



CENTRAL INDIA REGIONAL COUNCIL  
The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)

# CIRC NEWSLETTER

APRIL 2021

## CIRC of ICAI initiative - Plasma Donation Google form for COVID-19

As known this pandemic has again on the rise and many of our members need our help, therefore in these difficult times we need to stand together as a family and fight this COVID-19 pandemic.

If you have been infected with COVID-19 in past and now you have fully recovered, the god has blessed you with a power to save life of others by donating your plasma.

Therefore, we request you to kindly come forward, complete the Google form through below link and allow us to connect with members in need of your priceless plasma.

Google Form Link:

<https://forms.gle/h2PJBuM27DNw3tr66>

“The secret if crisis  
management is not good v/s  
bad. it’s preventing the bad from  
getting worse.”





Respected Professional Colleagues,

Greetings of the day!!

CA means Charismatic Amalgamation of great experiences of life.

“April is known for beautiful spring weather, the start of warmer weather, and right about the time when the Easter bunny will make an appearance! Learn all about the origins of this beautiful spring month and even some knowledgeable history facts! April awakens from her winter snooze and blows a cool but not chilling breeze over the earth. The flowers join the re-awakening and burst opens their blossoms. People embrace the outdoors in temperatures that are neither wintry nor sultry”.

Corona wave is back again in many states of the country. These are difficult times. Challenging indeed. There is a fear that lurks, a fear that looms and a fear that stares. The fear may not be imaginary. But it must not overpower our minds. Stay safe and healthy. Most of the battles are fought in the mind. The arsenal is used. The strategy is made. The deployment is done. But there is no substitute for mind, for faith and for resolve. People here are not used to long spell of frozen silence. The challenge is being handled at different levels. While the experts would deal with issues that they are best equipped to handle, what we, as individuals, can and must ensure, is that we shall not let our minds get conquered by fears and negativity. There is life beyond this moment, which is even more beautiful, waiting to embrace us. There is a tomorrow which is even more joyful and prosperous. We shall win against all odds. We shall sing and soar and smile in the most trying times. Times roll by, just as clouds vanish. There is light just behind this cloud- brighter and shinier than ever before.

The month of March has been no exceptional than the other months. Full of enthusiasm and energy, the entire team performed with exhilaration. Starting from taking care of the students to members and the community at large, we tried to move closer to our silent oath. An oath, not only towards our immediate stakeholders but to the society in which we live in.

Success in any organisation is about team work the concept of “All for One”.

In our profession too, Members must help each other by realising their true potential and help create an environment that allows everyone to go beyond their limitations. Dedication - committing oneself to something - is the secret of every success. Without dedication and hard work success isn't achieved. The quote, “It's hard to beat a person who never gives up” sums it up accurately. There has to be the fire

within one and all and I am sure some of the greatest success to come out of all your hard work isn't what you got for it but what you became for it.

No significant task can be accomplished without the co-operation of the members and I am happy that I have a strong team at CIRC by my side. This is besides the efforts of other professionals from different fields and of course my CA friends who are, one and all, dedicated to their work. Hence, Team CIRC has over the past years seen some great teamwork which has led to various stepping stones for the benefit of the profession. I appreciate everyone's effort in contributing to CIRC.

Quite often people get discouraged and quit at a time when, with a little more perseverance they could have attained something special. A great illustration of the power of perseverance is Abraham Lincoln. He faced persistent defeats throughout his life, yet made history and changed the course of a nation and its people.

In this digital era, communication is the sole effective tool for achieving aims and objectives of any organization. The goals/visions of CIRC can be achieved only with the Collective efforts by CIRC and its branches and for this smooth communication is necessary. CIRC has come up with NEW INITIATIVE to enhance the communication with branch office bearers for flawless functioning. To active this objective, the two mobile numbers are solely dedicated for the purpose of communication between Managing Committee Members of Branches and the Kanpur office only have been provided along with dedicated e-mail.

Many members must be planning their summer vacation after the pressure of March and April. I wish you and your family happy vacations, which I am sure will recharge you for the compliances period ahead. Change and growth are permanent. As this month's theme is Empowering Members, I strongly urge all members to believe in the motto “Learn Unlearn-Relearn” to change and grow, to lead a stress free life always remembers.

Last month, I visited Indore Branch, Ratlam Branch, Bhopal Branch, Ujjain Branch, Varanasi Branch and had meaningful interaction with Branch Committee Members on matters of branch functioning, professional interest as well as students.

It is a little more than a month since I took charge as Chairman of CIRC. My interactions with colleagues in the Regional Council and the professional fraternity are providing me fresh insights to strategize my plans into action. CIRC is geared to serve the members and students with a Comprehensive “Action Plan. I would like to briefly touch upon on the road map of CIRC for the year 2021-22 with specific reference to members and students services. Also a feedback form is published in the newsletter for members and students about the quality of services provided by CIRC in various issues related to resolving problems. Request you to please fill and send at [circvents@icai.in](mailto:circvents@icai.in) so that we will publish the details of the same in upcoming newsletters.

Warm regards,

**CA. Nilesh Gupta**

Chairman CIRC & Chief Editor CIRC Newsletter

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**Respected Professional Colleagues,**

**Please accept my greetings!!**

**"Talk to yourself once in a day, otherwise you may miss meeting an intelligent person in this world."**

**Swami Vivekananda**

I have always been inspired by a famous quote - Perfection is not achieved completely by anyone in the world. But if a person keeps chasing perfection, somewhere on the way, he or she may catch Excellence.

**Anything** that is big or large has to prove itself worthy of the bigness or largeness that it wants to be known for. It has to necessarily provide comfort and cheer, especially to the ones that come under its purview, for need or for fear. It is true for the sky. It is true for a tree. It is true for a human being.

**A** man becomes big not just by his position. In fact the higher the position the greater is the need for largeness-of thoughts, of courage, forgiveness and compassion. If one can show patience and resilience in adversity, courage and composure amidst a storm and compassion and kindness amidst heights, one can claim real greatness. Otherwise it is only pretence of greatness-shallow and superficial and ugly.

**The** power lies in achieving a bigger, larger goal. Our power lies in increasing the size and scope of members good. Our power also lies in standing upright- for what I believe in. But that does not mean that I would revel in self righteousness. I may have the pleasure of trampling upon the grass or crushing a puny insect. There would always be a tall tree or a mighty wind mocking my vanity.

**Also**, there is something sweet and endearing about humility. It appears even sweeter if the humility springs from bigness, from heights, from power and riches. Similarly, there is something dark and decadent about

arrogance. It appears even more distasteful when it springs from a false sense of entitlement. No matter how loud the skies may roar, they can never silence a determined lark.

**Friends**, life is like a river which ultimately confluences with an ocean. Each step is towards a larger objective of well being and taking the Institute to newer gigantic heights. Nothing stays with us. What remains with us is the fond memories of all who make this confluence happen. I solicit your whole hearted support & participation in all the "happenings" at CIRC.

**Friends**, we all have only one life to live. We live it the way we want. The trajectory of our lives is determined by the choices we make daily, the consequences of which tell us how well we have lived our life. The development of a professional is not a linear progression. There is truly no beginning or end in being a professional. It is a lifelong learning curve. Let us make the best of this professional life!!

**Warm regards**

**CA. Shashikant Chandraker**

Secretary CIRC

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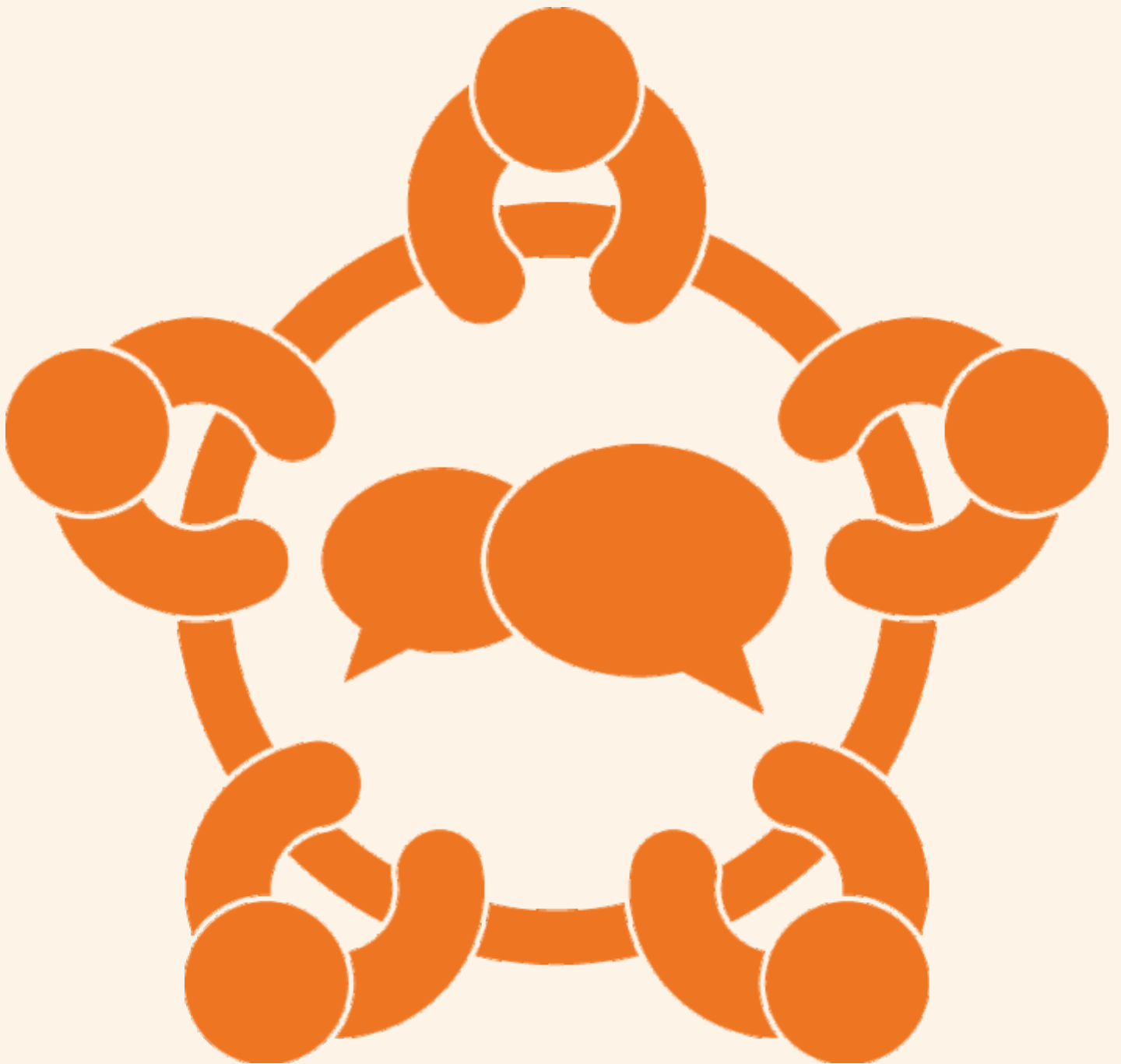
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# CIRC COMMITTEES...





## EXECUTIVE COMMITTEE

S.No	Name of the Member	Post	Place
1	CA. Nilesh Gupta - Chairman-CIRC	Chairman	Indore
2	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
3	CA. Shashikant Chandraker - Secretary CIRC	Member	Raipur
4	CA. Dinesh Kumar Jain - Treasurer CIRC	Member	Jaipur
5	CA. Devendra Kumar Somani - Regional Council Member	Member	Udaipur
6	CA. Atul Mehrotra - Regional Council Member	Member	Kanpur

## STUDENTS COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Abhisak Pandey - Chairman CICASA	Chairman	Lucknow
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
4	CA. Shashikant Chandraker - Secretary CIRC	Member	Raipur
5	CA. Dinesh Kumar Jain - Treasurer CIRC	Member	Jaipur
6	CA. Devendra Kumar Somani - Regional Council Member	Member	Udaipur
7	CA. Atul Mehrotra - Regional Council Member	Member	Kanpur
8	CA. Ankur Agrawal	Co-opted Member	Bhopal
9	CA. Vivek Agrawal	Co-opted Member	Khurja
10	CA. Rekha Somani	Co-opted Member	Udaipur

## PROFESSIONAL DEVELOPMENT COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Atul Agrawal - Vice Chairman-CIRC	Chairman	G.B. Nagar
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Mukesh Bansal - Regional Council Member	Member	Ghaziabad
4	CA. Devendra Kumar Somani - Regional Council Member	Member	Udaipur
5	CA. Abhishek Sharma - Regional Council Member	Member	Jaipur
6	CA. Shashikant Chandraker - Secretary CIRC	Member	Raipur
7	CA. Dinesh Kumar Jain - Treasurer CIRC	Member	Jaipur
8	CA. Gulab Kedia	Co-opted Member	Durg
9	CA. Bharat Agrawal	Co-opted Member	Ranchi
10	CA. Pawan Goel	Co-opted Member	Ghaziabad

## PUBLIC RELATIONS COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Dinesh Kumar Jain - Treasurer CIRC	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Sachin Kumar Jain - Regional Council Member	Member	Jaipur
4	CA. Atul Mehrotra - Regional Council Member	Member	Kanpur
5	CA. Abhisak Pandey - Chairman CICASA	Member	Lucknow
6	CA. Churchill Jain - Regional Council Member	Member	Indore
7	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
8	CA. Shiv Kumar Agrawal	Co-opted Member	Varanasi
9	CA. Suresh Garg	Co-opted Member	Jaipur
10	CA. Pawan Kumar Bansal	Co-opted Member	Noida



### CAREER COUNSELLING COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA . Atul Agrawal - Vice Chairman-CIRC	Chairman	G.B. Nagar
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Abhishek Sharma-Regional Council Member	Member	Jaipur
4	CA. Devendra K umar Somani -Regional Council Member	Member	Udaipur
5	CA. Shashi kant Chandra ker -Secretary CIRC	Member	Raipur
6	CA. Churchil Jain-Regional Council Member	Member	Indore
7	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
8	CA. Amit Bansal	Co -opted Member	Noida
9	CA. Suresh Saini	Co-opted Member	Jaipur
10	CA. Pawan Agrawal	Co-opted Member	Dehradun

### CONTINUING PROFESSIONAL EDUCATION COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Devendra Kumar Somani -Regional Council Member	Chairman	Udaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Mukesh Bansal-Regional Council Member	Member	Ghaziabad
4	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
5	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
6	CA. Shashikant Chandraker -Secretary CIRC	Member	Raipur
7	CA. DineshKumar Jain -Treasurer CIRC	Member	Jaipur
8	CA. Vimal Surana	Co-opted Member	Udaipur
9	CA. Kamlesh Kumar Agrawal	Co-opted Member	Varanasi
10	CA. Kapil Taparia	Co-opted Member	Jodhpur

### EDITORIAL COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Nilesh Gupta - Chairman-CIRC	Editor-In-Chief	Indore
2	CA. Shashi kant Chandraker -Secretary CIRC	Editor	Raipur
3	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
4	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
5	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
6	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
7	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
8	CA. Singhai Sanjay Jain	Co-opted Member	Satna
9	CA. Manoj Kumar Keswani	Co-opted Member	Raipur
10	CA . Priyank Rana	Co-opted Member	Indore

### LIBRARY COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Mukesh Bansal -Regional Council Member	Chairman	Ghaziabad
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
4	CA. Abhishek Sharma-Regional Council Member	Member	Jaipur
5	CA. Churchil Jain-Regional Council Member	Member	Indore
6	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
7	CA. Sachin Kumar Jain-Regional Council Member	Member	Jaipur
8	CA. Ajoy Chhabra	Co-opted Member	Ranchi
9	CA. Ajay Modi	Co-opted Member	Jhansi
10	CA. Shubham Bafna	Co-opted Member	Jaipur





### COMMITTEE FOR MEMBERS IN INDUSTRY

S.No	Name of the Member	Designation	Place
1	CA. Atul Agrawal - Vice Chairman-CIRC	Chairman	G.B. Nagar
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
4	CA. Churchill Jain - Regional Council Member	Member	Indore
5	CA. Shashikant Chandraker - Secretary CIRC	Member	Raipur
6	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
7	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
8	CA. Rajeev Kumar Jha	Co-opted Member	Patna
9	CA. Rakesh Singhal	Co-opted Member	Dhanbad
10	CA. Chitin Saparia	Co-opted Member	Noida

### RESEARCH COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Atul Agrawal - Vice Chairman-CIRC	Chairman	G.B. Nagar
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Abhishek Sharma-Regional Council Member	Member	Jaipur
4	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
5	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
6	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
7	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
8	CA. Sanjay Kumar Agrawal	Co-opted Member	Mujaffarnagar
9	CA. Amit Surana	Co-opted Member	
10	CA. Aman Shah	Co-opted Member	Kathgodam

### DIRECT TAX COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Shashikant Chandraker -Secretary CIRC	Chairman	Raipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
4	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
5	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
6	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
7	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
8	CA. Anand Agrawal	Co-opted Member	Bilaspur
9	CA. Rohit Khandelwal	Co-opted Member	Aklera (Raj.)
10	CA. Prafull Pendse	Co-opted Member	Raipur

### INDIRECT TAX COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Sachin Kumar Jain - Regional Council Member	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
4	CA. Churchill Jain-Regional Council Member	Member	Indore
5	CA. Abhisak Pandey - Chairman CICASA	Member	Lucknow
6	CA. Abhishek Sharma-Regional Council Member	Member	Jaipur
7	CA. Atul Mehrotra - Regional Council Member	Member	Kanpur
8	CA. Gaurav Chopra	Co-opted Member	Jodhpur
9	CA. Ramandeep Singh Bhatia	Co-opted Member	Rajnandgaon
10	CA. Mayank Agrawal	Co-opted Member	Bhopal

**INTERNATIONAL TAXATION COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. Abhishek Sharma-Regional Council Member	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B.Nagar
4	CA. Mukesh Bansal-Regional Council Member	Member	Ghaziabad
5	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
6	CA. Shashikant Chandraker -Secretary CIRC	Member	Raipur
7	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
8	CA. Piyush Katariya	Co-opted Member	Jaipur
9	CA. Sanjay Khare	Co-opted Member	Raipur
10	CA. Shailendra Agrawal	Co-opted Member	Jaipur

**COMMITTEE ON ACCOUNTING STANDARDS FOR LOCAL BODIES**

S.No	Name of the Member	Designation	Place
1	CA. Churchil Jain-Regional Council Member	Chairman	Indore
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
4	CA. Shashikant Chandra ker -Secretary CIRC	Member	Raipur
5	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
6	CA. Sachin Kumar Jain - Regional Council Member	Member	Jaipur
7	CA. Abhishek Sharma - Regional Council Member	Member	Jaipur
8	CA. Vikas Khaitan	Co-opted Member	Giridih
9	CA. Saurabh Jain	Co-opted Member	Kota
10	CA. Ayush Garg	Co-opted Member	Indore

**COMMITTEE ON FINANCIAL MARKETS & INVESTOR PROTECTION**

S.No	Name of the Member	Designation	Place
1	CA. Devendra Kumar Somani -Regional Council Member	Chairman	Udaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. DineshKumar Jain -Treasurer CIRC	Member	Jaipur
4	CA. Abhishek Sharma-Regional Council Member	Member	Jaipur
5	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
6	CA. Churchil Jain-Regional Council Member	Member	Indore
7	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B.Nagar
8	CA. Vijay Kumar	Co-opted Member	Raxaul
9	CA. Pritesh Kumar Jain	Co-opted Member	Udaipur
10	CA. Pankaj Shah	Co-opted Member	Indore

**COMMITTEE ON BANKING, INSURANCE AND PENSION**

S.No	Name of the Member	Designation	Place
1	CA. Dinesh K umar Jain -Treasurer CIRC	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
4	CA. Sachin Kumar Jain - Regional Council Member	Member	Jaipur
5	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
6	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
7	CA. Churchil Jain-Regional Council Member	Member	Indore
8	CA. Pankaj Sureka	Co-opted Member	Indore
9	CA. Deepak Jain	Co-opted Member	Bhopal
10	CA. Arvind Kumar Gupta	Co-opted Member	Jhalrapatan



