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of Chartered  
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Parliament)

# The Chartered Accountant STUDENT

Your monthly guide to CA news, information and events



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## INSIDE

03 President's Communication

04 Vice-President's Communication

05 Chairman's Communication

06 Profile - President

07 Profile - Vice President

08 Profile - Chairman

09 Profile - Vice Chairman

10 Academic Update: Guidance Note on Reporting Under Section 143(3)(F) and (H) of The Companies Act, 2013

16 Academic Update: Significant Notifications and Circulars Issued Between 1.5.2015 and 31.10.2015

25 Case Laws: Legal Decisions – Income-tax

28 Rank Holders

29 Toppers Speak

32 Announcements

## SWACHH BHARAT - A STEP TOWARDS CLEANLINESS

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My Dear Students,

I am delighted to write to all of you as the new President of the august Institute through the medium of Students' Journal. I am thankful to my colleagues, CA fraternity and above all The Almighty for the great responsibility that has been bestowed upon me. I pray the Almighty for heavenly wisdom, enough strength and courage to work with full integrity and take the Institute to further heights. *"The winds of God's grace are always blowing; it is for us to raise our sails."* said Sri Ramakrishna Paramahansa.

I assure each and every one of you that I would discharge my responsibility with great dedication and work for the benefit of the students, the esteemed members of the profession of Chartered Accountancy and the society. The success of the Institute largely depends meeting the needs of its students, not only in terms of what is the quality of academic input they receive but also up to what extent they are empowered during the learning process.

Chartered Accountancy is highly sought after professional course, wherein you are helped to sharpen your acumen and develop competencies in the area of accounting, finance, taxation, strategic management and so on. The three years of practical training coupled with professional skills and personality development related programmes during the course help you mould yourself into a total professional. In recent years, the modern technologies have been playing varied roles in imparting education. Among other things, the information technology is being used widely by the Institute in the education arena, particularly at the Intermediate and Final levels. A comprehensive vision and perspective plan is in place to harness the benefits of information technology for facilitating teaching-learning and other distance learning endeavours.

It is my strong conviction and belief that the students are the future as well as the hope of the profession. The profession also enjoys significant strengths and opportunities, based on the profession's core values of objectivity, integrity and commitment to protect the public interest, as well as the quality of its education and training.

Making our students as future managers with core competencies is our prime aim, keeping in view the fact that a large number of our professionals are associated with the financial planning, implementation and monitoring in national and international financial and other organisations and multinational companies. We are contemplating a comprehensive education system to ensure that the future CA professionals are competent in dealing with all matters related to the ever expanding global market. This year we will be implementing contemporary new scheme of education and training. I strongly believe that there is a need to bring a happy balance between expectations from the Institution and the actual contribution made by it to the society. Our endeavour would be to make our students outstanding financial professionals and a useful member of our society. I know that the societal expectations do not have any limits, however one must strive to make concerted efforts to meet these expectations as far as possible. So, it is appropriate for you to equip yourself during the student days with in depth and holistic knowledge base, not only with a view to pass the examinations but to emerge successful in the competitive professional journey.

The articleship training programme of the CA course is the backbone in framing a strong base for the application of theory into practice. I would therefore advise you to develop a high level of concentration while pursuing your articleship. I firmly believe that an honest and sincere approach towards your articleship will definitely yield rich dividends in all your professional endeavours.

I take this opportunity to wish you all a bright and prosperous career ahead and a wonderful and cheerful *Holi* festival.

Wish you all the best,

Yours sincerely

**CA. M. DEVARAJA REDDY**  
PRESIDENT,  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## VICE PRESIDENT'S COMMUNICATION ||



My Dear Students,

**I**t gives me immense pleasure to write to you as the new Vice-President of one of the largest and premiere accounting body of the world through the medium of Students' Journal. Though I interacted with you at several occasions in the past when I was holding the office of the Chairman-Board of Studies during 2012-13 and as Vice Chairman-Board of Studies during 2015-16, I think that the present role is much wider and bigger in terms of responsibilities. I am thankful to my colleagues and CA fraternity for the status that has been assigned to me. I pray to Almighty, to give me enough strength to work with dedication and integrity and take the Institute higher on its virtuous path. I hope that with your active participation and unwavering support of our esteemed members, our Institute will be able to set new milestones of towering success in the times to come.

Being an emerging CA professional, a great responsibility lies on your shoulders too. I know that you are capable enough to live up to our expectations and are completely geared up to work in the dynamically changing environment. I firmly believe that the students cannot improve their knowledge from textbooks alone; they must equip themselves with the latest information and knowledge. So let's embark upon a journey of knowledge and explore your potential in the right direction. Remember that keeping things in right perspective will allow you to move in the right direction.

At our institute, we always strive hard to achieve excellence in our profession as we take it as an opportunity to prove our spirit before the rest of the world. ***"The illiterate of the 21<sup>st</sup> century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn."*** At the global level, the role of Indian Chartered Accountants is becoming

bigger and wider as the graph of expectations is scaling new heights. We can live up to these expectations and deliver our best, only when we are well equipped with competencies and set skills. I do hope that our students will be fully aware about these issues and sharpen their lateral skills by attending our programme with great vigour and enthusiasm for the overall development of their personality.

Goal setting is a powerful tool and can certainly help professionals to improve upon a quality that is critical to your success: Confidence. By setting inspirational goals for yourself, goals that will get you moving towards them, you are able to easily measure your progress and realize what you are capable of achieving in your profession. The journey you experience in achieving your goals provides you with the self belief and self confidence that's needed to constantly improve upon your performances in your chosen profession.

For accomplishment of any goal in life, a person needs a persistent mind, vigorous endeavour and unshakable determination. You have to cultivate these qualities if you wish to ensure a bright future and an honourable and worthy career. In facing different situations and challenges in life, you have to learn to practice equitability and kindness. Equal-mindedness and a sense of oneness with all are the traits of a wise human being. You have to play an important role to contribute to the overall growth and progress of our society, profession and country.

*Choose your mountain, prepare for the trek,*

*It is a maze, you ought to pause and introspect,*

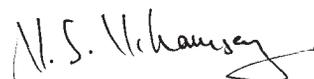
*Because without a roadmap and a compass there,*

*You will keep walking but will reach nowhere.*

I would like to congratulate all our students who have successfully passed in the chartered accountancy examinations held in November, 2015. I wish all success in your future endeavours.

Wishing you and your family a very wonderful and cheerful Holi festival.

Yours sincerely,



**CA. NILESH SHIVJI VIKAMSEY**  
VICE PRESIDENT  
ICAI, NEW DELHI



My Dear Students,

It is my proud privilege, to communicate with all of you, as your new Chairman of the Board of Studies. At the outset, let me place on record my sincere thanks and gratitude to our President, CA. M. Devaraja Reddy and other Council members, for reposing faith and confidence in me by entrusting the overall responsibility of the Board of Studies.

We are confident that under the dynamic leadership of our Honourable President, CA. M. Devaraja Reddy and Vice President, CA. Nilesh Vikamsey, we shall be able to fulfill our responsibilities.

Father of the Nation, Mahatma Gandhi said *"Men often become what they believe themselves to be. If I believe I cannot do something, it makes me incapable of doing it. But when I believe I can, then I acquire the ability to do it even if I didn't have it in the beginning."*

We will take innovative initiatives for the benefit of our students' fraternity with the active cooperation of my enthusiastic Vice Chairman, CA. Dhiraj Khandelwal and other members of the Board of Studies.

The profession of Chartered Accountancy plays a pivotal role in the overall dynamics of the nation's economic, financial and commercial affairs. In the current economic scenario, when the business environment has undergone a complete transformation, it is imperative that this profession strives hard to provide systems, standards and procedures to bring about financial discipline, control and accountability at all stages of institutional expenditure and resource mobilization endeavours.

In this era of cut-throat competition, it is very important for the students of Chartered Accountancy to equip themselves not only with professional skills but also with soft and technical skills. The Institute, on its part, strives to make all of you as well-rounded professionals who are totally up to date with all professional developments and fully aware of the economic and business environment of the country so as to meet any challenges as a practitioner or as a professional in the Corporate World. If you are looking for a business career that offers prestige, respect, great

prospects and excellent financial rewards, becoming a Chartered Accountant is the perfect choice to start.

The Board of Studies, as you are aware, is the academic wing of the Institute and it carries out a wide array of functions, which help in furthering your overall development. Apart from providing various reading inputs to enable the students to prepare for the examination, the Board of Studies also organises Conventions, Conclaves, Seminars, Quiz and Elocution Contests not only to reinforce the knowledge gained through the regular mode but also to provide an opportunity to students to meet and interact with fellow students.

We at the ICAI are continuously in process to provide you the best available educational facilities so as to enable you to strive for excellence in this IT enabled world. The ICAI Cloud Campus enables the students to learn anytime and from anywhere using E-Learning, Audio and Video Lectures and Online Mentoring. The programme launched by the Board of Studies has been extremely successful.

You will agree with me that in today's professional world, effective communication skill is the key to unlock the doors of success. Being well aware of this, the Institute launched General Management and Communication Skills Course (GMCS) few years back. This was augmented with Residential Programme on Professional Development and Communication Skills. To make it more contemporary, the GMCS course's syllabus has also been thoroughly revised.

I know that many of you would be gearing yourselves to prepare for the forthcoming May examinations. The key for success in examinations are not only academics, hard work, determination and sincerity but also positive attitude, enthusiasm and self-confidence. In order to assist students in their preparation for the examination, the Board of Studies holds Mock Tests for all levels of students. I strongly recommend you to take these tests as they will help you not only in revising your syllabus but also to point out your weak areas, which you can work upon to improve.

Before I conclude, I wish to emphasize that our profession is very dynamic, demanding and rewarding. There's never been a better time to train to become a Chartered Accountant. The services of a CA are always in demand and you can look forward to an interesting, but challenging, varied and rewarding career.

Wishing you all the very best in your forthcoming exams,

Yours sincerely,

**CA. BABU ABRAHAM KALLIVAYALIL**  
CHAIRMAN, BOARD OF STUDIES, NEW DELHI



**CA. M. DEVARAJA REDDY**  
PRESIDENT  
ICAI 2016-17

A man of great vision, strong integrity and hard discipline with a firm belief in the inclusive growth of accountancy profession, **CA. M. Devaraja Reddy** has taken over as the supreme torch-bearer of Indian accountancy profession. He has been elected President of The Institute of Chartered Accountants of India (ICAI), for the year 2016-2017 by the 23<sup>rd</sup> Council of the Institute on 12<sup>th</sup> February 2016. Being a fellow ICAI member with a prudent professional foresight and more than 28 years of immaculate professional standing, CA. Reddy has served the Indian accountancy profession as Vice President of ICAI for the Council Year 2015-16.

Born in Cheenepalli village of Chittoor district, CA. M. Devaraja Reddy always has a way to dazzle his fellow members with his down-to-earth approach towards profession, his brilliance to observe and his humility towards people around him. With an ingrained interest in academic matters of accountancy profession, CA. Reddy is widely commended and credited for his prominent and distinguished contribution in the conceptualisation and formulation of a futuristic CA Curriculum during his tenure as the Chairman of ICAI Board of Studies in 2014-2015.

A resident of Hyderabad, CA. Reddy has been elected by his member colleagues for a straight third term of the Central Council of ICAI (2016-2019). As President of the ICAI, he is now the Chairman of all Standing Committees of the ICAI, viz. Examination Committee, Finance Committee and Executive Committee besides being Presiding Officer of the Board of Discipline (Under Section 21-A), Disciplinary Committee (Under Section 21-B) and Chairman Disciplinary Committee (under section 21D). He will also be the ex-officio Member of all Non-Standing Committees of the ICAI and Editor of *The Chartered Accountant* journal. Earlier, as the Vice President of the ICAI, he was the Vice-Chairman of all the Standing Committees of the ICAI, the Member ex-officio in all Non-Standing Committees of the ICAI and Joint Editor of *The Chartered Accountant* journal. He is also Director on the Board of ICAI-ARF as well as XBRL India. In XBRL India, he is also holding membership in important committees namely Taxonomy Development & Review Committee; and Audit Committee. On the international front, he is holding positions of Chairman, Small and Medium Practices Committee of SAFA, and Technical Advisor to Small and Medium Practices (SMP) of IFAC. He is also the technical adviser to the ICAI immediate past President at the CAPA Board. CAPA Board has appointed him as member of the Professional Accounting

Organisation Development Committee (PAODC) of CAPA for the term 2016-2019.

Widely known for his pleasant nature and beneficent attitude, an academically excelling CA. Reddy did his schooling from AP Residential School, Kodiginahalli of Anantpur district and later graduated in Commerce from Pragati Mahavidyalaya Abids, Hyderabad (affiliated to Osmania University, Hyderabad). He gives credit of his professional acumen, aptitude and skills to his *gurus* CA. VS Narayana, CA. BN Raju and CA. G. Kalyandas among others. He started his professional journey in November 1987 when he became a Chartered Accountant. He started an independent professional practice in Hyderabad after that. Later, he got elected to the Managing Committee of Hyderabad Branch of SIRC (Southern India Regional Council), and became its Secretary in 1994, Vice-Chairman in 1995 and Chairman in 1996.

CA. Reddy's stint at SIRC started in the year 2004. He served as SICASA Chairman in 2004, Secretary, SIRC Vice-Chairman in 2008 and SIRC Chairman in the year 2009. In 2010, he got elected to the Central Council of ICAI and since then, he has recorded a dynamic professional presence at ICAI while actively functioning in various capacities, viz. as Chairman, Vice-Chairman, etc., at various Committees of the Institute.

CA. Reddy has shown his professional acumen at all assigned tasks and responsibilities at national as well as international levels. During 2010-2011, he was a Member of the Executive Committee and Vice-Chairman of Direct Taxes Committee. During 2011-2012, he served as Member on the Examination Committee and Board of Disciplinary Committee, as Vice-Chairman of International Taxation Committee and Committee for Members in Entrepreneurship & Public Services. In 2012-13, CA. Reddy was the Chairman of Continuing Professional Education Committee, Vice-Chairman of Committee for Members in Entrepreneurship and Public Services and Member of Disciplinary Committee. During 2013-2014, he was the Chairman of Committee for Members in Entrepreneurship and Public Services and Peer Review Board, and a member on many other important Committees of the Institute. During 2014-2015, he significantly contributed as Chairman of the Board of Studies and member on the Audit Committee, Continuing Professional Education Committee, Committee on Economic, Commercial Laws and WTO, Editorial Board, Ind AS (IFRS) Implementation Committee, International Affairs Committee, Committee for Members in Industry, Public Relations Committee and Young Members Empowerment Committee.

