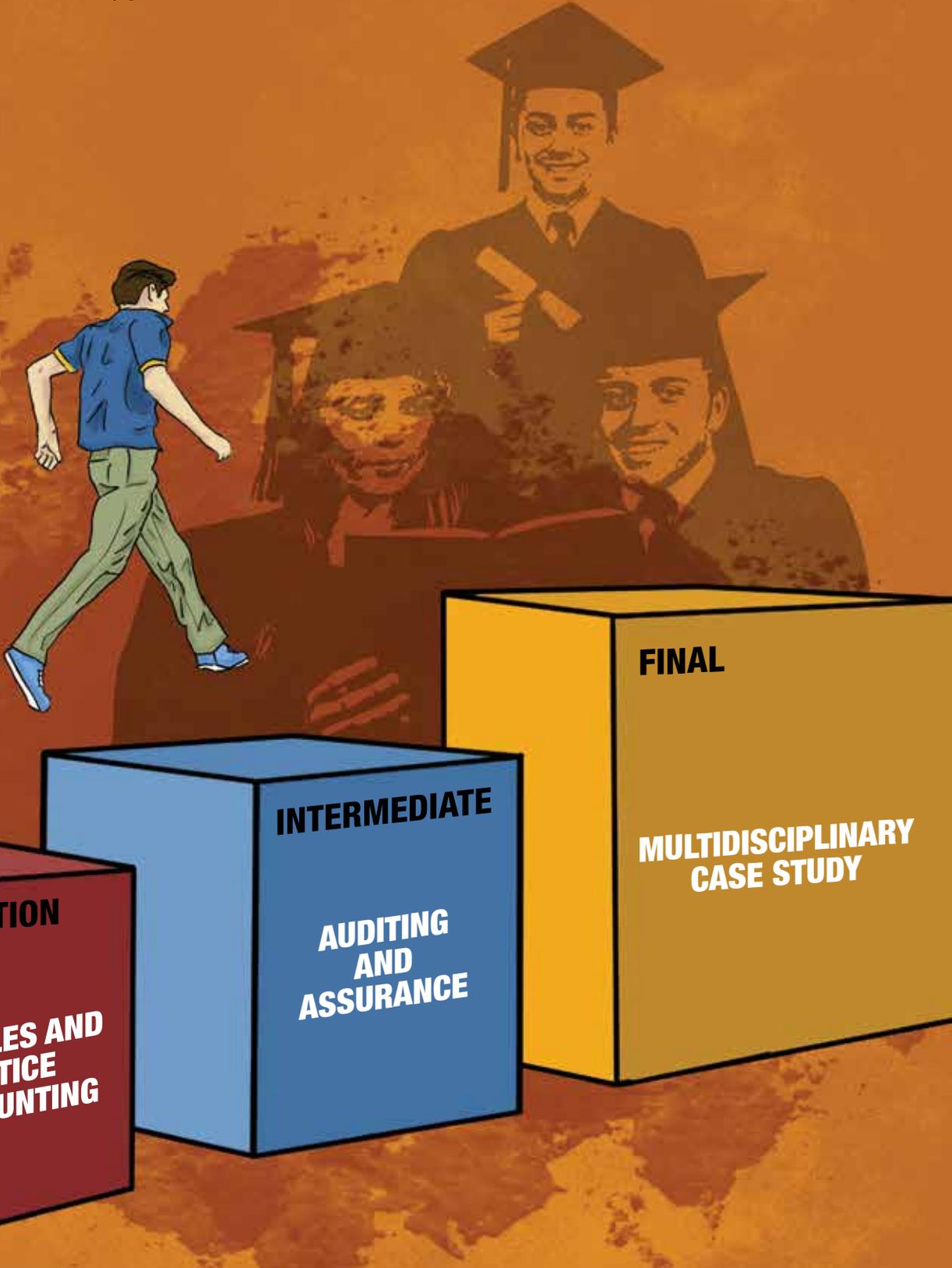




The Institute  
of Chartered  
Accountants of  
India  
(Set up by an act of  
Parliament)

# The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events



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### Correspondence with regard to advertising and writing articles

Email: writesj@icai.in

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## INSIDE

- 03 President's Communication
- 04 Vice-President's Communication
- 05 Chairman's Communication
- 06 CA Final: Multidisciplinary Case Study
- 14 CA Intermediate: Auditing and Assurance
- 27 CA Foundation: Principles and Practice of Accounting
- 32 News Updates
- 33 Contact Details of Board of Studies Faculty
- 34 Announcement
- 36 Crossword

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### Office

Board of Studies, The Institute of Chartered, Accountants of India, ICAI Bhawan, A-29, Sector-62, Noida-201 309. Phone : 0120-3045907

### Head Office

The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi-110 104.

### Editorial Support

Dr. Ruchi Agarwal, Assistant Secretary  
 Ms. Taruna Kohli, Assistant Secretary

### EDITOR: CA. (DR.) DEBASHIS MITRA

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**SWACHH BHARAT - A STEP TOWARDS CLEANLINESS**



**My Dear Students,**

As India pays tribute to father of our nation, Mahatma Gandhi on his birth anniversary on October 2, we must seek lessons from his life, learn from the values and principles that he stood for and propagated throughout his life. Some of the virtues that he practised and preached included truth, non-violence, austerity, simplicity, perseverance, philanthropy and cleanliness. He taught us that having self-faith and self-confidence is one's biggest strength, humanity is the greatest religion and truth is akin to God. His words of wisdom are inspiring us even today and I am sure will continue to do so to our future generations as well.

### Your Success Mantra: Self-Belief and hard work

*"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."*

These profound words of Mahatma Gandhi describe the essence of preparing yourself for all significant pursuits in life, be it academic, professional or personal. These are building your capability gradually by learning the requisite skills to enable yourself and enriching your knowledge to empower yourself to accomplish anything. Once you embark upon anything, with a firm determination and confidence, all you need is to be **disciplined and persistent** in your efforts to be able to achieve your goal.

As a student of this coveted course, you must do a periodic **self-audit** to assess your current skill-grid and how much you have improved upon your skills and domain knowledge. The critical self-analysis will inspire you to nurture your skills and seek knowledge on a continuous basis. This will further help you to build your capacity and capability, motivating you to tread ahead fearlessly and achieve success in all walks of life.

As November 2020 examinations are just a month away, I am sure your studies must be going on in full swing. Remember, with meticulous planning and immaculate execution, you can achieve the desired result. Your Institute through Board of Studies (BoS) provides ample resources both printed and web based to whet your learning needs. Read the study material thoroughly and other publications from the BoS to get the right perspective on the scope and depth of topics. Comprehend the technical terms in the given contexts for a better understanding of the underlying principles per se and with respect to other topics and their applicability. Attempt

questions/problems given in the **Revision Test Papers (RTPs)** and compare your answers with the answers provided therein to know your areas of weakness and scope for improvement. **For a real-time self-assessment**, you can attempt to solve **old Mock test papers and previous question papers** in the given stipulated time for practice. You must then specifically refer to the **Suggested Answers** to identify the learning gaps and determine how to articulate the answers to fine tune your presentation for a better score in exams. Also go through Examiners' Comments to find out the common mistakes and pitfalls generally committed by students and how can these be avoided. These will provide valuable cues and hints for exhaustive preparation and to-the-point presentation.

Apart from these printed resources, **Free Virtual Coaching Classes** for all levels have been organised by BoS, ICAI since July 2020 (and still going on for CA Intermediate and Final) to ensure that our students continue to learn at home, without having to step out during the on-going pandemic. I am sure you all must be attending these classes for a thorough preparation.

As the latest edition to the Capsule series, the current issue features summarised content for **CA Foundation – Principles and Practice of Accounting, CA Intermediate – Auditing and Assurance and CA Final – Multi-disciplinary Case Studies**. The issue offers skimmed contents for the subjects making it relevant and useful for revision. I urge you to refer to these capsules for quick re-cap pointers before the exams.

With festivals galore in the current month, I extend my best wishes for Dussehra and Durga Puja. May the Goddess illuminate your mind, body and soul with knowledge, wellness and peace. Have a positive attitude, believe in yourself and do your best.

You must follow the sacred success mantra quoted by the great philosopher and thinker **Swami Vivekananda: Arise! Awake! and stop not, until the goal is reached!**

**Best Wishes,**

**CA. ATUL K. GUPTA**  
PRESIDENT, ICAI, NEW DELHI

## VICE PRESIDENT'S COMMUNICATION ||



Dear Students,

At the outset, I hope that each one of you is staying safe and healthy and taking necessary measures for safeguarding yourself from the Covid-19 pandemic. We all know that Covid-19 has changed the way we live and the things we did on a daily basis, but it has also provided a hidden opportunity for many of us. You might be wondering as to how this can be an opportunity for us. I am sure that most of you will agree with me that the new normal is saving time for your day to day routine. The time which you are able to save can be utilised in a planned way by doing hard work, to take that extra step, to walk that extra mile towards your goal and ambition. It implies that you can devote quality time for your studies and be well prepared for the upcoming examinations which are scheduled to be held in November 2020.

The Institute strives to provide you a healthy learning environment for your multifaceted professional growth. It is also our sincere endeavour to guide you all in the right direction. I firmly believe if our students are given appropriate platforms, they can do wonders in whichever area they choose in their life. Keeping this in mind, the Board of Studies has been conducting Free Virtual Coaching Classes for the Students at all the three levels.

Board of studies, as an academic wing of the Institute is very proactive in facilitating you to prepare systematically for your respective examinations. A deep and thorough study of Revisionary Test Papers, Mock Test Papers and Suggested Answers will help you to understand the difficulty level and pattern of examination. Similarly, the summary of examiners' comments will be helpful in understanding the common pitfalls committed by the students while attempting the questions. Also, try to attempt a self-examination/assessment test based upon previous question papers or mock test papers. Such a planned strategy will be very beneficial in assessing the preparedness for the examinations.

*"Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act. There is no other route to success."*

– Pablo Picasso, painter

The world is fast-changing and the finance professionals will have a significant role to play in the global scenario – whether it is in the realm of International taxation, international laws or international accounting and auditing standards. So it is appropriate for you to equip yourself during your studying days with excellent knowledge base, not only with a view to pass the examinations but to emerge successful in the competitive environment.

I, on behalf of the Institute, would like to pay rich tributes to the Father of the Nation, Mahatma Gandhi on his 151<sup>st</sup> birth anniversary on October 2, 2020. He was a great soul who inspired the world with his faith in truth and justice for all mankind. He was a person who loved even those who fought against his ideals to bring about peace with non-violence. He once said that, 'Strength does not come from physical capacity. It comes from an indomitable will.' On this birth anniversary of Mahatma Gandhi, you must remember these words and come forward with a strong will to put your best foot forward for the examinations, for your professional life and for the society as a whole. This will be a real tribute to him.

Stay safe, stay healthy.

Yours sincerely

A handwritten signature in black ink, appearing to read 'CA. Nihar Niranjana Jambusaria'.

**CA. NIHAR NIRANJAN JAMBUSARIA**  
VICE PRESIDENT, ICAI



Dear Students,

At the outset, I wish to convey my best wishes to all of you, preparing for the forthcoming November 2020 Examinations. Since the exams are round the corner, you must intensify your preparations. With persistent efforts, focused approach and positive bent of mind you are likely to meet with success. This period is very crucial, you need to concentrate whole heartedly on studies and maximally utilise your time for effective preparation. You need to break free of self-doubt and study with a cheerful attitude to keep yourself motivated. Remain calm and composed; do not let the pressures of study, preparation and examinations overcome you.

## Work Smart

Since you are about one month away from the forthcoming November 2020 exams, you need to have an integrated and balanced approach to apportion your time to theory and practical subjects according to your strengths. Allocate your time wisely to the topics ensuring that you utilize every minute of your productive time. This can be achieved by setting a daily target and devising an effective strategy, a daily regimen to meet the target with due emphasis on healthy diet and proper rest. Assign priorities to each task and perform them accordingly. Following this regimen judiciously will maximize your learning in minimal time. Make sure that you do not divert/digress from your objective and stay focused to accomplish the daily study-target. This will boost your confidence and instil a sense of achievement, inspiring you to gear up for the subsequent day. It is equally important to test your knowledge after completing a topic. Test yourself by attempting a few unseen questions in the practice exercises in the study material, or other sources to check your comprehension and evaluate your presentation. Maintain a daily log/index of questions attempted, brief analysis including working notes and steps wise solutions so that you can segregate these in terms of complexity and easily access them during the final revision.

Always remember, that it is not about the number of hours spent, but how you spend your hours effectively to meet the daily target is what matters!

## Utilize the BoS Resources

The Board of Studies of ICAI has been catering to your learning requirements by providing a wide range of printed and digital resources, as well as introducing measures to widen its outreach. These include the **Study material, Revision Test Papers, Subject Capsules**: a regular feature of this monthly publication, Suggested Answers, Examiners' Comments While the study material provides the knowledge

content, defining the subject span, **Revision Test Papers and Previous Question papers** provide the necessary supply of questions for practice. Suggested Answers for previous exams have been uploaded at the BoS Knowledge Portal, giving you vital first-hand information about the manner in which questions must be answered and what the examiner's expects from you, in terms of expression and presentation of answers. These resources facilitate effective knowledge compilation and propagation. You must utilise these resources to the fullest to score well.

The **Free Virtual Coaching Classes** launched in **July 2020** for all levels of the CA Course have been well received by both our stakeholders, students and members alike. These offer a wonderful opportunity for you to connect with experienced faculty to learn from them and prepare extensively for the upcoming November 2020 exams.

The highlight of this issue is an inclusive Capsule based on **Paper-1 for CA Foundation Principles and Practice of Accounting, Paper-6 for CA Intermediate Auditing and Assurance and Paper-6F for CA Final Multidisciplinary Case Study**. It comprises major concepts, succinctly presented, complete with illustrations, appropriate for last minute revision.

We offer our rich tributes to **Father of the Nation, Mahatma Gandhi, on his 151<sup>st</sup> birth anniversary on October 2, 2020**. He inspired the world with his faith in truth and nonviolence and stood for equality and justice for the mankind. Throughout his life, he practised the principles of honesty and integrity, which are cornerstones of our profession. Let us pledge to imbibe his virtues and uphold his principles.

He had said: **Future depends on what you do today. So work in present to build a bright future!** Wishing you Happy Dussehra and Durga Puja.

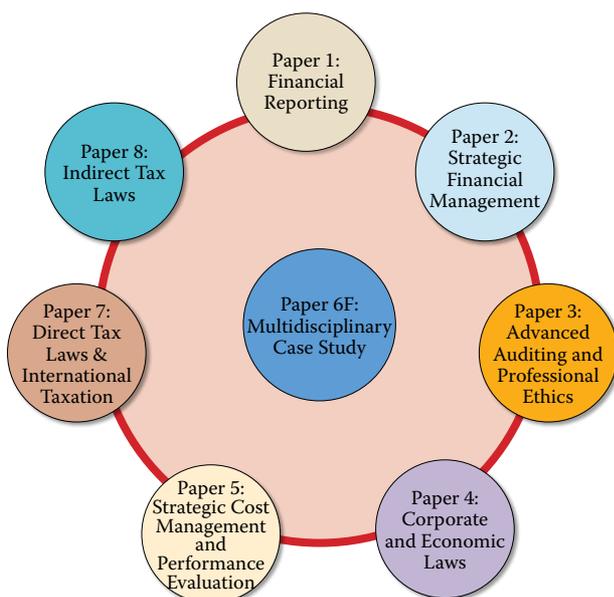
All the best,

**CA. (DR.) DEBASHIS MITRA**  
CHAIRMAN, BOARD OF STUDIES (ACADEMIC), ICAI

# MULTIDISCIPLINARY CASE STUDY ||

## CA FINAL (NEW) - PAPER 6F - MULTIDISCIPLINARY CASE STUDY

Students electing this Paper 6F Multidisciplinary Case Study are advised to refer the study material of the core subjects at the Final (New) level. Students need to keep in mind that this paper involves application of all the core papers, thus, conceptual understanding of each and every topic is required in detail to answer the questions in an efficient and effective manner.



Standards/ Guidance Notes/ Legislative Amendments etc. applicable for above-mentioned core papers would also be applicable as it is to the Paper 6F Multidisciplinary Case Study.

The question paper of this subject would contain 5 case studies of 25 marks each, out of which student has to attempt any 4.

In each case study carrying 25 marks, MCQs would be for 10 marks and descriptive questions involving computation/analysis/ interpretation would be for 15 marks in the ratio of 40:60 between MCQs and descriptive questions.

Thus, while choosing which case studies to attempt, student may first go through all the case studies at one glance and then decide which of the four case studies out of five he/ she has prepared well with maximum topics coverage.

Students must divide their four hours between four case studies to be answered meticulously. Once the case studies have been opted, give them a comprehensive reading while attempting the same. Try to note down the topics covered and then refer the same from the reference material.

Two illustrative case studies have been provided below for practice purpose. Students are suggested to solve the same in examination condition and check for the answers only after attempting both the case studies.

### CASE STUDY 1

Shaurya Limited is the company having its registered and corporate office at New Delhi. It is specialised in manufacturing machinery products and is looking to expand its operations across the nation. 60% of the Shaurya Limited's shares are held by the Government of India and rest by other investors. The company is also in the process of negotiations with other companies to take over their business for strategic advantage.