## COMMITTEE ON PUBLIC FINANCE &amp; GOVERNMENT ACCOUNTING

S.No	Name of the Member	Designation	Place
1	CA. Abhisak Pandey - Chairman CICASA	Chairman	Lucknow
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
4	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
5	CA. Shashikant Chandraker -Secretary CIRC	Member	Raipur
6	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
7	CA. Abhishek Sharma-Regional Council Member	Member	Jaipur
8	CA. Rajesh Sahu	Co-opted Member	Chhindwada
9	CA. Rohan Sharma	Co-opted Member	Indore
10	CA. Dilip Kothari	Co-opted Member	Udaipur

## COMMITTEE ON CORPORATE &amp; ALLIED LAWS AND CORPORATE GOVERNANCE

S.No	Name of the Member	Designation	Place
1	CA. Abhishek Sharma - Regional Council Member	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
4	CA. Abhisak Pandey -Chairman CICASA	Member	Lucknow
5	CA. Churchil Jain - Regional Council Member	Member	Indore
6	CA. Sachin Kumar Jain - Regional Council Member	Member	Jaipur
7	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
8	CA. Paras Bilala	Co-opted Member	Jaipur
9	CA. Vaibhav Agrawal	Co-opted Member	Bhilwara
10	CA. Tarun Mahajan	Co-opted Member	Indore

## COMMITTEE FOR CAPACITY BUILDING OF CA FIRMS &amp; SMPs

S.No	Name of the Member	Designation	Place
1	CA. Dinesh Kumar Jain -Treasurer CIRC	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Shashikant Chandraker -Secretary CIRC Member Raipur		
4	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
5	CA. Abhisak Pandey - Chairman CICASA	Member	Lucknow
6	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
7	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
8	CA. Pawan Kumar Agrawal	Co-opted Member	Jamshedpur
9	CA. Kamal Bajaj	Co-opted Member	Bilaspur
10	CA. Priyanka Surana	Co-opted Member	Indore

## INFORMATION TECHNOLOGY COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Shashikant Chandraker - Secretary CIRC	Chairman	Raipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Abhishek Sharma - Regional Council Member	Member	Jaipur
4	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
5	CA. Mukesh Bansal - Regional Council Member	Member	Ghaziabad
6	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
7	CA. Abhisak Pandey -Chairman CICASA	Member	Lucknow
8	CA. Padam Bardia	Co-opted Member	Durg
9	CA. Kavita Gupta	Co-opted Member	Indore
10	CA. Gaurav Jain	Co-opted Member	Kota



**MANAGEMENT ACCOUNTING COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. Mukesh Bansal - Regional Council Member	Chairman	Ghaziabad
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
4	CA. Sachin Kumar Jain-Regional Council Member	Member	Jaipur
5	CA. Churchil Jain-Regional Council Member	Member	Indore
6	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
7	CA. Atul Agrawal - Vice Chairman - CIRC	Member	G.B. Nagar
8	CA. Bipul Rastogi	Co-opted Member	Ranchi
9	CA. Praveen Agrawal	Co-opted Member	Udaipur
10	CA. Rajeev Kumar Jain	Co-opted Member	Noida

**INFORMATION TECHNOLOGY COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. Shashikant Chandraker -Secretary CIRC	Chairman	Raipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Abhishek Sharma - Regional Council Member	Member	Jaipur
4	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
5	CA. Mukesh Bansal - Regional Council Member	Member	Ghaziabad
6	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
7	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
8	CA. Padam Bardia	Co-opted Member	Durg
9	CA. Kavita Gupta	Co-opted Member	Indore
10	CA. Gaurav Jain	Co-opted Member	Kota

**MANAGEMENT ACCOUNTING COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. Mukesh Bansal -Regional Council Member	Chairman	Ghaziabad
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
4	CA. Sachin Kumar Jain-Regional Council Member	Member	Jaipur
5	CA. Churchil Jain - Regional Council Member	Member	Indore
6	CA. Atul Mehrotra - Regional Council Member	Member	Kanpur
7	CA. Atul Agrawal - Vice Chairman-CIRC	Member	G.B. Nagar
8	CA. Bipul Rastogi	Co-opted Member	Ranchi
9	CA. Praveen Agrawal	Co-opted Member	Udaipur
10	CA. Rajeev Kumar Jain	Co-opted Member	Noida

**EXPOSURE DRAFTS COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. Shashi kant Chandraker - Secretary CIRC	Chairman	Raipur
2	CA. Nilesh Gupta - Chairman - CIRC	Ex-officio Member	Indore
3	CA. Devendra Kumar Somani - Regional Council Member	Member	Udaipur
4	CA. Mukesh Bansal - Regional Council Member	Member	Ghaziabad
5	CA. Atul Agrawal - Vice Chairman - CIRC Member	G.B. Nagar	
6	CA. Abhishek Sharma - Regional Council Member	Member	Jaipur
7	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
8	CA. Mukesh Bansal	Co-opted Member	Gwalior
9	CA. Poonam Kothari	Co-opted Member	Indore
10	CA. Atul Mansingka	Co-opted Member	Jaipur

**BRANCH CO-ORDINATION COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. D evendra Kumar Somani - Regional Council Member	Chairman	Udaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
4	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
5	CA. Shashikant Chandraker -Secretary CIRC	Member	Raipur
6	CA. Churchil Jain-Regional Council Member	Member	Indore
7	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
8	CA. Naresh Maheshwari	Co-opted Member	Udaipur
9	CA. Tekchandra Verma	Co-opted Member	Indore
10	CA. Umesh Jethani	Co-opted Member	Jaipur

**STUDY CIRCLES CO-ORDINATION COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA . Atul Mehrotra -Regional Council Member	Chairman	Kanpur
2	CA. Nilesh Gupta - Chair rma n-CIRC	Ex-officio Member	Indore
3	CA. Churchil Jain - Regional Council Member	Member	Indore
4	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
5	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
6	CA. Sachin Kumar Jain - Regional Council Member	Member	Jaipur
7	CA. Abhishek Sharma - Regional Council Member	Member	Jaipur
8	CA. Arun Kumar Mishra	Co-opted Member	Ranchi
9	CA. Anshul Bhandari	Co-opted Member	Indore
10	CA. Manoj Bhansali	Co -opted Member	Jaipur

**GMCS CO-ORDINATION COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. Abhisak Pandey - Chairman CICASA	Chairman	Lucknow
2	CA. Nilesh Gupta - Chairman-CIRC	Ex -officio Member	Indore
3	CA. Abhishek Sharma -Regional Council Member	Member	Jaipur
4	CA. Atul Agrawal - Vice Chiarman-CIRC	Member	G.B. Nagar
5	CA. Devendra Kumar Somani - Regional Council Member	Member	Udaipur
6	CA. Sachin Kumar Jain -Regional Council Member	Member	Jaipur
7	CA. Churchil Jain-Regional Council Member	Member	Indore
8	CA. Aditya Jain	Co-opted Member	Jaipur
9	CA. Deepak Kumar Tibrewala	Co-opted Member	Indore
10	CA. Anoop Goyal	Co-opted Member	Jaipur

**MEMBERS GRIEVANCES COMMITTEE**

S.No	Name of the Member	Designation	Place
1	CA. Atul Mehrotra -Regional Council Member	Chairman	Kanpur
2	CA. Nilesh Gupta - Chairman - CIRC	Ex-officio Member	Indore
3	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
4	CA. Mukesh Bansal -Regional Council Member	Member	Ghaziabad
5	CA. Shashikant Chandraker -Secretary CIRC	Member	Raipur
6	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
7	CA. Abhisak Pandey - Chairman CICASA	Member	Lucknow
8	CA. Pawan Kumar Dhawan	Co-opted Member	Lucknow
9	CA. Sarthak Jain	Co-opted Member	Indore
10	CA. Ved Prakash Bansal	Co-opted Member	Jaipur



## INTERNAL AUDIT COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Sachin Kumar Jain-Regional Council Member	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Churchil Jain-Regional Council Member	Member	Indore
4	CA. Abhishek Sharma-Regional Council Member	Member	Jaipur
5	CA. Devendra Kumar Somani -Regional Council Member	Member	Udaipur
6	CA. Abhisak Pandey-Chairman CICASA	Member	Lucknow
7	CA. Mukesh Bansal-Regional Council Member	Member	Ghaziabad
8	CA. Ankit Jain	Co-opted Member	Jaipur
9	CA. Naveen Kumar Kakani	Co-opted Member	Bhilwara
10	CA. Shyam Gupta	Co-opted Member	Indore

## HOSTEL COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA. Churchil Jain - Regional Council Member	Chairman	Indore
2	CA. Nilesh Gupta - Chairman - CIRC	Ex-officio Member	Indore
3	CA. Sachin Kumar Jain - Regional Council Member	Member	Jaipur
4	CA. Mukesh Bansal - Regional Council Member	Member	Ghaziabad
5	CA. Atul Agrawal - Vice Chiarmen CIRC	Member	G.B. Nagar
6	CA. Abhishek Sharma - Regional Council Member	Member	Jaipur
7	CA. Atul Mehrotra - Regional Council Member	Member	Kanpur
8	CA. Amit Rathi	Co-opted Member	Bhilwara
9	CA. Abhishek Soni	Co-opted Member	Sikar
10	CA. Piyush Kadawat	Co-opted Member	Neemuch

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

S.No	Name of the Member	Designation	Place
1	CA.Devendra Kumar Somani -Regional Council Member	Chairman	Udaipur
2	CA. Nilesh Gupta - Chairman-CIRC	Ex-officio Member	Indore
3	CA. Atul Agrawal - Vice Chiarmen-CIRC	Member	Noida
4	CA. Shashikant Chandraker -Secretary CIRC	Member	Raipur
5	CA. Dinesh Kumar Jain -Treasurer CIRC	Member	Jaipur
6	CA Abhisak Pandey-Chairman CICASA	Member	Kanpur
7	CA. Atul Mehrotra -Regional Council Member	Member	Kanpur
8	CA. Lakshit Moondra	Co-opted Member	Jodhpur
9	CA. Deepak Khandelwal	Co-opted Member	Agra
10	CA. Avinash Jain	Co-opted Member	Jagdalpur

## REFRESHER COURSE TASK FORCE

S.No	Name of the Member	Designation	Place
1	CA. Dinesh Kumar Jain -Treasurer CIRC	Chairman	Jaipur
2	CA. Nilesh Gupta - Chairman CIRC	Ex-officio Member	Indore
3	CA. Shashikant Chandraker -Secretary CIRC	Member	Raipur
4	CA Abhisak Pandey - Chairman CICASA	Member	Lucknow
5	CA Abhishek Sharma-Regional Council Member	Member	Jaipur
6	CA Churchil Jain - Regional Council Member	Member	Indore
7	CA. Atul Agrawal - Vice Chiarmen CIRC	Member	G.B.Nagar
8	CA. Aashish Jain	Co-opted Member	Jaipur
9	CA. Manish Jain	Co-opted Member	Jaipur
10	CA. Manish Jain	Co-opted Member	Jaipur





# ARTICLES . . .

Invitation to Members to Contribute  
Monthly E-Newsletter of CIRC of ICAI





***“Information combined with Knowledge is Power”***, so goes an old saying, which remains relevant to Indian accountancy profession of the present times. And the knowledge multiplies and disseminates by sharing. It is in the spirit that The CIRC Monthly e-Newsletter is published every month.

To add a new sphere to this Newsletter reach, coverage and utility, it has been decided to put a new focus on profession-oriented knowledge, where a large number of members are giving their service in various capacities, including as CFOs and CEOs. As such, the CIRC members in industry, who have a knack for writing, are invited to contribute in this e-Newsletter the articles specific to their Industry in Professional perspective. Such article, of not more than 2500 words (original and not having been published or hosted anywhere else) with executive summary and authors photographs, should be sent at The authors are also required to give a declaration of originality and a brief profile along with the articles.

**CIRC Newsletter** is the publication of the CIRC of ICAI and is sent to all members comes under Central Region. There are many ways to be a part of the newsletter. Writing an article is a rewarding way to contribute to the members while enhancing your own professional development.

Readers often appreciate recommended resources, charts, checklists, case studies, tables or diagrams, quotations, or points highlighted for emphasis.

Members are encouraged to submit articles of interest to the Chartered Accountants for inclusion.

Accompanying photos and other artwork are strongly encouraged. All articles, transitions and photos are subject to editing, available space, and the acceptance policy.

**Thanks & Regards**  
**TEAM CIRC**

- Articles should be useful to Members
- Should be between 1000 to 2500 words.
- In Word and PDF format both.
- Good if on the Current Topics.



**PLEASE SUBMIT YOUR ARTICLES @**  
**[circ@icai.in](mailto:circ@icai.in)**  
or at  
**[shailendra.saxena@icai.in](mailto:shailendra.saxena@icai.in)**



## Misuse of powers in attachment of Property / Bank Account by the GST Authorities - Draconian Provisions

Section 63 (unregistered person), Section 64 (summary assessment in certain special cases) Section 67 (power of inspection) and Demands and Recovery proceedings under Section 73/ Section 74 of the CGST Act.

Section 83(1) reads as under:

“Provisional attachment to protect revenue in certain cases-

83. (1) Where, **after the initiation of any proceeding under Chapter XII, Chapter XIV or Chapter XV**, the Commissioner is of the opinion that for the purpose of protecting the interest of the Government revenue it is necessary so to do, he may, by order in writing, attach provisionally, any property, including bank account, belonging to the taxable person or **any person specified in sub-section (1 A) of section 122**, in such manner as may be prescribed.

(2) Every such provisional attachment shall cease to have effect after the expiry of a period of one year from the date of the order made under sub-section (1).”

The Hon'ble Bombay High Court's judgment in **Kaish Impex Private Limited v. UOI & Ors. (Writ Petition No. 3145 of 2019, dated January 17, 2020)** drew a line between the use of provisional attachment powers by the Commissioner against a defaulting party and a third party by holding that even though specified proceedings have been launched against one taxable person, bank account of another taxable person cannot be provisionally attached merely based on the summons issued to him.

However, after the above-mentioned amendment comes into force, the Commissioner would be conferred with the powers to provisionally attach the property/ bank accounts of any other person/ third party.

Seemingly, such wide powers can increase the misuse of this provision by the Commissioners even more, when casual exercise of powers under Section 83 of the CGST Act is still under scanner of various High Courts which have time and again held in plethora of judgments that an order of provisional attachment cannot be as a matter of course.

### Need of the Law:

Though such amendments are made with a view to check GST frauds and to safe guard the interest of the government revenue, but again because of some people

### Introduction:

To ensure collection of tax and plug revenue leakage, the Central Goods and Services Tax Act, 2017 (“**CGST Act**”) confers powers upon the Commissioners of the Goods and Services Tax (“**GST**”) for issuing summons, notices and conducting inquiries into suspected transactions. While such inquiries are prolonged, Section 83 of the CGST Act allows the Commissioner to provisionally attach any property or a bank account of a taxpayer during pendency of the proceedings for a maximum period of one year (1).

Earlier, such powers could be triggered only by an act or omission by a taxpayer against whom proceedings have been initiated. Further, it did not allow the Commissioner to be invoke such powers against a third party like a seller or supplier and had a separate mechanism under CGST Act that allowed recovery from third parties.

However, the introduction of Section 115 of the Finance Act, 2021 (“**Finance Act**”) further added fuel to it by amending Section 83 of the CGST Act(w.e.f. date yet to be notified) and widening the scope of the power to provisionally attach any property by substituting specified Sections covered therein with complete Chapters of the CGST Act. The amendment has empowered the Commissioner to provisionally attach any property of taxable person as well as any other person who retains the benefit of the transactions covered under Section 122(1A) of the CGST Act, for the entire period starting from the after initiation of the proceedings till the expiry of a period of one year from the date of order made thereunder.

The Commissioner is now empowered to attach the property provisionally under Chapter XII (Assessment), Chapter IV (Inspection, Search, Seizure and Arrest) and Chapter XV (Demands & recovery) of the CGST Act, that was earlier restricted to limited types of assessments such as Section 62 (assessment of non-filers of returns,





who commit such offences, the legal principals cannot create hardship for the whole community of genuine taxpayers and there must be a provision or law that provides to safeguard the interest of the genuine taxpayers. It is one of the drastic measures which the authority may be compelled to take if the situation demands for the purpose of protecting the interest of the government revenue and this is the grey area where the authorities needs to apply their mind before such power is exercised (2).

Mainly, the issue arises when the Commissioners frequently misuse such powers envisaged with regard to provisional attachment of the properties/bank accounts and casual use of such harsh powers even in those cases where such attachment is not justified at all, due to which the litigation generally starts.

#### Judicial Pronouncements:

In various matter, the Courts have observed mis use of the power or causal exercise of powers conferred under Section 83 of the CGST Act by the Revenue Authorities. Some of them are discussed below:

The Hon'ble Supreme Court of India in **M/S Radha Krishan Industries v. the State of Himachal Pradesh (SLP (C) No.1688/2021 dated January 27, 2021)** while dealing with contours of the power of provisional attachment of property/bank accounts under Section 83 of the CGST Act, observed that, there should be some tangible material to form the opinion. Although 'order in writing' does not mean that the order should be like a judgment, but it must show an application of mind. A balance has to be maintained between protecting the interests of revenue and protecting genuine business. The country needs to come out of the tax culture that 'businesses are all fraudulent'. Further, stated that the purpose of the CGST Act is lost by the manner in which tax law is enforced in the country. Furthermore, the Authorities cannot just go on attaching only because there is to be an assessment order, it cannot be a pre-emptive strike. Opined that it is a draconian law and needs to be structured. The tax authorities have to abide by the mandate of the law, the letter and the spirit of the law.

The Hon'ble Bombay High Court in **AJE India Private Limited v. Union of India and Ors. [Writ Petition (ST.) No. 97165 of 2020 dated December 22, 2020]** stayed the order wherein assessee's bank accounts were provisionally attached for recovering alleged tax dues, and it was held that, merely because there is a

proceeding under Section 67 of the CGST Act, it would not mean that recourse to such a drastic power as given under Section 83 of the CGST Act would be an automatic consequence, more so when the assessee has cooperated with the investigation process.

**In Proex Fashion Private Limited v. Government of India & Ors. [W.P.(C) 11245/2020 & CM APPL. 35053/2020, dated January 6, 2021]**, the Hon'ble Delhi High Court observed that, the attachment of bank account entails serious consequences to the assessee. The power to attach the bank account must therefore be exercised only in strict compliance with the statutory power and cannot be extended to cover situations which are not expressly contemplated by Section 83 of the CGST Act. Absent the statutory precondition for exercise of the power of attachment, any order under Section 83 *ibid* is wholly illegal and unsustainable.

Recently the Hon'ble Gujarat High Court in **Jay Ambey Filament Pvt. Ltd v. Union of India(R/Special Civil Appeal No. 11503 of 2020, dated October 12, 2020)** has quashed and set aside the order of provisional attachment of the five bank accounts of the assessee under Section 83 of the CGST Act. The Court referred to the judgment in **Valerius Industries v. Union of India (Special Civil Application No.13132 of 2019, dated August 28, 2019)** wherein it was held that, the power of provisional attachment under Section 83 of the CGST Act should be exercised by the Commissioner only if there is a reasonable apprehension that the assessee may default the ultimate collection of the demand that is likely to be raised on completion of the assessment. It should, therefore, be exercised with extreme care and caution. The Commissioner before exercising power under Section 83 of the CGST Act for provisional attachment should take into consideration two things: (i) whether it is a revenue neutral situation (ii) the statement of "output liability or input credit". Having regard to the amount paid by reversing the input tax credit if the interest of the revenue is sufficiently secured, then the Commissioner may not be justified in invoking its power under Section 83 of the CGST Act for the purpose of provisional attachment.

Similarly, the Hon'ble Gujarat High Court in **Patran Steel Rolling Mill v. Asst. Commissioner of State Tax (R/Special Civil Application No. 16931 of 2018, dated December 20, 2018)** held that the authorities should keep in mind that bringing the business of a dealer to a halt does not in any manner serve the interest of the



revenue. Therefore, while taking action under Section 83 or 67(2) of the GST Act, the concerned authorities should take care to ensure that equities are maintained and while securing the interest of the revenue, they should attempt to see that the dealer is in a position to continue with the business.

Further, Hon'ble Gujarat High Court in *Enprocon Enterprise Ltd. v. Assistant Commissioner of State Tax* [Special Civil Application No. 14129 of 2019 dated January 08, 2020] held that power to pass provisional attachments order under Section 83 of the CGST Act can't be delegated to Assistant Commissioner.