Being an outstanding facilitator of ICAI as an ardent partner in nation-building, CA. Reddy has been nominated on various Government bodies/regulators, including on the High Level Steering Committee for Implementation of XBRL-based Data Submission by Banks of RBI, XBRL Technical Advisory Committee of SEBI, Task force at Ministry of Corporate Affairs with regard to Ministry's Plan Budget for 12<sup>th</sup> Five Year Plan, Advisory Group of National Foundation for Corporate Social Responsibility of IICA (Indian Institute of Corporate Affairs), and Committee on Accounting Issues constituted by IRDA.

An ardent devotee of Lord Sri Venkateswara Balaji, CA. M. Devaraja Reddy has been actively involved in a number of social activities. He has also been an active member in the Federation of Andhra Pradesh Chamber of Commerce & Industry.

Being an ardent academic, CA. M. Devaraja Reddy has attended and contributed at numerous national and international professional platforms including seminars, workshops and conferences, where the professional fraternity has had the advantage of attending to his treasured insight on many core issues including networking, investment strategies, e-learning, initiatives on education for accountancy.

Having the privilege of representing Indian accountancy profession at many international platforms on a number of occasions, CA. Reddy vows to put the Brand Indian CA globally on a very high pedestal. ■



**CA. NILESH SHIVJI VIKAMSEY**  
VICE PRESIDENT,  
ICAI 2016-17

A person of professional vigour, dynamism, high integrity and technical expertise, CA. Nilesh Shivji Vikamsey is the new Vice President of the Institute of Chartered Accountants of India (ICAI) for the term 2016-17. He was elected as the Vice President of the ICAI by the 23<sup>rd</sup> Council of the Institute on February 12, 2016. Having gained deep insights into the profession as a fellow member of the ICAI with more than 30 years of impeccable professional standing, he has served the ICAI and the profession as a Central Council Member since 2010. A member of the ICAI since 1985 possessing multifarious skills, he is widely commended and credited for his key role in student uplift activities and conceptualisation and devising of a new futuristic CA Curriculum.

A selfless hard-worker and down-to-earth personality bestowed with exceptional professional prudence, organisational, administrative and leadership skills, he has been elected to the Central Council for three consecutive terms (2010-13, 2013-16, 2016-19). As a Council Member, he has exceptionally served the ICAI and the accountancy profession as Chairman of Board of Studies, Financial Reporting Review Board, Research Committee and Expert Advisory committee. He has also been noted for his distinguished contributions in the capacity of Vice Chairman of Corporate Laws and Corporate Governance Committee, Committee on Accounting Standards for Local Bodies, Committee on Banking Insurance and pension, Committee on Information Technology and Board of Studies in the past.

Besides, he has also effectively served the cause of the accountancy profession as a member of 27 ICAI committees during his tenure as Council Member so far. These committees include the Executive Committee, Finance Committee, Accounting Standards Board, Auditing and Assurance Standards Board, Committee for Cooperatives and NPO sectors, Corporate Laws and Corporate Governance Committee, Committee on Economic, Commercial Laws and WTO, Expert Advisory Committee, Financial Reporting Review Board, Committee on International Taxation, Committee for Members in Industry, Professional Development Committee and Management Committee. Other such committees have been Disciplinary Committee (Under Section 21B), Examination Committee, Audit Committee, Internal Audit Standards Board, Public Interest Advisory Committee, Peer Review Board, Continuing Professional Education Committee,

Technology Development Committee, Committee on Vision and Restructuring, Ind AS (IFRS) Implementation Committee, Research Committee, International Affairs committee, Indirect Taxes Committee, Editorial Board, Committee on Government Accounting and Committee on Management Accounting.

He has always dazzled his fellow members with his humble down-to-earth approach to connect with people, and brilliant and uninterrupted service to the profession. A resident of Mumbai, he has actively partnered in the growth of the nation and the profession as member and first Chairman of the Qualified Audit Report Committee (QARC) of SEBI, and as a member of Committee on Disclosures and Accounting Standards (SCODA) of SEBI, LLP Committee of Ministry of Corporate Affairs (MCA), Committee Constituted by Ministry of Corporate Affairs pertaining to certain issues raised regarding applicability of foreign investment in the LLPs, Committee for Digitization of Balance Sheet & Annual Reports filed with MCA through MCA-21, Working Group for developing Indian Specific ACORD Standards for the Indian Insurance Market of IRDA, Committee on Road Map for Risk Based Solvency Approach in Insurance of IRDA, First Chairman of the then newly formed Corporate Members Committee of The Chamber of Tax Consultants (CTC) and also on the Managing Council of CTC in 2007-08, Project Implementation Committee to pursue the implementation of 'Accrual Accounting' in the Ministry of Road Transport & Highways constituted by Ministry of Road Transport & Highways and Ministry of Shipping, Merger & Acquisition (M&A) Council constituted by ASSOCHAM and Chairman of Audit Committee & member of Taxonomy Development & Review & Membership Development Committee of XBRL India.

A proponent of putting Indian accountancy profession on global map, he has also passionately represented the profession on the international front at a number of global meetings and conferences. A man with a global outlook and vision, CA. Nilesh Vikamsey is noted for his work as Chairman of Education & CPD Committee of South Asian Federation of Accountants (SAFA) and as Representative of ICAI on the Committee for Improvement in Transparency, Accountability and Governance (ITAG) of SAFA.

As the Vice President of the ICAI, he is now the Vice-Chairman of all the Standing Committees of the ICAI, the Member ex-officio in all Non-Standing Committees of the ICAI and Joint Editor of The Chartered Accountant journal.

A propagator of harnessing professional skills for the growth of the nation and society, he has also been closely associated with and contributed to Indian Merchants Chamber, WIRC of ICAI, The Chamber of Tax Consultants, Bombay Chartered Accountants Society, Bombay Chamber of Commerce & Industry. He has also been a Member/Convenor of more than 15 Study Groups formed by the ICAI including the Group for suggesting Uniform Accounting Policies to RBI for Asset Reconstruction Companies, Group for Suggestions on Companies Act 2013 and Electoral Reforms Group and Group for Review of Examination Process.

A thorough professional, he holds Diploma in Information System Audit (DISA) of the ICAI besides having done Business Consultancy Studies Course of Bombay Chartered Accountants Society jointly with Jamnalal Bajaj Institute of Management Studies (JBIMS).

As an avid academic, CA. Nilesh Vikamsey has addressed and contributed to numerous national and international seminars and conferences on the issues of professional interest. He has been a Founder Member and Core Committee Member of Chembur Chartered Accountants Study Circle of WIRC, which had won the Best Study Circle Award consistently for over a decade. He is a Trustee in Sayagi U Ba Khin Memorial Trust (Vipassana International Academy) & few educational trusts in Mumbai. ■



**CA. BABU ABRAHAM KALLIVAYALIL**

CHAIRMAN,  
ICAI 2016-17

**C**ommitment, consistency and passion – these are qualities which helped Babu Abraham Kallivayalil to become what he is today.

Re-elected as member of the central council of ICAI in 2016 for a second term, now holds responsibilities as Chairman - Board of Studies and Chairman - Committee for Members in Entrepreneurship and Public Service.

After passing CA in 1987, worked as audit manager with A.F. Ferguson & Co., C.A.'s at New Delhi for 3 years. Soon after, CA. Babu has started his independent practice as a chartered accountant at Ernakulam in 1991.

After B.Com with first class from University of Kerala, became member of our Institute in 1987. Qualifications also include CISA and DISA. His academic interest made him a regular faculty member at conferences and seminars on topics of audit, taxation and matters of current professional developments at various professional forums. He was also faculty member for audit and taxation papers for CA and ICWA intermediate examinations at Ernakulam branch of the respective Institutes.

His subject expertise and communication skills are utilized by Malayala Manorama, the largest circulated daily in regional languages in India, where he writes a weekly column on tax matters

“Tax Counter” since 2005. He is also founder editorial board member of the “New Age” the first Malayalam business daily.

Representing India, CA. Babu Kallivayalil has been speaker at Global Leadership Conference of ISACA (Information Systems and Control Association) at Las Vegas, USA in 2011 and at Asia Pacific Leadership Conference of ISACA at Kyoto, Japan in 2009.

Starting at the branch level, became Chairman of Ernakulam branch of the ICAI in 1998-99. He is Founder President of All Kerala Chartered Accountants Association and Founder Trustee of All Kerala Chartered Accountants Welfare Trust. Both these organizations supports cause of our members in Kerala.

From 2004 to 2013, served as member of the Southern India Regional Council (SIRC) of ICAI. During his three term association with SIRC, he served as SICASA Chairman, Secretary during 2006-07, Vice-Chairman during 2009-10 and as Chairman in 2010-11.

After moving to Central Council in 2013 as member, he was Chairman-CPE Committee - 2015-16, Vice Chairman-Financial Reporting Review Board (FRRB) - 2015-16, Member - Examination (2013-15) and Executive Committees (2014-15) both standing committees of ICAI.

CA. Kallivayalil is a founder member of Cochin Chapter of ISACA, USA and served as its President from 2011-15. He was a Director on the Thiruvananthapuram Local Board of State Bank of India from December 2008 to December 2011. CA. Babu is founding member of the Institute of Internal Auditors, Ernakulam Chapter.

His involvements for social cause include responsibilities as Treasurer, Bharatiya Vidyabhavan, Kochi Kendra, Founder Trustee, Sampoorna - School for children with special needs, Rotarian and past President, Rotary Club of Cochin Midtown and Past District Treasurer, Rotary International District 3200. ■



**CA. DHIRAJ KHANDELWAL**  
VICE CHAIRMAN, BOARD OF STUDIES  
ICAI 2016-17

He has proved his milestone at various professional and social platforms as follows:

**Professional Platform:**

- Member of Central Council of ICAI – 2016-2019
- Vice Chairman of Board of Studies and Committee on Management Accounting-2016-2017.
- Member of WIRC – 2007-10, 2010-13, 2013-16  
*(Initiated first CA Leader Awards, CSR Awards-2015 & Organized event “Recognition of CA’s in Social Service” & Organized campaign on Azad Bharat Swacch Bharat)*
- Chairman of CMI of WIRC – 2007-08, 2009-10, 2014-15  
*(Organized the first ever historical initiative of three days trade fare, Campus placement for experienced chartered accountant)*
- Secretary of WIRC in 2008-09  
*(First and the only recipient of Excellent Performance (Individual) Award in 2008 as WIRC Secretary)*
- Chairman of WICASA in 2009-10
- Chairman of Committee of “Azad Bharat-Swacch Bharat” of WIRC-2015-16.
- Project Convener – CSR Awards held in 2015
- Chairman of CSR Committee of WIRC- 2015-2016
- Chairman of Hostel Committee in 2012-13
- Chairman of Career Counseling Committee in 2010-11
- Chairman of Internal Audit Committee in 2011-12
- Project Convener – Recognition of CA’s in Social Service - 2015
- Chairman of Public Finance & Govt Accounting Committee-2015-16.
- Founder Member of Khandelwal Professional Association.(International)
- Authored : i) CSR – A Handbook ii) Handbook on Green Audit iii) Articles on Various Professional Opportunities.

**Social Platform:**

- President - Lions Club of Mumbai Western, Mumbai (2004-2005)  
*(Conceptualized and organized the first ever Empowerment Award for Women Achievers in 2012)*
- Trustee - Lions Club of Mumbai Western Charitable Trust
- Zone Chairman of Lions Club International Dist. 323 A-3(2005-06)
- Vice President – Rajasthani Seva Sangh.
- Life Member - Rajasthan Vidhyarthi Griha (Hostel)
- Founder Member of Khandelwal Professional Association.(International)
- Life and Founder Member in Rajasthani Seva Samiti, Thakur Complex.

He has wide experience in practice for nearly 17 years now and has excelled in driving Client Relationships. He is also specialized in the field of Audit, business advisory and planning and Company Law Matters and also been involved in offering advisory services on accounting systems, accounting principles etc. and their conformity with Indian/International Accounting Standards. He is also having specialization in the field of project finance, FEMA, Cross Border Transaction, direct/indirect tax consultancy and all legal matters. His clientele include large corporations including MNC’s, owner managed companies, service businesses and professionals. ■

**M**r. Dhiraj Khandelwal is an eminent and experienced Chartered Accountant and a proactive and influential member of various professional and social bodies. First time, he is elected as **Member of Central Council of ICAI** for a term of 2016-2019. As a member of the Western India Regional Council of ICAI and its several committees since last three consecutive terms (2007-2016), he is enthusiastically involved in the functioning of the ICAI. He has been instrumental in starting the corporate forum of ICAI and organized the first ever historical initiative of three days trade fare, Campus placement for experienced chartered accountants and CA Leader Awards. With his profound knowledge, he is continuously involved in expansion of knowledge and development and to this effect, has conducted more than 400 seminars and workshop on various emerging issues including issues related to industry & trade. He regularly writes articles on current issues and also delivers lectures and conducts interactive sessions at various forums over existing and emerging Professional Opportunities including Opportunities in non-traditional practice. He provided a forum for interaction to Members in Industry by actively participating in the formation of CPE Study Circles. During his tenure as secretary of WIRC of ICAI, he has been awarded for outstanding performance in all India by ICAI through the hands of the then Corporate Affairs Minister, Mr. Prem Chand Gupta. He has also served in various capacities in organizations in India and was also director and member on board of big corporates. He has served as a key member of the delegation, was witness to the signing of Memorandum of understanding (MoU) between ICAI and University of Djibouti, for imparting training to Djibouti nationals in sphere of accountancy and working collaboratively for institutionalization of Accounting Body. He has been the Project convener for organizing the CSR Award for the year 2014 at Mumbai, first time in the history of ICAI.