Since the company has been in existence for more than 10 years, the board resolution was passed to make political contributions amounting to Rs. 10,00,000 for the year ending March 31<sup>st</sup>, 2020. However, the average net profit of company for immediately preceding 3 years is Rs.8,00,000 only. The management of company is concerned regarding the maximum amount of political contributions to be made considering the relevant provisions of laws being in force.

Since the timeline to continue the audit for existing auditors has come to an end. So, at the meeting held of its Board of Directors, it was decided to unanimously appoint M/s ABC as the auditors of company for next five years.

This is the first time that Shaurya limited would be applying Ind AS for the preparation of its financials for the current financial year 2019-2020. Ind AS mandates that an entity shall present three Balance Sheets as at: (a) the end of the current period; (b) the end of the preceding period; and (c) the beginning of the preceding period, in its first-time adoption of Ind AS. During this process, the company is also required to present the opening Ind AS Balance Sheet as at the date of transition. Accordingly, following is the Balance Sheet prepared as per earlier GAAP as at the beginning of the preceding period along with the additional information:

#### Balance Sheet as at 31<sup>st</sup> March, 2018 (All figures are in '000, unless otherwise specified)

Particulars	Amount (Rs.)
<b>EQUITY AND LIABILITIES</b>	
<b>(1) Shareholders' Funds</b>	
(a) Share Capital	10,00,000
(b) Reserves & Surplus	25,00,000
<b>(2) Non-Current Liabilities</b>	
(a) Long Term Borrowings	4,50,000
(b) Long Term Provisions	3,50,000
(c) Deferred tax liabilities	3,50,000
<b>(3) Current Liabilities</b>	
(a) Trade Payables	22,00,000
(b) Other Current Liabilities	4,50,000
(c) Short Term Provisions	12,00,000
<b>TOTAL</b>	<b>85,00,000</b>
<b>ASSETS</b>	
<b>(1) Non Current Assets</b>	
(a) Property, Plant & Equipment (net)	20,00,000
(b) Intangible assets	2,00,000
(c) Goodwill	1,00,000
(d) Non-current Investments	5,00,000
(e) Long Term Loans and Advances	1,50,000
(f) Other Non Current Assets	2,00,000
<b>(2) Current Assets</b>	
(a) Current Investments	18,00,000
(b) Inventories	12,50,000
(c) Trade Receivables	9,00,000
(d) Cash and Bank Balances	10,00,000
(e) Other Current Assets	4,00,000
<b>TOTAL</b>	<b>85,00,000</b>

### Additional Information:

- Other current liabilities include Rs. 3,90,000 liabilities to be paid in cash such as expense payable, salary payable etc. and Rs. 60,000 are statutory government dues.
- Long term loans and advances include Rs. 40,000 loan and the remaining amount consists Advance to staff of Rs. 1,10,000.
- Other non-current assets of Rs. 2,00,000 consists Capital advances to suppliers.
- Other current assets include Rs. 3,50,000 current assets receivable in cash and Prepaid expenses of Rs. 50,000.
- Short term provisions include Dividend payable including DDT of Rs. 2,00,000. The dividend payable had been as a result of board meeting wherein the declaration of dividend for financial year 2017-2018 was made. However, it is subject to approval of shareholders in the annual general meeting.

Chief Financial Officer of Shaurya Limited has also presented the following information against corresponding relevant items in the Balance Sheet:

- Property, Plant & Equipment consists a class of assets as office buildings whose carrying amount is Rs. 10,00,000. However, the fair value of said office building as on the date of transition is estimated to be Rs. 5,00,000. Company wants to follow revaluation model as its accounting policy in respect of its property, plant and equipment for the first annual Ind AS financial statements.
- The fair value of Intangible Assets as on the date of transition is estimated to be Rs. 2,50,000. However, the management is reluctant to incorporate the fair value changes in books of account although auditor does not agree to the same.
- Shaurya Ltd. had acquired 80% shares in a company, Excel private limited few years ago thereby acquiring the control in it at that time. Shaurya Ltd. recognised goodwill as per erstwhile accounting standards by accounting the excess of consideration paid over the net assets acquired at the date of acquisition. Fair value exercise was not done at the time of acquisition. Now auditors insist the company that fair value exercise must be done with retrospective effect as on the date of transition.
- Trade receivables include an amount of Rs. 20,000 as provision for doubtful debts measured in accordance with previous GAAP. Now as per latest estimates, the provision needs to be revised to Rs. 25,000.
- Six years ago, company had given a loan of Rs. 1,00,000 to an entity for the term of 10 years. Transaction costs were incurred separately for this loan. The loan carries an interest rate of 7% p.a. and it was carried at cost in its initial recognition. The principal amount is to be repaid in equal instalments over the period of ten years at the year end. Interest is also payable at each year end. The fair value of loan as on the date of transition is Rs. 50,000 as against the carrying amount of loan which at present amounts Rs. 40,000. However, Ind AS 109 mandates to charge the interest expense as per effective interest method after the adjustment of transaction costs. Management says it is tedious task in the given case to apply the effective interest rate changes with retrospective effect and hence is reluctant to apply the same retrospectively in its first-time adoption.
- In the long-term borrowings, Rs. 4,50,000 of component is due towards the State Government. Interest is payable on the government loan at 4% p.a., however the prevailing rate in the market at present is 8% p.a. The fair market value of loan stands at Rs. 4,20,000 as on the relevant date.
- Under Previous GAAP, the mutual funds were measured

at cost or market value, whichever is lower. Under Ind AS, the Company has designated these investments at fair value through profit or loss. The value of mutual funds as per previous GAAP is Rs. 2,00,000 as included in 'current investments'. However, the fair value of mutual funds as on the date of transition is Rs. 2,30,000.

- Ignore separate calculation of deferred tax on above adjustments. Assume the net deferred tax income to be Rs. 50,000 on account of Ind AS transition adjustments.

During the briefing with internal audit head of Shaurya Limited, internal auditor has put an observation that a contractor, M/s Ghanshyam & Brothers, has been providing the services to Shaurya Limited since the beginning of the year. M/s Ghanshyam & Brothers does billing to Shaurya Limited's corporate office each month at Rs. 50,000 (exc. GST). From the invoice particulars, it is found that M/s Ghanshyam & Brothers is situated at 203, Shastri colony, Ghaziabad, Uttar Pradesh and having PAN no. APNFG0000Z. The total invoice amount comes to Rs. 59,000 incorporating GST @ 18%. Meanwhile, company deducts tax deduction at source (TDS) of M/s Ghanshyam & Brothers each month amounting to Rs. 500 on the amount of Rs. 50,000 and not on Rs. 59,000. Accountant is worried that he should have been deducting TDS on Rs. 59,000 as its non-compliance would require the company to pay interest on late payment of TDS/ Short deduction.

There is another service provider, Amit Shukla who as a professional had assisted the company for Ind AS adjustments. Amit Shukla billed Rs. 10,00,000 to the company on 16<sup>th</sup> January, 2020. Company booked the said invoice in its books with the date as mentioned in invoice and deducted the TDS accordingly. However, company has deposited the due TDS amount on 30<sup>th</sup> April, 2020.

### QUESTIONS

#### Part A- Multiple Choice Questions

1. Appointment of Shaurya Limited's statutory auditors at annual general meeting is not valid since:
  - (a) Prior approval of Central Government has not been taken.
  - (b) Prior approval of Comptroller and Auditor General of India has not been taken.
  - (c) Appointment should be valid for 1 year only.
  - (d) Comptroller and Auditor General of India can only appoint the auditors.
2. Calculate the monthly amount of political contribution Shaurya Limited can make to political party for the year ending 31<sup>st</sup> March, 2020.
  - (a) Rs. 10,00,000
  - (b) Rs. 8,00,000
  - (c) Nil
  - (d) No Limit
3. Calculate the amount of TDS to be deducted by Shaurya Limited against the monthly invoice of M/s Ghanshyam & Brothers.
  - (a) Rs. 1,180
  - (b) Rs. 1,000
  - (c) Rs. 500
  - (d) Rs. 590
4. Calculate the interest on late payment of TDS Shaurya Limited is required to pay and deposit to the account of Central Government in the case of Amit Shukla.
  - (a) Rs. 5,000
  - (b) Rs. 7,500
  - (c) Rs. 6,000
  - (d) Rs. 4,000

## MULTIDISCIPLINARY CASE STUDY

5. The place of supply and tax leviable in case of services provided by M/s Ghanshyam & Brothers to Shaurya Limited is-
- Delhi, CGST & SGST
  - Delhi, IGST
  - Uttar Pradesh, CGST & SGST
  - Uttar Pradesh, IGST

### Part B- Descriptive Questions

6. - Provide summary introduction in short of the relevant Ind AS, which is required for preparation of Shaurya Limited's opening Balance Sheet as on the date of transition.
- Prepare transition date Balance Sheet of Shaurya Limited as per Indian Accounting Standards, according to the format prescribed in Division II - Ind AS Schedule III to the Companies Act, 2013.
- Show necessary explanation for each of the items presented by chief financial officer in the form of notes, which may or may not require the adjustment as on the date of transition.

## CASE STUDY 2

M/s Bishon Rainwear has bought a new office premises at Bandra Kurla Complex. He made the furniture for the office through an architect. Following are the bills which M/s Bishon Rainwear has paid for the furniture made at the new office in the month of April, 2020:

Nature of bills	Amount (in Rs.)	GST Amount
Purchase of spare parts	2,50,000	Rs. 45,000
Purchase of accessories	10,00,000	Rs. 1,80,000
Purchase of wood for furniture, tiles	15,00,000	Rs. 2,70,000

In the month of May, 2020, the amount of input tax credit as per GST portal is Rs. 23,539 (CGST) and Rs. 23,539 (SGST). The total input tax credit claimed as per the accounting software of M/s Bishon Rainwear is Rs. 25,164 (CGST) and 25,164 (SGST). The credit (Rs. 1,624-inclusive of CGST AND SGST) pertaining to supplier by the name "Shah Zipper" is not reflected in the GST portal.

M/s Bishon Rainwear has capitalised the above furniture costs in his books of accounts.

M/s Bishon Rainwear has an employee Mr. Tony who left his job in the month of April, 2020 and left India for good. He shifted to France. He has invested in the shares of listed companies. During the FY 2020-2021, he earned dividend of Rs. 10,00,000 from the investment in the listed shares of Indian companies.

M/s Bishon Rainwear has started a start up by the name "Franky Cranky Ltd." in the year 2018. It is an eligible start-up as per section 80-IAC. During the financial year 2018-19, it incurred a loss of Rs. 100 crores. During FY 2019-20, it incurred a loss of Rs. 50 crore.

M/s Bishon Rainwear projects the profits/loss from the start-up as under:

FY	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Amount of profit or (loss)	50 crore	150 crore	200 crore	400 crore	800 crore	100 crore	100 crore	200 crore	250 crore	50 crore

Mr. Tony's friend, Mr. Raghav stays in Spain since last 5 years. Before leaving India, he had investments in India. He came to India on 2<sup>nd</sup> February, 2020 and stayed in India for 75 days. The particulars of his income for P.Y.2019-20 are as follows:

Nature of Income	Amount (Rs.)
Interest Income from Indian company on rupee denominated bonds issued during December 2018	10,00,000
Rental Income form property situated in India	20,00,000
Interest payable by a unit located in an IFSC in respect of monies borrowed on 1st October, 2019	5,00,000
Salary from Spain	10,00,000
Interest on money standing to his credit in NRE account	1,00,000

Mr. Arnav, who is cousin of Mr. Raghav is a Person of Indian Origin as his father was born in India. Mr. Raghav has foreign passport only. He was born in Spain and also stays in Spain. During FY 2019-20, Arnav did not visit India. He stays in Country X, but is not taxed in Country X also as the number of days stay in Country X is less as required to be a resident of Country X. During FY 2019-20, he did not come to India. He has following income from India:

Sr. No.	Nature of income	Amount (Rs.)
1	Interest Income from fixed deposits with Indian companies	5,00,000
2.	Salary income in Spain	10,00,000
3.	Rental Income from Indian Property	20,00,000

M/s Bishon Rainwear has a hospital by the name "Kaifee Hospital". The services provided by hospital are stated as under:

- Providing rooms to patients
- In-house canteen to patients and their relatives
- Calling senior and expert doctors from India's best hospitals.
- Pathology services

During the month of April, 2020, the hospital billed as under:

Sr. No.	Nature of services	Amount (Rs.)
1	Rent of Rooms	10,00,000
2	In-house canteen to patients	5,00,000
3	Canteen services to relatives of patients	7,00,000
4.	Pathology	20,00,000
5.	Cost of senior and expert doctors	15,00,000
6.	Cost of in-house doctors and nurses	10,00,000

M/s Mcleod approached Kaifee Hospital to display the advertising banner of its clients who deals in medicines at a price of Rs. 2,00,000 per month. Further, Kaifee hospital is also proposing to get independent physiotherapist on board to serve its patients. The physiotherapist shall charge a monthly fee of Rs. 1,50,000.

## QUESTIONS

### Part A- Multiple Choice Questions

- What is the amount of ITC that can be taken by M/s Bishon Rainwear for the month of April, 2020?
  - Rs. 45,000
  - Rs. 4,95,000
  - Rs. 1,80,000
  - 0
- State which year's profit should be taken into consideration for maximising the utilisation of deduction available under the Act.
  - FY 2022-23 to FY 2024-25
  - FY 2020-21 to FY 2022-23
  - FY 2025-26 to FY 2027-28
  - FY 2027-28 to FY 2029-30
- What is the residential status of Mr. Raghav for A.Y.2020-21?
  - Resident but not ordinarily resident
  - Resident and ordinary resident
  - Non resident
  - None of the above
- What is the value of service provided by Kaiffee Hospital which is chargeable to GST?
  - Rs. 67,00,000
  - Rs. 45,00,000
  - Rs. 7,00,000
  - Rs. 22,00,000
- What is the value of supply chargeable to GST in respect of advertising banner and putting physiotherapist on board for one month?
  - Rs. 3,50,000
  - Rs. 2,00,000
  - Rs. 1,50,000
  - Nil

### Part B- Descriptive Questions

- What is the amount of input tax credit that can be taken for the month of May, 2020 by M/s Bishon Rainwear?
- What is the income chargeable to tax in the hands of Mr. Raghav during FY 2019-20 as per Income-tax Act, 1961?
- What is the income chargeable to tax in the hands of Mr. Arnab as per Income-tax Act, 1961?

## ANSWERS

### CASE STUDY 1

#### Part A

- (d)** Comptroller and Auditor General of India can only appoint the auditors.  
**Reason:** In case of subsequent auditor for existing government companies, the Comptroller & Auditor General shall appoint the auditor within a period of 180 days from the commencement of the financial year and the auditor so appointed shall hold his position till the conclusion of the Annual General Meeting. [Reference-section 139(5)]  
 Note: Shaurya Limited is a Government company.

- (c)** Nil

**Reason:** Section 2(45) of Companies Act, 2013 states, "Government company" means any company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

Accordingly, Shaurya Limited is a Government company. Section 182 of Companies Act, 2013 states, notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party.

Hence as per section 182, a government company is prohibited to make any political contribution.

- (b)** Rs. 1,000

**Reason:**

- TDS is required to be deducted on the amount excluding GST i.e. on Rs. 50,000
- The fourth character of PAN represents the status of the PAN holder; PAN in case of M/s Ghanshyam & Brothers is APNFG0000Z. It implies that status of M/s Ghanshyam & Brothers as per Income-tax Act is of 'Firm'.

However, the TDS has been deducted by considering M/s Ghanshyam & Brothers as an Individual (Rs. 500) which is wrong as per section 194C of Income-tax Act.

194C states that following amount of TDS is to be deducted:

- one per cent where the payment is being made or credit is being given to an individual or a Hindu undivided family;
- two per cent where the payment is being made or credit is being given to a person other than an individual or a Hindu undivided family (Rs. 1,000 in this case).

- (c)** Rs. 6,000

**Reason:** Under Section 201(1A) for late deposit of TDS after deduction, you have to pay interest. Interest is at the rate of 1.5% per month from the date at which TDS was deducted to the actual date of deposit. Interest is to be calculated on a monthly basis and not based on the number of days i.e. part of a month is considered as a full month.

Interest on late payment of TDS

$$= \text{Rs. } 10,00,000 \times 10\% (194J) \times 1.5\% \times 4 \text{ months} \\ = \text{Rs. } 6,000$$

- (b)** Delhi, IGST

**Reason:** If the supply is intra-state supply, tax shall be paid as CGST+SGST and if the Supply is inter-state supply, tax shall be paid as IGST.

Place of supply of services is the location of the service recipient (Delhi in this case). Since supplier M/s Ghanshyam & Brothers is located in the state of Uttar Pradesh, thus IGST should have been levied.

#### Part B

- Ind AS 101 prescribes the accounting principles for first-time adoption of Ind AS. It lays down various 'transition'

## MULTIDISCIPLINARY CASE STUDY

requirements when a company adopts Ind AS for the first time, i.e., a move from Accounting Standards (Indian GAAP) to Ind AS. Conceptually, the accounting under Ind AS should be applied retrospectively at the time of transition to Ind AS. However, to ease the process of transition, Ind AS 101 has given certain exemptions from retrospective application of Ind AS.