Guidelines w.r.t. provisional attachment of property/bank accounts:

Recently, the Gujarat High Court in **Vinodkumar Murlidhar Chechani v. State of Gujarat [R/Special Civil Application No. 12498 of 2020, dated February 3, 2021]** directed the government to issue appropriate instructions or guidelines at the earliest w.r.t to excise of power of provisional attachment under Section 83 of the CGST Act. After which the government acted upon the same and the CBIC issued the guidelines with regard to provisional attachment of property vide **Instruction No. CBEC-20/16/05/2021-GST/359, dated February 23, 2021**, in view of number of cases before various Hon'ble Courts and observations made on the modalities of implementation of provisions of Section 83 of the CGST Act by the authorities, in a following manner:

- ▶ There must be pendency of a proceeding against a taxable person mentioned in Section 83 of the CGST Act.
- ▶ The Commissioner must have formed the opinion that provisional attachment of the property belonging to the taxable person is necessary for the purpose of protecting the interest of the government revenue.
- ▶ Power of provisional attachment must not be exercised in a routine/mechanical manner and careful examination of all the facts of the case is important to determine whether the case is fit for exercising such power.
- ▶ The value of property attached provisionally shall not be excessive and should be as near as possible to the estimated amount of pending revenue against such person.
- ▶ Provisional attachment can be made only of the property belonging to the taxable person, against

whom the proceedings mentioned under Section 83 of the CGST Act are pending.

- ▶ Issued the manner and procedure for provisional attachment of property, cases fit for provisional attachment of property, types of property that can be attached, time period of attachment, manner of investigation and adjudication, property exempt from attachment etc.

#### Conclusion:

The only reason that can be attributed is the mechanical exercise of powers and such powers are diluting the very efficacy of the provisions of Section 83 of the CGST Act. For forming an opinion, it is important that the Authorities must exercise due diligence and duly consider as well as carefully examine all the facts of the case, including the nature of offence, amount of revenue involved, established nature of business and reasons to believe that the taxable person, against whom the proceedings are pending, may dispose of or remove the property, if not attached provisionally. The powers should neither be used as a tool to harass the assessee nor should it be used in a manner which may have an irreversible detrimental effect on the business of the assessee. Therefore, the Authorities before taking any such action of attachment under Section 83 of the CGST Act, must keep in mind that it does not only adversely affect property rights of persons as well as life and liberty. Such powers need to be exercised in a fair and reasonable manner. Thus, some strict framework for exercising Section 83 of the CGST needs to be put in place.

To know more, kindly watch our video "Whether GST Dept can provisionally attach Property/Bank Account of any Person-Budget 21" by CA Bimal Jain-<https://www.youtube.com/watch?v=CSg6v3jmXbM> Mand "Whether GST Law is failing as Citizens Friendly Tax Structure" by CA Bimal Jain-<https://www.youtube.com/watch?v=a1LAzvDRyI4&t=42s>



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**“SUPPORT TO LARGE TAX PAYER IN HAND WITH SMALL & MEDIUM ENTERPRISES”**

**I. Necessity**

With the inception of GST, the chapter IX of the CGST Act, 2017 has gone into several changes after taking into the practical challenges face with businesses/trade. Initially there are 3 monthly returns for all the tax payer. Seeming the challenges faced by GSTR-2, later shorten to file the two returns i.e. GSTR-1 & GSTR-3B. Though the law provides the relaxation in filing of GSTR-1 from monthly to quarterly but the filing of GSTR-3B is still on monthly basis. With the change in time of filing of GSTR-1 i.e. monthly to quarterly, the time lag of 4 months has been created to the tax payer filing GSTR-3B monthly, wishes to avail the ITC in the same month which could be possible with existing method of return related compliances.

**II. Introduction**

The GST Council in its 42nd meeting held on 05.10.2020, had recommended that registered person having aggregate turnover up to Rs 5 crore may be allowed to furnish return (GSTR-3B) on quarterly basis along with monthly payment of tax, with effect from 01.01.2021. In other words, this scheme is for the small & medium enterprises wherein certain GST related relief in submission of their financial information is provided, simultaneously supporting the large tax payers who wishes to avail the ITC on the supplies made by such small & medium enterprises. This scheme is called as Quarterly return Monthly payment (QRMP).

**IV. Features of QRMP scheme:-**

S.No.	Basis	Scheme Element
01.	Eligibility	An aggregate turnover of up to 5 crore rupees in the preceding financial year or during any quarter in the current financial year.
02.	Timeframe to option	First day of second month of preceding quarter to the last day of the first month of the quarter. Eg.: For Qtr 'April to June', application can be made from 1st Feb,21 till 30th April, 21.
03.	Condition to opt in	Last return must furnished on date of exercising the option.
04.	Repetitive exercise to opt in	Once scheme has been avail, need not require to re-opt it for future tax periods.



**III. Relevant provision:**

The scheme introduced by giving effect to the following provisions:-

1. Notification No. 81/2020 – Central Tax, dated 10.11.2020:- Notifies amendment carried out in sub-section (1), (2) and (7) of section 39 of the CGST Act vide Finance (No.2) Act, 2019
2. Notification No. 82/2020 – Central Tax, dated 10.11.2020:- Makes the Thirteenth amendment (2020) to the CGST Rules 2017.
3. Notification No. 84/2020 – Central Tax, dated 10.11.2020:- Notifies class of persons under proviso to section 39(1) of the CGST Act.
4. Notification No. 85/2020 – Central Tax dated 10.11.2020:- Notifies special procedure for making payment of tax liability in the first two months of a quarter

Additionally Circular no. 143/2020-CGST has been issued to enumerate the impact of other related provision on the execution of the QRMP.



S.No.	Basis	Scheme Element
05.	Condition to opt for first quarter of implementation i.e. Q4 of FY 2020-21	The registered person furnished the Oct,20 GSTR-3B on or before 30/11/2020
06.	Default deeming option for first quarter of implementation of the scheme	-for Quarterly return:-who are already a quarterly GSTR-1 filers & aggregate turnover more than Rs. 1.5 crore&uptoRs. 5 crore in preceding FY. -for Monthly returns:-whose has aggregate turnover of up to Rs. 1.5 crore&have furnished GSTR-1 monthly
07.	QRMP for some GSTIN or for all?	QRMP scheme is GSTIN wise & distinct person have the option to avail the scheme for one or more GSTIN.
08.	GSTR-1 or availing IFF facility?	The scheme provides the IFF facility for first two months to furnish the detail of outward supply till the 13th of the succeeding month. It is optional to avail the facility. Details furnished using IFF facility need not require to re-furnish in GSTR-1. Therefore only invoices of last month of the quarter is require to furnish in GSTR-1. Exception: The said details of outward supplies shall not exceed the value of Rs 50 lakhs in each month. On non-opting of this facility, detail of outward supply to be made in GSTR-1 quarterly.
09.	Benefits of IFF	The concerned recipient can avail the ITC in the same month in which invoices furnished by supplier in IFF by way of reflecting in recipient's GSTR-2B
10.	Manner of payment	*Form:- GST PMT-06 *Due date of payment:- 25th of succeeding month for first two months of quarter
11.	Payment method (at the option of tax payer)	*Fixed sum method:- Quarterly filer of GSTR-3B of previous Qtr:- 35% of tax liability in cash paid in preceding Qtr. Monthly filer of GSTR-3B of previous Qtr:- 100% of tax liability in cashpaid in last month of preceding Qtr. *Self-assessment method:- No payment in cash be made if sufficient balance available in Electronic cash/credit leger for first two month of the qtr after ascertaining all the taxes on the outward &inward supplies.
12.	When to file GSTR-3B	The opted tax payer would file GSTR-3B by the 22nd or 24th as the case may be of the succeeding month to the quarter.
13.	Any change in manner of filing the GSTR-3B	No, the manner of declaring the tax on outward & inward supplies are same. But the tax paid in first two month would now be offset along with the third month liability.
14.	When to opt out?	From first day of second month of preceding quarter to the last day of the first month of the quarter. Eg.: Opting out for Qtr 'April to June', register person can exercise during 1st Feb to 30th April.
15.	Compulsory opt out	When aggregate turnover exceed Rs. 5 crore in a qtr in current FY shall opt to furnish the return monthly from the succeeding quarter.
16.	Effect of cancellation of registration	Registered person is required to file GSTR-3B for the relevant tax period.



S.No.	Basis	Scheme Element
17.	Interest on non-payment or short payment on opting Fixed sum method.	the tax liability net of available credit on the supplies made /received was higher than the amount paid in challan for the first two month of Qtr, No interest would be charged, if entire liability discharged in GSTR-3B by due date. Short/non-payment not discharged by the due date in GSTR-3B, interest @18% would be applicable from the due date of GSTR-3B till the date of making the payment.
18.	Interest on non-payment or short payment on opting Self-assessment method.	Interest u/s 50 of CGST Act, 2017 would be payable for the tax unpaid/paid beyond the due date for the firsttwo months of the quarter on opting self-assessing determination of tax. However, no interest would be payable if tax is short paid/not paid after netting of credit on opting fixed sum method. Interest would be leviable on the net tax liability if the GSTR-3b has been filed beyond the due date.
19.	Levy of late fees	Late fees u/s 47 of CGST Act, 2017 would be applicable for delay in furnishing GSTR-3B. No late fee is applicable for delay in payment of tax in first two months of the quarter.

#### V. Method of calculation of payment under Fixed Sum method:-

Under this method, a deposit to the electronic cash ledger is to be made base on the preceding quarter/month tax liability when the return has been filed quarterly/monthly respectively.

For example:- The tax liability of COT Ltd. for the month of Mar 2021 are-

Particulars	CGST	SGST	IGST
Tax liability	10,100	10,100	12,100
Credit utilized	1,100	1,100	1,100
Net cash paid	9,000	9,000	11,000
Tax required to pay in cash for the month of April-21 (in case COZ Ltd. filed GSTR-3B monthly)	9,000	9,000	11,000
*Suppose above figure of tax liability pertains to quarter 4 of FY 2020-21 instead of Mar-21, then value under fixed sum method is:-			
Tax required to pay in cash for the month of April-21 & May-21	9000*35% = 3,150	9000*35% = 3,150	11000*35% = 3850

The fixed sum method can only be opted when a registered person has furnished the return for a complete tax period i.e. the period from when registered person got registered till the preceding month/quarter for which such person is willing to opt this method.

For example:- Nest Pvt. Ltd. registered in GST from 5th February 2019. The company willing to opt for Fixed sum method from April'21, then all the return must be filed till the period ending March-21.

#### VI. Timeline for exercising option under QRMP Scheme during FY 2021-22:-

S. No.	Period-Quarter	Timeline
01.	April – June (Q1)	1st Feb 2021 to 30th April 2021
02.	July – Sept(Q2)	1st May 2021 to 31st July 2021
03.	Oct – Dec(Q3)	1st August 2021 to 31st Oct 2021
04.	Jan – March(Q4)	1st Nov 2021 to 31st Jan 2022





# Compounding of Contraventions under the **FEMA, 1999 in INDIA**



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## 1. Contraventions and Penalties

### (i) Type of the Contraventions under the Section 13 of the FEMA, 1999

- (a) Under **all** provisions of the FEMA, 1999 **except** under the Section 3(a)
- (b) Or under all rules, regulations, notifications, directions, orders or conditions of the FEMA, 1999.
- © These contraventions are liable for penalty and compounding where these are material in nature. However **persecution** is not permitted against the contravention under the Section 13.
- (d) RBI is also permitted to refer to **DOE** for taking necessary action where contravener is failed to pay penalty within 15 days from the date of conclusion of compounding proceedings beside the contraventions are under the section 13 of the FEMA, 1999

### (ii) Type of the Contraventions under the Section 3(a) of the FEMA, 1999

- (a) Where contravener is engaged in hawala transaction, money laundering, national and security concerns or involving in serious infringement of regulatory frame work etc.
- (b) Compounding is not permitted by the RBI where the contraventions are under the section 3(a) of the FEMA, 1999. These matters are to be referred by the RBI to the Director of Enforcement (DOE). Hence DOE is permitted to deal against these contraventions where penalty and/or prosecution or both may be levied through Adjudicating Authority for Adjudication (court of DOE)

### (iii) Maximum Quantum of the Penalties

- (a) Maximum penalty is 300% on sum as involved in contravention where amount is quantifiable
- (b) Or maximum penalty of Rs. 2 lac where sum as involved in the contravention is not quantifiable
- (c) And also additional maximum penalty is 5

thousand per day till contravention is continued

### (iv) Minimum (Actual) quantum of the penalties

RBI has prescribed fixed plus variable amount of penalties for the compoundings which are normally applied by the RBI. However minimum (actual) amount of penalty may be higher as depend on the case and circumstances.

## 2. Compounding against the Contraventions

### (i) Power of the Compounding under the Section 15

Any contravention as specified under the section 13 is to be compounded by the RBI within 180 days from the date of receipt of application from the contravener.

### (ii) Process of the Compounding

- (a) Compounding is process of voluntarily admitting a contravention by the contravener
- (b) And also pleading guilty and seeking redressal (both) to avoid levy of maximum penalty

### (III) Role of the RBI in Compounding

- (a) CEFA (Cell for Effective Implementation of the FEMA, 1999) is working in Foreign Exchange Department of the RBI at Central Office, Mumbai who is controlling the matters relating to all compoundings.
- (b) All Regional offices and FED CO CELL, New Delhi both are independently delegated to deal with the compounding applications for technical and material in nature of the contraventions.

### (iv) Application for the Compounding

- (a) Application for compounding is to be submitted to the RBI through its respective Regional office or FED CO CELL, New Delhi against contravention committed under the section 13 and 3(a) (both) of the FEMA, 1999
- (b) Application for compounding as submitted to the RBI is to be referred to the DOE against the contraventions as committed under the section 3(a) of the FEMA, 1999 for levy of penalty or/and prosecution or both through Adjudicating



Authority for Adjudication.FA is also to deal with the compounding applications which are not delegated to the Regional offices and to FED CO CELL, New Delhi

### 3. Transparency in Process of the Compounding

#### (i) Public Disclosure of the Compounding Orders

All compounding orders as passed by the RBI w.e.f June 01, 2016 are available for viewing on [www.rbi.org.in](http://www.rbi.org.in) on monthly basis

#### (ii) Public Disclosure of the guidelines for an amount is to be levy as penalty

(a) Maximum amount of penalty is 300% on sum involved in the contravention

(b) However minimum (actual) amount of penalty is based on the guidance note as is available on [www.rbi.org.in](http://www.rbi.org.in)

(c) Minimum (actual) amount of penalty is varied as depend on the guidance note and also depend on the circumstances of each case individually like Corona – 2019 etc.

(d) Normally minimum (actual) amount of penalty is based on the minimum fixed amount plus variable amount vide RBI Circular No. 73, dated May 26, 2016

### 4. Powers of the 'officer' of Regional office of the RBI for Compounding

#### Where Contravention is Quantifiable

(i) AGM of the RBI is permitted to compound where an amount of contravention is maximum 10 Lac

(ii) DGM of the RBI is permitted to compound where an amount of contravention is up to 40 Lac

(iii) GM of the RBI is permitted to compound where an amount of contravention is up to 100 Lac

(iv) CGM of the RBI is permitted to compound where an amount of contravention is minimum 100 Lac

(v) No Compounding is permitted by AGM, DGM, GM or CGM where contravention is not Quantifiable. Hence FED Co CELL, New Delhi is permitted where contravention is not quantifiable

### 5. Powers of the Regional office of the RBI for Compounding

#### Where Contravention is Quantifiable

(i) For delay in reporting against inward remittance received for the issue of shares

(ii) For delay in filing of form FC-GPR after the issue of shares

(iii) For delay in filing of Annual Return for the Foreign Liabilities and Assets (FLAs)

(iv) For delay in issue of shares or refund against the

share application money received beyond 180 days from the date of receipt.

(v) For violation of pricing guidelines against issue of shares

(vi) For issue of ineligible instruments like

(a) Non' convertible debentures

(b) Partly' paid shares,

(c) Shares with optionality clause etc.

(vii) For issue of shares without approval of the RBI or FIPB /Govt. wherever is required.

(viii) For delay in submission of form FC-TRS against transfer of the shares from a resident to non-resident.

(ix) For delay in submission of form FC-TRS against transfer of the shares from a non-resident to resident.

(x) For taking on record a transfer of shares without having a certified form FC-TRS

(xi) For delay in reporting to the Secretariat for Industrial Assistance, DIPP for a downstream investment by an Indian entity in another Indian entity which are known as an indirect foreign investments (FIs).

(xii)(a) For delay in reporting against receipt of consideration or subscription money for the capital contribution in company or in LLP

(b) Or for delay in reporting against receipt for disinvestment or transfer of capital Contribution from a resident to non-resident and also vice versa

(xiii) For delay in reporting against gift of the capital instruments from a resident to non-resident without approval of the RBI

### 6. Powers of the FED CO Cell of the RBI at New Delhi for the Compoundings

(i) For the FEMA contraventions relating to the acquisition and transfer of the immovable property as located outside India by the contravener

(ii) For the FEMA contraventions relating to the acquisition and transfer of immovable property as located in India by the contravener

(iii) For the contraventions relating to an establishment in India like:

(a) Branch Office (BO) of the foreign entity in India

(b) Liaison Office (LO) of the foreign entity in India

(c) Project Office (PO) of the foreign entity in India

(iv) For the contraventions falling under Foreign Exchange Management (Deposit) Regulations, 2000.

(v) For the contraventions where amount involved is not





- quantifiable
- (vi) Hence these abovementioned powers are not delegated to the Regional offices of the RBI

### 7. Powers of the CEFA, of the RBI at Fort Mumbai for the Compounding

CEFA, Mumbai has power for the compounding against the contraventions those are not permitted by the Regional offices or FED CO Cell, New Delhi.

### 8. Monetary limit for the Compounding

- (l) No maximum monetary limit is fixed for the compounding
- (a) By the CGM of the Regional Offices
- (b) By the FED CO Cell at New Delhi
- (c) By the CEFA at Fort Mumbai
- (ii) However following Regional Offices are having limited power of the compounding like
- (a) Kochi
- (b) And also Panaji (both) are permitted to compound where contravention is below 100 Lac only
- (iii) Regional offices at Mumbai and at Thiruvananthapuram are permitted to compound the contraventions of Panaji and Kochi respectively where amount of contravention is minimum 100 Lac

### 9. Application for the Compounding

- (i) Application for the compounding may be submitted suo-moto by the contravener
- (ii) Or after receipt of notice by the contravener from the RBI or FIPB/Govt. or any other statutory authority.
- (iii) Or after receipt of information by the contravener from the statutory auditors

### 10. Format for Application against the Compounding

- (i) Format for application is available in the Foreign Exchange (Compounding Proceedings) Rules, 2000
- (ii) Or same form may be downloaded from the RBI's website by clicking [www.rbi.org.in/script/BS- Ap\\_circulars\\_display.aspx](http://www.rbi.org.in/script/BS-Ap_circulars_display.aspx)

### 11. Fee Against the Application for Compounding

- (l) Application in prescribed format along with necessary documents is to be submitted to the respective office of the RBI where compounding application is to be filed at
- (a) Respective Regional Office
- (b) or FED Co CELL, New Delhi
- (c) or CEFA, Fort Mumbai
- (ii) And also demand draft (DD) for 5 thousand as drawn in favor of the RBI is to be sent along with application for the compounding process purpose

### 12. Information's/Details for the Compounding

#### (l) General Information's for the Contraventions

- (a) Relating to Foreign Direct Investments (FDIs), External Commercial Borrowings (ECBs) or Overseas Direct Investments (ODIs)
- Relating to Branch Office (BO) in India
- Relating to Liaison Office (LO) in India
- Relating to Project Office (PO) in India<sup>1</sup>
- (b) Undertaking is to be submitted that no investigation is pending before any Agency i.e. DOE or CBI etc.
- (c) Copy of Memorandum and Article of Association of the Indian company, if any is to be submitted
- (d) Copy of latest audited balance sheet of the Indian company is to be submitted
- (e) Information about enquiry, investigation or adjudication proceedings if any initiated against the applicant after date of filing the compounding application but before issue of compounding order
- (f) Applicant is also required to inform to the compounding authority about the change in address, contact details, if any during pendency of proceeding of the compounding.