# GUIDANCE NOTE ON REPORTING UNDER SECTION 143(3)(f) AND (h) OF THE COMPANIES ACT, 2013

## Introduction

1. Section 143 of the Companies Act, 2013 (hereinafter referred to as the “Act”) deals with the powers and duties of the auditors of companies. Section 143(1) of the Act requires the auditor to make certain specific enquiries during the course of the audit. Section 143(2) of the Act requires the auditor to, *inter alia*, give his report to the members of company on the accounts examined by him, and on every financial statement which are laid before the company in a general meeting. Sub-Section (3) of section 143 of the Act also lays down certain matters required to be reported upon by the auditor in his report. Sub-section (3) of section 143 of Act provides as follows:“(3) The auditor’s report shall also state -
  - (a) whether he has sought and obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit and if not, the details thereof and the effect of such information on the financial statements;
  - (b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him;
  - (c) whether the report on the accounts of any branch office of the company audited under sub-Section (8) by a person other than the company’s auditor has been sent to him under the proviso to that sub-Section and the manner in which he has dealt with it in preparing his report;
  - (d) whether the company’s balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;
  - (e) whether, in his opinion, the financial statements comply with the accounting standards;
  - (f) the observations or comments of the auditors

on financial transactions or matters which have any adverse effect on the functioning of the company;

- (g) whether any director is disqualified from being appointed as a director under sub-section (2) of section 164;
- (h) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;
- (i) whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls;
- (j) such other matters as may be prescribed.<sup>1</sup>

## Scope of the Guidance Note

2. This Guidance Note is intended to assist the auditors in discharging their duties in respect of clauses (f) and (h) of sub-section (3) of section 143 of the Act. Clause (f) of the said sub-section creates a requirement for the auditor to consider observations or comments of the auditor on financial transactions or matters which have an adverse effect on the functioning of the company. Such observations or comments would ordinarily lead to the modification of or an emphasis of matter in the auditor’s report on financial statements. It may be noted that the matters that lead to modification in the auditor’s report on financial statements are matters that give rise to a qualified opinion, adverse opinion or a disclaimer of opinion.<sup>2</sup> Further, matters that lead to an emphasis of matter paragraphs are matters appropriately presented or disclosed in the financial statements that, in the auditor’s judgement, are of such importance that they are fundamental to the users’ understanding of the financial statements<sup>3</sup>. If the matter leading to the modification of the auditor’s opinion or an emphasis of matter in the auditor’s report on financial statements is likely to have an adverse effect on the functioning of the company, the auditor is required to report such matter. Under clause (h) of sub-section (3) of section 143 of the Act, the auditor

<sup>1</sup>Refer Rule 11 of Companies (Audit and Auditors) Rules, 2014.

<sup>2</sup>Reference may be made to Standard on Auditing (SA) 705, “Modifications to the Opinion in the Independent Auditor’s Report.”

<sup>3</sup>Reference may be made to paragraphs 6 and 7 of Standard on Auditing (SA) 706, “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report.”

is required to state whether any matter leading to a qualification, reservation or adverse remark, that is, effectively the modification of the auditor's report on financial statements, relates to the maintenance of accounts and other matters connected therewith.

### Reporting under Section 143(3)(f) of the Act

3. The relevant extracts of section 143(3)(f) of the Act are reproduced below:

“(3). *The auditor's report shall also state –*

.....

*(f) the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;”*

4. Clause (f) requires the auditor to report “the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company”. An auditor's report may contain matters leading to modifications to the auditor's opinion or emphasis of matter in the auditor's report on the financial statements. Such matters may be related to issues which may have an adverse effect on the functioning of the company. The words “observations” or “comments” as appearing in clause (f) of section 143(3) are construed to have the same meaning as referring to “emphasis of matter paragraphs, situations leading to modification in the auditor's report. Accordingly, the auditor should have made an “observation” or “comment” in the auditor's report in order to determine the need to report under clause (f) of section 143(3). Therefore, only such “observations” or “comments” of the auditors on financial transactions or matters that have been made by the auditor in the auditor's report which have an adverse effect on the functioning of the company are required to be reported under this clause. For the sake of clarity, it may be noted that neither the auditor's observations nor the comments made by him have any adverse effect on the functioning of a company. These observations or comments made by the auditor might contain matters which might have an adverse effect on the functioning of a company.

5. The Act does not specify the meaning of the phrase ‘adverse effect on the functioning of the company’. The expression should not be interpreted to mean that any event affecting the functioning of the company, observed by the auditor, should be reported upon even though it does not affect the financial statements, e.g., revocation of a license to manufacture one out of the many products during the year to which the financial statements relate, where such product that does not have any material contribution to the revenues of the company, etc. Such an interpretation would not only be beyond the scope of the audit of financial statements of the company but would also not be in accordance with the objective and concept of audit stipulated under the Act. A more logical and harmonious

interpretation is that this reporting requirement does not intend to change the basic objective and the concept of audit of financial statements of a company, which is to examine the financial statements with a view to express an opinion thereon.

6. The scope of the audit and auditor's role remains as contemplated under the Standards on Auditing (SAs) and other relevant pronouncements issued by the Institute of Chartered Accountants of India as well as laid down in the Act, i.e., to lend credibility to the financial statements by reporting whether they reflect a true and fair view. SA 200, *Objective of the Independent Auditor and the Conduct of an Audit in Accordance with Standards of Auditing*, specifies that the purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. An audit conducted in accordance with SAs and relevant ethical requirements enables the auditor to form the opinion of the true and fair view of the financial position and operating result of an enterprise. The auditor's opinion, therefore, does not assure, for example, the future viability of the entity nor the efficiency or effectiveness with which management has conducted the affairs of the entity. SAs require auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (i.e., the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive. At this juncture, it may also be noted that SA 200 also clearly states that the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.
7. There is no change in the objective and scope of an audit of financial statements because of inclusion of clause (f) in sub-section (3) of section 143 of the Act. The auditor expresses his opinion on the true and fair view presented by the financial statements through his report which may be modified in certain circumstances. However, the auditor

would now have to evaluate the subject matters leading to modification of the audit report or emphasis of matter in the auditor's report to make judgement as to which of them has an adverse effect on the functioning of the company within the overall context of audit of financial statements of the company. Only such matters which, in the opinion of the auditor, have an adverse effect on the functioning of the company should be reported under this clause. Conversely, such qualifications or adverse opinions or disclaimer of opinion or emphasis of matters of the auditor, which do not deal with matters that have adverse effect on the functioning of the company, need not be reported under this clause.

8. As far as inquiries under section 143(1) are concerned, the auditor is not required to report on these matters unless he has any comments to make on any of the items referred to therein. If the auditor has any comments or observations on any of the matters stated in section 143(1), the auditor should consider such comments or observations when reporting under this clause if they contain matters that may have any adverse effect on the functioning of the company.
9. Auditor's will need to apply professional judgement in considering matters of emphasis that may have an adverse effect on the functioning of the company. Ordinarily matters that are pervasive in nature such as going concern or matters that will significantly impact the operations of the company due to its size and nature will need to be reported under clause (f) of sub-section (3) of section 143 of the Act. Examples of emphasis of matter which may have an adverse effect on the functioning of the company include situations where:
  - the going concern assumption is appropriate but there are several factors leading to a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern; or
  - a material uncertainty regarding the outcome of a litigation wherein an unfavourable decision could result in a significant outflow of resources for the company, etc.

Examples of emphasis of matter which may not have an adverse effect on the functioning of the company include a situation where there is an emphasis of matter:

  - on managerial remuneration which is subject to the approval of the Central Government;
  - relating to accrual of a contractually receivable claim based on management estimate where the ultimate realisation could be different from the amount accrued;
  - on frauds that have been dealt with in the financial statements of the company and would not have any continuing effect on the financial statements.
10. Another issue which arises is whether any observations or comments made by the auditor under clause (i) of section 143(3) in respect of the company's internal financial controls over financial reporting, which may have any adverse effect on the functioning of the company, should also be reported in terms of this clause. In this regard, it is noted that reporting under section 143(3)(i) is part of the auditor's report though it may be reported in an annexure to the auditor's report. Accordingly, if any observations or comments made by the auditor on the adequacy or operating effectiveness of internal financial controls over financial reporting contain such matters, which, in his opinion, may have any adverse effect on the functioning of the company, should also be reported under clause (f) of section 143(3) even if such observation did not result in a modification to the audit opinion on the financial statements of the company. An example in this regard may be where an auditor reports that the company did not have an appropriate internal control system for inventory with regard to receipts, issue for production and physical verification.

### Reporting under Section 143(3)(h) of the Act

11. The relevant extracts of section 143(3)(h) of the Act are reproduced below:
 

“(3). *The auditor's report shall also state –*

.....

*(h) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;”*
12. Clause (h) requires the auditor to report “any qualification, reservation or adverse remark” relating to the maintenance of accounts and other matters connected therewith. An auditor's report may contain matters leading to modifications in the auditor's report on financial statements. The matters that cause such modification may have a consequential effects or possible effects on the books of account maintained by the company and other matters connected therewith.
13. Section 128 of the Act, *inter alia*, states that every company shall prepare and keep its books of account and other relevant books and papers and financial statements that give a true and fair view of the state of affairs of the company. Section 129(1) of the Act, *inter alia*, states that the financial statements shall comply with the accounting standards notified under section 133 of the Act. Section 2(13) of the Act defines “books of account” to include records maintained in respect of—
  - (i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
  - (ii) all sales and purchases of goods and services by the company;
  - (iii) the assets and liabilities of the company; and
  - (iv) the items of cost as may be prescribed under

section 148 in the case of a company which belongs to any class of companies specified under that section;

Clause (b) of section 143(3) requires the auditor to, inter alia, state whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books.

14. Matters to be reported under clause (h) of section 143(3) needs to be evaluated based on the financial statements prepared under the Act. This is also consistent with the other reporting responsibilities of the auditor on books of account and compliance with notified/specified accounting standards that are reported by him under section 143(3). Accordingly, reporting under this clause is determined based on the financial statements prepared i.e., as at the balance sheet date.
15. The words “qualification”, “adverse remark” and “reservation” used in clause (h) of section 143(3) should be considered to be similar to the terms “qualified opinion”, “adverse opinion” and “disclaimer of opinion”, respectively, referred to in SA 705 “Modifications to the Opinion in the Independent Auditor’s Report”.
16. Accordingly, the auditor would need to report under clause (h) of section 143(3) any matter that causes a qualification, adverse remark or disclaimer of opinion on the financial statements since such matters will or possibly will have an effect on the books of account maintained by the company.
17. Further, reporting under clause (h) of section 143(3) will be required if the auditor makes any observation under clause (b) of section 143(3) relating to whether proper books of account as required by law have been kept by the company. For

example, the auditor may have made an observation on maintenance of cost records under clause (b) of section 143(3) and this may not have had an effect on the financial statements of the company or the auditor’s opinion on the financial statements.

18. As a corollary, reporting under clause (h) of section 143(3) will not be required if there are no modifications, i.e., no qualified, adverse or disclaimer of opinion, and there are no such observations under clause (b) of section 143(3) regarding books of account kept by the company.
19. Since clause (h) of section 143(3) requires the auditor to report under this clause only if the auditor has “any qualification, reservation or adverse remark”, it is appropriate to conclude that a matter reported under emphasis of matter paragraph in the audit report need not be considered for reporting under this clause as an emphasis of matter is not in the nature of a qualification, reservation (disclaimer) or adverse remark.
20. Any material weakness in internal financial controls that is reported by the auditor under clause (i) of section 143(3) may not have an impact on the maintenance of books of account if such material weakness did not result in a modification to the opinion on the financial statements of the company. However, if the material weakness in internal financial controls resulted in a modification to the audit opinion on the financial statements, then such modification may be covered for reporting under clause (h) of section 143(3) as stated in paragraph 17 above.
21. The Appendix to this Guidance Note contains illustrations on matters that may give rise to reporting under section 143(3)(f) and/or section 143(3)(h) of the Companies Act, 2013.

### APPENDIX

#### **Illustrative Matters Forming Basis For Modified Opinion Or Emphasis Of Matter Paragraph in the Auditor’s Report and Requiring Reporting Under Section 143(3)(f) and/or Section 143(3)(h) of the Companies Act, 2013**

##### **ILLUSTRATION 1**

##### **Basis for Qualified Opinion**

The Company’s inventories are carried in the Balance Sheet at ₹. XXX (As at 31<sup>st</sup> March 20YY: ₹. YYY). The Management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from the Accounting Standard - 2 “Valuation of Inventories”. The Company’s records indicate that had the Management stated the inventories at the lower of cost and net realisable value, an amount of

₹ XXX (As at 31<sup>st</sup> March 20YY: ₹ YYY) would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by ₹XXX (Previous year ended 31<sup>st</sup> March, 20YY: ₹YYY), and income tax, profit for the year and shareholders’ funds would have been reduced by Rs. X, ₹XX and Rs. XXX, respectively (Previous year ended 31<sup>st</sup> March, 20YY: ₹Y, ₹YY and ₹YYY, respectively). This matter was also qualified in our report/ the report of the predecessor auditors on the financial statements for the year ended 31<sup>st</sup> March 20YY.<sup>4</sup>

<sup>4</sup>Where applicable and only in such case, disclosure of previous year figures is required - Attention of the readers is drawn to the provisions of Standard on Auditing (SA) 710, Comparative Information—Corresponding Figures And Comparative Financial Statements .

## Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 20XX, and its profit/loss and its cash flows for the year ended on that date.

.....  
 .....

## Report on Other Legal and Regulatory Requirements

As required by Section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

.....  
 .....

(f) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

.....  
 .....

(h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.”

## ILLUSTRATION 2# Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 20XX, and its profit/loss and its cash flows for the year ended on that date.

## Emphasis of Matters

We draw attention to the following matters in the Notes to the financial statements:

a) Note X to the financial statements which, describes the uncertainty related to the outcome of the lawsuit filed against the Company by XYZ Company.

b) Note Y in the financial statements which indicates that the Company has accumulated losses and its net worth has been fully / substantially eroded, the Company has incurred a net loss/net cash loss during the current and previous year(s) and, the Company’s current liabilities exceeded its current assets as at the balance sheet date. These conditions, along with other matters set forth in Note Y, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. However, the financial statements of the Company have been prepared on a going concern basis for the reasons stated in the said Note.

Our opinion is not modified in respect of these matters.

.....

## Report on Other Legal and Regulatory Requirements

As required by Section 143 (3) of the Act, we report that:

.....

(f) The going concern matter described in sub-paragraph (b) under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

## ILLUSTRATION 3 Basis for Qualified Opinion

ABC Company Limited’s investment in XYZ Company, a foreign associate whose net worth has been fully/substantially eroded, is carried at ₹XXX in the Balance Sheet as at March 31, 20XX. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC Company Limited’s investment in XYZ Company as at March 31, 20XX because we were denied access to the financial information, management, and the auditors of XYZ Company. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

## Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects<sup>5</sup> of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted

#In this case there is nothing reportable under sec 143(3)(h).

<sup>5</sup>In this case there is nothing reportable under sec 143(3)(h).

in India of the state of affairs of the Company as at 31<sup>st</sup> March 20XX, and its profit/loss and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

As required by Section 143 (3) of the Act, we report that:

.....  
 .....