An entity shall prepare and present an opening Ind AS Balance Sheet at the date of transition to Ind AS. This is also called transition date Balance Sheet. This is the starting point for its accounting in accordance with Ind AS.

An entity shall use the same accounting policies in its opening Ind AS Balance Sheet and throughout all periods presented in its first Ind AS financial statements. Those accounting policies shall comply with each Ind AS effective at the end of its first Ind AS reporting period, except as specified in Ind AS 101.

An entity shall, in its opening Ind AS Balance Sheet:

- recognise all assets and liabilities whose recognition is required by Ind ASs;
- not recognise items as assets or liabilities if Ind ASs do not permit such recognition;
- reclassify items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind AS; and
- apply Ind AS in measuring all recognised assets and liabilities.

The accounting policies in the transition date (opening) Ind AS Balance Sheet may differ from those that it used for the same date using previous GAAP. The resulting adjustments arise from events and transactions before the date of transition to Ind AS, which shall be recognised directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to Ind AS.

This Ind AS establishes two categories of exceptions to the principle that an entity's opening Ind AS Balance Sheet shall comply with each Ind AS:

- Ind AS 101 prohibits retrospective application of some specific aspects of other Ind AS.
- Ind AS 101 grants voluntary exemptions from some specific requirements of other Ind AS.

Accordingly, the transition date (opening) Ind AS Balance Sheet of Shaurya Limited on the basis of above lines would be prepared as under:

### IND-AS BALANCE SHEET

As at 1<sup>st</sup> April, 2018

(All figures are in '000, unless otherwise specified)

Particulars	Previous GAAP (Rs.)	Transitional Ind AS adjustments (Rs.)	Opening Ind AS Balance Sheet (Rs.)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment (Note-1)	20,00,000	5,00,000	25,00,000
Goodwill (Note-2)	1,00,000	-	1,00,000
Other Intangible Assets (Note-3)	2,00,000	-	2,00,000
Financial assets:			
Investment	5,00,000	-	5,00,000

Particulars	Previous GAAP (Rs.)	Transitional Ind AS adjustments (Rs.)	Opening Ind AS Balance Sheet (Rs.)
Loans (Note-4)	40,000	10,000	50,000
Other financial assets	1,10,000	-	1,10,000
Other non-current assets	2,00,000	-	2,00,000
<b>Current Assets</b>			
Inventories	12,50,000	-	12,50,000
Financial assets			
Investments (Note-5)	18,00,000	30,000	18,30,000
Trade receivables (Note-6)	9,00,000	-	9,00,000
Cash and cash equivalents/ Bank	10,00,000	-	10,00,000
Other financial assets	3,50,000	-	3,50,000
Other current assets	50,000	-	50,000
<b>TOTAL ASSETS</b>	<b>85,00,000</b>	<b>5,40,000</b>	<b>90,40,000</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	10,00,000	-	10,00,000
Other equity	25,00,000	7,90,000	32,90,000
<b>Non-Current Liabilities</b>			
Financial liabilities			
Borrowings (Note-7)	4,50,000	-	4,50,000
Provisions	3,50,000	-	3,50,000
Deferred tax liabilities (Net)	3,50,000	(50,000)	3,00,000
<b>Current Liabilities</b>			
Financial liabilities			
Trade payables	22,00,000	-	22,00,000
Other financial liabilities	3,90,000	-	3,90,000
Other current liabilities	60,000	-	60,000
Provisions (Note-8)	12,00,000	(2,00,000)	10,00,000
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>85,00,000</b>	<b>5,40,000</b>	<b>90,40,000</b>

### OTHER EQUITY

Particulars	Retained Earnings (Rs.)	Fair value reserve (Rs.)	Total (Rs.)
As at 31 <sup>st</sup> March, 2018	27,90,000 (W.N.1)	5,00,000	32,90,000

### Working Note 1:

Retained earnings balance:	Amount (Rs.)
Balance as per Earlier GAAP	25,00,000
Transitional adjustment due to loan's fair value	10,000
Transitional adjustment due to increase in mutual fund's fair value	30,000
Transitional adjustment due to decrease in deferred tax liability	50,000
Transitional adjustment due to decrease in provisions (dividend)	2,00,000
<b>Total</b>	<b>27,90,000</b>

**Disclosure forming part of financial statements:**

Proposed dividend on equity shares is subject to the approval of the shareholders of the company at the annual general meeting and should not be recognized as liability as at the Balance Sheet date.

**Note 1: Property, Plant & Equipment:**

As per para D5 of Ind AS 101, an entity may elect to measure an item of property, plant and equipment at the date of transition to Ind ASs at its fair value and use that fair value as its deemed cost at that date.

**Note 2: Goodwill:**

Ind AS 103 mandatorily requires measuring the assets and liabilities of the acquiree at its fair value as on the date of acquisition. However, a first-time adopter may elect to not apply the provisions of Ind AS 103 with retrospective effect that occurred prior to the date of transition to Ind AS.

Hence, company can continue to carry the goodwill in its books of account as per the previous GAAP.

**Note 3: Intangible Assets:**

Para D7 read with D6 of Ind AS 101 states that a first-time adopter may elect to use a previous GAAP revaluation at, or before, the date of transition to Ind ASs as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:

- (a) Fair value; or
- (b) Cost or depreciated cost in accordance with Ind ASs, adjusted to reflect, for example, changes in a general or specific price index.

However, there is a requirement that Intangible assets must meet the definition and recognition criteria as per Ind AS 38.

Hence, company can avail the exemption given in Ind AS 101 as on the date of transition to use the carrying value as per previous GAAP.

**Note 4: Loan:**

Para B8C of Ind AS 101 states that if it is impracticable (as defined in Ind AS 8) for an entity to apply retrospectively the effective interest method in Ind AS 109, the fair value of the financial asset or the financial liability at the date of transition to Ind ASs shall be the new gross carrying amount of that financial asset or the new amortised cost of that financial liability at the date of transition to Ind ASs.

Accordingly, Rs. 50,000 would be the gross carrying amount of loan and difference of

Rs. 10,000 (Rs. 50,000 – Rs. 40,000) would be adjusted to retained earnings.

**Note 5: Mutual Funds:**

Para 29 of Ind AS 101 states that an entity is permitted to designate a previously recognised financial asset as a financial asset measured at fair value through profit or loss in accordance with paragraph D19A. The entity shall disclose the fair value of financial assets so designated at the date of designation and their classification and carrying amount in the previous financial statements.

D19 states that an entity may designate a financial asset as measured at fair value through profit or loss in accordance with Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind ASs.

**Note 6: Trade receivables:**

Para 14 of Ind AS 101 states that an entity's estimates in accordance with Ind ASs at the date of transition to Ind ASs shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Para 15 of Ind AS 101 further states, an entity may receive information after the date of transition to Ind ASs about estimates that it had made under previous GAAP. In accordance with paragraph 14, an entity shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with Ind AS 10, Events after the Reporting Period.

The entity shall not reflect that new information in its opening Ind AS Balance Sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the entity shall reflect that new information in profit or loss (or, if appropriate, other comprehensive income) for the year ended 31<sup>st</sup> March, 2019.

**Note 7: Government Grant:**

Para 10A of Ind AS 20 states that the benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with Ind AS 109, Financial Instruments. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with Ind AS 109, and the proceeds received. The benefit is accounted for in accordance with this Standard.

However, Para B10 of Ind AS 101 states, a first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with Ind AS 32, Financial Instruments: Presentation. Except as permitted by paragraph B11, a first-time adopter shall apply the requirements in Ind AS 109, Financial Instruments, and Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to Ind ASs and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind ASs as the carrying amount of the loan in the opening Ind AS Balance Sheet. An entity shall apply Ind AS 109 to the measurement of such loans after the date of transition to Ind ASs.

**Note 8: Dividend**

Since dividend should be deducted from retained earnings during the year when it has been declared and approved. Accordingly, the provision declared for preceding year should be reversed (to rectify the wrong entry). Retained earnings would increase proportionately due to such adjustment.

CASE STUDY 2

Part A

1. (d) 0

**Reason:** As per clause d of section 17(5) of CGST Act, input tax credit(ITC) is not allowed on goods and or services received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account even though such goods and or services are used in course of furtherance of business. Thus, no input tax credit shall be available. Since the cost of furniture is capitalised, ITC will not be available.

2. (a) FY 2022-23 to FY 2024-25

**Reason:** As per Section 80IAC of Income-tax Act, 1961, the deduction under the said section 80-IAC shall be available to an eligible start-up for a period of three consecutive assessment years out of seven years beginning from the year in which it is incorporated.

It is best to select the profits for FY 2022-23 to FY 2024-25 as in the earlier years, the profits are getting reduced due to brought forward losses of earlier years.

3. (c) Non resident

**Reason:** Since he has stayed in India only for 59 days during P.Y.2019-20, he is non-resident in India for A.Y.2020-21.

4. (c) Rs. 7,00,000

**Reason:** Rent of rooms provided to in-patients in hospitals is exempt [Circular No. 27/01/2018 GST dated 04.01.2018].

It is clarified by CBIC that services provided by such senior doctors/ consultants/ technicians, whether employees or not, are healthcare services which are exempt from GST [Circular No. 32/06/2018 GST dated 12.02.2018].

Health care services provided by the clinical establishments will include food supplied to the patients; but such food may be prepared by the canteens run by the hospitals or may be outsourced by the hospitals from outdoor caterers.

Food supplied to the in-patients as advised by the doctor/ nutritionists is a part of composite supply of healthcare and not separately taxable.

Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable [Circular No. 32/06/2018 GST dated 12.02.2018]

Thus, apart from canteen services to relatives of patients, all the other services provided by Kaifee Hospital are exempt from GST.

5. (b) Rs. 2,00,000

**Reason:** Supply of services other than healthcare services such as renting of shops, auditoriums in the premises of the clinical establishment, display of advertisements etc. will be subject to GST.

Paramedics are trained health care professionals, for example, nursing staff, physiotherapists, technicians, lab assistants etc. Services provided by them in a clinical establishment would be in the capacity of employee and not provided in independent capacity and will thus be considered as services by such clinical establishment. Similar services in independent capacity are also exempted.

Thus, only consideration received from advertising of Rs. 2,00,000 shall be chargeable to GST.

Part B

6. In order to claim the input tax credit, following steps may be considered: a) Download total credits appearing in GSTR 2A up to date; b) Exclude (1) credits already taken up to previous month's GSTR 3B; c) Exclude (2) 'ineligible credits' to arrive at 'total available credits' for the month; d) Exclude (3) 'available but deferred' credits, that is, where other conditions of Section 16(2) are not yet satisfied; e) Now, remaining balance will be 'eligible credits for the month'; and f) Identify total credits as per books and avail this in GSTR 3B so much that does not exceed 10 percent of above and include in GSTR 3B for the month. Credits appearing in GSTR 2A only means that Suppliers have uploaded tax invoice in GSTR 1 but the other conditions in Section 16(2) still need to be satisfied before credit can be availed by the Recipient. The taxpayer will be provisionally eligible to avail credit in respect of 'unmatched' 10 per cent which must be re-examined next month so that unmatched do not remain unmatched forever.

Applying the above steps, input tax credit to be taken for the month of May, 2020 is calculated as under:

Calculation for the month of May	CGST	SGST
total credit as per accounting software	25,164	25,164
Less: Credit pertaining to Shah Zipper for the month of May	1,624	1,624
Balance[A]	23,540	23,540
Credit upto 10%[B]	2,354	2,354
Net credit can be taken[A+B]	25,894	25,894
Since this is in excess of total credit of Rs. 25,164, full credit of Rs. 25, 164 will be taken		

Thus, the net credit that can be taken for the month of May, 2020 is Rs. 25,164 [CGST] plus Rs. 25,164 [SGST].

7. Mr. Raghav is a non-resident since he has stayed in India only for 59 days during the P.Y.2019-20.

Thus, the taxability of the income for FY 2019-20 is computed as under:

Nature of Income	Amount in Rs.	Taxability
Interest Income from Indian company on rupee denominated bonds issued during December, 2018	10,00,000	Exempt u/s 10(4C)
Rental Income from property situated in India	20,00,000	Taxable as per slab rate
Interest payable by a unit located in an IFSC in respect of monies borrowed on 1 <sup>st</sup> October, 2019	5,00,000	Exempt u/s 10(15)(ix)
Salary from Spain	10,00,000	Not Taxable in the hands of a non-resident, since it is from a source outside India
Interest on money standing to his credit in NRE A/c	1,00,000	Not taxable as per section 10(4)(ii)

## MULTIDISCIPLINARY CASE STUDY

Thus, the taxable income is computed as under:

Income from House Property	Amount in Rs.	Amount in Rs.
Annual Value	20,00,000	14,00,000
Less: Deduction u/s 24(a)	6,00,000	
Net Income from House Property		
<b>Income from Other Sources</b>		
Interest on money standing to his credit in NRE A/c	Exempt	
Interest payable by a unit located in an IFSC in respect of monies borrowed on 1st October, 2019	Exempt	
Interest Income from Indian company on rupee denominated bonds issued during December, 2019	Exempt	-
<b>Gross Total Income</b>		<b>14,00,000</b>

8. Arnav is a non-resident since he has not visited India during the P.Y.2019-20. Thus, the items of income chargeable to tax as per Income-tax Act, 1961 is as under:

Sr. No.	Nature of income	Rs
1	Indian Interest Income	5,00,000
2	Rental Income from Indian Property	20,00,000

Computation of income is as under:

Particulars	Amount (Rs.)	Amount (Rs.)
Income from House Property	20,00,000	14,00,000
Less: 30% Standard Deduction	6,00,000	
Net Income from House Property		
Income from Other Sources		
Indian Interest Income		5,00,000
<b>Gross Total Income</b>		<b>1,90,000</b>

Note – Salary income in Spain is not chargeable to tax in India, since it accrues and arises outside India and is also received outside India.

*"Winning doesn't always mean being first. Winning means you're doing better than you've ever done before."*

— Bonnie Blair

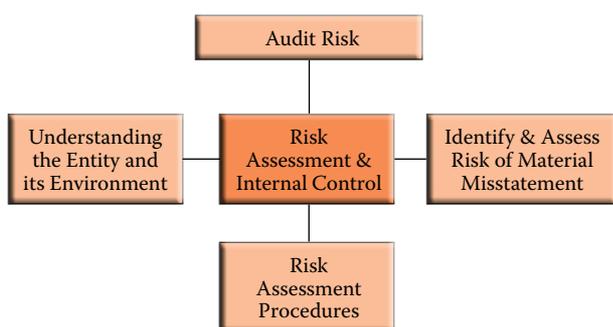
## CROSSWORD SOLUTION – SEPTEMBER 2020

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

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

### CHAPTER 4: RISK ASSESSMENT AND INTERNAL CONTROL

#### Overview:



#### Audit Risk:

Audit risk means the risk that the auditor gives an inappropriate audit opinion when the financial statements are materially misstated

$$\text{Audit Risk} = \text{Risk of Material Misstatement} \times \text{Detection Risk}$$

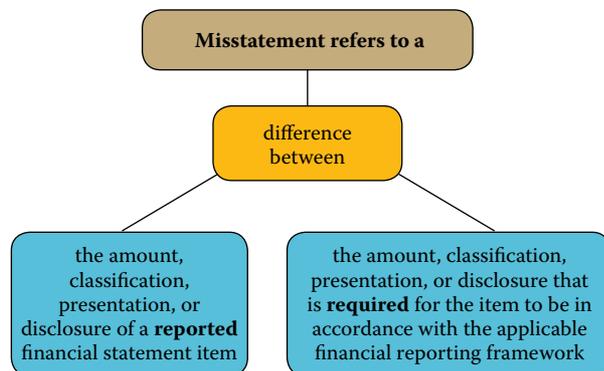
**Risk of material misstatement may be defined as the risk that the financial statements are materially misstated prior to audit.**

Inherent risk

Control risk

The susceptibility of an assertion to a misstatement that could be material **before consideration of any related controls.**

The risk that a misstatement that could occur in an assertion and that could be material, will not be prevented, or detected and corrected, on a timely basis by the entity's internal control.



#### Risks of Material Misstatement at Two levels:

(i) **The overall financial statement level-** Risks of material misstatement at the overall financial statement level refer to risks of material misstatement that relate pervasively to the financial statements as a whole and potentially affect many assertions.

(ii) **The assertion level for classes of transactions, account balances, and disclosures-** Risks of material misstatement at the assertion level are assessed in order to determine the nature, timing, and extent of further audit procedures necessary to obtain sufficient appropriate audit evidence.

#### Components of Risk of Material Misstatement:

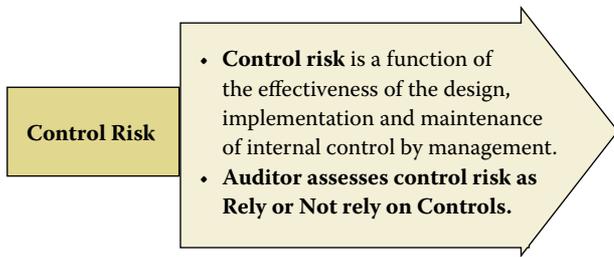
The risks of material misstatement at the assertion level consist of two components:

- (i) Inherent risk and
- (ii) Control risk.

$$\text{Risk of Material Misstatement} = \text{Inherent Risk} \times \text{Control Risk}$$

#### Inherent Risk

- Inherent risk is higher for some assertions and related classes of transactions, account balances, and disclosures than for others. For example, it may be higher for complex calculations.
- Inherent risk factors are considered while designing tests of controls and substantive procedures.