#### (ii) Specific Information's for the FDIs

- (a) Name of Applicant
- (b) Date of Incorporation of the Indian company
- (c) Nature of the Activities of the Indian company
- (d) Brief particulars of the foreign investors
- (e) Details of the foreign inward remittances
- (f) Latest audited Balance sheet of the Indian company
- (g) Nature and reason of the contravention

#### (iii) Specific Information's for the ECBs

- (a) Name of Applicant
- (b) Date of Incorporation of the Indian company
- (c) Nature of the Activities of the Indian company
- (d) Brief particulars of the foreign lenders of the Indian company
- (e) Shareholding of lender at time of signing of loan agreement
- (f) Date of Loan agreement
- (g) Amount in the foreign currency and in Indian rupee
- (h) Rate of Interest
- (i) Period of loan
- (j) Particulars of Repayment
- (k) Details of drawdown



- (l) Details of Utilization of ECB
- (m) Nature and Reason of contravention
- (iv) Specific Information's for the ODIs**
  - (a) Name of Applicant
  - (b) Date of Incorporation of the Indian company
  - (c) Nature of the Activities of the Indian company
  - (d) Name of Overseas entity
  - (e) Date of Incorporation of overseas entity
  - (f) Nature of activities of overseas entity
  - (g) Nature of entity i.e. WOS or JV
  - (h) Details of remittance sent
  - (i) Date of remittance
  - (j) Amount in the foreign currency and in Indian rupee
  - (k) Details of other 'financial' commitments
  - (l) Detail of UIN as applied and received
  - (m) Date of receipt of share certificate
  - (n) Approval of other regulator, if any needed
  - (o) Details of the APRs submitted
  - (p) Nature and reason of the contraventions
  - (q) All relevant supporting documents are to be submitted
- (v) Specific Information's for the BO or LO**
  - (a) Name of Applicant
  - (b) Date of Incorporation in India
  - (c) Date of approval for opening of LO or BO (d) Validity period of approval
  - (d) Nature of the Activities
  - (e) Income and Expenditure of LO or BO
  - (f) Date of submission of Annual Activity Certificate (AAC)
  - (g) Nature and reason of contravention
  - (h) All relevant supporting documents are to be submitted

### 13. Pre-Requisite for the Compounding Process

- (i) (a) No 'new' compounding is permitted where similar contravention is already compounded with in an immediate period of 3(three) years
- (b) Hence new compounding is permitted for similar contravention 'after' expiry of the 3(three) years
- (ii) No compounding is permitted without regularization of the contravention from the RBI, Govt./ FIPB or any statutory authority before compounding order is to be passed
- (iii) No compounding is permitted where contravention involve any money laundering activity as defined under the Section 3(a) of the FEMA, 1999

- (iv) No compounding is permitted where contravention involve any national and security concerns involving serious infringement of regulatory frame work etc. as defined under the Section 3(a) of the FEMA, 1999
- (v) No compounding is permitted against sensitive or serious nature of contravention as defined under the Section 3(a) of the FEMA, 1999
- (vi) No compounding is permitted where appeal is pending before appellate authority against order of the Authority for Adjudication

### 14. Process for Approval against compounding by the RBI

- (i) The RBI is required to verify that the details and documents are prima-facie in order
- (ii) (a) The RBI is permitted to return the application where details are not
- (b) Or where contravention is not admitted/accepted
- (iii) The RBI is required to examine and to decide the nature of contravention like
  - (a) Technical
  - (b) Material
  - (c) Sensitive or serious in nature
- (iv) Technical in Nature
  - (a) The RBI is required to issue cautionary advice where contravention is technical in nature.
  - (b) Hence compounding is not required where contravention is technical in nature
  - (c) Therefore no penalty is to be levied on the contravener.
- (v) Material in Nature
  - (a) The RBI is required to compound by imposing a minimum penalty
  - (b) And also the RBI has discretion to give an opportunity to contravener to personally appear before compounding authority for personal hearing where contravention is material in nature. Hence compounding is required where contravention is material in nature.
  - (c) Therefore penalty is to be levied on the contravener. However prosecution is not permitted against the contravener
- (vi) Sensitive or Serious in Nature
  - (a) The RBI is required to refer to DOE where contravention is sensitive or serious in nature.
  - (b) Hence the RBI is not permitted for Compounding where contravention is sensitive or serious in nature.

DOE is to decide the quantum of penalty or/and prosecution or both independently without any



intervention on the RBI through Adjudicating Authority for Adjudication.

### 15. Classification of the nature of Contravention

- (i) The RBI is permitted to decide based on the merits as technical, material or sensitive/ serious in nature
- (ii) Contravener is not permitted to decide himself based on any kind of 'external' advice as technical, material or sensitive / serious in nature
- (iii) Hence contravener is required to submit an application directly to the RBI for compounding where contravention is happened without any delay. Contravener is not required to submit an application directly to DOE where contravention is although sensitive or serious in nature. Hence RBI will refer to DOE.

### 16. Personal Hearing before an Authority

- (i) The RBI is not mandatory required to allow for personal hearing.
- (ii) However the RBI is required to give an opportunity to the contravener to submit additional facts and documents.

### 17. Personal Hearing through an Authorized Representative (AR)

- (i) AR is permitted to attend personal hearing based on the proper written authority of the contravener
- (ii) However contravener to ensure that AR is conversant with the nature of contravention and facts of the related matter

### 18. Completion of the Compounding Process and Appeal

- (i) Compounding authority RBI is required to issue an order indicating detail of contravention and section of the FEMA, 1999 as contravened
- (ii) Amount of minimum fixed plus variable penalty is to be written in the compounding order
- (iii) Compounding process is to be treated as complete where payment of penalty is made by the contravener within 15 days from the date of order through demand draft in favor of RBI
- (iv) The RBI is required to issue a certificate for completion of the compounding process where penalty is paid by the contravener
- (v) No second adjudication is permitted by the RBI.
- (vi) No separate proceeding is to be initiated or continued against contravener where contravention is already compounded and also penalty is paid by the contravener.
- (vii) No appeal is permitted against order of compounding as compounding process is based on

the 'voluntary' admission and disclosure

### 19. Failure of Payment of the Penalty

- (i) Compounding order is to be treated as cancel where penalty is not paid within 15 days by the contravener.
- (ii) And also this case is to be referred by the RBI
  - (a) To the DOE for necessary action beside that the contravention was not sensitive or serious in nature or
  - (b) To the Authority as instituted for implementation of the Prevention of Money Laundering Act (PMLA) 2002 or
  - (c) To Any other agency like CBI etc. as RBI deemed fit.

### 20. Role of the Directorate of Enforcement (DOE)

- (i) DOE is permitted to investigate the cases as referred by RBI where contraventions are of serious or sensitive in nature under the FEMA, 1999
- (ii) And DOE is also to conclude the case through the Adjudicating Authority for Adjudicating the contravention under the section 3(a) of the FEMA, 1999 where the contravention is serious or sensitive in nature.
- (iii) RBI is not permitted to compound any contravention till the matter is pending before the Adjudicating Authority for Adjudication or pending in appeal against order of the Adjudicating Authority for Adjudication.
- (iv) DOE is also permitted to investigate the matter where contravener is failed to pay amount of penalty against the RBI's order for compounding. In this circumstance RBI is referring the case to the DOE.
- (v) Maximum Penalty and Prosecution
  - (a) DOE is permitted to conclude the case of contravention through appropriate Adjudication Authority which is an own court of DOE.
  - (b) Own court of DOE is permitted to impose a maximum penalty @ 300% of the some involved in contravention or/and imprisonment of maximum 7 years or both

### 21. Conclusion on the Compounding Process

- (i) The RBI is permitted for Compounding against material in nature contravention only through
  - (a) Respective Regional office or
  - (b) FED CO Cell, New Delhi or
  - (c) CEFA at Fort Mumbai
- (ii) No Compounding is required by the RBI against contravention of technical in nature
- (iii) No Compounding is permitted by the RBI against contravention of sensitive or serious in nature. DOE is





required to conclude the quantum of penalty or/and prosecution or both through the Adjudicating Authority for Adjudication

- (iv) (a) Maximum penalty is 300% against quantifiable amount, Rs. 2 Lac against Unquantifiable amount and also Rs. 5000 per day till contravention is continued
- (b) Minimum (actual) of penalty against quantifiable amount is determined by the RBI based on certain criteria's for fixed Plus variable amount of penalty vide AP (DIR Series) circular no. 73 dated May 26, 2016
- (v) The RBI is permitted for deciding the nature of contravention like:
  - (a) Technical
  - (b) Material
  - (c) Sensitive or serious
  - (d) And also for fixing of minimum (actual) penalty based on fixed plus variable criteria not based on maximum penalty like 300% for quantifiable amount of the contravention.
- (vi) (a) No prosecution is initiated by the RBI for the contraventions as defined under the Section 13 of the FEMA, 1999 where compounding is permitted
- (b) However prosecution is initiated by the DOE through the Adjudicating Authority for

Adjudication for a contravention as defined under the section 3(a) of the FEMA, 1999 as sensitive or serious where compounding is also not permitted.

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## DEMAND

## What to do if there is demand raised in the Income tax Assessments?

Friends the assessments are almost completed and now it is the time to ensure logical end to the proceedings. If there are additions then there are series of action which you need to take which are given succinctly as follows:

1. When assessment order comes in your hand, note the date of receipt as the time period of 30 days to file appeal starts tickling.
2. Check the computation of demand and interest calculations under Section 234A, 234B, 234C and 221 of the Income tax Act. If there is error file a rectification application under Section 154 of the Act
3. If additions and disallowances are made and assessee wants to file appeal then it has to be filed online through e-filing portal of the
4. Read every line of assessment order carefully and if you feel there is a wrong statement of fact, file a rectification application with the Assessing officer immediately. Also enclose affidavit with the application or appeal.
5. Maximum appeal filing fees in case of quantum proceedings is Rs.1000 and for penalty cases is Rs.250/-.
6. To appeal or not is a crucial decision as the Commissioner appeals has powers of enhancement and once appeal is filed it is the discretion of CIT(A) to allow withdrawal or not. Enhancement can increase demand significantly.  
If there are additions, check if there is penalty initiation, if yes then check the charge for which it is initiated.
7. Also see if the order is enclosed with penalty show cause notice. For period earlier to A.Y. 2017-18 check whether notice clearly specified charge of penalty i.e. either concealment or furnishing inaccurate particulars of income.
8. If appeal is filed penalty proceedings, make a request to the AO for keeping the penalty in abeyance which he will do as per Section 275 of the

Act.

9. Also prefer a stay application to the AO within 30 days of receipt of the order. On payment of 20% of the demand the balance demand will get stayed till the decision of first appeal.
10. Keep the grounds short and simple. Grounds should not be argumentative and should contain the grievance without any case laws.
11. Appeal memorandum shall include Grounds of appeal, statement of facts, copy of notice of demand, challan of appeal filing fees, assessment order and letter of authority in favour of counsel.
12. If there is delay in filing appeal then file an application for condonation of delay supported by reasonable cause for delay.

### Remember

- ▶ Appeal is a statutory right and appeal can be filed against only those order which are provided under Section 246
- ▶ No appeal can be filed against an aggrieved order
- ▶ The assessee is entitled to raise new legal grounds which are arising from the same facts
- ▶ The CIT(A) has also a power to stay the demand in appeals before him
- ▶ No additional documents which were not given to AO can be produced before the commissioner

Lastly the success in appeals depends on hard-work and the art of representation which is nothing but art of communication or rather the art of persuasion. You must be able to convince the deciding authority that it is so. The art of representation is not confined only to court, but anywhere in life, in any forum. The art of representation involves some degree of advocacy. Advocacy is about persuading people, you cannot go through life without, on occasion needing to persuade. Advocacy is often useful and vital, in negotiation, in meetings and public lectures. If you do not practice law at all, principles of advocacy are still a valuable skill, a transferable skill, a lifelong skill.

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## Government initiatives to promote “EASE OF DOING BUSINESS FOR INDIAN START-UPS”



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### ● Abstract / Narrative Summary:

India has a vibrant ecosystem for start-ups, and it is undergoing a fundamental shift with entrepreneurship and innovation being primary catalyst in job creation and solving everyday problems. With the success of many start-ups such as Flipkart, Quicker, Practo, Zomato and Inmobi, the Indian start-up eco-system has come a long way. The government of India has recently taken several initiatives to nurture innovation and boost entrepreneurship. The Union Budget for 2020-21 comprised many announcements to encourage the ease of doing business for start-ups, demonstrating radical shift in entrepreneurial thinking. Also, ministry of Corporate Affairs (MCA) via a notification announced relaxations to start-ups with respect to issue of sweat equity shares to its employees.

With India gearing up to an ambitious GDP goal of \$5 trillion by 2025, one of the strongest force-multipliers

for India's vision is the start-up economy. India is seeing a consistent growth in start-ups with a collective funding of \$14.5 billion in year 2019. Based on the recent initiatives by government of India, the projections indicate that by 2025, India may have 100,000+ start-ups, employ 3.25+ million, and produce 100+ unicorns, with a total market value of \$500 billion.

### Detailed Analysis:

#### ● What is a Start Up?

Start-up are nothing but an idea that manifests into a commercial undertaking. It refers to a company which is in its early stage of operations, beginning to grow and is typically financed by an individual or small group of individuals.

The definition of start-up has been broadened by Department of Industrial Policy & Promotion (DIPP) to boost the start-up ecosystem. A comparative analysis of the definition of start-up is as below:

Particulars	Erstwhile definition	Current definition
Tenure	An entity shall be considered as a start-up up to 5 years from the date of its incorporation	An entity shall be considered as a start-up up to 10 years from the date of its incorporation
Turnover	Turnover for any financial year since incorporation should not have exceeded INR 25 crores	Turnover for any financial year since incorporation should not have exceeded INR 100 crores
Nature of business	It is working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property	It is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation

### ● Initiatives by Government of India to empower start-ups:

Government of India has recently taken several initiatives including Start-up India, Make in India etc, to nurture innovation and boost entrepreneurship.

#### Incentives for start-ups in budget 2020:

Government made significant announcements for start-

up community in the Union Budget for 2020-21, demonstrating radical shift in entrepreneurial thinking, which is decoded below:

- 1. Increase in turnover limit for claiming exemption from angel tax:** Section 80IAC of Income Tax Act recognises start-ups eligible<sup>1</sup> for claiming exemption from angel tax<sup>2</sup>. The turnover limit for



eligible start-ups has been increased to INR 100 Cr from erstwhile limit of INR 25 Cr to cover more start-ups under this exemption

## 2. Extension of tax holiday period for start-ups:

A start-up incorporated after April 01, 2016, is now eligible for getting 100% tax rebate on profit for a period of three years out of ten years from the year of its incorporation. The eligibility period for claiming deduction has been extended to 10 in union budget 2020-21 from earlier allowed period of 7 years

## 3. Deferral of taxability of ESOPs:

ESOPs are taxable as perquisites at the time of exercise. The budget has eased the burden of taxation on the employees by deferring tax payments on ESOPs by five years or till they leave the company or when they sell their shares, whichever is earliest

## 4. Early life funding (including seed funding) for start-ups:

The government proposes to provide early life funding, including a seed fund<sup>3</sup> to support ideation and development of early stage start-up

## Relaxations made by MCA via notification dated June 05, 2020:

The Ministry of Corporate Affairs (MCA) has notified the Companies (Share Capital and Debentures) Amendment Rules, 2020 by amending Companies (Share Capital and Debentures) Amendment Rules, 2014 (existing rules), which includes following relaxations:

### 1. Extension of allowable period to issue sweat equity shares:

Earlier, start-up companies could issue sweat equity shares to their employees up to 5 years from the date of their incorporation. Post the amendment start-up companies can now issue sweat equity shares up to 10 years from the date of their incorporation

### 2. Increase in paid up share capital limit allowed to be issued as sweat equity shares:

Earlier, start-ups could issue up to 25% of their paid-up share capital as sweat equity shares. Considering the current liquidity crunches, due to novel corona virus, being faced by start-ups, this limit has been extended to 50% of paid up share capital

**Sweat equity shares have proved to be boon for start-ups facing an inexorable decline in revenues due to novel coronavirus, which can be decoded as below:**

### ● What is Sweat Equity Share?

Sweat equity, as the name suggests, is the compensation for unpaid labour put in by employees in a cash-strapped venture. The concept of sweat equity is generally seen in start-ups and real estate business.

In cash-strapped start-ups, owners and employees typically accept salaries that are below market values in return for stake in the company.

### ● How sweat equity share is different from employee stock option plan (ESOP)?

ESOP gives the right to employees to buy company shares for a modest price i.e. a price lower than the actual worth of share. Usually, the employee who is offered ESOP must stay with company for a specified period of time.

In Sweat equity, on the other hand, the employee is offered to take part in the ownership of the company. Hence, employee can have part ownership of the company without being an investor or founder.

### ● Why more sweat equity shares for Start-ups?

Start-ups drive growth and development across the board by providing innovating solutions, boosting employment and influencing consumers and investors. But, the success of start-up is largely incumbent on their ability to attract and retain skilled employees. Hence, retaining the skilled workers is important driver for every successful start-up.

Cash strapped start-ups are generally unable to pay steady stream of income to their employees during initial years and right now, coronavirus has exacerbated these problems. There is a little chance of fresh funding or investments. Unfortunately running out of cash, many start-ups have started laying off employees. But they are also desperately trying to hold on talent in the event their fortunes turn.

But there is one possible solution to this – **Issue of Sweat Equity Shares.**

Issuing sweat equity shares will not result in immediate cash outflows for start-ups and if the company does



well in future, these shares could potentially be worth a lot more.

### Start-ups: redefining the road map of Indian Economy:

India is gearing up to an ambitious GDP goal of \$5 trillion by 2025. In 2018-19, India's nominal GDP was Rs 190 lakh crore; at \$1 at 70, which translates to \$2.7 trillion. To reach \$5 trillion in 2025, India must grow at 10.8 percent CAGR if the rupee holds at 70; or even faster at 12 percent CAGR if the rupee depreciates to 75.

On this path, one of the strongest force-multipliers is our innovation engine and the start-up economy. Since 2014, start-ups have collectively raised \$50 billion across 3,700+ deals. There are about 500 institutional and 2,000 active investors for start-ups. The ecosystem has already yielded 500+ acquisitions and created 750,000 jobs. Bengaluru, Mumbai, and Delhi-NCR house 50 percent of all active start-ups and have emerged as global players. With 39,000+ start-ups and 33+ unicorns, India is today home to the third largest start-up ecosystem, behind only the US and China.

India is seeing a consistent growth in start-ups with a collective funding of \$14.5 billion in year 2019. Based on the recent initiatives by government of India, as cited above, the projections indicate that by 2025, India may well have 100,000+ start-ups, employ 3.25+ million, and produce 100+ unicorns, with a total market value of \$500 billion.

Source: TOI, 17 start-ups to watch

#### Conclusion:

The Indian government is increasingly showing greater

enthusiasm to increase the GDP rate of growth from grass root levels with introduction of liberal policies and initiatives for entrepreneurs like 'Make in India', 'Start-up India', MUDRA etc. With government going full hog on developing entrepreneurs, it could arrest brain drain and provide an environment to improve availability of local talent for hiring by start-up firms. The start-up arena has lot of challenges ranging from finance to human resources and from launch to sustaining the growth with tenacity. Being a country with large population, the plethora of opportunities available are many for start-ups offering products and services ranging from food, retail, and hygiene to solar and IT applications for day to day problems which could be delivered at affordable prices. It is not out of place to mention that some of these start-ups would become unicorns and may become world renowned businesses by expanding into other developing and underdeveloped countries.

#### Vocabulary:

##### 1. Eligibility criteria for start-ups to claim exemption from angel tax:

- ▶ The entity should be a DPIIT recognized Start-up
- ▶ Aggregate amount of paid up share capital and share premium of the Start-up after the proposed issue of share, if any, does not exceed INR 25 Crore

2. **Angel Tax**, formally known as Section 56 (2) (viiB) of the Income Tax Act, taxes funds raised by start-ups if they exceed the fair market value of the company. It was introduced in 2012 by the UPA government in order to detect money laundering practices and catch bogus start-ups.