(f) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

.....

(h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

**ILLUSTRATION 4**

**Basis for Adverse Opinion**

The Company’s financing arrangements expired and the amount outstanding was payable on March 31, 20XX. The Company has been unable to re-negotiate or obtain replacement financing and is considering filing for bankruptcy. These events indicate a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not disclose this fact.

**Adverse Opinion**

In our opinion, because of the omission of the information mentioned in the Basis for Adverse Opinion paragraph, the financial statements do not give the information required by the Companies Act, 2013 in the manner so required and also do not give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31<sup>st</sup> March, 20XX, and its profit/loss and its cash flows for the year ended on that date.

.....

**Report on Other Legal and Regulatory Requirements**

As required by Section 143 (3) of the Act, we report that:

.....

(f) The matter described in the Basis for Adverse Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

.....

(h) The adverse remarks relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Adverse Opinion paragraph above.

**ILLUSTRATION 5**

**Basis for Disclaimer of Opinion**

We were appointed as auditors of the Company after March 31, 20X1 and thus could not observe the counting of physical inventories at the beginning and end of the year. Accordingly, we were unable to satisfy ourselves by alternative means concerning the inventory quantities held at March 31, 20X0 and March 31, 20X1 which are stated in the Balance Sheet at ₹XXX and ₹XXX, respectively.

In addition, the introduction of a new computerised accounts receivable system in September 20X0 resulted in numerous errors in accounts receivable. As of the date of our audit report, Management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means accounts receivable included in the Balance Sheet at a total amount of ₹XXX as at March 31, 20X1.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable in the Balance Sheet, and the corresponding elements making up the Statement of Profit and Loss and Cash Flow Statement.

**Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

**Report on Other Legal and Regulatory Requirements**

As required by section 143 (3) of the Act, we report that:

.....  
 .....

(f) The matter described in the Basis for Disclaimer of Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

.....

(h) The reservation relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Disclaimer of Opinion paragraph above.

# Significant Notifications and Circulars Issued Between 1.5.2015 and 31.10.2015

## I. NOTIFICATIONS

### 1. Nature of Business Relationship, for the purpose of clause (b)(viii) of Explanation below section 288(2), prescribed [Notification No. 50/2015, dated 24.6.2015]

*Explanation* below section 288(2) defines an “accountant” to mean a “Chartered Accountant” as defined in section 2(1)(b) of the Chartered Accountants Act, 1949, holding a valid certificate of practice under section 6(1) of the said Act, but does not include [except for appearing as an authorized representative under section 288(1)] in case of a non-corporate assessee, *inter alia* a person who, whether directly or indirectly, has **business relationship with the assessee** of such nature as may be prescribed.

Consequently, the CBDT has, in exercise of the powers conferred by section 295 read with sub-clause (b) (viii) of Explanation below section 288(2), inserted Rule 51A prescribing the nature of business relationship. Accordingly, the term “business relationship” shall be construed as any transaction **entered into for a commercial purpose, other than,—**

- (i) commercial transactions which are **in the nature of professional services** permitted to be rendered by an auditor or audit firm under the Act and the Chartered Accountants Act, 1949 and the rules or the regulations made under those Acts;
- (ii) commercial transactions which are **in the ordinary course of business of the entity at arm’s length price** - like sale of products or services to the auditor, as customer, in the ordinary course of business, by entities engaged in the business of telecommunications, airlines, hospitals, hotels and such other similar businesses.”<sup>1</sup>

### 2. No tax to be deducted in respect of the income specified under section 10(23FBA) received by an Investment Fund [Notification No. 51/2015, dated 24.6.2015]

Section 197A(1F) provides that no deduction of tax shall be made from such specified payment to such institution, association or body or class of institutions, associations or bodies as may be notified by the Central Government.

Accordingly, the Central Government has, vide this notification, notified that no tax has to be deducted in respect of payments of the nature specified in section 10(23FBA) [i.e., any income other than the income chargeable under the head “Profits and gains of business or profession”] received by any investment fund.<sup>2</sup>

### 3. Notification of Cost Inflation Index for Financial Year 2015-16 [Notification No. 60/2015, dated 24.7.2015]

Clause (v) of Explanation to section 48 defines “Cost Inflation Index”, in relation to a previous year, to mean such Index as the Central Government may, by notification in the Official Gazette, specify in this behalf, having regard to 75% of average rise in the Consumer Price Index (Urban) for the immediately preceding previous year to such previous year.

Accordingly, the Central Government has, in exercise of the powers conferred by clause (v) of Explanation to section 48, specified the Cost Inflation Index for the **financial year 2015-16 as 1081**.

S. No.	Financial Year	Cost Inflation Index	S. No.	Financial Year	Cost Inflation Index
1.	1981-82	100	19.	1999-2000	389
2.	1982-83	109	20.	2000-01	406
3.	1983-84	116	21.	2001-02	426
4.	1984-85	125	22.	2002-03	447
5.	1985-86	133	23.	2003-04	463

<sup>1</sup>Section 141(3) of the Companies Act, 2013 contains a similar disqualification in case of a company; for which purpose “business relationship” has been defined in the like manner in Rule 10(4) of the Companies (Audit & Auditors) Rules, 2014. It may be noted that in case of a company, a person who is not eligible for appointment as an auditor of the said company in accordance with section 141(3) of the Companies Act, 2013 is not included in the definition of “accountant” [except for appearing as an authorised representative under section 288(1)]

<sup>2</sup>“Investment Fund” means any fund established or incorporated in India in the form of a trust or a company or a LLP or a body corporate which has been granted a certificate of registration as a Category I or a Category II Alternative Investment Fund and is regulated under the SEBI (AIF) Regulations, 2012, made under the SEBI Act, 1992.

6.	1986-87	140	24.	2004-05	480
7.	1987-88	150	25.	2005-06	497
8.	1988-89	161	26.	2006-07	519
9.	1989-90	172	27.	2007-08	551
10.	1990-91	182	28.	2008-09	582
11.	1991-92	199	29.	2009-10	632
12.	1992-93	223	30.	2010-11	711
13.	1993-94	244	31.	2011-12	785
14.	1994-95	259	32.	2012-13	852
15.	1995-96	281	33.	2013-14	939
16.	1996-97	305	34.	2014-15	1024
17.	1997-98	331	35.	2015-16	1081
18.	1998-99	351			

**4. Basis for determining the period of stay in India for an Indian citizen, being a member of the crew of a foreign bound ship leaving India [Notification No. 70/2015, dated 17.8.2015]**

Section 6(1) of the Income-tax Act, 1961 provides that an individual is said to be resident in India in any previous year, if he—

- (a) is in India in that year for a period or periods amounting in all to 182 days or more; or
- (b) having within the four years preceding that year been in India for a period or periods amounting in all to 365 days or more, is in India for a period or periods amounting in all to 60 days or more in that year.

However, where an Indian citizen leaves India as a member of crew of an Indian ship or for the purpose of employment outside India, he will be resident only if he stayed in India for 182 days during the previous year.

Thus, under section 6(1), the conditions to be satisfied by an individual to be a resident in India are provided. The residential status is determined on the basis of the **number of days of his stay in India** during a previous year.

However, in case of **foreign bound ships** where the destination of the **voyage is outside India**, there is **uncertainty** regarding the manner and the basis of **determining the period of stay in India for an Indian citizen, being a crew member.**

To remove this uncertainty, **Explanation 2 has been inserted to section 6(1)** to provide that in the case of an individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the **period or periods of stay in India** shall, in respect of such voyage, be determined in the **prescribed manner** and subject to the prescribed conditions.

Accordingly, the CBDT has, in exercise of the powers conferred by **Explanation 2** to section 6(1) read with section 295, vide this notification, with retrospective effect from 1<sup>st</sup> April, 2015, inserted Rule 126 in the Income-tax Rules, 1962 to compute the period of stay in such cases.

According to Rule 126, in case of an individual,

being a citizen of India and a member of the crew of a ship, the **period or periods of stay in India** shall, in respect of an eligible voyage, **not include** the period **commencing from the date** entered into the Continuous Discharge Certificate in respect of **joining the ship** by the said individual for the eligible voyage and **ending on the date** entered into the Continuous Discharge Certificate in respect of **signing off by that individual from the ship** in respect of such voyage.

**The Explanation to this Rule defines the meaning of the following terms:**

Terms	Meaning
Continuous Discharge Certificate	This term has the meaning assigned to it in the Merchant Shipping (Continuous Discharge Certificate-cum-Seafarer's Identity Document) Rules, 2001 made under the Merchant Shipping Act, 1958.
Eligible voyage	A voyage undertaken by a ship engaged in the carriage of passengers or freight in international traffic where- (i) for the voyage having originated from any port in India, has as its destination any port outside India; and (ii) for the voyage having originated from any port outside India, has as its destination any port in India.

**5. Certain districts of Bihar notified as backward areas under the first proviso to section 32(1)(ii) and section 32AD(1) [Notification No. 71/2015, dated 17.8.2015]**

In order to encourage the setting up of industrial undertakings in the backward areas of the States of Andhra Pradesh, Bihar, Telangana and West Bengal, section 32AD(1) provides for a deduction of an amount equal to 15% of the actual cost of new plant and machinery acquired and installed in the assessment year relevant to the previous year in which such plant and machinery is installed, if the following conditions are satisfied by the assessee—

- (a) the assessee sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1<sup>st</sup> April, 2015 in any backward area notified by the Central Government in the State of Andhra Pradesh or Bihar or Telangana or West Bengal; and
- (b) the assessee acquires and installs new plant and machinery for the purposes of the said

undertaking or enterprise during the period between 1<sup>st</sup> April, 2015 and 31<sup>st</sup> March, 2020 in the said backward areas.

Further, in order to encourage acquisition and installation of plant and machinery for setting up of manufacturing units in the notified backward areas of the States of Andhra Pradesh, Bihar, Telangana and West Bengal, first proviso has been inserted to Section 32(1) (iia) to allow higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new machinery or plant (other than a ship and aircraft) acquired and installed during the period between 1<sup>st</sup> April, 2015 and 31<sup>st</sup> March, 2020 by a manufacturing undertaking or enterprise which is set up in the notified backward areas of these specified States on or after 1<sup>st</sup> April, 2015.

Accordingly, the Central Government has, vide this notification, notified the following **21 districts of the State of Bihar** as backward areas under the first proviso to section 32(1)(iia) and section 32AD(1): -

S. No.	District	S. No.	District
1.	Patna	12.	Samastipur
2.	Nalanda	13.	Darbhanga
3.	Bhojpur	14.	Madhubani
4.	Rohtas	15.	Purnea
5.	Kaimur	16.	Katihar
6.	Gaya	17.	Araria
7.	Jehanabad	18.	Jamui
8.	Aurangabad	19.	Lakhisarai
9.	Nawada	20.	Supaul
10.	Vaishali	21.	Muzaffarpur
11.	Sheohar		

### 6. News agency notified for the purpose of section 10(22B) [Notification No. 72/2015, dated 24.8.2015]

Section 10(22B) provides that any income of a news agency set up in India solely for collection and distribution of news as the Central Government may notify shall be exempt, subject to the condition that such news agency applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

Accordingly, the Central Government has, through this notification, specified the **Press Trust of India Limited, New Delhi** as a news agency set up in India solely for collection and distribution of news, for the purpose of section 10(22B) for three assessment years 2016-17 to 2018-19. The income of such news agency will not be included in computing the total income of a previous year of such agency for

these three years, provided it applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

### 7. Exemption in respect of transport allowance under Rule 2BB extended to deaf and dumb employees [Notification No. 75/2015, dated 23.09.2015]

The CBDT has, in exercise of the powers conferred by section 295 read with section 10(14), amended Rule 2BB, which *inter alia* provides the limit of exemption of up to ₹ 1,600 p.m., in respect of transport allowance granted to an employee and up to ₹ 3,200 p.m., for an employee who is blind or orthopedically handicapped, with disability of lower extremities, to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty.

Consequent to the amendment made vide this notification, the exemption up to ₹ 3,200 p.m. in respect of transport allowance can be claimed by a blind **or deaf and dumb** or orthopedically handicapped employee with disability of lower extremities to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty.

### 8. Simplification of format and procedure for self-declaration in Form No.15G & 15H [Notification No. 76/2015, dated 29.09.2015]

Tax payers seeking non-deduction of tax from certain incomes are required to file a self-declaration in Form No. 15G or Form No.15H as per section 197A. In order to reduce the cost of compliance and ease the compliance burden for both the tax payer and the tax deductor, the CBDT has simplified the format and procedure for self-declaration of Form No.15G or 15H. The procedure for submission of the Forms by the deductor has also been simplified.

Under the simplified procedure contained in new Rule 29C, a payee can submit the self-declaration either in paper form or electronically. The deductor will not deduct tax and will allot a Unique Identification Number (UIN) to all self-declarations in accordance with the procedure as specified by the Principal Director General of Income-tax (Systems) under sub-rule (7) of new Rule 29C. The particulars of self-declarations will have to be furnished by the deductor along with UIN in the quarterly TDS statements. The requirement of submitting physical copy of Form 15G and 15H by the deductor to the income-tax authorities has been dispensed with. The deductor will, however be required to retain Form No.15G and 15H for seven years. The revised procedure shall be effective from 1<sup>st</sup> October, 2015.

**9. Transfer Pricing Rules amended to incorporate “range concept” and “use of multi-year data” [Notification No. 83/2015, dated 19.10.2015]**

Section 92C(2) provides that the arm’s length price (ALP) in relation to an international transaction or specified domestic transaction has to be determined by applying the most appropriate method.

As per the first proviso to section 92C(2), where more than one price is determined by applying the most appropriate method, the ALP shall be taken to be the arithmetical mean of such prices.

However, if the variation between the ALP so determined and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed such percentage, not exceeding 3%, as may be notified by the Central Government, the price at which the transaction has actually been undertaken would be deemed to be the ALP.

In the year 2014, the Finance Minister, in his budget speech, had proposed to introduce the “range concept” for determination of ALP, for aligning Transfer Pricing Regulations in India with the best practices.

Accordingly, a third proviso was inserted in section 92C(2) to provide that in case of an international transaction or specified domestic transaction undertaken on or after 1.4.2014, where more than one price is determined by the most appropriate method, the ALP shall be computed in the prescribed manner (based on “range concept” to be specified by way of Rules) and the computation methodology given in the first and second proviso, based on arithmetic mean, shall be ignored.