## Combined Assessment of the Risk of Material Misstatement:

$$\text{Audit Risk} = \text{Inherent Risk} \times \text{Control Risk} \times \text{Detection Risk}$$

### Detection Risk

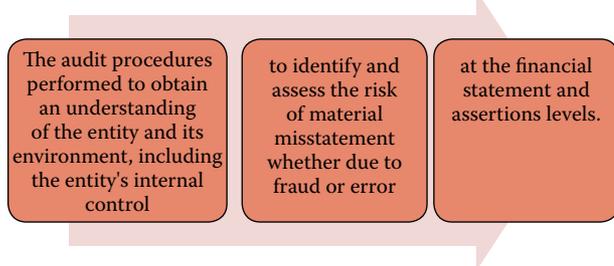


As per SA 315- "Identifying and Assessing the Risks of Material Misstatement through understanding the entity and its environment"

### Objective of the auditor

To identify and assess the risks of material misstatements, whether due to fraud or error	at the financial statement and assertion levels	through understanding the entity and its environment, including the entity's internal control	thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement
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### Risk Assessment Procedures



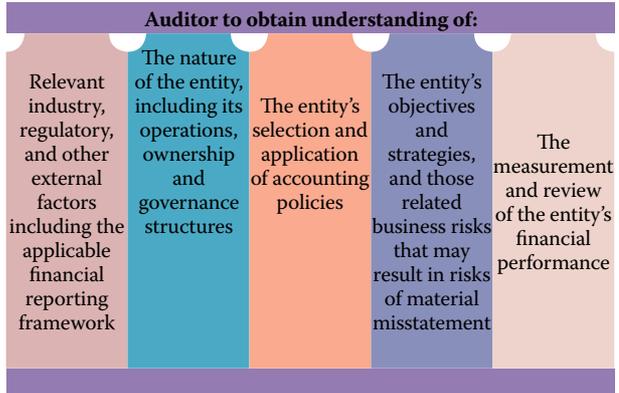
- ❖ Risk assessment procedure provides a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.
- ❖ Information obtained by performing risk assessment procedures may be used as audit evidence.
- ❖ The risks to be assessed include both those due to error and those due to fraud.

### What is included in Risk Assessment Procedures?

The risk assessment procedures shall include the following:

- (a) Inquiries of management and of others within the entity.
- (b) Analytical procedures.
- (c) Observation and inspection.

## The Required Understanding of the Entity and Its Environment, Including the Entity's Internal Control:



## Internal Control:

- As per SA-315, the internal control may be defined as
- the process designed, implemented and maintained by those charged with governance, management and other personnel
- to provide reasonable assurance about the achievement of an entity's objectives,
- with regard to reliability of financial reporting, effectiveness and efficiency of operations, safeguarding of assets, and compliance with applicable laws and regulations.
- The term "controls" refers to any aspects of one or more of the components of internal control.

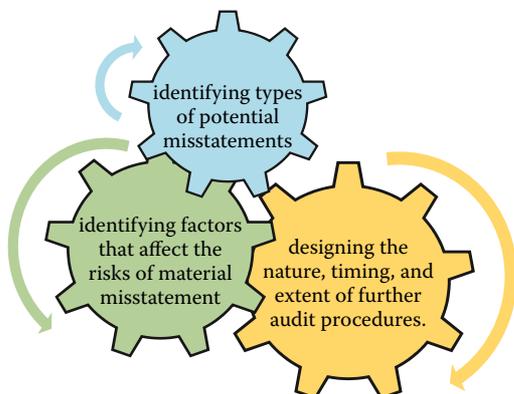
### Objectives of Internal Control:

- Transactions are executed in accordance with managements general or specific authorization
- All transactions are promptly recorded in the correct amount in the appropriate accounts and in the accounting period in which executed
- Assets are safeguarded from unauthorised access, use or disposition
- The recorded assets are compared with the existing assets at reasonable intervals.

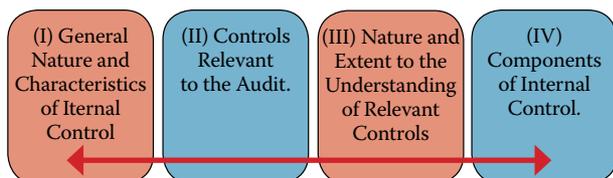
# AUDITING AND ASSURANCE ||

**The Entity's Internal Control:** The auditor shall obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment whether a control is relevant to the audit.

**Benefits of Understanding of Internal Control:** An understanding of internal control assists the auditor in -



**Study of various aspects of Internal Control:**



## (I) General Nature and Characteristics of Internal Control

**Purpose of Internal Control:**



## Limitations of Internal Control

- Internal control can provide only reasonable assurance
- Human judgement in decision-making
- Lack of understanding the purpose
- Collusion among People
- Judgements by Management
- Limitations in case of Small Entities

## (II) Controls Relevant to the Audit

There is a direct relationship between an entity's objectives and the controls it implements to provide reasonable assurance about their achievement.

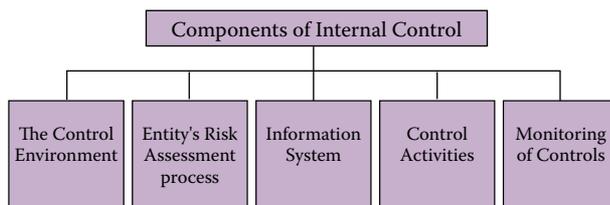
**Factors relevant to the auditor's judgment about whether a control, individually or in combination with others, is relevant to the audit may include such matters as the following:**

- Materiality.
- The significance of the related risk.
- The size of the entity.
- The nature of the entity's business.
- The diversity and complexity of the entity's operations.
- Applicable legal and regulatory requirements.
- The circumstances and the applicable component of internal control.
- The nature and complexity of the systems.
- Whether, and how, a specific control, individually or in combination with others, prevents, or detects and corrects, material misstatement.

## (III) Nature and Extent of the Understanding of Relevant Controls

- (i) Evaluating the design of a control involves considering whether the control is capable of effectively preventing, or detecting and correcting, material misstatements. Implementation of a control means that the control exists and that the entity is using it. An improperly designed control may represent a significant deficiency in internal control.
- (ii) Risk assessment procedures to obtain audit evidence about the design and implementation of relevant controls may include-
  - Inquiring of entity personnel.
  - Observing the application of specific controls.
  - Inspecting documents and reports.
  - Tracing transactions through the information system relevant to financial reporting.
- (iii) Obtaining an understanding of an entity's controls is not sufficient to test their operating effectiveness.

## (IV) Components of Internal Control

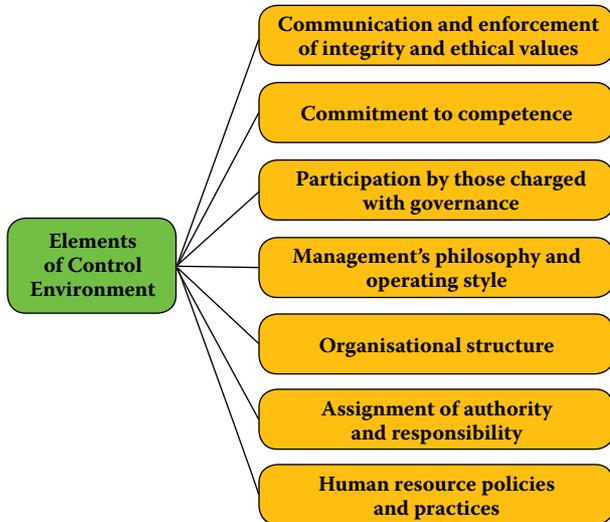


### A. Control Environment- Component of Internal Control

The auditor shall obtain an understanding of the control environment. As part of obtaining this understanding, the auditor shall evaluate whether:

- (i) Management has created and maintained a culture of honesty and ethical behavior; and
- (ii) The strengths in the control environment elements collectively provide an appropriate foundation for the other components of internal control.

## Elements of the Control Environment



## B. The Entity's Risk Assessment Process– Component of Control Environment

The auditor shall obtain an understanding of whether the entity has a process for:

- (a) Identifying business risks relevant to financial reporting objectives;
- (b) Estimating the significance of the risks;
- (c) Assessing the likelihood of their occurrence; and
- (d) Deciding about actions to address those risks.

## C. The information system, including the related business processes, relevant to financial reporting and communication–Component of Control Environment

The auditor shall obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including the following areas:

(a) The classes of transactions in the entity's operations that are significant to the financial statements;

(b) The procedures by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements;

(c) Backup records

(d) How the information system captures events and conditions that are significant to the financial statements;

(e) The financial reporting process used to prepare the entity's financial statements;

(f) Controls surrounding journal entries

**Communicating Financial Roles and Responsibilities– Obtaining an Understanding by the Auditor:** The auditor shall obtain an understanding of how the entity communicates financial reporting roles and responsibilities including:

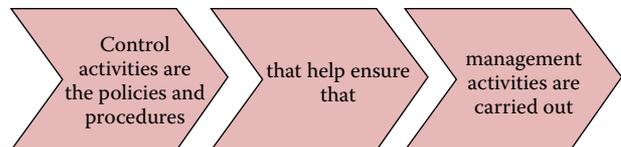
- |  |   |
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| (a) Communications between management and those charged with governance; and | (b) External communications, such as those with regulatory authorities. |
|--|---|

The following points need consideration in this regard:

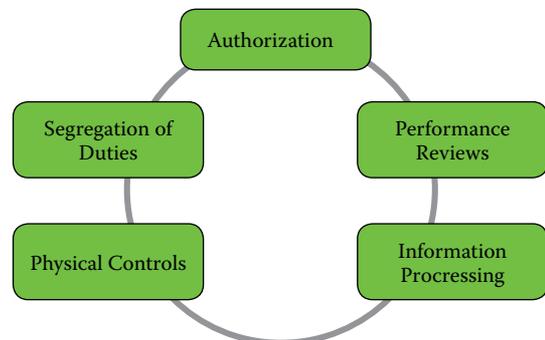
- (i) Understanding of Roles and Responsibilities
- (ii) Understanding regarding Relation of Activities
- (iii) Policy Manuals and Financial Reporting Manuals
- (iv) Open Communication Channels
- (v) Less structured and easier for Small Entities

## D. Control Activities– Component of Internal Control

The auditor shall obtain an understanding of control activities relevant to the audit, which the auditor considers necessary to assess the risks of material misstatement. An audit requires an understanding of **only those control activities** related to **significant class of transactions, account balance, and disclosure** in the financial statements and the assertions which the auditor finds relevant in his risk assessment process.



Examples of specific control activities include those relating to the following -



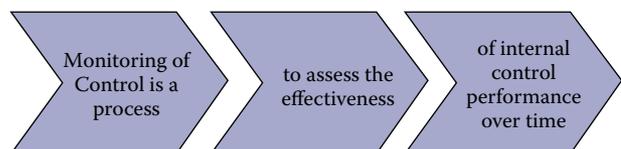
**Control activities that are relevant to the audit are:**

- Control activities that relate to significant risks and those that relate to risks for which substantive procedures alone do not provide sufficient appropriate audit evidence; or
- Those that are considered to be relevant in the judgment of the auditor;
- As part of the risk assessment, the auditor shall determine whether any of the risks identified are, in the auditor's judgment, a significant risk.

## E. Monitoring of Controls – Component of Internal Control

The auditor shall obtain an understanding of the major activities that the entity uses to monitor internal control over financial reporting.

1. Monitoring of Controls defined:



# AUDITING AND ASSURANCE ||

2. Helps in assessing the effectiveness of controls on a timely basis
3. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two.
4. Management's monitoring activities may include using information from communications from external parties such as customer complaints and regulator comments that may indicate problems or highlight areas in need of improvement.
5. **In case of Small Entities:** Management's monitoring of control is often accomplished by management's or the owner-manager's close involvement in operations.

## Monitoring of Controls– If the entity has an internal audit function

If the entity has an internal audit function, the auditor shall obtain an understanding of the following :

- (a) The internal audit function's responsibilities and how the internal audit function fits in the entity's organisational structure; and
- (b) The activities performed, or to be performed, by the internal audit function.

## Evaluation of Internal Control by the Auditor:

The auditor should gain an understanding of the accounting system and related internal controls and should study and evaluate the operations of these internal controls upon which he wishes to rely in determining the nature, timing and extent of other audit procedures.

The review of internal controls will enable the auditor to know:

- (i) whether errors and frauds are likely to be located in the ordinary course of operations of the business;
- (ii) whether an adequate internal control system is in use and operating as planned by the management;
- (iii) whether an effective internal auditing department is operating;
- (iv) whether any administrative control has a bearing on his work;
- (v) whether the controls adequately safeguard the assets;

(vi) how far and how adequately the management is discharging its function in so far as correct recording of transactions is concerned;

(vii) how reliable the reports, records and the certificates to the management can be;

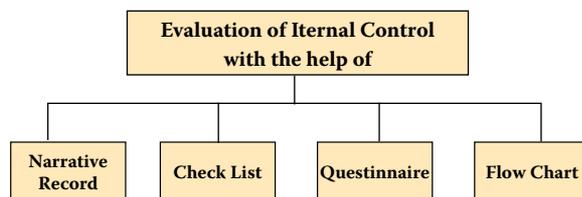
(viii) the extent and the depth of the examination that he needs to carry out in the different areas of accounting;

(ix) what would be appropriate audit technique and the audit procedure in the given circumstances;

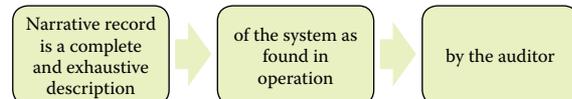
(x) what are the areas where control is weak and where it is excessive; and

(xi) whether some worthwhile suggestions can be given to improve the control system.

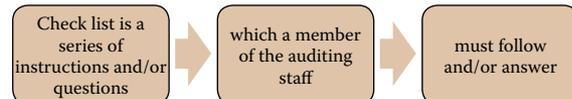
## Evaluation of Internal Control– Methods



### Narrative Record



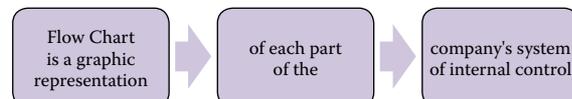
### Check List



### Internal Control Questionnaire

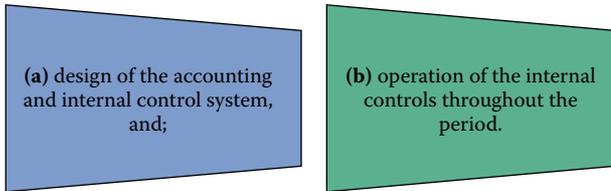
This is a comprehensive series of questions concerning internal control. This is the most widely used form for collecting information about the existence, operation and efficiency of internal control in an organisation.

### Flow Chart



## Testing of Internal Control:

Test of controls are performed to obtain audit evidence about the effectiveness of the:



Test of controls may include:

Inspection of documents supporting transactions and other events to gain audit evidence that internal controls have operated properly.

• Inquiries about, and observation of, internal controls which leave no audit trail.

• Re-performance involves the auditor's independent execution of procedures or controls that were originally performed as part of the entity's internal control.

• Testing of internal control operating on specific computerised applications or over the overall information technology function.

For example, the procedure for sales requires the following:

1. Before acceptance of any order the position of inventory of the relevant article should be known to ascertain whether the order can be executed in time.

2. An advice under the authorisation of the sales manager should be sent to the party placing the order, internal reference number, and the acceptance of the order. This advice should be prepared on a standardised form and copy thereof should be forwarded to inventory section to enable it to prepare for the execution of the order in time.

3. The credit period allowed to the party should be the normal credit period. For any special credit period a special authorisation of the sales manager would be necessary.

4. The rate at which the order has been accepted and other terms about transport, insurance, etc., should be clearly specified.

5. Before deciding upon the credit period, a reference should be made to the credit section to know the creditworthiness of the party and particularly whether the party has honoured its commitments in the past.

## Internal Control and IT Environment:

An entity's system of internal control contains manual elements and often contains automated elements. The characteristics of manual or automated elements relevant to the auditor's risk assessment and further audit procedures are explained hereunder-

(i) **Controls in Manual and IT System:** The use of manual or automated elements in internal control affects the manner in which transactions are initiated, recorded, processed, and reported:

- (1) Controls in a manual system may include such procedures as approvals and reviews of transactions, and reconciliations and follow-up of reconciling items. Alternatively, an entity may use automated procedures to initiate, record, process, and report transactions, in which case records in electronic format replace paper documents.
- (2) Controls in IT systems consist of a combination of automated controls (for example, controls embedded in computer programs and manual controls.)

(ii) **Use of IT:** An entity's mix of manual and automated elements in internal control varies with the nature and complexity of the entity's use of IT.