3. **Seed Funding** typically refers to first official money that a business venture or enterprise raises





# FINANCIAL STATEMENT FRAUD



## Meaning

• Financial statement fraud is the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omissions of amounts or disclosures in the financial statements to deceive the

### financial statement users.

• Financial Statement fraud is usually a means to an end rather than an end in itself.

• Financial statement fraud almost always involve overstating assets, revenues, and profits and understating liabilities, expenses and losses. However, sometimes the opposite result is desired.

• When people “cook the books”, they might be doing this to “Buy more time” to quietly fix business problems that prevent their company from achieving its expected earnings or complying with loan covenants.

## Why Financial Fraud is Committed?

There are number of reasons why individuals commit financial statement fraud. Financial statement fraud

occurs through variety of methods such as valuation judgements and fine points of timing the recording of transactions. Some common reasons why people commit fraud are –

- To encourage investment through the sale of stock.
- To demonstrate increased earnings per share or partnership profits interest, thus allowing increased dividend/ distribution payouts.
- To cover inability to generate cash flows.
- To dispel negative market perceptions.
- To obtain financing, or to obtain more favourable terms on existing financing.
- To receive higher purchase prices for acquisitions.
- To demonstrate compliance with financing covenants.
- To meet company goals and objectives
- To receive performance related bonuses.

Sometimes, the cause of fraudulent financial reporting is combination of situational pressures on either the company or the manager and the opportunity to commit fraud without the perception of being detected. These pressures are known as “Red Flags”

## Fraud Triangle

### Opportunity

Limited management oversight, focus of risk, compliance and internal controls will create increased opportunity for fraud.



### Rationalisation

Economic, financial and health crisis on account of the current pandemic will lay ground for rationalizing fraud committed during COVID 19

## Pressure/ Incentive

Struggling business and operational metrics amid COVID 19 will create enormous pressure to bounce pressure to bounce back and give an assurance to the management or investors that the organisation / business unit is recovering from the crisis.

## Pressure Factors

Force which makes some one to do some act. Pressure is what causes a person to commit fraud. Desperate people do Desperate things. Pressures comes from many forms as Financial or Non Financial. For instances:

- Repayment of Debt;
- Falling Stock Prices;
- To maintain reputation etc.

▶ Pressure with Financial contents: Such pressures may be long term and short term. These arise when people are in need of cash. These can again be classified as follows:

- ▶ Itching palm and greediness;

- ▶ Desire to live well;
- ▶ High amount of personal debts and health expenditures;
- ▶ Unexpected financial needs;

Pressure stemming from bad habits:- Such pressures are accepted as the worst kind of factors motivating frauds. The main reasons for such pressures are some attributes related with human qualities. Such attributes are:

- ▶ Gambling, Drug or alcohol addict;
- ▶ Night Life habit;
- ▶ Pressures related with jobs:Such pressures stem from the following:





- Being Dissatisfied with the job;
- The idea of an unfair attitude;
- Not getting promotion when expected;
- Lower wages structures;
- Not admired by Supervisors.

### Opportunity Factors

These factors directly involve top management and owners of the business in particular. The control structure of a business and fraud has inverse correlation i.e. Better the control structure; lower the scope of committing fraud and vice versa. The following factors are responsible for providing opportunity to commit frauds.

- Weak moral policies;
- Undisclosed contracts made with third parties and partners;
- In capabilities to assess the quality of job performed by the employees;
- Absence of well disciplined environment in which fraudsters will be published;
- Ignorance, indifference and inabilities of top management;
- Lack of healthy audit work.

### Efforts to Justify Fraud Factors – Rationalisation factors

- ▶ It is the defence mechanism of fraudsters in order to justify his/her action. The examples include :
  - I had borrowed the money, I would pay back;
  - This is in return for my efforts for the business;
  - Nobody has suffered as a result of this;
  - I have taken the money for the good purpose;
  - I didn't know that this was a crime;
  - Business has deserved this;
  - Since business evades tax, I have taken something which was already mine.
- In order to prevent all these factors, business should establish moral code and provide employee training.

### Financial Statement Fraud Schemes

#### 1. Fictitious Revenues -

Fictitious or fabricated revenues involve the recording of sales of goods or services that did not occur. Fictitious sales most often involve fake or phantom customers, but can also involve legitimate customers. For Example, a fictitious invoice can be prepared (but not mailed) for a legitimate customer even though the goods are not delivered, or the services are not rendered.

Red flags associated with fictitious revenues –

- Unusual large amount of long overdue accounts receivable.
- Outstanding accounts receivable from customers that are difficult or impossible to identify and contract.
- Rapid growth or unusual profitability, especially that of other companies in the same industry.
- Recurring negative cash flows from operations or an inability to generate positive cash flow from operations or an inability to generate positive cash flows from operations while reporting earnings and earnings growth.
- Significant transactions with related parties.
- Significant, unusual or highly complex transactions, especially those close to the period's end that pose difficult “substance over form” questions.
- Unusual growth in the days' sales in receivables ratio
- Significant volume of sales to entities whose substance and ownership is not known.
- An usual surge in sales by a minority of units within a company.

#### 2. Timing Differences –

Recording of revenues/expenses in improper periods. This can be done to shift revenues or expenses between one period and the next, increasing or decreasing earnings as desired. This practise is also called “Income Smoothing”.

Red Flags are associated with Timing Difference (Improper Revenue Recognition)

- Rapid Growth or unusual profitability, especially compared to that of other companies in same industry.
- Recurring negative cash flows from operations or an inability to generate positive cash flows
- Significant, unusual or highly complex transactions, especially close to year end.
- Unusual increase in gross margin.
- Unusual growth in the days sales in receivables ratio (receivables/average daily sales)
- Unusual decline in the days' purchase in accounts payable ratio (accounts payable/ average daily purchase)

#### 3. Improper Asset Valuations –

Typically a fraudster artificially increases asset to strengthen the company's statement of financial position and its financials ratios. In some cases, however, a fraudster might want to record phoney





revenues, and overstated assets are simply a by-product of that scheme.

Many schemes are used to inflate current assets at the expense of the long term assets. By misclassifying long term assets as short term, the current ratio increases and this type of misclassification can be of critical concern to lending institutions that often require the maintenance of certain financial ratios.

Red Flags are associated with Improper Asset Valuations

- Assets, liabilities, revenues or expenses based on significant estimates that involve subjective judgements or uncertainties that are difficult to support.
- Non financial management's excessive participation in or preoccupation with the selection of accounting principles or the determination of significant estimates.
- Reduction in provision for bad debts, excess inventory and obsolete inventory, especially if relevant ratios are out of line with those of industry peers.
- Unusual change in relationship between fixed assets and depreciation.
- Adding to assets while competitors are reducing capital tied up in assets

### 3. Concealed Liabilities and Expenses –

Understanding liabilities and expenses is one of the ways financial statements can be manipulated to make company appear more profitable than actually is, because pre tax income will increase by full amount of the expense or liability not recorded and this financial statement fraud method can significantly affect reported earnings with relatively little efforts by the fraudster.

Red Flags associated with Concealed Liabilities and Expenses

- Recurring negative cash flows from operations or an inability to generate positive cash flow from operations or an inability to generate positive cash flows from operations while reporting earnings and earnings growth.
- Assets, liabilities, revenues or expenses based on significant estimates that involve subjective judgements or uncertainties that are difficult to support.
- Non financial management's excessive participation in or preoccupation with the selection of accounting principles or the determination of significant

estimates.

- Unusual increase in gross margin in excess of industry peers.
- Unusual reduction in number of days purchase in accounts payable ratio.
- Reducing accounts payable when while competitors are stretching out payments to vendors.

### 4. Improper Disclosures–

Management has an obligation to disclose all significant information appropriately in the financial statements and in management's discussion and analysis. In addition, the disclosed information must not be misleading

Red Flags associated with Concealed Liabilities and Expenses

- Domination of management by a single person or small group without compensating controls.
- Ineffective board of directors or audit committee oversight over financial reporting process and internal control.
- Ineffective communication, implementation, support or enforcement of entity's value or ethical standards by management or the communication of inappropriate value or ethical standards.
- Rapid growth or unusual profitability, especially compared to that of other companies.
- Significant, unusual or highly complex transactions, especially those close to the period's end that pose difficult "substance over form" questions.
- Significant related party transactions not in the ordinary course of business or with related entities.
- Significant bank accounts or subsidiary or branch operations in tax haven jurisdictions for which there appears to be no clear business justification.
- Overly complex organisational structure involving unusual legal entities or managerial lines of authority.
- Recurring attempts by management to justify marginal or inappropriate accounting on the basis of materiality.
- Formal or informal restrictions on the auditor that inappropriately limit access to people or information, or limit the auditors ability to communicate effectively.

### Detection of Fraudulent Financial Statement Schemes

- Fraud Detection focuses on activities and techniques that promptly recognizes, in a timely manner, whether fraud has occurred or is occurring.



- While prevention techniques do not ensure fraud will not be committed, they are the first line of defence in minimising fraud risk.
- One key to prevention is awareness of the Fraud Risk Management Program, including the types of fraud that may occur.
- Prevention and deterrence of financial statement fraud consists of those actions taken to discourage the perpetration of fraud and limit the exposure, if fraud does occur.
- Financial statement analysis – Comparative financial statements provide information for current and past accounting periods. The conversion of these numbers into ratios or percentages allow the reader of the statement to analyse them based on their relationship to each other.
- In fraud detection and investigation, the determination of the reasons for relationship and changes in amounts can be important. These determinations are the red flags that point a fraud examiner.

### Prevention of Financial Statement Fraud

#### 1. Management and Board of Directors –

Financial statements are managements presentation of financial position of the entity. Setting the ethical tone of the organisation is the responsibility of management and the board of directors. As with other types of

occupational fraud and abuse, reducing the three factors that contribute to fraud (the fraud triangle) as they specifically relate to management and the board can mitigate the risk of financial statements fraud. Reducing existing pressures to commit fraud, removing potential opportunities to commit fraud, removing potential opportunities to commit fraud, and relieving possible rationalisations for committing fraud will greatly aid in the prevention of financial statement fraud.

#### 2. Internal Auditors –

Internal Auditors are responsible for helping to deter fraud by examining and evaluating the adequacy and effectiveness of controls, commensurate with the extent of the potential exposure in the various segments of entity's operations with particular consideration to the five elements of Internal Control laid out by COSO.

#### 3. External Auditors –

External auditors inspect clients accounting records and independently express an opinion as to whether financial statements are presented fairly in accordance with the applicable accounting standards of the entity. They must assess whether financial statements are free of material misstatement, whether due to fraud or error. If management and accountants know that external auditors conduct prudent audits, they might be deterred from committing financial statement fraud.



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# MSME



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## AN INSIGHT INTO MICRO, SMALL AND MEDIUM ENTERPRISES

Micro, Small & Medium enterprises are the backbone of growing Indian economy. From some time, this term has come into lime light because government has issued various schemes and policies for promotion, development and enhancing competitiveness of MSMEs. In this article, we will be covering following points:-

1. An introduction to MSMEs
2. Statutory provisions related to MSMEs
3. Registration Process
4. MSME procurement Policy
5. Payment Securities
6. Important Links

### **1. An introduction of MSMEs:-**

The ministry of Micro, Small & medium Enterprises is the apex body for formulation and administration of rules, regulations and laws relating to micro, small & medium enterprises in India. The government has launched various schemes viz. Udyog Aadhar Memorandum, Loan up to 1 Cr. through online portal, TReDS, Credit Linked Capital Subsidy Scheme, Grievance Monitoring System etc. for promotion, development and safety of MSMEs.

### **2. Statutory Provisions related to MSMEs:-**

MSMEs are governed by Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act, 2006) which came into force w.e.f. 02.10.2006. Salient provisions of this act are follows:-

#### **a) Classification of MSMEs (Sec. 7) -**

Classification of MSMEs have been done based on investment in Plant & Machinery and Turnover. This classification will be applicable from 01.07.2020. (As per Notification No. S.O. 1702(E) dt. 01.06.2020)

**Note :** As per Gazette Notification No. 1722(E) date 05.10.2006, while calculating investment in Plant & Machinery, the original price thereof, irrespective of

whether the plant and machinery are new or second hand, shall be taken into account. But expenses eg. cost of installation, power generation set, R&D equipment and pollution control equipment, fire fighting equipment etc. shall not be included in determining investment in Plant & Machinery.

#### **b) Registration Process (Sec. – 8)**

The registration process for MSMEs is quite simple and self explanatory. For registration, visit [www.udyogaadhaar.gov.in](http://www.udyogaadhaar.gov.in) , fill the form and registration is complete. After registration, further information may be furnished in MSME data bank at [www.msmedatabank.in](http://www.msmedatabank.in).

#### **c) Payment Security (Sec. – 15, 16)**

It has been clearly spelled in the act that the buyer has to make payment to MSME seller for the goods/services within the time period mentioned in the written agreement which, in no case, shall exceed 45 days from date of acceptance or date of deemed acceptance.

If the buyer fails to pay within the prescribed time limit, then, notwithstanding anything contained in any agreement between buyer and seller or in any law for the time being in force, he has to pay compound interest with monthly rest at three time of bank rate (Currently @4.25%) on the due amount to the seller.

#### **d) Disclosure requirement in annual statements (Sec. – 22)**

If buyer is required to get his accounts audited under any law for the time being in force, he shall furnish additional information in annual accounts related to amounts pending for payment to MSME suppliers along with interest thereon.

As per Gazette Notification No. 5622(E) dated 02.11.2018, all companies, who have MSE creditors and



whose payment is due exceeding 45 days, have to submit half yearly return in form MSME-I to MCA stating amount of payment due and reasons for the delay.

### 3. Registration Process:-

The entire Registration process for MSME have been made very simple and self declaration basis. Applicant should visit [www.udyogaadhaar.gov.in](http://www.udyogaadhaar.gov.in) and following information should be kept ready before filing of registration e-form:-

- i. Mobile No. & valid E-Mail ID of applicant
- ii. Aadhar Number & PAN number
- iii. Office Address
- iv. Bank Account Details of applicant
- v. Investment in Plant & Machinery

above information will be helpful in easy filling of online e-form and after submission of form, UAM certificate will be generated. There is no need to send hardcopy of documents to any authority.

UAM certificate is valid for life time until revoked by authorities. Updation in UAM certificate can also be done very easily using the link [https://udyogaadhaar.gov.in/UA/UA\\_entrepreneurlogin.aspx](https://udyogaadhaar.gov.in/UA/UA_entrepreneurlogin.aspx).

### 4. MSME Procurement Policy:-

The government has issued vide Gazette Notification No. 581(E) dated 23.03.2012 "Public Procurement Policy for Micro and Small Enterprises (MSEs) order, 2012" which came into force w.e.f. 01.04.2012. Salient features of this policy are as follows:-

- I. This policy is applicable for Central Government Ministries, Departments and PSUs.
- II. It is mandatory for these institutions to procure minimum of 25 % of their annual value of goods or services from Micro and Small Enterprises. (Limit extended from 20% to 25% vide Gazette Notification No. 5670(E) dated 9.11.2018)
- III. Out of this 25%, 4% procurement shall be from MSEs owned by SC or ST entrepreneurs.
- IV. Out of this 25%, 3% procurement shall be from MSEs owned by Women. (Added vide Gazette Notification No. 5670(E) dated 9.11.2018)
- V. In the tender process, if price quoted by Micro and

Small Enterprises is within price band of L1 + 15 % and L1 price is from someone other than a MSE, then also MSEs should be allowed to supply upto 20% of total tendered price by bringing down their price to L1 price.

- VI. Central Ministries, Departments & PSUs shall take necessary steps to develop micro and small vendors by organizing Vendor development Programmes or Buyer-Seller Meets etc.
- VII. 358 items have been reserved which must be procured only from MSEs. eg. Air/Room Coolers, Bags of all types, Barbed Wire, Battery Charger, Battery Eliminator, Blotting Paper, Bolts and Nuts, Boot Polish, Boots and Shoes of all types including canvas shoes, Brass Wire, Brooms, Brushes, Buckets, Button, Castor Oil, Cotton Ropes, Dust Bins, Electric Soldering Iron, Fire Extinguishers (Wall Type) Lockers, Lubricators etc.

### 5. Payment Securities:-

**A.** As per Section 15 of MSMED Act, 2006, Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the **appointed day**.

Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the **day of acceptance** or the **day of deemed acceptance**

**Where,**

**'The day of acceptance' means –**

- (a) The day of the actual delivery of goods or the rendering of services; or
- (b) where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier;

**'The day of deemed acceptance'** means, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of





services, the day of the actual delivery of goods or the rendering of services;

**'Appointed day'** means the day following immediately after the expiry of the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.

**B.** As per Section 16 of MSMED Act, 2006, Where any buyer fails to make payment of the amount to the supplier, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.

**C.** In case of any dispute related to payment, any party related to dispute, may make a reference to Micro and Small Enterprises Facilitation Council. The council need to decide every reference within 90 days from the date of reference.

## 6. Important Links:-

Some important links related to MSMEs are as follows:-

- a) <http://www.champions.gov.in>  
Newly launched website, Single Window for MSME
- b) [www.msme.gov.in](http://www.msme.gov.in) Official website by Ministry of MSME
- c) [www.samadhaan.msme.gov.in](http://www.samadhaan.msme.gov.in)  
MSME samadhaan portal
- d) [www.sambandh.msme.gov.in](http://www.sambandh.msme.gov.in)  
Information related to procurements from MSMEs
- e) [www.sampark.msme.gov.in](http://www.sampark.msme.gov.in)  
Connecting recruiters and jobseekers
- f) [www.kviconline.gov.in](http://www.kviconline.gov.in)  
PM's Employment Generation Programme
- g) [www.my.msme.gov.in](http://www.my.msme.gov.in)  
All information related to MSMEs at one point
- h) [www.udyogaadhaar.gov.in](http://www.udyogaadhaar.gov.in)  
For Udyog Aadhaar registration
- i) [www.msmedatabank.in](http://www.msmedatabank.in)  
Databank related to MSMEs
- j) [www.igms.msme.gov.in](http://www.igms.msme.gov.in)  
Internet Grievance Monitoring System for MSMEs



## GUJARAT AAR PROCLAIMS ONE TO ONE CO-RELATION OF ITC



The AAR's continue to tangle the settled issues and contribute their persistence in igniting the fire of litigation in GST. The perfect example is the hype created by the decision given by Rajasthan AAR pronouncing that GST is payable on director's remuneration under reverse charge mechanism by the company in the case of **CLAY CRAFT INDIA PRIVATE LTD. [2020 (35) G.S.T.L. 580 (A.A.R.-GST-RAJ.)** which was subsequently clarified by the government vide **Circular No. CBEC-20/10/05/2020-GST dated 10.06.2020**. Now, another confusion created is regarding the nexus between the inputs and input services for which input tax credit is being availed by the taxpayer as regards its utilisation towards output tax liability of GST. Recently, Gujarat AAR in the case of **M/S ARISTO BULLION PVT. LTD.** has ruled that the applicant cannot use the input tax credit balance available in the electronic credit ledger that was legitimately earned with respect to inputs meant for outward supply of bullions towards discharge of output tax liability on 'castor oil seed' being altogether different business. This ruling will definitely have colossal impact on the way the departmental authorities will form an opinion as regards utilisation of input tax credit earned with respect to one business towards discharge of output tax liability of another business, irrespective of the fact that both business are registered with same GSTIN. Consequently, a new wave of litigation on this issue is expected to spread soon. The analysis of this decision vis a vis the provisions contained in erstwhile regime along with its repercussions will be discussed in this article.

The applicant, M/s Aristo Bullion Pvt. Ltd., is engaged in manufacture of gold for which inputs like gold dore,

silver dore etc. are being purchased on payment of appropriate GST for which input tax credit is availed by them. The applicant also wish to trade in 'castor oil seeds' attracting GST rate of 5% on the outward supplies made by them. However, as the 'castor oil seeds' are purchased from unregistered agriculturists, no GST is being levied on purchase of 'castor oil seeds' by the applicant. The applicant has sufficient input tax credit balance available with respect to gold dore purchased by them and so had applied application for advance ruling for knowing whether the input tax credit balance available can be utilized for discharging their outward GST liability on supply of 'castor oil seeds'. The AAR held that as per section 16(1) of the CGST Act, 2017, assessee is entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business. It was contended that as the purchase of gold dore has nothing to do with sale of 'castor oil seeds', the input tax credit cannot be utilized for discharge of GST liability with respect to supply of 'castor oil seeds'. However, the above decision tends to unsettle the settled principle that the input tax credit of various inputs and input services pertaining to various business of the assessee is available as common pool which can be utilized towards discharge of outward tax liability for supply of any goods or services.