The CBDT has, in exercise of the powers conferred by section 92C read with section 295 prescribed the manner of computation of arm’s length price applicable for international transactions and specified domestic transactions undertaken on or after 1.4.2014.

**Incorporation of “Range Concept” in Transfer Pricing Rules**

In case of an international transaction or specified domestic transaction undertaken on or after 1.4.2014, where more than one price is determined by the most appropriate method, the arm’s length price shall be computed in the prescribed manner specified in Rule 10CA.

Rule 10CA(1) provides that where in respect of an international transaction or a specified domestic transaction, the application of the most appropriate method referred to in section 92C(1) **results in determination of more than one price**, then, the arm’s length price in respect of such international transaction or specified domestic transaction has to be computed on the basis of the **dataset constructed by placing such prices in an ascending order** as

provided in Rule 10CA(2).

However, where the most appropriate method is the resale price method or cost plus method or transactional net margin method and the comparable uncontrolled transaction has been identified on the basis of data relating to the current year and the enterprise undertaking the said uncontrolled transaction, [not being the enterprise undertaking the international transaction or the specified domestic transaction referred to in sub-rule (1)], has in either or both of the two financial years immediately preceding the current year undertaken the same or similar comparable uncontrolled transaction then,-

- (i) the most appropriate method used to determine the price of the comparable uncontrolled transaction undertaken in the current year shall be applied in similar manner to the comparable uncontrolled transaction or transactions undertaken in the aforesaid period and the price in respect of such uncontrolled transactions shall be determined; and
- (ii) the weighted average of the prices, computed in accordance with the manner provided in sub-rule (3), of the comparable uncontrolled transactions undertaken in the current year and in the aforesaid period preceding it shall be included in the dataset instead of the price referred to in sub-rule (1).

Further, where the most appropriate method is the resale price method or cost plus method or transactional net margin method where the comparable uncontrolled transaction has been identified on the basis of the data relating to the financial year immediately preceding the current year and the enterprise undertaking the said uncontrolled transaction, [not being the enterprise undertaking the international transaction or the specified domestic transaction referred to in sub-rule (1)], has in the financial year immediately preceding the said financial year undertaken the same or similar comparable uncontrolled transaction then, -

- (i) the price in respect of such uncontrolled transaction shall be determined by applying the most appropriate method in a similar manner as it was applied to determine the price of the comparable uncontrolled transaction undertaken in the financial year immediately preceding the current year; and
- (ii) the weighted average of the prices, computed in accordance with the manner provided in sub-rule (3), of the comparable uncontrolled transactions undertaken in the aforesaid period of two years shall be included in the dataset instead of the price referred to in sub-rule (1).

Also, in such cases, where the use of data relating to the current year for determination of ALP subsequently at the time of assessment establishes that,-

- (i) the enterprise has not undertaken same or similar uncontrolled transaction during the current year; or
- (ii) the uncontrolled transaction undertaken by an enterprise in the current year is not a comparable uncontrolled transaction,

## ACADEMIC UPDATE ||

then, irrespective of the fact that such an enterprise had undertaken comparable uncontrolled transaction in the financial year immediately preceding the current year or the financial year immediately preceding such financial year, the price of comparable uncontrolled transaction or the weighted average of the prices of the uncontrolled transactions, as the case may be, undertaken by such enterprise shall **not** be included in the dataset.

Rule 10CA(3) provides that where an enterprise has undertaken comparable uncontrolled transactions in more than one financial year, then for the purposes of sub-rule (2) the weighted average of the prices of such transactions shall be computed in the following manner, namely:-

	Method used to determine the prices	Manner of computation of weighted average of the prices
(i)	The resale price method	By assigning weights to the quantum of sales which has been considered for arriving at the respective prices
(ii)	The cost plus method	By assigning weights to the quantum of costs which has been considered for arriving at the respective prices
(iii)	The transactional net margin method	By assigning weights to the quantum of costs incurred or sales effected or assets employed or to be employed, or as the case may be, any other base which has been considered for arriving at the respective prices.

Rule 10CA(4) provides that where the most appropriate method applied is –

(i) a method other than the profit split method or a method prescribed by the CBDT under section 92C(1)(f); and

(ii) the dataset constructed in accordance with sub-rule (2) consists of six or more entries, an arm's length range beginning from the thirty-fifth percentile of the dataset and ending on the sixty-fifth percentile of the dataset shall be constructed.

If the price at which the international transaction or the specified domestic transaction has actually been undertaken is within the said range, then, the price at which such international transaction or the specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price [Rule 10CA(5)].

If the price at which the international transaction or the specified domestic transaction has actually been undertaken is outside the said arm's length range, the arm's length price shall be taken to be the median of the dataset [Rule 10CA(6)].

In a case where the provisions of Rule 10CA(4) are not applicable, the arm's length price shall be the arithmetical mean of all the values included in the dataset. However, if the variation between the arm's length price so determined and price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed such percentage not exceeding three percent. of the latter, as may be notified<sup>3</sup> by the Central Government in the Official Gazette in this behalf, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price [Rule 10CA(7)].

### Meaning of certain terms [Rule 10CA(8)]

	Term	Meaning
(a)	the thirty-fifth percentile of a dataset (having values arranged in an ascending order)	The lowest value in the dataset such that at least 35% of the values included in the dataset are equal to or less than such value. However, if the number of values that are equal to or less than the aforesaid value is a whole number, then the thirty-fifth percentile shall be the arithmetic mean of such value and the value immediately succeeding it in the dataset.
(b)	the sixth-fifth percentile of a dataset (having values arranged in an ascending order)	The lowest value in the dataset such that at least 65% of the values included in the dataset are equal to or less than such value. However, if the number of values that are equal to or less than the aforesaid value is a whole number, then, the sixty-fifth percentile shall be the arithmetic mean of such value and the value immediately succeeding it in the dataset.

<sup>3</sup> 1% in respect of wholesale trading and 3% in respect of all other cases (for A.Y.2015-16) [Notification No.86/2015 dated 29.10.2015]. Wholesale trading, for this purpose, means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:-

- (i) **purchase cost** of finished goods is **80% or more of the total cost** pertaining to such trading activities; and
- (ii) **average monthly closing** inventory of such goods is **10% or less of sales** pertaining to such trading activities.

(c) the median of the dataset (having values arranged in an ascending order)	The lowest value in the dataset such that at least 50% of the values included in the dataset are equal to or less than such value. However, if the number of values that are equal to or less than the aforesaid value is a whole number, then, the median shall be the arithmetic mean of such value and the value immediately succeeding it in the dataset.
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**Use of multiple year data:**

Sub-rule (5) has been inserted in Rule 10B to provide that in case the most appropriate method for determination of ALP of a transaction entered into on or after 1.4.2014 is the resale price method or cost plus method or the transactional net margin method, then, the data to be used for analyzing the comparability of an uncontrolled transaction with an international transaction shall be –

- (a) the data relating to the current year; or
- (b) the data relating to the financial year immediately preceding the current year, if the data relating to the current year is not available at the time of furnishing the return of income by the assessee, for the assessment year relevant to the current year.

However, where the data relating to the current year is subsequently available at the time of determination of arm's length price of an international transaction or a specified domestic transaction during the course of any assessment proceeding for the assessment year relevant to the current year, then, such data shall be used for such determination irrespective of the fact that the data was not available at the time of furnishing the return of income of the relevant assessment year.

**II. CIRCULARS**

**1. Tax not to be deducted from payments made to Corporations whose income is exempt under Section 10(26BBB) [Circular No. 7/2015, dated 23-04-2015]**

The CBDT had earlier issued Circular No. 4/2002 dated 16.07.2002 which laid down that there would be no requirement for tax deduction at source from payments made to such entities, whose income is unconditionally exempt under Section 10 and who are statutorily not required to file return of income as per the section 139.

Section 10(26BBB), inserted by the Finance Act, 2003 w.e.f. 01.04.2004, exempts any income of a corporation established by a Central, State or Provincial Act for the welfare and economic upliftment of ex-service-men being the citizen of India. The corporations covered under section 10(26BBB) are also statutorily not required to file return of income as per the section 139.

Now, the CBDT has, vide this circular, clarified that since corporations covered under Section 10(26BBB)

satisfy the two conditions of Circular No. 4/2002 i.e., unconditional exemption of income under section 10 and no statutory liability to file return of income under section 139, they would also be entitled for the benefit of the said circular.

Hence, there would be no requirement for tax deduction at source from the payments made to such corporations since their income is anyway exempt under section 10.

**2. Clarifications on Rollback Provisions of Advance Pricing Agreement Scheme [Circular No. 10/2015, dated 10-06-2015]**

An Advance Pricing Agreement (APA) is an agreement between a taxpayer and a taxing authority on an appropriate transfer pricing methodology for a set of transactions over a fixed period of time in future. They offer better assurance on transfer pricing methods and provide certainty and unanimity of approach.

Keeping in mind the benefits offered by the APAs, sections 92CC and section 92CD were introduced in the transfer pricing regime by the Finance Act, 2012 to provide a framework for formulation of APAs between the tax payer and the income-tax authorities.

Subsequently, the Advance Pricing Agreement Scheme was notified vide Notification No. 36/2012, dated 30/8/2012, thereby inserting Rules 10F to 10T and Rule 44GA in the Income-tax Rules, 1962.

In order to reduce current pending as well as future litigation in respect of the transfer pricing matters, the Finance (No. 2) Act, 2014 has inserted subsection (9A) in section 92CC to provide for a roll back mechanism in the APA scheme.

Accordingly, the APA may, subject to such prescribed conditions, procedure and manner, provide for determining the ALP or for specifying the manner in which ALP is to be determined in relation to an international transaction entered into by a person during any period not exceeding four previous years preceding the first of the previous years for which the APA applies in respect of the international transaction to be undertaken.

The CBDT has, vide Notification No.23/2015 dated 14.3.2015<sup>4</sup>, in exercise of the powers conferred by section 92CC(9) and 92CC(9A) read with section

<sup>4</sup> Refer pages 16.34-16.38 of November 2015 Edition of the Study Material of Final Paper 7 : Direct Tax Laws or pages 136-140 of Supplementary Study Paper – 2015 of Final Course for Notification No.23/2015 dated 14.3.2015.

295, prescribed the conditions, procedure and manner for determining the arm's length price or for specifying the manner in which arm's length price is to be determined in relation to an international transaction in which the roll back provisions have to be given effect to.

Subsequent to this notification of the rules, the CBDT has issued Circular No.10/2015 dated 10.6.2015 adopting a Question and Answer format to clarify certain issues arising out of the said Rules. The questions raised and answers to such questions as per the said Circular are given hereunder:

### Question 1

Under rule 10MA(2)(ii) there is a condition that the return of income for the relevant roll back year has been or is furnished by the applicant before the due date specified in Explanation 2 to section 139(1). It is not clear as to whether applicants who have filed returns under section 139(4) or 139(5) of the Act would be eligible for roll back.

#### Answer:

The return of income under section 139(5) can be filed only when a return under section 139(1) has already been filed. Therefore, the return of income filed under section 139(5) of the Act, replaces the original return of income filed under section 139(1). Hence, if there is a return which is filed under section 139(5) to revise the original return filed before the due date specified in Explanation 2 to sub-section (1) of section 139, the applicant would be entitled for rollback on this revised return of income.

However, rollback provisions will not be available in case of a return of income filed under section 139(4) because it is a return which is not filed before the due date.

### Question 2

Rule 10MA(2)(i) mandates that the rollback provision shall apply in respect of an international transaction that is same as the international transaction to which the agreement (other than the rollback provision) applies. It is not clear what is the meaning of the word "same". Further, it is not clear whether this restriction also applies to the Functions, Assets, Risks (FAR) analysis.

#### Answer:

The international transaction for which a rollback provision is to be allowed should be the same as the one proposed to be undertaken in the future years and in respect of which the agreement has been reached. There cannot be a situation where rollback is finalised for a transaction which is not covered in the agreement for future years. The term same international transaction implies that the transaction in the rollback year has to be of same nature and undertaken with the same associated enterprise(s), as proposed to be undertaken in the future years and

in respect of which agreement has been reached. In the context of FAR analysis, the restriction would operate to ensure that rollback provisions would apply only if the FAR analysis of the rollback year does not differ materially from the FAR validated for the purpose of reaching an agreement in respect of international transactions to be undertaken in the future years for which the agreement applies.

The word "materially" is generally being defined in the Advance Pricing Agreements being entered into by CBDT. According to this definition, the word "materially" will be interpreted consistently with its ordinary definition and in a manner that a material change of facts and circumstances would be understood as a change which could reasonably have resulted in an agreement with significantly different terms and conditions.

### Question 3

Rule 10MA(2)(iv) requires that the application for rollback provision, in respect of an international transaction, has to be made by the applicant for all the rollback years in which the said international transaction has been undertaken by the applicant. Clarification is required as to whether rollback has to be requested for all four years or applicant can choose the years out of the block of four years.

#### Answer:

The applicant does not have the option to choose the years for which it wants to apply for rollback. The applicant has to either apply for all the four years or not apply at all. However, if the covered international transaction(s) did not exist in a rollback year or there is some disqualification in a rollback year, then the applicant can apply for rollback for less than four years. Accordingly, if the covered international transaction(s) were not in existence during any of the rollback years, the applicant can apply for rollback for the remaining years. Similarly, if in any of the rollback years for the covered international transaction(s), the applicant fails the test of the rollback conditions contained in various provisions, then it would be denied the benefit of rollback for that rollback year. However, for other rollback years, it can still apply for rollback.

### Question 4

Rule 10MA(3) states that the rollback provision shall not be provided in respect of an international transaction for a rollback year if the determination of arm's length price of the said international transaction for the said year has been the subject matter of an appeal before the Appellate Tribunal and the Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement. Further, Rule 10 RA(4) provides that if any appeal filed by the applicant is pending before the Commissioner (Appeals), Appellate

Tribunal or the High Court for a rollback year, on the issue which is subject matter of the rollback provision for that year, the said appeal to the extent of the subject covered under the agreement shall be withdrawn by the applicant.

There is a need to clarify the phrase “Tribunal has passed an order disposing of such appeal” and on the mismatch, if any, between Rule 10MA(3) and Rule 10RA(4).

**Answer:**

The reason for not allowing rollback for the international transaction for which Appellate Tribunal has passed an order disposing of an appeal is that the ITAT is the final fact finding authority and hence, on factual issues, the matter has already reached finality in that year. However, if the ITAT has not decided the matter and has only set aside the order for fresh consideration of the matter by the lower authorities with full discretion at their disposal, the matter shall not be treated as one having reached finality and hence, benefit of rollback can still be given.