(iii) **Generally, IT benefits an entity's internal control by enabling an entity to:**

Processing of large volumes of transactions or data becomes simple:

Enhance the timeliness, availability, and accuracy of information;

Facilitate the additional analysis of information;

Enhance the ability to monitor the performance of the entity's activities and its policies and procedures;

Reduce the risk that controls will be circumvented; and

Effective segregation of duties through security controls.

(iv) **IT also poses specific risks to an entity's internal control, including, for example:**

- Reliance on systems or programs that are inaccurately processing data, processing inaccurate data, or both.
- Unauthorised access to data that may result in destruction of data or improper changes to data.
- The possibility of IT personnel gaining access privileges beyond those necessary to perform their assigned duties thereby breaking down segregation of duties.
- Unauthorised changes to data in master files.
- Unauthorised changes to systems or programs.
- Failure to make necessary changes to systems or programs.
- Inappropriate manual intervention.
- Potential loss of data or inability to access data as required.

(v) **Suitability:** Manual elements in internal control may be more suitable where judgment and discretion are required.

# AUDITING AND ASSURANCE ||

**(vi) Reliability:** Manual elements in internal control may be less reliable than automated elements because they can be more easily bypassed, ignored, or overridden.

**(vii) Nature of Entity's Information System:** The extent and nature of the risks to internal control vary depending on the nature and characteristics of the entity's information system. The entity responds to the risks arising from the use of IT or from use of manual elements in internal control by establishing effective controls in light of the characteristics of the entity's information system.

## Materiality and Audit Risk:

Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated.

❖ Audit risk is a function of the risks of material misstatement and detection risk.

Materiality and audit risk are considered throughout the audit, in particular, when:

<b>(a)</b> Identifying and assessing the risks of material misstatement;	<b>(b)</b> Determining the nature, timing and extent of further audit procedures; and	<b>(c)</b> Evaluating the effect of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.
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## Documenting the Risk:

### The auditor shall document:

<b>(a)</b> The discussion among the engagement team and the significant decisions reached;	<b>(b)</b> Key elements of the understanding obtained regarding each of the aspects of the entity and its environment and of each of the internal control components;	<b>(c)</b> The identified and assessed risks of material misstatement at the financial statement level and at the assertion level; and	<b>(d)</b> The risks identified, and related controls about which the auditor has obtained an understanding.
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## Internal Audit:

An independent management function

which involves a continuous and critical appraisal

of the functioning of an entity with a view to suggest improvements thereto

and add value to and strengthen the overall governance mechanism of the entity

including the entity's strategic risk management and internal control system

## Applicability of Provisions of Internal Audit

As per section 138 of the Companies Act, 2013 the following class of companies (prescribed in rule 13 of Companies (Accounts) Rules, 2014) shall be required to appoint an internal auditor or a firm of internal auditors, namely-

**(a)** every listed company;

**(b)** every unlisted public company having-

<b>(i)</b> paid up share capital of fifty crore rupees or more during the preceding financial year; or	<b>(ii)</b> turnover of two hundred crore rupees or more during the preceding financial year; or	<b>(iii)</b> outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more at any point of time during the preceding financial year; or	<b>(iv)</b> outstanding deposits of twenty five crore rupees or more at any point of time during the preceding financial year; and
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**(c)** every private company having-

<b>(i)</b> turnover of two hundred crore rupees or more during the preceding financial year; or	<b>(ii)</b> outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more at any point of time during the preceding financial year.
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It is provided that an existing company covered under any of the above criteria shall comply with the requirements within six months of commencement of such section.

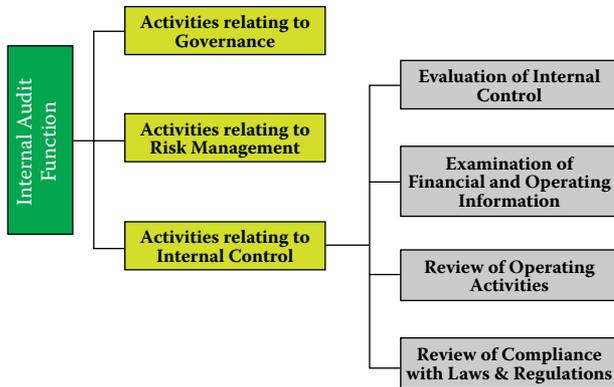
## Who can be appointed as Internal Auditor?

As per section 138, the internal auditor shall either be a chartered accountant or a cost accountant (whether engaged in practice or not), or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the companies. The internal auditor may or may not be an employee of the company.

## The objectives and scope of internal audit function

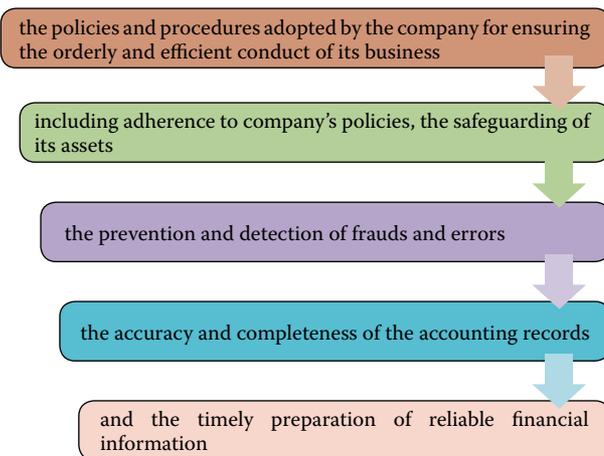
As per SA-610, "Using the Work of an Internal Auditor", the objectives of internal audit functions vary widely and depend on the size and structure of the entity and the requirements of management and, where applicable, those charged with governance.

The objectives and scope of internal audit functions typically include assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance processes, risk management and internal control such as the following:



## Basics of Internal Financial Control and Reporting Requirements:

Clause (e) of Sub-section 5 of Section 134 explains the meaning of internal financial controls as,



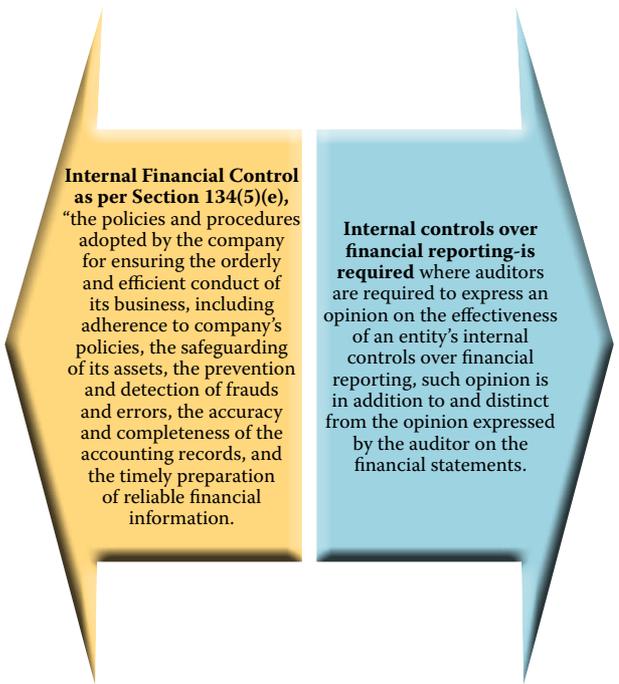
## Auditors' Responsibility for Reporting on Internal Financial Controls over Financial Reporting in India

Clause (i) of Sub-section 3 of Section 143 of the Act requires the auditors' report to state whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

**Objective of an auditor in an audit of internal financial controls over financial reporting is to express an opinion on the effectiveness of the company's internal financial controls over financial reporting. It is carried out along with an audit of the financial statements.**

**Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014** requires the board report of all companies to state the details in respect of adequacy of internal financial controls with reference to the financial statements.

## Difference between Internal Financial Control and Internal Control over Financial Reporting:



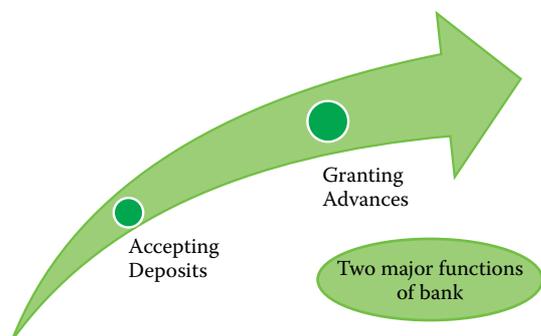
*The best executive is one who has sense enough to pick good people to do what he wants done, and self-restraint enough to keep from meddling with them while they do it*

— Theodore Roosevelt

### Types of banks in India:

Commercial Banks.	Regional Rural Banks.
Co-operative Banks.	Payment Banks.
Development Banks (more commonly known as 'Term-Lending Institutions').	Small Finance Banks.

### Major Functions of Bank:



### Regulatory Framework:

Banking Regulation Act, 1949.	State Bank of India Act, 1955.
Companies Act, 2013.	
Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.	
Regional Rural Banks Act, 1976.	
Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.	
Information Technology Act, 2000.	Prevention of Money Laundering Act, 2002.
Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.	
Credit Information Companies Regulation Act, 2005.	
Payment and Settlement Systems Act, 2007.	

### Types of Audit Reports to be issued (generally):

Presently, the Statutory Central Auditors (SCAs) have to furnish the following reports in addition to their main audit report:

a	◆ Report on adequacy and operating effectiveness of Internal Controls over Financial Reporting in case of banks which are registered as companies under the Companies Act in terms of Section 143(3)(i) of the Companies Act, 2013.
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b	◆ Long Form Audit Report
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c	◆ Report on compliance with SLR requirements
d	◆ Report on whether the treasury operations of the bank have been conducted in accordance with the instructions issued by the RBI from time to time.
e	◆ Report on whether the income recognition, asset classification and provisioning have been made as per the guidelines issued by the RBI from time to time.
f	◆ Report on whether any serious irregularity was noticed in the working of the bank which requires immediate attention.
g	◆ Report on status of the compliance by the bank with regard to the implementation of recommendations of the Ghosh Committee relating to frauds and malpractices and of the recommendations of Jilani Committee on internal control and inspection/ credit system.
h	◆ Report on instances of adverse credit-deposit ratio in the rural areas.

### Performing Control Activities:

Nature of Questions	Questions to be considered / answered
Who	<ul style="list-style-type: none"> <li>Who performs the control?</li> <li>Does the above person have requisite knowledge and authority to perform the control?</li> </ul>
What	<ul style="list-style-type: none"> <li>What evidence is available to demonstrate / prove that the control is performed?</li> </ul>
When	<ul style="list-style-type: none"> <li>When and with what frequency is the control performed?</li> <li>Is the frequency enough to prevent, detect and correct risk of material misstatements?</li> </ul>
Where	<ul style="list-style-type: none"> <li>Where is the evidence of performance of the control retained?</li> <li>For how long is the evidence retained?</li> <li>Is the evidence accessible/ available for audit?</li> </ul>
Why	<ul style="list-style-type: none"> <li>Why is the control being performed?</li> <li>What type of errors are prevented or detected through the performance of the control?</li> </ul>
How	<ul style="list-style-type: none"> <li>How is the control performed?</li> <li>What are the control activities?</li> <li>Can these activities be bypassed?</li> <li>Can the bypass, if any, be detected?</li> <li>How are exceptions/deviations resolved on identification?</li> <li>What is the time frame for resolving the exceptions?</li> </ul>

## The Bank Auditor:

- 1. ELIGIBILITY, QUALIFICATIONS AND DISQUALIFICATIONS OF AUDITOR**  
 • Section 141 of the Companies Act, 2013
- 2. APPOINTMENT OF AUDITOR**  
 • The auditor of a banking company is to be appointed at the **Annual General Meeting** of the shareholders, whereas the auditor of a nationalised bank is to be appointed by the bank concerned acting through its Board of Directors.
- 3. REMUNERATION OF AUDITOR**  
 • The remuneration of auditor of a banking company is to be fixed in accordance with the provisions of Section 142 of the Companies Act, 2013
- 4. POWERS OF AUDITOR**  
 • The auditor of a banking company, nationalised bank, State Bank of India, subsidiary of State Bank of India or regional rural bank has the same powers as those of a company's auditor in the matter of access to the books, accounts, documents and vouchers
- 5. CONDUCTING A BANK AUDIT**

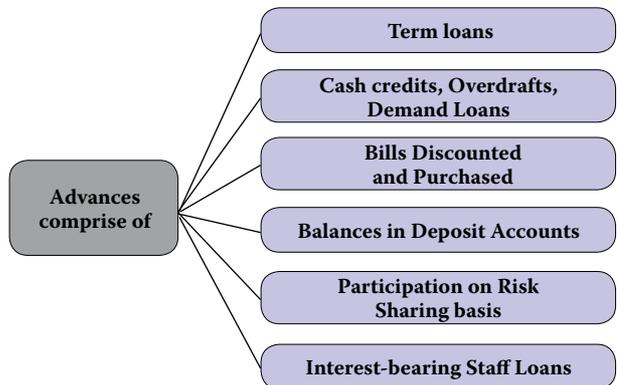
## Conducting an Audit:

- 1. Initial consideration by the statutory auditor:**

Declaration of Indebtness	Internal Assignments in Banks by Statutory Auditors	Planning
Communication with Previous Auditor	Terms of Audit Engagement	Initial Engagements
Assessment of Engagement Risk	Establishment of Engagement Team	Understanding the Bank & Its Environment
2. Identifying and Assessing the Risks of Material Misstatements
3. Understanding the Bank and its Environment including Internal Control
4. Understanding the Bank's Accounting Process
5. Understanding the Risk Management Process
  - (a) Oversight and involvement in the control process by those charged with governance
  - (b) Identification, measurement and monitoring of risks
  - (c) Control activities
  - (d) Monitoring activities
  - (e) Reliable information systems
6. Engagement Team Discussions
7. Establish the Overall Audit Strategy - SA 300 "Planning an Audit of financial Statements"

8. Develop the Audit Plan
9. Audit Planning Memorandum
10. Determine Audit Materiality
11. Consider Going Concern
12. Assess the Risk of Fraud including Money Laundering
13. Assess Specific Risks
14. Risk Associated with Outsourcing of Activities
15. Response to the Assessed Risks
16. Stress Testing
17. BASEL III Framework
18. Reliance on / review of other reports

## Advances:



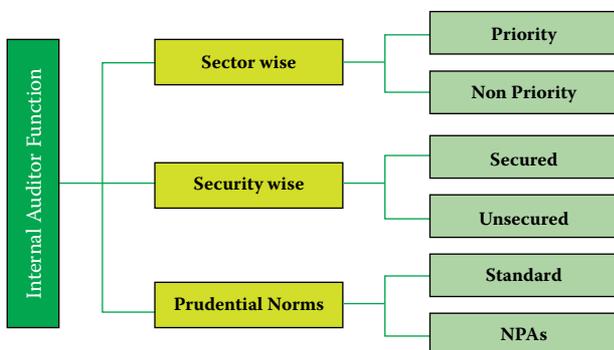
### Legal requirements of Disclosure in the Balance Sheet:

- |  |   |
|--|---|
| <b>A.</b><br>(i) Bills purchased and discounted<br>(ii) Cash credits, Overdrafts and loans repayable on demand<br>(iii) Term Loans | <b>B.</b><br>(i) Secured by tangible assets<br>(ii) Covered by Bank/ Government guarantees<br>(iii) Unsecured |
|--|---|

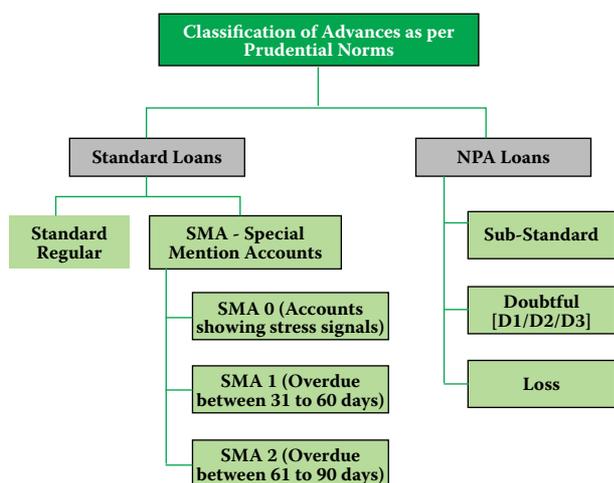
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| <b>C.I. Advances in India:</b><br>(i) Priority sectors<br>(ii) Public sector<br>(iii) Banks<br>(iv) Others | <b>C.II. Advances outside India</b><br>(i) Due from Banks<br>(ii) Due from Others:<br>(a) Bills Purchased and discounted<br>(b) Syndicated loans<br>(c) Others |
|--|--|

# AUDITING AND ASSURANCE

## Classification of Advances:



## Classification of Advances as per RBI Prudential Norms



## Non-Performing Asset (NPA):

A non-performing asset (NPA) is a loan or an advance where :-

- interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan;
- the account remains 'out of order' in respect of an Overdraft / Cash Credit (OD / CC);
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.



**Income Recognition** :- Income from non-performing assets (NPA) is not recognized on accrual basis but is booked as income only when it is actually received.



**Borrower Wise** :- Asset classification would be borrower-wise and not facility-wise. All facilities including investments in securities would be termed as NPA.