It is very common that an assessee is engaged in supply of goods and services which are registered under one GSTIN and there is practically no need to maintain separate records of input tax credit for each of its business. To illustrate- an assessee may be engaged in manufacture of plastic granules and is also providing services of renting of immovable property services. In such a situation, the input tax credit available with respect to various inputs is squarely available for



utilisation against discharge of outward GST liability on renting of immovable property services and there is no need to establish nexus of inputs or input services used for supply of various bouquet of goods or services.

➤ In this context, reference may be made to the erstwhile indirect taxation regime, wherein the Cenvat Credit Rules, 2004 were prevalent. It is pertinent to mention that under the erstwhile regime, similar issue was considered before the Tribunals wherein the utilisation of credit availed in the capacity of manufacturer towards discharge of service tax liability was questioned by departmental authorities but it was held by various Tribunals that the cenvat credit is available as common pool which can be either utilized for payment of central excise duty or service tax and there is no need to prove nexus of credit with the final liability discharged by the assessee. Reference may be made to the following judicial pronouncements:-

- TALLY SOLUTIONS PVT. LTD. VERSUS COMMISSIONER OF C. EX., BANGALORE[2020 (41) G.S.T.L. 520 (TRI. - BANG.)]
- PIPAVAV SHIPYARD LTD. VERSUS COMMISSIONER OF C. EX. & S.T., BHAVNAGAR [2016 (41) S.T.R. 151 (TRI. - AHMD.)]
- NITIN SPINNERS LTD. VERSUS COMMISSIONER OF CENTRAL EXCISE, JAIPUR-I[2017 (52) S.T.R. 172 (TRI. - DEL.)]
- ENTRACO POWER SYSTEMS PVT. LTD. VERSUS

COMMISSIONER OF C. EX., NASHIK [2017 (3) G.S.T.L. 129 (TRI. – MUMBAI)]

- COMMISSIONER OF CENTRAL EXCISE, NASHIK VERSUS GRAPHITE INDIA LTD.[2017 (3) G.S.T.L. 505 (TRI. – MUMBAI)]

It is submitted that when the issue as regards the fact that no one to one co-relation is required between inputs/input services and the final product/services was settled by various Tribunals in the erstwhile regime, reviving the said dispute in the GST era does not seem to be a lucrative affair, particularly, the GST Law was introduced with the motto of 'seamless flow of input tax credit'. The decisions pronounced by various Advance Ruling Authorities indicate that we are heading back towards the baggage of past litigation which was already settled. Its high time that the government should realize that there is no point in rejuvenating the old baggage of dispute in the GST era as the complexity of compliance in GST Law is already at its peak. Reference may be made to the recent judgment delivered by Hon'ble Supreme Court in the case of **RADHA KRISHNA INDUSTRIES** which states that "GST Law is not citizen friendly". It is hoped that the above decision will be rectified by the higher appellate forum at the earliest or a suitable clarification is issued by the government soon so that unwarranted litigation is avoided.



**CA. Neetu Sukhwani**  
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# Statutory Bank Branch Audit 2021



## Respected Members of ICAI

"Wishing all the Respected Members and Delegates of The Institute of Chartered Accountants of India in "Statutory Bank Branch Audit 2021" and Wishing them all the Best Wishes for a Happy, Prosperous and Healthy Year 2021 in all their Professional Endeavours and Professional Development, and seeking their Blessings in furthering Professional Development and Professional Democracy."

## Preamble of Reserve Bank of India (RBI)

"To regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth."

The Banking Regulation Act, 1949 was formed as an Act to consolidate and amend the Law relating to Banking.

Statutory Bank Central/Branch Audit is conducted under Section 30 of the Banking Regulation Act 1949, where as per Section 30(1) of the Banking Regulation Act 1949, the balance-sheet and profit and loss account are prepared in accordance with section 29 of the Act is audited by a person duly qualified under any law for the time being in force to be an auditor of companies namely Chartered Accountants of The Institute of Chartered Accountants of India, duly appointed, re-appointed or removed obtaining the previous approval of Reserve Bank of India as per Section 30(1A) of the Banking Regulation Act 1949.

As per Section 5(b) of the Banking Regulation Act 1949 "Banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or other wise;

As per Section 5(c) of the Banking Regulation Act 1949 "Banking company" means any company which transacts the business of banking in India;

**Explanation** - Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause;

As per Section 5(ca) "banking policy" means any policy which is specified from time to time by the Reserve Bank in the interest of the banking system or in the interest of monetary stability or sound economic growth, having due regard to the interests of the depositors, the volume of deposits and other resources of the bank and the need for equitable allocation and the efficient use of these deposits and resources;

**Please visit to the following link  
to see the complete article.....**

<https://drive.google.com/file/d/1Oi42wbRTe-YXpgo9VV9VXyk2wJlRtnyG/view?usp=sharing>



**CA. Rakesh Choudhary**  
choudhary.rakesh@icai.org





# IMPORTANT ANNOUNCEMENTS . . .



Interest Rate Benchmark Reform such as Interbank Offered Rates (IBORs), e.g., LIBOR, TIBOR, NIBOR, etc. play an important role in global financial markets and index (benchmark) a variety of financial products including derivatives. Market developments have undermined the reliability of some existing benchmarks. Consequently, some major interest rate benchmarks will cease to be published across the globe after December 2021. The ongoing reform in IBOR, will impact the way financial information is accounted for in the financial statements.

With international developments taking place, global financial reporting Standards have been amended to address the issues affecting financial reporting arising from these reforms. Two groups of accounting issues that could affect financial reporting have been identified globally:

### ► Phase 1 -

Pre-replacement issues—issues affecting financial reporting in the period during which there is uncertainty about the timing or the amount of interest rate benchmark-based cash flows. To address these issues, the amendments have been made to the relevant IFRS Standards. In India, corresponding changes have been made under Ind AS that are effective from April 1, 2020.

For the entities that do not apply Ind AS, the provisions regarding hedge accounting are prescribed in the Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India in year 2015 This Announcement is issued in order to provide corresponding temporary relief to the entities not following Ind AS having transactions in financial market products, for accounting periods beginning on or after April 1, 2020.

### ► Phase 2 -

Replacement issues—issues affecting financial reporting when the uncertainty regarding the timing and the amount of interest rate benchmark-based cash flows is resolved and hedging relationships are affected as a result of the reform. IFRS Standards have been amended to provide practical expedient for modifications of the financial contracts that are affected by IBOR Reform with the view to avoid undue impact on the financial statements where the transactions are economically equivalent to the previous basis (i.e., before and after IBOR reforms). In absence of such practical expedient, due to change in benchmark rate, there could be unintended consequences, such as discontinuation of hedge accounting, etc.

In India, corresponding changes are being made under Ind AS to be effective from accounting periods beginning on or after April 1, 2021. Corresponding amendments to provide additional temporary exceptions to hedge accounting for entities not following Ind AS are under formulation and will be issued in due course.

In the aforementioned background and to address the exigent issue, this Announcement prescribes the temporary relief to the entities not following Ind AS corresponding to that provided in Phase 1 to the entities following Ind AS.

### **Temporary exceptions from applying specific hedge accounting requirements prescribed in Guidance Note on Accounting for Derivative Contracts**

1. An entity shall apply paragraphs 4–11 and paragraphs 13-14 to all hedging relationships directly affected by interest rate benchmark reform. These paragraphs apply only to such hedging relationships. A hedging relationship is directly affected by interest rate benchmark reform only if the reform gives rise to uncertainties about:
  - (a) the interest rate benchmark designated as a hedged risk; and/or
  - (b) the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.
2. For the purpose of applying paragraphs 4–11, the term ‘interest rate benchmark reform refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board’s July 2014 report ‘Reforming Major Interest Rate Benchmarks’ . 1
3. Paragraphs 4–11 provide exceptions only to the requirements specified in these paragraphs. An entity shall continue to apply all other hedge accounting requirements prescribed in the Guidance Note for Accounting for Derivative Contracts for hedging relationships directly affected by interest rate benchmark reform.

### **Highly probable requirement for cash flow hedges**

4. For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

### **Reclassifying the amount accumulated in the cash flow hedge reserve**

5. For the purpose of applying the requirements in the Guidance Note in order to determine whether the hedged future cash flows are probable to occur, an entity shall assume that the interest rate benchmark on which the hedged cash



flows are based is not altered as a result of interest rate benchmark reform.

**Assessing the economic relationship between the hedged item and the hedging instrument**

6. For the purpose of applying the requirements in paragraph 44(l) of the Guidance Note, an entity shall assume that the interest rate benchmark on which the hedged cash flows and/or the hedged risk are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

**Designating a component of an item as a hedged item**

7. For a hedge of a non-contractually specified benchmark component of interest rate risk if any, an entity shall apply the requirement that the risk component shall be separately identifiable only at the inception of the hedging relationship.

**End of application of temporary exceptions from applying specific hedge accounting requirements**

8. An entity shall prospectively cease applying paragraph 4 to a hedged item at the earlier of:  
 (a) when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and (b) when the hedging relationship that the hedged item is part of is discontinued.

9. An entity shall prospectively cease applying paragraph 5 at the earlier of:  
 (a) when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item; and  
 (b) when the entire amount accumulated in the cash flow hedge reserve with respect to that discontinued hedging relationship has been reclassified to profit or loss.

10. An entity shall prospectively cease applying paragraph 6:  
 (a) to a hedged item, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk or the timing and the amount of the interest rate benchmark-based cash flows of the hedged item; and  
 (b) to a hedging instrument, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedging instrument. If the hedging relationship that the hedged item and the hedging instrument are part of is discontinued earlier than the date specified in paragraph 10(a) or the date specified in paragraph 10(b), the entity shall prospectively cease applying paragraph 6 to that hedging relationship at the date of discontinuation.

11. When designating a group of items as the hedged item, or a combination of financial instruments as the hedging instrument, an entity shall prospectively cease applying paragraphs 4–6 to an individual item or financial instrument in accordance with paragraphs 8, 9, or 10, as relevant, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and/or the timing and the amount of the interest rate benchmark-based cash flows of that item or financial instrument.

**Disclosures -Uncertainty arising from interest rate benchmark reform**

12. For hedging relationships to which an entity applies the exceptions set out in paragraphs 4–11, an entity shall disclose:  
 (a) the significant interest rate benchmarks to which the entity’s hedging relationships are exposed;  
 (b) the extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;  
 (c) how the entity is managing the process to transition to alternative benchmark rates;  
 (d) a description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and  
 (e) the nominal amount of the hedging instruments in those hedging relationships.

**Effective Date**

13. An entity shall apply the temporary exceptions stated in paragraphs 1-12 and 14 for annual periods beginning on or after 1st April 2020.  
 14. The requirements of this Announcement apply only to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies these requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies these requirements.



**Corporate Laws & Corporate Governance Committee  
The Institute of Chartered Accountants of India**

**MCA has made amendments in the provision related to Audit Trail and made them effective for FY commencing on or after 01st April, 2022, on request made by the Institute of Chartered Accountants of India**

In view of applicability of the amendments made vide notification dated 24th March, 2021 related to the accounting software having feature of audit trail and its reporting in audit report being made effective from the FY 2020-21, the Institute of Chartered Accountants of India had requested the Ministry of Corporate Affairs to issue a clarification on the same as it was creating confusion in the minds of auditor regarding applicability of the said provision.

In this regard, we are happy to inform you that the Government has considered the request of ICAI and issued a clarification stating that the provisions related to Audit trail as provided in Companies (Audit and Auditors) Amendment Rules, 2021 and Companies (Accounts) Amendment Rules, 2021 have been made effective in respect of financial years commencing on or after the 01st April, 2022.

Accordingly, analysis of following amendments has been made:

<b>S.No.</b>	<b>Rule</b>	<b>Pre-Amendment</b>	<b>Post Amendment</b>
1.	<b>Rule 3(1) of Companies (Accounts) Rules, 2014:</b>  <b>Manner of books of accounts to be kept in electronic mode</b>	The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference Provided that for the financial year commencing on or after the 1st day of April, 2021, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.	The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference Provided that for the financial year commencing on or after the 1st day of April, 2022, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.
2.	<b>Rule 11 of Companies (Audit and Auditors) Rules, 2014:</b>	The auditor's report shall also include their views and comments on the following matters, namely:- g) Whether the company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.	The auditor's report shall also include their views and comments on the following matters, namely:- g) Whether the company, in respect of financial years commencing on or after the 1st April, 2022 has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

**Notifications are available at the link-** [http://www.mca.gov.in/Ministry/pdf/AuditAuditorsAmendmentRules\\_01042021.pdf](http://www.mca.gov.in/Ministry/pdf/AuditAuditorsAmendmentRules_01042021.pdf)  
[http://www.mca.gov.in/Ministry/pdf/AccountsAmendmentRules\\_01042021.pdf](http://www.mca.gov.in/Ministry/pdf/AccountsAmendmentRules_01042021.pdf)

Members may take note of the above.

Sincerely Yours,

Chairman and Vice Chairman  
Corporate Laws & Corporate Governance Committee  
The Institute of Chartered Accountants of India



**Clarification with regard to applicability of the provisions of Section 139 of the Companies Act 2013 read with Rule 5 and 6 of the Companies (Audit and Auditors) Rules, 2014**

**Query: Whether a Proprietary firm (having FRN) or individual CA who is practicing either in his own name or trade name can be appointed for two terms as per Section 139 of Companies Act, 2013?**

**Reply:**

Section 139 of the Companies Act, 2013 provides that subject to the provisions of this Chapter, every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting and the manner and procedure of selection of auditors by the members of the company at such meeting shall be such as may be prescribed:

No listed company or a company belonging to such class or classes of companies as may be prescribed, shall appoint or re-appoint—

- (a) an individual as auditor for more than one term of five consecutive years; and
- (b) an audit firm as auditor for more than two terms of five consecutive years:

**As per Rule 5 and 6 of Companies (Audit and Auditor) Rules, 2014, the Class of Companies who are required to comply with the provisions of Section 139 are as follows:**

For the purposes of sub-section (2) of section 139, the class of companies shall mean the following classes of companies excluding one person companies and small companies:-

- (a) all unlisted public companies having paid up share capital of rupees ten crore or more;
- (b) all private limited companies having paid up share capital of rupees fifty crore or more;
- (c) all companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more.

**Manner of rotation of auditors by the companies on expiry of their term.-**

As per Explanation I to Rule 6 of Companies (Audit and Auditor) Rules, 2014, the term “same network” includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.

Further, as per the said Rules, Individual auditor shall include other individuals or firms whose name or trade mark or brand is used by such individual, if any.

Accordingly, it is stated that a Proprietary firm (having FRN) or individual CA who is practicing either in his own name or trade name can be appointed as auditor only for one term as per Section 139 of Companies Act, 2013.

**\* This is to mention here that above-mentioned clarification is not applicable to the companies, entities where the provisions of Rotation of Auditors are not applicable as per Section 139 of the Companies Act, 2013 and Rules thereunder.**

Sincerely Yours,

Chairman and Vice Chairman  
Corporate Laws & Corporate Governance Committee  
The Institute of Chartered Accountants of India



## Member Service Feedback Form

Thank you for visiting CIRC (Physically/By Mail/By phone)! We value all of our members and strive to meet everyone's needs. **Please tell us the following:**

Registration no: \_\_\_\_\_ Date the query raised: \_\_\_\_\_

Mobile Number: \_\_\_\_\_ Email: \_\_\_\_\_

Query raised: \_\_\_\_\_

### 1. Were you satisfied with the member service CIRC provided to you?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Somewhat
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Comments: \_\_\_\_\_

### 2. Was our service provided to you in an accessible manner?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Somewhat
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Comments: \_\_\_\_\_

### 3. Did you experience any problems accessing our services?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Somewhat
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Comments: \_\_\_\_\_

Email: [circevents@icai.in](mailto:circevents@icai.in)

\* you will be contacted within 72 hours of receipt

Word file of the feedback form can be opened at:

<https://drive.google.com/file/d/10LC0cQ3GPTR2qgrVHiS9clqAvVuIUZ37/view?usp=sharing>

Thank-you,



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

## **Central India Chartered Accountants Students Association**

# STUDENT S SECTION





**Dear Students,**

You are targeting to complete CA course. Do not let your mind get disturbed with mundane issues. Mind is a chariot driven by many horses- magnificent, sturdy and strong. They neigh in frenzy, each trying to pull the chariot with all its might. If all these horses move together, in one direction, with the same speed and purpose, the charioteer romps home to victory and glory. But if they move or pull in different directions or are of different capacity and motivation, it will be a ride, difficult and despairing. Why you need so many horses then, if their numbers or difference in capacity might create a problem in moving, is an obvious question to ask. But can you do with just one, if you have to go fast and far, are also a question to grapple with.

CA study course in India is not only the toughest study course but it's for them who are the toughest, the determined. For CA students the role of his teacher and guide is very important. The role of a teacher in a young student's life goes beyond just education. They're a leader, a role model, a coach, an advisor and a facilitator of positive growth. With students spending most of their waking hours with their teachers, it's up to teachers to create a positive and inspiring environment where students can do their best work. Teachers can open the door, but you must enter it yourself. A

CA student is a composition of a Compassionate, Cheerful, and Cool Aspirant.

There is never enough that we can do for our students, hence they will remain the focus of all our activities this year. The youth of today will be the leaders of tomorrow. Our students deserve adulations for having chosen the right path to their career. In the fast paced economy, it is utmost important that both, tangible and the intangible skill sets needs to be honed, developed and made visible. I personally feel that communication and presentation ability is vital.

During this Covid time, I suggest all of you to please develop a routine, focus on organising, maintain your relationships -Even though it is called social distancing, the six-foot rule is actually about physical distancing. It doesn't mean you can't be social.

**Stay safe and healthy.**

**Wishing you all a fulfilling career,**

**Warm Regards,**

**CA. Abhisak Pandey**

Chairman CICASA of CIRC

Email : abhisakp@gmail.com

Mob. : +91 98382 03678







## Student Service Feedback Form

Thank you for visiting CIRC (Physically/By Mail/By phone)! We value all of our students and strive to meet everyone's needs. **Please tell us the following:**

Registration no: \_\_\_\_\_ Date the query raised: \_\_\_\_\_

Mobile Number: \_\_\_\_\_ Email: \_\_\_\_\_

Query raised: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 1. Were you satisfied with the student service CIRC provided to you?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Somewhat
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Comments: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 2. Was our service provided to you in an accessible manner?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Somewhat
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Comments: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 3. Did you experience any problems accessing our services?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Somewhat
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Comments: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Email: [circevents@icai.in](mailto:circevents@icai.in)

\* you will be contacted within 72 hours of receipt

Word file of the feedback form can be opened at:

<https://drive.google.com/file/d/1iCnnVG5bXrEKcr1f6VCWJSGygZX2v2Q0/view>

**Thank-you,**



**SKILLSHARE**

**SKILL  
SHARE.**

**Invitation to Students to Contribute ARTICLES in Monthly  
E-Newsletter of  
CICASA of CIRC of ICAI**

- **Articles should be useful to Students**
- **Should be between 1000 to 2500 words.**
- **In Word and PDF format both.**
- **Good if on the Current Topics.**

Please send articles at:  
[circevents@icai.in](mailto:circevents@icai.in)  
or  
[circ@icai.in](mailto:circ@icai.in)

**Explore your  
creativity.**



## STRATEGIC COST MANAGEMENT AND PERFORMANCE EVALUATION

“Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... because it is good for our business.”

– Niall FitzGerald, Former CEO, Unilever

Financial measures have long been the benchmark for evaluating a business, market and industry performance. In modern businesses, it is no longer sufficient to only consider shareholders in strategic decisions and reporting. More recent expectations need a wider methodology where accounting information involves data to all relevant stakeholders. To adopt this methodology, accountants should identify their stakeholders and their expectations and adapt their practices accordingly. ‘Sustainability accounting and reporting practices’ identify and interlink the social, environmental and economic costs and benefits of a business’s strategies and actions and inlays them into future strategic decision making.