There is no mismatch between Rule 10MA(3) and Rule 10RA(4).

**Question 5**

Rule 10MA(3)(ii) provides that rollback provision shall not be provided in respect of an international transaction for a rollback year if the application of rollback provision has the effect of reducing the total income or increasing the loss, as the case may be, of the applicant as declared in the return of income of the said year. It may be clarified whether the rollback provisions in such situations can be applied in a manner so as to ensure that the returned income or loss is accepted as the final income or loss after applying the rollback provisions.

**Answer:**

It is clarified that in case the terms of rollback provisions contain specific agreement between the Board and the applicant that the agreed determination of ALP or the agreed manner of determination of ALP is subject to the condition that the ALP would get modified to the extent that it does not result in reducing the total income or increasing the total loss, as the case may be, of the applicant as declared in the return of income of the said year, the rollback provisions could be applied. For example, if the declared income is ₹ 100, the income as adjusted by the TPO is ₹ 120, and the application of the rollback provisions results in reducing the income to ₹ 90, then the rollback for that year would be determined in a manner that the declared income ₹ 100 would be treated as the final income for that year.

**Question 6**

Rule 10RA(7) states that in case effect cannot be

given to the rollback provision of an agreement in accordance with this rule, for any rollback year to which it applies, on account of failure on the part of applicant, the agreement shall be cancelled. It is to be clarified as to whether the entire agreement is to be cancelled or only that year for which roll back fails.

**Answer:**

The procedure for giving effect to a rollback provision is laid down in Rule 10RA. Sub-rules (2), (3), (4) and (6) of the Rule specify the actions to be taken by the applicant in order that effect may be given to the rollback provision. If the applicant does not carry out such actions for any of the rollback years, the entire agreement shall be cancelled.

This is because the rollback provision has been introduced for the benefit of the applicant and is applicable at its option. Accordingly, if the rollback provision cannot be given effect to for any of the rollback years on account of the applicant not taking the actions specified in sub-rules (2), (3), (4) or (6), the entire agreement gets vitiated and will have to be cancelled.

**Question 7**

If there is a Mutual Agreement Procedure (MAP) application already pending for a rollback year, what would be the stand of the APA authorities? Further, what would be the view of the APA Authorities, if MAP has already been concluded for a rollback year?

**Answer:**

If MAP has been already concluded for any of the international transactions in any of the rollback year under APA, rollback provisions would not be allowed for those international transactions for that year but could be allowed for other years or for other international transactions for that year, subject to fulfilment of specified conditions in Rules 10MA and 10RA. However, if MAP request is pending for any of the rollback year under APA, upon the option exercised by the applicant, either MAP or application for roll back shall be proceeded with for such year.

**Question 8**

Rule 10MA(1) provides that the agreement may provide for determining ALP or manner of determination of ALP. However, Rule 10MA(4) only specifies that the manner of determination of ALP should be the same as in the APA term. Does that mean the ALP could be different?

**Answer:**

Yes, the ALP could be different for different years. However, the manner of determination of ALP (including choice of Method, comparability analysis and Tested Party) would be same.

### Question 9

Will there be compliance audit for roll back? Would critical assumptions have to be validated during compliance audit?

#### Answer:

Since rollback provisions are for past years, ALP for the rollback years would be agreed after full examination of all the facts, including validation of critical assumptions. Hence, compliance audit for the rollback years would primarily be to check if the agreed price or methodology has been applied in the modified return.

### Question 10

Whether applicant has an option to withdraw its rollback application? Can the applicant accept the rollback results without accepting the APA for the future years?

#### Answer:

The applicant has an option to withdraw its roll back application even while maintaining the APA application for the future years. However, it is not possible to accept the rollback results without accepting the APA for the future years. It may also be noted that the fee specified in Rule 10MA(5) shall not be refunded even where a rollback application is withdrawn.

### Question 11

For already concluded APAs, will new APAs be signed for rollback or earlier APAs could be revised?

#### Answer:

The second proviso to Rule 10MA(5) provides for revision of APAs already concluded to include rollback provisions.

### Question 12

For already concluded APAs, where the modified return has already been filed for the first year of the APA term, how will the time-limit for filing modified return for rollback years be determined?

#### Answer:

The time to file modified return for rollback years will start from the date of signing the revised APA incorporating the rollback provisions.

### Question 13

In case of merger of companies, where one or more of those companies are APA applicants, how would the rollback provisions be allowed and to which company or companies would it be allowed?

#### Answer:

The agreement is between the Board and a person. The principle to be followed in case of merger is that the person (company) who makes the APA application would only be entitled to enter into the agreement and be entitled for the rollback provisions in respect of international transactions

undertaken by it in rollback years. Other persons (companies) who have merged with this person (company) would not be eligible for the rollback provisions.

To illustrate, if A, B and C merge to form C and C is the APA applicant, then the agreement can only be entered into with C and only C would be eligible for the rollback provisions.

A and B would not be eligible for the rollback provisions. To illustrate further, if A and B merge to form a new company C and C is the APA applicant, then nobody would be eligible for rollback provisions.

### Question 14

In case of a demerger of an APA applicant or signatory into two or more companies (persons), who would be eligible for the rollback provisions?

#### Answer:

The same principle as mentioned in the previous answer, i.e., the person (company) who makes an APA application or enters into an APA would only be entitled for the rollback provisions, would continue to apply. To illustrate, if A has applied for or entered into an APA and, subsequently, demerges into A and B, then only A will be eligible for rollback for international transactions covered under the APA. As B was not in existence in rollback years, availing or grant of rollback to B does not arise.

### 3. Deduction in respect of cost of production allowable under Section 37 in the case of Abandoned Feature Films [Circular No. 16, dated 6.10.2015]

The deduction in respect of the cost of production of a feature film certified for release by the Board of Film Censors in a previous year is provided in Rule 9A.

In the case of abandoned films, however, since certificate of Board of Film Censors is not received, in some cases no deduction was allowed by applying Rule 9A of the Rules or by treating the expenditure as capital expenditure.

The CBDT has examined the matter in light of judicial decisions on this subject. The order of the Hon'ble Bombay High Court dated 28.1.2015 in ITA 310 of 2013 in the case of *Venus Records and Tapes Pvt. Ltd.* on this issue has been accepted and the aforesaid disputed issue has not been further contested.

Consequently, it is clarified that Rule 9A does not apply to abandoned feature films and that the expenditure incurred on such abandoned feature films is **not** to be treated as a capital expenditure. The cost of production of an abandoned feature film is to be treated as revenue expenditure and allowed as per the provisions of Section 37 of the Income-tax Act, 1961. ■

# Legal Decisions – Income-tax

## 1. Are landing and parking charges paid by an airline company to Airports Authority of India in the nature of rent to attract tax deduction at source under section 194-I?

*Japan Airlines Co. Ltd. v. CIT / CIT v. Singapore Airlines Ltd. (2015) 377 ITR 372 (SC)*

**Facts of the case:** The assessee in both the cases are foreign airlines. Being international airlines, they fly their aircrafts to several destinations across the world, including New Delhi. For landing the aircrafts and parking thereof at the Indira Gandhi International Airport (IGIA), New Delhi, the Airports Authority of India (AAI) levies charges on these airlines. The airlines are deducting tax @2% under section 194C for payment of landing and parking charges in respect of its aircrafts to AAI and remitting the same. However, the income-tax authorities are of the view that tax is to be deducted at the higher rate applicable under section 194-I (currently, 10%).

**Issue under consideration:** The issue under consideration is whether landing and parking charges paid by the airline companies to AAI is in the nature of rent to attract tax deduction at source under section 194-I.

**Delhi High Court's view vis-a-vis Madras High Court's view:** On this issue, contrary views were expressed by the Delhi High Court in *Japan Airlines Co. Ltd.'s* case and the Madras High Court in *Singapore Airlines Ltd.'s* case.

The Delhi High Court observed that “rent” as defined in section 194-I has a wider meaning than rent in common parlance and includes any agreement or arrangement for use of land. The Delhi High Court further observed that when the wheels of the aircraft coming into an airport touch the surface of the airfield, use of the land of the airport immediately begins. Similarly, for parking the aircraft in that airport, again, there is use of the land. Therefore, the Delhi High Court, following its own judgment in the case of *United Airlines v. CIT (2006) 287 ITR 281* held that landing and parking fee were “rent” within the meaning of the provisions of section 194-I, as they were payments for the use of the land of the airport.

The Madras High Court, however, expressed a contrary view on the above issue in *CIT v. Singapore Airlines Ltd. (2012) 209 Taxman 581 (Mad.)*. The Court has observed that only if the agreement or arrangement has the characteristics of lease or sub-lease or tenancy for systematic use of the land, the charges levied would fall for consideration under the definition of ‘rent’ for the purpose of section 194-I.

The Madras High Court further observed that the principles guiding the levy of charges on landing and take-off show that the charges are with reference to the number of facilities provided by the Airport Authority of India in compliance with the international protocols and the charges are not made for any specified land usage or area allotted. The charges are for various facilities offered to meet the requirement of passenger safety and for safe landing and parking of the aircraft. Thus, the charges levied are, at the best, in the nature of fee for the services offered rather than in the nature of rent for the use of the land.

Therefore, the levy of charges, which is not only for the use of land, but for maintenance of various services, including technical services involving navigation, would not automatically bring the transaction and the charges within the meaning of either lease or sub-lease or tenancy or any other agreement or arrangement in the nature of lease or tenancy so that the charges would fall within the meaning of ‘rent’ as appearing in *Explanation* to section 194-I.

Thus, the Madras High Court held that going by the nature of services offered by the AAI in respect of landing and parking charges, collected from the assessee, there is no ground to accept that the payment would fit in with the definition of “rent” as given under section 194-I.

**Supreme Court's Observations:** The Apex Court considered the moot question as to whether landing and take-off facilities on the one hand and parking facility on the other hand would tantamount to use of land. After due consideration of the views of the Delhi High Court and the Madras High Court on this issue, the Supreme Court concluded that the Madras High Court's view is justified on the basis of sound rationale and reasoning.

The Supreme Court observed that the charges which are fixed by the AAI for landing and take-off services as well as for parking of aircrafts are not for the “use of the land”. These charges are for services and facilities offered in connection with the aircraft operation at the airport which include providing of air traffic services, ground safety services, aeronautical communication facilities, installation and maintenance of navigational aids and meteorological services at the airport.

There are various international protocols which mandate all authorities manning and managing these airports to construct the airport of desired standards which are stipulated in the protocols. The services which are required to be provided by these authorities, like AAI, are aimed at

passengers' safety as well as for safe landing and parking of the aircrafts. Therefore, it is not mere "use of the land". On the contrary, it encompasses all the facilities that are to be compulsorily offered by the AAI in tune with the requirements of the protocol.

For example, runways are not constructed like any ordinary roads. Special technology is required for the construction of these runways for smooth landing and take-off of the aircrafts. Specialised kind of orientation and dimensions are needed for these runways which are prescribed with precision and those standards are to be adhered to. Further, there has to be proper runway lighting, runway safety area, runway markings, etc. Technical specifications for such lighting, safety area and markings are stipulated which have to be provided. The technical specifications keep in mind the basic fact, namely, on landing, the aircraft is light on fuel and usually less than 5% of the weight of the aircraft touches the runway in one go. On take-off, the aircraft is heavy but as the aircraft accelerates, the weight gradually moves from the wheels to the wings. The technological aspects of these runways have been emphasized in some detail to highlight the precision in designing and engineering which goes into making these runways fool proof for safety purposes. The purpose is to show that the AAI is providing all these facilities for landing and take-off of an aircraft and in this whole process, "use of the land" pales into insignificance.

The Supreme Court observed that the charges levied on air-traffic includes landing charges, lighting charges, approach and aerodrome control charges, aircraft parking charges, aerobridge charges, hangar charges, passenger service charges, cargo charges, etc. Thus, when the airlines pay for these charges, treating such charges as charges for "use of the land" would tantamount to adopting a totally simplistic approach which is far away from the reality.

**Supreme Court's Decision:** The Supreme Court opined that the substance behind such charges has to be considered and when the issue is viewed from this angle, keeping the full and larger picture in mind, it becomes very clear that the charges are not for use of the land *per se* and, therefore, it cannot be treated as "rent" within the meaning of section 194-I. The Supreme Court, thus, concurred with the view taken by the Madras High Court in Singapore Airlines case and overruled the view taken by the Delhi High Court in *United Airlines/Japan Airlines* case.

The Supreme Court was, however, not in agreement with the Madras High Court's view that the words "any other agreement or arrangement for the use of

any land or any building" have to be read *ejusdem generis* and it should take its colour from the earlier portion of the definition, namely, "lease, sub-lease and tenancy", thereby, limiting the ambit of the words "any other agreement or arrangement". The Supreme Court observed that this reasoning was not correct. A bare reading of the definition of "rent" contained in *Explanation* to section 194-I would make it clear that in the first place, the payment, by whatever name called, under any lease, sub-lease, tenancy is to be treated as "rent". This is rent as understood in the traditional sense. However, the second part is independent of the first part which gives a much wider scope to the term "rent". Accordingly, whenever payment is made for use of any land or any building by any other agreement or arrangement, that is also to be treated as "rent". Once such a payment is made for use of land or building under any other agreement or arrangement, such agreement or arrangement gives the definition of "rent" a very wide connotation. The Supreme Court observed that the interpretation of the Delhi High Court appears to be correct to that extent i.e., to the extent that the scope of the definition of rent under section 194-I is very wide and not limited to what is understood as rent in common parlance; though the Delhi High Court did not apply this definition correctly to the present case as it failed to notice that in substance the charges paid by these airlines are not for "use of land" but for other facilities and services wherein the use of the land was only a minor and insignificant aspect. Thus, the Supreme Court was of the considered view that the Delhi High Court did not correctly appreciate the nature of charges that are paid by the airlines as landing and parking charges, in the sense, it did not appreciate that such charges were not, in substance, for use of land but for various other facilities extended by the Airports Authority of India to the airlines. ■

**Note** – Consequent to the above Supreme Court judgement overruling the Delhi High Court judgement in *United Airlines/ Japan Airlines* case and upholding the Madras High Court judgement in *Singapore Airlines* case, students may ignore the Delhi High Court ruling in *Japan Airlines* case reported in pages 112-113 of the printed copy of the August 2015 edition of the publication "Select Cases in Direct and Indirect Tax Laws – 2015". Students may also ignore the answer to Q.9 of "Chapter 28: Deduction, Collection and Recovery of Tax" in the printed copy of the December 2015 edition of the Practice Manual on Final Paper 7: Direct Tax Laws, which is based on the above High Court rulings. The said question has to be now answered on the basis of the above Supreme Court ruling.