**Record of Recovery** :- Classification as NPA should be based on the record of recovery. Availability of security or net worth of borrower/guarantor is not to be taken into account for purpose of treating an advance as NPA or otherwise.

## Provisioning of NPA

Categories of Non-Performing Assets:	Provision required
<ul style="list-style-type: none"> <li><b>Standard Assets:</b> Would be one, which has remained NPA for a period less than or equal to 12 months.</li> <li><b>Doubtful Assets:</b> Would be one, which has remained in the substandard category for a period of 12 months. <b>Sub-categories:</b> Doubtful up to 1 Year (D1) Doubtful 1 to 3 Years (D2) Doubtful more than 3 Years (D3)</li> <li><b>Loss Assets:</b> Would be one, where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.</li> </ul>	<p>15%</p> <p>(Secured + Unsecured) 25% + 100% 40% + 100% 100% + 100%</p> <p>100%</p>

## Drawing Power:

**Meaning :-** Drawing Power generally addressed as "DP" is an important concept for **Cash Credit (CC)** facility availed from banks and financial institutions. **Drawing power** is the limit up to which a firm or company can withdraw from the working capital limit sanctioned.

**Different from Sanction Limit:-** The **Sanctioned limit** is the total exposure that a bank can take on a particular client for facilities like cash credit, overdraft, export packing credit, non-funded exposures etc. On the other hand, **Drawing Power** refers to the amount calculated based on primary security less margin as on a particular date.

**Considerations:-** All accounts should be kept within both the drawing power and the sanctioned limit at all times. The accounts which exceed the sanctioned limit or drawing power or are against unapproved securities or are otherwise irregular should be brought to the notice of the Management/Head Office regularly.

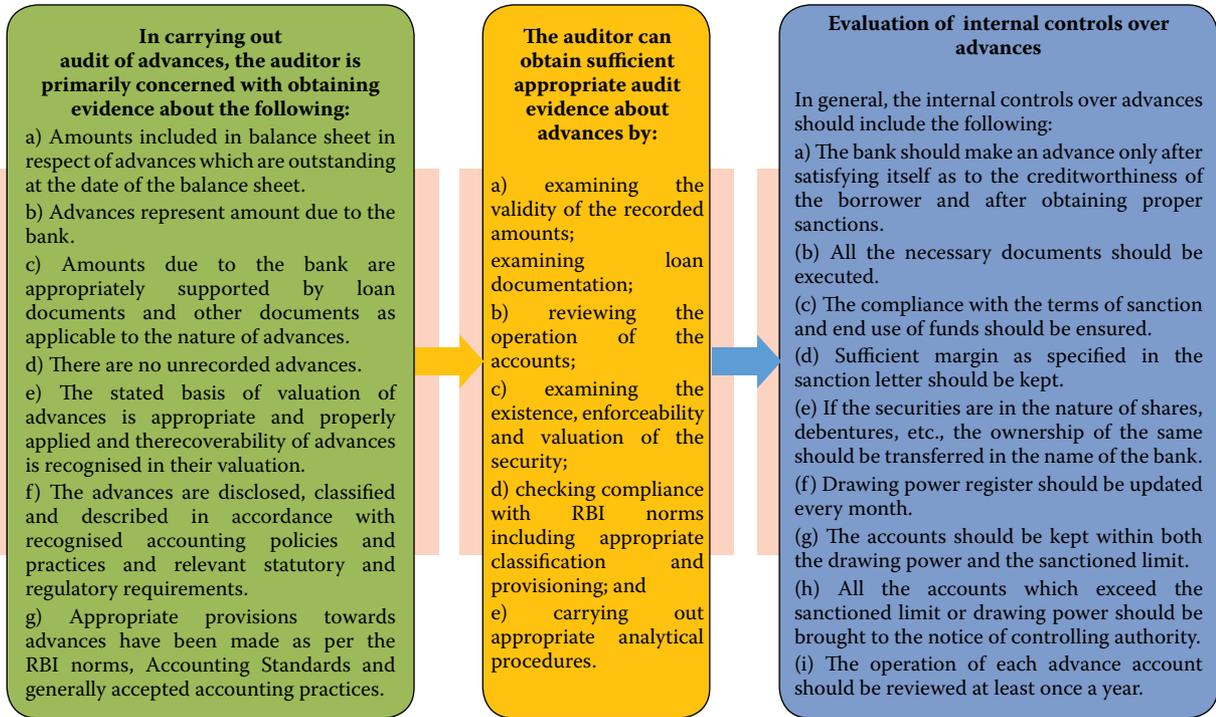
**Bank's Duties:-** Banks should ensure that drawings in the working capital account are covered by the adequacy of the current assets. Drawing power is required to be arrived at based on current stock statement which should not be older than **three months** otherwise it is deemed as irregular.

**Auditor's Concern:-** The stock statements, quarterly returns and other statements submitted by the borrower to the bank should be scrutinized in detail. The audited Annual Report submitted by the borrower should be scrutinized properly. The monthly stock statement of the month for which the audited accounts are prepared and submitted should be compared and the reasons for **deviations**, if any, should be ascertained.

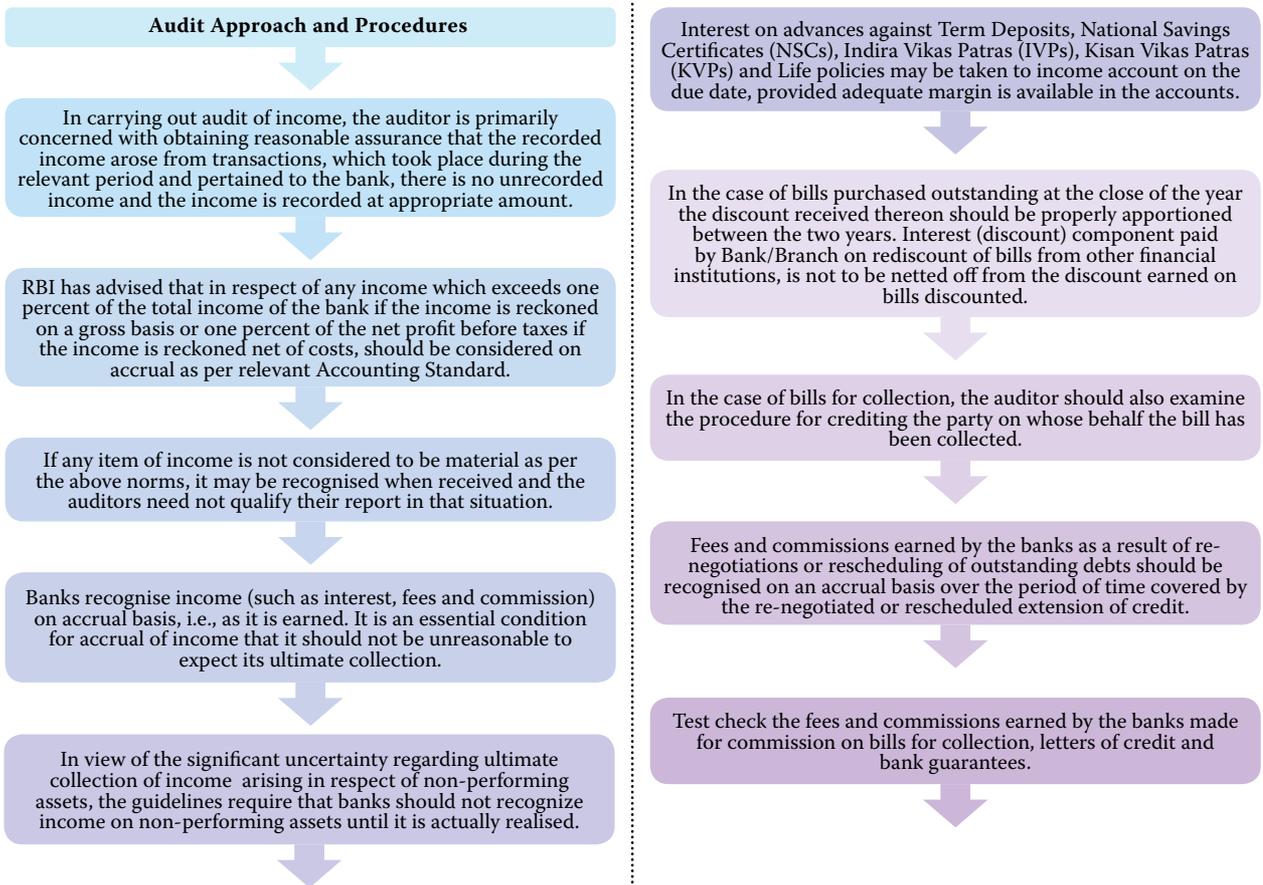
**Stock Audit:-** The stock audit should be carried out by the bank for all accounts having funded exposure of more than **₹5 crores**. Auditors can also advise for stock audit in other cases if the situation warrants the same.

**Computation of DP:-** DP needs to be calculated as per the extant guidelines formulated by the Board of Directors of the respective bank and agreed upon by the concerned Statutory auditors. Special consideration should be given to proper reporting of sundry creditors for the purposes of calculating drawing power.

**Audit of Advances:**

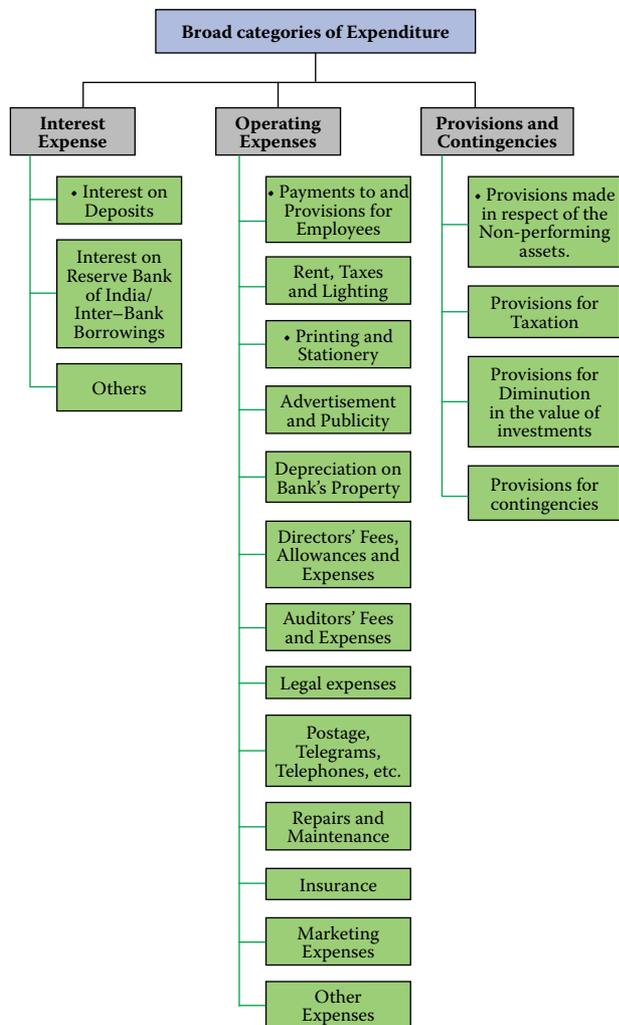


**Audit of Revenue Items:**



# AUDITING AND ASSURANCE ||

## Audit of Expenses:



### Audit Approach and Procedures for Interest Expenses

In carrying out an audit of interest expense, the auditor is primarily concerned with assessing the overall reasonableness of the amount on interest expenses by analysing ratios of interest paid on different types of deposits and borrowings to average quantum of the respective liabilities during the year.

The auditor should obtain from the bank an analysis of various types of deposits outstanding at the end of each quarter.

The auditor should also compare the average rate of interest paid on the relevant deposits with the corresponding figures for the previous years and analyse any material differences.

The auditor should obtain general ledger break-up for the interest expense incurred on deposits and borrowings each month/ quarter.

### Audit Approach and Procedures for Operating Expenses

For audit of operating expenses, the auditor should study and evaluate the system of internal control relating to expenses, including authorization procedures in order to determine the nature, timing and extent of his other audit procedures.

The auditor should examine whether there are any divergent trends in respect of major items of expenses.

The auditor should perform substantive analytical procedures in respect of these expenses. eg. assess the reasonableness of expenses by working out their ratio to total operating expenses and comparing it with the corresponding figures for previous years.

The auditor should also verify expenses with reference to supporting documents and check the calculations wherever required.

### Audit Approach and Procedures for Provisions and contingencies

For audit of Provisions and contingencies, the auditor should ensure that the compliances for various regulatory requirements for provisioning as contained in the various circulars have been fulfilled.

The auditor should obtain an understanding as to how the bank computes provision on standard assets and non-performing assets.

The auditor may verify the loan classification on a sample basis.

The auditor should obtain the detailed break up of standard loans, non-performing loans and agree the outstanding balances with the general ledger.

The auditor should obtain the tax provision computation from the bank's management and verify the nature of items debited and credited to profit and loss account to ascertain that the same are appropriately considered in the tax provision computation.

*Every day we live we create an impact with the choices we make. When billions of people make ethical choices, the world will be a better place*

— Jane Goodall

## CA FOUNDATION PAPER 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

The objective of Paper 1 “Principles and Practice of Accounting” at Foundation level is to develop an understanding of the basic concepts and principles of Accounting and apply the same in preparing financial statements. It has always been the endeavor of Board of Studies to provide quality academic inputs to the students. Considering this objective, it has been decided to bring forth a crisp and concise capsule on the topic of Depreciation covered in the syllabus of this paper.

The concepts involved in this chapter have been presented through infographics in this capsule, which will help students in grasping the intricate practical aspects. This Capsule is meant to enable students in undergoing quick revision of the chapter Concept and Accounting of Depreciation. Under no circumstances, can such revision substitute the detailed study of the material provided by the Board of Studies. Students are advised to refer Chapter 5 of the Study Material for comprehensive study.

### CHAPTER 5: CONCEPT AND ACCOUNTING OF DEPRECIATION

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Thus it is not necessary that an asset must be used to be depreciated. There is decrease in value of assets due to normal wear and tear even when these are not physically used. Accordingly, value of such wear and tear should be estimated and accounted for.

#### Meaning of depreciation

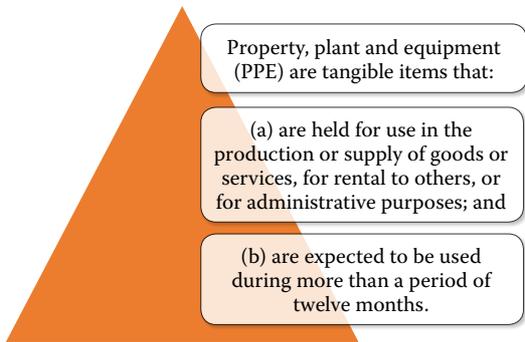
As per Schedule II under the Companies Act, 2013,	<ul style="list-style-type: none"> <li>• Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.</li> <li>• The depreciable amount of an asset is the cost of an asset or other amount substituted for cost, less its residual value.</li> <li>• The useful life of an asset is the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by the entity.</li> </ul>
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#### Reasons for decreases in value of an asset

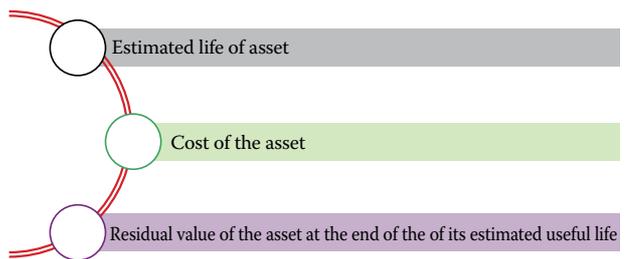
Value of an assets decreases with passage of time mainly due to following reasons.

1. Wear and tear due to its use in business.
2. Efflux of time even when it is not being used.
3. Obsolescence due to technological or other changes.
4. Decrease in market value.
5. Depletion mainly in case of mines and other natural reserves.