### In a Nutshell

#### KNOWLEDGE UPDATE

#### FRAMEWORKS FOR REPORTING TO EXTERNAL STAKEHOLDERS

##### Background

##### Triple Bottom Line Reporting

- Dimension (sets) of TBL

##### Global Reporting Initiative (GRI)\*

- Need for “Global Reporting Initiative”
- Global Reporting Standards

##### Integrated Reporting (IR)\*

- Integrated Reporting Framework and the Integrated Report
- Fundamental Concepts related to the Integrated Report
- Preparation and Presentation of the Integrated Report
- Conclusion

#### Capsule

##### CASE STUDY

##### Triple Bottom Line

- Vidyut Dam Project

##### CASE SCENARIO

##### Six Sigma

- Smooth Connect Telecom

##### Performance Measurement

- Shakti Automobiles

##### SKILL ASSESSMENT BASED PROBLEMS

##### Questions and Answers

- Life Cycle Costing
- Theory of Constraints
- Target Costing



### Frameworks for Reporting to External Stakeholders about Sustainability and Value Creation: Global Trends

Framework for external reporting on sustainability and value creation

- Triple Bottom Line (sustainability)
- GRI (sustainability)
- Integrated Reporting Framework (sustainability through value creation)

Performance Reports

#### Background

Corporate Reporting is the platform used by organisations to provide information to its users about its business. Corporate Reporting is a useful tool to connect with stakeholders, external to the organisation because:

- ▶ Presentation of their business performance, in particular their financial performance, enables them to get access to equity, debt or other types of financing.
- ▶ By showcasing their performance, capabilities and strategy, these reports can assist organisations to negotiate with customers and suppliers.
- ▶ Showcasing their strong performance would assist them to recruit talented employees and retain them. Talented employees in turn are an asset that every company should nurture for future growth.

Therefore, corporate reporting is an important exercise that goes beyond reporting past performance. Instead, it is a very important tool to present the organisation's business and its future prospects.

A widely read corporate report would be the annual report released each year by organisations. It has a plethora of vital information that is useful to assess an organisation's performance. Information contained here is largely focussed on financial performance, current year and of past years. At the same time, it also focusses on management narratives and non-financial issues.

Good quality corporate reporting helps an organisation demonstrate to its stakeholders its operational capabilities, take advantage of opportunities and its ability to manage risks due to changes in the business environment. To enable this understanding, the report should contain information that is concise, relevant and transparent. Importantly, the user must be able to connect information spread over many pages/ reports

to get a complete understanding of the business model.

**Many frameworks** govern corporate reporting. Examples are Indian Accounting Standards (Ind AS), International Financial Reporting Standards (IFRS), disclosures under Companies Act 2013, SEBI Guidelines and Disclosures etc. All of them aim at full, accurate and timely disclosures of financial and relevant non-financial information.

In the recent past users of the corporate reports, felt that information, while available in sufficient detail, was scattered within different reports or sections of the annual report. It has been difficult to piece together relevant information to get complete information about the business.

In the recent past, human race has taken quantum leaps due to globalisation and changes in technology impacting daily life. There is also a highlighted concern about climate change and its impact. This has led to the following realisations:

**Environmental impact:** Businesses utilise natural resources as inputs, convert them into outputs to make profits out this activity. So, businesses deplete natural resources to earn profits. Natural resources are limited in supply since nature cannot replenish the deleted resource at the same rate. For example, the resource that gets deplete faster than its replenishment rate is fossil fuel. Likewise, there are many other resources that get utilised without the sources being allowed renew itself. It might lead to scenarios where these resources may not be available to future generations. It could also affect the ability of the businesses to sustain in the long run. When these resources run out, organisations may have to close down unless they take corrective action now. So, there is an important realisation that "Sustainability" of the environment is critical for "sustainability" of organisation. An organisation should try to reduce its "ecological footprint" for example minimise "carbon footprint" generated by its activities. It should avoid wastage of natural resources in business operations. Develop CSR activities that can nurture the natural resource, like use renewable energy, recycling waste, rehabilitation of mines from which mining activities are done, rehabilitation of wildlife, fisheries etc.

▶ **Societal impact:**





Business operations impact the lives of the employees that work with them as well as the society in large. Organisations have to be socially responsible. Exploitation of workforce through long work hours, low wages, child labour etc. are examples of unethical business practices that should cease. If businesses can impact the community it influences through corporate social responsibility programs, it will improve the quality of life for such communities. CSR programs help in building healthier communities, this nurtures talent.

#### ► **Economic impact:**

For profit organisations have their main objective to deliver financial returns to their investors. While profit is important, it is crucial for organisations to ensure that profit objective does not negatively impact the environment or society. The investing community has become more sensitive to these issues and wants transparency about how the organisation creates “value”.

To address this change in investor mindset, a number of initiatives to develop useful, transparent corporate reporting was undertaken that has culminated in development of few Frameworks that organisations can use to report about their activities in relation to sustainability and value creation. Organisations can choose to present their information using any of the following frameworks:

#### **1. Triple Bottom Line (TBL report).**

As explained earlier, traditional accounting systems had a restricted view limited to the financial performance of the organisation. This concept expands this view to include the impact of business on environment and society as well. The 3Ps draws the organisation’s attention to not just “Profit” motive but also to nurturing “Planet” and “People” towards a sustainable future.

#### **2. Global Reporting Initiative report (GRI report)**

As per the GRI Guidelines issued by an independent institute called GRI whose mission is to develop and disseminate globally acceptable sustainability reporting guidelines.

#### **3. Integrated Report <IR>**

As per the Integrated Reporting Framework laid out by the International Integrated Reporting Council (IIRC). It provides the providers of ‘capital’ with a holistic view of the organisation’s value creation process.

#### **Triple Bottom Line Reporting**

British business author John Brett Elkington in year 1994 coined the term TBL. But the origin of concept actually lies in Brundtland report by World Commission on Environment and Development, (now known as Brundtland Commission) published in year 1987, in which Sustainable Development is explained as is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. It is also important here to note that United Nations Conference on Environment and Development taken place in year 1992, gave stress on sustainable development.

As mentioned earlier every business needs to be sustainable rather only profitable.

But what comes to mind is:

- When can a business be called sustainable?
- The obvious answer is when management makes sustainable business decisions.

Hence, the real question is:

- When does a business decision become sustainable? How does one measure the performance of business decisions in terms of sustainability?

#### **Answer lies in TBL i.e. Triple Bottom Line.**

To measure the performance of business decisions in economic terms we consider only one bottom line i.e. profit, but to consider sustainability of business decisions, there are three bottom lines i.e. **People, Planet and Profit (also known as dimensions of TBL).**

TBL truly extends the scope of traditional accountancy, and transforms it into modern day sustainability reporting (which is beyond financial reporting because it considers social and environmental performance too). Some organisations even have separate business sustainability reporting system and they apply the standard of sustainability reporting pronounced by Global Reporting Initiative, which is the independent, international organisation that helps businesses and other organisations take responsibility for their impacts, by providing them with the global common framework (standards) to report those impacts.

#### **Dimension (sets) of TBL**

- **Planet** – the environmental bottom line measures the impact on resources, such as air, water, ground and emissions to determine the environment impact and



ecological footprints.

► **People** – the social equity bottom line relates to corporate governance, motivation, incentives, health and safety, human capital development, human rights and ethical behaviour.

► **Profit** – the economic bottom line refers to measures maintaining or improving the company's success in term of adding value to shareholders.

A sustainable decision is one which is acceptable from the aspect of each bottom line.

TBL believes in a stakeholder approach rather than a shareholder approach. TBL implies that businesses must consider the full cost, hence becoming a substitute to full cost accounting with evenwider perspectives.

TBL can be used to encourage each division and manager within the organisation to act in a responsible manner from holistic perspective.

### Global Reporting Initiative (GRI)

Global Reporting Initiative (GRI) is an independent organisation that is working at promoting the use of globally applicable reporting standards. They are promoting the GRI Standards that promote transparency and accountability on sustainable development by reporting on economic, environmental and social issues. They have a range of partners who believe in their vision that include governments and various donor foundations.

### Need for “Global Reporting Initiative”

The Framework has been developed to encourage organisations across the world to report on how their business activities are impacting “Economic, Environmental and Social” sustainability. The need for standardised reporting globally is that users can compare reports of different organisations to identify the ones that are more sustainable to these three aspects – economy, environment and social. Sustainability is important to leave behind a conducive environment and healthy society for our future generations.

### Global Reporting Standards

A Sustainability Report prepared as per GRI Framework is used by organisations to report their impact on the economy, environment and society. Impact includes both positive and negative matters. Users can then be better informed about the risks and opportunities that

the organisation faces.

The degree to which the GRI Standards have been applied gives an organisation the choice to prepare the report as per:

**i) Core Option :** indicates that the report has minimum information needed to understand the organisation, material topics and related impacts and how they are managed. or

**(ii) Comprehensive Option:** In addition to information that comes under the “core option”, it has additional disclosures regarding an organisation's strategy, ethics and integrity. The report should have extensive discussion about the material topics and related impacts.

The report has to clearly state that it is “in accordance” with Core Option or Comprehensive Option.

Thus, Core Option has less details than Comprehensive Option. Organisations can also prepare “GRI referenced” report when it wants to report on specific economic, environmental or social impact as per selected standards but is not looking to provide a full report as per the GRI Standards. Include specific reference to which standard or section has been used.

### An overview of the GRI Standards are:

3 Universal Standards are applicable to all organisations.

#### (1) GRI 101 –

Foundation, starting point for using GRI Standards. It contains the Reporting Principles that define the report content and quality. Reporting Principles for ‘Report Content’ include: Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness. Reporting Principles for ‘Report Quality’ include: Accuracy, Balance (positive and negative impacts), Clarity, Comparability, Reliability and Timeliness. GRI 101 is used to identify material matters related to the economy, environment and society. The organisation will then use the topic specific standards to report on them.

#### (2) GRI 102 –

General Disclosures, to report contextual information about an organisation. Information related to”

- (a) organisation's profile,
- (b) strategy,
- (c) ethics and integrity,



- (d) governance,
- (e) reporting process, and
- (f) stakeholder engagement process are reported here.

### (3) GRI 103 –

Management Approach, to report management's approach to material matters. It discusses why a matter is material, where is the impact and how is the organisation managing the impact. Management Approach will include the policies, goals, responsibilities, resources, grievance methods, specific actions related to the material topic.

### Topic Specific Standards

Circumstances unique to each organisation's business operations will determine what to report under the Topic Specific Standards. Below is a summary of the discussions that happen under each category covered under the Topic Specific Standards. Under each of the sub-topics under the economic, environmental and social categories, the report should include discussion about management's approach disclosures, topic specific disclosures or both. This list is only for the student's reference to help them understand the content of the report better.

### Integrated Reporting

This article is based on the International <IR> Framework (Dec'2013). The International Integrated Reporting Council (IIRC) has published on 19 Jan'2021 revisions to the International <IR> Framework, originally released in 2013, to enable more decision-useful reporting. This latest version applies to reporting periods commencing 1 January 2022.

### Integrated Reporting Framework and the Integrated Report

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia, NGOs. IIRC's long-term vision is to promote "integrated thinking" that will result in efficient allocation of capital, that enable financial stability and sustainability. Integrated thinking takes into account the inter-relationships between its various functional and operating units and "the capital" that the organisation uses. As explained later, the term "capital" is not restricted to financial capital alone but is defined to include a wider variety of resources / enablers that support the value creation process of a business. This

"integrated thinking" is facilitated by presenting the "Integrated Report" (<IR>). Need for "Integrated Thinking" Impact of "intangibles" to the business model: Traditionally assets of an organisation have been tangible assets, that have been reported within the financial statements. Intangibles have also been recognised, pegged a monetary value and reflected in the financial statements. The tangible assets have traditionally formed major part of the assets side of the balance sheet. This worked well as long as value created by business was more internally driven. "Internally driven" implies that business being less impacted by the changes in the external environment in which it operates. Examples of which could include: its ability to get raw materials directly from the source rather than depending on suppliers, business reach being more regional rather than having national or globalised reach, labour force creating products being majorly semi-skilled therefore easily replaceable etc. However, due to globalisation many businesses have become national /international players rather than being limited to being regional in scope. Due to outsourcing of business processes, the supply chain of organisations has changed. An organisation is now dependent on other organisations for its materials, labour, IT systems etc. Use of technology within the business many times becomes a game changer driving value for the business. (e. g.) Online sales versus brick and mortar outlets). The service sector has seen tremendous boom in development (e.g. IT industry, banking). Consequently, human capital has become more skilled, so talented employees have become a critical value driver of business. To summarise, during the last two decades, every organisation has become inter-dependent on other organisations and the external environment to conduct its business. Businesses have become dependent on relationships with suppliers /customers /government agencies, natural resources, human capital, infrastructure and technology. These relationships and interactions are intangibles, that cannot be strictly quantified and reflected in the balance sheet. These can be looked upon as "capitals" beyond the regular financial capital of the balance sheet. This aspect cannot be immediately perceived by the users of corporate reports unless they are informed about it. However, this interdependency is very critical for an organization to function. For example, if it runs out of a particular natural resource with which it makes products, then this could impact business. (World is



facing shortage of 'Silica' which is used in innumerable industries like electronics, construction. The other natural resources in short supply are energy giving fossil fuels and water.) Likewise, only talented employees can deliver on attaining strategic objectives, therefore talent has to be groomed. In the modern world innovation is the key to success, something that can be driven only by motivated, talented employees.

Therefore, the need to have a narrative in the form of an Integrated Report <IR> that spells out how an organisation can manage, preserve and grow /deplete these "capitals". Information about managing these capitals has become paramount to assess business performance, stability and sustainability.

### Definition of Integrated Report <IR>

An Integrated Report <IR> can be defined as: "An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term".

S o u r c e :  
<https://integratedreporting.org/resource/international-ir-framework/>

### Objectives of Integrated Report

Information presented in an integrated or connected manner can enable the user to understand the following:

- ▶ The various types of capitals (defined later), in addition to financial capital that the organisation uses to create value. Understand their interdependencies, including trade-offs between them.
- ▶ Capacity of the organisation to respond to various stakeholder's legitimate needs and interests. Stakeholders here include not just the providers of financial capital, but includes customers, suppliers, local communities, government authorities, employees and any other interested party.
- ▶ Ability of the organisation to respond to changes in the external environment towards both risks and opportunities.
- ▶ Promotes understanding of the organisation's business model, its activities, performance (financial and non-financial metrics) outcome over a period of time – past, present and future. Traditional corporate reporting has primarily presented historic (past)

information. <IR> is a more future oriented report that focusses on how an organisation's strategy can be aligned to the external environment.

- ▶ Enables accountability and stewardship for the different types of capital (financial, manufactured, human, intellectual, natural, social and relationship). An organisation can create value only when it is able to develop the interest of its key stakeholders, broadly contained within the various "capitals".
- ▶ Disclosure about how the organisation is working towards maintaining its capital in the report can serve as a tool for better corporate governance.
- ▶ Supports integrated thinking that can enable better decision making to create value over short, medium and long term time horizons.

**In India SEBI has mandated the reporting of "Business Responsibility Report" (BRR) for the top 500 listed companies. For the year 2017- 18 they may voluntarily adopt "Integrated Reporting" and include it in the annual report. Alternatively, they may present this separately on their website and give reference to it in the annual report.**

### Integrated Framework as prescribed by IIRC

The <IR> should be prepared in accordance with the Integrated Framework laid out by IIRC. The Framework provides Guiding Principles and Content Elements that can be referred to while preparing the <IR>. The Framework does not prescribe any specific KPI metrics or measurement methods or about the disclosure of individual matters. It is left to the judgement of the preparers of the report to decide on the content based on the case-specific scenario of each organisation. Points to consider while preparing an Integrated Report:

- ▶ Preparers must use judgement about materiality of a matter under consideration to determine its inclusion in the report.
- ▶ Preparers must use judgement about manner of disclosure of matters including the basis for measurement, disclosure methods as found appropriate.
- ▶ If information presented in the <IR> is similar to information presented elsewhere, then the content in the <IR> should be prepared on the basis or should be reconciled with the information presented elsewhere.
- ▶ It may be prepared in compliance with governing





- regulations.
- ▶ <IR> aims at explaining how an organisation creates value over time. The report can contain quantitative and qualitative information to explain this. It is more than just a summary of other communication that an organisation publishes. It makes explicit connectivity of how value is created by an organisation.
  - ▶ It may either be a standalone report or be included as a distinguishable part of another report (example an annual report). It has to be clearly identified as an <IR>.
  - ▶ Those charged with governance should acknowledge the (i) integrity of the information in the report (ii) that the report was prepared by seeking their opinion and (iii) an opinion as to whether the report is in accordance with the Framework.

**Users of <IR> would primarily be those who provide financial capital to the organisation. However, there may be interested parties like suppliers, customers, employees, business partners, local communities, regulators, legislators and policy makers who may also want to understand <IR>.**

### **Fundamental Concepts related to the Integrated Report**

#### **Value creation for the organisation and for others**

The integrated report provides qualitative and quantitative disclosures about how the organisation creates, diminishes or preserves value. Value created for the organisation itself enables financial returns to the providers of financial capital.

Value created for others is also of interest to the providers of financial capital. Notably it must be understood that:

- ▶ Value is influenced by external environment.
- ▶ is created through relationships with stakeholders, internal and external. Internal factors like management and operations, employees, licenses, patents, financial stability of the organisation. External factors that impact value creation are suppliers, customers, prevailing economic conditions, government policies etc. Together they can enhance /deter /preserve the value created by the organisation.
- ▶ Value creation is subjective and changes based on the perspective of each stakeholder. Example could

be: A good employer may not be very profitable. Therefore, while the employee may be satisfied with the value an organisation provides them, but if the target financial metrics are not met, the investors may not be satisfied with the value an organisation provides them.

Value creation is not an independent activity within the organisation's sole control. Value is created using capital. In integrated reporting, capital is not limited to just financial capital. There are six different categories: financial, manufactured, human, natural, intellectual, social and relationship capitals (details are covered later). A combined effect of these capital is what results in value creation for the company.

The ability of an organisation to create value is linked to the value it creates for others. This happens through a wide range of activities, interactions and relationships.

#### **Example:**

Sales to customers will change financial capital. This is reflected in the financial statements. At the same times, after sales support interactions handled by after-sales personnel (human capital) can impact customer satisfaction (social capital). Customer satisfaction will determine their willingness to give more business to the organisation in future (developing a relationship). Any material issues with customer satisfaction like harmful content detected while consuming product that has resulted in causalities, faulty technology leading to product recalls will have to be disclosed and discussed in the Integrated Report. Positive instances like superior technology (intellectual capital) enhancing customer satisfaction can also be discussed.

Another instance would be willingness of key suppliers to trade with the organisation and the terms and conditions of these agreements. Suppose there is a case of vendor lock-in, where the organisation has to be dependent on one particular supplier and is unable to switch to other suppliers without substantial switching costs. This may be disclosed and discussed to make the users aware of potential risks to business. Likewise highlighting positive instances where long term procurement agreements will improve business operations and product quality can also be disclosed in the report.

Therefore, the play of activities, interactions and relationship are building blocks for the value chain. An organisation's strategy, leadership and culture are internal factors that need to be aligned with the external



environment in which the business operates. The business model should promote development of all stakeholders in order to sustain in the long run. Therefore, by disclosing issues that are relevant to stakeholders, an organisation can align itself better to promote mutual development. It will also give the user insight about the building blocks in the value creation process. <IR> thus serves as a tool to make the organisation align towards its own financial stability and sustainability and better corporate governance. Capital allocation can then be streamlined to support activities that would enable sustainability and stability of the organisation.

The Framework also includes scenarios where there may have been no change in the value or that the value of the company is preserved. Scenarios when value preservation may need to be discussed would be:

(i) **Businesses being merged and acquired.** Generally the “value creation” of an acquired /merged business does not happen immediately. In reality, integration of two businesses is challenging due to operational and organisational cultural differences. So in reality, although the deal may be closed, the “value creation” from the acquired business is deferred. Here, the management may wish to point out the steps it wishes to take to steer the business integration so that it creates value in the long run. This could include measures to stabilise the acquired business. Discussion could centre around how the experience of the top management (strategic initiative) will enable the management at the operational

level (tactical initiatives) to have seamless integration. These are steps taken by an organisation to “preserve value”. This discussion may be needed in order to reassure the providers of finance that the management has a clear road map on how to manage the “business /value acquired” so that it generated sustainable value in the long run. Others such as employees of the company may also be interested in the management’s outlook.