2. **Does the High Court have the inherent power under the Income-tax Act, 1961 to review its own order on merits?**

*CIT v. Meghalaya Steels Ltd. (2015) 377 ITR 112 (SC)*

**Facts of the case:** In this case, the High Court had considered whether deduction is allowable under section 80-IB on transport subsidy and interest subsidy and on the central excise duty refund received by it. Finally, after stating that two substantial questions of law arose under section 260A, the High Court proceeded to answer the two questions. Against this judgement, the assessee filed a review petition whereupon the Division Bench of the High Court recalled its entire order for adjudication on the ground that it had not formulated the substantial questions of law before hearing of the appeal and had not invited the parties to have their say in the matter which amounted to denial of opportunity of effective hearing to the parties concerned, particularly, the review petitioners. Further, it had on an earlier occasion prior to passing the order, reserved the judgement on whether substantial questions of law in fact existed at all.

**Revenue’s contention vis-à-vis Assessee’s contention:** The Revenue contended that, by virtue of section 260A(7), only those provisions of the Civil Procedure Code could be looked into for the purposes of section 260A as were relevant to the disposal of appeals, and since the review provision contained in the Code of Civil Procedure is not so referred to, the High Court would have no jurisdiction under section 260A to review such judgment. The assessee-petitioner, however, contended that High Courts being courts of record under article 215 of the Constitution of India, the power of review would in fact inhere in them.

**Supreme Court’s Observations:** The Supreme Court concurred with the assessee’s submission that High Courts being courts of record under article 215 of the Constitution of India, the power of review would inhere in them. Further, it noted that in another case<sup>1</sup>, in a slightly different context while dealing with power of review of writ petitions filed under article 226,

the Supreme Court had observed that there is nothing in article 226 of the Constitution to preclude a High Court from exercising the power of review which inheres in every court of plenary jurisdiction to prevent miscarriage of justice or to correct grave and palpable errors committed by it. In that case, the High Court had entertained the second petition since the interested parties were not given an effective opportunity of being heard, before passing the judgement; therefore, keeping in mind the requirement of the principles of natural justice, the High Court had exercised its inherent power of review. ■

*The Supreme Court went ahead to further observe that it is clear on a cursory reading of section 260A(7), that it does not purport in any manner to curtail or restrict the application of the provisions of the Code of Civil Procedure. Section 260A(7) only states that all the provisions that would apply qua appeals in the Code of Civil Procedure would apply to appeals under section 260A. That does not in any manner suggest either that the other provisions of the Code of Civil Procedure are necessarily excluded or that the High Court’s inherent jurisdiction is in any manner affected.*

**Note** – On account of the Supreme Court’s view that the High Court has an inherent power under the Income-tax Act, 1961 to review its own order, students may ignore the Madhya Pradesh High Court ruling reported in page 88 of the of the printed copy of the August 2015 edition of the publication “Select Cases in Direct and Indirect Tax Laws – 2015”. Students may also ignore the answer to Q.17(iii) given in the printed copy of the RTP of May, 2016, based on the Madhya Pradesh High Court’s view in Deepak Kumar Garg’s case on this issue and the answer to Q.2(ii) in “Chapter 24: Appeals and Revision” in the printed copy of the December 2015 edition of the Practice Manual on Final Paper 7: Direct Tax Laws, which is based on the said Madhya Pradesh High Court ruling.

<sup>1</sup>Shivdeo Singh vs. State of Punjab AIR 1963 SC 1909

**CORRIGENDUM**

In Vol.19, No. 9, Page No. 29 of the February 2016 issue of the Students’ Journal, the designation of the Secretary, ICAI, V. Sagar was inadvertently given as “Acting Secretary”. The same may be read as ‘**SECRETARY**’. The Typographical error committed therein is deeply regretted.

**Director  
Board of Studies**

## Toppers of Chartered Accountants Intermediate (IPC) Examination November 2015



**PRANAV PRATIK TULSHYAN**  
First  
Kathmandu



**ABHISHEK AGARWAL**  
Second  
New Delhi



**AYUSHI GOYAL**  
Third  
Delhi

*Our Hearty Congratulations*

### 21<sup>st</sup> All India Elocution and 15<sup>th</sup> All India Quiz Contests

The 21<sup>st</sup> All India Elocution Contest & 15<sup>th</sup> All India Quiz Contest were held in Chennai on 28<sup>th</sup> January, 2016.  
The following are the winners in the respective contests.

#### Elocution Contest:

- First Prize** – Ms. Sushmitha Prabhu (Udupi) (SRO-0386632)  
**Second Prize** – Ms. Avani Mishra (Bhopal) (CRO-0481687)  
**Third Prize** – Ms. Khaleda Tanwir K (Madurai) (SRO-0349391)

#### Quiz Contest:

- Winners** : **Team WIRC**  
– Ms. Nupur Singh (Pune) (WRO-0403545)  
– Mr. Arpit Jain (Pune) (WRO-0477234)  
**Runners-up** : **Team SIRC**  
– Mr. Abhijith Preman (Kannur) (SRO-0362680)  
– Mr. Sujith Chandran (Kannur) (SRO-0337394)

## ANNOUNCEMENT

**Extension of date to complete GMCS-I Course by the students registered for articleship training on or after 1<sup>st</sup> May, 2012**

It has been decided to grant extension to students, who were registered for practical training on or after 1<sup>st</sup> May, 2012 and completed one year of their practical training but not completed the GMCS-I course, are required to complete GMCS-I Course latest by 31<sup>st</sup> December, 2016.

The above students are advised to register at the online portal [www.icaionlineregistration.org](http://www.icaionlineregistration.org) or contact the nearest Regional Council/Branch for registration in GMCS-I Course and complete the same at the earliest but not later than 31<sup>st</sup> December, 2016.

**Director  
Board of Studies**

## TOPPERS SPEAK...

A set of questions were asked to the first three rank holders of CA Final Examinations November 2015. The questions and their responses are included in these pages for the benefit of future aspirants.



**James John Britto R**  
Chennai  
First Rank- CA Final  
November 2015

**Q. How does it feel to be at the top?**

**Ans.** It feels wonderful to be at the top. It was a pleasant surprise for me and my parents, when the President and the Vice President of ICAI called to convey the results. It was surreal and it took us some time for the feeling to sink in. The smile on my parents face was worthy of all the toil and sacrifices.

**Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.**

**Ans.** Given the limited time of four months of study leave that I got for my preparations, the biggest challenge before me was completing the syllabus on time. What helped me the most was the detailed plan that I had laid down during the first week of study leave. Thereon, I just stuck to my plan. Being determined and confident helped me succeed. The guidance of my parents, teacher and seniors played a crucial role in accomplishing this feat. Subjects like law, auditing and taxation were made easy, thanks to my rich article-ship experience. In a nutshell, meticulous planning and hard work made it all possible.

**Q. What strategy/study plan did you follow while preparing for the exam?**

**Ans.** I stuck to one subject at a time, primarily because that is how I have always studied. It gave me the advantage of solving a few past exam question papers once I was done with my first reading. I had planned such that I did a theory subject, followed by a practical subject so that I did not feel overburdened. I spent around 10 hours on an average every day and at the same time I ensured that I did not compromise on sleep. The 24 hours before the exam was crucial

and I had decided in advance the chapters/ areas that I wanted to revise. I ensured that I had adequate writing practice by solving past exam papers and attending mock tests.

**Q. How have been the inputs provided by the Institute contributed to your success in the examinations?**

**Ans.** The Institute publications were instrumental in my success. I read the Practice Manual, RTP, Mock Test Papers and Suggested answers (last 3 attempts) for all the subjects. I also used the study material for certain subjects. During article-ship, I used to listen to the podcasts available on BOS knowledge portal while I was travelling. Solving practice manual and RTP problems made me exam ready and shed the apprehensions I had about exams.

**Q. What are your aspirations for the future? Do you have any specific career choice?**

**Ans.** There are many options that are available in front of me and I'm in the process of evaluating them. I would like to take guidance from credible people, evaluate the options at hand and choose what is best.

**Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?**

**Ans.** Chartered Accountancy Course has a unique combination of practical and theoretical knowledge. The article-ship experience is an added advantage which exposes students to various areas of auditing, accounting and taxation and gives hands on experience. Today, finance has become an indispensable part of any organisation. The course prepares us to face the challenges and aides one to achieve professional excellence.

**Q. How would you motivate the youngsters joining this course?**

**Ans.** CA is not a "come again" course. Students should be determined and confident. Everyone should aspire to get a rank. Getting a rank not only gives you recognition and appreciation, but gives you a sense of accomplishment that make you believe in your abilities and capabilities and motivates you to aim high. Your efforts will always be rewarded.



**Nagolu Mohan Kumar**

Tirupati  
Second Rank- CA Final  
November 2015

**Q. How does it feel to be at the top?**

**Ans.** Well, it feels great. A feeling that cannot be described in words. When Vice President, CA. Devaraja Reddy sir called me and congratulated for being a second rank holder, it was an unimaginable feeling. By the grace of the Almighty, the blessings of my parents and my elder brother and the guidance of my teachers, I am where I am today. I am highly grateful to them.

**Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.**

**Ans.** My friends and teachers always used to tell me that I have that intrinsic energy to get a rank in CA Final Examinations. Moral support of my parents and brother, well planned study, guidance from Principle, intrinsic motivation, moral and technical study support of my friends are the major contributors of my success.

**Q. What strategy/study plan did you follow while preparing for the exam?**

**Ans.** First of all for 4 months you have to forget everything apart from studies. The first thing is to stop using all social networking sites for 4 months. I made a strategy of not to be in touch with the social networking sites – I even stopped using my Smartphone. In last 4 months, I studied for 12 to 13 hours a day. I used to take Three subjects (one theory, one practical and either DT or IDT) in day so that I could always be energetic throughout the day. I never ignored Institutes' Study Material. I prepared my expected mark sheet; I prepared long-term plans, broken down long-term plans into

weekly plans. I used to celebrate the achievement on Sundays after achieving weekly targets with my friends. I have planned for revising the entire syllabus for three times and implemented the same.

**Q. How have been the inputs provided by the Institute contributed to your success in the examinations?**

**Ans.** Inputs and materials provided by Institute were very helpful. I always used to go through the module to ensure I had completed the entire syllabus. Further the practice manuals are also required to practice the concept learned. The RTPs, Case Laws and supplementary provided for amendments are very important and should always be covered. Further I also practiced question papers of past 2-3 attempts from the Knowledge portal of site of Institute and compared my answers to suggested provided therein to see areas I needed improvement. Suggestion given in preface of Study Material for exam preparation is also very effective for us

**Q. What are your aspirations for the future? Do you have any specific career choice?**

**Ans.** I will start my career by taking up a job after evaluating the various options I have.

**Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?**

**Ans.** Of course yes. Current quality of Course Syllabus, Many of the initiatives by Institute like Student Conventions programs, General Management & Communication Skill Programs, seminars for members, Residential Programs for newly qualified chartered accountants etc are worth remarkable for students and members to achieve professional excellence.

**Q. How would you motivate the youngsters joining this course?**

**Ans.** I would like to say to all youngsters that it is a course that will give you a strong conceptual base as well as practical knowledge in areas of accounts, finance, taxation, corporate law and auditing. CA is a very reputed profession in the society. It will require proper planning, dedication and Systematic hard work to become a CA.



**Avinash Sancheti**

Kolkata  
Third Rank- CA Final  
November 2015

**Q. How does it feel to be at the top?**

**Ans.** It's good to see the close ones (family, friends etc.) to be so happy with the results. It's a dream come true when the President of ICAI gives you such a lovely news on a scary morning. On the other side, it gives me strength and courage to go ahead in the years to come.

**Q. According to you, what are the intrinsic and external factors contributing to your outstanding success in the final exam.**

**Ans. Important factors contributing to my success:-**

- ◆ Never ending support from family, friends and teachers
- ◆ Continuous endeavour to do better
- ◆ Interest and love for the subjects
- ◆ A strong article-ship background
- ◆ Friendly working environment
- ◆ Institute's practice manuals and mock tests

**Q. What strategy/study plan did you follow while preparing for the exam**

**Ans. Important points:**

- ◆ Always in touch with subjects
- ◆ Tried relating the theory stuffs with real life experiences in articleship
- ◆ For practical papers – solving sums and practicing numerous problems of various dimensions and not just seeing them
- ◆ For theory papers – I did not try to mug up the subjects in one go. Devoted small number of hours every day for a longer period so that the matter can be retained.
- ◆ For all subjects i followed practice manuals provided by the institute

**Q. How have been the inputs provided by the Institute contributed to your success in the examinations?**

**Ans.** The practice manuals provided by the institute helped me to concentrate and work on writing pattern, syllabus coverage and exam orientation. Further, mock test papers and RTPs provided by

institute helped me for the last minute practice and revision. Compiler of past year questions helped me in gaining knowledge about the type of questions asked and the way to answer them.

**Q. What are your aspirations for the future? Do you have any specific career choice?**

**Ans.** I wish to pursue my career as a teacher for Accountancy subject for my fellow CA friends and keep gaining knowledge on the subjects like IFRS, IND AS, valuations etc.

**Q. Do you think the Chartered Accountancy Course is the gateway to achieving professional excellence?**

**Ans.** Chartered Accountancy course is such a dynamic one that it helped me to gather knowledge on various aspects and enlightening both theoretically and practically on the subjects. The way business environment is changing throughout the globe, this course gives me an opportunity to become competent in such situations. We are now competent for any job at a higher post in big concerns and also for becoming entrepreneurs of the developing India.

**Q. How would you motivate the youngsters joining this course?**

**Ans.** "Learn, unlearn and relearn" – the basis of all enlightenments is the only mantra to become a Chartered Accountant. It is not so tough a course as everyone says. A right approach, hard work and passion is all what is required. I will suggest every commerce student to join this course so that we can contribute towards a better future for our country and ourselves.

## ANNOUNCEMENT

### **Kind Attn.: Students who have qualified Intermediate (IPC) Examinations**

The students who have passed the Intermediate (IPC) Examinations are advised to register for Final Course without any delay and collect the Study Material at the earliest.

The students are further advised to plan their schedule well in advance so as to give sufficient time to each subject. It may also be kept in mind that at the Final level, the students are required to have expert knowledge in all the subjects. The same can be achieved if Study Material, Practice Manuals and Revision Test Papers are available with them. Accordingly, students are advised to initiate their study at the earliest and acclimatise themselves with the provisions of various laws in different subjects and keep them updated with the latest changes.