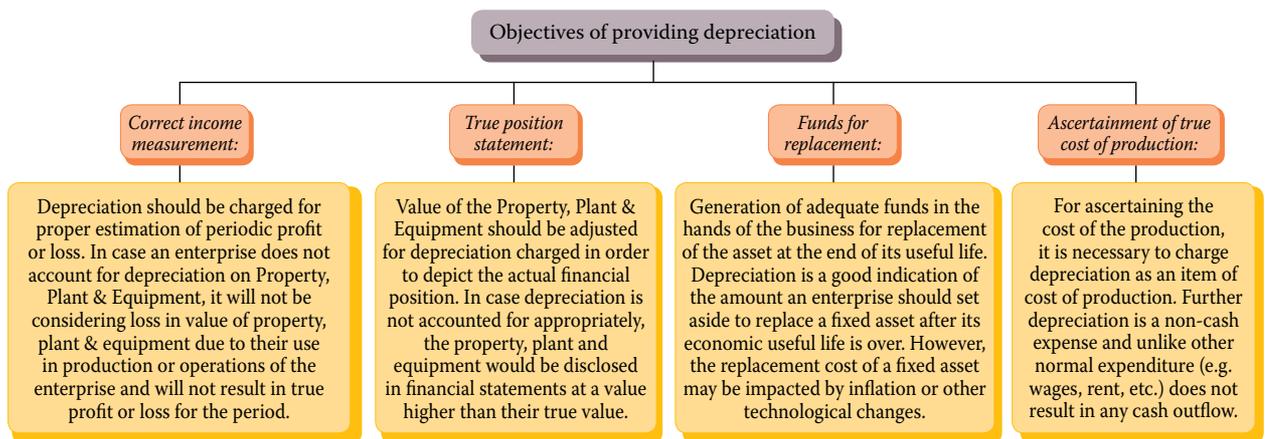
#### Concept of PPE



#### Factors affecting the amount of depreciation



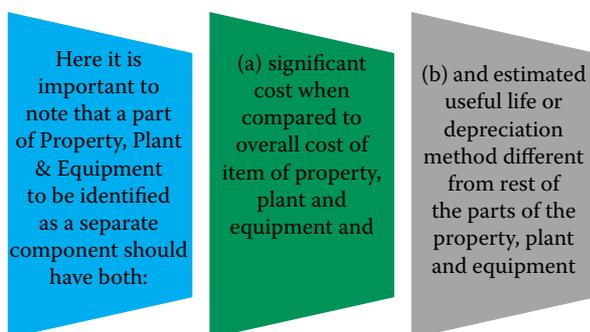
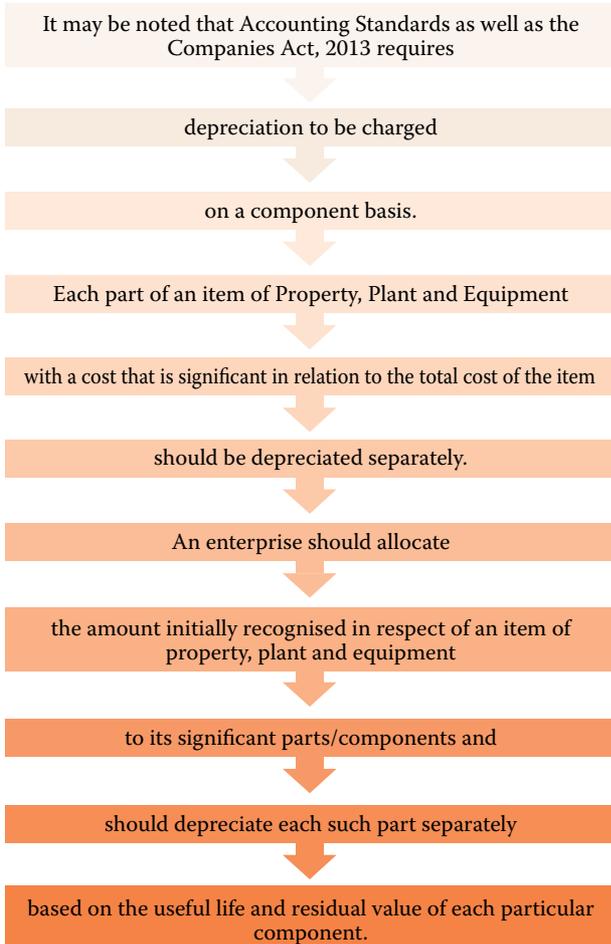
#### Objectives of providing depreciation



Further depreciation by itself does not create funds it merely draws attention to the fact that out of gross revenue receipts, a certain amount should be retained for replacement of assets used for carrying on operation.

# PRINCIPLES AND PRACTICE OF ACCOUNTING

## Depreciation on components of an assets



A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.



## 'Useful Life'

- 'Useful Life' is either
- (i) the period over which a depreciable asset is expected to be used by the enterprise or
  - (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise.

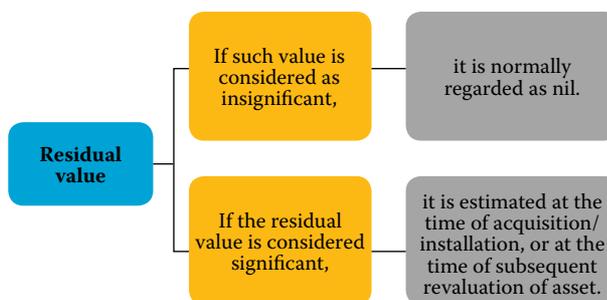
### Determination of the useful life

is a matter of estimation and

is normally based on various factors

- including experience with similar type of assets.
- Several other factors like estimated working hours, production capacity, repairs and renewals, etc.

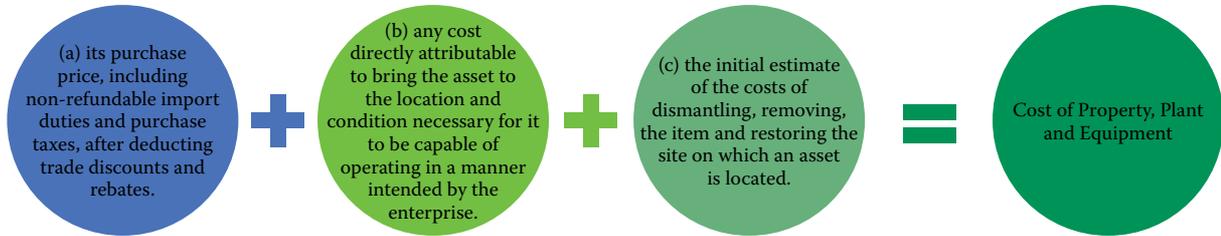
## Determination of the residual value



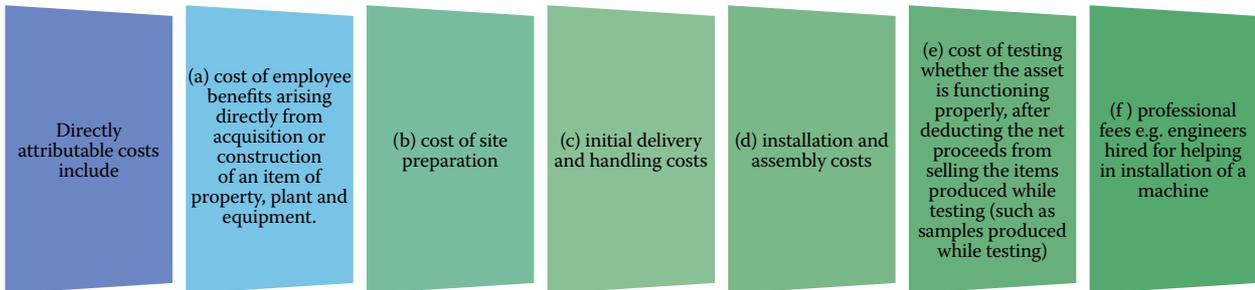
## Depreciable amount



## Cost of Property, Plant and Equipment

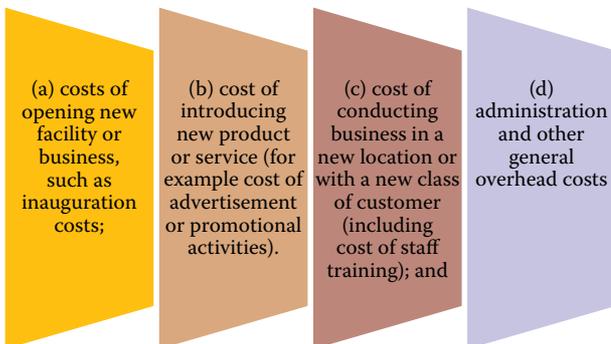


## Examples of directly attributable costs are



Thus all the expenses which are necessary for asset to bring it in condition and location of desired use will become part of cost of the asset

## Expenses should not become part of cost of asset

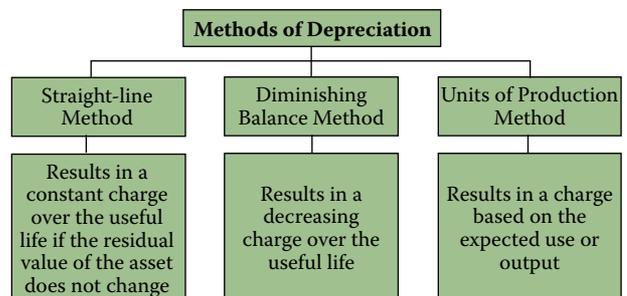


Once an asset has been brought to its intended condition and location of use, no cost should be recognized as part of cost of the asset unless there is major repair or addition which increases the useful life of the asset or improves the production capacity of the asset. Accordingly, cost incurred while an item is capable of operating in intended manner but it is not yet put to use or is used at less than full capacity should not be capitalized as part of cost of the asset.

Similarly, cost of relocation of an asset should not be capitalized. Any additions made to a particular item of property, plant and equipment after it is initially put to use are depreciated over the remaining useful life of the asset. Therefore, it is important to maintain an asset register capturing asset wise details of cost, rate of depreciation, date of capitalization etc. All these details need to be captured for any additions to existing assets as well. In the absence of the adequate information, it will be very difficult to compute depreciation expense year on year. Also, at the time of disposal or discard of a particular asset, it will not be possible to compute gain or loss on such disposal/discard.

## Methods for providing depreciation

Generally, methods for providing depreciation are based on formula, developed on a study of the behavior of the assets over a period of years for readily computing the amount of depreciation suffered by different forms of assets. Each of the methods, however, should be applied only after carefully considering nature of the asset and the conditions under which it is being used.



### Straight Line Method

According to this method, an equal amount is written off every year during the working life of an asset so as to reduce the cost of the asset to nil or its residual value at the end of its useful life.

The advantage of this method is that it is simple to apply and gives accurate results especially in case of leases, and also in case of plant and machinery.

This method is also known as Fixed Installment Method.

According to this method, an equal amount is written off every year during the working life of an asset so as to reduce the cost of the asset to nil or its residual value at the end of its useful life.

$$\text{Straight Line Depreciation} = \frac{\text{Cost of Asset} - \text{Scrap Value}}{\text{Useful life}}$$

$$\text{Straight Line Depreciation Rate} = \frac{\text{Straight Line Depreciation}}{\text{Cost of Asset}} \times 100$$

# PRINCIPLES AND PRACTICE OF ACCOUNTING

The underlying assumption of this method is that the particular tangible asset generates equal utility during its lifetime. But this cannot be true under all circumstances.

The expenditure incurred on repairs and maintenance will be low in earlier years, whereas the same will be high as the asset becomes old.

Apart from this the asset may also have varying capacities over the years, indicating logic for unequal depreciation provision.

However, many assets have insignificant repairs and maintenance expenditures for which straight line method can be applied.

While using this method the period of use of an asset in a particular year should also be considered. In the year of purchase of an asset it may have been available for use for part of the year only, accordingly depreciation should be proportioned to reflect the period for which it was available for use.

## Reducing or Diminishing Balance Method

Under this system, a fixed percentage of the diminishing value of the asset is written off each year so as to reduce the asset to its residual value at the end of its life.

Repairs and small renewals are charged to revenue.

This method is commonly used for plant, fixtures, etc. Under this method, the annual charge for depreciation decreases from year to year, so that the earlier years suffer to the benefit of the later years.

Also, under this method, the value of asset can never be completely extinguished, which happens in the earlier explained Straight Line Method.

However, it is very simple to operate.

This method is based on the assumption that cost of repairs will increase as the asset get old, therefore, depreciation in earlier year should be high when the repair cost is expected to be low and depreciation in later years should be low when the repair cost is expected to be high.

Therefore, this method will result in almost equal burden in all the years of use of the asset as depreciation will reduce with increase in repair costs will increase with every passing year.

On the other hand, under the Straight Line Method, the charge for depreciation is constant, while repairs tend to increase with the life of the asset.

Among the disadvantages of this method is the danger that too low a percentage may be adopted as depreciation with the result that over the life of the asset full depreciation may not be provided; also if assets are grouped in such a way that individual assets are difficult to identify, the residue of an asset may lie in the asset account even after the asset has been scrapped.

## Machine Hour Method

Where it is practicable to keep a record of the actual running hours of each machine, depreciation may be calculated on the basis of hours that the concerned machine worked.

The machine hour rate of the depreciation, is calculated after estimating the total number of hours that machine would work during its whole life; however, it may have to be varied from time to time, on a consideration of the changes in the economic and technological conditions which might take place, to ensure that the amount provided for depreciation corresponds to that considered appropriate in the changed circumstances.

It would be observed that the method is only a slight variation of the Straight Line Method under which depreciation is calculated per year.

Under this method it is calculated for each hour the machine works. Schedule II to the Companies Act 2013, prescribes estimated useful life of different assets for companies, also recognizes this method to some extent.

It prescribes that depreciation should be charged using estimate useful life suggested in it, however, in certain category of plant and machinery it prescribes to charge higher amount of depreciation if these assets are used for 2 shifts or 3 shifts. In a way, schedule II combines straight line method and machine hour method.

The last mentioned difficulty could be, however, overcome if a Plant register is maintained. The rate of depreciation under this method may be determined by the following formula:

$$1 - \sqrt[n]{\frac{\text{Residual Value}}{\text{Cost of asset}}} \times 100$$

where, n = useful life

Similar to straight line method, in this method also period of use in a particular year e.g. year of purchase or sale an item of property plant and equipment needs to be considered while computing the depreciation amount.

## Accounting Entries under Straight Line and Reducing Balance Methods:

There are two alternative approaches for recording accounting entries for depreciation.

### First Alternative

A provision for depreciation account is opened to accumulate the balance of depreciation and the assets are carried at historical cost.

#### Accounting entries:

Depreciation Account	Dr.
To Provision for Depreciation Account	
Profit and Loss Account	Dr.
To Depreciation Account	

### Second Alternative

Amount of Depreciation is credited to the Asset Account every year and the Asset Account is carried at historical cost less depreciation.

#### Accounting entries:

Depreciation Account	Dr.
To Asset Account	
Profit and Loss Account	Dr.
To Depreciation Account	

## Sum of Years of Digits Method

It is variation of the "Reducing Balance Method"

In this case, the annual depreciation is calculated by multiplying the original cost of the asset less its estimated scrap value by the fraction represented by:

- The number of years (including the present year) of remaining life of the asset / Total of all digits of the life of the asset (in years)

## Production Units Method

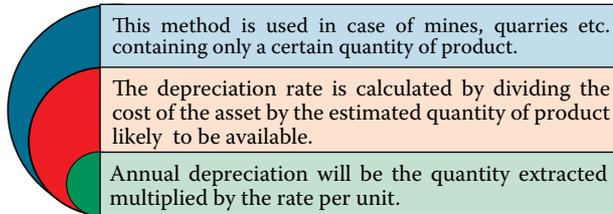
Depreciation of the asset is determined by comparing the annual production with the estimated total production.

### Depreciation for the period

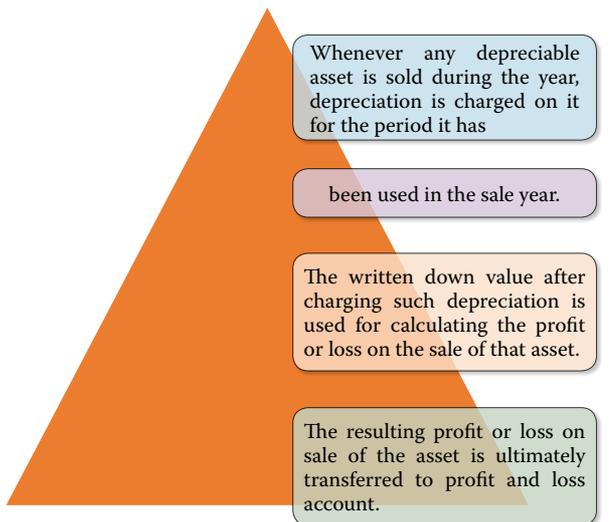
$$\text{Depreciable Amount} \times \frac{\text{Production during the period}}{\text{Estimated total production}}$$

The method is applicable to machines producing product of uniform specifications.

## Depletion Method



## Profit or Loss on the Sale / Disposal of Property, Plant and equipment



## Change in the method of depreciation

- The depreciation method applied to an asset should be reviewed,
- at least at each financial year-end and,
- if there has been a significant change,
- in the expected pattern of consumption of the future economic benefits embodied in the asset,

the method should be changed to reflect the changed pattern.

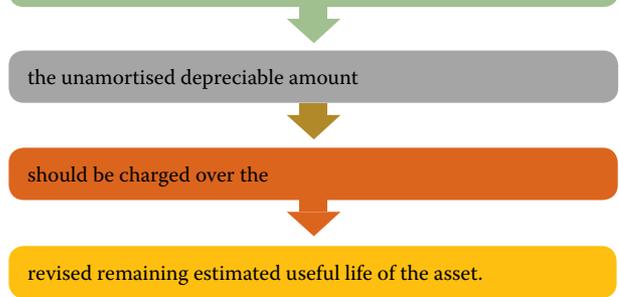
Whenever any change in depreciation method is made such change in method is treated as change in accounting estimate as per Accounting Standards.

Its effect needs to be quantified and disclosed.

## Revision of the Estimated Useful Life of Property, Plant and equipment

The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with Accounting Standards.

Whenever there is a revision in the estimated useful life of the asset,



**EXAMPLE:**

A Machine costing ₹6,00,000 is depreciated on straight line basis having useful life of 10 years and Nil residual value, for three years. The estimate of remaining useful life after third year was reassessed at 5 years. In this case, Depreciation per year will be = ₹60,000 (₹6,00,000 / 10)

Depreciation on SLM charged for three years = ₹60,000 × 3 years = ₹1,80,000

Book value of the computer at the end of third year = ₹6,00,000 – ₹1,80,000 = ₹4,20,000.