(ii) **Debt Restructuring:** Challenges faced by an organisation may lead to situations where there is a cash flow crunch in operations. This may hinder it from meeting its debt obligations. If fresh capital investments cannot be infused, the organisation may go for debt restructuring. It negotiates with the bank to draw up a better scheme of arrangement that can enable it to meet its obligations. Such instances put concerns about the

organisation’s liquidity on various stakeholders like investors, bankers, suppliers, employee union, government who would be anxious if the organisation would be able to meet its obligations.

A discussion by the management on the road map that the organisation plans to follow to improve its solvency would highlight the risks that the organisation faces. Accordingly, the stakeholders can make informed judgements about the organisation’s value.

The report should also take into consideration the effects of business operations that have been “externalised”. For example, smoke emission from the factory does not impact the organisation directly. However, the impact is felt in the form of air pollution in the city. Similarly, waste dumped in landfill does not impact the organisation but does impact the city living conditions. These are impacts that are externalised. Where judged material they need to be discussed in the report. Providers of financial capital may need to be aware of material information of these externalities to assess their effects.

**Example,** externality could negatively impact business: Chennai city faced severe drinking water supply the summer of 2019. The crisis impacted normal life for many months. Many IT firms had to request their employees to work from home since they could not provide water facilities at office. If unprepared, this crisis could have disrupted business for some of these firms.

### Do You Know?

The Business Roundtable (BRT) is an association of CEO’s of America’s top companies. These CEO members lead companies with more than 15 million employees and more than \$7 trillion in annual revenues. The BRT released an updated statement on the ‘Purpose of a Corporation’ in Aug’ 2019. The statement stated a fundamental commitment to all stakeholders—customers, employees, suppliers, communities and shareholders; representing a move away from the long-standing view that shareholder profit is the only purpose of corporations. The statement received support from 181 CEOs, including the leaders of Abbott, Accenture, Amazon, Apple, American Airlines, American Express, Bank of America, Boston Consulting Group, Citigroup, The Coca-Cola Company, Cognizant, Dell, Procter & Gamble and Walmart.

**This article will continue in next Newsletter.....**

**Important Announcement - June 2021 Foundation Examination**

**Examination Department**  
**The Institute of Chartered Accountants of India**  
**26th April, 2021**

It has been informed to the Institute that the students who wish to appear for June 2021 Foundation Examination in terms of Announcement No. 13-CA (EXAM)/Foundation/June/2021 dated 5th March, 2021 that they are facing problem while filing of Examination Application Form on account of –

- (a) Getting their application/declaration attested from a CA Member/Gazetted officer/Head of the Educational Institute due to COVID-19; and
- (b) Filling of Admit Card/Roll No. of Senior Secondary Examinations as the same has not been received due to postponement.

In view of the above, it is notified for general information that –

- (a) the students of Foundation Course whose photographs and/or signature are not available in the systems be allowed to upload their Aadhar Card alongwith Examination Application Form for June 2021 Foundation Examination and on normalization of situation of the ongoing pandemic, those students can send their concerned declaration duly signed by a member of the Institute / Gazetted Officer / Head of the Educational Institute to Institute at ICAI Bhawan, C-1, Sector-1 Noida 201301 or at [foundation\\_examhelpline@icai.in](mailto:foundation_examhelpline@icai.in) by quoting their registration number.
- (b) The students who have not received their Admit Card/Roll No. of Senior Secondary Examinations may declare that they will be appearing for such examination and on normalization of prevailing situation they can send their admit card /Roll Number to the Institute at ICAI Bhawan, C-1, Sector-1 Noida 201301 or at [foundation\\_examhelpline@icai.in](mailto:foundation_examhelpline@icai.in) by quoting their registration number.

(S. K. Garg)  
Additional Secretary - Exams

**Extension of time period for commencement of Practical Training on or before 30th April 2021 to 30th June, 2021 for appearing in Final examination to be held in November, 2023**

In exercise of the powers conferred under Regulation 205 of the Chartered Accountants Regulations, 1988 and to remove the hardship caused to the students due to Covid 19 spread, the Council hereby order that –

1. Students who have qualified either of the Groups or both the Groups of Intermediate/IIPC Examinations held in November 2020/January 2021 and are required to commence their Practical Training on or before 30th April, 2021 for being eligible to appear in the Final Examination to be held in November, 2023, but are not able to commence their Practical Training due to lockdown/curfew in various parts the country on account of COVID-19, be allowed to commence their Practical Training on or before 30th June, 2021 instead of 30th April, 2021 and then be allowed to appear in the Final examination to be held in November, 2023.
2. The above relaxation in the requirement of Regulation 29D shall be a one-time measure only due to spread of Covid 19.



**Relaxation in the requirement to undergo 8 months Study Period to appear in November, 2021 Intermediate Examination in respect of students who had opted-out from November 2020 Examinations and opted for January 2021 examination after passing January, 2021 Foundation Examinations.**

**Board of Studies  
The Institute of Chartered Accountants of India**

Students who had opted-out from November 2020 Examinations and opted for January 2021 Foundation Examinations may please note that the Institute as a one-time measure, has given relaxation in the requirement to undergo 8 months study period to 7 months study period to appear in November, 2021 Intermediate Examination after passing January, 2021 Foundation Examinations.

In other words students who pass January 2021 Foundation examination may register themselves for the Intermediate course by 1st April 2021 so as to appear in the November 2021 Intermediate examination.

**Director  
Board of Studies, ICAI**

**Live Coaching Classes (LCC) Batch -3 commencing from 10th May 2021 respectively for Students of Intermediate course appearing in Nov 2021 examination and Final course for Nov 2021 and May 2022 examination.**

**Board of Studies  
The Institute of Chartered Accountants of India**

The Board of Studies has been proactive to adopt different methodologies to reach out to the students and provide quality learning resources, year after year in an incremental manner.

The BOS, with an objective to enable the students to sail through the present times, announces 3rd Batch of 'Live Coaching Classes' for Final & Intermediate course students commencing from 10th May 2021. These classes are relevant for students who will be appearing in Final exam in Nov 2021 & May 2022 & Intermediate exam in Nov 2021.

**Schedule and Timings:**

Course	Schedule	Session I	Session II
Intermediate	Detailed schedule will be hosted shortly	7 – 9.30 AM	6 – 8.30 PM
Final	Detailed schedule will be hosted shortly	7 – 10 AM	6 – 9 PM

Students can attend the classes at: link will be shared shortly. The classes can also be viewed at ICAI CA Tube (YouTube) channel.

**Notable Features:** Streamed live using internet technology. Can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, iPads, tablets, etc. anytime anywhere. Sessions by Renowned Subject Experts. Coverage of entire syllabus. Interactive in nature – with facility to raise questions. Examination focused approach. Available to all without any charge. PPT/Notes available as per exam focused approach.





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

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

### Objectives:

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

### Features:

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

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

### How to Access

The Services of “e-Sahaayataa” is available on the Institute Website and tickets can be raised by accessing [eservices.icai.org](http://eservices.icai.org) using SSP Portal credentials and by selecting option “Raise/View Tickets”.



### ECONOMIC UPDATES

1. The Union cabinet has recently approved changes in the Insurance Act for increasing the FDI limits in the insurance sector from 49% to 74%. This move will improve insurance penetration but has to be taken with enough safeguards. This announcement was made in the Budget speech by the Finance Minister for the year 2021-22. <https://www.business-standard.com/finance?time=1618651371>
2. The Central Board of Trustees, EPF had recommended 8.50% rate of interest to its subscribers for the Year 2020-21. A high EPF interest rate along with compounding makes a significant difference to gains to subscribers
3. The Reserve Bank of India decided to take the IDBI Bank out of the “Prompt Corrective Action”. It was invoked against IDBI Bank in 2017 by RBI. Under PCA, bank’s branch expansion is restricted and lending is narrowed to relatively less risky segment. <https://www.thehindubusinessline.com/markets/stock-markets/idbi-bank-soars-10-after-rbi-removes-it-from-pca-framework/article34055135.ece>
4. The Reserve Bank of India is sticking to its stand to ban cryptocurrencies. It has said that a currency is a sovereign right and cannot be assigned to any individual entity. There are security risks, could give rise to money laundering and terror financing as per the RBI, due to anonymity of the transactions.
5. The Reserve bank of India has recently released its report on Currency and Finance for the year 2020-21. The theme of the report is “Reviewing the Monetary Policy Framework “and the period of study in this report is from Oct 16 to March 2020.





### Western Region

#### Sl. No. Name of the Institutes /Universities

1.	Bhavnagar University, Grouri Shankar Lake Road, Bhavnagar 364 002
2.	Dr. Babasaheb Ambedkar Marathwada University, Aurangabad 431 004
3.	Gujarat University, P.B.No. 4010, Navrangpura, Ahmedabad 380 009
4.	Goa University, Sub Post Office,Goa University, Taleigao Plateau,Goa 403203
5.	Indian Institute of Management, Vastrapur, Ahmedabad 380 015
6.	M.S. University of Baroda, Opp Drug Lab,Vadodara 390 002
7.	University of Mumbai, M.G.Road, Fort,Mumbai 400 032
8.	North Maharashtra University, PB No. 80, Umavinagar, Jalgaon 425 001
9.	Hemchandracharya North Gujarat University, P.B.No.21, University Road,Patan 384 265
10.	University of Pune, Pune 411 007
11.	Rashtra Sant Tukdoji Maharaj Nagpur University Ravindranath Tagore Marg, Nagpur-440 001
12.	Sardar Patel University, Vallabh Vidyanagar 388 120
13.	Saurashtra University, University Road,Rajkot 360 005
14.	Shivaji University, Vidyanagar,Kolhapur 416 004
15.	Tata Institute of Social Sciences, Sion Trombay Road, Deonar,Mumbai 400 088
16.	Yashwantrao Chavan Maharashtra Open University, Dnyangangotri, Gangapur Dam, Nasik 422 001
17.	Nirma University, Ahmedabad- 382 481
18.	Dr. D. Y. Patil Vidyapeeth, (Deemed University)Pimpri, Pune – 411018
19.	Bharati Vidyapeeth Deemed University, Pune- 411 030
20.	Indian Institute of Technology Bombay, Mumbai- 400 076

### Southern Region

#### Sl. No. Name of the Institutes /Universities

1.	Alagappa University, Algappa Nagar,Karaikudi 623 003
2.	Annamalai University, Annamalainagar 608002, TN
3.	Bangalore University, Jnana Bharathi,Bangalore 560 056
4.	Bharathidasan University, Palkalai Perur,Tiruchirappalli 620 024
5.	Bharathiar University, Coimbatore 641 046
6.	Calicut University, Thenhipalam, Malappuram Dist. - 673 635
7.	Cochin University of Science & Technology, Kochi 682 022
8.	Dr. B.R.Ambedkar Open University, Prof. G. Ram Reddy Marg, Jubilee Hills,Hyderabad-500 033
9.	University of Hyderabad, P.O. Central University, Hyderabad 500 046
10.	Indian Institute of Management, Bannerghatta Road, Bangalore - 560 076
11.	Kakatiya University, Vidyaranyapuri, Warangal-506 009
12.	Karnatak University, Pavate Nagar, Dharwad 580 003
13.	University of Kerala, Thiruvananthapuram 695 034
14.	Kuvempu University, Gnanasahyadri, Shankaraghatta 577 451, Dist. Shimoga (Karnataka)
15.	Mangalore University, New Administrative Building, Mangalagangothri, Mangalore 574 199
16.	Mahatma Gandhi University, PO Priyadarshini Hills, Kottayam 686 560
17.	University of Madras, Chepauk, Chennai 600 005
18.	Madurai Kamaraj University, Madurai 625 021
19.	Osmania University, Hyderabad 500 007
20.	Pondicherry University, V Nagar, Kalapet, Pondicherry 605 014



**Sl. No. Name of the Institutes /Universities**

21.	Sri Krishnadevaraya University, Anantapur 515 003, Andhra Pradesh
22.	Sri Venkateswara University, Tirupati-517 502
23.	Periyar University, Salem
24.	Indian Institute of Management, Kozhikode
25.	National Law School of Indian University, Bangalore
26.	Christ University, Bangalore
27.	Sri Sathya Sai Institute of Higher Learning, Anantapur 515 134, Andhra Pradesh
28.	Manipal University, Manipal- 576104, Karnataka
29.	Avinashilingam Institute Mettupalayam Road, Bharathi Park Road, Coimbatore -641 043
30.	Indian Institute of Technology Madras, Chennai – 600 036
31.	CMR University, HRBR Layout, Bangalore-560043
32.	SRM University, SRM Nagar, Kattankulathur-603203
33.	Visvesvaraya Technological University, Belagavi, Karnataka

**Eastern Region**

**Sl. No. Name of the Institutes /Universities**

1.	Rajiv Gandhi University, Rono Hills, Itanagar-791 112
2.	Gauhati University, Gopinath Bardoloi Nagar, Guwahati 781 014
3.	Indian Institute of Management, Joka D.H. Road, Post Box 167 57, Calcutta 700 027
4.	Manipur University, Canchipur, Imphal 795 003
5.	University of North Bengal, Raja Rammohunpur 734 430, District Darjeeling
6.	Sambalpur University, Jyoti Vihar, Sambalpur 768 019
7.	Tezpur University, Napaam, Tezpur-784 025, District Sonitpur
8.	Utkal University, Vani Vihar, Bhubaneswar 751 004
9.	Vidyasagar University, Midnapore 721 102, West Bengal
10.	Kalyani University, Kalyani 741235, West Bengal
11.	Rajiv Gandhi Indian Institute of Management, Shillong
12.	Mizoram University, Aizawl- 796004
13.	Sikkim University, Gangtok-737102, Sikkim
14.	Dibrugarh University, Dibrugarh
15.	The Assam Royal Global University, Guwahati, Assam

**Central Region**

**Sl. No. Name of the Institutes /Universities**

1.	Aligarh Muslim University, Aligarh 202 002
2.	Awadhesh Pratap Singh University, Rewa-486 003
3.	Banaras Hindu University, Varanasi 221 005
4.	Barkatullah Vishwavidyalaya, Bhopal 462 026
5.	Babasaheb Bhimrao Ambedkar Bihar University Muzaffarpur 842 001
6.	Ch. Charan Singh University, Meerut 250 005
7.	Chatrapati Shahu Ji Maharaj University, Kalyanpur, Kanpur 208 024
8.	Devi Ahilya Vishwavidyalaya, R.N. Tagore Marg, Indore 452 001
9.	Dr. Bhim Rao Ambedkar University, Agra 282 004
10.	Guru Ghasidas University, Bilaspur-495 099 (M.P)
11.	Indian Institute of Management, Prabandh Nagar, Off. Sitapur Road, Lucknow-226 013





**Sl. No. Name of the Institutes /Universities**

12.	Jai Naraian Vyas University, Jodhpur 342 001
13.	Rajasthan University, Jaipur
14.	Jiwaji University, Gwalior 474 011
15.	University of Lucknow, Lucknow 226 007
16.	Mahatma Gandhi Kashi Vidyapeeth, Varanasi 221 002
17.	Mohanlal Sukhadia University, Udaipur 313 001
18.	MJP Rohilkhand University, Dori Lal Agarwal Marg, Bareilly 243 001
19.	Nalanda Open University, 9, Adarsh Colony, Kidwaiपुरi, Patna-800 001
20.	Pt. Ravishankar Shukla University, Raipur 492 010
21.	Ranchi University, Ranchi 834 008
22.	Rani Durgavati Vishwavidyalaya, Saraswati Vihar, Jabalpur 482 001
23.	Vikram University, Ujjain 456 010
24.	Amity University, Uttar Pradesh
25.	Central University of Jharkhand, Ratu-Lohardaga Road, Brambe, Ranchi -835 205
26.	Banasthali University, P.O Banasthali Vidyapith – 304022, Rajasthan
27.	Mangalayatan University, Aligarh
28.	Gautam Buddha University, Greater Noida, Gautam Budh Nagar, Uttar Pradesh-201312
29.	Maharishi Arvind University, Jaipur, Rajasthan
30.	Patna University, Patna
31.	Bhagwant University, Sikar Road, Ajmer, Rajasthan

**Northern Region**

**Sl. No. Name of the Institutes /Universities**

1.	Guru Gobind Singh Indraprastha University, Kashmere Gate, Delhi-110 006
2.	Himachal Pradesh University, Summer Hills, Shimla 171 005
3.	Indira Gandhi National Open University, Maidan Garhi, New Delhi-110 068
4.	University of Jammu, Baba Saheb Ambedkar Road, Jammu Tawi-180 004
5.	Jamia Hamdard, Hamdard Nagar, New Delhi-110 062
6.	Jamia Millia Islamia, Maulana Mohammed Ali Jauhar Marg, New Delhi- 110 025
7.	University of Kashmir, Hazratbal, Srinagar 190 006 (J & K)
8.	Kurukshetra University, Kurukshetra 132 119
9.	Punjab University, Chandigarh 160 014
10.	Punjabi University, Patiala 147 002
11.	Maharshi Dayanand University, Rohtak 124 001
12.	Chaudhary Devi Lal University, Sirsa
13.	Shri Mata Vaishno Devi University, Jammu
14.	Lovely Professional University, Jalandhar-Delhi G.T. Road, (NH-1), Phagwara, Punjab
15.	Guru Nanak Dev University, Amritsar, Punjab
16.	Indian Institute of Management, Jammu

# Events.....





Glimpses of VCM on Issues of Fake Invoices and Relevant ITC under GST held on 25.03.2021



Glimpses of VCM on New format of LFAR for Bank Branch Audit



Visit of Chairman CIRC CA. Nilesh Gupta to Gautam Budh Nagar Branch of CIRC.

**From L to R-**

CA. Girish Narang, Exe Mem, G. B. Nagar Branch of CIRC, CA. Deepa Agarwal Speaker, CA. Chaman Singh, Chairman - G. B. Nagar Branch of CIRC, CA. Anuj Goyal CCM, CA Nilesh Gupta - Chairman CIRC, CA. Mukesh Bansal - Past Chairman, CIRC, CA. Atul Agrawal - Vice Chairman CIRC.



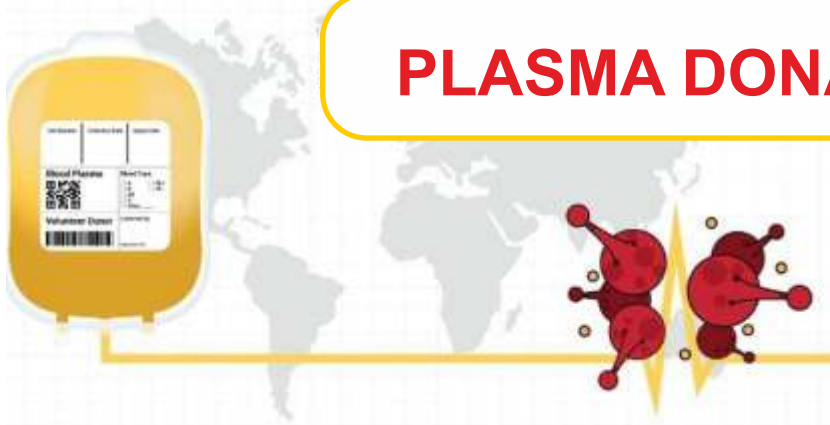




# Central India Regional Council

The Institute of Chartered Accountants of India

## PLASMA DONATION DRIVE



Hope you are in pink of your health. As known this pandemic has again on the rise and many of our members need our help, therefore in these difficult times we need to stand together as a family and fight this COVID-19 pandemic.

If you have been infected with COVID-19 in past and now you have fully recovered, the god has blessed you with a power to save life of others by donating your plasma. Therefore, we request you to kindly come forward, complete the Google form through below link and allow us to connect with members in need of your priceless plasma.

Stay safe, help save a Life. A Plasma Donation can save Lives

- ★ **Share with others to save lives.**
- ★ **Join hands together and save lives.**
- ★ **Post donation through below given link.**

Google Form Link:

<https://forms.gle/h2PJBuM27DNw3tr66>

Kindly visit CIRC website to know donors and who need plasma at:

[www.circ.icai.org](http://www.circ.icai.org)

CA. Nilesh Gupta  
Chairman  
&  
TEAM CIRC



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