The students are informed that for their benefit and to keep them updated, revision/updation are being brought out as Supplementary Study Paper(s) or form part of Revision Test Papers. Further all these material and the revised Study Material are also hosted from time to time at BOS knowledge portal which can be downloaded free of cost.

**Director  
Board of Studies**

## Topic-wise LIVE Online Mentoring



**Focused Mentoring  
at your Doorstep**

The BoS has taken initiative to provide focused Online Mentoring support to students on specific topics of each subject of the CA Course, which the students are finding difficulty in getting through.

Students are advised to ask their topic-specific doubts/ queries before and during the session, in order to make good use of this opportunity and avoid common mistakes in examination.

Separate video lectures on how to prepare for the respective subjects would be made available on the Cloud Campus shortly. General queries would get answered through that only.



**LIVE Interaction with In-  
stitute Faculty Members**



**Board of Studies**

The Institute of Chartered Accountants of India

Further Details: e-Mail: [boscourses@icai.in](mailto:boscourses@icai.in). Tel.: 0120-3876859

**Mobile  
Enabled**

## ANNOUNCEMENT

### Online Mentoring on ICAI Cloud Campus - <http://cloudcampus.icai.org>

The ICAI Cloud Campus enables Students to learn anytime and from anywhere using e-Learning, Audio Lectures, Video Lectures and Online Mentoring. Students can even learn through Mobile Enabled e-Learning facility on the Students Learning Management System (LMS) on their Mobile Phones/ Smart Phones/ Tablets. Online Mentoring is one of the major value added features on the Cloud Campus. The schedule of online mentoring sessions for March, 2016 is as follows:

Online Mentoring Schedule					
Date	Course	Paper	Topic	Faculty	Time
Mar 1	IIPC	Paper-6 Auditing and Assurance	Company Audit (Contd.)	CA. Rajeev Sachdeva	3.00 - 4.00 pm
Mar 2	Final	Paper-1 Financial Reporting	Chapter 2 : Major differences between existing AS and Ind AS (Contd.)	CA. Seema Gupta and CA. Shilpa Agrawal	3.00 - 4.00 pm
Mar 4	Final	Paper-4 Corporate and Allied Laws	Appointment of Directors, Key Managerial Personnel and their Remuneration (Contd.)	Ms. Nisha Gupta and Ms. Megha Goel	3.00 - 4.00 pm
Mar 8	Final	Paper-3 Advanced Auditing and Professional Ethics	Company Audit (Contd.)	CA. Rajeev Sachdeva	3.00 - 4.00 pm
Mar 9	IIPC	Paper-4 Part-II Indirect Taxes	CENVAT Credit – Developments	CA. Smita Mishra and CA. Shefali Jain	1.30 - 2.30 pm
Mar 9	IIPC	Paper-3 Part-I Cost Accounting	Standard Costing	Dr. N. N. Sengupta and CA. Sanjit Sharma	3.00 - 4.00 pm
Mar 10	IIPC	Paper-7B Strategic Management	Chapter-5 Formulation of Functional Strategies and Chapter-6 Strategy Implementation and Control	Dr. T. Paramasivan and Dr. Ruchi Gupta	1.30 - 2.30 pm

Date	Course	Paper	Topic	Faculty	Time
Mar 10	IIPC	Paper-3 Part-II Financial Management	Investment Decision (Capital Budgeting)	Dr. N. N. Sengupta and CA. Sanjit Sharma	3.00 - 4.00 pm
Mar 11	IIPC	Paper-2 Business Laws, Ethics and Communication	The Indian Contract Act, 1872	Ms. Nisha Gupta and Ms. Megha Goel	3.00 - 4.00 pm
Mar 14	IIPC	Paper-6 Auditing and Assurance	Basic Concepts of Auditing (Contd.)	CA. Rajeev Sachdeva	3.00 - 4.00 pm
Mar 15	IIPC	Paper-7A Information Technology	Telecommunication Networks and Mapping Systems	Ms. Sukriti Arora	1.30 - 2.30 pm
Mar 15	IIPC	Paper-4 Part-I Income Tax	Computation of Total Income and Tax Payable	CA. Priya Subramanian and CA. Aparna Chauhan	3.00 - 4.00 pm
Mar 16	Final	Paper-5 Advanced Management Accounting	Simplex Method - Maximization Problem and Life Cycle Costing	Dr. N. N. Sengupta and CA. Deepak Gupta	3.00 - 4.00 pm
Mar 17	Final	Paper-5 Advanced Management Accounting	Project Crashing and Profitability Analysis	Dr. N. N. Sengupta and CA. Deepak Gupta	3.00 - 4.00 pm
Mar 18	Final	Paper-4 Corporate and Allied Laws	Meeting of Board and its powers	Ms. Nisha Gupta and Ms. Megha Goel	3.00 - 4.00 pm
Mar 22	Final	Paper-3 Advanced Auditing and Professional Ethics	Professional Ethics	CA. Rajeev Sachdeva	3.00 - 4.00 pm
Mar 28	IIPC	Paper-6 Auditing and Assurance	Audit Evidence	CA. Rajeev Sachdeva	3.00 - 4.00 pm
Mar 29	IIPC	Paper-4 Part-I Income Tax	Income from house property	CA. Priya Subramanian and CA. Aparna Chauhan	1.30 - 2.30 pm
Mar 29	Final	Paper-1 Financial Reporting	Chapter 2 : Major differences between existing AS and Ind AS (Contd.)	CA. Seema Gupta and CA. Shilpa Agrawal	3.00 - 4.00 pm
Mar 30	IIPC	Paper-4 Part-II Indirect Taxes	Exemptions and Abatements	CA. Smita Mishra and CA. Shefali Jain	3.00 - 4.00 pm
Mar 31	IIPC	Paper-7B Strategic Management	Chapter-7 Reaching Strategic Edge and General Queries	Dr. T. Paramasivan and Mr. Shaleen Suneja	3.00 - 4.00 pm

Students are advised to register for Online Mentoring Sessions on the ICAI Cloud Campus and provide specific questions/queries that they need to be discussed at least 48 working hours before the session. Links to access the aforementioned Online Mentoring Sessions are also available on the <http://cloudcampus.icai.org> under Online Mentoring.

**Director  
Board of Studies**

## ANNOUNCEMENT

### On Line Articles Placement Portal for selection of Articled Assistants by CA Firms

The Board of Studies of the ICAI has been providing Online Articles Placement facility for selection of Articled Assistants by CA Firms through its Articles Placement Portal on pan India basis. It provides a platform to the firms of Chartered Accountants having vacancies for Articled Assistants to shortlist eligible students for selection of articled assistants, and call them for Interview at their offices, as per date and time convenient to them. The eligible candidates who have passed Group-I or both Groups of the Intermediate (Integrated Professional Competence) Course or have been admitted under the Direct Entry Scheme and are willing to join articled training can register themselves on the portal. **The services to the Online Placement Portal are available free of charge for both CA Firms and students and they can register themselves online through the Portal at <http://bosapp.icai.org>.**

The services on the Portal would be available for two months, twice a year, from the date of registration by the firms. Similarly the bio data of a student will also be available on the portal for a maximum period of 2 months from student's registration. The candidates shortlisted by CA Firms would be informed by e-mails through the Portal, to appear for interview at their respective Offices, at the designated date and time.

Detailed guidelines are available at the institutes' website [www.icai.org](http://www.icai.org) and on the Portal. In case of any further clarification, please contact the Board of Studies, ICAI Bhawan, A-29, Sector-62, Noida-201309, Tel. No. 0120-3045930/931/988; eMail: [bosapp@icai.in](mailto:bosapp@icai.in).

**Chairman,  
Board of Studies**

# ANNOUNCEMENT

## Scholarships for CA Students

Board of Studies, ICAI invites applications for the award of Scholarships to the selected candidates to be paid from April 1, 2016 onwards under following categories:

Sr. No.	Scholarship Category	No. of Scholarships	Amount (p.m.)	Eligibility Criteria
1.	<b>Merit-cum-Need</b>	15	₹ 1500/-	Rank holders (other than covered under Merit category) of Intermediate (IPC) Nov. 2015 Exam provided their parents/guardians total annual income does not exceed ₹ 1,50,000/-
2.	<b>Need Based and Weaker Sections</b>	100	₹ 1250/-	Students of Intermediate (IPC) Course provided their parents/guardians total annual income does not exceed ₹ 1,00,000/-
		150	₹ 1250/-	Students of Final Course provided their parents/guardians total annual income does not exceed ₹ 1,00,000/-
		As per eligibility criteria	₹ 1250/-	The children undergoing Intermediate (IPC) or Final Course of the deceased members of ICAI where financial assistance is provided to spouses of the deceased members from the Chartered Accountants Benevolent Fund (CABF) shall also be eligible for scholarship.
3.	<b>Sri Dhanraj Kanhaiyalal Dudheria Scholarships</b>	6	₹ 1250/-	Students of Intermediate (IPC)/Final from Karnataka State under Need Based & Weaker Sections criteria
4.	<b>R.K. Khanna Memorial Scholarships</b>	3	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
5.	<b>J.S. Lodha Memorial Scholarships</b>	3	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
6.	<b>J.M. Sethia Charitable Trust Scholarships</b>	2	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
7.	<b>BCCO Foundation Scholarships</b>	1	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria
8.	<b>Out of Joint Corpus formed by Donors</b>	5	₹ 1250/-	Students of Intermediate (IPC)/Final under Need Based & Weaker Sections criteria

Board of Studies, ICAI also awards **Merit Scholarships** to the Meritorious Students as a token of appreciation. Students whose names are appearing at Sl. No. 1-10 of Merit lists of Intermediate (IPC) of November 2015 Exam, in case the Rank at Sl. No.10 continues to Sl. No. 11 or 12 or so on, then all such rank holders shall be granted @ ₹ 2000/- p.m. Such students are not required to apply.

The detailed guidelines along with the requisite application forms are available on the Institute's Website ([www.icai.org](http://www.icai.org)) (link: [http://www.icai.org/post.html?post\\_id=6486](http://www.icai.org/post.html?post_id=6486)).

### Terms for award of Scholarships:

- Applicants shall be the registered students of Intermediate (IPC) or Final Course.
- In the case of Intermediate (IPC) Students, Scholarship shall be paid for a maximum period of 18 months.
- In the case of Final students, Scholarship shall be paid for a maximum period of 30 months or balance period of their articleship, whichever is less.
- An additional amount of ₹ 100/- p.m. shall be paid to SC/ ST/ OBC students, under Need-based and Weaker Section Category. They shall have to enclose a certificate/ documentary proof duly attested by a gazetted officer or a member of the Institute.
- One scholarship under the Need-Based and Weaker Section Category is reserved for a Physically Challenged student.

Duly completed and signed Application Forms in the prescribed formats (Form No. 3 & Form No. 4) should reach the Director, Board of Studies, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, NOIDA-201309 **latest by 31st March, 2016.**

In case of any clarification, please contact the Board of Studies, Telephone Nos. 0120-3045930/914; email: [bosnoida@icai.in](mailto:bosnoida@icai.in); [ajay.kumar@icai.in](mailto:ajay.kumar@icai.in)

**Director,  
Board of Studies**



The new President, ICAI, CA. M. Devaraja Reddy is being welcomed at the National Convention for CA Students at Faridabad in the presence of CA. Vijay Kumar Gupta, Central Council Member and other dignitaries.



The new President, ICAI, CA. M. Devaraja Reddy is being welcomed at the Tuticorin Airport by the students and office bearers of Tirunalveli and Tuticorin branches of SIRC of ICAI. The then Chairman, SIRC, CA. P. Aruloli is also seen in picture.



The new Vice President, ICAI, CA. Nilesh Vikamsey and the then Chairman, Board of Studies, CA. V. Murali with the winners of the 21st All India Elocution Contest & 15th All India Quiz Contest held in Chennai.



Mrs. Vandana Chavan, Member, Rajya Sabha lighting the auspicious lamp to inaugurate the National Convention for CA Students at Pune in the presence of CA. S. B. Zaware, Central Council Member and other dignitaries.



The new President, ICAI, CA. M. Devaraja Reddy and the immediate past President, ICAI, CA. Manoj Fadnis at the inaugural ceremony of the National Convention for CA Students at Mumbai. Central Council Member, CA. Nihar Jambusaria and the then Chairman, WIRC, CA. Sunil Patodia also seen in picture.



The new President, ICAI, CA. M. Devaraja Reddy lighting the auspicious lamp to inaugurate the Convocation Ceremony in New Delhi in the presence of the immediate past President, ICAI, CA. Manoj Fadnis. Central Council Members, CA. Sanjiv Kumar Chaudhary, CA. Atul Kumar Gupta, CA. Vijay Kumar Gupta, CA. Rajesh Sharma and CA. Sanjay Vasudeva also seen among other dignitaries.



Shri. Rajib Kumar Hota IRS, Commissioner of Income Tax - Chennai, lighting the lamp to inaugurate the valedictory session of the GMCS programme at Chennai in the presence of CA. Babu Abraham Kallivayalil, Chairman-Board of Studies. Also seen in the picture, Central Council Members, CA. K. Sripriya, CA. M. P. Vijayakumar the then SIRC Chairman, CA. P. R. Aruloli and other dignitaries.

## ANNOUNCEMENT

### Articles invited for Students' Journal

Articles are invited from Students, members, academicians and others for inclusion in the upcoming issues of the Students' Journal.

The articles based on CA curriculum should be received at the Board of Studies latest by 10<sup>th</sup> of the preceding month in which the article is to be published. The article should comprise 1600 to 2200 words only. The authors are advised to enclose the following along with the articles:-

1. A formal & signed undertaking in the form of a letter stating that the article is original in all respects and does not infringe any copyright and has not been published elsewhere or has been sent for publication.
2. A latest passport size colour photograph (with full name and registration number written on the back).
3. A soft copy of the article with complete communication and E-mail address. Articles received without the details / enclosures specified above will not be considered.

An honorarium of ₹2500/- will be paid if the article is published. All correspondence in this regard should be made to The Director, Board of Studies, ICAI Bhawan A-29, Sector-62, Noida - 201 309 with the full name, complete address and the membership/ registration number if applicable.

**Director,  
Board of Studies**

If undelivered, please return to: The  
Institute of Chartered Accountants of  
India, ICAI Bhawan, Indraprastha Marg,  
New Delhi-110104