes	100	100	No
XI, XII & Graduation	<ul style="list-style-type: none"> <li>Business Studies</li> <li>Accountancy</li> <li>Economics</li> <li>Aptitude</li> </ul>						

## TIMINGS OF TEST

Class	Time (IST)
VIII	10:00 AM to 11:00 AM
IX	11:30 AM to 12:30 PM
X	01:00 PM to 02:00 PM
XI	02:30 PM to 03:30 PM
XII	04:00 PM to 05:00 PM
Graduation	05:30 PM to 06:30 PM

## Prizes and Recognition

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



# International Conference of CA Students



*Save the Dates*



**29<sup>th</sup> & 30<sup>th</sup>**  
December, 2023

**The Forum**, Capitol Convention Centre,  
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# CROSSWORD - OCTOBER 2023

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- 17. A British multinational oil and gas company headquartered in London
- 18. A person who excels at a particular sport or other activity.
- 20. A globally recognised top institute for maritime research
- 23. The main memory in a computer.
- 24. Actually existing as a thing
- 25. A variant of a liquid-crystal display
- 27. An investment strategy's ability to beat the market, or its "edge."
- 29. A female parent
- 30. An American computer magazine
- 33. An organization of a few independent producers for the purpose of improving the profitability of the firms involved
- 34. A telecommunications corporation operating in Alaska.
- 36. A thin sphere of liquid enclosing air or another gas.
- 37. Securities that aren't listed on the major exchanges are traded.
- 39. A ticket or document that can be redeemed for a financial discount
- 42. A fixed share of something that a person or group is entitled to receive
- 47. The world's most widely used admissions test for graduate & professional school
- 48. A short-term agreement to sell securities in order to buy them back at a slightly higher price.
- 50. A fuel gas mainly composed of methane
- 51. The percentage of a bank's total deposits that it needs to maintain as liquid cash.

## ACROSS

- 1. The act of improving by expanding, enlarging, or refining.
- 10. A software system, companies use to manage interactions with current and potential customers.
- 11. Abbre: Executive Networks Media
- 12. The fiscal guardian for projects using Public Private Partnership approach for procurement of infrastructure projects.
- 13. The revenue generated for each additional unit sold
- 14. An informal document acknowledging debt.
- 16. A major financial agency of the United Nations
- 17. The volatility of a security or portfolio against its benchmark
- 19. The total market value of all final goods and services produced within the state in a given period of time
- 20. The proportion of a raise that is spent on the consumption of goods and services,
- 21. \_\_\_helps brands build a complete understanding of their customers and target them effectively.
- 22. An autonomous institution and premier business school located in Anand Gujarat.
- 24. A part of the produce which is paid to the owner of land for the use of his goods and services.
- 26. The ratio at which a business or person is taxed.
- 28. Fast-moving consumer goods
- 31. Abbre : Intermediate Language.
- 32. A detailed written description of the specifications for the evaluation.
- 34. \_\_\_represents the total economic output produced by a country's residents, regardless of their location.
- 35. The process of one company acquiring another using mostly borrowed funds to carry out the transaction.
- 38. A company that has business operations in at least one country other than its home country.
- 40. \_\_\_is defined as a portion of the boundary of a circle or a curve.
- 41. A centralized office location where a company's management and key staff operate and oversee overall business activities.

- 43. A distinctive code assigned to every transfer made to India.
- 44. Timely response to citizen requests for government information.
- 45. The new entrant in G20
- 46. Abbre: Before Christ
- 47. A specialized variant of recurrent neural networks (RNNs) developed to tackle the limitations of conventional RNNs
- 49. Abbre : ordinary course of business
- 51. A Federal and State partnership agreement to retire environmentally sensitive land
- 52. Abbre: Mahanagar Telephone Nigam Ltd.
- 53. A short-term agreement to sell securities in order to buy them back at a slightly higher price.
- 54. The use of debt or borrowed capital in order to undertake an investment or project
- 55. Physically in contact with and supported by a surface.

## DOWNWARD

- 1. A situation in which expenses are greater than revenues during a particular accounting period.
- 2. An investor that provides capital to new businesses,
- 3. The ability to deliver an integrated suite of business applications.
- 4. The \_\_\_curve describes the money market.
- 5. \_\_\_ is used to identify the time it takes to finish a particular task ...
- 6. A unit of force equal to one million newtons
- 7. One part of the equally divided monthly outgoes to clear off an outstanding loan ...
- 8. Firm belief in the reliability, truth
- 9. When a company or a country exports its products at a price lower than its domestic price.
- 13. The Rate of discount which would equate the price of a fixed capital asset with its present discounted value of expected income.
- 15. The growth a company achieves by increasing output and enhancing sales internally.

If undelivered, please return to: The  
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 India, ICAI Bhawan, Indraprastha Marg,  
 New Delhi-110002