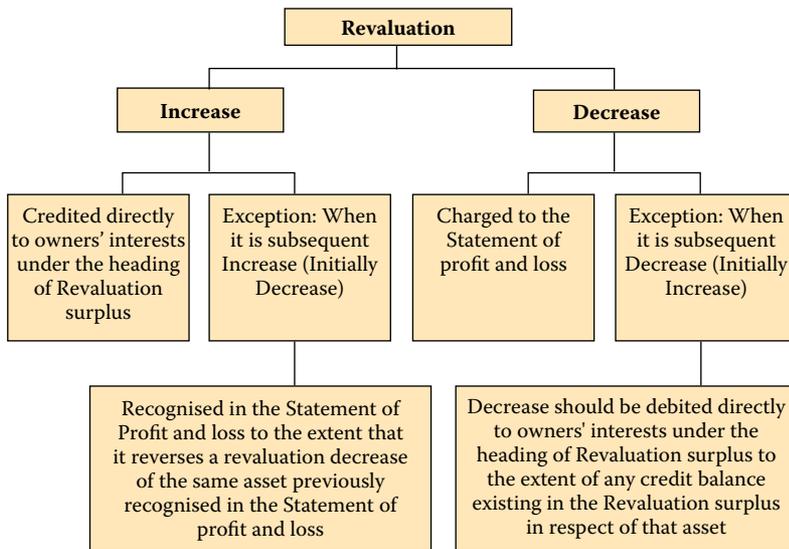
Remaining useful life as per previous estimate = 7 years

Remaining useful life as per revised estimate = 5 years

Depreciation from the fourth year onwards = ₹4,20,000 / 5 = ₹84,000 per annum

## Revaluation of property, plant and equipment

If there is an upward revision in the value of asset for the first time, then the amount of appreciation is debited to Asset Account and credited to Revaluation Reserve Account. If there is downward revision in the value of asset then Profit and Loss Account is debited and Asset Account is credited. If an asset was earlier revalued downward and later on revalued upward then the appreciation to the extent of earlier downfall is credited to profit and loss account. If an asset was earlier revalued upward and then later on it was revalued downward then the downfall to the extent of earlier appreciation is debited to Revaluation Reserve Account. In case the revaluation has a material effect on the amount of depreciation, the same should be disclosed separately in the year in which revaluation is carried out.



### EXAMPLE:

A machine of cost ₹12,00,000 is depreciated straight-line having useful life of 10 years and zero residual value for three years. At the end of third year, the machine was revalued upwards by ₹60,000 the remaining useful life was reassessed at 9 years. In this case,

Depreciation per year charged for three years = ₹12,00,000 / 10 = ₹1,20,000

WDV of the machine at the end of third year = ₹12,00,000 – ₹1,20,000 × 3 = ₹8,40,000.

Depreciable amount after revaluation = ₹8,40,000 + ₹60,000 = ₹9,00,000

Remaining useful life as per previous estimate = 7 years

Remaining useful life as per revised estimate = 9 years

Depreciation for the fourth year onwards = ₹9,00,000 / 9 = ₹1,00,000.

## FINANCE UPDATES

### SEBI rejects MCX, NCDEX demand for cross margin facility on commodity indices

The Securities and Exchange Board of India (SEBI) has rejected Multi Commodity Exchange (MCX) and National Commodity Derivative Exchange (NCDEX) demand for a cross margin facility on commodity indices.

This facility allows traders to hedge their positions at the same margin while taking opposite positions on indices.

<https://www.moneycontrol.com/news/business/sebi-rejects-traders-demands-for-cross-margin-facility-on-commodity-indices-5696921.html>

### SEBI proposes changes in public float norms for companies under insolvency

The SEBI in a discussion paper issued proposed three options for such companies to increase public float at quicker timelines.

<https://www.livemint.com/news/india/sebi-proposes-changes-in-public-float-norms-for-companies-under-insolvency-11597840600149.html>

### Market regulator's new margin norms may give boost to dabba trading

The SEBI new margin norms may spur 'dabba trading' in equities — a parallel market where trades are done based on prices quoted on exchanges but settled in cash off-market.

[https://www.business-standard.com/article/markets/market-regulator-s-new-margin-norms-may-give-boost-to-dabba-trading-120090701150\\_1.html](https://www.business-standard.com/article/markets/market-regulator-s-new-margin-norms-may-give-boost-to-dabba-trading-120090701150_1.html)

### SEBI to roll out system-driven disclosures for promoter group members, designated persons of cos

The SEBI has decided to implement system-driven disclosures for members of promoter group, directors and designated persons of a listed company.

To begin with, the system-driven disclosures will pertain to trading in equity shares and equity derivative instruments -- futures and options -- of the listed company by such entities. <https://economictimes.indiatimes.com/markets/stocks/news/sebi-to-roll-out-system-driven-disclosures-for-promoter-group-members-designated-persons-of-cos/articleshow/78024360.cms?from=mdr>

### TCS becomes the second Indian company to cross Rs 9 trillion m-cap

The Market-Capitalization (M-Cap) of Tata Consultancy Services Ltd. surged past the Rs. 9 trillion-mark for the first time. The Information Technology (IT) giant is the second Indian company, after Reliance Industries (RIL), to achieve the milestone.

[https://www.business-standard.com/article/markets/tcs-market-cap-crosses-rs-9-trillion-as-stock-hits-new-high-120091400203\\_1.html](https://www.business-standard.com/article/markets/tcs-market-cap-crosses-rs-9-trillion-as-stock-hits-new-high-120091400203_1.html)

## ECONOMIC UPDATES

### India ranks 116 in World Bank's human capital index

India has been ranked at the 116th position in the latest edition of the World Bank's annual Human Capital Index that benchmarks key components of human capital across countries.

However, India's score increased to 0.49 from 0.44 in 2018, as per the Human Capital Index report released by the World Bank.

The 2020 Human Capital Index update includes health and education data for 174 countries – covering 98% of the world's population – up to March 2020, providing a pre-pandemic baseline on the health and education of children, with the biggest strides made in low-income countries.

<https://www.livemint.com/news/india/india-ranks-116-in-world-bank-s-human-capital-index-11600331620490.html>

## SUBJECT-WISE CONTACT DETAILS OF BOARD OF STUDIES FACULTY

### FOUNDATION COURSE

Paper No.	Subject	e-mail ID	Phone No.
Paper – 1	Principles and Practices of Accounting	accounting-fdn@icai.in;	0120-3045916
Paper – 2 (Section-A)	Business Laws	law-fdn@icai.in;	0120-3045939
Paper – 2 (Section-B)	Business Correspondence and Reporting	bcr-fdn@icai.in;	0120-3045930
Paper – 3 (Part-I & II)	Business Mathematics and Logical Reasoning & Statistics	bmlrs-fdn@icai.in;	0120-3045949
Paper – 4 (Part-I)	Business Economics	be-fdn@icai.in;	0120-3045911
Paper – 4 (Part-II)	Business and Commercial Knowledge	bck-fdn@icai.in;	0120-3045907

### INTERMEDIATE COURSE

Paper No.	Subject	e-mail ID	Phone No.
Paper – 1	Accounting	accounting-inter@icai.in;	0120-3045916
Paper – 2	Corporate & Other Laws	law-inter@icai.in;	0120-3045939
Paper – 3	Cost and Management Accounting	cma-inter@icai.in;	0120-3045919
Paper – 4 (Section-A)	Taxation Section-A: Income Tax Law	dt-inter@icai.in;	0120-3045913
Paper – 4 (Section-B)	Taxation Section-B: Indirect Taxes	idt-inter@icai.in;	0120-3045906
Paper – 5	Advanced Accounting	accounting-inter@icai.in;	0120-3045916
Paper – 6	Auditing and Assurance	auditing-inter@icai.in;	0120-3045925
Paper – 7 (Section-A)	Information Technology / Enterprise Information System	eis-inter@icai.in;	0120-3045939 0120-3045966
Paper – 7 (Section-B)	Strategic Management	sm-inter@icai.in;	0120-3045907
Paper – 8 (Part-I)	Financial Management	fm-inter@icai.in;	0120-3045919
Paper – 8 (Part-II)	Economics for Finance	eff-inter@icai.in;	0120-3045911

### FINAL COURSE

Paper No.	Subject	e-mail ID	Phone No.
Paper – 1	Financial Reporting	fr-final@icai.in	0120-3045916
Paper – 2	Strategic Financial Management	sfm-final@icai.in	0120-3045956
Paper – 3	Advanced Auditing and Professional Ethics	auditing-final@icai.in;	0120-3045925
Paper – 4	Corporate and Economic Laws	law-final@icai.in;	0120-3045939
Paper – 5	Advanced Management Accounting / Strategic Cost Management and Performance Evaluation	scm-final@icai.in;	0120-3045937
Paper – 6 (Old Course)	Information Systems Control and Audit	isca-final@icai.in;	0120-3045939 0120-3045966
Paper – 6A	Risk Management	rm-final@icai.in;	0120-3045956
Paper – 6B	Financial Services & Capital Markets	fscm-final@icai.in;	--
Paper – 6C	International Taxation	intax-final@icai.in;	0120-3045913
Paper – 6D	Economic Laws	el-final@icai.in;	0120-3045939
Paper – 6E	Global Financial Reporting Standards	gfrs-final@icai.in;	0120-3045916
Paper – 6F	Multidisciplinary Case Study	mdcs-final@icai.in;	0120-3045925
Paper – 7	Direct Tax Laws & International Taxation	dt-final@icai.in;	0120-3045913
Paper – 8	Indirect Tax Laws	idt-final@icai.in;	0120-3045906

## SCHOLARSHIPS FOR CA STUDENTS

Students Skills Enrichment Board, Board of Studies- Operations, ICAI invites applications for the award of Scholarships to the selected candidates to be paid from October 1, 2020 onwards under following categories:

Sr. No	Scholarship Category	No. of Scholarships	Amount (p.m.)	Eligibility Criteria
1.	<b>Merit-cum-Need</b>	As per eligibility criteria	Rs.1500/-	Rank holders (other than covered under Merit category) of Intermediate (IPC)/ Intermediate Course whose parents/guardians total annual income does not exceed <b>Rs.2,50,000/-</b>
2.	<b>Need Based and Weaker Sections</b>	<b>300</b>	Rs.1250/-	Students of Intermediate (IPC)/Intermediate Course, whose parents/guardians total annual income does not exceed <b>Rs. 2,00,000/-</b>
		<b>200</b>	Rs.1250/-	Students of Final Course ( <b>Both Groups of Intermediate passed only</b> ), whose parents/guardians total annual income does not exceed <b>Rs. 2,00,000/-</b>
		As per eligibility criteria	Rs.1250/-	The children undergoing Intermediate (IPC)/Intermediate 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>	4	Rs.1250/-	Students of Intermediate (IPC)/Intermediate/Final from Karnataka State under Need Based & Weaker Sections criteria
4.	<b>R.K. Khanna Memorial Scholarships</b>	2	Rs.1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
5.	<b>J.S. Lodha Memorial Scholarships</b>	2	Rs.1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
6.	<b>J.M. Sethia Charitable Trust Scholarships</b>	2	Rs.1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
7.	<b>BCCO Foundation Scholarships</b>	2	Rs.1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
8.	<b>R. P. Dalal Memorial Scholarship</b>	2	Rs.1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
9.	<b>Out of Joint Corpus formed by Donors</b>	5	Rs.1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria

The detailed guidelines along with the requisite application forms (Form no. 3 & 4) 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 awarding Scholarship:

- Applicants shall be the registered students of Intermediate (IPC)/ Intermediate or Final Course.
- In the case of Intermediate (IPC)/Intermediate 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 Rs. 100/- p.m. shall be paid to SC/ ST/ OBC students, under Need-based and Weaker Section Category on submission of 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.
- Income Certificate (Form No. 4) is to be submitted on the letter head of the Principal under whom the Student is undergoing Articleship (Practical Training) (Part I) / letter head of any member of ICAI in case the Student is not undergoing Articleship (Part-II). The applications without Form No. 4 will not be processed.

Duly completed and signed Application Forms in the prescribed formats as mentioned above should **reach the Chairman, Students Skills Enrichment Board, Board of Studies- Operations**, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, Noida-201309. **Latest by 15th October, 2020.**

In case of any clarification, please contact at Nos.: 0120-3045914; email: [chatur.negi@icai.in](mailto:chatur.negi@icai.in) & [ajay.kumar@icai.in](mailto:ajay.kumar@icai.in)

**Chairman,  
Students Skills Enrichment Board,  
Board of Studies- Operations**



The Institute of Chartered Accountants of India  
Board of Studies

# Your Roadmap to Learning **FREE Virtual** Coaching Classes

Online Learning

Started From  
1st July 2020

Virtual Classes for Students  
of Foundation, Intermediate  
and Final



Target Exams  
Nov. 2020

Join-<http://ecpl.live/icai/bos/vcc/>

## Steps to join

1. Visit the link
2. Choose the level i.e. Foundation\*, Intermediate OR Final
3. Submit the mandatory information:
  - Course
  - Name
  - E-mail
  - Contact Number
4. Submit
5. View the live lecture OR recorded session as desired.

## Timings

### Final Classes

7am to 10am  
&  
6pm to 9pm

### Intermediate Classes

7am to 9.30am  
&  
6pm to 8.30pm

Live/recorded lectures can also be viewed at ICAI YouTube channel.

Link : <http://www.youtube.com/c/icaiorgtube>

## For details

<https://www.icai.org/post/virtual-coaching-classes-commencing-from-1stJuly2020>

\* Virtual Coaching Classes for Foundation Course are over, however, their recordings are available at <http://ecpl.live/icai/bos/vcc> and <http://www.youtube.com/c/icaiorgtube>

## CROSSWORD - OCTOBER 2020

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12				13		14					15		
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48				49									
				50			51		52			53	
			54				55			56			
57						58			59				

24. Excited
26. GATT was replaced by \_\_\_\_\_.
27. Originator
29. Be crazy about
30. Escalates
31. Don't say yes if you want to say \_\_\_\_.
33. Keep your friend close and \_\_\_\_ closer.
35. Currency of Iran.
38. Reset
39. A common abbreviation to let the other party know.
40. \_\_\_\_\_ is a command in Unix and Unix-like operating systems to print the file name of the terminal connected to standard input.
42. A citation-based measure of scientific influence of a publication.
44. Visible
45. Brownnoser
46. A hand-held pointing device that detects two-dimensional motion relative to a surface.
49. Elliptical
51. Self-pride
52. May-day
53. An act of the Parliament of India which sets out the rules and procedures regarding citizens' right to know.
54. A mathematical constant whose value is 3.14.

### ACROSS

1. Lift the corporate ----.
5. The protocol used to transfer data over the web.
9. Computer memory unit
12. Trial and ----.
14. Develop
15. \_\_\_\_ and throw
16. Turn the \_\_\_\_ (s): to change from being in a weaker position in relation to someone else to being in a stronger one.
17. \_\_\_\_ Tse
18. Condition for sale.
19. A reference model that describes how information from a software application in one computer moves through a physical medium to the software application in another computer.
20. A measure of an investment's expected future rate of return.
22. Method used in capital budgeting to compare mutually exclusive projects with unequal lives.
23. \_\_\_\_ replaced FERA.
25. In the direction of
27. The share of a bank's total deposit that is mandated by the Reserve Bank of India to be maintained with the latter in the form of liquid cash.
28. WTO replaced \_\_\_\_.
32. Brief, concise
34. The numbers which are not exactly divided by 2 are called ----numbers.
36. \_\_\_\_ man army.
37. Therefore
39. \_\_\_\_ money is a government-issued currency that isn't backed by a commodity such as gold.
41. An \_\_\_\_ to the ground: a state or mindset of attentiveness.
43. A sum paid to an author for each copy of a book sold.
46. One of the two highest earners of foreign exchange for India and India's largest public sector trading body.
47. The \_\_\_\_ is a curse or legend believed to be cast by a malevolent glare, usually given

- to a person when one is unaware.
48. Founded in 2013 by Ritesh Agarwal, ---- initially referred mainly to budget accommodation.
  50. Electors
  54. Net gain available for the shareholders after paying all the expenses and taxes by the business unit.
  55. \_\_\_\_ is a way to assess whether inventory is being well handled by an organization.
  56. A school-based organization with a mission to make the school a better place for children to learn.
  57. A method of exchanging messages between people using electronic devices.
  58. Opposite of come.
  59. The country with the third-largest number of UNESCO World Heritage Sites, after Italy and China.

### DOWNWARD

1. Refusal of permission
2. Rub -out
3. The principal all-India credit a reconstruction agency for industrial revival, assisting and promoting industrial development and rehabilitating industrial concerns.
4. Internet slang
6. A tea and coffee company headquartered in Mumbai, India.
7. The regulator of the telecommunications sector in India.
8. Indigent
9. Trick, deception
10. French: European:: Indian :
11. Tableland
13. Umpire
21. Smell a \_\_\_\_ : begin to suspect trickery
23. An award granted by the judges of the Royal Society of London to individuals who have made a "substantial contribution to the improvement of natural knowledge, including mathematics, engineering science, and medical science.

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